

Barriers to escaping the low-pay no-pay cycle for disadvantaged parents

A paper submitted to:

SPA 2010 Annual Conference

18 June 2010

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Abstract

Poverty is a dynamic process that reflects the shifting nature of individual and household income. Drawing on the findings of a research study supported by the Joseph Rowntree Foundation as part of their Recurrent Poverty programme, this paper will explore: (a) the structural barriers that disadvantaged parents encounter when trying to escape the low-pay no-pay cycle, defined as repeated movements into and out of low paid employment; and (b) various potential solutions to some of the issues identified.

The study explores, in various regions of Scotland, the experience of poverty for a number of disadvantaged parents throughout the course of their life.

Keywords

Low-pay-no-pay cycle, recurrent poverty, household poverty, disadvantaged parents, structural barriers

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1. Introduction

There are relatively few studies that give qualitative insights into the experiences of parents trapped in a low-pay-no-pay cycle and there is hardly any research on recurrent poverty amongst parents. Although research exists on the meaning of low-income work, this is not explicitly extended to recurrent poverty situations where people move into and out of work.

This article, using evidence from a qualitative research study supported by the Joseph Rowntree Foundation (JRF), aims to increase understanding of the underlying cause of the low-pay-no-pay cycle experienced by disadvantaged parents, to advance some solutions to the problems identified and, in so doing, contribute to the debate about effective routes out of poverty. The UK Government advocates paid employment as the most effective route out of poverty; this paper will hopefully inform the criteria that paid employment must meet before it can properly be considered a viable and successful route out of poverty.

The research focused primarily on examining how movements in and out of paid employment affect household income, and how these movements relate to income poverty. The study found that many movements into paid employment did not lead to households escaping income poverty. Most households experienced a low-pay-no-pay poverty cycle; therefore fully escaping poverty would mean escaping low-paid work.

The article begins by briefly looking at the policy context in the area of poverty, and goes on to describe the methodology used in the research study. It then examines some of the structural barriers encountered by participants and identified by professionals when trying to escape the low-pay-no-pay poverty cycle, and follows on with a consideration of the role of education and qualifications. The final section presents some conclusions and recommendations on how some of the identified problems may be overcome.

The article suggests that the operation of the system of benefits and tax credits must be improved if parents are to be successfully assisted to escape the low-pay-no-pay cycle. It argues that scope exists to make their operation more sensitive and responsive to those on very low-incomes and to aid movements into work.

2. Policy Background

Much of the policy debate about poverty among parents has been in the specific context of child poverty across the UK. Reducing child poverty is a stated aim of both the UK and Scottish governments. One often-advocated way to achieve this reduction is through getting more parents into paid employment. The UK Government strategy was set out in the paper 'Ending child poverty: everybody's business' (HM Treasury, 2008), which reiterates the aim of increasing employment among parents and increasing opportunities through developing employment-related skills. The Child Poverty Bill 2009 aims to make the eradication of child poverty by 2020 a statutory

requirement¹. Progress towards this goal is to be reported to Parliament on an annual basis and a new Child Poverty Commission will advise and encourage progress from across the public sector. All parts of the public sector are expected to contribute, including local authorities, the NHS, the police service and Jobcentre Plus. Alongside this Bill, the UK Government published the 'Take up the Challenge' report from the Take Up Taskforce (Child Poverty Unit, 2009). This report outlined some examples of how local services can help poor families to access the benefits and tax credits to which they are entitled. One example of the pilot schemes involved in developing this report was the Work Focused Services Pilot. This pilot, led by the Department for Work and Pensions (DWP) and Department for Children Schools and Families (DCSF), was conducted in 10 local authorities, and placed Jobcentre Plus advisors in 30 Children's Centres.

Various other strategies aimed at reducing child poverty were introduced at the UK level, such as the 'Raising expectations and increasing support' White Paper (DWP, 2008). These involve easing the immediate transition into work and provide long-term support to 'making work pay' through: in-work benefits, tax credits, the national minimum wage and altering tax rates. There has also been considerable work on removing barriers to parents working, such as increased childcare access, and provision and funding for parents through the National Childcare Strategy. In addition, in order to make it easier for parents to access and maintain work, work-life balance has been promoted. This includes the introduction of various statutory measures such as increased maternity and paternity leave and pay, and the right to request time off for childcare reasons etc. The Treasury (2006) argues that the Government's policies are estimated to be responsible for around half of the rise in lone parent employment rates since 1997.

