



PEABODY



# Peabody Activate Roundtable

*Increasing the income of women with children in poverty*

Royal Society for the encouragement of Arts, Manufacturers and Commerce (RSA), Monday 4 April 2014

## Summary report

### Overview

The Peabody Activate Roundtable brought together 30 stakeholders from the public, private, voluntary and community sectors to discuss the key challenges and barriers which constrain the income and employability of women in households affected by poverty. Chaired by Stephen Burns (Executive Director Community Investment, Peabody), the session featured contributions from Dean James (CEO of Ingeus UK) and Dr Stephen Toole (Head of Policy, 4Children) and explored key questions including:

- What are the key benefits of mothers entering the labour market (e.g. increasing household income, improving wellbeing and expanding child aspiration)? What are the main barriers affecting single mothers and women in securing employment?
- What is the role of flexible working and affordable childcare in enhancing the employability of mothers and single parents?
- What are the key factors which restrict career progression and salary growth?

Below is a summary of the key areas of discussion.

### Labour market dynamics

Anyone who has been out of work for over twelve months is classified as being in long-term unemployment. However, this classification conceals a broader spectrum of individual circumstances, given that, for example, many incapacity benefit claimants may have been out of work for more than a decade – or potentially may never have been in employment.

A 2012 survey of 200,000 unemployed individuals highlighted that one of the key barriers to employment is age. The survey findings demonstrated a linear progression between a person's age and the decreasing probability of them entering the labour market. The findings illustrated that there are many more opportunities for young people aged 16-24 to secure jobs than for those aged 55 and above.

At the same time this study showed that young people tend to stay in work for shorter periods – whereas older people tend to remain in employment for longer once they have secured a job. Similarly, after disabled job seekers have managed to surmount the initial barriers which may prevent them securing employment, they also tend to remain in work for comparatively longer and more stable periods of time.

### Positive correlations between employment, skills and health

An estimated 70% of the long-term unemployed are men receiving state benefits. Furthermore, 50% of the long-term unemployed have maths and English GCSE marks below grade C. They also

tend to exhibit low levels of digital literacy and familiarity with information and communications technology (ICT). In comparison, the 2012 survey suggests that if you have basic ICT skills and have secured a grade C or above in GCSE maths/English you are 300% more likely to secure employment. In addition, 27% of those receiving health-related benefits have been unemployed for eleven years or more.

This suggests a correlation between long-term unemployment, lower skill levels and health standards – supporting the argument that targeted efforts to empower the long-term unemployed to enter the labour market have the potential to exert a positive effect on personal outcomes in terms of skills and wellbeing. In order to maximise the benefits of this positive correlation, it was suggested that significant portions of the Adult Skills Budget should be targeted on servicing the needs of the long-term unemployed. In addition, there is a clear role for the intermediate job market to serve as an essential and flexible stepping stone for supporting the transition of unemployed individuals into the labour market.

### **Childcare challenges – cost and flexibility**

Flexible, responsive and affordable childcare remains a crucial consideration, both for parents returning to work, but also for reinforcing the sustainable employment of parents already in work. Despite this, present childcare support arrangements remain both costly and relatively inflexible. The 15 free hours of government-funded childcare can currently only be used between 8:00am and 6:00pm. Any childcare required outside those hours must be funded at the parent's expense. In addition, over the past five years, average childcare costs have increased by 27% to account for 30% of average household income. According to figures quoted by the Telegraph in March, the average family spends twice as much on childcare as it does on food bills – and the cost of part-time childcare currently outstrips the average UK monthly mortgage payments.<sup>1</sup>

The rising cost of childcare as a percentage of household income is having a significant effect on the accessibility and usage of childcare for deprived families. For example, 58% of families with income over £40,000 use formal childcare, compared to only 10% with incomes under £10,000. In response to these growing challenges the government has adopted several new measures. In September 2014 the number of two year olds qualifying for free childcare will be doubled to 260,000 (40% of two year olds) by widening provision to include families earning less than £16,190 per year, as well as those who have been adopted, are in care, or have a disability or special educational needs.<sup>2</sup> In addition from the autumn of 2015, the government has promised to cover 85% of childcare costs for families receiving Universal Credit (covering an estimated 500,000 households).<sup>3</sup>

Generally speaking, there is a lack of evaluations from housing providers on their employment services. From a strategic perspective, housing associations don't have comprehensive labour market reach. Housing is an individual's immediate point of reference, but the labour market is a far wider area. The employment gap between single mothers in social housing and those in privately rented accommodation is 2-3%.

