

# 5. Work First Plus

## Improving skills

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

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

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

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

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

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

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

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



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

### **Recommendation**

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

## Job entry, retention and progression

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

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

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



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

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

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

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

## Job entry

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

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

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

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

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

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

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

## Recommendations

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

## Retention and progression

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

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

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

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

<sup>38</sup> Evans M, Eyre J, Millar J and Sarre S, 2005, *New Deal for Lone Parents second synthesis report of the national evaluation*, Sheffield, Department for Work and Pensions Research Report No. 163.

<sup>39</sup> Ibid.

<sup>40</sup> Including New Deal Plus for Lone Parents, Employment Zones and the Working Neighbourhood Pilots.

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

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

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

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

<sup>41</sup> See [www.mdrc.org](http://www.mdrc.org) for information on the US Employment, Retention and Advancement Project.

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

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

### **Recommendation**

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

## Additional measures for London

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

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

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

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

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

<sup>44</sup> London Child Poverty Commission, 2006, *Monitoring child poverty in London*, Greater London Authority on behalf of the London Child Poverty Commission.

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

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

<sup>47</sup> Derived from the 2001 Census.

<sup>48</sup> Greater London Authority, November 2004, *The State of London's Children Report*, Greater London Authority.

Table 3: Employment rates by family status (2004)

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

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

\*Note: Excludes full-time students.

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

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

<sup>49</sup> HM Treasury, March 2006, *Employment opportunities for all: analysing labour market trends in London*, HMSO.

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

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

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

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

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

<sup>50</sup> There is high mobility among higher income workers but very low mobility among low-income families.

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

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

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

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

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

### **Recommendations**

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