In Scotland, the Scottish Executive (July 2004) launched its 'Closing the Opportunity Gap' (CtOG) strategy², which aimed to "prevent individuals or families from falling into poverty; to provide routes out of poverty for individuals and families; and to sustain individuals or families in a lifestyle free from poverty."³. The Scottish Executive established the Working for Families Fund as a way to contribute to its CtOG strategy by tackling poverty and disadvantage through improving rates of employment and economic activity. It also sought to contribute to the government's commitment to eradicate child poverty within a generation.

As indicated by a recent report from the Scottish Parliament into Child Poverty in Scotland (2009), there remains great interest in child poverty. Within Scotland, 21% of children (210,000 children) in 2006/07 were living in income poverty⁴ (Sinclair et al. 2009, p. 3).

In line with its aim to lift people out of poverty through employment, the UK government aspires to achieve an overall employment rate of 80% of the working-age population, with a further goal of achieving an employment rate of 70% for lone parents. The government estimates this would lift around 300,000 children out of low-income households. According to the Treasury, the overall UK employment rate in August 2006 was 71.6% of the working age population⁵, which is above the Lisbon target of 70%, but below the

government's aspiration. The UK employment rate for lone parents rose by 11% to 57% between 1997 and 2005, but remained below the levels of many other developed countries (HM Treasury, 2006).

Nevertheless, even though data from the DWP shows that the proportion of children in poverty⁶ is much higher for households where all adults are workless, many children who are in poverty are in households where one or more parents work (Palmer *et al.*, 2006, p. 4). In the UK, six in ten poor households have someone at work, and over half of poor children now live in a working household (Lawton, 2009, p. 4). This suggests that trying to tackle child poverty through household employment is not a panacea. Research has shown that the type and conditions of employment and other factors related to household finances such as childcare and transport costs seem to be of crucial importance for a working household to be able to escape poverty (McQuaid, *et al.*, 2009). Although there has been some progress on tackling child poverty, more needs to be done if the Government's commitment is going to be met.

3. Methodology

The findings reported in this article form part of a qualitative study supported by the Joseph Rowntree Foundation (JRF) to increase understanding about the reasons for disadvantaged parents moving into and out of paid employment (McQuaid, *et al.*, 2010). The study builds on the Joseph Rowntree Foundation's systematic review of longitudinal research (Smith and Middleton, 2007) and on work conducted by the Employment Research Institute on the Working for Families Fund (WFF) initiative⁷ in Scotland, for the Scottish Government (McQuaid *et al.*, 2006, 2009).

This article is based on data from 33 in-depth face-to-face interviews with disadvantaged parents, together with three focus groups with practitioners and three interviews with professionals in managerial posts working in the same field.

Of the 33 parents taking part in the study, 31 were former WFF clients recruited through WFF staff. WFF clients were disadvantaged parents or guardians⁸, so an additional criterion to take part in the study was having been in and out of paid employment more than once in the recent past. Participants were drawn from 14 different local authorities in Scotland, covering a wide range of locations, from remote rural to major cities, to reflect barriers that could be influenced by locality. It could be argued that the sample was positively selected first by WFF staff and then by the sample itself (self-selection). However, self-selection is difficult to avoid other than in the case of compulsory participation.

The three focus groups, involving a total of 27 practitioners, were conducted in the Highlands, Glasgow and Edinburgh, with the later attracting practitioners from eight different local authorities. These professionals had been or still were involved with WFF, most as key workers. Their knowledge of the client group and the specific problems under study is extensive. It is worth stressing the innovative nature of WFF, the considerable length of time the project ran for, and the successful results the evaluation of the programme

highlighted⁹. The view of the professionals involved should be considered particularly valuable.

In addition, data on 12,248 unemployed mothers on the WFF database concerning factors associated with them moving or not moving into work, education or substantial training was collated and analysed.

