



Department for Work and Pensions

Report on Child Poverty in the UK

Reply by the Government to the Second Report
of the Work and Pensions Select Committee,
Session 2003-04
[HC 85-1]

*Presented to Parliament by the Secretary of State for Work and Pensions
by Command of Her Majesty
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REPORT ON THE GOVERNMENT'S UK CHILD POVERTY STRATEGY

Introduction

1. The Government welcomes the Second Report of the Work and Pensions Select Committee Session 2003-04 on Child Poverty in the UK which was published on 8 April 2004. Overall the report suggests that the Government's strategy is the correct one, and acknowledges that the target of reducing child poverty by a quarter by 2004-05 is likely to be met. However, the Committee highlights the fact that child poverty is still a major problem and has suggested areas for development and improvement.

2. The Government is determined to tackle poverty, from childhood through to old age, by tackling the causes of poverty and social exclusion, not just the symptoms. These causes are complex and multi-dimensional and can only be addressed by joined-up action across Government and beyond.

3. The key elements of the Government's strategy are to:

- enable poorer income families to increase their incomes and to share in rising national prosperity through participation in the labour market, education and training;
- support the incomes of low income families in and out of work and to promote their financial security and well-being;
- break the cycle of deprivation by ensuring that early years services and schools equip children from poor families with the skills to enable them to benefit from later learning and to prosper as adults;
- ensure that public services deliver high quality outcomes for all families, regardless of circumstances; and
- enhance parental support and opportunity so that they in turn can maximise the help they give their children.

4. Key to the Government's strategy to tackle poverty is raising employment rates. There are now over 1.9 million more people in work than in 1997. The lone parent employment rate has risen from 45.6 per cent in 1997 to 53.4 per cent in 2003 and long-term youth unemployment has been virtually eradicated. Employment rates are up in every region of the UK.

5. The introduction of tax credits is also at the heart of the Government's strategy to tackle child poverty. Child Tax Credit provides a single, seamless system of support for families with children, which together with Child Benefit, is worth £3,030 a year for the first child for the 30 per cent of families with an income of less than £13,480 a year. Some 6 million families are now benefiting from the new tax credits, including families receiving support for their children through Income Support or Jobseeker's Allowance. This means that over 20 million people, including almost 10.4 million children, are benefiting from the new tax credits.

6. From October 2004, the adult rate of the minimum wage, in conjunction with the Working and Child Tax Credits and Child Benefit, will provide a guaranteed minimum income of at least £252 a week for families with one child and one earner in full-time work (35 hours a week).

7. Since 1996-97, the number of children in relative low income has fallen by 600,000 on a before housing costs measure, and by 700,000 on an after housing costs measure, despite strong growth in median incomes. There are 1.8 million fewer children in absolute low income compared to 1996-97, before housing costs and 2.1 million after housing costs.

8. The Government is broadly on track to meet the Public Service Agreement (PSA) target to reduce by a quarter the number of children in low income households between 1998-99 and 2004-05. It is important for credibility that people can see how progress towards this demanding target is progressing, which is why the basis for the measurement was clearly published in the technical note¹.

9. It is also essential that there is a credible set of indicators by which to measure progress towards the Government's broader, longer term goals of halving and eradicating child poverty. The Government published the results and final conclusions to its consultation, *Measuring Child Poverty*², in December 2003. This will help to inform the setting of PSA targets which come into effect for years after 2004-05.

10. The new measure adopts a tiered approach which uses a set of inter-related indicators capturing different aspects of poverty whilst respecting the finding of the consultation that income is at the core of people's perceptions of poverty. Each tier has significance in its own right and the Government's objective is to make progress against all indicators.

11. The new measure will consist of:

- absolute low income – to measure whether the poorest families are seeing their incomes rise in real terms;
- relative low income – to measure whether the poorest families are keeping pace with the growth of incomes as a whole; and
- material deprivation and low income combined – to provide a wider measure of people's living standards.

12. Child poverty will be falling when all three indicators are moving in the right direction. Success in eradicating child poverty could be interpreted as having a material deprivation child poverty rate that approached zero and being amongst the best in Europe on relative low incomes. Future PSA targets based on this measure will be set as part of the Spending Review process.

¹ www.dwp.gov.uk/publications/dss/2001/dwp_psa/psa.asp

² Department for Work and Pensions, 2003, *Measuring Child Poverty*.

13. The Government has achieved a great deal but is very well aware that there is much more work to be done. The Government is continuing to build on the successes so far by:

- taking forward proposals set out in *Every child matters: Next Steps*³ to ensure that every child has the opportunity to fulfil their potential and no child falls through the net. Economic well-being is one of the five outcomes that services should help children and young people to achieve. Proposals focus around supporting families, early intervention, accountability and integration and workforce reform;
- since 1997, supporting the creation of new childcare places for 1.6 million children, meeting its target for 2004 and being on course for its target of places for 2 million children by 2006;
- providing additional funding of £669 million, as announced in the 2004 Budget, for Sure Start by 2007-08 compared with 2004-05, an average annual real growth rate of over 17 per cent; and
- establishing a network of 1,700 Children’s Centres covering all the 20 per cent most disadvantaged areas, providing good quality childcare alongside early education, family and health services, and training and employment advice by 2008. The Centres will build on existing successful initiatives such as Sure Start local programmes, Neighbourhood Nurseries and Early Excellence Centres, and bring high quality integrated early years services to the heart of communities.

