

**We can  
work it  
out:**

**parental  
employment  
in London**

**CHILD  
POVERTY  
ACTION  
GROUP**

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**Edited by Kate Bell**

**November 2012**

# **We can work it out: parental employment in London**

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CPAG promotes action for the prevention and relief of poverty among children and families with children. To achieve this, CPAG aims to raise awareness of the causes, extent, nature and impact of poverty, and strategies for its eradication and prevention; bring about positive policy changes for families with children in poverty; and enable those eligible for income maintenance to have access to their full entitlement. If you are not already supporting us, please consider making a donation, or ask for details of our membership schemes, training courses and publications.

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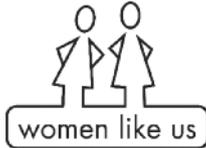
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**CHILD  
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GROUP**

**Gingerbread**  
Single parents, equal families

centre for economic & social  
**Inclusion**



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# Contents

	<b>Introduction</b>	<b>7</b>
One	<b>Trends in child poverty and parental employment in London</b> <i>Declan Gaffney</i>	<b>11</b>
Two	<b>Tackling the lack of part-time work in London</b> <i>Emma Stewart</i>	<b>33</b>
Three	<b>Employment in London: does it work for lone parents?</b> <i>Caroline Davey</i>	<b>40</b>
Four	<b>Welfare to work in London</b> <i>Kris Krasnowski</i>	<b>46</b>
Five	<b>Local authority approaches to helping parents access employment</b> <i>Kate Bell</i>	<b>66</b>
Six	<b>Conclusions and policy recommendations</b> <i>Child Poverty Action Group</i>	<b>72</b>



# Introduction

London has the highest rate of child poverty of any English region, with as many poor children as in Scotland and Wales.<sup>1</sup> Thirty-seven per cent (592,000) of all children in London live below the poverty line.<sup>2</sup> Child poverty damages children's experience of childhood and harms their future opportunities. CPAG believes that this level of disadvantage is unacceptable in what is one of the richest cities in the world.

When the London Child Poverty Commission examined the causes of this poverty in 2008, it came to the conclusion that:<sup>3</sup>

The underlying causes of this entrenched child poverty are surprisingly simple – the employment rate among parents, in particular mothers, is much lower than elsewhere in the country, driven in part by a lack of part-time jobs and flexible childcare, as well as higher housing, childcare and living costs.

In London, 17.2 per cent of children live in workless households, compared with 15.1 per cent in the UK as a whole; over half of lone parents in London are out of work, compared with 38 per cent in the UK.

Yet improving rates of parental employment in London is often seen as too difficult. London's complex labour market, its high levels of disadvantage and high costs are all cited as reasons why parental worklessness, and the resulting child poverty, is an issue that may be too hard for policy to deal with. This report aims to challenge this position, drawing on the views of a range of experts to demonstrate that progress can be made to help more parents in London access employment, and laying out the policy options for those in central, regional and local government who are committed to this goal.

Improving rates of parental worklessness is more important than ever at a time when life is becoming more and more difficult for parents who are not in paid work. Our October 2012 report, *Between a Rock and a Hard Place: the early impacts of welfare reform in London*, highlighted the fact that around 27,440 households in London will be affected by the new 'benefit cap'. From April 2013, this will restrict a family's total benefit entitlement to £500 a week. London's high housing costs mean that 49 per cent of those likely to be affected by the cap will live in the capital.<sup>4</sup> The government believes that this change will be an incentive for families to enter paid employment, as once working 24 hours a week they will no longer be subject to the cap. But, as this report makes clear, considerable policy action is needed before this will be a feasible option for many London families.

The key message of this report is that low parental employment rates in London are not an intractable problem. Many more parents in London have moved into work in recent years, and many more could do so if this were made a priority for local, regional and central government.

**Chapter one**, by Declan Gaffney, presents new analysis of child poverty and parental employment rates in London. It shows that, although child poverty rates in London remain high, they are at their lowest level since the mid-1990s. In part, this seems to have been driven by a significant improvement in the employment rate of lone parents.

Low levels of part-time employment in London explain much of the gap in parental employment between London and nationally, and contribute to London's high child poverty rate. The shortfall in part-time employment for women (not just mothers) is partly explained by working patterns within certain occupational groups, in particular 'associate professional' and 'administrative/secretarial' occupations. These two groups account for 40 per cent of women's employment in London. Within many lower paid occupations, the availability of part-time employment is similar to that elsewhere in the country. However, the wage premium available for many London jobs is small to non-existent for those at the lower end of the earnings distribution, meaning that these jobs may not be feasible for parents who face high costs of working.

**Chapter two**, by Emma Stewart, sets out evidence on the availability of quality part-time jobs in London. It identifies significant failures in the recruitment market, with part-time working primarily used as a retention tool, rather than being offered to new applicants. Only 3 per cent of vacancies in London are for part-time roles with a salary of at least the full-time equivalent of £20,000 a year, while 20 per cent of vacancies are for lower paid part-time roles. This is in sharp contrast to the full-time market, in which the majority of roles pay over £20,000. More focus needs to be placed on giving employers the support they need to help stimulate demand for part-time candidates, and to influence both job design and hiring practices.

**Chapter three**, by Caroline Davey, sets out the specific barriers faced by lone parents looking for employment in the capital. Most lone parents want paid work, but have a strong preference for part-time employment. One of the biggest barriers to work for lone parents in London is the high cost of childcare. The latest evidence shows that the average cost of childcare is higher in London than anywhere else in the country, and almost all forms of childcare have seen price rises well above the rate of inflation over the past year. High housing costs also make it more difficult for lone parents to make work pay.

**Chapter four**, by Kris Krasnowski, analyses the performance of 'welfare-to-work' services in London. Previous employment programmes in London have performed poorly compared with those elsewhere, and there are concerns that the Work Programme in London may struggle to meet the performance expectations established by the Department for Work and Pensions. The costs per job of delivering employment support are significantly higher in London.

**Chapter five**, by Kate Bell describes tailored programmes of employment support for parents delivered in the London boroughs of Newham and Islington. Key to the success of these appears to be long-term engagement with a personal adviser who can signpost a wide range of services, rather than simply assisting with job entry.

**Chapter six** sets out policy recommendations from CPAG, drawing on those made throughout the report by the other authors. We make recommendations in four areas:

- ◆ increasing the supply of quality part-time jobs;
- ◆ helping make work pay for parents;
- ◆ improving employment support for parents;
- ◆ setting targets and monitoring progress.

The table below summarises these for local, regional and national government.

	Recommendations for local government	Recommendations for the mayor	Recommendations for central government
<b>Increasing the supply of quality part-time jobs</b>	<p>Ensure that all vacancies are advertised as available for flexible working.</p> <p>Investigate the use of community benefit clauses within procurement arrangements to ensure that companies with whom local authorities contract offer jobs to local residents, and advertise these as available for flexible working.</p> <p>Investigate the use of 'section 106' agreements when businesses are seeking to develop within a local authority area to ensure that they offer jobs to local residents, and advertise these as available for flexible working.</p>	<p>The mayoral campaign to increase the supply of part-time jobs should target 'associate professional' and 'administrative/secretarial' jobs, and include dedicated training for line managers in these sectors on how to manage flexible working.</p>	<p>Task the Low Pay Commission with investigating the case for a higher national minimum wage in London.</p>
<b>Ensuring parents are better off in work</b>		<p>Introduce a part-time travel card.</p>	<p>Reintroduce the return-to-work credit for lone parents and second earners in London, possibly through increasing the disregards within universal credit.</p>
<b>Improving the support for parents looking for employment</b>	<p>Consider developing targeted programmes to increase parental employment, based on long-term contact with a personal adviser who is able to access a wide range of support, including advice on benefits, debts, housing and skills provision.</p>	<p>Develop a specific London-wide programme to increase parental employment, working with local authorities.</p>	<p>Depending on the performance of Work Programme providers in London, reconsider whether additional funding is needed to deliver in the capital.</p> <p>Impose a requirement on Work Programme providers to co-operate with local authorities in the areas in which they work.</p> <p>Devolve non-Jobcentre Plus and Work Programme funding to a London level, with the specific aim of increasing parental employment.</p>
<b>Setting targets and monitoring progress</b>	<p>Include specific targets to increase parental employment rates as part of child poverty strategies.</p>	<p>The London Enterprise Panel should set a target to close the gap between parental employment rates in London and the rest of the UK by 2015.</p>	

## Notes

- 1 Department for Work and Pensions, *Households Below Average Income 2009/10*, 2011
- 2 Figures for 2010/11. Defined as living below 60 per cent of the equivalised median income after housing costs. The figures before housing costs are 304,000 children, or 19 per cent.
- 3 London Child Poverty Commission, *Capital Gains: London Child Poverty Commission final report*, London Councils, 2008
- 4 Department for Work and Pensions, *Benefit Cap (Housing Benefit) Regulations 2012: impact assessment for the benefit cap*, 2012, available at [www.dwp.gov.uk/docs/benefit-cap-wr2011-ia.pdf](http://www.dwp.gov.uk/docs/benefit-cap-wr2011-ia.pdf)

# Trends in child poverty and parental employment in London

*Declan Gaffney*

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## Overview

This chapter presents new analysis of the trends in child poverty in London, and their relationship with rates of parental employment. It looks at the changes in the child poverty rate in London over time, at the number of children living in households in which no one is in work, and at the changes in the rate of parental employment. Given that we know that lower levels of part-time working in London, compared with the rest of the UK, help to explain the difference in the proportion of children living in poverty, we look particularly at rates of part-time working.

We summarise the main results below, before going into further detail in the rest of the chapter.

### **Child poverty rates in London are higher than elsewhere, but are at their lowest level since the mid-1990s.**

At 37 per cent, the child poverty rate (measured after housing costs) in London remains the highest of any UK region or country. The most recent data show that it is at its lowest level since the mid-1990s. However, the rate has fluctuated in the past and it is too early to say whether there has been any definitive change. What we can say is that child poverty in Inner London is much lower than it was 10 years ago, falling from the extraordinary rate of 52 per cent observed towards the start of the last decade to 44 per cent from about the mid-2000s. It also appears that trends in child poverty in Greater London have now been moving in line with national trends for several years, in contrast with the first half of the last decade when poverty rose in London, but fell at a national level. These findings give some grounds for optimism that the London child poverty problem may be less intractable than it might have appeared only a few years ago.

How much of this change can be attributed to employment, as opposed to redistribution or changes in average income? Although we cannot answer this question definitively, changes in the labour market position of parents have almost certainly played a role in reducing child poverty in London and in bringing London trends more in line with developments nationally. The share of both lone-parent and couple households without employment is now lower than at the turn of the twenty-first century.

Other changes may also help to explain the lower proportions of families in which no one is in work, including changes in where families live. In

Inner London, it seems likely that a shift in migration – and especially domestic migration – has also played a role in reducing household worklessness since 2008. The proportion of workless couple families in Inner London fell significantly with the onset of the recession. This is unlikely to be due to improved employment prospects, and so one possibility is that the percentage of workless couples has declined because employed families have been unable to access the housing ladder and move to more suburban areas. However, the number of children in workless households was declining in Inner London several years before the recession, so the long-term improvement in Inner London cannot be attributed solely to this.

One of the factors in the long-term decline in worklessness at a London level is that more lone-parent families live in Outer London, where employment rates for lone parents have tended to be higher. In Outer London, there was a rise in child poverty in the middle of the last decade, associated with this growth in the lone-parent population. The increase in poverty (but not for lone-parent families) has now been mostly reversed.

**Employment rates for mothers in couples and for lone parents are lower in London than in the rest of the country. While the lone-parent employment rate has been rising, there has been no change for mothers in couples.**

The difference in child poverty rates between London and the rest of the country is not solely due to higher levels of household worklessness. Couple households in which only one partner works have a much higher risk of poverty than those in which both partners work, and couples with children in London are much more likely to have only one earner because employment rates for mothers are much lower than at a national level. There is little sign of any change in this pattern in London.

Lone-parent employment has been rising gradually over time in London, albeit from a lower baseline than nationally, and with some reversal of the trend during the previous decade. This may reflect changes in the amount of conditionality that lone parents face when claiming benefits, with the age of youngest child at which lone parents must start claiming jobseeker's allowance (rather than income support) and actively seek work reducing from 16 to five between October 2008 and October 2011. We estimate that, since 2007, the number of lone-parent families in receipt of any out-of-work benefit whose youngest child is in this age band has fallen by 23,000.

However, there has also been a substantial increase in parents moving off income support with younger children not affected by this policy change. Given that there has been little change in employment for mothers in couples, it therefore seems likely that other, smaller scale policy changes from 2004 onwards, including increases in childcare support, have made some contribution to increasing lone-parent employment in London.

Although the part-time issue is likely to continue to keep maternal employment rates in London lower than at a national level, this does not mean that policies to increase parental employment in London are destined to failure. The rise in lone-parent employment does not seem to be due to any greater availability of part-time work. There was considerable policy focus on lone-parent employment in London from 2004 to 2008, and this seems very likely to have contributed to increased employment. There is therefore no reason to assume that a stronger focus on employment for mothers in couples would be without effect.

**Low levels of part-time employment in London explain much of the gap between parental employment rates in London and the rest of the UK. The shortfall in part-time employment for women seems concentrated in ‘associate professional’ and ‘administrative/secretarial’ occupations.**

Low levels of part-time employment in London explain much of the gap in parental employment between London and the rest of the UK, and contribute to London’s high child poverty rate.

This shortfall in part-time employment for women (not just mothers) is partly explained by working patterns within certain occupational groups, in particular ‘associate professional’ and ‘administrative/secretarial’ occupations. These two groups account for 40 per cent of women’s employment in London.

In lower paid occupations (‘sales’, ‘personal services’ and ‘elementary’), although hours worked are slightly higher in London than in the UK as a whole, this does not contribute to explaining the part-time shortfall, as these jobs tend to have a high proportion of part-timers in London, as they do elsewhere. These jobs account for a smaller share of employment in London, and it is this which reduces the overall proportion of part-time working.

Wages in London are, on average, about 25 per cent higher than the UK average. This ‘London premium’ is small to non-existent at the lower end of the part-time earnings distribution. This is because a large amount of part-time work in London is in low-paid occupations and, for most part-time jobs, especially those in low-paid occupations, the London premium is much lower.

One possible conclusion is that efforts to increase employment for mothers in London through the part-time route should focus on:

- ◆ increasing employer flexibility in ‘associate professional’ and ‘administrative/secretarial’ occupations; *and*
- ◆ promoting a ‘living wage’ for lower paid jobs, where there is no need for greater flexibility.

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## What do we know about child poverty in London?

Before turning to examine current levels of child poverty and parental employment in London, it is useful to summarise previous research, which has found the following.

- ◆ Child poverty in London is much higher when incomes are measured after housing costs are taken into account. This is because housing benefit payments are included when income is measured before housing costs. Housing benefit payments are higher in London, meaning that the gap between the 'before' and 'after' housing costs measure is much larger than in the UK as a whole. For comparative purposes, it is essential to use an after housing costs measure of income, regardless of which measure is seen as more appropriate at a national level.<sup>1</sup>
- ◆ The difference in poverty rates (after housing costs) between London and the rest of the UK is primarily due to lower levels of parental employment in London – for lone parents, and for mothers and fathers in couples. There are thus not only more workless lone-parent families, but also more couple families with only one earner, who face substantially higher poverty risks than dual-earner couples.<sup>2</sup>
- ◆ Child poverty rates in Inner London are much higher than in Outer London. However, because Outer London is twice as large in population terms as Inner London, it accounts for about half of all children in poverty in the capital.<sup>3</sup>
- ◆ For both lone parents and mothers in couples, low rates of part-time working explain the difference in employment rates between London and the rest of the UK and the spatial pattern of household-level employment within the capital.<sup>4</sup>
- ◆ London has fewer part-time jobs than other parts of the UK, and this is not explained by differences in industry or occupation.
- ◆ For lone parents, there is a substantial employment gap with the rest of the UK, even taking into account individual characteristics associated with labour market outcomes, such as skill levels and the age of their youngest child.<sup>5</sup>
- ◆ By contrast, much of the difference in employment for mothers and fathers in couples can be explained by a standard set of individual characteristics.
- ◆ Perhaps surprisingly, higher rents in London make only a small direct contribution to child poverty.
- ◆ Child poverty is higher for some ethnic minority groups, and a large share of London's children (more than 40 per cent) belong to a minority group. Rates of poverty by ethnicity vary a little, but not much between London and the rest of the UK.<sup>6</sup>

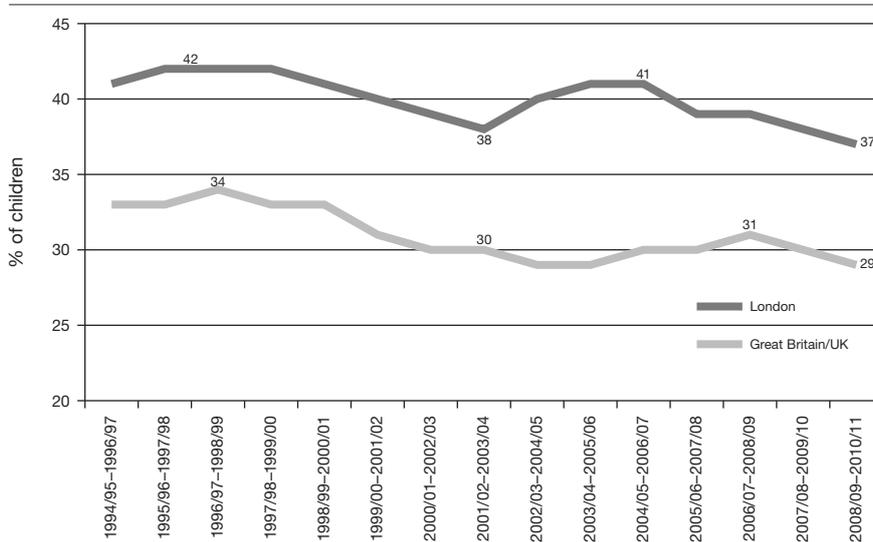
## Child poverty rates in London: trends over time

In this section we use three-year 'moving averages' to look at changes in child poverty since the mid-1990s. These averages are used because the sample size for the *Family Resources Survey*, from which the income data are drawn, is too small to allow robust measurement at a regional level on an annual basis.

When incomes are measured after taking housing costs into account, the rate of child poverty in London has moved within a range of between 37 per cent and 42 per cent since the early 1990s, with no consistent trend in either direction. However, since about the middle of the last decade, the rate has not risen above 39 per cent, in contrast to earlier periods. On the most recent data, child poverty was at 37 per cent in London (after housing costs). This is slightly lower than the lowest figure previously registered.

There has been a gap of between 8 and 11 per cent in measured child poverty, after housing costs, between London and the Great Britain/UK<sup>7</sup> average since the mid-1990s. The gap was at its widest in the first half of the last decade, as child poverty fell nationally, while rising in London. From the vantage point of 2012, it is possible that this disparity between trends in London and nationally was a temporary phenomenon – London continues to have a much higher rate of poverty, but over recent years the rate has moved in a similar way to the national trend.

