



Work at any price?

Submission to the Work and Pensions Select Committee inquiry into the 80 per cent employment rate aspiration.

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Key point summary

1. CPAG is supportive of moves to help more people into work – if this is what people want and if this results in improvements in their and their families' quality of life. Policy which over focuses on paid work may conflict with enabling parents to have sufficient time to parent.
2. Employment needs to be made to pay more for low paid workers. The UK already has a high employment rate hand in hand with a high child poverty rate and a high level of in-work poverty - a higher employment rate does not necessarily mean a low poverty rate.
3. Underlying an aspiration to increasing the employment rate is that decent jobs are available. The existence of jobs in the economy does not prove jobs are open equally to all. Barriers to work, including costs associated with work, the quality of jobs, spatial concentrations of employment and non-employment, skill demands and discrimination mean that not all have equal access to jobs, and certainly not all have equal access to good quality jobs.
4. CPAG would like to see much greater focus on sustaining people in work. Policy has moved significantly in this direction around supporting people in work through mechanisms like the lone parent in-work credit, but needs to go further in improving the quality of employment (including pay, sustainability and progression). An increased employment rate brought about by increased churn into and out of work amongst lower income families will not reduce poverty and may increase hardship.
5. The welfare reform legislation currently before Parliament implies a significantly increased role for the private and voluntary sectors (PVS) in delivering employment related services and provides powers for PVS providers to make decisions and to sanction clients. CPAG does not agree that it is appropriate for PVS contractors to be involved in decision making.¹ This is not essential for the extension of services. Our concern is founded on the impacts this may have on claimants:
 - Differences in competence, training and approaches taken to decision making by myriad PVS contractors is likely to lead to a post code lottery in standards. Additionally though the paper ability to appeal beyond the decision maker will remain (where legislative provision exists), involving many different agencies with varying approaches to decision making and standards of maintaining audit trails risks making decisions harder to appeal.
 - Including decision making powers within contracts to provide the Pathways extensions threatens the advocacy role of the sector by presenting a conflict of interest if organisations are both advising individuals and acting as decision makers and even potentially applying benefits sanctions.
6. More is being expected of Job Centre Plus (JCP) from many fronts – a new form of service delivery and welfare reform. Moving towards an 80 per cent employment rate means JCP engaging with groups such as second adults within couples of which it has little experience. At the same time experience shows JCP is failing to deliver its current service adequately, without good quality service delivery CPAG does not believe an 80 per cent target will be reached.

¹ Including any decision related to or influencing a claim or a benefits sanction.

Introduction and context

7. Government policy to tackle child and family poverty hinges closely on increasing the employment rate of parents. CPAG is supportive of the government anti-poverty drive and of much of what has been done around increasing the employment rate - this has had a substantial impact in reduced poverty. However at the same time as government seeks at 80 per cent employment rate, the UK has high rates of both employment and poverty. Employment may be the best route out of poverty but the route is precarious. In work poverty is far too common and employment cannot provide for the substantial minority of parents who simply cannot work either because of their own poor health or the caring needs of their children.
8. Half of child poverty currently occurs in households with some work, if moves to increase the employment rate simply increase the numbers working in poorly paid work with bad conditions then the chance to use an enlarged labour market to increase social justice as well as to serve macro-economic drivers will be lost. CPAG believes the way to meet the economic need whilst harnessing this for social good is to shift towards a model which invests much more in individuals as a precursor to employment and to support skill development in work.
9. The UK already has a high employment rate: in 2004 this was fourth highest out of the 25 countries of the European Union, highest of the larger countries and significantly higher than the average.² The current working age employment rate is 74.6 per cent for the three months to July 2006³, the Department for Work and Pensions' five year⁴ plan equates an 80 per cent employment rate with an additional 2.5 million adults in work,⁵ but this will be of a different (and larger) future potential labour pool than exists now because of the equalisation of the retirement age for men and women (to reach it now would need about another 2.1 million adults in work⁶).
10. This note summarises key issues of both principle and practical importance around the links between employment policies and poverty reduction. Since CPAG's experience is that delivery is both a major issue and one we expect to grow in importance we also attach the findings of a small scale survey recently undertaken into the effectiveness of Job Centre Plus. Given that Job Centre Plus is the agency largely charged with facilitating employment policy its performance is critical - our central conclusion from this survey and from surrounding analysis is that to demand increased activity to prepare people for employment whilst conducting the Gershon cuts in staff and a 5 per cent real terms reduction in the Department for Work and Pensions' expenditure budget over the next Comprehensive Spending Review period (announced in the 2006 budget) is to risk compromising the success of policy. There are powerful social justice arguments to opening the labour market to those often denied access to it and

² Out of the EU 25, the UK placed forth highest in 2004 in the Department for Work and Pensions, 'Opportunity for All', Seventh Annual Report 2005, see p.121

³ National Statistics, Labour market statistics September 2006, First release 13th September 2006

⁴ Department for Work and Pensions, Department for Work and Pensions 'Five year Strategy Opportunity and security throughout life', 2005. See para. 19.

⁵ Department for Work and Pensions, para 19 Department for Work and Pensions 'Five year strategy opportunity and security throughout life', 2005. Cm 6447. The Stationary Office

⁶ Own analysis of National Statistics, Labour market statistics September 2006, First release 13th September 2006

substantial spend to save arguments alongside these which suggest current cuts are short sighted and should be revisited in the Comprehensive Spending Review.

