

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

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.”¹

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

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.