A Problem Centred Interview – PCI (Flick, 2006) was used for at least part of the 33 in-depth interviews. PCI, as a ‘discursive dialogue procedure’ was used to lay out a brief life story of key education, employment and other life events, from the time of leaving school until present, for each participant. The remainder of the interviewer’s topic guide followed a more structured approach with open-ended questions. The data from the in-depth interviews was transcribed and analysed systematically using Timeline Data Displays and matrixes. The displays were used in order to locate participants’ current situations in a life-events perspective. Data relating to work, education and/or training, and other life events from leaving school up to the present was displayed for each participant. The displays helped to summarise the data, make it more manageable, identify recurrent patterns among participants and make the data more easily comparable, without losing the richness of individual experiences. The displays allowed the visualisation in a single observation of the life trajectory for each participant, highlighting some of the crucial events. Important key topics that were not included in the displays were identified and placed into matrixes, where the columns represented sub-themes while the rows represented each participant.

It is difficult to precisely measure past poverty in a study that is not longitudinal (where objective measures of poverty are collected at various points in time). Participants were asked retrospective questions about their financial situation: benefits received when in and out of paid employment; and household experience of financial strain, material deprivation or general disadvantage when in and out of paid employment. As such household poverty measures are subjective and retrospective. However, this method does give an indication of the overall change in the household financial situation over time.

4. Poverty and the Low-Pay-No-Pay Cycle

Poverty is the result of a complex mixture of factors that interact through time, some of which are cumulative and mutually reinforcing. Different factors affect people in different ways and people’s ability to cope varies over time and according to circumstances. It is therefore difficult to pinpoint a specific factor or factors that cause a change in people’s situation and lead households into poverty or worse poverty. That said, most participants in the study experienced a number of similar factors that led the household into poverty or worsening poverty and faced similar barriers to overcoming it. In only a few cases was the life experience of participants substantially different, due to the number and severity of factors leading to poverty or greater vulnerability to poverty.

It is outside the scope of this paper to detail the factors that lead households in this study into poverty or worse poverty. Nevertheless, in most cases, losing their own employment, or losing the main source of income mostly as a result of relationship breakdown and/or the arrival of children and the myriad of factors linked to this, led our participants and household into poverty.

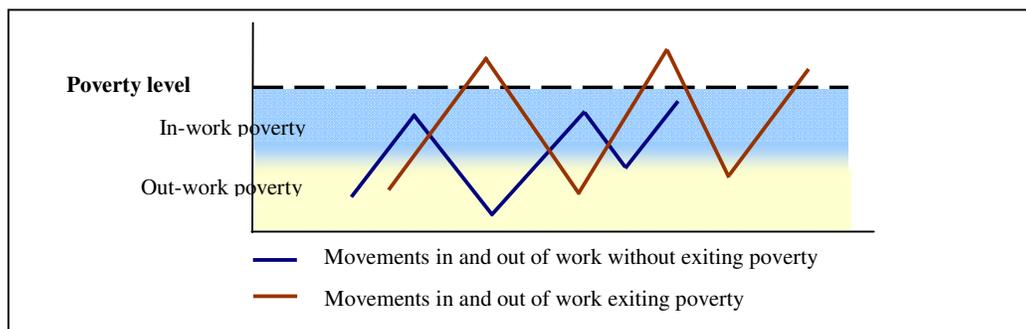
At the time of the interviews, most participants felt poor (two out of three). Financial strain affected households in practical terms (not being able to afford certain items), but also affected parents' and children's social opportunities and emotional wellbeing. It could be argued that living on a low-income and not being able to participate in social and cultural activities increases isolation and depression, reduces social networks, puts a strain and stress on the household, makes people more vulnerable to poverty and decreases their likelihood of escaping poverty.

Poverty has multiple short and long-term consequences for everyone in the household (Ridge, 2009) and for society in terms of health, educational outcomes, psychological and emotional impact, family relationships (Griggs and Walker, 2008; Hirsch, 2008). Some research links poverty and low-income during childhood to an increased likelihood of inter-generational poverty and low-income.

In the majority of cases, participants tried to escape poverty through accessing or sustaining paid employment. Paid employment was considered not just a means to improve household finances, but also as a way of reducing parent's isolation, of regaining part of their identities, and of providing their children with a work ethic. In some cases parents reported feeling an immense pressure to get a job.