11. CPAG is supportive of policy which seeks to allow more decent job opportunities to those willing and able to work. To achieve this much effort (both welcome and sometimes not) is going on within the Department for Work and Pensions and elsewhere within both national and local government, including the new deals, moves to reform incapacity benefit and the developing city strategies. CPAG does not believe however that work should be at any price. A simple percentage employment rate gives little feel for the quality of jobs, yet this quality is crucial for anti-poverty policy just as it is for economic competitiveness. Alongside a concern to increase the number of people in employment, policy should invest more in people, through education and skills training, and should expect employers to address the discrimination which bars access to the labour market for many and the injustice which provides unacceptable working conditions for many others.
12. CPAG does have concerns around the way in which the voluntary sector is being looked to in order to deliver new employment related services. Though good at developing and demonstrating innovative ways of delivering services, CPAG does not believe the voluntary sector exists to deliver state services – we urge extreme caution in the drawing up of contracts between the Department for Work and Pensions and the voluntary sector to ensure that moves neither subvert the independence and advocacy role nor risk the sustainability of the sector. We also urge great care and caution in drawing up contracts with the private sector CPAG is concerned about performance management and targets which we fear could create perverse incentives if their drive to maximise profit leads providers to act in ways (such as encouraging people into unsustainable employment) contrary to the best interests of claimants.
13. CPAG is mindful that we have attained a stage where more and more hours of work are expected of those parents in employment, and that though this can improve family incomes, it can also have a significant and detrimental effect on family life – parents need time to parent and long hours may deny children this time with their parents, time may be especially precious in lone parent households if there is only one parent regularly looking after children. Modelling work for the Rowntree Foundation has estimated that, for 2005/06 a couple with two children working for the minimum wage and in receipt of relevant benefits and tax credits, would have to work a combined number of 58 hours (10 hours more than the working time directive if only one parent is working) to reach the poverty threshold before housing costs were accounted for and 74 hours after housing costs.⁷ The same research suggests that for a lone parent with one child the position is much better (as a result of the weighting of the tax credit system to 'help make work pay'), having an income above the poverty line (both before and after housing costs) at 16 hours of work but a larger family for either the lone parent or for the couple would mean more hours would be needed to reach the poverty threshold. CPAG believes that returns from work should ensure that parents do not need to work such long hours to escape poverty that they have little time or energy to devote to their children.

⁷ Evans, M and Scarborough, J, 'Can current policy end child poverty by 2020', Joseph Rowntree Foundation , 2006

14. The document *Measuring Child Poverty*⁸, published in 2003, signalled a shift away from measuring child poverty on the basis of both before and after housing costs towards relying on before housing cost data alone. The stated justification for this move has been to bring the UK into line with European comparators. Though there are several reasons for why this may be a retrograde step this also distances our measure of poverty from the mechanisms for achieving its reduction. Since housing benefit is a key component of the poverty trap (withdrawn as it is at 65p in the pound – lowering gains from work and worsening work incentives) failing to take account of housing costs in poverty measurement gets us to the absurd position of a family with high housing costs and housing benefit to meet these potentially being measured as ‘free’ of poverty despite having a low disposable income and extremely poor possible gains from work: BHC poverty measurement may therefore orientate policy away from concerns over work incentives – we urge the Committee to recommend a continued reference to AHC poverty rates alongside the new measure of child poverty.

Employment and anti-poverty policy

15. Paid work is a vital route out of poverty. Indeed since the safety net pays often substantially less than the poverty line (see Table 2) it is very nearly the only route out of poverty. The risks associated with being out of work are very great, those associated with being in full time work much lower: the risk for lone parents is 5.5 times greater, for couples 36 times greater. Further statistics from the Households Below Average Incomes⁹ series demonstrate the point more fully:

Table 1: Risk of child poverty by parents’ employment status¹⁰

		Risk of poverty	Risk compared to when all available adults are in full time work
Lone parents	In full time work	13%	-
	In part time work	27%	2.1 times the risk
	Not in work	72%	5.5 times the risk
Couples	All in full time work	2%	-
	One in full time, one part time work	6%	3 times the risk
	One in full time work, one not working	21%	10.5 times the risk
	One or more in part time work	49%	24.5 times the risk
	Not in work	72%	36 times the risk

16. Parental worklessness and child poverty are closely linked and, though the number of children in workless households has shown a marked decline in recent years, the UK has the highest proportion of children living in households without

⁸ Department for Work and Pensions, *Measuring Child Poverty*, Department for Work and Pensions, 2003

⁹ For consistency here after housing cost data is used, the definition of child poverty being the whether or not a child lives in a household which has income below 60 per cent of the median after housing costs and having adjusted for household need.

