

Can work eradicate child poverty?

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This report examines the extent to which work can contribute to the eradication of child poverty, and identifies a number of issues that necessarily arise if work is seen as the best route out of poverty.

The government has repeatedly stated that work is the best route out of poverty. This implies that work is not the only route, but is the preferred or main route in tackling child poverty. This report examines the extent to which there is underemployment among parents and a desire to work among parents who are not currently working. It examines patterns of work and worklessness among parents and flows between work and workless states for parents, both using survey data and lone-parent benefit claims.

The report:

- identifies the constraints and barriers to parents working;
- looks at family work patterns and their impact on child poverty;
- identifies the trends and patterns in parents moving into and out of work, and looks at alternative scenarios; and
- examines the contribution of welfare-to-work, and the likely effects of current plans.

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Background

The government has repeatedly stated that work is the best route out of poverty. This implies that work is not the only route, but is the preferred or main route in tackling child poverty. This report therefore examines the extent to which work can contribute to the eradication of child poverty, and identifies a number of issues that necessarily arise if work is seen as the best route out of poverty. We examine the extent to which there is under-employment among parents and the desire to work among parents not currently working. We examine patterns of work and worklessness among parents and flows between work and workless states, using survey data and lone parent benefit claims.

Key findings

If work is the key factor in eradicating child poverty, virtually all parents would have to work at least part time. This includes parents of pre-school children.

The patterns of working among mothers are very strongly linked to qualifications and hence the ability to command higher earnings. Over 80% of both highly-qualified couple and lone mothers are working, falling to 69% (couple mothers) and 55% (lone mothers) at qualifications equivalent to NVQ Level 2, and 34% (couple mothers) or 27% (lone mothers) for those without qualifications.

The major difference between employment rates for lone mothers and couple mothers is that couple mothers are much more likely to undertake 'mini-jobs' of less than 16 hours. Lone mothers are dissuaded by the limited disregards in the benefit system from undertaking these jobs. Employment rates for lone and couple mothers differ little when only jobs of 16 hours or more are considered, for particular qualification levels.

Nearly three out of four of those looking for part-time work are workless parents. The majority of parents who are looking for work are looking for part-time work. It is clear that the supply side of the part-time labour market is driven by the needs

of parents to combine work with caring for their children. Four out of five of those who are looking for part-time work but are not available to start are parents.

The unemployment rate for those looking for part-time work is 7.2% compared with 4.6% for those looking for full-time work. The 2.6 percentage points higher unemployment rate translates into a nearly 60% higher risk of unemployment for those wanting part-time work.

For parents who are working part time, there is a clear demand for increased hours.

The increasing proportion of lone parents in work is the product of a large number of moves between the working and workless states. There is a pronounced seasonal pattern in the moves out of work, with the July–September quarter seeing rises in exits from work. This pattern is also found in lone parent benefit claims, varying to some extent with the age of the youngest child. This rise in exits is likely to be a school holiday effect where parents cannot maintain work due to lack of affordable school holiday care for their children. Similar patterns are evident, but to a lesser extent, for couple mothers. While there is evidence of countervailing entry to work patterns in the following quarter, interrupted work will impact on child poverty considered over the year. It is likely that there are related patterns for the shorter school holidays, but our quarterly data cannot identify such effects.

There is evidence for net flows away from work for couple parents. In order for work to form the main method of ending child poverty, these patterns would need to be reversed. However, the net flows away from work may relate to the study period including expanding parental leave rights and the right to request part-time working.

The scenario analysis shows that if the employment rates for all lone and couple parents were similar to those currently evidenced for couple mothers with degrees or NVQ Level 4+ equivalent qualifications (82%), then child poverty would fall

by 23% or 870,000, as shown on page 22, with the greatest fall being in lone-parent families.

What is new in these findings?

While government has commented on the difference between the employment rates of lone and couple mothers, they do not seem to have been aware that the majority of the difference is accounted for by mini-jobs, which the benefits system discourages. The analysis of work patterns by qualification of the mother does not seem to have been identified in this way. While it is understood that lone parents on benefit have a lower qualification profile than all mothers, the parallelism between work patterns given qualification levels seems to be new. We have not previously seen a quantitative analysis of parental under-employment or of the proportion of the total demand for part-time work that is by parents. The identification of higher unemployment rates for time-constrained people seeking part-time work is new. We have not previously seen longitudinal analysis of moves into and out of work used to identify trends and time series patterns for parents. What is not new, however, is the importance placed on work exits by lone parents and the role played by childcare needs in job exits. Where this analysis differs is the link made between the seasonal pattern of job exits and the rigidity of the school year (and lack of school holiday child provision).

Ways forward

Work cannot feasibly be the only method of eradicating child poverty, even if the childcare sector was so expanded as to enable employment rates among all parents in excess of 80%. This would require parents to work including those with very young children where some evidence indicates that child progress may be better where a parent is caring for the child.

The government should universally support parents should to live above the poverty level when their children are under the age of five. Over this age, we see a need to incentivise the use of high-quality childcare, enabling work. Parents should be better off in work after childcare and travel costs, but a government which supports the choice not

to work at this time should not leave children in poverty as a result.

For parents whose youngest child is over five, the government should do more to enable parents who choose to work to do so. We do not believe there are sufficient cultural differences between parents by education level or indeed social class to suggest that the patterns of work represent unconstrained choice. The constraints of availability and affordability of childcare through extended school and holiday club activities to youth service provision should be removed to enable parents to exercise choice freely. This requires a greater provision of childcare and activities, either free or at a level of fee that is affordable by parents earning the National Minimum Wage with any Tax Credit support.

After the youngest child is five the guarantee would end and financial support for households would revert to current (and planned) arrangements for Child Tax Credit and benefits. A guarantee of sufficient quality-assured available and affordable provision for children to be cared for, educated, fed and entertained when parents are at work must be provided.

Where parents or children have a disability, and care needs are such that work possibilities are limited, then the government should support the family clear of the poverty level once the additional costs of disability are recognised, while the children are under 18.

While there are now more rights for parents to request flexibility in combining work and caring for children, the rigid school timetables constrain both parents and employers. The education world should be a full partner in enabling child development, economic well-being of the family (principally, work) and care for children. In the short term, expansion of affordable school holiday schemes is required to enable parents to maintain work over holidays. In the longer term, more personalised learning patterns may enable different time and calendar patterns of learning.

Conclusion

Work cannot be the only way to eradicate child poverty. The scale of work that would be required, at current risks of child poverty for different forms of

work and family types, which embody benefits and earnings levels, would require virtually all parents to work, even those with the youngest children. On social and child development grounds, we think there are limits to the amount of work that society or government should expect of parents. On child development grounds, we think an increase in high-quality childcare, particularly for disadvantaged families, is warranted. This would, in turn, enable work. However, an emphasis on work as the primary aim could be misinterpreted, and could lead to the use of less effective family and neighbour childcare.

Our evidence is, however, that there is a large amount of unmet, or partially unmet, desire to work by parents. There is further evidence that the ability to command earnings levels that is reflected in qualifications is a major driver of worklessness among parents. The availability of affordable childcare would enable many of these parents to work to similar patterns as those who currently are freer to choose (even if the choices of living standards made by graduate parents may require spending patterns that seem to then require high levels of work).

We are suggesting that more should be done for parents with children under five and there should be a financial guarantee by government to bring all families up to the poverty line until the youngest child is aged five. After this age government should be doing more to support parents to find and retain work, and this will involve a continued expansion of high-quality and affordable childcare.

Introduction

Progress towards the eradication of child poverty will involve a number of different changes. These include changes in benefits and Tax Credit rates, but also include increasing rewarding employment among parents. The impacts of changing levels of employment, and related issues, form the subject of this report. This in turn involves a consideration of the constraints and choices parents make in entering, and maintaining, work.

