

## Chapter Three

# Supporting families and children

The Government's vision is to ensure every child gets the best start in life and to give parents more choice about how to balance work and family life. Providing more support to families is fundamental to Government objectives to end child poverty, to expand opportunity across generations and to break down the cyclical effects of deprivation. In an ageing society, current generations will depend more heavily on those who follow and so it will be ever more important that all children are given the chance to fulfil their potential. The increased investment in financial support for families combined with continuing progress against the Government's employment targets already means that the Government is on track to meet its target to reduce the number of children in low income households by a quarter by 2004.<sup>18</sup> We now need to go further, if we are to meet our ambitious targets to halve child poverty by 2010, not simply in terms of low income, but also in terms of material deprivation, and eradicate it by 2020.

Our strategy for supporting families and children involves:

- **ensuring financial security**, with work for those who can and support for those who cannot;
- **enabling parents to have greater choice about balancing work and family life**, by extending rights to paid maternity leave and enabling parents of young children to request flexible working; and
- **enabling families to have access to affordable, flexible and high-quality childcare**, through the measures outlined in the Government's ten year strategy for childcare.

Children in lone parent households are at particular risk of poverty. Work is the best route out of poverty for lone parents and their children. Our policies to help and support lone parents into work have already been remarkably successful, helping nearly 300,000 lone parents into work and taking the lone parent employment rate to its highest ever rate. At 55.8 per cent it is now a full ten percentage points higher than in 1997.<sup>19</sup> We intend to build on this achievement by moving towards a more progressive model of active engagement and persuasion for all lone parents on benefit, based on clearer guarantees of advice and support. This Five Year Strategy sets out our intention to pilot **Pathways to Work for Lone Parents**, which will test the effectiveness of an integrated tailored package of support in five areas of the country.

### Introduction

45. Support for families with children is critical to breaking the transmission of disadvantage across generations. Investment in children ensures they lead fulfilling lives in childhood and that they have

the opportunities and capabilities to contribute in positive ways throughout their lives. Providing all parents with better choices about how to balance work and family life extends opportunities, especially for women and creates economic gains by increasing the range of talents employed.

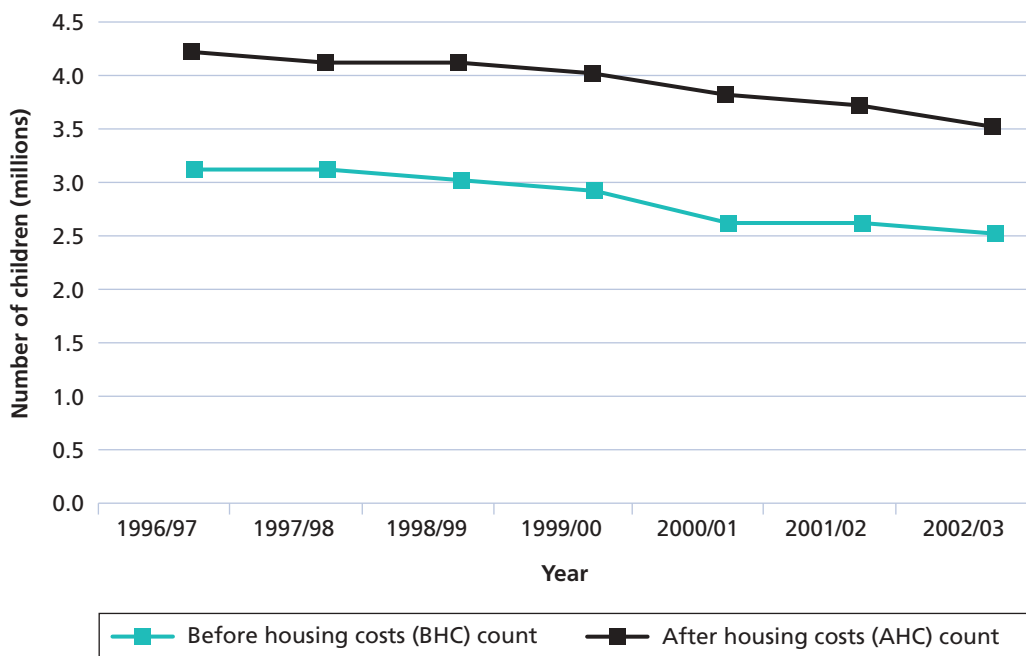
<sup>18</sup> Data to confirm this will become available in spring 2006.