Recommendations and Conclusions

(a) The Committee recommends that a comprehensive UK-wide strategy for reducing child poverty is drawn up and published as part of the forthcoming Spending Review. The strategy should consolidate existing child poverty reduction goals and other PSA targets and establish a clear policy framework to be pursued between now and 2010.

1. The Government’s existing strategy for reducing child poverty is described in *Opportunity for all – Fifth Annual Report 2003*⁴. This report also sets out the significant progress that has already been achieved against a range of key indicators. The key elements of the strategy are to make work possible, provide financial support, break cycles of deprivation and improve public services.

³ Department for Education and Skills, 2004, *Every child matters: Next Steps*.

⁴ Department for Work and Pensions, 2003, *Opportunity for all – Fifth Annual Report 2003*, Cm5956. www.dwp.gov.uk/ofa

2. The *UK National Action Plan on Social Inclusion 2003-2005*⁵ has a focus that covers the whole of the UK, drawing on good practice in support of a long-term strategy from the European Union perspective.

3. The Child Poverty Review, announced in Budget 2003, has examined changes needed to advance faster towards the Government's long-term goals to halve and then eradicate child poverty. The Review has involved consultation with local government, the research community and the voluntary and community sector. The results of the review will be reflected in the 2004 Spending Review.

(b) The Committee urges the Government to state exactly which measures it will use to define the eradication of child poverty, and how it will use them. It also recommends that the next PSA target for base year 2004-05 should be derived from the 60% of median income after housing costs measure. Using the median income before housing costs figure would mask the true extent of child poverty.

4. The PSA targets that take the next steps towards the halving and eradication of child poverty will be published as part of successive Spending Reviews. They will be based on the new long-term measure – consisting of three indicators, absolute low income, relative low income, and material deprivation and low income combined – which is discussed in more detail in the Introduction.

5. There is no question of masking the true extent of child poverty. The basis on which the new measure was arrived at is discussed in more detail in response to the next recommendation. But it will involve official direct measurement of material deprivation for the first time. This addresses the issue of low living standards that are due to high housing costs and other unavoidable expenses such as childcare. Figures for median income after housing costs will continue to be measured and published.

(c) The Committee believes that the decision to adopt only the before housing costs measure is mistaken. We believe that the after housing cost statistics remain of huge relevance and should continue to be published.

6. The Government recognises the continuing interest in results for income after housing costs. *Households Below Average Income*⁶, a National Statistics publication, will continue to publish results both for income before housing costs and for income after housing costs. The after housing cost data will continue to be published in *Opportunity for all*.

⁵ Department for Work and Pensions, 2003, *UK National Action Plan on Social Exclusion 2003-2005*. www.dwp.gov.uk/publications/dwp/2003/nap/index.asp

⁶ Department for Work and Pensions, 2003, *Households Below Average Income – An analysis of the income distribution 1994/5 – 2002/03*. www.dwp.gov.uk/asd/hbai/hbai2003/pdf_files

7. *Opportunity for all* contains a large range of different indicators reflecting the multi-dimensional nature of child poverty. In setting the new child poverty measure, the Government had to strike the right balance between clarity and comprehensiveness. A measure with too many components would not achieve clarity and could not credibly be used to hold the Government to account for progress on child poverty.

8. The Government's conclusions on what to include in the new child poverty measure reflect all available evidence and the extensive consultation exercise. The latter found widespread agreement that there was no perfect measure of poverty, that low-income was at the core of poverty, but that it also went wider than this. So, the Government set the new child poverty measure to pick up different aspects of poverty:

- The absolute low income tier will show whether the incomes of the poorest families are rising in real terms.
- The relative low income tier charts the extent to which the poorest children fall short of the average families' living standards. Where children are too far behind, they cannot take a full part in the activities that social inclusion demands. So, to tackle social exclusion, as society grows richer, continuing progress on relative low incomes is essential.
- Including low income thresholds of both 60 per cent and 70 per cent will help incorporate some concern for the depth of poverty.
- International comparisons are important, because the Government aspires that we should be amongst the very best performers in Europe on child poverty – competing with the record of countries such as Sweden and Denmark. A focus on the income before housing costs measures supports this as these are used across other European Union countries. We are also adopting the income equivalisation scale used for European Union comparisons, (which adds to the number of children classed as poor) so we can credibly benchmark our performance internationally.
- Public understanding is important, and direct measurement of material deprivation is important in showing clearly what poverty means, for example, in terms of poor housing and being able to repair or replace consumer durables.
- The material deprivation tier will also capture those families facing particular difficulties due to high housing costs and other costs, such as childcare and travel to work, that can eat into disposable incomes and leave people poor. Because it incorporates a new – higher – relative income line it will count as poor for the first time some children suffering in this way.
- The material deprivation tier will not only give a wider measure of people's living standards, but it will also capture the effects of persistent poverty. Material deprivation and persistent low income are highly correlated as recognised in the Committee's report.

(d) We recommend that the Department seriously considers revising its policy on budget standards with a view to adopting them as a tool for exploring living standards and helping to fix poverty thresholds for the future strategy on child poverty.

9. The Government's policy on budget standards is to consider carefully research produced on budget standards alongside the wealth of other research from the academic community and others when developing the Government's strategy on child poverty.

10. The Government recognises the importance of understanding the impact that low income has on families' living standards, and welcomes all research in this area. For example, deprivation indicators have been added to the Family Resources Survey as part of the new measure of child poverty which will increase understanding of the material living standards associated with different income thresholds.

11. The Government would not want to rely on budget standards as its definition of child poverty, not least because budget standards do not capture the crucial relative aspect of poverty, unless they are somehow adjusted over time – something which would make credible comparisons over time difficult.