The government has repeatedly stated that work is the best route out of poverty. This implies that work is not the only route, but is the preferred or main route in tackling child poverty.

The government has long had a target of a 70% employment rate for lone parents by 2010. This has recently been reiterated. Stephen Timms, the Minister of State for Employment and Welfare Reform, said on 28 April 2008:

Lone parent employment has rocketed – from 45% in 1997, to approaching 60% now, and a target of 70% by 2010. We need to help parents overcome barriers that make work difficult. Improvements in childcare have helped thousands of parents get back to work – £21 billion invested since 1997 in early years and childcare – another trend worth noting – helping parents work in the knowledge that their children are safe, and being supported to learn and play. And we've changed the tax and benefit system, both so that work pays, and also to improve the help where work is simply impossible.'

This report therefore examines the extent to which work can contribute to the eradication of child poverty, and identifies a number of issues that necessarily arise if work is seen as the best route out of poverty.

1 What are the constraints and barriers to parents working?

Parents have many difficult choices to make in bringing up their children. When trying to combine work (and earning) with bringing up children a key issue is time. Recent legislation has given parents with a youngest child aged six or under (or a disabled child aged 18 or under) the right to request to work part time, because there was evidence that parents (largely mothers) felt the choice was either full time or not working with their previous employer. Current proposals are to extend this right to parents of older children up to the age of 16 (BERR, 2008).

The time constraints on parents include when, through the day and through the year, education and childcare is available. These issues affect different ages of children differently. Some education or childcare providers are limited to the school day and school year (part or full time). These pose different time constraints to those offering whole day care for the youngest children and wrap-around or extended school provision for older children (where available).

Parents make choices between the costs of childcare and earnings that could be received if they worked. These trade-offs have changed as the government has introduced and changed the Tax Credit system and other in-work benefits. The changes have meant that in virtually all cases, parents are better off in work than receiving benefits, where they would be eligible for benefits. However, the financial incentive to work is in many cases small. The work incentive can easily be eradicated if costs resulting from working, such as transport (which may be exacerbated by the time constraints of dropping off and picking up children) are high. The childcare element of the Tax Credit system does not provide a 100% subsidy, to provide a 'shopping incentive'. It has also had a relatively low take-up (compared to the number potentially eligible).

2 How do family work patterns impact on child poverty now?

Different family work patterns carry different risks of the children being in poverty. Before the Labour Government came into power, there was much discussion that the rise in child poverty was related to the growth in workless households. The increasing divergence between work-rich households, where all adults were working, and workless households, where no adults were working, was also identified. More recently, the issue of families included in the 'working poor' group have been added to the debate.

These changing patterns of policy interest do not relate closely to the risks of child poverty for in-work families, which have not changed substantially, as shown by Peter Kenway in his report for this JRF series (Kenway, 2008), but rather to a changing focus as child poverty reduction targets have seemed more difficult to attain, despite substantial progress particularly through parents moving into work.

The government's child poverty measures include the number of children in families with incomes below 60% of the current median income, before housing costs (BHC), equivalised for family size and structure. We prefer a measure including housing costs. The government reports both measures in the 2005–06 report (DWP, 2007a), an extract of which is shown in Table 1.

The children of lone parents who are in full-time work are very unlikely to be in poverty on either measure. For lone parents in part-time work the risks of child poverty are larger, especially after housing costs (AHC), but still low. However, 20% of the children of lone parents who are in poverty are in families with part-time work (measured AHC). Seventy-two per cent are in families where the lone parent is workless and only 7% are in families where the lone parent works full time.

For couple families, the families where both parents are working full time are very unlikely to be

below the poverty line¹ (only 3% of couple-family children in poverty). For those with one partner working full time and one working part time, the risk of poverty is also low but covers 13% of children in couple families in poverty. Poverty in couple families is concentrated not only in workless families (21% of couple-family children in poverty), but also in working families with no full-time worker (13% of couple-family children in poverty) and especially in families with one partner working full time and the other not working (28% of couple-family children in poverty).

Table 1 emphasises that there is an increased risk of child poverty (AHC) where all parents are not working full time. For couple parents with one parent in full-time work and one in part-time work the increased risk of child poverty is not high, but it is there. Therefore child poverty is not only associated with families being completely workless but also those only partially employed (and partially workless). We look later on at under-employment, in particular the case where parents wish to work longer hours.

Table 1: Risk of child poverty by work and family type

Economic status and family type	BHC	AHC	Percentage of child poverty in group	Percentage of child poverty (AHC)
<i>Lone parent:</i>	35	50	100	42
<i>of which</i>				
in full-time work	7	14	7	2
in part-time work	17	30	20	7
not working	56	75	72	33
<i> Couple with children:</i>	18	23	100	58
<i>of which</i>				
self-employed	28	33	20	13
both in full-time work	1	2	3	1
one in full-time work, one in part-time work	4	7	13	6
one in full-time work, one not working	17	26	28	15
one or more in part-time work	44	53	13	8
both not in work	64	74	21	15

Note: The risk is the percentage of children in the group (e.g. in lone-parent families with full-time work) who are below the poverty line of 60% of median household income.

Source: DWP (2007a)

3 What are the different patterns of family working, and the impact on child poverty?

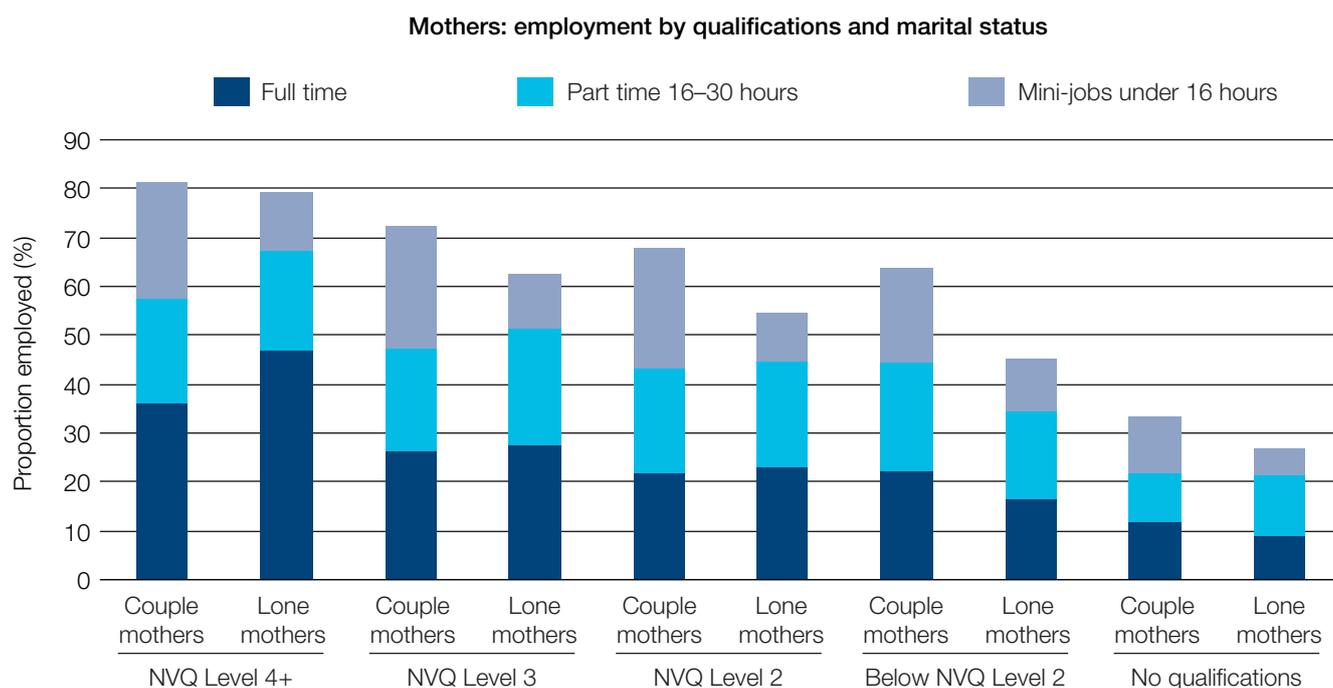
In labour market analysis, it is almost a truism that employment rates vary with qualifications. We show below that this is particularly the case for mothers. We also show that many mothers in couples work in mini-jobs (for less than 16 hours a week). The benefits system discourages such work for lone parents – above £20 a week all earnings are deducted from benefits when working these hours. These mini-jobs are the main factor in the difference between lone mother employment rates and employment rates for mothers in couples. The fact that much lower proportions of lone mothers work in mini-jobs than couple mothers indicates that this benefit disincentive has affected behaviour. Evidence bearing on whether or not government should change the disincentive is discussed below.