¹⁰ own analysis using National Statistics, Households Below Average Incomes series 1994/5 – 2004/05, Department for Work and Pension, 2006. The definition of poverty is living in households with incomes below 60 per cent of the median income, after housing costs.

work (much attributable to a relatively high proportion of lone parents in the UK, and a low employment rate amongst this group) in the European Union by some way.¹¹

17. Despite the lower child poverty risk in working households more adults are in work than not and so there are more poor children actually in a household where one or more parent is in employment – 54 per cent of poor children in 2004/05¹². The reason for the extent of in-work poverty is the combination of low wages and insufficient hours worked to take the household over the poverty line. However though the lowest risks of child poverty are associated with having both parents working and preferably full time even if this were desirable (given the impact this has on time to parent) it is simply impracticable for most families. Indeed around a quarter of poor children have a disabled parent and around two fifths have a lone parent – if work is to lift children out of poverty for these groups it cannot be on an assumption of full time hours either the sole parent or for both parents in a couple.¹³
18. In April 2007 the new gender equality duty will come into force, shifting the balance of responsibility to require public authorities to promote gender equality. This is a significant opportunity to help reduce the pay gap which would ensure that a rising employment rate also helps to reduce child poverty. That the continued gender pay gap is a child poverty issue was noted in the recent Joseph Rowntree Foundation report, *Ending Child Poverty - Firing on all cylinders*¹⁴, not only are mothers earnings critical to families but for most lone parents families – overwhelmingly headed by women - they will be the only source of earned income. One key strategy to ensure that a rising employment rate benefits children effectively is one which narrows the pay gap by addressing discrimination, concentrations of low pay in feminised sectors of the labour market and the relatively low paid nature of part time work which is predominantly carried out by women.
19. Alongside addressing the gender pay gaps there are also overlapping pay gaps associated with ethnicity¹⁵ and disability¹⁶. Partly driven by low pay, children from some minority ethnic groups face a particularly high risk of child poverty (especially children of Pakistani/ Bangladeshi, Chinese and Black or Black British ethnicity) and the children of disabled parents are at a high risk of poverty, so increasing pay levels for these groups would also help to reduce child poverty¹⁷.

¹¹ See Palmer, Carr, J and Kenway, P, Monitoring poverty and Social exclusion 2005, New Policy Institute and Joseph Rowntree Foundation, 2006, p.41

¹² See National Statistics, Households Below Average Incomes series 1994/5 – 2004/05, Department for Work and Pension, 2006. Using BHC figures this proportion rises slightly to 56 per cent of a smaller group counted as poor.

¹³ See National Statistics, Households Below Average Incomes series 1994/5 – 2004/05, Department for Work and Pension, 2006, table 4.4

¹⁴ See Hirsch, D, Ending Child Poverty Firing on all cylinders, Joseph Rowntree Foundation, 2006

¹⁵ See Craig, G, 'Poverty among black and minority ethnic children', Chapter 5 in Preston, G, At Greatest Risk, Child Poverty Action Group, 2005; Equal Opportunities Commission, Moving on up? Bangladeshi, Pakistani and Black Caribbean Women and Work, 2006.

¹⁶ See Palmer, G, 'Disabled people, poverty and the labour market, in Preston, G (ed), A Route out of poverty? Disabled people, work and welfare reform, Child Poverty Action Group, 2006 for discussion about the link between disability and pay.

¹⁷ See National Statistics, Households Below Average Incomes series 1994/5 – 2004/05, Department for Work and Pension, 2006, table 4.7. As well as facing a high risk of child

20. Work should not be pursued at any price and the best manner of pursuing it is a twin track strategy which places greater emphasis (and resources) in improving employability and skill level and at the same time which seeks to improve gains from work so that moves to increase the employment rate do not simply increase existing levels of in-work poverty.

Delivering an 80 per cent employment rate

21. To inform the inquiry we attach analysis of a small in-depth survey of independent advice organisations (see Annex) which sought to investigate the quality of service of Job Centre Plus following recent structural changes in the way it delivers its service. CPAG developed the survey to monitor the performance of JCP after we had picked up significant concerns from advice workers following the change programme. Early findings provided the basis of previous evidence sent to the Committee's inquiry on the Efficiency Savings programme. Though our survey evidence does – in places – show some good practice and some evidence of service improvement over time most of the evidence quoted to us by advice workers was of difficulties dealing with JCP and CPAG remains of the view that JCP has a long way to go to adequately meet the needs of claimants.
22. The quality of service received by claimants from JCP is crucial to enabling people to take up employment: a poorly functioning JCP will undermine the 80 per cent aspiration whilst a well functioning service would not only support the aim but support those currently experiencing poverty who could be lifted from this by decently paid work. Since policy to increase the employment rate is now increasingly focused on those who face very particular barriers to gaining and sustaining employment the need for adequate support is all the greater – we see scant evidence in practice for this quality of service having been delivered.
23. JCP is now heavily reliant on the call centre model for primary contact and for much of its claiming process, this may be economical and suit a large part of its client group but it does not cater effectively for those who for whom English is not their first language, those with disabilities or health problems (both physical and mental) and those with learning difficulties. For JCP to deliver effectively for all of its clients CPAG believes that multiple channels – telephone, internet and face to face contact - are needed to access its services with clients able to choose what best suits their needs.
24. The survey demonstrates gaps in JCP staff understanding of the changes to JCP's way of working, including on occasion which contact and processing offices are responsible for clients in their area. The survey also demonstrated that information about the changes is not always made available to the independent advice sector, undermining the sectors ability to advise clients. The failure to properly engage independent advisors (for instance with advisors reporting difficulties obtaining direct-line numbers to JCP) contradicts the policy imperative to engage the third sector in delivery. We suggest the Committee should investigate the extent to which JCP could establish clearer and more effective relationships between local offices, contact centres and independent advisors.
25. The survey also demonstrates poor communication within JCP (both electronic, telephone and paper) between contact centres and processing centres with

poverty, children from these groups make up a high proportion of the poor child population – one quarter of poor children have a disabled parent and one fifth are of non-white ethnicity.

documents delayed or lost. Advisors also gave examples which demonstrate the limitations of a script based system the contact centres work on – these scripts appear inadequate to deal with complex cases, we recommend better guidance and training for staff and IT system improvements to help staff cope when the script questions fail to match the clients circumstances.