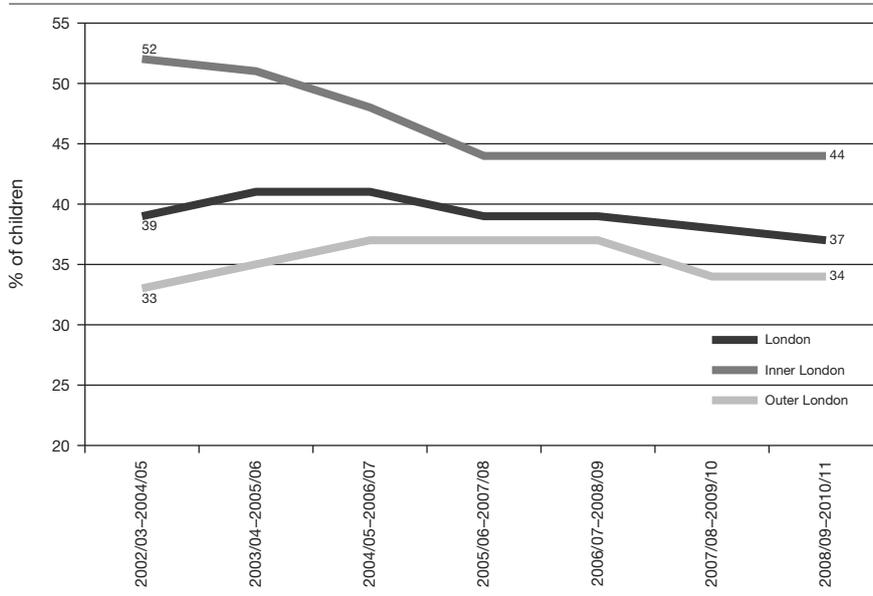
Figure 1  
**Child poverty after housing costs, London and Great Britain/UK, 1994–2011**



Source: Department for Work and Pensions, *Households Below Average Income 1994/95–2010/11*, 2012

In order to understand the trend in child poverty in London, we need to know why it departed so much from national trends in earlier years, yet followed national trends later. Part of the answer involves different developments in Inner and Outer London. Here, we only have data starting from the three-year period 2002/03 to 2004/05. In Outer London, which in population terms is twice the size of Inner London, child poverty rose and then fell again, although not quite to its previous level, standing at 34 per cent on the most recent data. In Inner London, by contrast, child poverty showed a significant fall in the earlier part of the decade, then subsequently flatlined. At the start of this period, the child poverty rate in Inner London was 52 per cent; since mid-decade it has been 44 per cent. So child poverty fell quite a lot in Inner London and rose in Outer London, and because the latter accounts for twice as many children as Inner London, the rise more than offset the fall up to the middle of the decade.

Figure 2  
**Child poverty after housing costs, London, Inner London and Outer London, 2002–2011**

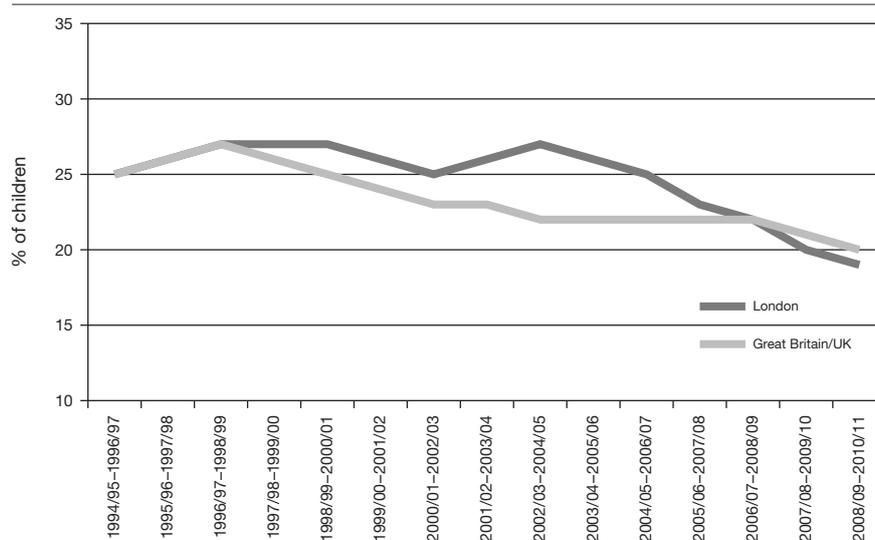


Source: Department for Work and Pensions, *Households Below Average Income*, various years

When incomes are measured before housing costs, the child poverty rate in London is slightly lower than at national level, although this has not always been the case. As noted above, the before housing costs measure is not a good basis for comparison between areas with different housing costs because of the effect of housing benefit on measured disposable income.

Figure 3

**Child poverty before housing costs, London and Great Britain/UK, 1994-2011**



Source: Department for Work and Pensions, *Households Below Average Income 1994/95-2010/11*, 2012

### **Explaining child poverty in London: the role of parental employment**

In this section we look at the role of parental employment in explaining child poverty rates in London. We look at this from two perspectives. Firstly, we examine the number of children living in workless households – that is, households in which no adult has a paid job. These children have a particularly high risk of poverty – national data show that 68 per cent of children in workless families are poor.<sup>8</sup> We then turn to look at parental employment rates; some families who are not workless may have only one parent in work, again increasing their risk of poverty. Twenty-nine per cent of children living in households in which one parent works but the other does not are in poverty, compared with just 4 per cent with two working full time, and 7 per cent with one working part time and one full time.<sup>9</sup>

#### **Children in workless households**

Previous analysis of child poverty in London has shown a strong relationship between poverty rates and the labour market position of households with children.

Table 1

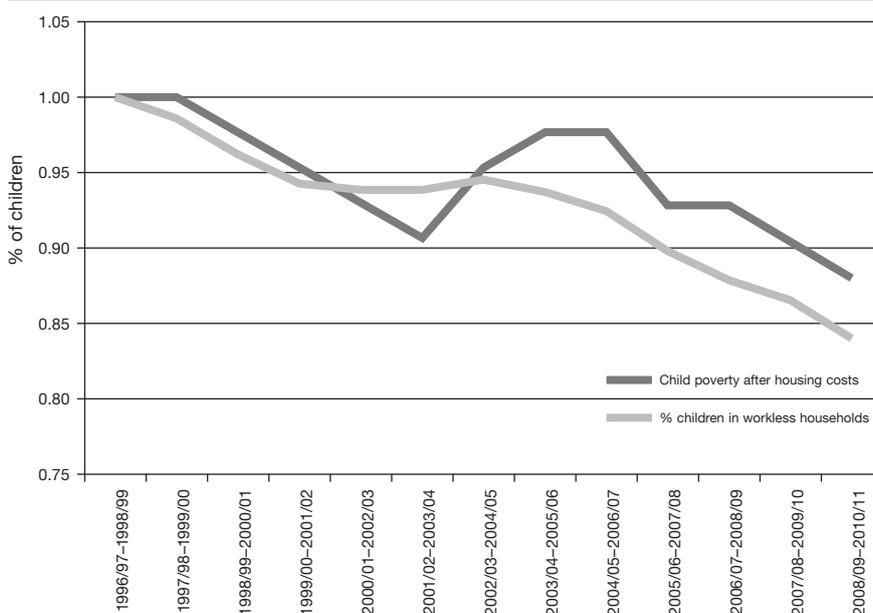
**Risk of poverty after housing costs for children by economic status of household**

	London	Great Britain	Difference		London	Great Britain	Difference
<b>Couple</b>				<b>Lone parent</b>			
All	28.5	22.7	-5.8	All	64.0	56.7	-7.3
Self-employed	26.2	28.7	2.5				
Both working full time	2.5	1.9	-0.6	Working full time	17.8	13.5	-4.3
One working full time, one part time	6.8	6.2	-0.6				
One working full time only	23.7	24.7	1.0				
Part-time work only	66.0	59.0	-7.0	Working part time	37.7	36.5	-1.2
Neither working	85.6	79.3	-6.3	Not working	82.5	78.6	-3.9

Source: H Sutherland, N Buck, and F Zantomio, *Tackling Child Poverty in London: implications of demographic and economic change*, London Child Poverty Commission, 2007  
Data from *Family Resources Survey 1996/97–2003/04*

However, the relationship between parental employment and child poverty is not completely straightforward. In Figure 4, the percentage of children in London living in poverty and in workless households is indexed to 1 between 1996 and 1999 to show how changes in these two variables relate to each other over time. The relationship is as might be expected at the beginning and end of the series – less worklessness is associated with lower poverty rates – but this pattern does not hold in the middle of the period. First, we see a fall in poverty while worklessness remains constant: this is probably a reflection of the expansion of tax credits at the turn of the century. Then, there is a rise in child poverty while worklessness falls – this is probably to do with rising median incomes pushing up the poverty threshold and offsetting the effect of increased employment.

Figure 4

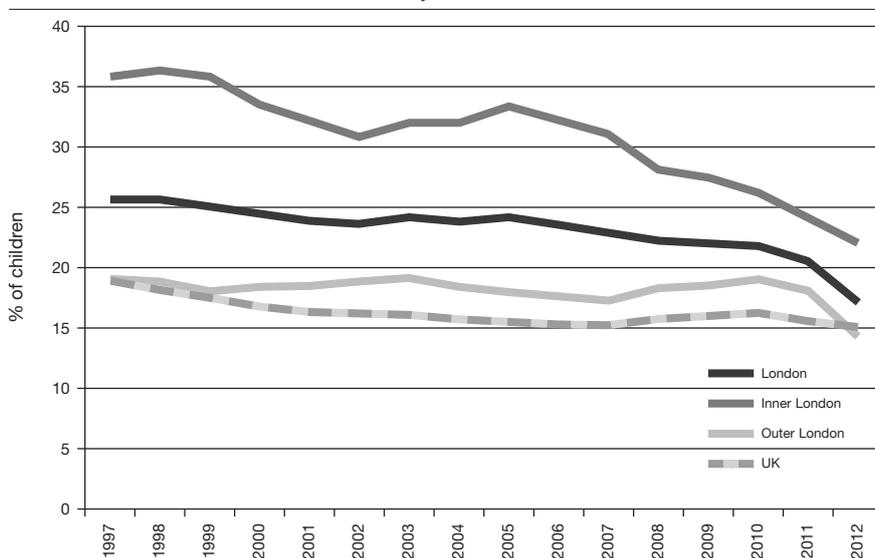
**Child poverty and percentage of children in workless households, London**

Source: Department for Work and Pensions, *Households Below Average Income*, various years; Office for National Statistics, *Working and Workless Households*, 2012

At a London level, the picture is one of a long-term gradual decline in the proportion of children living in workless households in London since 1997, but with a sharp acceleration in this decline from 2010. Thus, while between 1997 and 2009 the percentage of children in workless households fell from 26 per cent to 22 per cent, from 2010 to 2012 it fell to 17 per cent – in other words, as much of a fall as had been registered over the previous 12 years. However, as this turns largely on the effect of one data point (the 2012 figure), we should treat it with caution.

It is worth noting the trends since the crisis in the financial markets in 2008 and the ensuing downturn in employment. The impact on the proportion of children in workless households nationally was muted and had disappeared by 2012. This does not mean there was no impact on employment, but it took the form of a fall in the number of couples with two earners and a rise in part-time working.

Figure 5  
**Children in workless households, 1997–2012**



Source: Office for National Statistics, *Working and Workless Households*, 2012

### Inner versus Outer London

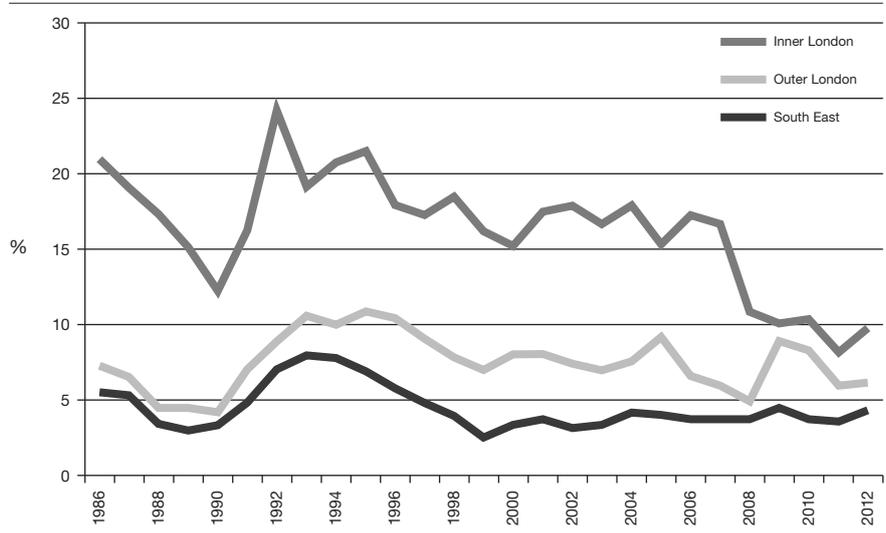
Next, we look at household worklessness in Inner and Outer London (the data presented so far has concerned children in households). This helps in unpicking some of the trends we have seen at a London level. Here we can look over a longer time frame (from 1986), using data kindly provided by Professor Jonathan Wadsworth of the Centre for Economic Performance at the London School of Economics.

Rates of household worklessness for couple and lone-parent families in Inner London are currently at the lowest level registered over the entire period for which we have data (from 1986). However, this has been the case for lone-parent households for some time, while the current very low rates for couples date from 2008. This change represents a sudden shift, which is difficult to relate to other developments. It contrasts sharply with the experience of the last recession, when rates of

worklessness among couples with children doubled in Inner London. In Outer London, there was a rise in worklessness for couples with the onset of the recession, but this seems to have been more or less reversed since then.

Figure 6

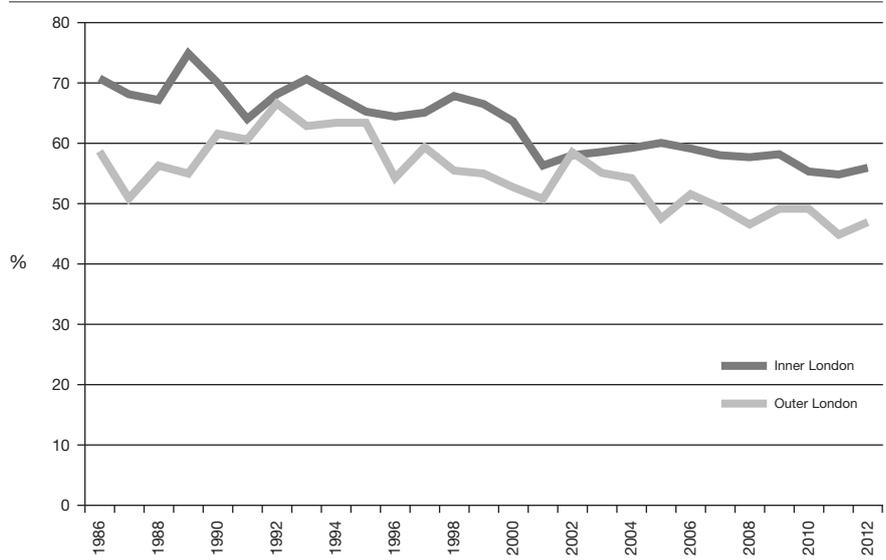
**Worklessness among couple households with children, 1986–2012**



Source: Office for National Statistics, *Labour Force Survey*

Figure 7

**Worklessness among lone-parent households, 1986–2012**



Source: Office for National Statistics, *Labour Force Survey*

Rates of worklessness for lone-parent families in Inner London fell from 68 per cent in 1998 to an average over the next decade of 59 per cent. There was relatively little change until 2010, when a further fall was registered. This may be related to the progressive lowering of the child's age at which lone parents were brought into the jobseeker's allowance conditionality regime, which we explore further below. In Outer London, there was a rise in lone-parent worklessness in 2002, which was later

reversed. This is one of the reasons why the London-wide child poverty rate rose and then fell during this period. In both areas, there was a slight increase in 2012, although this is statistically insignificant.

To summarise, child poverty across London is high, at 37 per cent (after housing costs). This is still one of the lowest levels on record, but rates have fluctuated in the past so it would be rash to assume that there has been any kind of definitive shift. However, the child poverty rate for Inner London is considerably lower than at the start of the last decade and has been stable since about 2007, albeit on data that average over several years. There have been falls in the number of children in workless households and in the number of workless lone-parent and couple households. There has been a marked fall in worklessness among couples in Inner London; this is unlikely to represent a labour market improvement, as it took place at the onset of recession.

There is thus an apparent consistency between the signals from the poverty and labour market data. However, the most recent falls in poverty in London echo what has happened at a national level, where both increases in tax credits (in 2010) and falls in median income explain much of the change.<sup>10</sup> A detailed analysis of the incomes data is required to establish the contribution, if any, of increased parental employment to the fall in child poverty in London (and the data might not support this level of detail).

Finally, there are questions about the extent to which the improvements in household employment reflect labour market factors, as opposed to location decisions. The unprecedented fall in worklessness among couple households with children in Inner London in 2008, assuming it is not a statistical anomaly, would suggest that the housing market is playing a role. There are large flows of employed couple households with children out of Inner London every year, driven at least in part by the greater availability of family-size accommodation in suburban areas. If these flows are reduced, and families can no longer afford to move to Outer London, there might well be a reduction in the *percentage* of workless couple households in Inner London, even without any reduction in numbers. If employed families crowd workless families out of the private rented market, there could also be a numerical fall in worklessness, although this would have been achieved without any improvement in individuals' circumstances. Thus, while it is clear that there have been important changes in worklessness among families with children over the last decade, it is much clearer in the case of lone-parent households that this is due to changes in employment outcomes than it is for couple households.

## Parental employment

So far, we have looked at worklessness at the household level. However, parents also tend to have lower employment rates as individuals in London than at a national level. The trends over time are shown in Table 2. As expected, there has been a major rise in the employment rate for lone parents. There has been very little change for both mothers and fathers in couples in recent years, and while employment for mothers in couples rose from 68 per cent to 74 per cent in the rest of the UK between 1995 and 2005, there was virtually no change in London.