Figure 1 shows both factors together. It shows three bands of hours worked, full time, part time 16 hours or more and mini-jobs less than 16 hours. For each qualification level, the proportion of lone parents or couple mothers working 16 hours or more does not vary much, with the major variation being between qualification levels.

The largest employment difference between lone mothers and mothers in couples in employment proportions of 16 hours or more is for those qualified to below Level 2. For lone mothers who are higher qualified, employment rates are higher than those for mothers in couples, when mini-jobs are discounted.

The numbers underlying Figure 1 are shown in Table 2.

Figure 1: Lone parents have similar employment patterns to couple mothers with similar qualifications, with the exception of mini-jobs under 16 hours



Source: Labour Force Survey (October–December 2007)

Table 2: Proportion of all lone and couple mothers employed in work categorised by hours worked (%)

	Full-time (30 hours+)		Part-time over 16 hours		Part-time under 16 hours		All working over 16 hours	
	Couple mothers	Lone parent	Couple mothers	Lone parent	Couple mothers	Lone parent	Couple mothers	Lone parent
NVQ Level 4 and above	36	47	22	20	24	12	58	67
NVQ Level 3	26	27	21	24	25	11	47	51
NVQ Level 2	22	23	21	22	25	10	43	45
Below NVQ Level 2	22	17	22	18	20	11	44	34
Other qualifications	27	18	14	18	16	13	41	35
No qualifications	12	9	10	12	12	5	22	21
Total	26	24	20	19	22	10	46	43

Source: Labour Force Survey (October–December 2007)

The impact of these patterns on child poverty relates to the different earnings levels and employment possibilities that flow from qualification levels. There is something encapsulated in a qualification level that is a powerful predictor of a mother undertaking paid work, and paid work for different hours. Qualifications levels may relate to possible earnings levels. Earnings levels can relate to the ability to pay for childcare, as well as paying for other lifestyle choices. For the lower qualified, earnings levels are likely to be low, constraining the ability to pay for childcare. Further research is needed to show whether educational interventions can raise the employment rates and incomes of parents significantly. To date, the evidence is equivocal.

One factor that is evident is that the pattern of working by mothers qualified to Level 4 and above is high – 82% for couple mothers (including mini-jobs). These are not small numbers – around 22% of all mothers are both qualified to Level 4 and above and working. While this level of employment does cause strains to families, there is (as far as we know) no evidence yet that levels of employment at this level are positively related to family breakdown or to families failing to pass on educational and social advantages to their children. Current discussions of social mobility would imply the reverse, that the children of the best qualified and highest employed are more likely than in earlier decades to retain social advantage (see Blanden, *et al.*, 2002).

We conclude that the pattern relating to work and qualifications for mothers follows from the

trade-offs between the benefits and costs of working given the costs of caring for children. We assume transport costs to work and other necessary work costs are reasonably similar.

There have been two recent reports examining the role of mini-jobs in the difference between employment patterns for couple mothers and lone parents. These are: *Lone Parents and ‘Mini-jobs’* by Kate Bell, Mike Brewer and David Phillips (2007) and *Mothers’ Participation in Paid Work: The role of ‘mini-jobs’* by Jon Hales, Sarah Tipping and Mike Lyon (2007). Both reports identify about half the difference in employment rates between lone parents and couple mothers as being attributable to the greater preference for mini-jobs among couple mothers. Hales, *et al.* discuss differences between various characteristics of lone parents and couple mothers in their impact on employment and mini-jobs. Their analysis centres on the differences in age patterns between couple mothers and lone mothers. Lone mothers have a relatively even age profile between age groups, whereas couple mothers are concentrated in the older age groups, between 30 and 45 plus. The effects of these age differences on employment patterns existed, but were small. Both reports show that the benefits system discourages lone parents from working under 16 hours.

Both these recent reports discuss whether policy should change to encourage mini-jobs as a ‘stepping-stone’ to greater labour market participation. The findings from qualitative research indicate that mini-jobs do form a valuable stepping-stone. However, the findings from quantitative

research are more equivocal. Mini-jobs for lone parents can be more unstable than jobs with longer hours. The evidence as to whether mini-jobs lead on to jobs with longer hours is equivocal. As the quantitative evidence on whether lone parents move on from mini-jobs to more sustainable and longer-hour employment is equivocal, the policy implication is also not clear. The government has concentrated on trying to get lone parents into longer-hours jobs including full-time jobs. Given the low earnings levels of many mini-jobs, the impact of these jobs on child poverty is likely to be marginal.

If the childcare availability and affordability constraint was lifted, then it is possible that all mothers might choose more broadly to work at the kind of proportions currently undertaken by highly-qualified mothers. We explore the potential impact of this on child poverty below.

4 Time constraints on working

Parents dominate the part-time labour market

Table 2 has shown that many mothers work part-time, and more mothers work part-time, and more mothers in couples work in mini-jobs than in jobs over 16 hours – a pattern reversed for lone parents. In this section we explore the extent to which parents who are working wish to work longer, or shorter, hours, and we identify that many parents who work part-time want to work longer hours. We also explore the extent to which labour supply in the part-time labour market is driven by parents. We suggest that the employer demand is affected by the large numbers of parents looking for part-time work, with a likely effect on earnings offered and accepted. We suggest that the parental wish to work part time is affected by availability and affordability of childcare, and conclude that the time constraints placed on parents as a result depress part-time earnings rates and hence family incomes.

Many working parents have unsatisfied aspirations relating to the hours they work. These apply in both directions, some wanting to work longer hours, but also some wanting to work shorter hours. Among lone parents, the balance is clearly in favour of longer hours. A total of 156,000 working lone parents wanted to work longer hours (*source: Labour Force Survey, October–December 2007*), compared with 73,000 wanting to work shorter hours, a balance in favour of longer hours of 83,000. For couple parents, the balance differed, with a clear demand for shorter hours. A total of 630,000 couple parents wanted to work longer hours while 919,000 wanted to work shorter hours, a balance of 286,000 in favour of shorter hours.

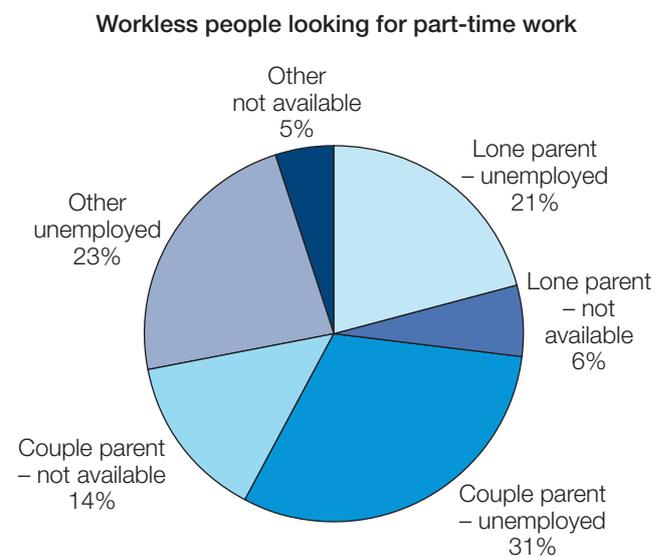
For those who are working part time, the balances are clearly in favour of working longer hours for both groups of parents. A total of 121,000 working lone parents said they wanted to work longer hours, compared with 11,000 who said they wanted to work shorter hours. For couple parents

who worked part time, 365,000 said they wanted to work longer hours while 148,000 wanted to work shorter hours.

