

# 6. Extending the reach

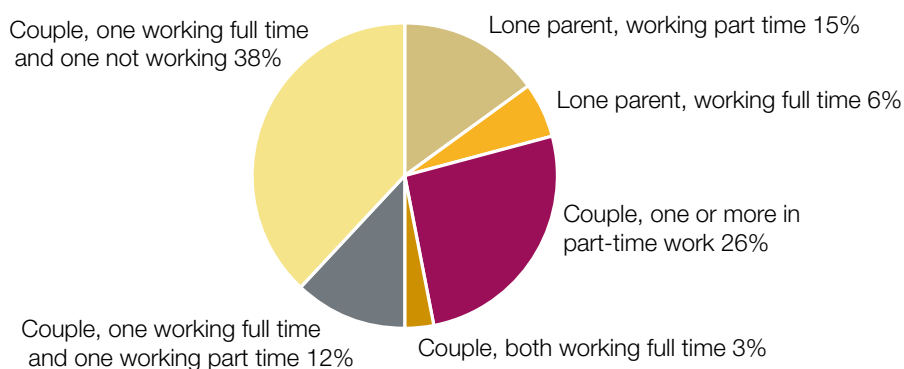
## Supporting the in-work poor

Nearly half (48 per cent) of children in poverty now live in families where there is someone in work. It will be necessary to significantly reduce levels of poverty among this group in order to reach both the 2010 and 2020 targets.

This will be challenging, given that these are families with whom the Department for Work and Pensions programmes currently have no contact. It also underlines the need to try and reduce the number of parents leaving welfare for work that does not provide a route out of poverty.

In-work poverty is primarily a problem that affects couple families. Just 7 per cent of children in poverty are living with a lone parent in work. The vast majority of potential second earners where the sole earner works full time are women (90 per cent). But in households relying on a sole part-time earner, the potential second earner is more likely to be male (76 per cent).

Chart 3: In-work poor households with children by working patterns and household type



Source: Chung R et al, 2006, *Family Resources Survey 2004/05*, Office for National Statistics.

Note: Excludes the self-employed.

## Table 4: Causes and solutions to in-work poverty

Low pay	<p>Requires measures to improve wage levels – via the minimum wage,* sector pay agreements or a voluntary approach.</p> <p>Better support for parents to advance in work, so that low-paid workers do not remain trapped on low pay.</p> <p>Working Tax Credit is not sufficient to lift some in-work couple families out of poverty – more help is required via the tax credits system.</p>
Families relying on one earner	<p>There is a financial disincentive for some second earners to enter work.**</p> <p>Second earners need help with preparing for and moving into work.</p>
Single/dual earners not working enough hours	<p>Single/dual earners need support to increase their hours and/or progress in work.</p>

Notes:

\* Increases in the minimum wage tend not to have a significant impact on child poverty because they result in a fall in tax credit income and are not targeted at families with children.

\*\* The income disregard was increased ten-fold from £2,500 to £25,000 from April 2006, which enables couples to keep their tax credit entitlement until the end of the tax year unless the household income rises by more than £25,000 – greatly improving the incentive to work (at least up to the end of the tax year). However, awareness about this entitlement does not appear to be high, and HM Revenue and Customs and Jobcentre Plus need to do more to promote it.

Any programme of support for in-work poor families would need to take account of circumstances and motivations of those living in working poor households. We know that potential second earners in poor families face significant barriers to work – a high proportion do not have recent experience of work, many cite caring responsibilities as the reason that they are not seeking work and one in four has a long-term health problem or disability.<sup>54</sup> In-work poverty levels are also considerably higher among ethnic minority families (see page 28). While some aspects of the existing support designed for other jobseekers may be effective for this group, it is very unlikely that a one-size-fits-all solution would produce significant results. For individual families, the support required would depend on a variety of factors including childcare needs, existing skill levels and opportunities for progression. Advice and support would need to take a ‘family focus’, along the lines described on page 17, in order to maximise the chances of families escaping poverty.

<sup>54</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.

A package of support for in-work poor families might include:

- access to support outlined in the New Deal for Parents (see page 17);
- a Work-Related Activity Premium for second earners with children (although this would have to be delivered via the Working Tax Credit as very few will be on Income Support) – see page 55;
- enhanced in-work support and improved work incentives – changes to the Working Tax Credit or extending eligibility for the In-Work Credit to second earners with children; and
- support aimed at single earners to help them progress in work through career advice and help with gaining appropriate skills.