Table 2

### Parental employment, London and UK

	Lone parents			Mothers in couples			Fathers in couples		
	London %	Rest of UK %	London/UK Ratio	London %	Rest of UK %	London/UK Ratio	London %	Rest of UK %	London/UK Ratio
1995	38	45	0.84	59	68	0.87	–	–	–
2005	43	58	0.74	60	74	0.81	–	–	–
2007	42	57	0.73	58	74	0.79	89	92	0.96
2008	49	59	0.83	60	73	0.82	89	91	0.98
2009	48	59	0.81	59	73	0.81	87	90	0.97
2010	47	56	0.83	60	73	0.83	89	90	0.98
2011	48	57	0.83	58	72	0.81	87	90	0.97

Source: Greater London Authority, *Worklessness in London*, 2012; London Child Poverty Commission, *Monitoring Child Poverty in London*, 2007

## Lone-parent employment

One of the more salient aspects of the issue of child poverty in London has been the divergence of the trends in lone-parent employment from those at a national level during the first half of the last decade. From the vantage point of 2012, it now looks as if this may have been a temporary phenomenon. At the household level, the trend was downwards, in line with the national level, in the late 1990s and this resumed in 2006, with only a slight reversal during the recession.

### Why has lone-parent employment increased over recent years in London?

Previous research has shown that the characteristics of lone parents account for only a small proportion of the gap between lone-parent employment rates in London and elsewhere. Two aspects that have been singled out are the low rates of part-time working in London and the incentives in the Jobcentre Plus performance regime, in which target lone-parent job-entry rates were, at one point, half those in other areas, supposedly in recognition of greater levels of deprivation in London.

When we seek to explain the rise in lone-parent employment rates in London, the fact that employment for mothers in couples has remained stable suggests that policy change may have played a causal role. Lone-parent employment and employment for mothers in couples are strongly correlated and so a change in one as a result of labour market factors would be expected to be associated with a change in the other.

There have been a number of policy changes affecting lone parents. Most importantly, from October 2008, lone parents with children over 12 began to be moved from income support to jobseeker's allowance and thus incurred far stricter work-search obligations than under the previous income support regime. The obligations were then extended to those with children over the age of 10 and then age seven by the previous government, and to those with children over the age of five by the current government. This policy was intended to increase employment for lone parents.

One of the effects of the policy was to increase the rate of movement off income support (although this should not be confused with increasing job-entry rates). Prior to reform, this 'off-flow' rate of lone parents in London was about 67 per cent of that in the rest of the country. Since the reform, there has been considerable convergence in the rates between London and the rest of the UK, initially for those whose youngest child was between 11 and 16, and later between five and 11. However, it is interesting to note that the off-flow rate also increased relative to the national level for those whose youngest child was under five (and unaffected by the policy change) and for those whose youngest child was between five and 11 before the introduction of the policy change affected them. While an 'anticipation effect' might explain the latter, it does not explain the former. There seems to have been an increase in movement off income support independent of this policy change.

Table 3

**Income support for lone parents: ratio of London to national off-flow rate**

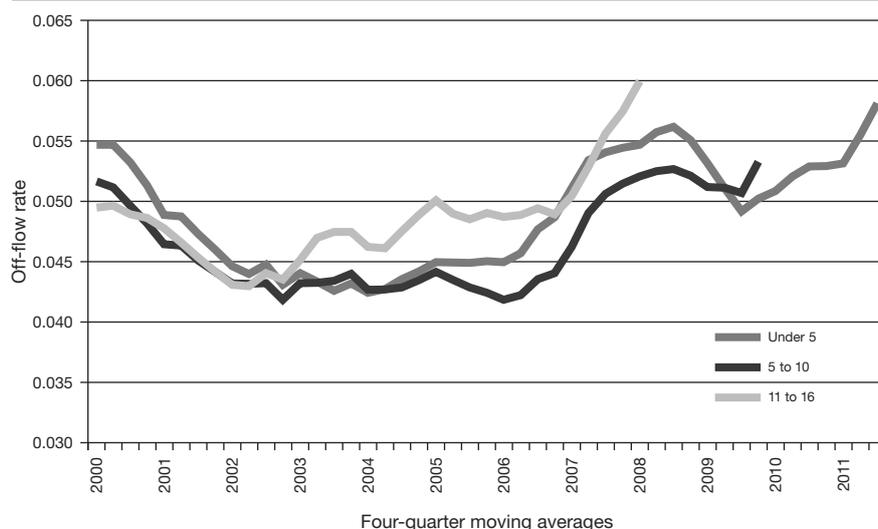
	2008	2009	2010	2011	2012
All	0.67	0.77	0.84	0.85	0.83
Under 5	0.67	0.76	0.73	0.74	0.76
5 to under 11	0.68	0.74	0.78	0.89	0.87
11 to under 16	0.66	0.80	1.01	0.96	0.84

Source: Department for Work and Pensions off-flow data and *Work and Pensions Longitudinal Study*. Data for quarter centred on November of each year.

Figure 8 shows the quarterly off-flow rates by the age of a lone parent's youngest child in London from 2000 (averaged over four quarters to remove seasonal fluctuations). For those aged five to 10 and 11 to 16, we cut the series off at the point of the policy change, as thereafter the off-flow rate ceases to be meaningful. It is clear that off-flows from income support were increasing before the policy change, and for parents unaffected by the change, the trend still seems to be upwards, taking account of the impact of the recession.

Figure 8

**Off-flow rate from income support by age of youngest child, London**



Source: Department for Work and Pensions off-flow data

Moving off income support is one thing; moving off benefits altogether is quite another. At a national level, there were 220,000 fewer lone parents with a youngest child aged five to 16 on income support in November 2011 than in the same quarter in 2007, but when we include parents on jobseeker's allowance, this decrease is reduced to 108,000. This does not take account of sick or disabled lone parents who may have moved onto employment and support allowance when their income support entitlement ended, or of parents caring for a disabled child. Data on female claimants without a partner whose youngest child was in the relevant age band indicate that there were 62,000 fewer claiming in 2011 nationally. In London, the decrease was, at most, 23,000 (at most, because we do not have the gender breakdown for the relevant age bands of the youngest child).

This is a significant reduction, but it still leaves us with questions about the drivers of the change. We can not answer those questions definitively, but there is one salient fact worth noting. Over the same period, we see essentially no change in the number of families in London claiming benefits with a youngest child under five – that is, among those unaffected by the policy change. However, there was also substantial growth in the number of under-fives in the London population – over 50,000 by 2010, an increase of more than 10 per cent. Other things being equal, some increase in the number of families with a youngest child under five on benefits might be expected, and this did not happen. Of course, it might be that the demographic growth did not affect lone-parent numbers, although it is hard to see why this would be the case (there is no registered fall in the share of lone-parent households).

Along with the increase in the rate of movement of lone parents off income support, this suggests that something else has been going on that affected lone-parent employment apart from the move to jobseeker's allowance. A number of other smaller scale policy changes affecting lone parents

have also taken place since the middle of the last decade, including:

- ◆ a major increase in the maximum childcare costs covered by the childcare element in working tax credit (from 2004), which was widely seen as a response to higher childcare costs and child poverty in London;
- ◆ a London addition (from July 2007) of £20 to the £40 a week in-work credit, intended to help lone parents with their additional costs during the first year of employment. Evaluation of the national in-work credit programme has shown significant positive employment impacts;<sup>11</sup>
- ◆ the revision of the Jobcentre Plus performance regime in London, including targets to halve the difference between lone-parent employment rates in London and the rest of the UK (from 2008). This was in response to criticism that Jobcentre Plus targets for lone parents were lower in London than in other areas;
- ◆ a number of projects (from 2005) intended to increase the availability and affordability of childcare in the capital, including provision of three months' free childcare for mothers considering returning to the labour market.

With the possible exception of the change to Jobcentre Plus targets, none of these interventions were on a scale which would be expected to lead to major changes at a London level: the take-up of the childcare element remains low in London and the numbers receiving the in-work credit or using the childcare projects at any point in time were a few thousand. However, the effect of all these interventions taken together might well account for some of the increase in lone-parent employment.

If, as the evidence suggests, policy has played an important role in increasing lone-parent employment in London, this raises the question of whether a broader policy focus on maternal employment generally could increase the proportion of dual-earner couple families in London, thus further reducing child poverty.

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## **Part-time working**

A recurrent theme in the research on poverty and employment in London is that mothers (both lone parents and those with partners) have lower employment rates in the capital, and that this is 'explained' by lower rates of part-time working. Full-time employment rates for mothers are slightly higher in London.<sup>12</sup>

Low rates of part-time working are a longstanding feature of the London labour market,<sup>13</sup> and there is little sign that this has changed over recent years. It is true that part-time rates are substantially higher at the moment, but this is entirely due to the impact of the recession. Table 4 shows that, from 2004/05 to 2007/08, there was essentially no change in part-time employment rates for women or for women in the 25–49-year-old age band.

Table 4

**Female part-time employment rates, London and Great Britain**

		2004/05	2007/08	2011/12
		%	%	%
All ages	London	19.2	19.3	20.7
All ages	GB	28.2	27.8	27.6
Age 25–49	London	18.7	18.8	20.4
Age 25–49	GB	29.6	29.5	29.2

Source: Office for National Statistics, *Annual Population Survey*

**Why are the rates of part-time working so low in London?**

What explains the low rate of part-time work in London? Potential explanatory factors – the distinctive industrial and occupational structure of the labour market – explain only some of the difference. In 2007, analysis by GLA (Greater London Authority) Economics showed that between one-quarter and one-third of the gap between the rates of part-time work in London and the rest of the country could be explained by occupational structure, with industrial structure making little difference.<sup>14</sup> Even with the same occupational structure as the UK, there would still be a sizeable gap.

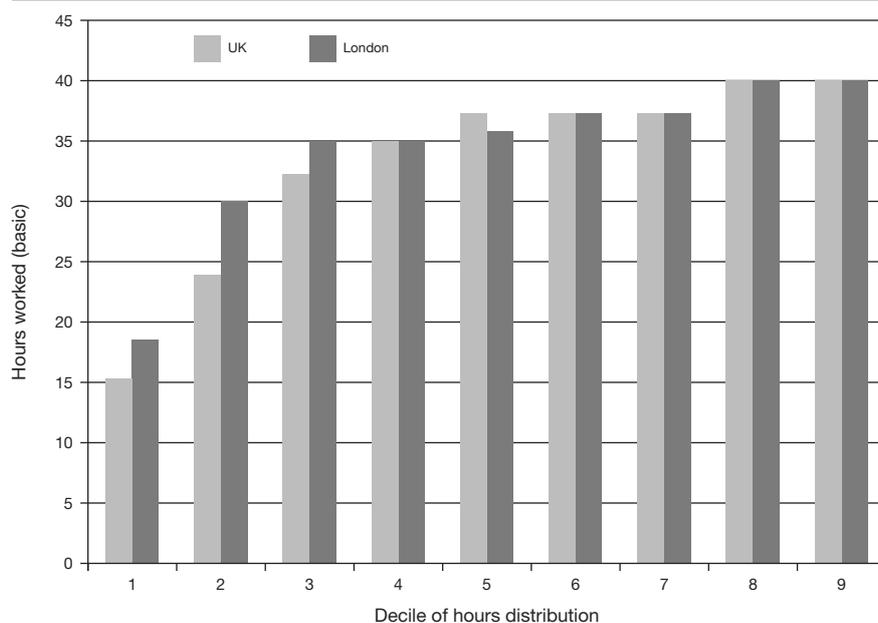
An implication of this work is that jobs which are often filled on a part-time basis elsewhere in the UK are more likely to be filled on a full-time basis in London. But does this apply across occupations, or is it driven by particular types of job? And are the differences to do with part-time work in general (usually defined as less than 30 hours a week) or by specific hours worked (for example, fewer than 16 hours a week)? Is a simple dichotomy between full time and part time the best way to understand these differences in employment patterns?

In this section we use data from the *Annual Survey of Hours and Earnings* to look at these aspects of the employment shortfall. We have used data from 2008 because of the impact of the recession on part-time working – which we assume will be a temporary phenomenon.

These data concern employee jobs rather than workers, which is an appropriate measure when looking at labour demand. Data on workers would show somewhat different patterns because many people have second jobs. Moreover, these figures exclude overtime. We look first at the distribution of hours for all jobs. Employees are divided into equally sized groups (deciles) arranged by the number of hours they work. As we can see, there is a gap between London and the UK at the bottom of the distribution which disappears at the 40th percentile mark. So over more than one-third of the distribution, jobs in London have longer hours. Put another way, jobs of less than 35 hours a week (the 40th percentile for both distributions) have longer hours in London than in the UK as a whole. This is not the case at the middle or the upper end of the distribution, where the columns in Figure 9 are of roughly the same height, so jobs of more than 35 hours in London and the UK as a whole have similar hours. However, if we were looking at workers rather than jobs, we would see that Londoners are somewhat more likely to work over 40 hours a week than in other areas.

Figure 9

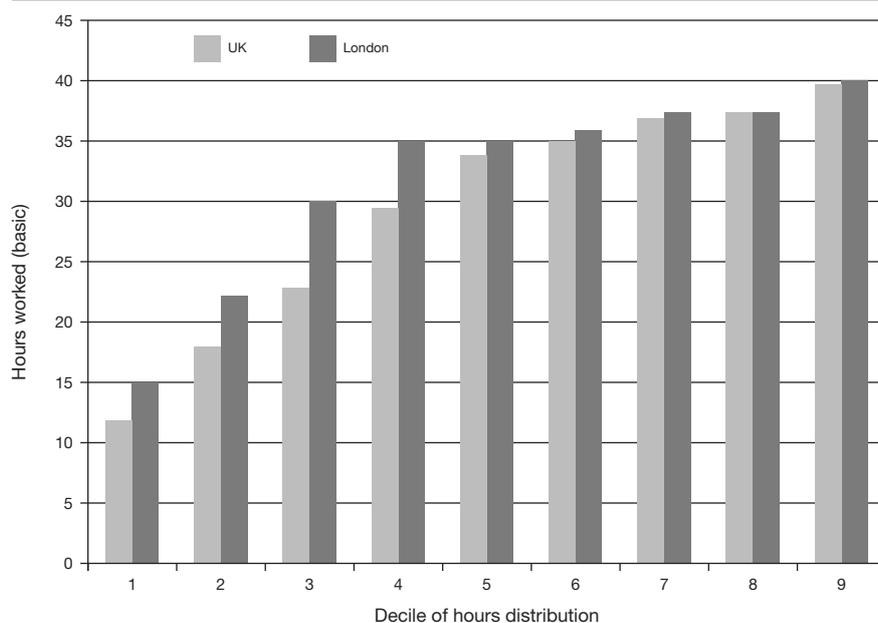
**Distribution of hours worked, London and UK, 2008**



Source: Office for National Statistics, *Annual Survey of Hours and Earnings*, 2008

The gap in hours worked at the lower end of the distribution shows that the difference between London and the rest of the UK is not just a matter of fewer people working less than 30 hours a week (the standard definition of part-time work). In fact, a simple dichotomy of full-time and part-time jobs does not necessarily capture the diversity of employment. In London, people are less likely to be employed for 16 hours or less, and also less likely to be employed for 30 hours or less. This is also true for women's employment. Sixty per cent of women's jobs in London have basic hours of 35 or more compared with 50 per cent in the UK as a whole, and the London/UK gap is visible all the way down the distribution of hours from the middle. Thus, the bottom 10 per cent in the UK work 15 hours or less, compared with 18 hours or less in London. However, the gap is more marked at the 30th percentile, where jobs have 30 hours in London, but only 23 in the UK as a whole.

Figure 10  
**Distribution of hours worked for women, London and UK, 2008**



Source: Office for National Statistics, *Annual Survey of Hours and Earnings*, 2008

### Type of jobs

We look next at the type of jobs in which the hours worked tend to be longer in London. Here, we concentrate on women's jobs. Again, we look at the distribution of hours in London and the UK, this time at the level of the two-digit occupational classification.<sup>15</sup> There are missing values for some of the categories, and some of the estimates are subject to wide margins of error, but we believe that the broad picture is reasonably accurate.

In order to identify occupations in which there is a major shortfall in part-time working (less than 30 hours a week), we first measure the gap between London and the UK as a whole (if there is one). As an arbitrary cut-off, we focus on those jobs and those parts of the hours distribution where the gap is four or more hours a week. We ignore differences above the 30-hour threshold – that is, where more than 30 hours are worked nationally at that point in the distribution. Table 5 summarises this analysis, using the major occupational groups. Figures in bold type show where the gap is important in the way we have defined.

This reveals some very substantial gaps for both 'associate professional' and 'administrative/secretarial' jobs, where there are gaps of six or more hours a week, at the 20th and 25th percentile and the 25th and 30th percentile respectively. In other words, a difference of nearly one day a week. These two categories are by far the most important in understanding the part-time employment shortfall for women in London, in terms of the size of the gap and the importance of these jobs in the labour market – some 41 per cent of employee jobs for women. There is also a gap for 'professionals' at the 20th percentile. For lower paid jobs, the hours gap is generally smaller, which should not be surprising as these jobs tend to have low hours across the UK as well as in London.

Only at the 60th percentile for ‘elementary occupations’ is there a gap of more than four hours a week. On this evidence, the pattern of hours worked in these jobs does not make a substantial contribution to the part-time shortfall in London. In fact, given generally low working hours in these jobs, none of the gaps we have identified push lower paid London jobs above the 30-hour threshold, usually used to define part-time jobs. This contrasts with the ‘associate professional’ and ‘administrative/secretarial’ jobs where the gap has precisely that effect.

Table 5

**Gap in hours worked between London and UK, female employee jobs, 2008**

Occupational group	Quantile of hours distribution							% of women's jobs	
	10	20	25	30	40	Median	60	UK	London
All	3.0	4.0	6.0	7.0	5.6	1.2	1.0		
Managers and senior officials	<b>6.0</b>	1.0	0	–	-1.0	-0.9	-0.1	11.1	15.0
Professional	3.9	<b>4.2</b>	2.6	2.5	0.1	2.5	0	12.3	15.5
Associate professional and technical	<b>4.4</b>	<b>8.6</b>	<b>7.0</b>	5.0	0	0.5	0.5	15.9	19.7
Administrative and secretarial	1.6	3.8	<b>6.0</b>	<b>7.0</b>	3.1	0	0	20.6	21.1
Skilled trades	–	–	<b>7.5</b>	<b>7.2</b>	5.0	1.9	0.5	1.4	1.0
Personal service	3.4	1.3	1.3	2.4	2.3	1.9	1.0	14.6	11.5
Sales and customer service	0	-1.3	-0.5	0	0.1	1.1	2.1	10.6	7.5
Process, plant and machine operatives	–	-1.6	0	2.5	0.1	0	0	1.7	0.6
Elementary	0.8	0.1	0.9	2.5	2.0	1.3	<b>4.8</b>	11.8	8.1

Source: Office for National Statistics, *Annual Survey of Hours and Earnings*, 2008

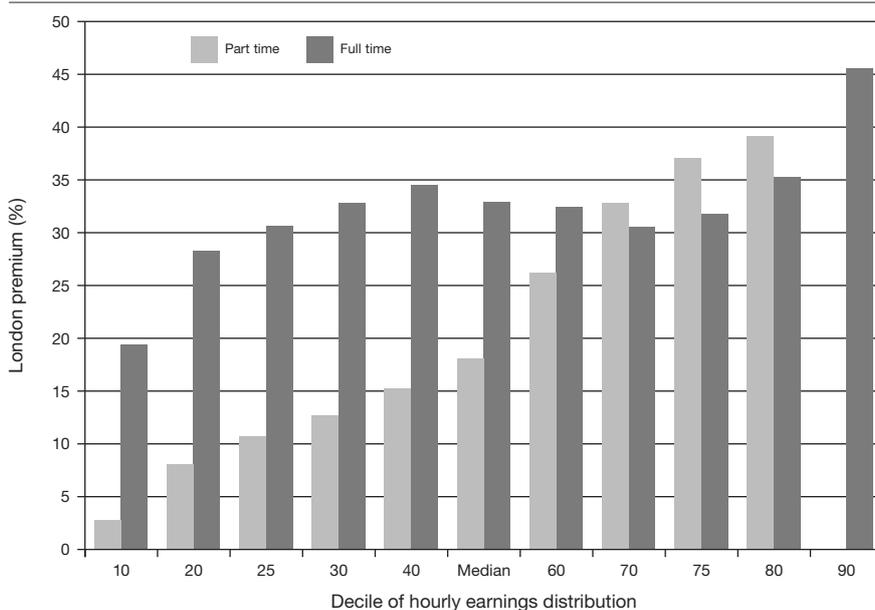
So patterns of working *within* some occupational groups explain some of the part-time shortfall in London. The groups in question are towards the middle of the earnings distribution, rather than the bottom, and account for a very large share of women's employment in London. For lower paid jobs, however, the shortfall is more due to the size of the occupational groups than the differences in working patterns – this is consistent with the GLA Economics analysis, which showed that occupational structure was making a contribution to the part-time shortfall (albeit using a different data source, the *Annual Business Inquiry*).