For those parents who are working part time, there is a clear demand for increased hours. In addition, a small number are looking for a different job on the grounds of the hours either being too long or too short. These responses relate to parents looking to increase or cut their hours in their current job. Therefore, many parents who are currently part time wish to work longer hours, while some couple parents currently working full time wish to work shorter hours.

There are 580,000 workless people looking for part-time work. Seventy-two per cent of these are parents. At present the majority (52%) of those parents who are workless and looking for work are looking for part-time work. They form 72% of those looking for part-time work. The supply of labour for part-time work is therefore dominated by parents. Fifty-nine per cent of lone parents who are looking for work are looking for part-time work. Even when considering couple parents, including both

Figure 2: Supply of potential workers in the part-time labour market is driven by parents



Source: Labour Force Survey (October–December 2007)

partners, 49% of those looking for work are looking for part-time work. These figures include both those looking for work and available to start (those who are unemployed) and those looking for work but not yet available to start. The reasons for not being able to start work straight away include childcare reasons and also adaptations for disability. Seventy-nine per cent of those looking for part-time jobs but not available to start are parents.

The 580,000 people looking for part-time work are 36% of all those who are looking for work (and are workless). However, part-time jobs are only 25% of all jobs. Therefore the unemployment rate for those seeking part-time work, at 7.2%, is nearly 60% higher than that for those seeking full-time work (at 4.6%) (*source: Labour Force Survey, our analysis*). This difference is likely to impact on pay and conditions in the part-time (or time-constrained) labour market. The literature on over-qualification suggests that many parents working part time are working below the level for which they are qualified (see Chevalier, 2006).

We conclude that parents who are looking for work are looking for work that fits around their children's needs, with the current level of availability and affordability of childcare, and time constraints imposed by the education and childcare provision. We suggest that if these time constraints were changed, then parents with childcare responsibilities may well choose to work differently, and very likely, longer hours than they feel able to do so at present.

Seasonal patterns in work exits

Apart from the evidence about parents working part time and wanting to work longer hours, we explore another method of looking at the impact of time constraints on parents' work opportunities. It has been evident that, for lone parents, managing work around the educational year has been problematic. School holidays, and particularly, the summer holiday, have been associated with rises in claims for lone parent benefits. In this section we examine the quarterly time series for lone parents new (or repeat) claims by the age of the youngest child, and conclude that there is a summer holiday constraint on lone parents working that results in an annual rise in claims over the summer. We identify

that this effect is most extreme for those with a youngest child of primary school age, although apparent for all, and is getting more extreme rather than diminishing. The effects on work opportunities are to prevent sustained work over the holiday periods, with resulting impacts on the likelihood of progression.

Figure 3 shows the total and grouped inflows to benefit since 1999. Apart from an administrative hiccup at the start of the new Tax Credits in 2003, there are patterns of seasonal variation with, for the total and each group, the highest inflows to benefit being in the June to August quarter each year. We interpret this as being related to lone parents' inability to continue working over the school summer holiday.

For each group, the quarter to the end of August has the highest new claims, and the quarter to the end of February, the lowest.

For lone parents with a youngest child aged under five, the summer holiday increase was a 6% rise over the annual average inflow.² The summer holiday increase for this group may be due to nursery and playgroup provision also operating during school holidays, or the influence of school holidays for older children in the family.

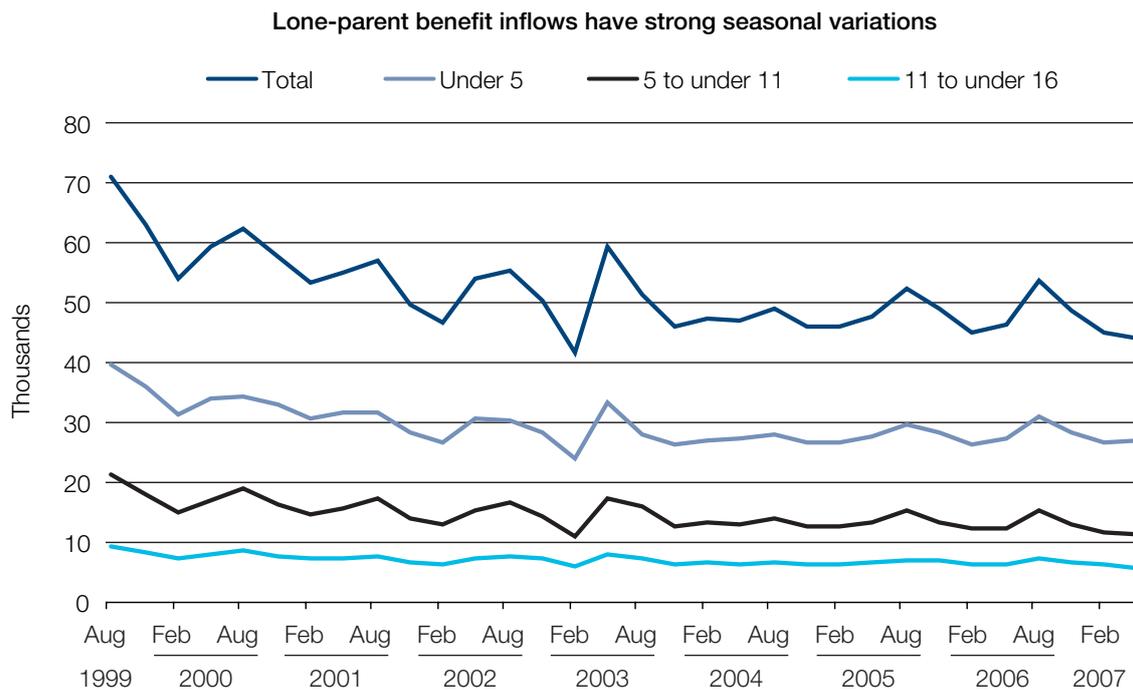
The summer holiday rise in new claims for lone parent benefits was greatest for those with a youngest child of primary school age, with an increase over the annual average of 14%.

There was a distinct summer holiday pattern in lone parent benefit inflows for those with a youngest child aged 11 and under 16. For this group the summer holiday rise was 8% above the annual average.

We were concerned to see that the seasonal rise in the latest year for which we can calculate seasonal factors was the largest for each of the groups. The latest rise for lone parents with a primary age youngest child was 17% above the average for the year. For those with a youngest child of pre-school age the summer holiday factor was 9%, and for those with a youngest child of secondary school age the summer holiday rise in benefit claims was 11%.³

Our examination of the outflow from benefit figures identifies opposite outflows, particularly in the autumn and winter quarters. However, the

Figure 3: Inflows to Income Support by lone parents (1999–2007): marked seasonal patterns (and discontinuity at the introduction of Child Tax Credit)



Source: DWP experimental statistics: inflows to Income Support by statistical group

resulting instability in employment clearly does not aid career progression.

We conclude, from these benefit claim figures, that lone parents can be shown to have difficulties sustaining work over the summer, impacting on annual earnings and incomes, and confining many to a no-pay, low-pay cycle. The evidence on the ages of children in the family confirms that the issue is most extreme for those with a youngest child of primary school age, and is also substantial for lone parents with, especially, older children, but also younger children. It is likely that the constraints on work availability imposed by the educational year will affect those with small children particularly if they also have children of school age.