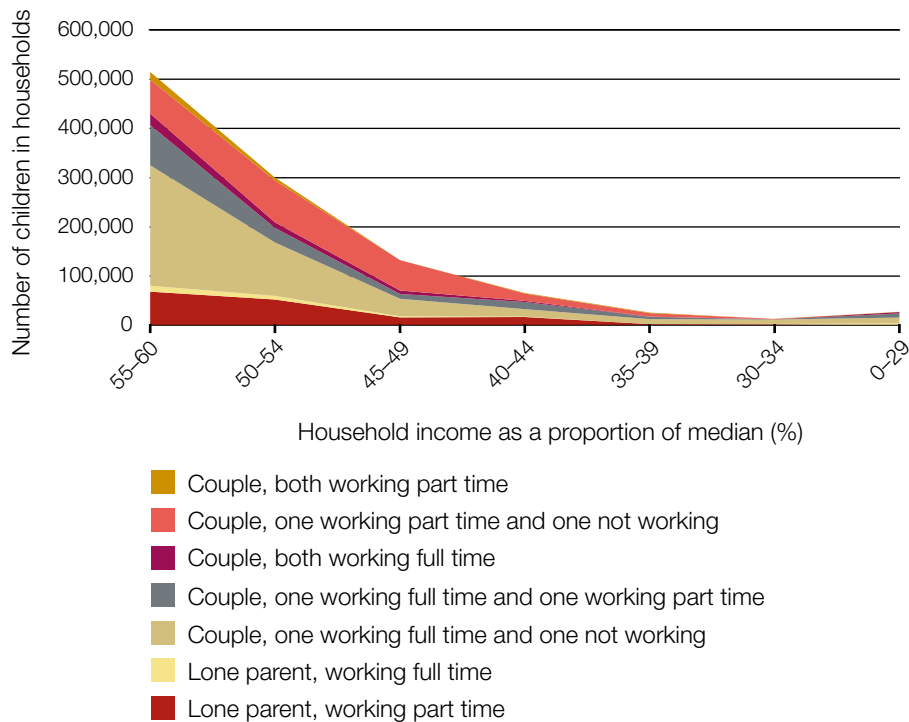
In addition, it will be necessary to use different channels to provide support to in-work families. Such families are unlikely to be in contact with Jobcentre Plus and there is no reason to compel them to be. Voluntary sector organisations may offer a more appropriate environment in which to broker support for families. Proactive information about the kind of support families could access will need to be directed at a wide group of families, with targeted support directed at those likely to benefit most – one option would be to target help at families in receipt of the higher rate tax credit. Recent research published by the Department for Work and Pensions has identified various ways of delivering outreach support;<sup>55</sup> it may well be more effective to contact potential second earners via the school gates or doctor's surgery than sending them an invitation to pay a visit to Jobcentre Plus.

The Government will be wary of promoting dual earning as the only route out of poverty but rather want to acknowledge the need for families to choose the working pattern that best suits their circumstances. Nevertheless, there does appear to be a clear demand for help with entering work – around one in five workless partners in single-earner couples in poverty are looking for work and half intend to look for work in the future.<sup>56</sup> And significant gains could be made, given that a large proportion of the 670,000 children living in working poor couple families live in households relatively close to the poverty line.

<sup>55</sup> Dewson S, Davis S and Casebourne J, 2006, *Maximising the role of outreach in client engagement*, Department for Work and Pensions Research Report No. 326.

<sup>56</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.

## Graph 6: Distribution of children living in poor working families by income



Source: Chung R et al, 2006, *Family Resources Survey 2004/05*, Office for National Statistics.

If more potential second earners were to move into work, it would have a considerable impact on child poverty. For example, if 20 per cent of single-earner poor families were to become dual-earner families, around 80,000 children could be lifted out of poverty.<sup>57</sup> This would represent an increase in the number of dual-earner couple households of just 2 per cent, but it would nevertheless be a significant change, requiring more than double the reduction in single-earner households that has occurred since 1997 and for all of those single-earner households to become dual-earner households.