(e) We agree that a housing needs indicator should be included within the overall measure of child poverty.

12. The Government recognises that poverty is multi-dimensional, which is why the new long-term measure is underpinned by the comprehensive range of child-specific indicators included in the annual *Opportunity for all* report. These include an indicator which monitors the proportion of children living in non-decent homes.

13. The committee has highlighted that the Government need to ensure it is measuring all aspects of housing, so we will include an additional indicator measuring the number of families with children living in temporary accommodation in this year's *Opportunity for all* report.

(f) The Committee recommends that the national strategy on child poverty develops immediate policy initiatives to assist children in severe and persistent poverty and creates an explicit indicator against which progress can be measured.

14. These are already in place, although the nature of measuring persistent poverty means that it can take longer for the impact of Government policies to be picked up.

15. The Government recognises the importance of ensuring the child poverty strategy tackles all levels of poverty. The policies set out in the Government's anti-poverty strategy in *Opportunity for all*, will help children living in severe and persistent poverty by tackling both the causes and symptoms of poverty.

16. The new child poverty measure, together with the supporting indicators in *Opportunity for all* will clearly show the future progress of Government on both the depth and severity of poverty and persistence. The response to recommendation (c) explains this in detail.

(g) The Committee recommends that the national strategy should earmark new resources to provide for adequate school clothing for all low-income families and that the Government take appropriate action to enable LEAs to provide school clothing grants.

17. The Government does not believe that funding should be specifically earmarked for this purpose, as under current legislation, Local Education Authorities (LEAs) already have discretionary powers to provide school clothing grants. LEAs set their own criteria for eligibility. Any decision on whether to provide grants therefore rests with individual LEAs. It is the Government's view that individual LEAs are best placed to determine the level of need in their area. The Government does not believe that it would be appropriate to legislate to require all LEAs to provide grants.

18. The Department for Education and Skills issued *Guidance for Head teachers, Governors and Parents*⁷ in February 2002. It advises that in setting school uniform policy governing bodies should give high priority to cost considerations. It also states they should be sensitive, for example, to parents who may be in financial difficulties.

(h) The Committee recommends that the national strategy on child poverty should ensure nutritionally balanced school meals are available to all low income families in a stigma-free way.

19. School meals that meet the Government's nutritional standards, set out in regulations, are already available to all low-income families. LEAs or, where the budget for school meals is delegated to them, a school's governing body, have a duty to: provide free school meals to eligible pupils; provide paid for meals to other pupils, where a request for one is made; and ensure that food available at lunchtime meets the requirements of the *Education Nutritional Standards for School Lunches England 2000 Regulations*⁸.

20. The nutritional standards are based on the types and proportions of food from the four main food groups, represented in the Government's *Balance of Good Health*⁹ diagram, that make up a healthy balanced diet. In addition to the standards, the Department for Education and Skills has published detailed complementary guidance for nursery, primary and secondary schools suggesting good practice catering methods aimed at encouraging healthier options¹⁰.

⁷ Department for Education and Skills, 2002, *Guidance for Head teachers, Governors and Parents*.

⁸ The Education (Nutritional Standards for School Lunches) (England) Regulations 2000 Statutory Instrument 2000 No. 1777.

⁹ Department for Education and Skills, 2002, *Balance of Good Health*.

¹⁰ Department for Education and Skills, 2000, *Healthy School Lunches – Guidance for school caterers on implementing the national nutritional standards*.

21. As recommended in research¹¹, which looked at reasons why children failed to take up their free school meal entitlement, the Department for Education and Skills encourages schools that have a cafeteria style system to consider introducing cashless systems such as swipe card systems to help eliminate identification of children taking up their entitlement to free school meals at the tills.

(i) The Committee recommends that the national strategy expands the role of the Social Fund to help tackle severe and persistent child poverty and considers paying child development grants at key stages during the lives of those children in severe and persistent poverty.

22. The Social Fund is an important source of support for people on low incomes. As announced in the 2002 Pre-Budget Report¹², from April 2003, £90 million has been added to the budget of the Discretionary Social Fund over the three years to 2005-06 and the maximum payment for the fixed element of the funeral grant has risen from £600 to £700. Combined with administrative improvements, this investment will enhance the Fund's ability to help those on low incomes manage their finances.

23. The Government is continuing to consider possible reform of the Social Fund, and the role it can play in tackling child poverty. As part of this, the Government will consider ideas for changes to Social Fund grants in the context of other developments in financial support for families with children.

24. By October 2004, families in the poorest fifth of the population will be, on average, £3,000 a year better off in real terms compared to 1997. The Government needs to consider the role of child grants at key stages in the context of other developments in financial support for families with children.

(j) The Committee recommends that the Government ensures that tax credits administration and policies and procedures on overpayments support the objectives of tackling child poverty and making work pay.

25. Tax credits were introduced with the express aims of tackling child poverty, making work pay and supporting families with children and their design is intended to deliver those aims. They have been a success, reaching huge numbers of families even more rapidly than expected. Tax credit awards are based on a family's circumstances and annual income. Awards are adjusted to reflect changes in income - if income increases by up to £2500 from the previous year, no adjustment is made to the current year's award, but if income falls by any amount, families' awards are recalculated.

26. Tax credits awards are adjusted during the year to ensure that families receive their correct entitlement over the year as a whole.

¹¹ Department for Education and Skills, 2001, *Improving the Take Up of Free School Meals*.