While this evidence relates to lone parents claiming benefit, we see no reason why similar patterns should not apply to all parents with caring responsibilities.

We have examined equivalent evidence for moves into and out of work for lone and couple parents from the Labour Force Survey. There is evidence of significant variation within the year, but a statistical change in the quarters for which data is collected has made similar calculations impossible.

These seasonal factors identifying time constraints within the year are based on quarterly data. Therefore, the time constraints that can be identified are restricted to interruptions in work availability as large as summer holidays. The issue of time constraints within the year resulting from the school year is, however, more general. For parents to work and progress in work, in earnings or other measures of progression, is likely to need parents to be able to manage their work around the school year.

The government’s commitment is that all parents will have access to extended school provision, including school holiday activities and wrap-around care covering the hours between 8am and 6pm. This section on time constraints shows that the diagnosis of the problem of parents being able to manage work around the school day and year is correct. We are, however, awaiting evidence of success in such provision reducing the negative impact of the school day and year on parents’ work possibilities, and hence on child poverty.

5 Parents are moving into work and out of work all the time: what are the trends and patterns?

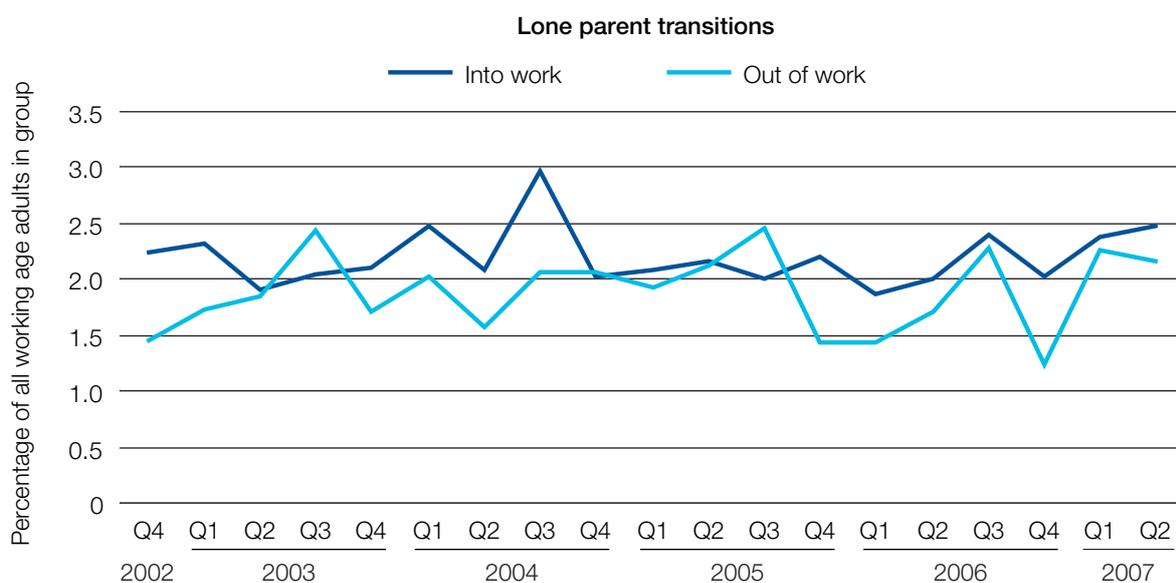
In this section we examine job starts and exits by lone and couple parents, to look at the trends in both job starts and exits, and observable patterns. This then underlies the following section, where we examine the effects of continuing these trends in job starts and exits on child poverty to 2020, and suggest alternative scenarios based on government action to remove, reduce or manage the time constraints discussed above to enable higher levels of working.

We examine moves into and out of work because much qualitative and quantitative research indicates that parents with care responsibilities find problems not only in starting jobs but also in keeping them when either emergencies or indeed regular events such as school holidays arise. Therefore action to raise employment rates should not only examine those factors and trends impacting on job starts but also those relating to job exits.

Lone parents

The job entry rate for lone parents is, on average, 2.2% of the total number of lone parents, and the job exit rate is 1.9%, each quarter, giving a net job increase of 0.3% each quarter. Figure 4 shows the quarterly transition rates for lone parents. It is evident that, in addition to trends, there are significant variations around the trend. There seems to be a distinct seasonal component to job exits, concentrating in the summer quarter. This would be consistent with a 'summer holiday effect'. The overall trend in the net job entry rate seems to be stable for lone parents, although there was a period of change between 2004 and 2005. Since then, the annual average net job entry rate has returned to the 0.3%–0.4% range.

Figure 4: Lone parents' transition rates into and out of work



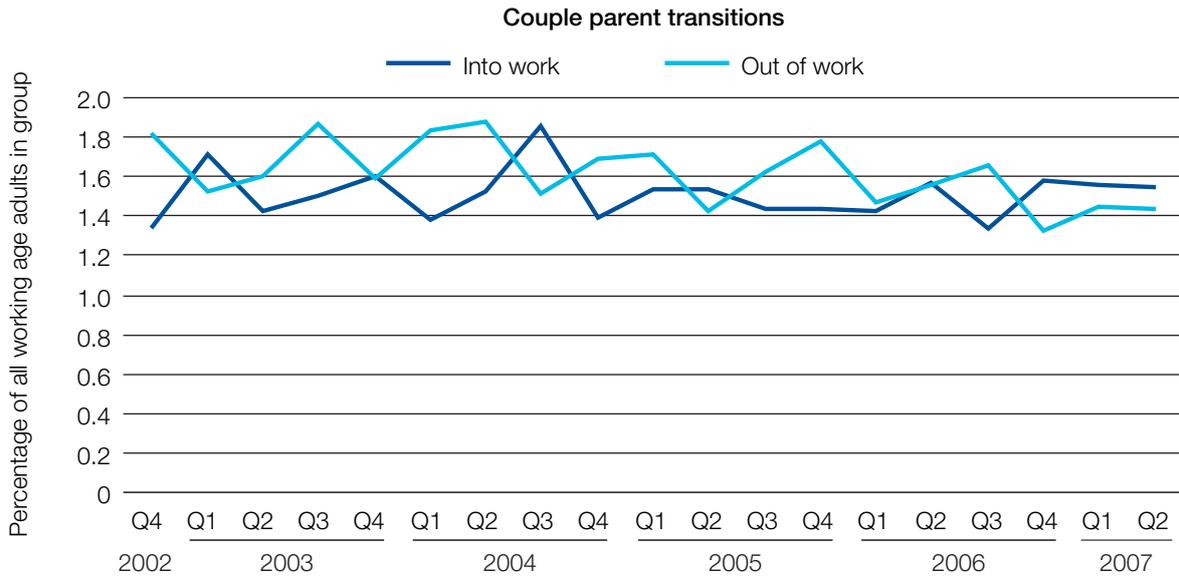
Source: Labour Force Survey two-quarter longitudinal datasets

Couple parents

The job entry rate for couple parents averages 1.5% of couple parents, and the job exit rate has averaged 1.6%. Therefore the average net job entry rate has been negative over the period from 2002. While on average the net job entry rate has