Although most participants had held two or more jobs since the factor/s that led the household into poverty or worse poverty, obtaining paid employment did not raise the household out of poverty. Most of the participants' movements into and out of paid work could be represented by the blue line in Figure 1 below. Therefore, our sample consists mainly of parents in the low-pay-no-pay cycle, rather than the situation of recurrent poverty better represented by the brown line in the figure below.

Figure 1. In-work poverty and 'recurrent poverty'



There were a number of factors that maintained people in the low-pay-no-pay poverty cycle. These barriers experienced either independently or in a combined fashion were the factors that kept households trapped in this poverty cycle. The next section will describe them in some detail

Parents exited paid employment for different reasons including: the economic unviability of the job; incompatibility of the hours of work with childcare responsibilities; the lack and cost of childcare; the short-term nature of the job; etc. In most cases, these same factors also made re-entering the labour market difficult and, in some instances, the experience of the low-pay-no-pay cycle also created new barriers to participating in paid employment, such as debt, low confidence, etc.

Although barriers are described as independent units in the following section, in many instances parents experienced more than one.

5. Structural Barriers to Escape the Low-Pay-No-Pay Cycle

The study shows that the barriers parents faced when trying to enter or remain in paid employment are often structural. Issues such as low confidence, low self-esteem and stress do have an impact on participants' employability but in the majority of cases these arise as a result of situations or circumstances such as financial strain, long periods of unemployment, bad work experiences, difficulty in accessing social activities, lack of childcare, lack of adequate support, etc.

5.1 Low paid jobs

Low paid jobs did not seem able to pull people out of poverty (Lawton, 2009; Hayton, 2009) even when benefits and tax credits were in place. As other research has also pointed out, in some cases parents were not much better-off when in work (Simmonds, et al., 2008) and some seemed to be worse off (Hooper, et al., 2007). Professionals said that in some cases low-paid work seems to be pushing people further into a 'spiral of poverty in which they are going down and down' as they acquired debt. One third of our participants and ten per cent of the WFF sample said that the lack of well-enough paid jobs was a barrier for going into paid employment.

One reason for parents being worse off economically when in paid employment is that childcare costs and other costs had to be balanced against their wage. A common feeling for some participants was that when working, everything seemed more expensive and more stressful as everything had to be paid for. In some cases leaving employment or not entering employment was a better option financially, even when parents would rather be working.

I felt really, really stressed out because I had to pay my rent. I could not fall back with the rent and it was just so much pressure on me to get the money together and that is where my wages were going, on my rent and my council tax and then I didn't have anything left even for travel. So it was actually... I was better off out of work than when I was working, because everything was paid, you know.

(Emily, lone parent with 2 children, unemployed)

In many cases financial calculations (better off calculations) had to be made to ascertain if a job would be economically viable or what number of hours would maximise finances. Some parents were being pushed into jobs that were not the best option for them and their families, or were pushed out of jobs that were economically unsustainable. One participant who's job had taken her out of poverty considered herself to be struggling with full-time employment.

Professionals and parents highlighted a number of other problems that arise as a result of low-paid jobs, such as family stress, demoralisation, depression and despair. Some pointed out that having to leave jobs due to financial pressures could discourage people from attempting to enter low-paid employment in the future.

I put all my hard work into getting the job and when I had to leave the job... I felt like there was no way out, that is as good as you are going to get, a housewife and then I went back to work-focus meetings and they said that if I worked 16 hours I would have been a lot better off ... I think that people that are working should be far better off than the people on benefits and basically the impression you are given is that you are better off sitting in your house doing nothing. I am a single parent and I would rather be working than sitting doing nothing.

(Jane, lone parent with 4 children, unemployed)

One professional stressed that contrary to common belief, low-paid and minimum-wage jobs do not act as a stepping-stone to better jobs: 'Those types of jobs don't offer any training; they do not offer a progression route. And people with no experience and no qualifications are most vulnerable.'

In-work Tax Credits

Those in employment can benefit from tax credits aimed at making work pay. Tax credits are of particular importance for those in low-paid employment. Parents and professionals were grateful for tax credits in general. Nevertheless, professionals heavily criticised some aspects of the Working Tax Credit (WTC), with one individual saying that 'the WTC is the greatest single cause of poverty'.