### **Childcare business model challenges**

As a business childcare has very poor margins with most revenue absorbed by staff costs, particularly when efforts are taken to pay employees at Living Wage rates. In addition, rent and the cost of operating premises are substantial barriers to setting up new childcare facilities. One option

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<sup>1</sup> [The Telegraph, Part-time childcare outstripping mortgage payments for typical families, 4<sup>th</sup> March 2014](#)

<sup>2</sup> [GOV.UK – Press Release: Free childcare extended to working families on low incomes, 2<sup>nd</sup> September 2013](#)

<sup>3</sup> [GOV.UK – News Story: Millions of parents to get help with childcare costs, 18<sup>th</sup> March 2014](#)

to overcome this barrier would be for housing associations to offer suitable buildings free of charge. However, housing associations depend on generating revenue so that they can make further investments to support positive outcomes for their residents. In many instances, suitable buildings which could be used for childcare facilities are already being used by residents for another purpose, which would require withdrawing an existing resource from residents in order to expand the availability of childcare.

A possible compromise might be for housing associations to investigate hybrid solutions, such as offering buildings at cost to child care providers (forsaking marginal earnings but not losing revenue). It was also commented that there are still prevailing problems with securing adequate flexibility in terms of childcare provision. For example, a teacher's assistant role only pays during school terms – but childcare providers require on-going payment throughout the year.

## **Recognising the added value of childcare for disadvantaged families and children**

Childcare provision for disadvantaged families and children with deprived backgrounds needs to be recognised as representing a value added service (in comparison with childcare for financially stable working parents who are already engaged with supporting their children). The former has a significant role in unlocking social capital and social mobility for both parents and children alike. Indeed the more challenging the circumstances at home, the greater the potential impact of targeted, responsive and focused childcare services on maximising positive outcomes for disadvantaged parents and children.

Childcare centres offer local employment opportunities which can help residents back into work by building up their experience. Whilst childcare might not be considered by some as a lifetime career there is significant demand for these kinds of childcare roles. This process puts money back into the pockets of residents, helping them look after their own children via improved household finances, and serves as a starting point for adults looking for a way back in to the job market.

There needs to be a holistic review about how childcare is funded. 66% of disadvantaged families are in work poverty which illustrates that the challenge is not just about getting parents into work, but about getting them into financially sustainable jobs. There needs to be 360 degree consideration for the full spectrum of household costs which lead to work poverty, including childcare, housing and the need for a Living Wage (in many instances, particularly in London, minimum wage is not sufficient).

## **The elephant in the room – in work poverty**

In many respects the challenge of in work poverty represents the “elephant in the room”. In a context where 60% of single parents are employed, 68% of those parents enter the three lowest paid sections of the labour market (retail, personal service and childcare). Given the overwhelming majority of single parents are women, this trend entrenches female single parents in low paid employment positions. This problem is worsened by on-going changes to the labour market which now resembles an hour glass with a shortage of intermediate positions which offer progression. Instead opportunities tend to be increasingly split between low paid work with little progression and higher paid work with greater opportunities for professional development. The consequence of this situation is a significant number of families and single parents who are in work but still heavily reliant on State benefits. Low levels of formal educational qualifications also contribute to reinforcing the bars of the low wage prison.

To combat this situation the Adult Skills Budget needs to be adjusted to focus beyond basic literacy and numeracy, and to place a greater emphasis on level 3 qualifications. There is also a need to

review on-going changes to the labour market and take steps to address the challenges for single parents, in a context where multiple factors (childcare costs, housing costs, wage levels) continue to interact to create complex barriers which need to be further diagnosed, understood and addressed.

## **Living Wage concerns**

In London many childcare providers who pay their staff the London Living Wage, and invest in staff vocational training programmes end up at disadvantage when bidding for tenders in competition with other providers who do not make these investments in their staff. This often prevents childcare providers who provide their staff with extra financial and educational support from expanding their operations and facilities to new areas. This kind of “race to the bottom” among certain childcare providers enhances the importance of broader community and family support networks (which can help with dropping off and picking up children and support networking between parents about job opportunities).

There has been a 25% increase in the number of people being paid below the Living Wage. In London, twelve local authorities have signed up to the Living Wage, but incentivising its adoption in low paid sectors remains very challenging. In London the Living Wage itself is becoming increasingly insufficient for many families. In this context, residents in social housing are often protected from spiralling housing costs, whereas families in the private rented sector are often exposed to more financially damaging rent increases. It was reported that for some single parents in Islington the London Living Wage would need to be doubled before they could see any benefit from going to work after housing, childcare and bills have been deducted from their pay packet.

## **Future advocacy opportunities**

On the 15<sup>th</sup> January 2014, national charity 4Children launched its new manifesto for the future: Making Britain Great for Children and Families at an event at the House of Commons. The manifesto challenges policy-makers at all levels of government to take a holistic approach to remodelling public services, public spaces and workplaces to support families and children to improve their life chances and employment prospects.

On the 27<sup>th</sup> of February 2014 the Government launched a public consultation on its Child Poverty Strategy which included a call for guidance from key stakeholders including the voluntary and community sector, parents and carers, and practitioners in the child poverty space. The consultation, which closes on the 22<sup>nd</sup> of May, represents a good opportunity to shape current government thinking around the challenges and barriers affecting disadvantaged households in relation to employability, skills, housing and childcare.