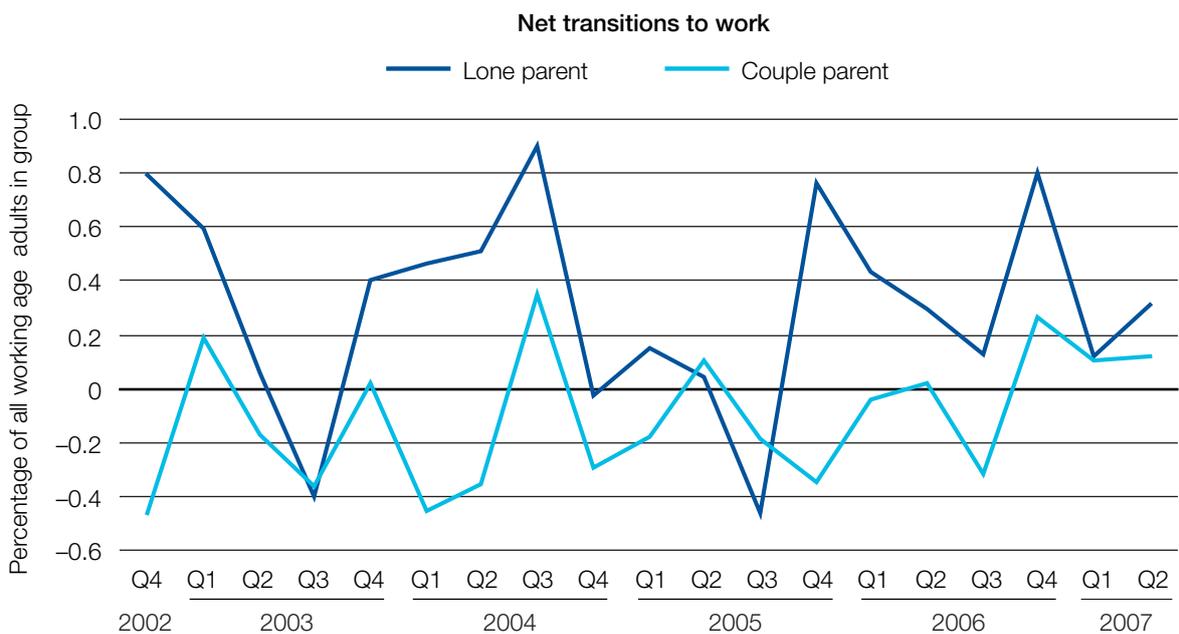
been negative, there have been changes so that the trend is positive. The trend has been driven by a fall in the job exit rate rather than a rise in the job entry rate over this period. The job exits show a pronounced seasonal pattern. These are shown in Figure 5, and the net transition rates for both groups are shown in Figure 6.

Figure 5: Couple parents: transitions into and out of work – falls in job exits



Source: Labour Force Survey two-quarter longitudinal datasets

Figure 6: Net transitions: the net effect of moves into and out of work for couples and lone parents



Source: Labour Force Survey two-quarter longitudinal datasets

Moves to full-time or part-time work, and between part-time and full-time work

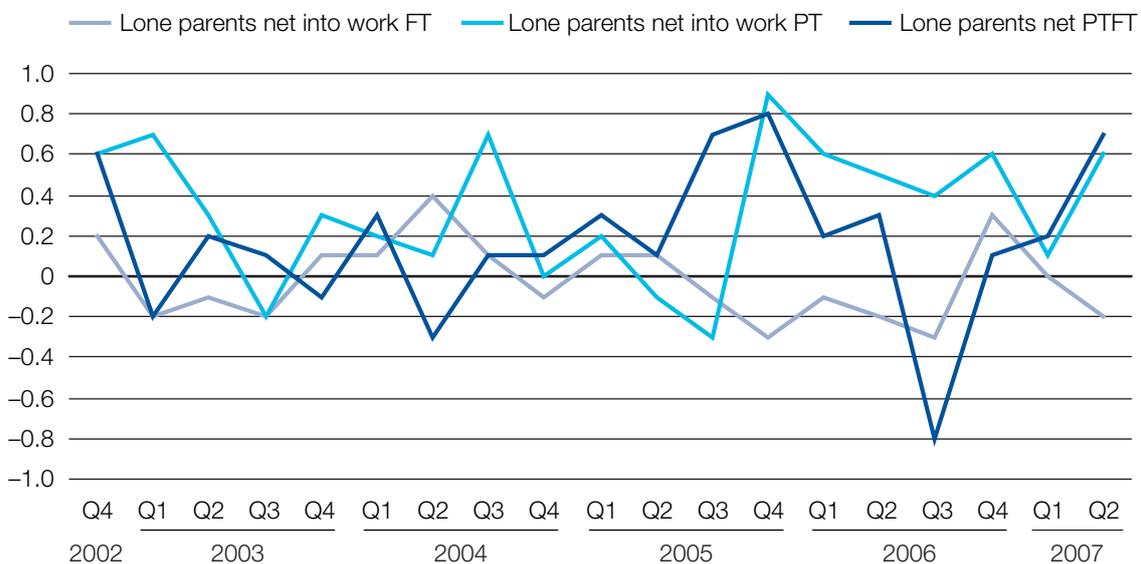
To estimate the impact of moves to work on child poverty, we also need to examine whether the moves to work (and out of work) are to full-time or part-time work. For lone parents, the average rate of moves directly to full-time work (net of full-time job exits) is approximately zero. However, there is a net move to full-time work that is combined from initial moves to part-time work (on average, 0.3% of lone parents a quarter) and moves from part-time to full-time work (on average, 0.2% a quarter). The time series are very volatile, and (in 2006) affected by a change of one month in the calculation of a quarter-year. The transitions for lone parents are shown in Figure 7.

For couple parents, the overall picture for transitions into and out of work was for a trend toward increasing the flow towards work. The trend

for flows directly from worklessness to full-time work is flat, with an overall negative rate – more couple parents leaving full-time work than starting full-time work each quarter. On average, there is a net outflow from full-time work of 0.16% of all couple parents each quarter. There is, however, a net inflow to part-time work, averaging 0.7% of couple parents a quarter. There is also a net move from full-time to part-time working each quarter of 0.2% of couple parents. These patterns are shown in Figure 8.

When these detailed estimates for different employment transitions by couple parents are considered with the overall net movements into and out of work, it seems likely that there will have been an increase in the proportion of couple families with one full-time and one part-time earner (with a child poverty risk in 2005–06 of 7%) and a fall in the proportions of couple families with a single, full-time earner (with a child poverty risk of 26% in 2005–06). We make this assumption in the following section.

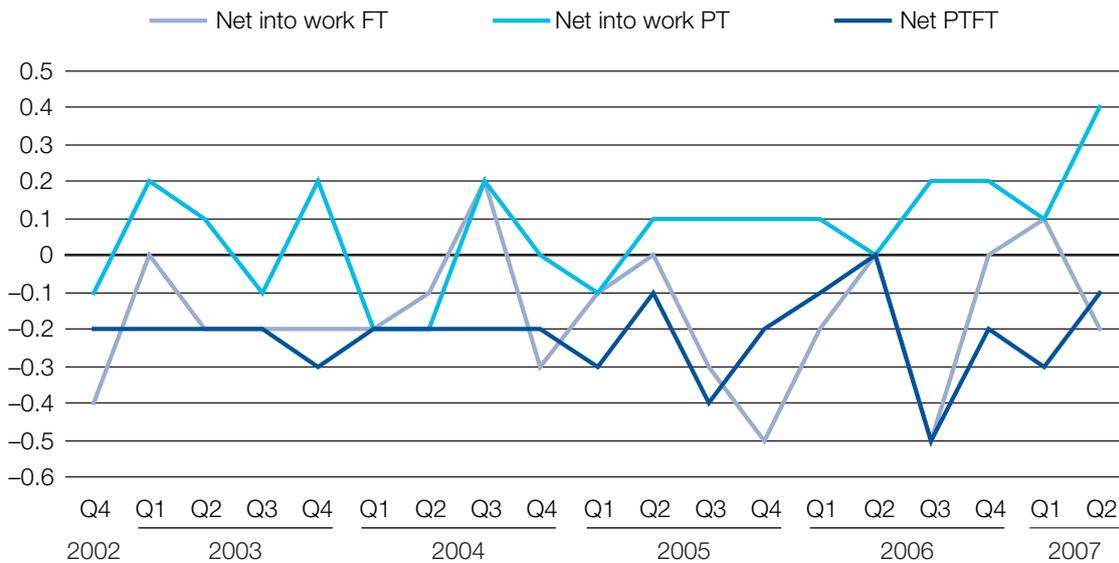
Figure 7: Lone parents: net moves to work showing moves into part-time and full-time work, and between part-time and full-time work