### Recommendation

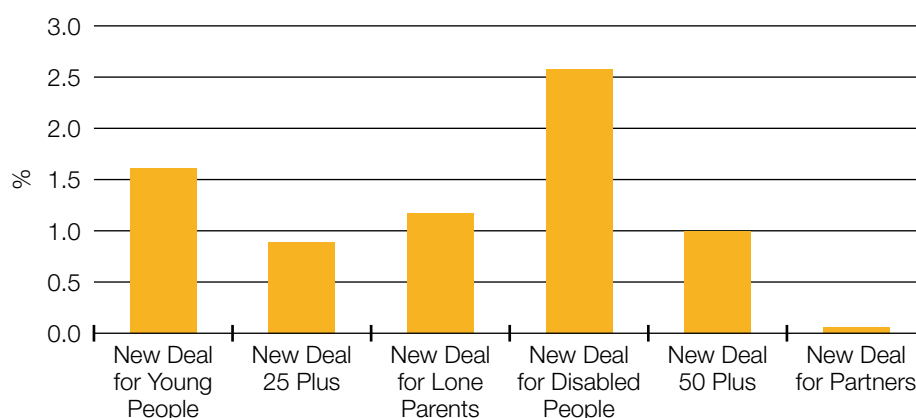
**24. That the Department for Work and Pensions establishes a pilot to test the most effective ways of providing support to working poor families.**

<sup>57</sup> This is a tentative estimate based on a range of assumptions about the likely work and earnings patterns of this group.

## Reaching parents via Children's Centres

A small minority of parents who are not in employment currently participate in Welfare to Work programmes – 1 to 2 per cent at most. This is partly because eligibility for the programmes is restricted<sup>58</sup> but also because programmes such as the New Deal for Lone Parents, the New Deal for Disabled People and the New Deal for Partners are voluntary programmes.

Graph 7: Proportion of all working-age benefit recipients on New Deal programmes



Source: DWP Work and Pensions Longitudinal Study, February 2006

If parental employment rates are to continue to rise, Welfare to Work support needs to reach parents who are currently not engaging with Jobcentre Plus services. The development of Children's Centres offers an opportunity to provide information, advice and guidance to many parents who might otherwise have not engaged with Welfare to Work programmes.

The 2006 Childcare Act places a legal duty on Jobcentre Plus to work with local authorities towards securing integrated early childhood services. The number of Children's Centres is set to increase rapidly. At September 2006, there were over 1,000 Children's Centres, 2,500 are planned to be open by 2008 and 3,500 by 2010.

At present, joint working with Jobcentre Plus and Sure Start at a local level is on a piecemeal basis. There is currently no official policy or strategy around how Jobcentre Plus can meet its commitments under the Childcare Act. No formal funding stream has been allocated for joint working (where joint working is happening, it appears to be being funded through Jobcentre Plus and Sure Start marketing budgets based on decisions made locally by managers).

<sup>58</sup> For example, 18 to 24-year-olds have to be claiming Jobseeker's Allowance for six months before they are eligible to join the New Deal for Young People, and the New Deal 25 Plus is only open to those claiming Jobseeker's Allowance for at least two years.

The need for Jobcentre Plus to concentrate on 'core business', driven by the challenging targets they have been set, is undermining efforts to develop links with Children's Centres. The number of childcare partnership managers has been reduced in line with the restructuring of Jobcentre Plus district boundaries. Each childcare partnership manager is now responsible for an average of 15 Children's Centres but, by 2008, this will have increased to 42 and by 2010 each manager will be responsible for 58 Children's Centres. As the number of Children's Centres increases, childcare partnership managers will need to play more of a strategic role, managing others who have day-to-day contact with Children's Centres.

Within current resources, it is not possible to have a permanent Jobcentre Plus adviser in every Children's Centre. Nor would it necessarily be desirable. While Children's Centres need to have ready access to information and advice for parents and have a dedicated person who can develop this work, it may be more effective for non-Jobcentre Plus staff to support and encourage parents to engage with Jobcentre Plus services. This kind of 'on your side' brokering role, undertaken by a parent who has successfully moved into employment, is already evident in some Children's Centres. The challenge is to ensure that it is universally available.

### **Recommendation**

**25. Every Children's Centre to have, as a minimum: a 'warm' phone,<sup>59</sup> leaflets, job noticeboards, desk space, IT access, a designated employment adviser and a Job Point.**

<sup>59</sup> This is a phone that puts callers straight through to a Jobcentre Plus contact centre.