<sup>19</sup> Source: HLFS, autumn quarters.

46. At the heart of our strategy to support families with children is a commitment to halve child poverty by 2010 and eradicate it by 2020. In 1997, 4.3 million children in Great Britain were living in low income households – almost one-third of all children and one of the highest rates in the developed world. Through a combination of financial support for children and success in helping parents into work, the previous trend of increasing levels of child poverty has been arrested

and reversed. We are on track to reach our intermediate goal of a 25 per cent reduction in the number of children living in relative low income by 2004/05. The latest figures for 2002/03 show that we have reduced the number of children living in relative low income by 16 per cent (on an after housing costs measure) since 1998/99.

**Figure 11: Progress on child poverty – number of children living in relative low-income households<sup>20</sup>**



<sup>20</sup> 'Relative poverty' is defined as the proportion of children living in households below 60 per cent of contemporary median income (before and after housing costs); Source: *Households below average income 2002/03*.

## Ensuring financial security

### Work for those who can

**Worklessness is a major cause of poverty in Britain ... The number of children in workless households is already down by a fifth since 1997... but we need to go further. The expansion of childcare helps to make this possible.**

47. Work is the best route out of poverty for families and therefore our policies to achieve employment opportunity for all (outlined in Chapter Two and described in detail for lone parents later in this chapter) will play a crucial role in our strategy to eradicate child poverty. There is strong evidence of a correlation between a child growing up in a workless household, child poverty and adverse future outcomes. The number of children in workless households has fallen by a fifth since 1997 – from 2.1 million to 1.7 million – but we need to go further. Our approach is to make sure that work is possible and that work pays.

### Reformed financial support for families with children: Child Tax Credit

48. The Government has radically reformed the system of financial support for families since 1997, rewarding work and increasing financial support for children through tax credits, Child Benefit and other benefits. This means that by April 2005 families with children will be, on average, £1,300 per year better off in real terms. Those in the poorest fifth of the population will be, on average, £3,000 per year better off.

### Child Trust Fund

49. In January 2005 the Government launched the Child Trust Fund which will provide at least £250 and a savings account for every British child born on or after 1 September 2002. Babies born into families where the household income is less than the Child Tax Credit threshold, currently £13,480, will receive the larger sum of £500.

The Government has also promised a further cash gift when the child reaches seven. The tax-free accounts, first announced in the April 2003 budget, are designed to encourage a culture of saving and to provide a lump sum for every youngster when they reach 18. The Child Trust Fund will be accompanied by financial education that will encourage the young person to understand the benefits of savings and investment and to use these assets to realise opportunities for their future or to reinvest and provide security in the medium- or long-term.

### Indebtedness

50. We know that excessive indebtedness contributes to poverty and are therefore modifying the Social Fund from April 2006 to provide more support for the families most at risk of indebtedness. Abolishing the double debt rule and easing the highest repayment rates will improve access and give the scheme greater transparency, enabling it to play a more effective role in helping families manage their finances.

### Child support reform

51. It is the responsibility of parents to provide care and support to their children. The Child Support Agency helps parents who live apart from their children to meet their responsibilities. Child support maintenance contributes to the reduction of child poverty. The old child support scheme gave insufficient incentives for parents to co-operate as many saw maintenance deducted from their benefits, pound for pound. In the new child support scheme the child maintenance premium enables parents with care on Income Support to keep up to £10 a week of any maintenance paid without a reduction in their benefit. To ensure that work pays, maintenance is entirely disregarded in the calculation of tax credits. So a regular flow of maintenance provides a valuable additional source of income when starting work. Some problems have been encountered, but the money has kept flowing.