### Wages

We look next at wages. Workers in London generally earn about 25 per cent more than the UK average, but this ‘London premium’ is much more marked for full timers, while at the lower end of the part-time earnings distribution, it more or less vanishes. The median full timer in London is getting an hourly wage worth about one-third more than the median full timer in the UK, while the median part timer is earning about one-sixth more.

Figure 11

**London hourly wage premium for full-time and part-time employee jobs, 2008**



Source: Office for National Statistics, *Annual Survey of Hours and Earnings*, 2008

So part-time workers at the bottom of the earnings distribution receive a London premium which is pretty derisory compared with that for full-timers. Is this because part-time jobs are concentrated in lower paid occupations, and those occupations command a low premium whether you are working full time or part time? Or is this specifically a part-time issue? And if so, is it a *London* part-time issue? The answer is that all of these factors play a role. In 'elementary occupations' the premium for working full time is low everywhere, while the premium for working in London is less than 5 per cent at the median of the distribution (bear in mind that most workers in London receive a premium of 25 per cent). The situation is not very different for 'sales and customer service' workers. For other groups, part-time workers in London are paid even less relative to full-timers than in the UK as a whole. This apparent London 'part-time penalty' may, however, be explained by other factors, such as age or seniority, if part-time jobs tend to be taken by younger workers in London. This does not, of course, mean that people who need to work part time in London, especially those with fewer qualifications, do not face a very difficult situation.

Table 6

**London premium for part-time employees, 2008 (hourly wage, excluding overtime)**

	Quantile of hours distribution										
	10	20	25	30	40	Median	60	70	75	80	90
All	1.03	1.08	1.11	1.13	1.15	1.18	1.26	1.33	1.37	1.39	1.33
Managers and senior officials	1.06	1.21	1.34	1.31	1.51	1.51	1.54	1.47	1.52	1.46	–
Professional	0.98	1.04	1.04	1.04	1.07	1.09	1.12	1.11	1.11	1.11	–
Associate professional and technical	1.11	1.14	1.16	1.15	1.15	1.14	1.15	1.12	1.15	1.16	–
Administrative and secretarial	1.06	1.06	1.07	1.09	1.13	1.20	1.21	1.22	1.23	1.24	1.28
Skilled trades	–	1.03	1.04	1.03	1.09	1.20	–	–	–	–	–
Personal service	1.12	1.16	1.17	1.17	1.17	1.18	1.17	1.20	1.25	1.29	–
Sales and customer service	1.00	1.03	1.04	1.06	1.08	1.09	1.10	1.10	1.10	1.10	1.10
Process, plant and machine operatives	1.09	1.20	1.20	1.23	1.23	1.36	–	–	–	–	–
Elementary	–	–	1.02	1.02	1.04	1.06	1.09	1.11	1.12	1.13	1.14

Source: Office for National Statistics, *Annual Survey of Hours and Earnings*, 2008

### Summarising the findings on part-time work

It is clear that the part-time jobs market in London is very different from the London full-time market and from the part-time market at a national level, and these differences are important in explaining the low rates of employment for mothers in London. There are big shortfalls in part-time employment in London in some of the occupational groups that provide a large share of part-time work for women in other parts of the country, notably 'administrative/secretarial' and 'associate professional' occupations. In most occupations, part-time workers receive a much lower London premium than full-time workers and, for the lowest paid, there is virtually no premium in most occupational groups. It seems unlikely therefore that the lower paid end of the part-time jobs distribution has much to offer in terms of increasing maternal employment in London. Moreover, we have seen that this is not where the major shortfall in part-time opportunities lies. A focus on encouraging greater flexibility around the middle of the earnings distribution seems a more promising strategy.

Although the part-time issue is likely to continue to keep maternal employment rates in London lower than at national level, this does not mean that policies to increase parental employment are destined to failure in London. We have seen that the rise in lone-parent employment does not seem to be due to any greater availability of part-time work. There was considerable policy focus on lone-parent employment in London from 2004 to 2008, and this seems very likely to have contributed to increased employment. There is, therefore, no reason to assume that a stronger focus on employment for mothers in couples would be without effect.

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# Tackling the lack of part-time work in London

*Emma Stewart*

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## What is the problem?

There has been much media attention recently, highlighting the growing number of ‘under-employed’ workers in the London economy. However, far less focus has been given to the fact that working part time is the preferred pattern of work for many parents and carers across the capital – and the UK. Six in 10 of the 840,000 employees currently working part time in London do not want a full-time job.<sup>1</sup> The real challenge they face, along with thousands of other parents across London who are not in work, is the dearth of part-time jobs in the capital that pay a decent wage. The lack of a visible, quality part-time recruitment market is one of the key factors behind London’s high rates of parental, particularly maternal, worklessness, and also the growing levels of in-work poverty experienced by many families in the capital.

While part-time and flexible employment is on the rise (it has outstripped the growth of full-time jobs over the last 10 years), part-time employment in London still remains largely concentrated in the low-wage economy, often associated with fragmented and unsocial hours. Only 20 per cent of jobs in London are part time, compared with over one-quarter nationally. Almost half of part-time employees earn less than the ‘living wage’,<sup>2</sup> compared with 15 per cent of full-time employees.<sup>3</sup> As discussed in Chapter one, the shortfall in part-time employment paying a decent wage is partly explained by working patterns within certain occupational groups, in particular ‘associate professional’ and ‘administrative/secretarial’ occupations. This is a key reason why the lack of quality part-time work has a disproportionate impact on women, as these two occupational groups account for 40 per cent of women’s employment in London.

The lack of high value, part-time and flexible work is due to a number of factors, most significantly that the traditional model of full-time working (9am to 5pm, Monday to Friday) is ingrained in the minds of many employers.

However, the recession has had one of the biggest impacts on the growth of part-time and flexible working.<sup>4</sup> It has accelerated a changing landscape in the employment market, with part-time employment now much higher up the agenda. Businesses have begun to use flexible working as a solution for coping with the economic downturn.

Yet many employers still associate part-time working with low-value, low-paid roles, and see it more as a concession to retain staff than as a business tool to attract new talent. And with the supply of jobseekers in

London far outstripping employer demand, there is less need than in other parts of the country to consider such concessions.

The lack of quality part-time jobs limits opportunities and incentives for mothers, as well as for an increasing number of jobseekers who need to fit work around their caring responsibilities or health condition, or who choose to work in different ways. And for lower income families, particularly those headed by a lone parent, the limited range of part-time jobs can severely limit their chances of raising their household income, particularly when the high costs of childcare in London are taken into account (for more information on childcare costs, see Chapter three). Many parents simply cycle from out-of-work poverty to in-work poverty; it is no coincidence that the group with the greatest difference in employment rates between London and the rest of the UK is lone parents.<sup>5</sup>

Furthermore, because of the limited part-time options available in highly skilled jobs, many highly qualified women work in lower skilled part-time jobs in order to get the reduced hours they need. These highly skilled women are, in effect, under-employed, and those with fewer skills are less able to compete for intermediary level part-time work, limiting their employment opportunities even further.<sup>6</sup>

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## **What has been done to address the problem so far?**

The government is keen to stimulate the part-time and flexible labour market, which (in addition to the social benefits) is often suggested as providing a competitive advantage for the UK.<sup>7</sup> The need to take a 'demand-led' approach to encourage more flexible working is recognised as a priority in order to tackle parental, and specifically maternal, unemployment.<sup>8</sup> However, public services still remain largely focused on removing barriers to work and tackling poverty through a 'supply-led' approach. Skills and employability training for workless families, changes to the benefits system through the introduction of universal credit and early intervention programmes will all have limited success if the jobs that parents need are simply not there.

The government's engagement with employers on this agenda has, to date, focused on legislative change, with the launch of the Modern Workplace consultation in 2011, aimed at extending the right to request flexible working, currently available to parents, to everyone.<sup>9</sup> While this ambition is welcome, such changes will primarily only benefit those in work. They will not help stimulate better jobs for the thousands of parents out of work or under-employed in low-paid roles.

For further progress to be made towards reducing maternal worklessness, child poverty and in-work poverty, government policy needs to focus on the nature and type of jobs being created in the labour market. Specifically, this means identifying demand-led solutions that will give parents, particularly mothers, greater access to quality part-time and flexible vacancies.

However, little is understood by policy makers about the nature of the part-time recruitment market. Part-time vacancies are ‘off radar’ for statisticians: the Office for National Statistics does not collect market data on part-time vacancies outside Jobcentre Plus. And although qualitative research exists on the business benefits of flexible working, there is little evidence currently available that highlights the actual ‘triggers’ for employers to create intermediary and higher skilled part-time vacancies. Without this knowledge, it is difficult to understand how best to grow a ‘quality’ part-time recruitment market, from both demand-side and supply-side perspectives.

Similarly, there has also been little analysis of how many workless mothers on low incomes, as a proportion of the total number of families in poverty, have the existing skills and experience to move into higher quality, part-time jobs. In other words, how many mothers have the potential to earn their true market value, should a greater volume of higher paid, part-time jobs exist in the economy.

This lack of analysis has meant that policy makers do not know how much weight to attach to the recommendation to grow the volume of quality part-time jobs within the context of both the welfare reform and the child poverty agenda.

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## **New research on part-time vacancies in London**

Earlier this year, the organisation Women Like Us, an award-winning social enterprise, set out to answer some of these questions and, in doing so, to assess the potential of sustainable and commercial recruitment solutions.<sup>10</sup>

Funded by the Joseph Rowntree Foundation, the research comprised two parts. Primary research was conducted through telephone interviews with 1,000 employers in London to determine what would trigger them to offer more quality part-time jobs. For the purpose of the research, these were identified as those with a salary of at least the full-time equivalent of £20,000 a year (£20,000+FTE).

Secondary research was then conducted by the Centre for Economic and Social Inclusion to assess the number of mothers in London who would be in a position to lift their family either out of poverty and/or off benefits, if they found a quality part-time job at their earning potential.

The findings highlight that a major barrier to supporting workless parents into quality part-time jobs is the imbalance in the part-time recruitment market. The correlation between ‘part time’ and ‘low pay’ is even greater in the recruitment market (when new jobs are created) than in the employment market (among those currently in work). Only 3 per cent of vacancies in London are for part-time roles with a salary of £20,000+FTE, while 20 per cent of vacancies are for lower paid, part-time roles. This is in sharp contrast to the full-time market, in which the majority of roles pay over £20,000.

This points to a particular difficulty for candidates who are out of the labour market and looking for a part-time role earning £20,000+FTE. There is only one such vacancy for every 18 full-time vacancies at this level.

One of the reasons behind the relatively small size of the quality part-time recruitment market is that part-time working is used primarily as a retention tool. Almost half of all part-time roles do not have an advertised vacancy. For the most part, this does not translate into recruitment. Moreover, when part-time employees resign, only a minority of employers choose to replace them with others on a part-time basis. The implication for many parents is that, while they may be able to return to an existing employer on a part-time basis, they face a considerable challenge when changing jobs or finding part-time work after a break from employment.

The option of recruiting employees to quality part-time jobs simply does not occur to some employers, while many others are openly resistant. Fifty-two per cent of employers reported an unofficial preference against quality part-time recruitment, and 9 per cent said that there was an official company policy against it.

These underlying attitudes are strongly influenced by the mindset of senior management and specific operational considerations – factors that may be difficult to change, suggesting that progress in expanding the part-time recruitment market may be slow.

However, there are some encouraging areas. The most significant of these is that employers who do have experience of recruiting to quality part-time roles cite many benefits and very few disadvantages. There appears to then be a readiness to recruit again, suggesting that the market for quality part-time jobs will grow as experience spreads.

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## **What would trigger more quality part-time jobs?**

Feedback from the employers participating in this research highlights the following factors which may influence employers to consider creating new part-time jobs.

- ◆ Employers need hard evidence, demonstrating how recruiting part-time staff can result in efficiency/revenue improvements.
- ◆ Almost one-third (30 per cent) of employers said they had an interest in receiving free support/advice on part-time working from an independent source.
- ◆ Almost half (46 per cent) of employers said they would consider recruiting more part-time staff if presented with a greater supply of suitable part-time candidates.

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## What would be the impact on tackling family worklessness and poverty?

The fact that almost half of employers would offer quality part-time jobs if presented with more candidates is important when we look at the potential supply of mothers with suitable skills and experience in low-income families in London.

Our analysis suggests that there are at least 20,000 mothers living in poverty in London who have the skills and experience to enter a job which pays £20,000+FTE, and who would be lifted out of poverty if a part-time job at this level existed.

The evidence highlights that there is a significant volume of mothers with the required skill sets to *supply* employers with part-time candidates appropriate for 'quality' roles. And that there is a latent *demand* from employers for offering more part-time roles should the candidates be made available.

This points to a clear recruitment market failure in stimulating demand for part-time vacancies and matching it to the existing supply of potential candidates.

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## How to achieve change?

A major hurdle in expanding the part-time recruitment market appears to be persuading more employers to recruit part-time candidates for the first time. It seems likely that a positive experience will lead to increased acceptance and, in turn, to further recruitment to quality part-time roles. Creating these roles up the salary scale will enable parents on low incomes with higher level skills to optimise their earnings within the hours they have available, and also reduce the competition at the lower end of the job market for those with fewer skills and experience.

And as well as affecting attitudinal change, some employers, particularly smaller businesses, have cited a clear need for support at a management level in overcoming operational barriers, particularly in job design and implementing different working patterns across teams.

Within national government policy, more focus therefore needs to be placed on giving employers the support they need to help stimulate demand for part-time candidates, and to influence both job design and hiring practices. This focus will become increasingly important with the introduction of universal credit, which anticipates a pipeline of 'mini-jobs' into which parents will move.

To do this, consideration needs to be given to how to move welfare-to-work provision from 'work-first' solutions to developing 'employer-first' solutions. This will respond to the growing interest among employers in getting practical help in taking on part-time staff in quality jobs.

Women Like Us recently undertook a pilot study, supported by the Trust for London, to trial the impact of taking this demand-led approach to tackling parental worklessness. Designed as an ‘employer-first’ pilot, it combined targeted employer-engagement activities to stimulate interest in part-time work (including a new free job design helpline, developed with the support of the Chartered Institute of Personnel and Development), with job brokerage targeted specifically at mothers on low incomes. The pilot supported 207 mothers, helping 43 per cent of them into quality part-time work and 85 per cent out of poverty into jobs averaging £12 an hour (44 per cent higher than the London ‘living wage’). These results highlight the value of this approach and its potential for improving the delivery of services for workless families.

And beyond welfare reform, the government, policy makers, employer intermediaries and membership organisations across the capital all need to be encouraged to move the debate away from the threats of flexible working legislation to the business benefits of part-time job creation.

At a regional level, some progress has been made. The mayor’s manifesto included a pledge to create 20,000 part-time jobs over his next term, both within the Greater London Authority and through a campaign to champion part-time working to businesses. The challenge is to ensure that the message to employers affects genuine attitudinal change, using real case studies to illustrate demonstrable efficiencies and the economic benefits of part-time jobs. Small employers, in particular, need to know where to get practical support in job design and how to access a visible quality part-time candidate pool.

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## **Timewise: a recruitment market solution**

Over the last seven years, Women Like Us has helped women return to work after having children, through career advice and support and by offering a recruitment service specialising in quality part-time jobs. The aim was to address both the demand-side and supply-side barriers faced by mothers in finding work that fits with family life.

Women Like Us has experienced exponential growth on the recruitment side, and this year we launched two second ventures with support from the Social Business Trust: Timewise Jobs, the UK’s first jobsite for professional-level part-time jobs, and Timewise Recruitment, a specialist recruitment agency.

The aim is to move the public debate beyond women to all people who need part-time work, because they are parents, carers, semi-retired or for other reasons, and to build a new quality part-time recruitment market, one that has hitherto not been a priority for commercial recruitment agencies (as part-time roles generate only pro rata fees) and welfare-to-work providers, which remain primarily candidate- and supply-facing.

Our own experience suggests that there is real potential to grow a high-volume, high-quality, part-time recruitment market that can help address a range of cross-cutting government priorities, such as tackling

inequality, reducing maternal worklessness and child poverty, and stimulating business growth. And this recruitment agency model can be sustained through income generated from employers – a business idea with a social core that could transform the market.

Timewise now has 32,000 candidates and has recruited for more than 1,500 London businesses, from start-ups to national corporates. Our own experience of working with employers reflects the findings of our research. Employers come to Timewise to recruit part-time candidates for a range of business reasons. Small businesses can access candidates with skills and experience in a way that stretches their budgets, giving them an incentive to recruit now rather than waiting until they can afford a full-time role. And larger companies are seeing part-time recruitment as a core business tool to attract a diverse candidate pool. Timewise has built up expertise in job design, helping businesses to increase productivity by creating jobs that match each task to the time needed.

Timewise is leading the change, but more needs to be done to achieve real growth in the market and to stimulate greater interest from employers in quality part-time jobs in London. For this to happen, government, policy makers, and employer intermediaries across the capital need to be encouraged to champion the business benefits of part-time working, to position it as a help, not a hindrance, to growth.