¹² Her Majesty's Treasury, 2002, *2002 Pre-Budget Report*.

27. However if families were overpaid because of a mistake by the Inland Revenue and could reasonably have thought their payments were correct, the Revenue will agree not to pursue the debt. The Revenue's code of practice on overpayments also explains the criteria for deciding when not to pursue a debt, or to allow more time to repay, because of hardship.

28. Where overpayments which occurred in 2003-04 are recovered from 2004-05 awards, there are limits on the amount that will be collected from payments, to prevent hardship.

(k) The Committee recommends that the Government attaches a greater degree of priority to developing the role of the Social Fund than it does to the Child Trust Fund between now and 2010.

29. The Government recognises the importance placed on the role of the Social Fund in targeting help on vulnerable families and the Government will continue to look at the scope for further improvement and reform. This does not mean that work on other initiatives such as the Child Trust Fund should decrease. The schemes serve different purposes and aim to address different needs.

30. While the Social Fund provides a system of loans and grants to meet certain needs at certain times, Child Trust Funds are intended to build a stock of assets for the young person to reinvest or use when they reach 18 years of age, giving them added security and opportunity in adulthood. The Government sees both as important and will continue both aspects of its strategy.

(l) The Committee warmly welcomes the additional financial resources allocated in the 2003 PBR to families with children via the child element of Child Tax Credit which, we recognise, should ensure that the 2004-05 target will be met.

31. The Government welcomes the Committee's support for its policy which underlines its commitment to reduce child poverty. The investment in financial support for families combined with continued progress against the Government's employment targets, means that the Government is broadly on course to meet the 2004-05 PSA target. The nature of the target means there are uncertainties either way.

(m) The Committee applauds the innovation and effort that the Department is putting into helping lone parents move into paid work. However we also reiterate the objections made in our Employment Strategy Report to the principle of time-limiting benefits and requiring lone parents to be in paid work as a condition of receiving benefit.

32. The Government welcomes the Committee's recognition of the success of its strategies in helping lone parents gain independence through work.

33. The Government is giving lone parents more choices and more help than ever before to move off welfare and into work, in return for greater responsibility to consider the help that is on offer. The Government introduced compulsory Work Focussed Interviews to ensure that lone parents are aware of the range of help they can get through the New Deal to move into work. This help is flexible and tailored to their individual needs in preparing for and finding a job, but no one is forced into work. The meetings were developed after talking to voluntary organisations for lone parents and taking into account the experience of New Deal personal advisers.

34. The Government continues to build on these policies, and has no plans to introduce time-limited entitlement to benefits or requiring lone parents to be in paid work as a condition of receiving benefits.

(n) We reiterate the recommendation in our Employment For All Report that the Return to Work Credit is welcome but does not need piloting and should be extended nationally as soon as possible. We also recommend that, while undertaking worksearch activities, disabled parents receive free registered childcare in the same way as lone parents; and where a person has found a job through New Deal for Disabled People, we recommend that free childcare is paid for up to one week before they begin work.

35. The Government notes the Committee's comments that the Return to Work Credit is welcome but does not need piloting. However the credit is merely one element of an overall package of measures the Government is testing in Pathways to Work. It is critical to understand the total impact of that package before rolling out some or all of the elements more widely, bearing in mind the multiple obstacles people receiving Incapacity Benefit face when going back to work.

36. The Government recognises that lack of affordable childcare can be a barrier for some disabled parents in undertaking worksearch activity and taking up employment. There is currently no specific childcare funding available within New Deal for Disabled People. However, Job Brokers looking to meet individual customer requirements may offer advice and financial support with childcare needs.

37. In further developing the programme from April 2006, building on what works from the current programme and the Pathways to Work pilots, the Government will assess whether there is a need to formalise this in future contracts.

(o) The Committee recommends that the Chancellor's New Deal for Skills, announced in the Budget, should initially be targeted on those areas with a high proportion of minority ethnic groups. We also recommend that active consideration be given to extending Employment Zones to cover more areas with large minority ethnic communities.

38. New Deal for Skills will be the major driver for taking forward the recommendations of the National Employment Panel report *Welfare to Workforce Development*¹³. It adds to, rather than replaces, the White Paper – *21st Century skills – Realising Our Potential*¹⁴.

39. We know that lack of skills – especially basic skills, including English as a second language - contribute to poor work outcomes and act as a barrier to social inclusion. This is true for both white and ethnic minority populations.

40. Support for ethnic minorities as well as other labour market disadvantaged groups is mainstreamed across all programmes. Officials from Department for Education and Skills and Department for Work and Pensions – who are working with others to establish a New Deal for Skills – will consider this facet together with the overarching ambitions within the Government’s agenda for skills. The publication of *Building On New Deal: Local Solutions Meeting Individual Needs*¹⁵ will offer a flexible menu that can be used to meet the needs of the individual, thus recognising the heterogeneity within the client group as well as society as a whole.

41. The use and effectiveness of Employment Zones is the subject of on-going analysis, the results of which will inform both the extent to which the Employment Zone model is used to assist ethnic minority communities and the wider Government skills and employment strategy.

(p) We recommend that the national strategy on child poverty should aim for continuity of revenue funding for childcare.

42. A key priority of the National Childcare Strategy has been the expansion of childcare across England as there had been a lack of suitable provision in many areas. However, the Government is now developing a strategy which will focus more directly on helping to protect existing good quality childcare stock from closure. As the market strengthens, the Government envisage fewer new places being created as saturation level is approached. The diminishing focus on place creation should allow existing resources in local authorities to be targeted increasingly on helping providers develop stronger business cases and establishing more effective start up processes and sustainability.