26. To reach an 80 per cent employment target needs well functioning labour market programmes such as Pathways to Work and the New Deals. Such pro-work activity is underpinned by the role of Job Centre Plus, yet CPAG's survey shows how far JCP is from delivering the necessary quality of service now, at the same time as government is both cutting resources and potentially increasing work. We do not deny the government its responsibility to look for efficiency savings but to do so whilst pursuing an ambitious platform of employment policies and welfare reform seems likely to undermine attempts to reach the 80 per cent target. We urge the Committee to argue for adequate investment in the processes and people which deliver JCP's activity to help it provide the support required to move towards the 80 per cent aspiration.

Addressing barriers to work

27. Much of the substance of the Committee's inquiry seems to look into barriers which prevent people from working. This thrust is important, lone parents and disabled adults (groups which in any case overlap) are both groups Government has argued which may include many people who want to work and yet are quite likely not to be in employment.¹⁸ Since barriers to work are likely to both restrict the chances of someone entering employment and reduce the chances of their staying employed, job sustainability needs to be as significant a part of the strategy as simply getting individuals into work. To meet this demand for employment requires addressing the barriers to work.
28. We summarise barriers to work as around the quality and availability of paid work, the additional costs associated with working, skills and education levels and discrimination from employers. CPAG recommends that the inquiry uses its report to examine the extent to which policy is currently succeeding in overcoming barriers to work and what else is needed to meet the needs of those specific groups, lone parents and disabled adults, recently targeted by policy. The previous section described the current state of Job Centre Plus in supporting claimants and in delivering support into work, showing the quality of service to frequently inadequate.
29. **The financial returns from paid work.** The first barrier to work we note is the often inadequate wages received for employment. Tax credits have helped significantly though they may have reduced the unemployment trap (where individuals gain little or lose out by going into work) at the expense of worsened gains to work for increasing hours of work. If an additional hour's work provides little additional income, either because the pay is low or because it is undermined by lost benefits and tax credits, alongside both the costs of work and less time spent with children the incentive to work longer hours will be low. We remain concerned that the extent of means testing required to support incomes leads to a position where gains from work are often lost by lost benefits or tax credits. There is no easy solution to this given the history and extent of means testing

¹⁸ Department for Work and Pensions, para 19 Department for Work and Pensions 'Five year strategy opportunity and security throughout life', 2005. Cm 6447. The Stationary Office

(important for targeting resources towards the poorest families), however CPAG has been arguing for the rebalancing of financial support towards additional investment in child benefit¹⁹ as a way of further reducing child poverty whilst not affecting work incentives, we urge the Committee to support this strategy.

30. **The costs of working.** Employment may generate income but it also brings with it costs perhaps most acutely around the entrance to work. Here we direct the Committee's attention to the reduction of the amount the Advisers Discretion Fund can pay out to help individuals with some of the early costs of work (subject of the previous inquiry into the efficiency savings²⁰). Though not alone, Childcare stands out as key financial barrier. The increases in the proportion of child care costs which might be borne by the working tax credit from 70 to 80 per cent in April 2006 was welcome but there are still restrictions on how the child care tax credit can be used which constrain take up (374,300 out of 6,000,000 tax credit receipts – around 6.2 per cent²¹). Since the amounts are capped for two children, this offers relatively less help for larger families – a group recently targeted by anti-poverty policy²² and one which has a lower than average employment rate.²³ CPAG also has concerns over where the benefits of child care support are felt – both spatial, poorer areas being less likely to benefit because there is less formal child care provided, and socio-economic, because gains seem to fall in the middle of the income distribution.²⁴ Alongside financial costs of childcare there are also quality issues which may prevent parents from wishing to place their children in childcare alongside the wish to spend time with their children themselves instead of placing them in childcare. CPAG accepts there is also significant and increased supply side investment going to provision of care including through the childrens' centres but we would urge the Committee to consider opportunities for boosting both supply and demand side investment for childcare to generate good quality sustainable childcare services.
31. **The availability of decent jobs.** For both parents and their children balancing employment and caring is crucial. It is not in the best interests of children if the drive to an 80 per cent target employment rate results in parents having insufficient time to parent, and this would undermine parents' ability and willingness to seek employment. Alongside adequate remuneration from employment parents need to have sufficient time to spend with their children, policies around work should support sufficient flexibility around when work is done (such as school hours and term time working only). An employment rate of 80 per cent which leaves children without adequate time with their parents, and those parents overly stressed by the pressure of paid work is not in the interests of children or society.

¹⁹ See www.makechildbenefitcount.org

²⁰ Work and Pensions Select Committee, The efficiency savings in Jobcentre Plus, Second report, June 2006 HC1187

²¹ Analysis of HMRC, Child and Working Tax credit statistics April 2006, 2006. Analysis has excluded the Income Support out of work cases, if they were including the proportion in receipt of child care support would be smaller still, even so the numbers getting support now are higher than under previous schemes.