#### Notes

- 1 GLA Intelligence, *A Profile of the Part-time Workforce in London*, Greater London Authority, 2011
- 2 In London, the GLA sets the level of the London living wage each year. It uses a mix of methods, including working out a 'low-cost, but acceptable' budget for families and calculating 60 per cent of the median income in London. In 2011, the rate was £8.30.
- 3 GLA Economics, *A Fairer London: the 2009 living wage in London*, Greater London Authority, 2009
- 4 Confederation of British Industry, *Employment Trends 2009: work patterns in the recession*, 2009
- 5 London Skills and Employment Board, *LSEB Legacy: recommendations for skills and employment in London*, 2011
- 6 GLA Economics, *Women in London's Economy*, Working Paper 45, 2010 update
- 7 Department for Business, Innovation and Skills, *Flexible, Effective, Fair: promoting economic growth through a strong and efficient labour market*, 2011
- 8 Ministerial Working Group on Child Poverty in London, *London's Children: our future capital*, HM Government and Greater London Authority, 2008; London Child Poverty Commission, *London Child Poverty Commission – Legacy Report: achievements and further action needed*, 2010; Family Friendly Working Hours Taskforce, *Flexible Working; working for families, working for business*, Department for Work and Pensions, 2010; The Centre for Regional Economic and Social Research, Sheffield Hallam University, *Families and Work: revisiting barriers to employment*, Department for Work and Pensions, 2011
- 9 HM Government, *Consultation on Modern Workplaces*, The Stationery Office, 2011
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## Employment in London: does it work for lone parents?

*Caroline Davey*

*'It took me a while after becoming a single parent to realise that I couldn't do the same kinds of jobs as I would've applied for when there was someone else around to help with the children, things which involved travel overnight, for example, which I wouldn't be able to do as a single parent. It took time to realise life had changed.*

*'I didn't have particularly good experiences with the jobcentre while I was unemployed. I felt I was completely at the mercy of the person who was signing me on and whether they were in a good mood or not. I actually used to dread having to go in because I'd had experiences with advisers where they were just so nasty and unhelpful. I remember one adviser who was trying to help, but the advice she was giving me just didn't make any sense. I just didn't feel like the jobcentre were really offering any specialist help.*

*'For the job I have now, when they asked me why I wanted it, because it seemed like I had more experience than was really required, I was just honest. I said that the job was a good match for me at the moment because it was the kind of work I wanted to do and would allow me to be with my family when they need me. That's the biggest issue I think, finding that balance, [but] it's not easy.*

*'Childcare is a big issue. The summer holidays are a really scary time. I've worked out it actually costs me £70 a day to go to work during the summer holidays. Playschemes are good but they don't cover every time the kids are off school, like Christmas and half term – and they're expensive too.*

*'At the moment, I just want a regular income and to support my family.'<sup>1</sup>*

Jasmine lives in west London with her three children and currently works part time.

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### **Lone-parent employment: is there a London problem?**

Contrary to popular tabloid stereotypes, the evidence is clear that lone parents want to work.<sup>2</sup> Time and again, national surveys show that non-working lone parents are desperately keen to get into work: to earn the money to lift their families out of poverty; to be a role model for their children; to contribute to society; and to make the most of their own talent and potential. Recent research from Gingerbread shows that lone parents most frequently prioritise finding a job that allows them to balance work with looking after their children. Practicalities come far

ahead of ambition and, in most cases, are the strongest influence on lone parents' job choices and decisions.<sup>3</sup>

*'For me it's a balancing act, because for years I worked in schools... but I was so drained from my job, and I was only doing it because it was conducive to my family life but it wasn't my first love, so I had to grapple with that, and I just felt exhausted all the time. I didn't have enough time for my children and then still didn't have enough money, I was just breaking even – I didn't have any disposable income.'*

*'It's a trade-off – you want to have that added self-esteem by working, but then you're shooting yourself in the foot in terms of it actually being worthwhile to work.'*

Against this backdrop of a group that is highly motivated to work, it is of great concern that the employment rate of lone parents in London is significantly lower than that of lone parents nationally – which, in itself, is far below the employment rate of mothers in couples and of lone parents in other European Union countries. Compared with a national lone-parent employment rate of 55 per cent (a three-year average rate for the period 2008 to 2010), the employment rate for lone parents in Inner London is only 41 per cent and, in Outer London, 46 per cent.<sup>4</sup> The knock-on effect of the lower rates of lone-parent employment in London is that around two-thirds of the 360,000 children living in workless households in London live in lone-parent families.<sup>5</sup>

One of the biggest barriers to work for lone parents in London is the high cost of childcare. The latest evidence shows that the average cost of childcare is higher in London than anywhere else in the country, and almost all forms of childcare have seen price rises well above the rate of inflation over the past year. For example, the average cost of a nursery place for an under-two-year-old has increased by 7 per cent, the cost of an out-of-school club has increased by nearly 10 per cent and the cost of a childminder for a child over two has increased by just over 11 per cent.<sup>6</sup>

The Greater London Authority (GLA) recently published a report on childcare in the capital, which shows significantly higher costs than elsewhere – on average, 23 per cent higher across the board – confirmed by more recent research from the Daycare Trust.<sup>7</sup>

Table 1

**Average weekly costs of childcare, 2012**

	25 hours nursery, under 2	25 hours nursery, 2 and over	25 hours childminder, under 2	25 hours childminder, 2 and over	15 hours after-school childcare
London average	£126.80	£112.24	£129.59	£129.02	£47.48
Great Britain average	£102.05	£97.51	£92.68	£91.87	£45.53
Difference	24%	15%	39%	28%	4%

Source: J Rutter with B Evans, 2012 *London Childcare Report*, Daycare Trust, 2012

The GLA report identifies the main reason for London's higher childcare prices as being the costs faced by providers:

The majority of providers' costs come from staff and accommodation, which are both considerably higher in London than elsewhere. For example, ground floor nursery rents are £100 to £250 in London, compared to £40 or £60 for Stockport in Greater Manchester. Staff costs are 20–30 per cent higher in London. Staff and accommodation costs are also difficult to reduce, because of the need to meet regulations in terms of staff ratios and qualifications, and in terms of the suitability and safety of premises. A desire to deliver high quality provision also reduces opportunities to reduce staff and accommodation costs.

Londoners' problems with childcare are exacerbated by the fact that those in the capital tend to have longer commuting times, increasing the need for childcare:

More than half of Londoners (56 per cent) have to commute for more than 30 minutes to get to work, compared to one in five in the rest of the country.

The need for childcare is further increased by a lack of informal childcare, with many Londoners living some distance from their families:

Only one in five London families use grandparents and others to help with childcare, compared to one in three across England. The main reason for this lack of informal childcare is that Londoners tend to live far away from their extended families.

Of the parents surveyed for the GLA report, 63 per cent said childcare had affected their decision about whether to work, and 73 per cent said it affected how many hours they work. And while paying for childcare is a challenge for all working parents in the capital, expensive childcare hits lone parents particularly hard. With only one adult in the household lone parents cannot operate the 'shift parenting' of many couples by, for example, alternating school or nursery drop-offs and pick-ups between parents, and so are particularly dependent on childcare in order to be able to go out to work. In addition, lone parents disproportionately enter lower skilled and lower paid jobs, making it much harder to earn a sufficient amount to cover the costs of childcare and still be financially better off – particularly as lone-parent households are reliant on only one income.

Lone parents are also starting to feel the impact of local authority funding cuts to children's and families' services. This has attracted significant attention in the media, in particular with widespread closure of children's centres in different London boroughs,<sup>8</sup> and it is clear that this is already affecting lone parents' daily lives.

*'[I'm also starting to see] council cutbacks, closing of children's centres, and withdrawing council-run childcare and after-school places, which is what happened to me in Haringey.'*

One of the other significant costs that hamper lone parents' ability to make work pay is the cost of housing in London. Rents in the capital, particularly in the private rented sector, are significantly higher than elsewhere in the country, and lone parents can find it exceptionally difficult to find a job that pays enough to offset the withdrawal of housing benefit once they start work. Recent research from Gingerbread has highlighted that, even under universal credit, which is intended to create

stronger work incentives and ‘make work pay’, lone parents in high-rent areas could find it much harder to work their way out of poverty.<sup>9</sup> Private tenants, in particular, are adversely affected by the capping of housing benefit at 30 per cent of local rents. Evidence shows that only about one-third of those claiming housing benefit in the private rented sector are able to find somewhere to rent at or below this level and must make up the shortfall from their other income.<sup>10</sup>

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## **What is the solution?**

So what can be done? The simple fact is that the current system does not work for lone parents in London, who face the combined barriers of low pay, high childcare, housing and travel costs, limited support into work, an inflexible labour market and a lack of opportunities to train and increase their skills. Across the political spectrum much has been said about the fact that lone parents should be in work, but the reality for lone parents is far too often one of a life trapped on low wages, or a desperate and often fruitless attempt to find work that fits around looking after their children.

Gingerbread has launched a new employment campaign to focus energy and attention on the required solutions.<sup>11</sup>

### **Make work a guaranteed route out of poverty for lone parents.**

All lone parents working at least 24 hours a week should be lifted out of poverty, once both their housing and childcare costs have been taken into account. To make this happen we need:

- ◆ further investment in universal credit. To make work pay, this needs to address the additional support for childcare costs, with an increase in the current level of 70 per cent of costs covered, a reduced taper rate, a higher disregard and an increased basic element;
- ◆ renewed debate and action on wage levels and low pay.

*‘Having work that actually covers your living costs and making it actually worthwhile to work.’*

*‘Part time isn’t enough to support the family, but full time – what you get after working full time doesn’t make it better and you’re not automatically better off... it needs to be worth it.’*

*‘It needs to cover extra costs too...[things like] free school meals, which stop whenever you go back into work, which they never sort of tell you.’*

### **Get 250,000 more lone parents into work by 2020.**

In order to raise the lone-parent employment rate to at least the level of other industrialised countries and of mothers in couples, we need:

- ◆ guaranteed access to specialist support from advisers who understand lone parents and their particular needs – through both Jobcentre Plus and the Work Programme;

- ◆ a renewal of all the current parent flexibilities around jobsearch requirements in universal credit;
- ◆ guaranteed action to support lone parents who have been looking for work for two or more years into sustainable employment;
- ◆ sustained activity to stimulate the creation of jobs.

*'The jobcentre should have more tailored support for single parents' needs.'*

*'There should be blanket support for single parents no matter what age their child is – I never utilised it [specialist support through a lone parent adviser] when my child was younger, but now my child's eight I just see one of the ordinary advisers.'*

### **Employ a different attitude to work and school hours.**

To give lone parents the opportunity to access jobs with longer hours and flexible working options, a new collaborative partnership from government, employers and schools is essential. We need:

- ◆ all primary schools to provide a guaranteed extra two hours a day of before-school and/or after-school activities on site;
- ◆ employers to trial job design around 'three-quarter-time' hours (typically 24 to 32 hours a week), as well as extending other forms of flexibility where possible;
- ◆ government to extend the right to request flexible working from the point of the job offer onwards.

*'[We need more] family-friendly jobs – [at the moment] there's no job satisfaction because sometimes you're taking jobs just because they fit the time that the kids are in school.'*

*'[I'd like to see] high-quality childcare and a bit more flexibility around primary schools, so basically a bit earlier in the morning, breakfast clubs and after-school clubs.'*

### **Unlock lone parents' skills and potential.**

In order to break the pattern of cycling in and out of low-skilled work, we need:

- ◆ all lone parents on jobseeker's allowance to be entitled to access a one-year job-related training course;
- ◆ lone parents on income support to be entitled to have their training course fees remitted.

*'There should be work-based training, like apprenticeships, but more developed in an integrated way. And there should be more funding for training.'*

*'[It's hard to know] where to find the resources advertising the possibilities of, say, qualification courses. There are a lot of subsidised courses... but there's not a lot of guidance about where that's available and how to go about applying, and it seems to be that some boroughs are better than other'*

*boroughs, so one jobcentre is very different from another – there should be something where they join forces, so you shouldn't be fixed just because you live in that borough, you should be able to meet your needs according to the best resources out there.'*

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## Conclusion

Lone parents in London face an uphill struggle finding sustainable employment that means they are financially better off once all their in-work costs are covered, that fits around their caring responsibilities, and that allows them to make the most of their potential and contribute to society. Instead, the higher costs of living in London – particularly childcare and housing – trap many lone parents in low-paid or no work, meaning their children are often raised in poverty.

It is time to change the approach. It is time to make it work for lone parents.

*'People need to be educated – employers and businesses – because if people without children put 100 per cent in, we probably put 500 per cent in, because we want to really prove that we are capable of doing this...we're so keen on proving ourselves.'*

## Notes

- 1 All quotes in this chapter are taken from a series of focus groups held with lone parents in north London in May 2012.
- 2 T Trinh and S Ginnis, *Work and the Welfare System: a survey of benefits and tax credits recipients*, Department for Work and Pensions, 2012
- 3 Gingerbread, *The Only Way is Up? The employment aspirations of single parents*, 2012
- 4 [www.londonpovertyprofile.org.uk/indicators/topics/work-and-worklessness/lone-parent-employment-rates](http://www.londonpovertyprofile.org.uk/indicators/topics/work-and-worklessness/lone-parent-employment-rates)
- 5 2010 data, available at [www.londonpovertyprofile.org.uk/indicators/topics/work-and-worklessness/children-in-workless-households-by-type](http://www.londonpovertyprofile.org.uk/indicators/topics/work-and-worklessness/children-in-workless-households-by-type)
- 6 Daycare Trust, *Childcare Costs Survey 2012*, 2012
- 7 Greater London Authority, *Tackling Childcare Affordability in London*, 2012
- 8 For example, [www.cypnow.co.uk/cyp/news/1074703/political-row-erupts-barnet-children-s-centre-cuts](http://www.cypnow.co.uk/cyp/news/1074703/political-row-erupts-barnet-children-s-centre-cuts); <http://www.standard.co.uk/news/london/privatising-childrens-centres-to-save-cash-will-price-out-families-8139443.html>
- 9 D Hirsch, *Struggling to Make Ends Meet*, Gingerbread, 2012
- 10 Department for Work and Pensions, *Monitoring the Impact of Changes to the Local Housing Allowance System of Housing Benefit: summary of early findings*, 2012
- 11 [www.gingerbread.org.uk/makeitwork](http://www.gingerbread.org.uk/makeitwork)

*Kris Krasnowski*

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## Introduction

Increasing employment and reducing unemployment have been major priorities for successive governments at a local, regional and national level for decades. However, there is no single silver bullet to deliver jobs or extend employment opportunity to all. Sustainable economic growth is crucial, but this alone is not enough.

The Organisation for Economic Co-operation and Development (OECD) has argued that the best approaches combine a series of different policy interventions, tailored to local and national circumstances that include:<sup>1</sup>

- ◆ creating stable macro-economic conditions that deliver sustainable economic growth based on the principles of openness and flexibility;
- ◆ policies that increase labour participation, such as well-designed active labour market policies and a tax and benefit system that combines adequate support while ensuring work pays; *and*
- ◆ interventions to increase skills and human capital in order to equip the current and future workforce for jobs in today's and tomorrow's economy.

In the UK, the majority of the levers to deliver job growth or reduce unemployment, including creating the correct macro-economic conditions and designing the tax and benefit system and active labour market policies, are predominantly held at a national level and outside the direct control of local or regional government. Therefore, what happens locally relies on central government getting it right nationally.

This chapter focuses on one of the measures to reduce unemployment and increase employment, namely active labour market policies – more commonly known as 'welfare to work'. It begins with a brief summary of London's employment challenge before defining and exploring the evolution of welfare-to-work programmes, including the performance of key national and locally designed programmes, in London and the UK. It concludes by offering some thoughts on ways to improve the existing welfare-to-work offer in London to ensure it can deliver employment opportunity and social inclusion to disadvantaged Londoners in the years to come.

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## London's labour market: an overview

London's story is one of 'haves' and 'have nots'. It is a city of unprecedented opportunities, drawing in global talent and driving productivity, economic growth and individual wealth and prosperity. Yet, at the same time, this prosperity sits alongside entrenched poverty and a scarcity of opportunity for many Londoners.

During the 1980s, London's economy underwent a significant structural transformation with the decline of the manufacturing sector and the rise of the service sector.<sup>2</sup> By the 1990s, we saw the rise and fall of the dotcom boom and the increasing impact of technological change on jobs and economic activity. This in turn led to an increase in demand for high skills and high-paid employment, as UK and global talent flocked to London to make the most of new opportunities, and companies competed globally rather than locally.<sup>3</sup> At the same time, entry-level low-paid jobs have also grown, albeit to a lesser extent, driven by spillovers associated with high-paid job creation and the rise of consumer spending.<sup>4</sup>

This growth at the top and bottom ends of the labour market has been at the expense of those in the middle, as skilled and semi-skilled jobs have contracted, driven predominantly by technological change. As a result, London has become a prime example of what is often described a choice between 'lovely and lousy' jobs.<sup>5</sup>

Despite London's position in and importance to the UK economy, the city's employment rate has consistently lagged behind the national employment rate for more than two decades. In the decade preceding the global financial crisis (1998 to 2008), London created 380,000 new jobs, yet many low-skilled and disadvantaged Londoners did not benefit.<sup>6</sup> The evidence suggests that many low-skilled Londoners have been pushed out of London's employment opportunities by more intense competition for jobs, through a combination of existing Londoners moving down rather than up the job ladder, and increased levels of inward migration from the rest of the UK and Europe.<sup>7</sup> In addition, some Londoners have been 'priced out' of work by the high costs of living and working in London and the more marginal gains of work.<sup>8</sup>

A further major contributory factor to London's employment rate gap with the UK has been the relative performance of women in the labour market. While female employment has increased since the 1970s, it has grown much more quickly outside London. The major gains in female employment seen across the UK, particularly between 1991 and 2006, were not observed in London and explain the continued divergence between the employment rate in London and the UK.<sup>9</sup>

However, this under-performance is not confined to women. The employment rates of disadvantaged groups in London have consistently been lower than equivalent disadvantaged groups in the rest of the UK.<sup>10</sup> Moreover, disadvantaged groups make up a much higher proportion of the total population in London than they do in the UK as a whole, which further explains differences in employment rates.

The complexity of London's labour market and the major changes to the structure and nature of work in the capital have impacted on some Londoners' ability to enter, stay in and get on in work. Understanding these 'London issues' is key to understanding how the welfare-to-work market has performed in London over the past 15 years and where it might focus next.

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## **'Work first' to job sustainability: the evolution of welfare to work**

### **The New Deals**

The principles of the New Deal reforms introduced by New Labour were based on a 'carrot-and-stick' approach to welfare that combined increased conditionality alongside improved support to increase employability and additional help to find and access work. Conditionality was exercised through a 'work test' and ensuring take-up of suitable offers of employment. Increased and better support was via a combination of improved job search, access to advice and job matching, training, work experience and potential employment subsidies.<sup>11</sup> This was underpinned by mutual rights and responsibilities:<sup>12</sup>

... the right to benefits must be matched by an obligation to find a job if jobs exist... a 'stricter benefit regime' to reduce 'passive' dependence on benefits only makes sense if linked to an 'active' labour market policy to help people back into work. The two should be complementary.