43. For the period from 2004-2006, £1.2 billion of funding has been allocated to local authorities to help development and sustain childcare. This includes substantial funding through the Sustainability Grant to support ongoing provision in the most disadvantaged areas and the Delivery Support Fund for other areas.

¹³ National Employment Panel. 2004, *Welfare to Workforce Development*.

¹⁴ Department for Education and Skills, 2003, *21st Century Skills – Realising our Potential*.

¹⁵ Department for Work and Pensions, 2004, *Building on New Deal; Local Solutions Meeting Individual Needs*.

44. The turnover for childcare providers in 2003-2004 was 16.7 per cent of stock with the highest rates for childminders (17.7 per cent - with full day care turnover standing at 11.1 per cent, and out of school at 15 per cent). The Department of Trade and Industry quotes an all industry turnover rate of 10.3 per cent, irrespective of the size of the provision. Given the fact that most childcare providers are small and small firms have an anticipated higher turnover, the 16.7 per cent rate is not out of step with experience in other sectors. The Government anticipates that this turnover figure will reduce as the professionalism and business expertise of child carers, especially childminders, increases.

45. The Government is providing substantial support for childcare costs through the Working Tax Credit - a total of over £700 million in 2003-04, double the amount under Working Families Tax Credit in 2002. This helps 320,000 working families with their childcare costs, in turn making childcare provision more sustainable.

(q) The Committee recommends that the roll out of Children's Centres should be extended to reach beyond the 20% most disadvantaged areas of high deprivation outside the 20% most disadvantaged areas.

46. Through the substantial extra early years funding announced in the 2004 Budget, the Government is committed to creating 1,700 Children's Centres by 2008, a development welcomed by the Committee at paragraph 174 of its report.

47. This network will ensure that Centre services are available to all children aged under 5 in the 20 per cent most disadvantaged wards. The strategy is to target these most needy areas first as this is where services are less extensive and it will make most difference.

48. The Government shares the Committee's wish to see Children's Centres developed outside the most disadvantaged areas and the first 1,700 will be a significant step towards the longer term goal, as resources allow, of establishing a centre for every community across England.

(r) The recent NAO report recommended that more effort be put into recruiting older people into the childcare workforce. The Committee endorses this recommendation.

49. The Government recognises that a diverse childcare workforce enriches children's experiences and provides more awareness of the make up of their local community. That is why the Government is calling on the sector to draw on a wider pool of talent, including older workers.

50. Whilst the core target audience for the national childcare recruitment marketing campaign is women aged 16-40, the advertising has been designed to be inclusive and so also appeal to older workers, men, people with disabilities and people from ethnic minority communities.

51. The 2002-03 *Childcare and Early Years Workforce Survey*¹⁶ showed an encouraging 45 per cent of the childcare and early years' workforce is aged over 40. Targeted advertising at this group has therefore been limited in comparison with other groups. Older women, though, have been targeted through specific creative treatments and media such as radio advertisements on appropriate stations; press advertising in appropriate women's magazines; and the use of a specific case study in the campaign fulfilment booklet.

52. The next phase of the national recruitment campaign is likely to see a shift towards supporting more localised activity. The Government has also given local authorities £14 million to support local recruitment activities for 2004-06 and issued them with guidance on how to spend it most effectively. It is expected that they will undertake more targeted initiatives to attract people into the sector and some are already directing their efforts towards older workers.

(s) The Committee urges the Government to commission research into the factors contributing to stable parenting and life chances and recommends that the national strategy should consider new initiatives to strengthen family ties.

53. There has already been research on this area. A recent publication, *Supporting Parents*¹⁷, brings together findings and reflects evidence from 14 studies funded jointly by the Department of Health and the Department for Education and Skills, which looked at parenting support in a wide variety of circumstances. Topics covered by the studies included parenting under material disadvantage as well as normative circumstances; interventions to help parents whose children had behavioural difficulties; parenting in the context of disability and support for foster carers. A major aim was to seek the views of parents on what they saw as the problem and what sort of help they found effective. There is a wealth of findings which are relevant to different types of family circumstance plus some cross cutting messages. Further targeted studies are being considered.

54. The objectives outlined in *Every child matters: Next Steps*, the Government's proposals following consultation through the Green Paper *Every child matters*¹⁸ - putting parents and carers at the heart of the approach to improving children's lives - form the framework for the Government's future policies. The emerging strategy will outline the Government's offer to provide support to parents through a combination of universal and targeted initiatives, and influence the delivery of support to parents and families by statutory services and the voluntary sector.

¹⁶ Department for Education and Skills, 2004, *The 2002-03 Childcare and Early Years Workforce Survey*.

¹⁷ David Quinton, 2003, *Supporting Parents: Messages from Research*.

¹⁸ Department for Education and Skills, 2003, *Every child matters*, Cm5860.

55. Support to couple relationships is currently provided via the Marriage and Relationship Support Grant of £5 million delivered by the voluntary sector to services such as Relate, Parent Line Plus and Marriage Care. Evaluation of the services that receive such grants is undertaken, and the grant programme is funding Exeter University's evaluation of the financial element of Facilitating Open Couple Communication, Understanding and Study marriage preparation inventories.

56. The Government has already commissioned research from the Policy Research Bureau on what works in parenting support which will review international evidence. Results will be available later in 2004.

57. During 2004-05, the Government will be commissioning an overview of learning from the 100 Family Support Grant projects that have been funded since 1999, so that lessons can be learnt, as well as evaluating the impact of the Parenting Fund¹⁹.