²² See HM Treasury, Child Poverty Review, 2004

²³ See Iacovou, M and Berthoud, R, 'The Economic Position of Large Families', Department for Work and Pensions, 2006

²⁴ See Chapter 9 Institute for Fiscal Studies, 'The IFS Green Budget 2005', 2005. Presumably this partly occurs because these groups are in work

32. **Costs to employers.** Many of those who will need to move into work to achieve an 80 per cent employment target may bring additional costs – alongside breadth of experience and diversity – to employers. CPAG believes that employers have a responsibility to offer decent employment opportunities to those able to take them, but there is clearly a role for schemes such as the Access to Work scheme in helping employers offer job opportunities to those who may bring with them higher employment costs. We urge the Committee to explore ways – both through legislation or regulation and through supporting some costs of employment to ensure that decent job opportunities are made available to those currently excluded from the labour market.
33. Alongside the need to buy-in employers with support and engagement, CPAG recognises widespread evidence of **employer discrimination** (in both private and public sectors) against groups disadvantaged in the labour market. CPAG's recent report *A Route Out of Poverty? Disabled people. Work and welfare reform* highlighted the experience and the discrimination faced by disabled parents who wanted to work but faced practical barriers alongside a failure to recognise their support needs (such as flexible working) in work – alongside the support, government needs the teeth to ensure that employers play their role in making jobs available to those too often excluded from the labour market.²⁵
34. The **quality of the administration of benefits and tax credits** is an important underpinning of the ability of adults to enter work and – including aspects such as benefit run on's and effective use of the advisers discretion fund, conversely, badly administered benefits or tax credits can both undermine the ability to go into work (if this reduces the stability of income – as some of the well documented problems of tax credits have done) and the psychological willingness to do so. As part of the inquiry we suggest the Committee might also investigate the impact of the 16 hour rule dividing entitlement to benefits and tax credits and whether there are other ways of improving in work income and easing the taking up of paid work. Related to this is the importance of the **stability of child maintenance** in supporting lone parents to take up and sustain employment. Research suggests a link between receipt of child maintenance and the entrance to employment.²⁶ As part of its deliberations we urge the Committee to engage with discussions around the forthcoming white paper on child support as to the extent to which improved stability and an increased level of maintenance could help reach the 70 per cent employment rate target for lone parents and support the wider 80 per cent aspiration.²⁷
35. **Skills and education.** Of all of those groups highlighted for activity to increase their employment rate (those aged over 50, the lowest qualified²⁸, minority ethnic adults, lone parents and those with a disability)²⁹ the lowest qualified is the only group whose chances of being employed are falling (in 1997 this group had an employment rate 20.9 per cent less than the average, by 2005 this gap had increased to 25.1 per cent). The simple explanation for this pattern is that there are fewer lower skill jobs in the economy following economic change fuelled by

²⁵ Preston, G (ed), *A Route out of poverty? Disabled people, work and welfare reform*, Child Poverty Action Group, 2006

²⁶ Ford, R, Marsh, A and Finlayson, L, *What happens to lone parents*, Department of Social Security, Research Report 77, The Stationary Office. p.65

²⁷ See CPAG's policy briefing response to the Henshaw review available at <http://www.cpag.org.uk/info/>

²⁸ defined as the 15 per cent of working age population with the fewest qualifications.

²⁹ Department for Work and Pensions, *Opportunity for All*, 2005, p.185, indicator 19.

globalisation. Some low skill jobs must by definition remain in the UK since jobs in the service sector are hard to export and here government has a role in ensuring employers pay sufficiently well to protect families from poverty.

36. Since the number of low skill jobs is falling there is a need to improve skill level to open up greater employment access for the (currently) lowest skilled. The first element to this is that educational policies deliver better and more equal educational attainment. Policies to improve staying on rates at school such as the educational maintenance allowance are welcome but the poorest children remain least likely to do well in school, to stay on post 16 and to pursue further study post 18 (by way of example in England in 2005 58.9 per cent of children without free school meal entitlement got five plus GCSEs at A-C, a small enough percentage but double that of those entitled to free school meals³⁰). We urge the Committee to investigate what more could be done to get things right in education first time and alongside this to look into the effectiveness of provision of adult skills through the various bodies and funding streams which seek to provide these. We note the Leitch review on adult skills is due to report shortly and hope this will direct greater attention to the link between improving adult skills, increasing employment and tackling poverty. CPAG suggests the Committee investigates the role that improved access to skill development can play in both providing an effective route into employment, and to progression within work. It would also be worth exploring the interface between labour market programmes within the Department for Work and Pensions, with the work of the Department for Education and Skills and the Learning and Skills Council around skill development. Given the importance of developing adult skills we also suggest attention is paid the role of employers and trade unions in facilitating life long learning.

What about the other 20 per cent?