This is often expressed as mutual obligations and a 'something-for-something' approach.

The introduction of the New Deals was a watershed in British welfare reform and many of their features remain prominent in today's debate. The New Deals put the UK at the forefront in the design and development of active labour market policies. However, while the early years of the New Deals were an unprecedented success, their performance began to plateau from 2002 onwards. This led the government to look at other ways to improve welfare to work and included the introduction of further reforms, such as employment zones, Pathways to Work and the Flexible New Deal (see Table 1).

Table 1

**Welfare-to-work reforms 1997–2010**

Programme	Target group	Features
1997: New Deal	New Deal for Young People (18–24).  New Deal for Long-term Unemployed (12 months+).  New Deal for Lone Parents.  New Deal for Disabled People.	Emphasis on employability.  Intensive job search, employment advice and guidance.  Access to training, education and work experience.  Mandatory requirement to participate in a contracted-out employment programme (an ‘option’) after a specified duration of unemployment.
2000: Employment zones	Aged 25 and over claiming jobseeker’s allowance for at least 12 months.  In 2003, expanded to include: ◆ those aged 25 and over claiming jobseeker’s allowance for at least 18 months; ◆ lone parents in receipt of income support; ◆ young people aged 18–24 otherwise returning to New Deal.	Three-stage programme:  Stage one: working with an adviser, the ‘customer’ draws up an action plan after deciding what kind of work s/he is looking for and identifying the barriers s/he has faced. This is mandatory and may last up to 28 days.  Stage two: while receiving support from the adviser, the ‘customer’ carries out activities on the action plan. This is mandatory and may last up to 26 weeks.  Stage three: voluntary option to continue on the employment zone for up to 22 weeks. If the ‘customer’ has not found a job during stage two, s/he can join stage three.
2003: Pathways to Work	Claimants with a health condition or disability, to encourage and enable the transition to current or future employment.	The ‘choices’ package offers a range of programmes which aim to improve labour market readiness.  Participants are offered a financial incentive with the return-to-work credit, which gives those who qualify £40 on a weekly basis for 12 months.  Full programme delivered commercially from 2007 onwards.
2009: Flexible New Deal	Replaces New Deals.	Personalised approach to welfare.  All clients go through a four-week, full-time activity programme.  Aims to ensure that providers focus on helping people with complex barriers to work, as well as those closer to the labour market.  Focus on promoting sustainable employment and progression at work.  Seeks to create a market that operates fairly and transparently – for both prime contractors and subcontractors.  Seeks to ensure that specialist providers, particularly third-sector organisations, have the opportunity to contribute and to thrive.

## **Reform of the public employment service**

Aligned to the New Deal reforms and building on evidence from other OECD countries, New Labour undertook steps to combine the active labour market policies of the public employment service with the benefits administration managed by the Benefits Agency. In October 2001, Jobcentre Plus was introduced into 57 'pathfinder' areas and rolled out over the next six years at a cost of almost £2.2 billion.<sup>13</sup>

The dominant assumption was that an improved and integrated public employment and benefits service would increase effective labour supply and lead to an improvement in the functioning of the labour market, alongside a series of economic gains and public expenditure savings.<sup>14</sup> Of the changes introduced, the most significant were focused on incapacity benefit claimants as a result of the introduction of a 'work focus' to benefit delivery that, up until this point, was previously much weaker and had resulted in many people becoming trapped on benefits without work requirements (known as 'inactive benefits'), largely as a result of reforms in the labour market in the 1980s. Other groups already experienced a degree of work conditionality, so the changes were marginal for them.

Research undertaken by the Department for Work and Pensions (DWP) in 2011 confirmed that the overall impact of the introduction of Jobcentre Plus on the wider labour market was positive, with flows from benefit to jobs likely to be around 40,000 a year higher than they would have been.<sup>15</sup> Moreover, the policy change is likely to have been more than self-financing – that is, the impact of the changes in terms of Exchequer revenue and expenditure savings is greater than the overall cost of the policy introduction.

While the 'work-first' approach proved remarkably successful, it also had its limitations. The sustainability of job placements became an increasing concern. Evidence suggested that job sustainability rates of the New Deal programmes were poor and that cycling between 'low pay' and 'no pay' was more prevalent. In the decade before the recession, one in four New Deal placements did not sustain (ie, reach 13 or 26 weeks depending on the programme) and the proportion of out-of-work benefit claimants returning to benefits reached almost 50 per cent in the UK and London by 2008.<sup>16</sup> This is supported by more recent work published by the DWP and interpreted by the Policy Exchange, which found that only 36 per cent of jobseeker's allowance claimants were able to find a job within six months of claiming benefit and remain employed for the following seven or eight months.<sup>17</sup>

## **The Freud Review and the Department for Work and Pensions commissioning strategy**

In 2006, the (then) Secretary of State for Work and Pensions commissioned David Freud (now Lord Freud) to undertake a review of welfare to work since 1997 and to set out a series of options to drive up performance of the sector to help the government meet its 80 per cent employment aspiration.<sup>18</sup> In his final report, Freud recommended a

series of reforms to embed greater personalisation into provision, explore new ways of funding programmes, and create a clear distinction between the role of Jobcentre Plus and contracted-out employment provision, with the former focusing efforts on the short-term unemployed and the latter on the long-term unemployed, as part of a revised welfare-to-work landscape.<sup>19</sup>

This resulted in the DWP developing a new commissioning strategy, launched in 2008 and which remains in place today.<sup>20</sup> Under this, the DWP would:

- ◆ shift to fewer, larger scale and longer contracts;
- ◆ explicitly introduce the ‘prime provider’ model as its preferred delivery model;
- ◆ shift to outcome-based commissioning and payment by results;
- ◆ play a greater role in stewarding the market; *and*
- ◆ ensure transparent commissioning and performance monitoring.

The first significant output of this was the Flexible New Deal programme. This shifted the focus partially away from the ‘work-first’ approach to a sustained employment outcome, albeit against a six-month measure of sustainability.

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## **Welfare to work in London: development and performance**

### **The development of the welfare-to-work landscape**

As the UK operates under a more centralised welfare-to-work model, many of the reforms that took place at a national level were also observed in London. Programmes were also developed locally and at a regional level by London boroughs and the London Development Agency (LDA), the mayor’s regeneration arm. These programmes were often financed by European funding, such as the European Social Fund, and targeted at the hardest to help, such as the long-term unemployed or economically inactive. Historically, London had also become a test-bed for new thinking and programmes, partially recognising that, if programmes could work in London, they should be successful anywhere.

From 2006 onwards the (then) mayor of London, Ken Livingstone, began to consider a more ambitious approach to employment and skills in the capital, and welfare to work more generally. He had become concerned that many of the nationally designed programmes were less effective in London and efforts to tackle London’s worklessness had been ineffective. This coincided with a series of projects in Whitehall, beginning with the Prime Minister’s Strategy Unit’s exploration of London’s challenges<sup>21</sup> and subsequently taken forward by the Treasury in its papers exploring London’s labour market trends and ways to tackle worklessness.<sup>22</sup> The latter of these set out a clear strategy to target London-specific factors through local solutions, recognising that national programmes had not

be as successful in the capital as they had in the rest of the country.<sup>23</sup>

This research and London's pressing labour market challenges led the government at the time to cut a deal with the mayor of London to create an employer-led employment and skills board, which became the London Skills and Employment Board. With this, the mayor began to explore ways to improve employment and skills system in London.<sup>24</sup> They were largely unsuccessful in influencing the purchasing decisions of the DWP or the Learning and Skills Council, but working together with the LDA, a radical overhaul of the mayor's programmes began. The remit was to redesign the LDA's labour market programmes with the view of increasing the efficiency and effectiveness of labour market expenditure.<sup>25</sup> Changes were in the early design phase when a new mayor of London was elected in 2008 and quickly endorsed the LDA's approach in this area.

The LDA's approach looked to build on the work of the Freud Review, the DWP's commissioning strategy and international best practice in the design of welfare-to-work interventions. They embraced the culture of outcome-based commissioning and payment-by-results. The LDA and the mayor were concerned that too many job outcomes under conventional welfare-to-work programmes were not sustained, so they introduced longer measures of job sustainability, starting at six months and rising to 12 months as the market developed. They combined this with a 'black box' approach to delivery, in order to free up providers to innovate and deliver what works alongside better targeted provision aimed at London's core labour market challenges, including long-term incapacity benefit claimants, people on income support and those not eligible for mainstream provision, such as parents with children under the age of five.<sup>26</sup>

The most controversial of these measures was the extended measure of job sustainability, which many believed was undeliverable. The case underpinning the shift to 12 months was based on two perspectives: a fiscal case and what was best for participants on programmes, not providers delivering programmes.<sup>27</sup> The fiscal case was based on a true understanding of the costs of provision, offset by the returns to the Exchequer from increased tax receipts and savings in benefit expenditure.<sup>28</sup> The case for the individual was based on reducing the number of repeat claims and quantifying the impact of longer measures of job sustainability on earnings, health and, most importantly, future self-sufficiency.

### **Performance of welfare-to-work programmes in London**

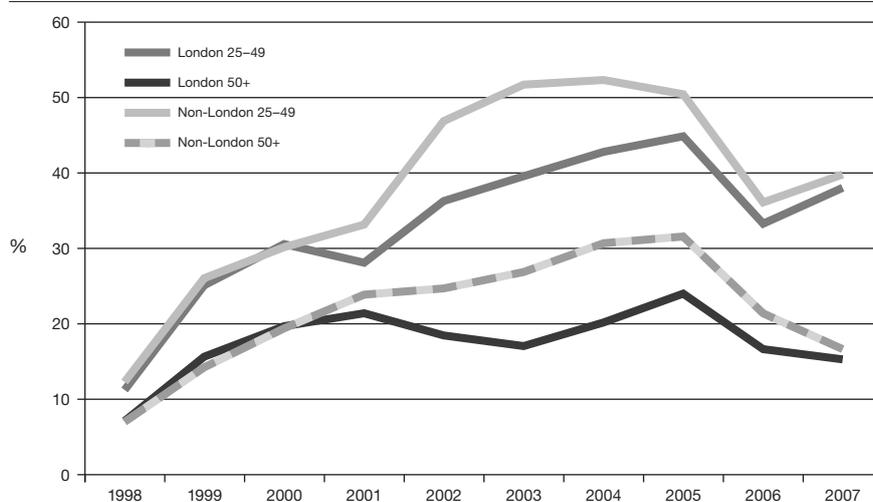
This section summarises some of the latest findings on the performance of key welfare-to-work programmes in London over the past decade. It combines findings from New Deal programmes and local programmes where appropriate.

## The New Deal: London versus the UK

Performance of New Deal programmes in London has almost always lagged in comparison with New Deals delivered elsewhere in the country. The extent of the London performance gap varies by programme, but persists in all cases.

Job outcome rates (as a proportion of starts) for the New Deal for Young People in London have been consistently lower than in other parts of the UK.<sup>29</sup> The same is also broadly true for New Deal programmes for adults, albeit the differences are smaller. For instance, performance for prime-age jobseeker's allowance claimants was comparable until 2000, when performance in the rest of the UK outstripped that in London. This is likely to have coincided with a minor dampening of growth and jobs in the London economy as a result of the dotcom crash, where the economic impact was more pronounced in London than in the rest of the UK. Job-entry performance outside London reached as high as 52 per cent, where as in London, it reached a more modest 45 per cent. The gap in performance closed thereafter, but London had already seen significant losses in overall performance of the programme during this period. A similar trend can be seen in the 50-plus age band, with a less pronounced gap between 2001 and 2004, and a similar convergence by 2007.

Figure 1  
**New Deal for 25+ job-outcome rates by age**

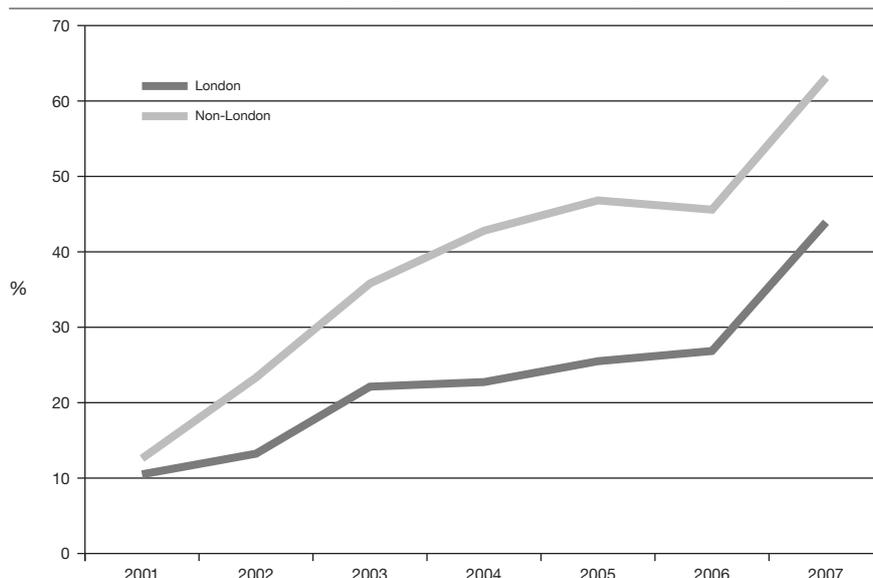


Source: Department for Work and Pensions, New Deal 25+ statistics

This pattern of under-performance continues with the New Deal for Disabled People, but is much more explicit. The gap between London and non-London job outcome performance is consistently around 20 percentage points.

Figure 2

**New Deal for Disabled People job-outcome rates (brokers only)**



Source: Department for Work and Pensions, New Deal for Disabled People statistics

The complexity and unique nature of London’s labour market is often cited as one of the reasons behind poorer performance of welfare-to-work programmes in London. The evidence suggests that Londoners face a more competitive entry labour market (as discussed earlier) and many disadvantaged Londoners experience much weaker work incentives compared with their peers elsewhere in the country, driven by the high costs of housing, childcare and travel. Even after taking into account the impact of universal credit, research suggests that Londoners will feel a further squeeze on income relative to non-Londoners, all else being equal.<sup>30</sup>

**Costs of Department for Work and Pensions programmes**

Not only did welfare-to-work provision suffer in London, but costs were also higher too. Drawing on data provided by the DWP, research by Inclusion found that unit costs per job are 16 per cent higher in London than in the rest of the UK (see Table 2). These reflect the higher costs of recruiting, retaining and motivating staff, as well as the higher costs of securing premises from which to operate in London compared with the national average. The factors driving these additional costs are consistently found across sectors when comparing London and non-London operating costs.

Table 2

**Cost of Department for Work and Pensions programmes per job**

	UK	London (+16%)
Flexible New Deal	£2,320	£2,691
New Deal 25+	£4,350	£5,046
Employment zones	£4,400	£5,104
<b>Average</b>	<b>£3,690</b>	<b>£4,280</b>

Source: Inclusion estimates, drawing on DWP performance data

## The London Development Agency's sustained employment programmes

The performance of the LDA's sustained employment programmes and its shift to outcome-based funding is an interesting development in local programmes and offers further insights into outcome-based contracts. The LDA adopted many of the principles of the DWP's commissioning strategy, but applied them in a London context.

The LDA drew on a similar evidence base and commissioning methodology to the DWP, with one major difference: it introduced higher unit costs per sustained job, reflecting the higher costs that research had identified. This partly reflected previous evidence on the performance of welfare-to-work programmes in London and the lack of robust evidence on the performance of six- and 12-month sustainability measures. Importantly, the LDA's unit cost evidence was displayed in the form of benchmarks to reflect the strong probability that costs were estimates and likely to change.

Table 3

### The London Development Agency's unit cost benchmarks

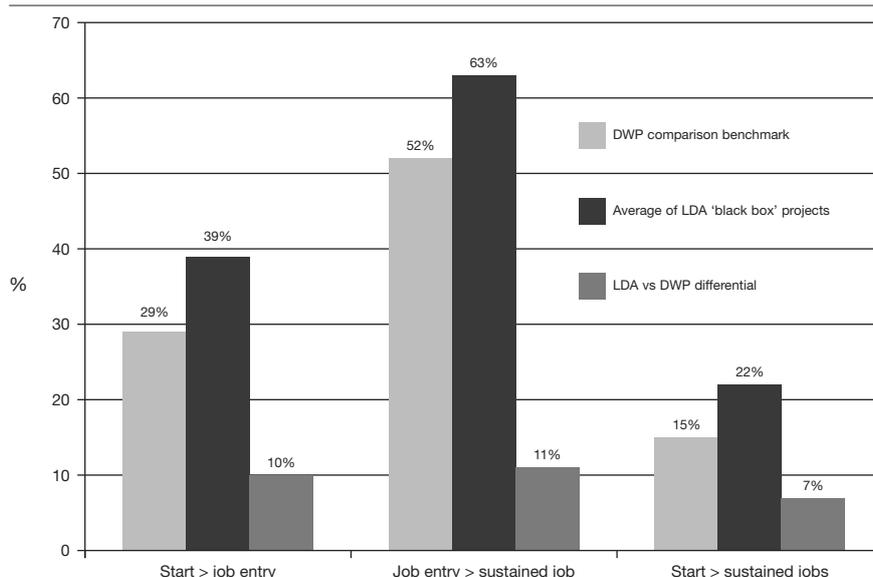
	Average success rates	Average unit cost per sustained job
Lone parents	35%	£3,500–£4,500
Young people (including NEETs)	30%–35%	£4,000–£5,000
People with health problems or disabilities	25%–40%	£3,000–£5,000
Older workers	30%	£3,000–£4,000
Ex-offenders	20%–40%	£6,000–£9,000

Source: London Development Agency, *Great Expectations: how London delivered in hard times*, Mayor of London, 2011

The performance of the LDA's flagship 'black box' programmes, which most closely resembled the DWP's Flexible New Deal, was very encouraging. Inclusion developed a methodology by which these programmes could be compared to similar DWP programmes.<sup>31</sup> The LDA's start to job-entry performance was 10 percentage points higher than the DWP benchmark. Similarly, the conversion from job entry to a six-month sustained job was 11 percentage points higher, and start to sustained job 7 percentage points higher (see Figure 3).

Figure 3

**Comparing 'black box' project performance**



Source: P Bivand and L Gardiner, *Assessing the LDA's Labour Market Programme Performance: final report to the London Development Agency*, Centre for Economic and Social Inclusion, 2011

An independent evaluation of the 'black box' projects found they delivered a benefit cost ratio of 2.49. Therefore, every pound spent on the programme would generate 2.49 in returns to the Exchequer. Interestingly, this is 0.55 points higher than that estimated for the DWP's Work Programme, at 1.95.<sup>32</sup>

These performance figures suggest that locally designed provision can be developed and compete with provision designed by the DWP at a national level. Indeed, the ability to build on elements of the DWP's commissioning framework at a local level should be encouraged and further explored by local enterprise panels across the country, and especially in London.