58. The national evaluation of Sure Start Local Programmes is examining how parenting and family life in the early years of life affects children's later life chances; and Sure Start is also funding an evaluation of the Peers Early Education Partnership which helps parents to positively support their children's learning from birth to age 5 years.

(t) We have been concerned at the reports of threats to services such as crèches; drop-ins and even nurseries as a result of pressures on local authority budgets, and recommend that the Sure Start Unit develops a strategy to ensure that increased provision in one sector is not undermined by the loss of services in another.

59. The Government is aware that the numbers of playgroups and crèches have decreased over the last few years. However, rather than a consequence of local authority funding pressures, this trend is largely the result of providers diversifying into early education and full day care which better suits the needs of working parents.

60. Additionally, some other crèches and drop-ins have closed due to reduction in demand, with parents opting to use full day care facilities instead. Sure Start funding has been directed at supporting the extension of this provision to offer four or more hours of care.

¹⁹ The Parenting Fund was first announced in the 2002 Spending Review: £25m over 2003/4-2005/6, to go to voluntary and community sector (VCS) organisations. Much of the early work was carried out by Her Majesty's Treasury, and responsibility passed to the Department for Education and Skills during the Machinery of Government Changes in Summer 2003. A consultation document on the Parenting Fund was published on 25 July 2003, and closed on 3 November 2003. This proposed an innovative approach of using a fund holder (within or closely aligned to the VCS) to deliver the fund. There was not time to appoint a fund holder to award 2003/4 funds; however, the majority (£16.6m) of the Parenting Fund 2004/5-2005/6 will be delivered by a fund holder. The National Family & Parenting Institute have been appointed as prime-contractors and Pricewaterhouse Coopers LLP as sub-contractors.

- (u) **The Committee recommends that the national strategy should study childminding and parental leave systems operating elsewhere in Europe and consider how to improve provision between now and 2010.**

61. The Government introduced a package of new legislation that came into effect from April 2003²⁰ to support parents in balancing their work and childcare responsibilities. This includes enhanced maternity leave and pay as well as new rights to paternity and adoption leave and the new right for parents of children aged under 6, or of disabled children aged under 18, to request a flexible working pattern. Employers have a duty to consider the request in line with a set process.

62. The Government is committed to reviewing the impact of the new legislation for working parents in 2006, after sufficient time has passed for the legislation to bed down. A monitoring strategy is in place, and the Government is engaged with stakeholders to find out how the laws are working.

63. To help shape future policy, the Government is taking forward a programme of work in summer 2004 which includes roundtable discussions in each of the English regions, Scotland and Wales to hear direct from employees and employers how to help individuals meet their family caring and work responsibilities, in ways that suit them both, including international comparisons.

64. Officials from the Department of Trade and Industry have recently taken part, with colleagues from Europe, in a peer review of family friendly employment policies and are contributing to the Organisation for Economic Co-Operation and Development's Family Friendly Policy Review. The Government will take into account lessons which can be learned from Europe and elsewhere.

- (v) **The national strategy on child poverty should re-assert the commitment to retain universal child benefit uprated in future to maintain and enhance its real value as one of the foundations of all future support for children.**

65. The Government supports Child Benefit as the foundation of financial support for children. The Government has not only maintained, but significantly increased its real value. The Government is committed to the aims of supporting families and tackling child poverty underpinned by the principle of progressive universalism with help for all families, but with more help for those who need it most.

²⁰ Department for Trade and Industry Employment Act 2002.

66. Financial support for children through Child Benefit, tax credits and other benefits has increased by £10.4 billion in real terms from its 1997 level, a rise of 72 per cent. Since 1997 the Government has increased Child Benefit for the first child by 25 per cent in real terms, demonstrating its commitment to supporting all families.

67. Tax credits are currently benefiting 6 million families. The success of Child Tax Credit at reaching far more low and moderate-income families than any previous system of income-related financial support has changed the debate about targeted financial support. As the Government considers the best way to deliver support to families and at the same time to progress towards the longer-term goals of halving and eradicating child poverty, it will continue to strike a balance between universal and targeted financial support.

(w) The Committee recommends that the Government undertake further research within the next two years to examine fully the impact of recent and possible future increases in Working Tax Credit and Child Tax Credit on child poverty, severe and persistent child poverty and work incentives.

68. The Government will continue to monitor the impact of Working Tax Credit and Child Tax Credit on child poverty and work incentives. Tax credits administrative data, the Families and Children Survey and the Family Resources Survey will play particularly important roles in this analysis.

(x) The national strategy for child poverty should consider including additional financial support for large families, either through a new large family premium in Child Tax Credit, or additional premia for all children.

69. The Government is concerned about poverty in large families. Consequently *Opportunity for all Fifth Annual Report 2003* explored the greater risks of worklessness, low income and hardship faced by children in large families relative to smaller families. The Government's improvements to financial support for children since 1997 benefit all families. The risk of low-income for children in large families has been decreasing over time and recent reductions in the proportions of children in low-income households up to 2002-03 have been concentrated in larger families. In particular, the increases in the child element of the Child Tax Credit from April 2004 will provide large families with additional financial support.

70. The association of larger family size with factors such as having a child under school age, worklessness and ethnicity suggests that large families also benefit from strategies to improve work incentives, childcare and tackle ethnic minority labour market disadvantage.