37. Even if an employment rate of 80 per cent is attained, this infers that one in five adults of working age will remain outside the labour market and since many of these adults (perhaps as disabled adults or lone parents) are likely to live in households without any other adult being in work the target implies that many adults and children will remain in households where no adult is in work. Alongside consideration of the employment rate therefore we ought to have a more detailed examination of the adequacy of the safety net. Currently three quarters of children in households in which no adult works are poor,³¹ and the reason for this is that the safety net pays well below the poverty line. Not only is this unjust it is counter productive - low income makes people stressed and ill pushing them further from the labour market not closer to it. Alongside its discussion of what is needed to meet the 80 per cent aspiration we suggest the Committee consider the position of the other 20 per cent.
38. Table 2 compares the after housing cost income the safety net provides with the comparable poverty line figure:

³⁰ Department for Education and Skills, National Curriculum Assessment, GCSE and Equivalent Attainment and Post-16 Attainment by Pupil Characteristics, in England, 2005 at www.dfes.gov.uk, table 44

³¹ See National Statistics, Households Below Average Incomes series 1994/5 – 2004/05, Department for Work and Pension, 2006

Table 2 The after housing cost poverty line, safety net and gap and poverty gap, estimate at April 2006 (£ per week)

	Estimated poverty line ³²	Safety net ³³	Cash gap per week
Couple, aged 25 years (no children)	203	90	-113
Single adult aged 25 years (no children)	112	57	-54
Couple both aged 30, 2 children 5 and 11	299	198	-101
Lone parent aged 25, 2 children 5 and 11	207	165	-42
couple (30), four children 8, 11, 13, 16	437	289	-148
Lone parent (30), four children 8, 11, 13, 16	345	256	-89

39. An inadequate safety net condemns children to poverty and there is a deep injustice in a government committed to tackling child poverty and making significant progress to achieving its aim, simultaneously paying benefits for some of the most vulnerable families in society at a rate which is - by the logic of policy – substantially below what is necessary. The underlying problem here is the scale rates of income support which have continued to fall behind wages in recent years and continue to undermine the efforts which have gone into raising the rates of benefits for children. The argument often used to defend the low level of income support is that the relative value of the safety net as against wages. This position is as unjust as it is illogical - the solution to wages being so low as to be close to what a family might receive if no one worked should be to increase wages not suppress benefits to below an adequate level. That now both Labour and Conservative parties are committed to eradicating child poverty it is time for a reasoned debate about financial support for those out of work, CPAG believes such a debate is not only necessary in tackling out of work poverty but is equally necessary to support ensuring more people are ready and able to seek employment.

About CPAG

CPAG is the leading charity campaigning for the abolition of poverty among children and young people in the UK and for the improvement of the lives of low income families. 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.

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³² Calculated in line with Households Below Average Incomes methods. It has been projected forward from the HBAI figures in line with concurrent earnings inflation (from September 2004-April 2006).

³³ The weekly sum of income support, child benefit and child tax credit.

Annex: CPAG's survey of Job Centre Plus: A view of how the changes have affected claimants and advisers at local advice centres

This annex contains only part 1 of the report, which can be found in full at www.cpag.org.uk. The report was published in September 2006.

Introduction

40. This report is based on detailed feedback from seven independent agencies providing welfare rights advice and advocacy services to members of the public and who have therefore had direct experience of the impact of the new claiming structures on benefit claimants for those below pension age. It also contains additional evidence and comments obtained from two other agencies.
41. CPAG decided that there was a need to monitor the quality of service by Jobcentre Plus (JCP) in depth following the introduction of a new system. CPAG gave evidence to the Work and Pensions Select Committee in writing and orally at the end of 2005 and the start of 2006. The decision to provide evidence to the select committee and the ongoing survey was a direct response to the criticisms of the service we heard in the course of providing our telephone support service to advisers and at training courses we provided on social security law.
42. It is vital that those on low income or needing wage replacement benefits have access to an effective service. Equally since government policy is focused on encouraging people into work (with an 80% employment aspiration) the effective role of Jobcentre Plus in facilitating work focused social policy is crucial.
43. The agencies which participated are listed at the end of the report and reflect experience in the following areas: London; central and southern England; Suffolk; Yorkshire and Edinburgh.

Methodology

44. To collect information over a period of time the questionnaire was sent out three times: the first in late February 2006; the second in March 2006; and the third in June 2006. The dates to which we refer in the report relate to month in which we received the feedback. Usually where we had no feedback since a completed form in March or May we have tried to update findings via telephone contact with the agencies concerned to check if their experience is changing. Several agencies provided us with two returns, one with three and several we have contacted by phone to check their latest assessment.
45. This is a small study, drawing on the experiences and expertise of advice agencies in selected areas, it is not necessarily fully representative but it is indicative of wider problems which require serious investigation.
46. The questionnaires have provided CPAG with direct evidence of what is happening to some claimants in some areas as a result of the development of a centralised service via the introduction of the Customer Management System

(CMS), Contact and Processing Centres. We hope the findings will be useful to Jobcentre Plus in its plans to develop further reforms.

47. Our thanks are due to those advice centre staff who gave their time to provide this evidence.

How the new system is intended to work

48. The current system (though still being phased in places) was introduced in early 2005 and replaced a system in which contact with JCP was normally with the local office.

Contact Centre

49. The claimant makes an initial telephone claim to the Contact Centre (CC). There are around 70 Contact Centres throughout the country, some new centres are opening and others are closing. These centres take the initial inbound call in which the claimant provides basic information to the CC about circumstances including name, address, family etc. The CC then agrees a call back time in order to gather more in-depth information relating to the claim.
50. The call back telephone interview takes approximately 35- 45 minutes. The information collected by telephone is put on the CMS. A date for a Work Focused Interview (or in the case of a claim for JSA a compulsory interview) is set. In the case of a claim for JSA the claimant will also have to go to the jobcentre to sign on. A record of the initial and call back calls is sent to the claimant to check, correct (if necessary) and sign.
51. Where appropriate the Contact Centre should facilitate a claim for child tax credit by taking details in the return call and sending the claim via the e-portal to the HMRC. If insufficient details are obtained during the telephone interviews with the Contact Centre, the information will be held at the eportal until the claimant provides the necessary details at the interview with the financial assessor at the Jobcentre Plus local office. When the eportal was out of action jobcentre staff were asked to send the claim to the HMRC by courier in order to maintain the policy of fast tracking claims for CTC.