Notes: FT = full time; PT = part time; PTFT = part time and full time

Source: Labour Force Survey two-quarter longitudinal datasets

Figure 8: Net moves into work for couple parents, showing moves into (positive) or out of (negative) work and between part-time and full-time status



Source: Labour Force Survey two-quarter longitudinal datasets

6 Towards 2020: what happens if current trends in parents working continue? Alternative scenarios?

To examine the contribution of work to the eradication of child poverty, we have extended these net job entry rates forward to 2020, and then considered two scenarios for changes within what we feel are reasonable bounds – closer to the levels of current employment of couple and lone mothers with high qualifications. While extending patterns that are far from stable and derived from five years of data forward for a further 18 years may seem risky, we feel it does establish some of the parameters of discussion. The employment rates at 2020 are in fact similar to an analysis in Lisa Harker's *Delivering of Child Poverty: What would it take* report (2006), which commented that 'if we relied solely on employment to halve the number of children in lone-parent families living in poverty, we would need to reach a lone parent employment rate of 86% by 2010'.

Extending these transition rates forward to 2020 gives an employment rate for lone parents in the fourth quarter of 2020 of 66.8%, contributing a fall of 20% in children in lone-parent workless households (there were more than 1.4 million children in families claiming lone parent benefits in 2007). Both the full-time and part-time employment rates increase, with the largest increase being in the part-time employment rate, up from 26.4% to 34.0%, while the full-time employment rate rises from 27.9% to 32.7%. The overall effect of continuing these transitions over the 13 years from 2007 to 2020 is to reduce child poverty among the children of lone parents by 122,000, or 7%.

We have examined two possible scenarios to see what happens to the number of children in workless families if the net transition rate to work improves to values within the range observed within the timeframe 2002–07. In practice, this will be affected by economic cycles and economic

shocks, but it is useful as an exercise to see the range of change needed to produce larger effects.

Scenario 1: Increasing job entry rates and decreasing job exit rates by 50%

In the first scenario, we have increased the 'to work' transition rates by 50% of their previous value, and decreased the 'from work' transition rates to 50% of their previous value. The 'to work transition rates' are moving from worklessness to either full-time or part-time work, and moving from part-time to full-time work. The 'from work' transition rates are those to worklessness and from full-time to part-time working. For lone parents, these transition rates are either within the range actually achieved within the 2002–07 period (but not maintained) or close to the levels actually observed at some time. For couples, the transition rate into full-time work is the maximum achieved, but the rates for moving from worklessness to part time and from part time to full time are closer to those achieved by lone parents rather than couple parents. Equally, moves out of work are rather lower than experienced.

We have assumed that the 'risk' levels in the latest Households Below Average Income estimates embody the current tax and benefits system, and that therefore, for this model that examines only the effects of work, the risk factors remain unchanged. There is one exception to this, in that we are assuming, following the transitions changes that the risk of a child in a couple family where an adult is in full-time work reduces to the published level for a family in which one adult is working full time and one adult is working part time. If the hourly earnings of part-time workers were to increase as a proportion of the median hourly

earnings, then the risk of child poverty in families including part-time workers would fall.

The net effect of Scenario 1 is to reduce child poverty overall by 23%, or 870,000. This is composed of a reduction of 34% in child poverty among lone parents, and a smaller reduction of 15% in child poverty among the children of couple parents.

The employment rates implied by these changes would be 83.4% for lone parents and 84.4% for couple parents. Achieving employment rates at this level would imply similar choices concerning work and/or caring for children as are currently made by those with the best financial ability to make such choices.

The consequences for the numbers of children in workless households of increasing the transition rate to jobs in this way are to leave 1.05 million children in poverty in lone-parent families, and 1.9 million children in poverty in couple families.

The total number of children in workless families reduces from 2.8 million in 2007 to just over 2 million in 2020. This is a fall to 15% of children from 22% in 2007.

Scenario 2: Increasing job entry rates and decreasing job exit rates by 33%

Scenario 2 is constructed similarly to Scenario 1, but with a more moderate change in the job entry and exit rates.

Scenario 2 reduces child poverty by 10.5%, or 400,000. This is comprised of a reduction of 25% in child poverty in lone-parent families and almost no change in child poverty in couple families. The employment rates required to achieve this are 78.4% for lone parents.

7 What has been the contribution of welfare-to-work, and what are likely to be the effects of current plans?

The government's actions to encourage work among parents have taken a number of forms, some direct, such as the New Deal for Lone Parents (NDLP), and some indirect, such as the Childcare Strategy and the somewhat mixed incentives to work in the new Tax Credit system. In this section we look briefly at the main contributions made by welfare-to-work initiatives in reducing, primarily, the numbers of workless lone parents.

Within the welfare-to-work arena, the government's main initiative has been NDLP, which has been buttressed by the introduction of mandatory work-focused interviews, and latterly by some later additions known as NDLP Plus.

NDLP has always been voluntary. Lone parents have been informed of the opportunity, but it has not been mandatory. Some time after the introduction of NDLP, the government decided to ensure that lone parents considered the opportunity. This was done through ensuring that all lone parents attended a work-focused interview at which the issue of work, and assistance available to get a job, would be discussed.

The government has thus, over the last 10 years, pursued a voluntary approach to persuading lone parents (and partners of benefit claimants through the New Deal for Partners) to seek work. The voluntary approach, for lone parents, has been successful for those who have taken it up, although there have been problems with keeping work up in the first few months, with childcare breakdowns and child illnesses resulting in some jobs not lasting. In-work support by personal advisers has been intermittently available through the programme – it was there at the beginning, but difficulties in ensuring sufficient staff time for in-work support have meant that provision was

patchy at best. The inclusion of such in-work support, both in NDLP Plus and in the Employment Retention and Advancement Demonstration pilots, has indicated the acceptance by government of the importance of ensuring jobs are sustained through emergencies and similar issues such as childcare in holidays.

The government has now decided to move lone parents onto Jobseeker's Allowance once their youngest child reaches 12 rather than the current age of 16, and this is expected to have an effect on the rate at which lone parents leave benefit. The government clearly hopes that it will increase the transition rate into work for lone parents in this situation. This limit for the transfer to Jobseeker's Allowance will be lowered when the youngest child reaches the age of seven in 2010. These changes are expected to further increase the transition rate off benefits, and potentially into jobs.

This will require lone parents with their youngest child over the age of seven to look for work. They will be required to take jobs within the current Jobseeker's Allowance rules, although there will be flexibilities, and lone parents should not be sanctioned or have their benefit disallowed for not taking up work where there is insufficient affordable childcare. The government has stated that the Jobseeker's Agreement for a lone parent need not state they are available for work for 40 hours a week. Looking for part-time work can be accepted under the new arrangements.

The government's official impact assessment (DWP, 2007b) suggests that these changes will reduce the numbers of lone parents on out-of-work benefits by around 140,000 by 2013. They estimate an increase in the number of lone parents in employment of 75,000 to 100,000, and a reduction

in child poverty of approximately 70,000 due to the change to lone parent conditionality on its own.

The relatively low reduction in child poverty as a result of this measure (the impact assessment estimates there to be 500,000 children in poverty of lone parents with children aged seven and over) implies that the Department for Work and Pensions expects many lone parents to enter part-time work in which only those with small families would be above the poverty level (given that larger families have to spread their income over more family members). If 100,000 lone parents with an average family size of 1.7 children moved into work that took them above the poverty line, then one would expect 170,000 children to be taken out of poverty.