(y) The Committee recommends that an immediate rescue plan be mounted to ensure that the Child Support Agency cases are all migrated onto the new system by 30 June 2005, and enforcement actions increased massively by 31 December 2005, with an enforcement system which commands greater confidence amongst parents and the public.

71. The new child support scheme is good for children and will help to ensure that money goes to more children, but the Government has acknowledged that there have been more problems with its implementation than expected. Electronic Data Systems have presented a recovery plan to the Agency. This has already led to system enhancements in January and March 2004. Further enhancements will follow.

72. The Government's priority has to be to provide children with the support they need. It would be wrong to disrupt cases where maintenance is flowing well under the old scheme by attempting to transfer them to a system that is not working adequately. Before bulk migration commences, the Government needs to be satisfied that the arrangements are working well for those clients who are already on the new scheme, and that the IT will support the transfer of the old scheme caseload.

73. As part of a wide-ranging review of enforcement, the Child Support Agency has:

- identified and examined barriers to effective enforcement;
- benchmarked externally; and
- simplified the process for referring cases with debt to specialist teams to take enforcement action.

74. To secure more effective enforcement, the Agency plans to review productivity. This will enable them to determine what level of resources should be deployed on enforcement work. Any increases in staff in this area will need to be balanced against the resources needed for migration and conversion of the old scheme caseload to the new scheme. This is a fundamental step in the implementation of the Child Support Reform Programme.

(z) To help reach the goal of halving child poverty by 2010, the Committee recommends that support for each of the poorest children – measured on the after housing costs basis – soon be increased by £10 per week.

75. In determining the policies to adopt in order to achieve the 2010 goal, the Government needs to consider the relative effectiveness and contribution of different approaches to reducing child poverty over time. The Government will take the representations of the Committee into account. As the Committee acknowledges in its report, it is not yet possible to forecast accurately the full extent of measures that will be needed to achieve the 2010 target.

(aa) The Committee recommends that special measures are needed to bring Northern Ireland into line with household income levels in other parts of the UK and that Northern Ireland should be included in future PSA targets on child poverty in order to promote consistency and to reduce any distortion in the UK figures.

76. The 2002-03 *Households Below Average Income* national and regional data, included in the Committee's report, for the first time covered Northern Ireland. Based on this first year of data child poverty levels in Northern Ireland are similar to levels in Great Britain as a whole, and are lower than many other regions in the UK. The Government, therefore, rejects the recommendation that special measures are required in Northern Ireland, though it accepts that policies which take account of local factors are an important part of the child poverty strategy. Strategies to reduce worklessness and help larger families are likely to be of particular importance in tackling child poverty in Northern Ireland.

77. Details of PSA targets, including geographical coverage will be published as part of Spending Reviews. In setting targets on child poverty, the Government will take account of the Committee's view that Northern Ireland should be included in future PSA targets on child poverty.

(bb) We therefore recommend that the Government review the targeted initiatives that are currently in place and consider whether a universal approach might be more effective in the run-up to the 2010 target.

78. The Government's approach to tackling child poverty applies the principles of progressive universalism, with support for all families, and more help for those who need it most, when they need it most. So, universal child benefit has been increased significantly - up over 25 per cent in real terms since 1997 for the first child - whilst the tax credits are getting more cash to most families, and helping the poorest most of all.

79. The Government has employed a mixture of targeted interventions where there is a particular need, combined with improvements to mainstream services. In the case of Sure Start, a key programme in the child poverty strategy, the Government's vision is that the lessons learned from implementation in the most deprived wards will be mainstreamed in all areas in the longer term.

(cc) The Committee is persuaded that special measures are needed in Inner London to ensure that the 2010 target will be met. The Committee recommends that the Housing Benefit disregard on earned income be substantially increased in Inner London and the proportion of childcare costs covered by the childcare element of Working Tax Credit be increased to 90% in Inner London. We also recommend that Jobcentre Plus be given additional resources to help minority ethnic groups and lone parents in the capital move into work.

80. The Government is aware that the cost of childcare can be very expensive for some families. This is why the Government is providing substantial help to working families through the tax credit system. The childcare element of the Working Tax Credit provides up to 70 per cent of eligible childcare costs of up to £200 a week, or up to £135 a week for families who pay for childcare for one child. The Government is currently

spending over £700 million on the childcare element of the Working Tax Credit. Almost 320,000 families are benefiting by an average of nearly £50 a week. Expenditure on the Family Credit childcare disregard was on a different and smaller scale, worth just £52 million in 1999, with an average payment of just £22 a week, helping only 45,400 people.

81. There are several reasons why the Government does not pay a higher proportion of childcare costs. Increasing the 70 per cent threshold could lead to an increase in the cost of childcare. In addition, it is important that parents retain an incentive to shop around and not to use or reserve more childcare than they actually need. It could also lead to disproportionate transfers to higher income families who tend to incur higher than average childcare costs.

82. The Government appreciates that childcare costs for pre-school children in London can be higher than the national average. However, the childcare element within tax credits is making a real difference to families in London. By April 2004, 33,000 London families were benefiting from the childcare element. On average, London families are receiving more from the childcare element than any other region or country in the UK - £63.66 a week compared to £49.66 a week in the UK as a whole.

83. Working Tax Credit is intended to help parents into work. However, there is also a considerable amount of other help available - for those undertaking training; people on the New Deals; students; and teenage parents (through the Care to Learn scheme) to enable them to improve their position in the labour market.

84. All parents, whether working or non working, have an entitlement to two and a half hours a day of free nursery education for all three and four year olds.