Local office outlet (local office)

52. The claimant takes the signed and corrected (if applicable) record of the calls to the local office (LO) and sees a financial assessor (FA) who checks the record and any evidence that is required. If the information is wrong the FA will amend the record held on the CMS and the information is then transferred to the appropriate benefit computer records. The local office is responsible for checking evidence requirements and if necessary the claimant will have to return with the necessary documentation. The claimant has their work focused interview (WFI) after their meeting with the FA.
53. Changes of circumstances would normally be reported to the local office which would then be forwarded to the Processing Centre.

Processing Centre

54. The claim or change of circumstances reported is then forwarded to the Processing Centre to assess the claim and make a payment if the claimant is

eligible, or make changes to the award as necessary. If a question arises about right to reside the case is forwarded to a specialist office in Wick to decide this question.

Clerical claims

55. Although the system assumes that claimants will make telephone claims claimants retain the right to ask for a clerical claim form.

The computer system

56. The new CMS holds the personal details of claimants and information in connection with claims for social security benefits. We understand that information is kept on the CMS for up to a month and then transferred to the specific benefit computer programmes after claimants have been interviewed by the financial assessor at the local JCP office. At the same time claims are logged on the common enquiry service computer which records current and past claims. The information is also put on the departmental index computer record.

Interim payments

57. Interim payments may be made to claimants by the contact centre but Contact Centre staff are more likely to suggest the claimant requests a crisis loan.

Pilots

58. Pilots are being developed that may change the way in which the claim is made and which would avoid the need for a call back and claimants would make one call on a free phone number. Changes to the way in which contact is made with the Glasgow Processing Centre are also being trialled. We understand that developments depend on the extension of the telephony system for Processing Centres

Carers Allowance and disability benefits.

59. These benefits are already administered by a central agency under DWP but claimants may initiate a claim via a Contact Centre or the local office of JCP.

Key findings

- The reliance on a system of distance claiming by phone does not make adequate provision for those with special needs: those with language difficulties either because of illiteracy or because they have limited or no knowledge of English; and those with physical and mental health disabilities that make communicating by phone difficult.
- The system does not take account of the fact that many claimants because of low income do not have a land line phone and may have to rely on mobiles or some may have no phone at all. This has cost implications for claimants who make calls to 'free' numbers and where there are call backs some people may have to pay to pick up voice mail messages on a mobile.
- The phone systems at all levels of the system have been inadequate making it difficult for claimants and advisers alike to get through.

- The staff of JCP have been inadequately briefed about the nature of the changes and which contact and processing offices are responsible for clients in their area. This has been a particular issue where there has been a change of offices. Information about the changes is also not systematically made available to those in the independent advice sector.
- Staff have been and still are in some areas unaware of the fact that claimants have a right to make a claim on a paper claim form rather than making a claim by phone. In practice it is unclear whether staff in local offices have supplies of clerical claim forms or whether these can only be obtained via the Contact Centre. The initiative for obtaining a clerical claim form appears in practice to lie with independent advisers rather than with the staff in local offices. It would appear that the experience in Edinburgh has been considerably more positive with staff at the local office generally willing to send clerical claim forms to the advice centre to complete with their clients.
- The staff at the Contact Centres appear to be inadequately trained to deal with the telephone claiming system. In addition the CMS script may be inadequate to provide the necessary support to staff in the contact centres. As a result claims may be wrongly recorded, or claimants wrongly advised. There is some evidence that claimants are not advised about claiming CTC in some areas and the claims for CTC which should be made via the Contact Centre and fast tracked to HMRC are left to the claimant to do at a later date.
- The structure is fragmented and therefore no one person is responsible for ensuring a claim is dealt with. The process is repetitive and requires continual cross checking.
- The new system has increased delays and claimants often need to access social fund crisis loans for basic subsistence as a result. Interim payments would appear to be rarely suggested.
- There is some evidence that claims are lost and claimants are then having to make repeat claims.
- Claimants have generally been denied access to make an application for a crisis loan at the local office– it appeared they might however be able to make an appointment via the warm phone *if* they were able to get through. Until recently it was common practice to require claimants to wait until their Work Focused Interview before deciding the crisis loan application, a wait of at least three weeks.
- The role of advisers assisting claimants appears to have been ignored and many advisers have had to battle to obtain direct numbers in order to assist their client with their claim.
- The new system, where fully implemented, improved over time in some areas but not without claimants having experienced long delays without benefits because of administrative backlogs and overload.
- There are considerable delays before the decisions of tribunals are implemented and when they are implemented claimants may not be paid arrears.