It is also likely that the impact assessment's estimate of child poverty reduction may be low on the assumption that wrap-around and holiday childcare is not available, and therefore lone parents do not move into full-time work (whether or not via an initial phase of part-time working). If affordable wrap-around and holiday childcare was available, then the impact on poverty could be greater. However, the Department for Work and Pensions may not be able to assume that wrap-around childcare is available as that is the responsibility of another government department. The rules for impact assessments require that the assessment only states the impact of the proposal, excluding effects from other government policies such as wrap-around childcare.

8 Can work contribute more? What limitations should we suggest?

We have estimated some effects on child poverty of increasing work. The effects on child poverty are not perhaps as large as implied by the government's repeated statements that work is the best route out of poverty, but they are substantial, and we believe possible.

We have identified some of the constraints and limitations on parents starting work and increasing their working hours. The issue of managing the combination of working and looking after children in the presence of a relatively rigid school day and year looms very large in this analysis. The problem is exacerbated by the extent to which pre-school provision follows a similar timetable to the school day and year.

However, we feel that the government should draw a balance between the encouragement of work and recognising that there may be benefits to the youngest children from parental care in the home. However, such benefits can be overstated. When the outcomes for children are concerned, there is evidence that pre-school children benefit from high-quality centre-based day care, and that the benefit is largest for children of the least qualified mothers.⁴

In relation to pre-school children, there is a higher risk of child poverty where the youngest child is pre-school, compared to families with older children. At the same time, many parents wish to spend time looking after very small children. For older pre-school children, there is evidence that high-quality day care can produce substantial benefits to the children. For younger children, the evidence is more equivocal and depends on how 'quality' is measured.

Pre-school children form 28% of all dependent children. There are higher proportions in couple families. Twenty-nine per cent of children in couple families are pre-school, while 24% of children in lone-parent families are under the age of five.

For pre-school children we think it makes sense for the childcare and benefit provision to be aimed at ensuring high child progression, and not aimed specifically towards work. Work should be a choice, rather than a necessity, if pre-schoolers are not to grow up in poverty.

The balance currently enshrined in legislation is that children below the age of five are not required to attend education of any type. Provision is made for free part-time places for three and four-year-olds, but taking this up is voluntary. Support for childcare that is voluntary for parents is funded by government, through a number of routes, with the requirement for Ofsted inspection and regulation. The implication is that a level of quality assurance is necessary for public funding, but that use of childcare is the decision of the parents.

The government currently seeks to incentivise work for parents of pre-school children, through the Working Tax Credit system, with which the childcare element of Tax Credits is linked, but it does this from a baseline that implies that children of parents who do not work are very likely to be in poverty. For the parents who do work, depending on family income and housing, there may be exceptionally high effective tax rates as Tax Credits (and Housing Benefits) are withdrawn as income rises.

We think it makes much more sense for the baseline for incentives to use high-quality childcare and to work to be at the poverty line for parents of children under compulsory school age. Therefore, a guarantee of at least the poverty line follows naturally. Incentives to use childcare, and to work, and some combination of the two, should be additional.

Where the youngest child is of compulsory school age, it follows that support may be based on the assumption that adults in the family are

likely to be undertaking at least some paid work, or preparing for such.

The government has identified extended school provision as a policy response, and made a commitment that such provision will be available everywhere. If wrap-around and holiday childcare were available, then the time constraints on parents about the hours they can work would be more a matter of choice than necessity.

For these parents, where the government wishes to incentivise work, extended schools should actually be available, so that both wrap-around care and school holiday activities are both available and affordable. This would ensure that parents can work while knowing their children are being cared for.

It will be important to ensure that the encouragement of work among parents of older children does not result in poorer prospects for their children. Several, although not all, of the projects evaluated in the US in the National Evaluation of Welfare-to-Work Strategies, showed poorer outcomes for the children of parents (largely mothers) in the program group as compared with a control group. The US studies discussed family incomes, including evidence of increased employment among older teenagers, and suggested lower levels of supervision of teenagers, leading to greater risk taking. There was no discussion of a policy response such as organised activities for children aged 10 and over (US Department of Health and Human Services, *et al.*, 2001).

In the UK, activities for children of secondary school age are divided between extended school (to age 14) and youth service and related activities for older children. There are in addition many voluntary organisations providing such activities. Many of these activities are charged for (particularly by voluntary organisations), and therefore children in low-income families are less likely to take part.

9 Ways forward

Work cannot feasibly be the only method of eradicating child poverty, even if the childcare sector was so expanded as to enable employment rates among all parents in excess of 80%. This would require parents to work including those with very young children where some evidence indicates that child progress may be better where a parent is caring for the child (see HM Treasury, *et al.*, 2004).

The government should universally support parents to live above the poverty level when their children are under the age of five. At this age we see a need to incentivise the use of high-quality childcare, enabling work. Parents should be better off in work after childcare and travel costs, but a government which supports the choice not to work at this time should not leave children in poverty as a result.

For parents whose youngest child is over five, the government should do more to enable parents who choose to work to do so. We do not believe there are sufficient cultural differences between parents by education level or indeed social class to suggest that the patterns of work represent unconstrained choice. The constraints of availability and affordability of childcare through extended school and holiday club activities to youth service provision should be removed to enable parents to exercise choice freely. This requires much greater provision of childcare and activities, either free or at a level of fee that is affordable by parents earning the National Minimum Wage with any Tax Credit support.

After the youngest child is five the guarantee would end and financial support for households would revert to current (and planned) arrangements for Child Tax Credit and benefits. A guarantee of sufficient quality-assured available and affordable provision for children to be cared for, educated, fed and entertained when parents are at work must be provided.

Where parents or children have a disability, and care needs are such that work possibilities are limited, then the government should support the family clear of the poverty level once the additional

costs of disability are recognised, while the children are under 18.

While there are now more rights for parents to request flexibility in combining work and caring for children, the rigid school timetables constrain both parents and employers. The education world should be a full partner in enabling child development, economic well-being of the family (principally, work) and care for children. In the short term, expansion of affordable school holiday schemes is required to enable parents to maintain work over holidays. In the longer term, more personalised learning patterns may enable different time and calendar patterns of learning.

10 Conclusion

Work cannot be the only way to eradicate child poverty. The scale of work that would be required, at current risks of child poverty for different forms of work and family types, which embody benefits and earnings levels, would require virtually all parents to work, even those with the youngest children. On social and child development grounds, we think there are limits to the amount of work that society or government should expect of parents. On child development grounds, we think an increase in high-quality childcare, particularly for disadvantaged families, is warranted. This would, in turn, enable work. However, an emphasis on work as the primary aim could be misinterpreted, and could lead to the use of less effective family and neighbour childcare.

Our evidence is, however, that there is a large amount of unmet, or partially unmet, desire to work by parents. There is further evidence that the ability to command earnings levels that is reflected in qualifications is a major driver of worklessness among parents. The availability of affordable childcare would enable many of these parents to work to similar patterns as those who are currently more free to choose (even if the choices of living standards made by graduate parents may require spending patterns that seem to then require high levels of work).

We are suggesting that more should be done for parents with children under the age of five and there should be a financial guarantee by government to bring all families up to the poverty line until the youngest child is aged five. After this age the government should be doing more to support parents to find and retain work, and this will involve a continued expansion of high-quality and affordable childcare.

Notes

- 1 The position of the self-employed, with a high poverty risk, is anomalous and analysis of spending patterns does not support the view of such a high risk. Spending patterns analysis changes some other patterns but does not form part of such official measures.
- 2 These figures for seasonal factors are averages over the period 1999–2007, with the exclusion of 2003 when the introduction of the new Tax Credits resulted in a hiccup in the time series.
- 3 These latest figures compare the August 2006 new claims with the average for the year centred on August 2006. One further quarter of data would be necessary to calculate similar figures for 2007.
- 4 See, for example, the extensive research on the US Infant Health and Development Program (IHDP), a randomised controlled trial of interventions for low-birthweight babies.

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