## The Work Programme and London

### The emergence of the Work Programme

In the run-up to the 2010 general election, the Conservative Party set out its plans to replace the Flexible New Deal with a single Work Programme that would focus on 'truly sustainable outcomes' and bigger rewards for the hardest to help.<sup>33</sup> On coming to power as part of a coalition government, the new administration issued notices of termination to existing Flexible New Deal providers as a precursor to the creation of the Work Programme.

The Work Programme was launched in 2011 and was heralded by the government's Employment Minister, Chris Grayling, as the 'biggest back-to-work programme this country has ever seen...'.<sup>34</sup> To a large extent, it built on the previous work of Freud, who was now a Lord and minister in the DWP, and the DWP's commissioning strategy by:

- ◆ stretching the sustainability measures way beyond what was delivered under the Flexible New Deal;
- ◆ rolling almost all back-to-work provision into a single programme;
- ◆ introducing different payments linked to benefit eligibility (but interestingly, not need);
- ◆ making the contracts larger still than those delivered before and under the Flexible New Deal; *and*
- ◆ introducing a tougher payment-by-results methodology.

Before the start of the Work Programme, the DWP estimated that the scheme could help up to 3.3 million people in its first five years and cost somewhere between £3 billion and £5 billion.<sup>35</sup>

### **Fundamentals of the Work Programme**

The Work Programme was intended to provide a step change in the way in which welfare-to-work programmes are designed, developed and delivered. It has effectively completed the transition from ‘work first’ to job sustainability and, more importantly, put practitioners and not civil servants at the heart of developing solutions to help people find and sustain work. The new programme created a single scheme that replaced 20 different programmes in the UK.

#### **Payment structure**

The payment structure for this programme is also very different, and reflected over a decade’s worth of experience and developments in welfare-to-work commissioning, including the problems of past schemes such as ‘creaming and parking’ (or only working with more job-ready ‘customers’, and ignoring those with greater barriers to work) and short-term job measures. Under the Work Programme, providers are paid different fees depending on benefit eligibility, ranging from £3,810 for 18–24-year-olds to as high as £13,720 for employment and support allowance claimants who were on incapacity benefit but had not yet been found fit for work. The payments are broken down by:

- ◆ attachment fee – paid for each participant on the programme. This reduces and stops in years four and five of the contract;
- ◆ job-outcome fee – paid for employment that is sustained for six months (18–24-year-olds on jobseeker’s allowance, 25-plus group and ex-offenders) or three months (all other groups). This payment is planned to reduce over the life of the contract as sustainability becomes the dominant payment type in the latter years of the contract;
- ◆ sustainment fee – paid every four weeks beyond the job-outcome payment if paid work is sustained for that period. The duration depends on the payment group of the individual;
- ◆ incentive fee – an additional job-outcome fee after year three, paid to high-performing contractors for groups reaching a minimum performance expectation.

For some groups, sustainment payments account for as much as three-quarters of the total payment beyond a job outcome, and payment by results accounts for 88 per cent of programme spend at least, and 96 per cent at most. It is clear that the Work Programme is a results-based initiative.

### Minimum performance level

The minimum/illustrative performance level relates to in-year job outcomes and in-year referrals. In order to model the effects of external factors on providers' ability to meet this, it is necessary to express it in terms of job entries and job sustainment on a cohort basis. We know that the DWP assumed constant job entries and sustainment over the lifetime of the Work Programme when constructing the minimum performance level. Our estimate of the job entries and sustainment needed to meet it across all Work Programme cohorts is illustrated in Table 4.

Table 4

#### The minimum performance level expectations

Participant group	Jobseeker's allowance 18–24	Jobseeker's allowance 25+	Jobseeker's allowance early access	Jobseeker's allowance ex-incapacity benefit	Employment and support allowance volume	Employment and support allowance flow	Employment and support allowance ex-incapacity benefit
<b>Job entries</b>	49%	41%	26%	17%	41%	24%	8%
Sustained 3 months	78%	75%	80%	83%	83%	70%	78%
Sustained 6 months	84%	85%	85%	85%	85%	86%	84%
Sustained 9 months	90%	90%	88%	88%	88%	90%	87%
Sustained 12 months	93%	93%	91%	91%	91%	90%	91%
Sustained 15 months	94%	94%	94%	94%	94%	94%	94%
Sustained 18 months	96%	96%	96%	96%	96%	96%	96%
Sustained 21 months	–	–	98%	98%	98%	98%	96%
Sustained 24 months	–	–	–	–	–	–	97%
Sustained 27 months	–	–	–	–	–	–	97%
<b>Job outcomes*</b>	38%	30%	22%	14%	37%	18%	6%

\* 6 months sustained for jobseeker's allowance 18–24 and 25+, 3 months for other groups

Source: Analysis by Inclusion

Table 4 shows that to meet the DWP's minimum performance level a provider would need to ensure that almost one in two starts from the jobseeker's allowance 18–24 participant group were able to find employment and, subsequently, how many of those who find work need to sustain work to reach the provider's full payment potential. Our modelling suggests that the deeper into the sustained period a participant gets, the more likely s/he is to remain employed. This is both intuitive and consistent with the limited evidence on job sustainability.

The final field in the table focuses on job-outcome performance. This is our estimate of the minimum performance level for job outcomes for each participant group. For the jobseeker's allowance 18–24 participant group, the DWP expects a minimum of two in five people to reach the job-outcome point. Against both measures, the performance

expectation reflects the participant group – that is, the harder to help a group is the lower the minimum performance level.

## **The Work Programme in London**

The Work Programme in London is by far the largest single contracted-out welfare-to-work intervention in the capital ever. As a result, efforts to tackle long-term unemployment and the structural weaknesses in London's labour market rely heavily on its delivering for all eligible groups.

Following the reorganisation of the DWP districts and contract package areas, London now has two Work Programme package areas in London East and London West. The prime providers in London West are Ingeus (joint venture with Deloitte), Maximus and Reed in Partnership. The prime providers in London East are A4E, Careers Development Group (CDG) and Seetec. Only one is a third-sector organisation (CDG).

The 'primes' are expected to rely heavily on the support of their 'supply chains' in the delivery of these contracts. The extent to which they do will be determined by their delivery models, which will vary. Some supply-chain providers will be asked to deliver end-to-end services and others will be asked to specialise in certain groups or types of support aligned to their strengths.

Analysis of the primes' proposals in London by the London Voluntary Services Council (LVSC) suggests that the scale of end-to-end delivery varies. In London West, both Ingeus and Reed in Partnership deliver the majority of provision – 69.2 per cent and 62.7 per cent respectively. This compares to Maximus, delivering only one-third of its provision. However, this may also represent an unfair comparison. Both Reed in Partnership and Ingeus have a long history of delivering welfare-to-work contracts in London (and the UK), whereas Maximus has more limited experience in the UK. In comparison, primes in London East account for the majority of provision, with A4E, CDG and Seetec delivering 52 per cent, 43.7 per cent and 45.3 per cent respectively. It is also worth noting that CDG is also a subcontractor to Maximus in London West and vice versa in London East.<sup>36</sup>

The scale of end-to-end provision delivered by the prime will have an impact on how far supply-chain providers are able to deliver the Work Programme and to what extent the voluntary sector is able to participate as subcontractors. It is this issue that has caused most concern in the months since the Work Programme was introduced. Looking at the programme as a whole, of the 161 providers anticipated to be engaged in it (drawing on the DWP's publication of information on providers for the Work Programme), almost half are voluntary sector providers. However, this does not capture the scale of voluntary sector delivery. Evidence presented by LVSC suggests that only 20 per cent of estimated sub-contracted provision is delivered by the voluntary sector.<sup>37</sup> More recent research by the National Council for Voluntary Organisations and others points to evidence which suggests that estimated volumes were much greater than what is being delivered.<sup>38</sup>

## **Performance warning**

At the time of writing, it is far too early to determine if the Work Programme is working. So far, we have seen only limited evidence on Work Programme activity via the referrals and attachments data, and, even when the first job outcome statistics are published in autumn 2012, these are unlikely to enable a straightforward judgement on its likely long-term success.

However, in the absence of any data on performance, there are a number of signs that suggest the high performance expectations attached to the Work Programme may have been optimistic. The two major signals are historic performance against the minimum performance level of other programmes (and we need to remember that some providers may have offered performance boosts above this) and the wider performance of the economy since the Work Programme was designed.

## **Minimum performance level**

The analysis in this chapter points to London's New Deal programmes delivering job-entry rates below the minimum performance level in the Work Programme. The New Deal programmes we have analysed operated during improved economic times when gross domestic product (GDP) was growing at or above 2 per cent year on year. This finding is also consistent with work by the London Skills and Employment Observatory, which estimated that the performance gap between what has been delivered previously in London and the minimum performance level was significant.<sup>39</sup>

However, it is true that a straight comparison with previous New Deal programmes may underestimate the performance uplift expected from payment-by-results contracts. Therefore, a better comparison would be the LDA's sustained employment projects that did apply a more robust payment-by-results mechanism and 'black box' delivery models. Job-entry performance across the LDA 'black box' projects was 39 per cent, but this included a proportion of long-term and very long-term unemployed and 'inactive' (incapacity benefit) claimants. This suggests that the minimum performance level may not be implausible, although the sustainability of job-entry rates in the DWP programmes were lower. The LDA's programmes delivered a 63 per cent conversion from job entry to six-month job outcome, but unit costs were higher than what is expected under the Work Programme for a similar outcome.<sup>40</sup>

As part of the analysis of the LDA's employment programmes, Inclusion applied the LDA programme performance to its interactive tool to model outcomes on the Work Programme, including performance, provider margins and provider cash flow. At a programme level, the LDA's performance may have seen it break even under the performance expectations of the Work Programme. At a project level, only one project would have made a profit with the other five severely exposed to financial losses.<sup>41</sup>

While we should not read too much into these findings given the limitations to the analysis, similar concerns were also raised by the National Audit Office in its analysis of the Work Programme.<sup>42</sup> While it was supportive of the DWP's performance uplifts, it considered these to be optimistic. The National Audit Office focused its analysis on jobseeker's allowance 25-plus participants using the Flexible New Deal and Pathways performance. Using this, it estimated that the minimum performance level should have been lower, at 26 per cent, rather than the 40 per cent estimate provided by the DWP. The authors suggest that if providers were only able to achieve the DWP estimate, there would be serious ramifications for the profitability of the Work Programme.

### **Economic malaise**

Perhaps a more pressing issue is the state of the economy and how the difference in forecasts and the actual GDP will have had a negative impact on programme performance to date. The Work Programme used the Office for Budget Responsibility GDP forecasts as a central component, underpinning the performance expectations. In 2010, the Office for Budget Responsibility forecast that the UK economy would grow by 2.1 per cent in 2011, 2.6 per cent in 2012 and 2.9 per cent in 2013.<sup>43</sup> However, since then, it has estimated its forecasts downward and we have actual estimates of GDP for 2011. According to the Office for Budget Responsibility, GDP grew by a modest 0.8 per cent in 2011 and, in March 2012, it forecast GDP growth of 0.8 per cent in 2012 and 2.0 per cent in 2013.<sup>44</sup> The accumulated 'gap' in actual and forecast performance of the economy since the Work Programme was designed is almost 4 per cent. Given that the Work Programme was designed using Office for Budget Responsibility forecasts in 2010 and not updated, it is perfectly reasonable to assume that a shortage of jobs and the wider 'double-dip' recession will have had a negative impact on the ability of providers to find and sustain as many people in work as they had originally hoped.

Forthcoming work by Inclusion has looked at estimating the extent of this change by looking at previous programme performance and how it interacts with the economic cycle. It found that a single annual percentage point change in GDP relates to a 4.7 per cent annual change in job-entry rates for the long-term unemployed, and 3.5 per cent for people with a health condition or disability (and the overall average).<sup>45</sup> This suggests that whatever providers offered the DWP as part of their performance package in their proposals, they should expect performance to come up short. As we have seen a significant difference between forecast and actual GDP performance, it does not seem unreasonable for the DWP to revisit what this means for the Work Programme's minimum performance levels. In addition, it would appear logical to align adjustments to the future GDP forecasts to revisions in performance expectations if the relationship between jobs, placements and GDP is strong enough.

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## Where next for welfare-to-work policy in London?

This chapter has provided an overview of recent developments in the welfare-to-work market in the UK and London. Within less than two decades we have observed the creation and evolution of the welfare-to-work landscape. Policy has shifted from a 'work-first' approach to one focused on outcomes and job sustainability as our expertise and understanding of what works has grown. Importantly, welfare to work in 2012 is about more than the Work Programme. It includes all types of contracted employment provision, such as the European Social Fund or locally designed programmes, as well as what happens in our jobcentres and how employment services interact with the benefits system and the introduction of the universal credit.

With this in mind, there are a number of key areas that should feature as policy priorities in the coming years to improve the welfare-to-work market in London.

### Improvements to the Work Programme in London.

The introduction of the Work Programme is a major step forward in how the DWP commissions employment programmes. However, its success across the UK and London will almost certainly be tested by the current economic uncertainty and the London performance gap in previous programmes. To alleviate these pressures:

- ◆ the DWP should revisit the methodology deriving minimum performance levels in the Work Programme contract to align better to today's economic climate and accommodate the gap in GDP forecasts since the Work Programme was designed. In the future, the DWP should review its minimum performance levels annually to reflect any changes in the economy and align to Office for Budget Responsibility forecasts at the time of the Budget, recognising that growth forecasts are highly volatile in the short term, yet are a central component used to derive performance assumptions in the Work Programme;
- ◆ performance of employment programmes have regularly been below par in London. Rather than reducing the performance expectation for London, the DWP should revisit the unit costs for London to reflect the 16 per cent extra it costs to deliver programmes in the capital. This differential should be expanded to other nationally developed programmes in London;
- ◆ the DWP should consider the merits of developing a bespoke programme of additional support aimed at lone parents in order to close the gap between lone-parent employment in London compared with the UK as a whole, and make in-roads into stubbornly high levels of child poverty.

In addition, given London's persistent problems with long-term worklessness and the fact that the Work Programme accounts for the majority of current provision for this group, it is essential that the Work

Programme delivers for London and Londoners. The mayor of London and the London Enterprise Panel should play a greater role in scrutinising the Work Programme on behalf of London and Londoners by acting as a ‘critical friend’ to the DWP and providers, as well as a champion for the rights of participants. The mayor should set up an expert taskforce to lead this work on his behalf.

**London needs more locally designed welfare-to-work provision to complement the Work Programme.**

Historically, London has a strong history of testing new initiatives at a local, sub-regional and city level. This richness of provision and interventions should be re-established against a new framework for welfare-to-work and skills provision in the capital, of which the Work Programme is just one stream.

- ◆ The mayor, in collaboration with the London Enterprise Panel, the Greater London Authority and London Councils, should design a future framework for welfare-to-work and skills provision to 2020. This will help guide future investment decisions of funders in London, including the European Social Fund. This framework should look to deliver sustained jobs and progression, as well as creating a ring-fenced fund for testing new ideas and innovation to add to sector-wide learning for employment and skills provision. Moreover, commissioning of these new services should be based on a clear evidence base, rationale for investment and value-for-money principles in line with the LDA and DWP strategies for procuring back-to-work services.
- ◆ Given one in two participants are unlikely to find work through the Work Programme a new intermediate labour market programme, or job guarantee, should be designed so that those individuals are able to have valuable work experience alongside support to find unsubsidised employment in the medium term. This should be developed and rolled out within the year.
- ◆ The government should look at devolving responsibility and funding for non-Jobcentre Plus and Work Programme provision to London, including schemes for disabled people and troubled families. Schemes for these groups should be commissioned locally through a combination of central and local sub-regional commissioning groups in line with a pan-London welfare-to-work and skills framework.

**Progression needs to become the next frontier for welfare to work.**

The welfare-to-work market has developed at a rapid pace since 1997, often responding to labour market challenges and changes to the tax and benefits systems. The next major change will result in the introduction of universal credit. This will radically alter the way in which individuals behave in the labour market and, as a result, the welfare-to-work market and skills system needs to respond to this new challenge.

- ◆ The introduction of in-work conditionality as part of universal credit is likely to lead to individuals in low-paid jobs or working part time

being asked to work for longer, earn more money or move to better jobs. It is likely that second earners, parents and lone parents will be more vulnerable to these reforms. In the same way that greater conditionality introduced into the jobseeker's allowance regime under the New Deals was matched by mutual obligations, greater in-work conditionality should be accompanied by enhanced, appropriate support to find a better job or advance in work – a better jobs programme. This should be a key next step in welfare reform and the government and London partners should come together to test different approaches in London.

- ◆ The European Social Fund investment in workforce development has been relatively poor and focused too heavily on qualifications at the expense of jobs or progression. Under the next European Social Fund programme, investment in workforce development should align to the skills needed by tomorrow's economy and help people in low-paid jobs, or those cycling in and out of work, to progress into better jobs as part of a new European Social Fund 'better jobs' initiative.

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# Local authority approaches to helping parents access employment

*Kate Bell*

This chapter provides two case studies of local authorities who are taking an innovative approach to helping parents access employment and are based on interviews with staff in each authority. The London Borough of Newham's Workplace programme and the London Borough of Islington's parental employment scheme demonstrate the commitment of local authorities to helping parents into work. Both schemes have only recently focused on parents and, as yet, we have no hard outcome data on their success. The case studies therefore set out both the challenges faced in operating these programmes, and what those involved in running them see as emerging promising approaches.

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## **Newham Workplace**

Newham faces some of the highest levels of unemployment and worklessness in the country. Its employment programme, Workplace, opened in May 2007:<sup>1</sup>

Workplace was developed to ensure local people benefit from local regeneration. It provides a one-stop shop where Newham residents can receive employment options, advice or guidance about starting a business, and where employers across London can place vacancies to recruit quality staff. It offers residents support to overcome personal barriers and provides them with skills to move towards and into sustainable employment.

The programme has supported over 12,000 people into employment since it started, and job sustainability levels are relatively high, particularly when compared with those of other programmes. After 12 months, 76 per cent of Workplace customers were still in employment (compared with 56 per cent of those on the London Development Agency programme – see Chapter four).<sup>2</sup>

Workplace has offered specialist provision for parents since 2007 when it was part of the East London City Strategy Pathfinder. It has recently had the opportunity to refine the offer to families using European Social Fund 'families with multiple problems' funding. This is part of a wider initiative through which additional funding is available to local government to work with families who meet a set of 'troubled families' criteria established by the Department for Communities and Local Government. 'Troubled families' are described by the government as those who:<sup>3</sup>

- ◆ are involved in crime and anti-social behaviour;
- ◆ have children not in school;
- ◆ have an adult on out-of-work benefits;
- ◆ cause high costs to the public purse.

Newham is working in partnership with Reed in Partnership, which holds the contract to deliver this programme in East London.