### Improving Child Support Agency performance

The past two years have been extremely challenging for the Child Support Agency (CSA). The IT system to deliver the new child support arrangements contained significant faults, and this gave the CSA major problems. The Department recently announced a series of steps aimed at helping the CSA achieve a satisfactory level of service. They include:

- in spite of the Department's overall plans to save 30,000 net posts, the Secretary of State has announced in January 2005 that front-line CSA staffing levels will be protected until the computer system is working effectively;
- a new Chief Executive is to be appointed by the spring to lead the CSA forward;
- further strengthening of the management team combined with extra senior expertise;
- a Secretary of State summit with management and EDS to identify key milestones on the road to full recovery of the CSA system;
- next software release to correct more defects and fully enable the system for migration to be delivered by EDS by June. Delivery plan for correction of remaining defects and fully to enable the system for conversion to be provided by EDS by March;
- an improved management information system to permit the CSA to understand and manage its work flow more effectively; and
- careful consideration of all of the recommendations in the Select Committee's report on the Child Support Agency.

### Enabling parents to have greater choice about balancing work and family life

52. The Government is determined to help families meet the considerable challenge of balancing the demands of work and family life.

Since 1997, we have introduced a package of measures to give parents more flexibility in adjusting their working patterns to suit their families' needs. Parents of children under six have the right to request flexible working from their employer. We will bring forward for discussion proposals to extend the right to request to parents of older children and carers of sick and disabled relatives. In April 2003, the Government increased the period for which new mothers could claim Statutory Maternity Pay and Maternity Allowance from 18 to 26 weeks and substantially increased the levels of support. From April 2007, entitlement will increase further to 39 weeks and the Government's aim is that paid maternity leave should last for one year. Furthermore, the Government intends to change the law so that mothers and fathers can share this entitlement.

53. The UK has a very diverse labour market in terms of the composition of employment. It has a very wide range of types and patterns of employment. Part time work is an important example of this. This wide range of jobs enables many more people to combine work with domestic and other responsibilities and is a reason why the UK has one of the highest employment rates in the world. The Government is currently promoting consideration of these flexible forms of working by employers so that they can keep hold of valuable workers and also give themselves a wider pool of staff from which to recruit.

### Enabling families to have access to affordable, flexible and high-quality childcare

54. An integral part of our strategy is the provision of high-quality childcare places for parents and families. Sure Start programmes aim to ensure the best possible start and future for every child, and enhance parental opportunities, particularly for lone parents, to take up work, training and education. Sure Start is part of the cross-government *Every Child Matters: Change for Children* programme,<sup>21</sup> on which we are working closely with other departments.

21 Further details can be found on the website ([www.everychildmatters.gov.uk](http://www.everychildmatters.gov.uk)).

55. A number of key Sure Start programmes are providing good-quality childcare for young children, alongside, increasingly, a range of other early learning, health and family support. Through the National Childcare Strategy, now part of Sure Start, we have delivered a major expansion of childcare provision, increasing the stock of childcare places to 1.2 million (an increase of 80 per cent since 1997) particularly targeting the most disadvantaged areas. Sure Start supports Children's Information Services in each local authority, so parents know exactly what help is available to them. In addition we have also made free, part-time, early education available for all 3- and 4-year-old children.

56. We will build on this. The Government's Ten Year Childcare Strategy *Choice for Parents, the Best Start for Children*, was published in December 2004, outlining Government plans to deliver universal affordable childcare for 3- to 14-year-olds and a Sure Start Children's Centre for every community, so that early years and childcare services become a permanent, mainstream part of the welfare state. We will:

- provide over 2 million sustainable childcare places for children up to the age of 14, by 2010;
- establish a network of Children's Centres offering early education, childcare and a range of health and family support covering all disadvantaged areas. By 2010, there will be 3,500 centres, so every family has easy access to high-quality integrated services in their community and the benefits of Sure Start can be felt nationwide; and
- extend before and after school provision for primary and secondary school pupils. By 2010, all children up to the age of 14 will have access to childcare and other study support activities from 8am to 6pm, Monday to Friday, throughout the school year.

**By 2010 there will be a Children's Centre in every community.**

## Support lone parents into work

57. Helping lone parents return to the labour market is the most effective way to ensure their social inclusion and the best route out of poverty for themselves and their children. The best way to meet our radical target to halve child poverty on three separate measures by 2010 would involve helping many more lone parents into work – reaching a lone parent employment rate of 70 per cent would lift around 300,000 children out of poverty.

58. Most lone parents want to have the opportunity to combine paid work with the vital job of being a parent. Undeniably, they face a lot of barriers along the way. Compared to mothers in couples, lone parents are twice as likely to report health problems; they also have lower levels of academic qualification and face more significant problems securing affordable appropriate childcare.<sup>22</sup> Helping lone parents address these barriers and return to work gives their children the best start in life and provides the lone parent with confidence and a career once their child leaves home.