There was agreement about the main perceived problems, which are seen as a barrier for parents entering or remaining in economically viable employment and to escaping the low-pay-no-pay cycle:

- Calculation of WTC: usually WTC is calculated using the previous tax year income (CAB 2009). This means that people, who became financially solvent during the first year of employment due to the WTC entitlement, became financially insolvent during the second year due to the reduction of the WTC.
- Overpayment: when overpayment occurs, WTC may be terminated and repayment is demanded. Overpayments may result from individual mistakes (failure to update the employment situation) or due to institutional errors (WTC does not stop immediately at the end of paid employment).

Regardless of the cause, institutionally generated debt makes staying in or re-entering employment more difficult. Such debt creates a 'Catch 22' situation, with the result that parents are unable to afford to continue working due to reduced income and unable to re-enter as debt payments will resume.

- Inability to predict income: a further disincentive to entering paid employment is being unable to obtain an estimate of the WTC entitlement following commencement of work.
- Threshold: once people rise above the WTC threshold they lose their benefit entitlements, often putting them below the poverty threshold. In some cases people reported being worse off after obtaining a slightly better-paid job.

We used to get the WTC which allowed us to get free prescriptions and then [my partner] got a bit of a wage rise so they got that off from him. So there was a point when we moved here, where it didn't matter if I was working or not because they took off the WTC anyway. It was not much more that he was earning but it made a difference when you have to pay a £300 dental bill you know ...

(Lisa, couple with 2 children, working part-time)

It was also said that in most cases the WTC does not encourage full-time work because the WTC would be stopped when working over a certain number of hours (depending on the income). Therefore part-time jobs do not necessarily act as stepping-stones to full-time and/or higher-earnings jobs.

Professionals and some participants said that people would rather be paid a 'decent wage' than claim Working Tax Credit: 'People don't want to feel that they are on benefits and the WTC is the benefit when working'.

5.2 Childcare cost

The cost of childcare can make low-paid work financially unviable. This was a big issue for half of our participants, even for those parents receiving the Childcare element of the Working Tax Credit. For the WFF sample, cost of childcare was a larger barrier than the lack of childcare services. Parents cited childcare events that were particularly difficult to manage: having to pay for childcare up front (mainly as there is a lack of income during the first month in paid employment); having to pay even when childcare was not used in order to keep a place; and having to pay for more childcare during the holidays. Some professionals attributed the high cost of childcare to it being supplied mainly by private providers.

Friends and family were seen as an important source of informal childcare¹⁰, relied upon by some parents when entering and/or sustain employment. Informal childcare was particularly important in relation to those with low-paid jobs. Avoiding childcare costs made some jobs financially viable that otherwise would not have been.

For childcare has always been family, my granny particularly who has helped me and without her it would not have been possible. The kids had nursery places but I was not able to take them there and work at the same time, so I

needed her to do that and it would not have been affordable for me to pay for nursery.

(Lisa, couple with 2 children, working part-time)

Nevertheless, informal childcare is sensitive to unforeseen circumstances and can, in some cases, be unreliable in the long-term. The discontinuation of informal childcare arrangements led some parents to exit paid employment.

Three participants who had recently entered full-time paid employment and were above the income poverty line¹¹, were at risk of not being able to sustain work (due to childcare costs and lack of childcare) if the current informal childcare arrangements were to cease, which was considered a likely scenario in all cases.

The Childcare element of the WTC

Although the Childcare element of the WTC is welcome by parents and professionals some issues were highlighted:

- Timing: the Childcare element of WTC does not come in until four weeks after commencement of a job but people have to pay childcare services up front.
- Confusion: the Childcare element of WTC is included in the WTC without any itemisation to differentiate its components. Both are paid directly to parents but in some cases people do not know that the Childcare element of WTC is included and they spend the money, leaving them without the means to afford childcare in the future.
- Calculation: the Childcare element of WTC is averaged over 52 weeks per year. This means that payment for extra-childcare needed during the school holidays is included in the monthly payments. If the money is spent, as is often the case due to financial strain, parents do not have enough money to pay for extra-childcare during holidays.
- Overpayment: Due to the Childcare element of WTC being averaged over 52 weeks another problem is overpayment, which occurs when parents leave paid employment just before holidays.
- Form of payment: the fact that the Childcare element of WTC is paid directly to parents was seen a significant flaw, as some parents would use the money to pay for day-to-day basic items with the result that they get into arrears with the childcare provider.
- Maximum entitlement: the maximum entitlement of the Childcare element of WTC¹² does not seem to meet the needs of some parents with more than two children.
- Upper limit: in some cases having to fund 20 per cent of childcare (the upper limit of funded childcare through the Childcare element of WTC is 80 per cent) put a big strain on parents.