Workplace currently offers an approach that is tailored to the individual and her/his barriers to work, rather than being client-group specific. Among the interventions it offers are:

- ◆ confidence building;
- ◆ CV development and interview skills training;
- ◆ access to vocational skills courses;
- ◆ job brokerage with local employers;
- ◆ benefit calculations and advice on in-work financial support, including with housing benefit and council tax benefit. Newham aims to guarantee that everyone who takes up employment will be better off in work than claiming benefits;
- ◆ childcare support while training, and the offer of childcare support to assist with the transition into work. However, existing childcare bond and guarantee schemes within the borough, which aim to meet the costs of childcare deposits for families looking to move into employment, have meant that Workplace has not needed to offer this support.

The European Social Fund ‘families with multiple problems’ service has not run for long enough for us to have a clear idea of the impacts. However, reflecting on the success of the Workplace programme to date, and on the current experience of working with parents, local authority staff believe that key factors to success include the following.

- ◆ **An individual and tailored approach.** Workplace is open to all Newham residents, regardless of their ‘client group’, and the support available to them depends on their individual barriers to work. Advisers work closely with clients and establish a long-term relationship. This continuity of support and the opportunity it provides to build a relationship over time is believed to be key to working with parents and, although investing in this one-to-one relationship is resource intensive, it delivers results.
- ◆ **A ‘one-stop shop’ for advice.** The service provides a ‘one-stop shop’, with the adviser brokering contact with, for example, debt advice, legal advice, benefits offices or childcare providers. Staff see benefit advice as key to helping clients to sustain, as well as enter, employment.
- ◆ **High visibility of the project, both within the local authority and within the borough.** Workplace is a key mayoral priority for Newham

as a local authority, and it has received significant investment from the council. The scale at which the programme is delivered enables it to be visible across the borough, and there is comprehensive marketing of the service.

- ◆ **Strong links with local authority procurement and planning processes.** Due to the high priority given to increasing employment within the local authority, Workplace support is integrated not only within Newham's own employment practices, but also within procurement and planning processes. The authority's 'supply chain' is used to offer work experience and work placements, and there is access to a management scheme within the council. Section 106 agreements<sup>4</sup> have been used to secure local jobs, most prominently in the new Westfield shopping centre development in Stratford.
- ◆ **Employer-facing workers.** Workplace includes specific employer engagement teams, working on particular sectors (such as construction, retail, hospitality and, in the run-up to the Olympics, a team working on Olympic-related jobs). Workplace has established bespoke training and 'pathways-to-work' schemes for specific employers, including John Lewis, Aspers Casino, Morgan Stanley and London City Airport.
- ◆ **Partnership with other local actors.** In addition to its high street locations, Workplace works in satellite locations throughout the community, including in the offices of Jobcentre Plus, the local charity Community Links, and local adult and further education colleges. Workplace offices are designed to feel similar to high street recruitment agencies.

However, the programme also faces significant challenges in helping parents and other residents to find and sustain employment. These include the following.

- ◆ **The complexity of an individual's life and barriers to work.** Local authority staff believe that being a parent is not necessarily the main barrier to work for many of their clients, many of whose lives are complex. Speaking English as a second language is an issue for many clients, as is a lack of confidence. Although employment may be a long- or medium-term aim, for some clients it may not be an immediate possibility.
- ◆ **Population 'churn' within the borough.** Many of those who do secure work (whether through Workplace or other schemes) move out of the borough, meaning that an aspiration to increase the overall level of employment may be harder to achieve – despite the notable improvements in the lives of those families who are helped into employment.
- ◆ **The Olympic legacy.** The Olympics were a significant opportunity for Newham residents, bringing additional employment to the borough. Whether these employment opportunities can be sustained remains to be seen.

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## Islington's parental employment partnership

Islington has one of the highest child poverty rates in London, and a level of parental employment well below the London average. Tackling poverty and increasing parental employment are priorities for the local authority, and are driven by an employment and poverty reduction board, made up of a mix of elected members and officers.

The local authority has prioritised ensuring a strong focus on parental employment across services. This includes the following.

- ◆ Encouraging adult learning provision to see employment outcomes as a priority. Of the 2,400 learners currently accessing Islington's free adult learning provision, around 1,000 are parents.
- ◆ Children's social services, including employment, as part of the outcomes they seek for families (including for families with complex needs where a dedicated employment worker has been appointed).
- ◆ Encouraging the business employment team to increase its efforts to find flexible or school-hour employment opportunities. It currently has a good record in terms of sourcing jobs, but has been reluctant to ask for the more flexible or school-hour jobs that many parents say they need.
- ◆ Examining the options to encourage businesses working with the council to offer training and work placements, through both section 106 agreements and by using 'community benefit' clauses within the local authority's procurement strategy. Islington has committed to being a 'living wage' employer, and has already ensured that all subcontractors pay the London living wage.
- ◆ Beyond this cross-departmental work, Islington has set up a specific parental employment programme, funded through the government's community budget scheme. The Department for Communities and Local Government describes this as:<sup>5</sup>

... [giving] local public service partners the freedom to work together to redesign services around the needs of citizens, improving outcomes, reducing duplication and waste and so saving significant sums of public money.

The initial focus of community budget schemes was on 'troubled' families and Islington was successful in securing funding for a pilot under this. It builds on an earlier pilot funded by the Child Poverty Unit under the previous government and consists of two strands:

- ◆ Family First, a project for families with complex needs, the majority of which is delivered by the voluntary organisation Family Action. This project includes a focus on employment as an outcome for families;
- ◆ the parental employment partnership (described below).

The parental employment partnership with Jobcentre Plus aims to help 200 parents into work each year, bringing Islington's rate of parental worklessness down to the London average. The scheme involves co-location of local authority and Jobcentre Plus workers, and a team of

local authority parental employment workers dedicated to supporting lone parents before they make the transition from income support to jobseeker's allowance when their youngest child is five and must engage with Jobcentre Plus jobsearch services in order to continue to receive benefits.

At the moment, the key elements of the partnership that are working well include the following.

- ◆ **Interaction with adult learning services for parents on income support.** Parental employment officers use access to free courses as a way to engage parents, and to provide them with confidence and new skills. Lone parents whose youngest child is aged under five can undertake full-time courses; once the youngest child reaches five and a parent becomes eligible for jobseeker's allowance, s/he must be prepared to study part time and to give up the course if a job becomes available.
- ◆ **Use of the 'workstar' by Jobcentre Plus advisers.** Islington has used the 'workstar', a tool developed by Triangle Consulting, to assess when parents feel there are a number of dimensions that may prevent them from accessing work. The tool includes assessing parents' job-specific skills, job-search skills (such as CV writing), their stability (for example, their housing situation), basic skills (English, IT and numeracy), social skills for work, and any additional challenges they face. Jobcentre Plus workers have access to a directory of local authority officers who can help them to deal with specific issues raised during this process, including, for example, contacts with named housing officers.
- ◆ **Use of parent champions.** Parent champions are local parents, employed by the local authority to engage with parents at local primary schools and talk to them about their future plans. The parent champions do not hold their own caseloads, but have been effective in building the confidence of parents to engage with the local authority about their learning and employment.
- ◆ **The childcare bursary scheme.** Islington is investing significantly in childcare, including in a childcare bursary scheme to help parents pay childcare deposits when taking up a new job. This is integrated with the Jobcentre Plus flexible support fund, in order to minimise application processes for parents.
- ◆ **Work clubs.** The authority has started to run work clubs for local residents, featuring speakers from local businesses. These are non-mandatory, but have proved popular, and the council is considering how this approach might also work for parents.

The partnership also faces challenges. These include the following.

- ◆ **Establishing effective joint working.** Establishing effective joint working between the local authority and Jobcentre Plus has taken longer than initially predicted because of the difficulty of aligning and co-ordinating the wide range of local authority services, and there

have been some difficulties in fulfilling the desire for co-location in outreach offices, such as children's centres.

- ◆ **Securing suitable childcare for parents.** Despite the existence of childcare bursaries, securing suitable affordable childcare remains a barrier for parents, particularly when jobs are offered at atypical or anti-social hours.
- ◆ **Parents' skills and confidence.** Many of the parents with whom the partnership engages lack confidence about work and training, and may benefit from help in developing their job search and work-related skills and, in some cases, their English language skills. This help, and the one-to-one support to encourage parents to access it, is exactly what the partnership is designed to offer, but building parents' skills and confidence takes time and may not deliver immediate job outcomes.

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# Conclusions and policy recommendations

## *Child Poverty Action Group*

The evidence in this report on parental employment levels in London gives rise to both pessimism and optimism. On the one hand, London continues to lag behind the rest of the UK (itself a poor performer internationally) when it comes to enabling parents to combine paid work with bringing up a family. The failure to find realistic employment options for parents, primarily for mothers, still lies behind London's shockingly high child poverty rates. On the other hand, we have seen that things can be different: lone-parent employment rates have been rising gradually and, although London's child poverty rate remains high, it is at its lowest level since the mid-1990s. And as the chapters in this report show, there is much more that can be done to accelerate these trends.

One area for action leaps out of the evidence – the need to do something about London's high childcare costs (costs that again soar above those of international comparators).<sup>1</sup> Modelling the childcare options for London will be the subject of future CPAG work, so we do not make detailed policy recommendations in this area here.

But there are significant other areas in which policy change could help more parents into work. Here, we set out CPAG's priorities for change. We divide our recommendations between those aimed at increasing the availability of quality part-time jobs, those aimed at improving the financial incentives to work in London, and those aimed at improving the support received by parents who are looking for work. In each case, we specify whether these are recommendations that can be taken forward by central, regional or local government. We recognise that we make these recommendations in a time of economic austerity and of significant reductions in local authority budgets. But we need to see spending in parents' ability to work as an investment rather than a sunk cost, and one that will have significant returns both for children and parents in the here and now, as well as for children's prospects in the future.

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### **Improving the supply of quality part-time jobs**

Chapter one demonstrated that the shortfall in part-time employment for women is partly explained by working patterns within certain occupational groups, particularly 'associate professional' and 'administrative/secretarial' occupations. The mayor has committed to a campaign to increase the supply of part-time jobs in London. **We suggest that the mayoral campaign to increase part-time work be particularly targeted at these sectors.**

Research suggests that efforts to increase the availability of flexible working options are most effective when they are occupation specific, and when they include training for line managers in how to manage flexible employment.<sup>2</sup> **We recommend that the mayoral campaign invests in offering free training for line managers in these sectors on how to manage flexible working, and uses the feedback from this training to develop a guide to best practice in flexible working within these sectors.**

Local authorities are significant sources of local employment and can also exercise influence over those they contract with and employers seeking to develop in their area. **We recommend that local authorities:**

- ◆ **ensure they advertise all vacancies as available for flexible working;**
- ◆ **investigate the use of community benefit clauses within their procurement arrangements to ensure that companies they contract with offer jobs to local residents and advertise these as available for flexible working;**
- ◆ **investigate the use of ‘section 106’ agreements when businesses are seeking to develop within their area to ensure they offer jobs to local residents and advertise these as available for flexible working.**

The research shows that, in some sectors, the problem is not a lack of part-time jobs, rather that part-time jobs do not attract a London wage premium, meaning that parents who face additional costs of working may not be able to take them up. The Greater London Authority has already committed to a London ‘living wage’ and many London local authorities have also followed suit. **We suggest that those London local authorities who have not yet committed to a London living wage commit to introducing it by 2015.**

The Resolution Foundation has suggested that businesses in London could afford to pay a higher minimum wage.<sup>3</sup> **We recommend that central government task the Low Pay Commission with examining the case for a higher minimum wage in London.**

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## **Ensuring that parents are better off in work**

Research by Inclusion for London Councils estimates the extent to which London families would be better off after the introduction of universal credit. It found that ‘all household types in London will have lower gains from working than in the rest of the country when moving into low-paid work.’ For example:<sup>4</sup>

The spending power under universal credit for a single parent with two children for a ‘mini’ job of six hours (at minimum wage) will be £8,434 per year in London. This compares to £9,482 per year nationally. The Londoner is worse off by £1,048 annually.

We know that costs are higher in London and that, at the lower end of the labour market, these additional costs are not compensated for by a London wage premium (as set out in Chapter one). The high cost of childcare is a large part of these costs. But there is more that we could do to recognise these costs in London and to try to reduce them.

Lone parents returning to work in London used to receive a £60 a week 'in-work credit' for the first year of employment. **We recommend that this is reinstated in London and also extended to 'second earners' who return to work. One way to operate this 'return-to-work' credit would be to increase the earnings disregards in universal credit.**

Given that the problem of low employment rates in London is principally one of maternal employment, it is particularly worrying that universal credit is predicted to increase earnings disincentives for second earners. The Institute for Fiscal Studies found that:<sup>5</sup>

Universal credit will weaken incentives to work for (potential) second earners in couples, who will see universal credit withdrawn more quickly if they enter work than currently happens with tax credits.

The second earner credit may be one way to address this problem for parents in London.

Inclusion estimates that transport costs in London are around 63 per cent higher than in other metropolitan areas.<sup>6</sup> The Liberal Democrats' London manifesto recommends the development of a part-time travel card to enable part-time workers to benefit from the discounted rates available to those travelling every day and purchasing weekly or monthly travel cards. **We recommend that the mayor takes forward the development of a part-time travel card.**

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## **Improving the support available to parents looking for work**

Parents are not among the principal client groups of the Work Programme, and lone parents claiming jobseeker's allowance will, in the main, not access the Work Programme until they have been claiming benefit for at least a year. Without detailed Work Programme performance data at the time of writing, it is difficult to make judgements about the extent to which it is meeting its goals in London. However, if this proves to be difficult, **we believe that the government should reconsider the costs of delivering the Work Programme in the capital**, as set out in Chapter four.

Research by London Councils this year found that few local authorities believe they have sufficient contact with the Work Programme provider operating in their area.<sup>7</sup> Given the ability of local authorities to access jobs for local residents (as set out in Chapter five), **we believe that Work Programme contracting arrangements should include a specific requirement to co-operate and share information with the local authorities in which they operate** in order to encourage closer working.

However, a significant amount of funding for employment support that currently exists is not delivered through either the Work Programme or Jobcentre Plus, but is administered centrally through the Department for Work and Pensions' allocation of European Social Fund support and through London Council's administration of grant funding, also financed by the European Social Fund. Given the huge disparity between parental employment rates in London and those elsewhere, **we believe that non-Work Programme-related funding for employment support should be devolved to a London level, with the specific intention of developing employment programmes aimed at parents.**

This funding could be managed by the Greater London Authority, overseen by the existing London Enterprise Panel. A duty could be attached to this funding to ensure the provision of a targeted parental employment programme in each local authority. Many local authorities may wish to deliver this themselves, building on existing good practice. Others may wish to contract out this support. Evidence from existing programmes suggests that **a key feature of effective employment provision for parents will be long-term contact with a personal adviser who is able to access a wide range of support, including advice on benefits, debts, housing and skills provision.**<sup>8</sup>

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## Monitoring progress

We need a concerted and focused effort to drive up parental employment rates in London, and we believe that this should be a priority for both regional and local government. Five years ago, in 2007, the gap between the proportion of children in workless households in London and the UK was 7.5 percentage points. By 2012, it had fallen to 2.1 per cent. Given this rate of progress, **we believe that the London Enterprise Panel should set a target to close the gap between London's parental employment rates and those in the rest of the UK by 2015.**

Local authorities have a statutory duty to prepare a child poverty strategy and many have already made increasing parental employment a clear priority within this.<sup>9</sup> **We recommend that those local authorities who have not yet done so adopt targets for increasing parental employment rates in their local area.**

Recent years have shown that improving parental employment rates in London is possible. With concerted action at all levels of government, many more parents could be helped into sustainable employment, and their children lifted out of poverty.

## Summary of recommendations

	Recommendations for local government	Recommendations for the mayor	Recommendations for central government
<b>Increasing the supply of quality part-time jobs</b>	<p>Ensure that all vacancies are advertised as available for flexible working.</p> <p>Investigate the use of community benefit clauses within procurement arrangements to ensure that companies with whom local authorities contract offer jobs to local residents, and advertise these as available for flexible working.</p> <p>Investigate the use of 'section 106' agreements when businesses are seeking to develop within a local authority area to ensure that they offer jobs to local residents, and advertise these as available for flexible working.</p>	<p>The mayoral campaign to increase the supply of part-time jobs should target 'associate professional' and 'administrative/secretarial' jobs, and include dedicated training for line managers in these sectors on how to manage flexible working.</p>	<p>Task the Low Pay Commission with investigating the case for a higher national minimum wage in London.</p>
<b>Ensuring parents are better off in work</b>		<p>Introduce a part-time travel card.</p>	<p>Reintroduce the return-to-work credit for lone parents and second earners in London, possibly through increasing the disregards within universal credit.</p>
<b>Improving the support for parents looking for employment</b>	<p>Consider developing targeted programmes to increase parental employment, based on long-term contact with a personal adviser who is able to access a wide range of support, including advice on benefits, debts, housing and skills provision.</p>	<p>Develop a specific London-wide programme to increase parental employment, working with local authorities.</p>	<p>Depending on the performance of Work Programme providers in London, reconsider whether additional funding is needed to deliver in the capital.</p> <p>Impose a requirement on Work Programme providers to co-operate with local authorities in the areas in which they work.</p> <p>Devolve non-Jobcentre Plus and Work Programme funding to a London level, with the specific aim of increasing parental employment.</p>
<b>Setting targets and monitoring progress</b>	<p>Include specific targets to increase parental employment rates as part of child poverty strategies.</p>	<p>The London Enterprise Panel should set a target to close the gap between parental employment rates in London and the rest of the UK by 2015.</p>	

### Notes

- 1 OECD, *Childcare Support*, available at [www.oecd.org/social/familiesandchildren/42004407.pdf](http://www.oecd.org/social/familiesandchildren/42004407.pdf)
- 2 C Lyonette and B Baldauf, *Quality Part-time Work: an evaluation of the Quality Part-time Work Fund*, Government Equalities Office, 2010
- 3 A Manning, *Minimum Wage, Maximum Impact*, Resolution Foundation, 2012
- 4 Centre for Economic and Social Inclusion, *Making Work Pay in London Under Universal Credit: a report for London Councils*, 2011
- 5 M Brewer, J Browne and J Wenchao, *Universal Credit: a preliminary analysis*, Briefing Note 116, Institute for Fiscal Studies, 2011
- 6 Centre for Economic and Social Inclusion, *Making Work Pay in London Under Universal Credit: a report for London Councils*, 2011
- 7 London Councils, *Jobless Losing Out As Half of Boroughs Say They Have No Influence Over Work Programme*, 2012, available at [www.londoncouncils.gov.uk/news/current/pressdetail.htm?pk=1525](http://www.londoncouncils.gov.uk/news/current/pressdetail.htm?pk=1525)
- 8 See for example, K Bell and M Smerdon, *Deep Value: a literature review of the role of relationships in public services*, Community Links, 2011
- 9 CPAG and 4in10, *Implementing the Child Poverty Act 2010: child poverty strategies in London*, CPAG and 4in10, 2012

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