Recommendations

60. The findings above raise a series of important issues about the quality of service provided by JCP. Action needs to be taken urgently to ensure that the claiming process works and that claims are not delayed leaving claimants in hardship. There are clearly major problems relating to communication between offices and between jobcentre plus staff and members of the public and advisers.
61. Our recommendations concern staffing, the quality of the telephony system, the need for a workable alternative to a claims system based on the telephone, communication issues for independent advisers and staff within Jobcentre plus at all levels, the quality of CMS and the question of adequate training for staff.
62. The following reforms are needed urgently:
 - ***An acceptance by the JCP that a telephone claiming system is inappropriate for a significant percentage of the population that needs to claim benefits.*** Claimants on low incomes without phones or reliant on mobile phones only and those with special needs (because of disability, learning difficulties and language difficulties) cannot reasonably be required to depend on a telephone claims service. A well publicised and workable alternative paper claims scheme must be made a practical reality as well as stated policy. Date stamped claim forms should be available from local offices and face to face interviews available. Use of this option should depend on individual choice.
 - ***The new JCP structure with distant offices at Contact Centres and Processing Centres requires much better communication between staff at the different offices.*** Managers and supervisors exist for a purpose and it is important that those staff can have direct access to those in the Processing Centres in order to check on the progress of difficult or delayed cases. They should not have to rely on a system of emails to contact the Processing Centres.
 - ***More telephone lines and a better telephony system are required to enable effective access to both CCs and PCs for both claimants and independent advisers.*** Reliance on a system involving call backs is often unworkable and inconvenient for claimants. Telephone claims should be made at one go to a free number but with access to a non telephone claim option (as above). Part of the solution should also be the provision of more phones in local offices for those who *do* want to make a phone claim but do not have a landline. Such a resource should take account of the need to provide an environment which protects the privacy of the claimant's call to the Contact Centre.
 - ***The computerisation system needs speedy improvement and in particular the records on the CMS need to be retained for a longer period to ensure that claimants do not have to make repeat claims because records are lost.*** Further investigation is needed to establish the reasons for the need for the repeat claims and whether there is a problem elsewhere – for example information in connection with a claim being sent by the local office to the wrong processing centre.

- **Adequate staff training and more staff are also essential to deliver an effective system, particularly at a time of change.** It is arguable that staff working with an 'intelligent script' but with little detailed understanding of the complex benefits system will not always be able to deliver correct information to claimants and correct records of interviews. There will be mistakes and serious omissions in the process – in particular the failure to tell claimants about CTC and to fast track such claims. An inaccurate record of the telephone claim and wrong advice will then result in a duplication of work at the local office. **CPAG recommends that staff work to guidance and not only to a script system but this will require a more highly trained staff and we believe this to be essential.**
- **The new system should take better account of the vital role played by the independent advice sector in providing assistance to claimants and facilitating the right information reaching the different offices of JCP.** The existing system has made it difficult and sometimes impossible for staff to access the appropriate offices of JCP in the process of assisting claimants. The independent advice sector has specialist knowledge across the spectrum of social security benefits and tax credits and is therefore well placed to provide support and advice to claimants, particularly those with special needs. It is, however, impossible for small advice agencies to re-organise their work load to deal with a process of benefit claiming that provides no effective access to the relevant offices and relies heavily on a system of call backs. Advice agencies need access via ex directory numbers if they are to be able to contact JCP offices and provide effective advice and support to claimants. CPAG recommends that JCP meet with representatives of the independent advice sector to work out more effective means of communication in the immediate term.
- **A system of interim payments should be well advertised and notified to claimants.** It is not appropriate to use the social fund crisis loan budget as a stop gap to a decision on a benefit claim. It is also clear that JCP need to review the operation of the delivery of social fund payments from local offices. Claimants should be able to obtain urgent face to face interviews to obtain crisis loan payments. We understand that the current operation of crisis loans has also been a matter of concern to the Independent Review Service. The Social Fund may not be directly related to government priorities to return claimants to work but it *is* part of a system of support for those without any savings and deserves more attention both in terms of the standard of delivery and the scope of the help provided.

Conclusions

63. Our conclusion, from this small qualitative survey, is that the new system was introduced too hastily and without the recognition that a sizeable number of JCP claimants have special needs who cannot access a telephone claims process because of language and disability barriers. Its introduction has caused hardship to some claimants who have been reduced to reliance on food parcels or haphazard social fund crisis loans while awaiting the outcome of long delayed benefit claims. It has also undermined the role of advisers who play an important role in ensuring that some of the most vulnerable in society obtain the benefits to which they are entitled.

64. There appears to be a mismatch between official statements about policy and what happens in practice.
65. Advisers have reported improvements in some areas. The variable experience of different advice centres in different areas deserves further examination. Why was the experience in Edinburgh generally better and the service more flexible than in parts of central England? It is unclear why parts of the service improved over time in central England but there appear to have been few improvements in Bradford.
66. Claimants have paid a heavy price for the government's decision to deliver the benefits service by reducing staff and centralising records and delivery. There may be a good argument for a phased centralisation of processing – the experience of some London boroughs that have used a Processing Centre in Glasgow for more than 10 years is favourable. But advisers with past experience of the Glasgow Processing Centre warned that it was essential to have good access to the relevant staff to discuss cases and this access was now being removed or restricted.
67. There are longer term implications for accuracy and take up if claimants continue to experience long delays confusion and mistakes. If HMRC and JCP are to share the responsibility for delivering financial support to claimants with children it is vital that staff in both departments are adequately briefed about both tax credits and benefits.
68. Whilst there may be a need to change the emphasis in the way the service is delivered CPAG urges the Government to rethink its strategy and consult on the best way of reforming the system of delivery of benefits. An effective service can be as important as the content of the law to ensure that those on lowest incomes obtain the benefits to which they are entitled to help lift them out of poverty.