Compared to other developed countries the UK is significantly behind the curve when it comes to the provision of free universal childcare. The position of young women in the labour market is steadily improving, but this does not mean that issues surrounding the affordability and flexibility of childcare will not affect their employment prospects and potential for professional advancement once they decide to have children. In addition, it is likely that issues around employability and childcare are likely to collectively represent a key battleground for the next election due in May 2015. This offers all stakeholders a concrete opportunity to engage with parties across the political spectrum to ensure that their manifestos take account of key concerns and potentially offer political commitments to expand support for parents and single parents.

It was also suggested that if Universal Credit survives the next election, it will present a unique opportunity to examine the entire integrated benefits system in a context where government will be receptive to evidence demonstrating which approaches work at grassroots level and on the

frontline of service provision. This could offer the chance to make the case for a more holistic and coordinated approach to challenges surrounding childcare, housing and wage levels.

## **Future opportunities for further funding and support**

It was suggested that a childcare time bank might represent an innovative but challenging potential solution. In February 2012 the Department for Education launched a £30 million Innovation Fund designed to support the development of new approaches to supporting children.<sup>4</sup> The programme offers seed grants of £10,000 for suitable projects in the children's services field, and could potentially offer the necessary resources to set up a pilot childcare time bank.

Parents also need more support when it comes to negotiating with employers to secure flexible working arrangements to accommodate restricted childcare hours. Hopefully the position of parents will be strengthened in this area after June 2014 when the new Children and Families Act<sup>5</sup> comes into force which extends the right to request flexible working arrangements to all employees in the UK. In addition, from 2014-2020 the new European Structural and Investment Funds Strategy (ESIF) will allocate £678 million to the London Enterprise Panel (LEP), which include £451 million dedicated to boosting skills and employment (and a further £37 million towards its Youth Employment Initiative).<sup>6</sup> The Big Lottery Fund has also pledged £75 million<sup>7</sup> of European Social Fund match funding for London with a focus on activities which support disadvantaged groups in developing skills and engaging with the labour market.

## **Making the economic case for increased childcare support**

It was suggested that future advocacy in favour of flexible and affordable childcare provision should move past (but not ignore) arguments surrounding gender equality. Instead a case should be made identifying the numerous economic and social benefits which can potentially be unlocked through better childcare provision. In 2006 Lord Freud estimated that every new individual moving from unemployment to employment saved the tax payer around £9,000 – and potentially significantly more in the case of individuals with additional needs. More women returning to work also increases employment in the childcare sector, as well as increasing the financial sustainability of households which can help reduce the significant resources which the government currently invests to support struggling families and, in acute circumstances, take children into care.

Furthermore, the link between individuals moving into employment and connected improvements in mental/physical health and skill levels should be leveraged by government to achieve better socio-economic outcomes whilst reducing future benefits payments. International examples suggest a strong link between long-term outcomes in relation to skills development and employment and the provision of accessible, affordable and flexible childcare services.

## **Continue to explore the art of the possible**

If prevailing economic circumstances mean that the provision of free universal childcare is likely to represent too great an economic ask from government, third sector and voluntary sector providers need to focus on support measures that can already be accomplished at no or low cost. Improving the coordination of more flexible employment and child care offerings so that both match up wherever possible represents a potential low cost win for parents. Similarly, better delivery and

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<sup>4</sup> [GOV.UK – Form: Children's Services Innovation Programme, 12<sup>th</sup> February 2014](#)

<sup>5</sup> [GOV.UK – Press Release: Landmark Children and Families Act 2014 gains royal assent, 13<sup>th</sup> March 2014](#)

<sup>6</sup> [London Enterprise Panel, 2014-2020 European Structural & Investment Funds Strategy for London, October 2013, page 5](#)

<sup>7</sup> [London Funders, Funding News, January 2014](#)

targeting of mental health services to specifically improve the employment chances and employment sustainability of individuals could yield valuable results without substantial investment. A further barrier which could be addressed is that many entry level salaries are low at the start of employment, but then slowly improve over the first six to twelve months. In this context, short term assistance to help parents bridge this initial gap would be more cost effective and viable than on-going or permanent salary support schemes.

Domestic overcrowding also creates a negative environment which adversely affects household stress levels and constitutes a further barrier to parents entering and sustaining employment. There are also barriers around language skills which can be addressed through more targeted and vocationally focused language training (e.g. basic sales English to equip a parent seeking to secure a job in sales).

## **Closing comments**

It was noted that involving local residents in the provision of childcare generates a series of valuable outcomes. It increases resident skill levels, widens their options for future employment and enhances their financial and emotional resources to support their own children. It also simultaneously increases the supply of childcare services in their community supporting other working parents. A final thought was that any sustainable long term solution which enhances the income and employability of parents and single parents will not be achieved by investment alone. Instead, targeted financial support from multiple sources and stakeholders needs to be combined to leverage and expand the social capital which can be unlocked through reinforcing new and existing community networks and relationships.