59. By investing in childcare, the New Deal, tax credits and Work-Focused Interviews we've successfully helped a large number of lone parents to move from welfare to work, reducing the number of lone parents claiming Income Support by over 200,000 since 1997. Over the same period, the lone parent employment rate has risen by a full ten percentage points to stand at its highest ever rate – and there are now nearly 1 million lone parents in work.

60. Independent research and evaluation evidence has confirmed the significant contribution our policies have made to these successes. The New Deal for Lone Parents has been particularly successful, helping nearly 300,000 lone parents into work. New Deal for Lone Parents clearly improves the employment chances of those lone parents who participate and as a result delivers a net saving to the taxpayer of over £40 million per year and a net economic gain to society of £115 million per year.<sup>23</sup>

22 Barnes et al, *Families and Children in Britain: Findings from the 2002 Families and Children Study (FACS)*, DWP Research Report 206, March 2004.

23 Evans, M., Eyre, J., Millar, J. and Sarre, S., *New Deal for Lone Parents: Second Synthesis Report of the National Evaluation*, DWP Research Report W163, June 2003.

### Julie Morrison's story

When a friend recommended that Julie join New Deal for Lone Parents in 2000, she had been out of work and receiving Income Support for four years. Julie wanted to work as a dog trainer but had no idea where to start. Julie's personal adviser, Terry White, found training for her in canine psychology. Julie successfully completed two courses. Terry then suggested Julie should take a Business Access course, which has helped Julie, step by step, through the process of setting up her own business. She now has a thriving enterprise – she even has to turn people away!

Julie enjoys her work and she feels much more positive and confident. She is much better off financially and has money to spend on her son for the first time. He helps out with the business from time to time, learning about work and earning a bit of extra pocket money.



*Barbara Duffner, New Deal Task Force Scotland, presenting Julie Morrison with the New Deal Award for Lone Parents*

61. But we know that we need to do more if we are to meet our child poverty goals. International evidence suggests that countries with high lone parent employment rates offer a balanced package of rights and responsibilities, combining good and affordable childcare availability with a work focus and strong financial incentives. This is exactly what we have been building in Britain and we are now running a series of pilots to test out the next stages of our strategy, which build on the success of New Deal for Lone Parents and Work-Focused Interviews.

### Encouraging work search – the Work Search Premium

62. To help more lone parents make the transition from benefits to work we are piloting a Work Search Premium in eight areas across the country. Work Search Premium is a financial incentive designed to encourage people to search for work. It is a payment of £20 per week, paid on top of normal benefit entitlements, to lone parents who have been on Income Support for more than one year, and who voluntarily choose to search actively for a job. Participants undertake intensive work search linked to an action plan agreed with their personal adviser. Lone parents taking part in the pilots are also entitled to help with the cost of formal childcare while undertaking work search activities.

### Making work pay – the In Work Credit

63. Making the first crucial steps into work can be difficult, especially for lone parents who have been on benefit for some time. So we are testing the effectiveness of an In Work Credit to aid the transition into work. To be eligible, lone parents need to have been on Income Support or income-based Jobseeker's Allowance at least a year, and to enter work of at least 16 hours a week. It is paid for 12 months, at £40 a week – on top of all tax credits and other benefits.

64. Jobcentre Plus is already piloting the In Work Credit in 12 areas across the country, often alongside the Work Search Premium, and, from April 2005, the In Work Credit will be available across London.<sup>24</sup> The In Work Credit will be further extended to six districts, all in the South East region, where high living costs are also a problem, from October 2005. These are:

<sup>24</sup> The pilot does not cover the North-East London Jobcentre Plus district, where the Employment Retention and Advancement Project is testing similar incentives.

- Surrey and Sussex;
- Essex;
- Kent;
- Berkshire, Buckinghamshire and Oxfordshire;
- Bedfordshire and Hertfordshire; and
- Hampshire and the Isle of Wight.

65. In developing the In Work Credit, the Department will gather evidence about the proportion of lone parents taking up the credit, and the impact in terms of supporting more lone parents to move off benefit and into work. But there is already strong evidence, from the evaluation of New Deal for Lone Parents, that nearly all lone parents would be more positive about considering work if they could expect gains of at least £40 per week.