85. Jobcentre Plus activities for increasing ethnic minority labour market participation are focused on areas where a high proportion of the ethnic minority population live and where there are higher than average levels of unemployment. There are 272 wards identified as having high ethnic minority populations and higher than average levels of unemployment and attract additional job entry points through Jobcentre Plus Performance and Resources Agreement target structure. As a result more resources are put into districts covering those wards in order to help them reach more stretching performance targets. Two thirds of those wards are in London.

86. Additionally, funding from the Ethnic Minority Outreach programme and the Ethnic Minority Flexible Fund are available to the Jobcentre Plus Districts covering these wards. This includes all nine London Districts. Of the total funding available from Ethnic Minority Outreach and from Ethnic Minority Flexible Fund, 53 per cent and 40 per cent respectively has been made available to London Districts. London has also been allocated more Specialist Employment Adviser posts (recruited to work with employers to encourage and develop diversity practices) than any other UK city.

87. The Government recognises that the transition from benefit to work can be particularly difficult for lone parents. In the 2003 Budget, the Government announced pilots of an In Work Credit of £40 a week for lone parents who had been on Income Support for a year or more, in 12 locations across the country including four in London. In recognition of the particular problems faced by parents living in London, in the Pre-Budget Report in December 2003, the Government announced that these pilots would be extended across London and to all parents who had been on certain benefits for a year or more, from April 2005 (except for the North East London Jobcentre Plus district, where the Employment, Retention and Advancement project is already testing similar incentives).

88. The Government recognises that the loss of Housing Benefit is a significant barrier to work for many families. Housing Benefit is an income-related benefit and the Government believes that it is right that all income is taken into account when assessing entitlement to the benefit. However as an incentive for people to seek and remain in employment the first portion of a person's net earnings (between £5 and £25 a week depending on their circumstances) is disregarded when assessing entitlement to the benefit. Higher earnings disregards would extend high contribution rates to those people on higher earnings, so taking this action would have mixed effects.

89. For some tenants, up to 95.5 per cent of their eligible childcare costs is met by combined net increases in entitlement to tax credits, Housing Benefit and Council Tax Benefit.

90. There are additional provisions that ensure people receive the full benefit of the 30 hour element and the childcare element that may be payable with Working Tax Credit. From April 2004, the additional 30 hour earnings disregard in Housing Benefit applies to people who work for at least 16 hours a week and who have children. In addition, the maximum child care disregard in Housing Benefit has been increased by over 40 per cent to the level of the maximum amount that can be met through the childcare element of Working Tax Credit.

91. These are national rules and the Government is not persuaded that exceptions should be attempted for Inner London or other geographical areas.

(dd) The Committee recommends that, as part of the policy of mainstreaming child poverty, the Government aim to create coherence and consistency between local funding streams from all government departments which are directed towards children and young people.

92. Eliminating child poverty is one of the Government's central strategic objectives, and realising it will involve large parts of government. The Department for Education and Skills is actively bringing together, under the Children, Young People and Families' Directorate, most of the resources that the Government makes available for children's services. Where it is not possible or desirable to bring all the resources together under this directorate, such as with certain Department for Work and Pensions, Home Office and

Department of Health areas, the Government's aim is to ensure the Departments work closely together, so that there is coherence and consistency between funding streams. One example of this close cross-Governmental working is the annual publication of *Opportunity for all*.

(ee) The Committee recommends that a key feature of the national strategy should include poverty proofing of all departmental policies across Whitehall and the devolved administrations.

93. The Child Poverty Review, announced in Budget 2003, to feed into the 2004 Spending Review, has looked across Government Departments at the current and potential contribution of their policies to the child poverty agenda. This included asking each department to submit evidence to the Treasury. See the response to ff for more detail.

(ff) The Committee recommends that during the course of the next 3 year spending round all departments should monitor the extent to which their central allocations are being used to target child poverty effectively at local level.

94. Activity on reducing poverty is delivered through various mechanisms which often also have other objectives, particularly when part of mainstream, universal programmes. Disaggregating overall expenditure to determine the proportion attributable to reducing child poverty would be complex and costly. It would also be inconsistent with the way that public spending is planned and controlled. In Spending Reviews, departments are set overall spending limits, with PSAs recording the key outcomes to be delivered. However, it is for departments to plan how to achieve their PSA targets within the resources allocated to them. As mentioned above, the Child Poverty Review asked departments to submit evidence of their contribution to tackling child poverty.

95. While information on the input measure of poverty related expenditure is not available, the Government does provide analysis of the impact across the income distribution of taxes, benefits and support in kind through public services.

(gg) The Committee recommends that the Government devotes more analytical and organisational effort to coordinate the most relevant activities necessary for the child poverty goals to be achieved.

96. Significant resources are directed towards achieving the child poverty goals in accordance with the high priority the Government places on tackling child poverty. There is a comprehensive research programme in place, which includes a detailed and large scale annual survey of families with children as well as a strategic analysis programme that utilises this and other key datasets. Individual research projects and analysis will continue to be commissioned.

97. The Government will build on the Child Poverty Review to co-ordinate policies to reduce child poverty across departments. The Minister for Children, Young People and Families will have a particular role to play in making this an explicit strand within the cross-Government programme of Change for Children currently under development.

Conclusion

98. The Government would like to thank the Committee for their Report including their recommendations. This is a useful contribution to an important debate and the Government looks forward to further engagement with the Committee on the issue of child poverty in the UK.



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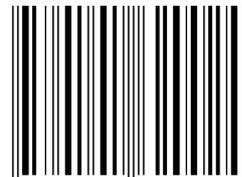
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