#### **Next steps – An integrated package**

66. Piloting all of this as an integrated package from 2005 is our next step – in the five pilot areas, we will bring New Deal for Lone Parents, Extended School Childcare and In Work Credit/Work Search Premium together and give our advisers the tools they need to make a clearer, stronger and more comprehensive offer of help and support to lone parents than ever before, based around:

- a guarantee about a clear gain from work;
- a guarantee about childcare support;
- a guarantee of the ongoing help of professional well-trained and properly supported advisers; and
- a responsibility to engage more intensively with our employment advisers.

67. Piloting the full range of measures in an integrated, marketable package – *Pathways to Work for Lone Parents* – will allow us to move towards a more progressive model of active engagement and persuasion for all lone parents on benefit, based on clearer guarantees of advice and support. We want to test whether giving lone

parents more information and encouragement leads to even more choosing to take up the offer to participate in the New Deal.

#### **Next steps – Piloting increased work-related activity for parents with older children**

68. The expansion of childcare (to make work possible) plus tax credits and the In Work Credit (to make work pay), all give lone parents new rights, while the introduction of mandatory Work-Focused Interviews has ensured lone parents find out about the job opportunities available to them. From October, we will require all lone parents to agree an Action Plan with their personal adviser, as an integral part of the Work-Focused Interview process.

69. Our strategy has been – and will continue to be – based on an incremental, evidence-based approach, piloting wherever possible. We believe it is essential to continue in this manner, ensuring that our approach is fully tailored to the specific needs of the lone parent group. That is why we think it would be wrong simply to move lone parents from Income Support onto the Jobseeker's Allowance regime: an unrestricted requirement to search for work is inappropriate, given the complex and difficult circumstances many lone parents face. We think such an approach would be expensive, unfair and ineffectual. Experience in New Zealand (see box) underlines this view.

70. But those lone parents with older children who are at secondary school are less likely to have significant childcare constraints, especially when the extra support outlined above is in place. We therefore believe that it is reasonable to ask them to engage in some work-related activity, agreed with their personal adviser and tailored to their individual circumstances, in preparation for returning to work. To give a clear financial incentive, we will pilot the automatic payment of a £20 activity premium to this group of lone parents, on top of their weekly Income Support. The payment will be conditional on undertaking the agreed activity. No one will be worse off but we will be able to test a new way of encouraging lone parents to take steps back to work.

## New Zealand

New Zealand mandated full work search for lone parents on benefit with school age children (which in a UK context would be equivalent to putting them onto Jobseeker's Allowance), without making available adequate support and childcare so that such a work test would be effective. The approach was viewed as unsuccessful, having only a small effect on movements off benefit, and often not raising the incomes of those who moved into work. It was scrapped by the new Labour Government in 2002. In hindsight, it is clear that the benefit system and childcare infrastructure did not develop to support the welfare to work aims.

The New Zealand experience highlights how work tests can be counterproductive if they operate within an environment not likely to facilitate improved outcomes. In 2002, the crude work test was replaced by an Enhanced Case Management approach as part of a wider set of policy reforms. Under this approach, case managers take a more holistic and comprehensive approach to client assessment and support, with the aim of supporting lone parents into sustainable paid employment as their individual circumstances and parental responsibilities allow. Clients participate in a Personal Development and Employment Plan process, which identifies client-driven goals and action steps to achieving these.

Sanctions apply if, without a good and sufficient reason, clients do not participate in the Personal Development and Employment Plan process and demonstrate (on an annual basis) commitment to achieving goals/activities in their Personal Development and Employment Plan. In practice the sanctions are invoked in far less than 1 per cent of cases, as the overwhelming majority of lone parents fulfil the tailored actions agreed in their plan. The scheme allows for regular reviews of the client's circumstances to take place, with automatic prompts linked to the plan built into the computer system to ensure appropriate and frequent follow up. Early evidence suggests that this approach is having a positive impact – the proportion of lone parents leaving benefit for work has increased from 19 per cent in March 1997 to 36 per cent in March 2004.

New Zealand's experience shows how important it is to tailor lone parent conditionality to the particular circumstances of the group, and further, that it is important to introduce it in the right circumstances.