5.3 Benefits

It appears that in some cases the way benefits operate and the monetary level of benefits are keeping people in poverty and in a few cases they are pushing people further away from being able to escape it.

Research has pointed out the inflexibility of the benefit system (Hooper *et al.*, 2007). Our participants see benefit application procedures as complicated and slow and therefore, amongst other effects, discouraging of movements into paid employment. Benefits were considered a barrier for 19 percent of the WFF sample, although the reasons were not specified.

Some participants said that the month from starting work and having benefits stopped to receiving the first pay-check would have been a very difficult period had they not been assisted by WFF. According to professionals, this four-week period and the slow re-establishment of benefits when people exit paid employment, are strong disincentives to moving from benefits into work. In some cases people have got into debt as a result of both or either of these problems. As one professional explained: 'Even when they get their wages, the wages have to do for the next four weeks and also pay for the money they borrowed to manage the previous four weeks.'

In some cases problems with benefits such as overpayments, which one in five of our participants experienced, or in two cases benefits being stopped for no apparent reason, have led some parents into debt or arrears and in other instances to leave paid employment.

When my benefits stopped... that just really, really knocks you ... they didn't realise that this one mistake just kind of ruined me in a way and you think it is £40 and they think it is not hardship.

(Mary, lone parent with 3 children, education part-time)

Benefits and debt issues affected households in practical terms but also had less tangible effects, such as creating stress and instability in the household. One in four participants reported feeling stigmatised for being on benefits or feeling guilty, with less self-esteem and confidence and in some cases depression. These emotional consequences could affect parents' ability to gain paid employment.

It made me feel quite down, it made me feel a bit guilty as well because I could not give [my son] the best of everything that I wanted to give him. Sometimes I had to give him the cheaper options, in nappies and that.

(Irene, couple with 2 children, working full-time)

Housing Benefit

Owning a house and living in a private let were highlighted by participants and professionals as factors that increased the difficulty of managing financially in low-paid jobs, increasing the occurrence of low-pay-no-pay cycles and increasing the reluctance to lose Housing Benefit.

Six participants cited housing as a barrier to paid employment, while this was the case for eight per cent of the WFF sample (the reasons were not specified).

Four participants currently unemployed said that the prospect of having to pay the rent if they found a job was an issue. The reasons given for renting privately were the lack and suitability (in terms of area and/or size) of council houses. Two participants reported living in overcrowded conditions but re-

housing through the council was not an option and private rents were too expensive.

One participant currently in employment and above the poverty line was struggling with paid employment: she had not really been ready to start paid employment but because of the financial demands of living in private rental accommodation, had felt pressured into taking up part-time employment.

When we moved here I had to take up work. Although I was looking to get back into work, I had to. I was forced because it's a private let. We had to find something very quickly, to help us to live here. The circumstances pushed me back into work maybe a bit sooner.

5.4 Debt

Debt was mentioned as a major barrier for parents trying to escape poverty and the low-pay-no-pay cycle. Fourteen participants reported having debt and money problems and almost one third of all participants said that debt and money problems were a barrier to entering and/or sustaining paid employment. This was mentioned by 16 per cent of WFF clients.

Professionals stressed that debt is often acquired in different ways:

- When on benefits in order to 'survive' because 'benefits give a non-subsistence level of income'. The difficulty of managing financially when on benefits has also been stressed by parents.
- Benefit and/or tax credit errors, overpayments or sometimes procedures can create debt.
- Debt can be acquired as a result of the low-pay-no-pay cycle: in order to afford movements in and out of employment; to afford sustaining employment; or due to the WTC and Childcare element of WTC.
- Professionals also noted that debt often gets worse after employment as parents expenditure often raises and the availability of credit increases.

Going into debt –whether it was due to individual or system welfare errors, as a result of the low-pay-no-pay cycle or to paying for daily living expenses–makes it more difficult to enter or remain in paid employment: as repayment requirements of debt to some service providers (e.g. housing or council tax arrears, water charges, etc.) is often reactivated when a person re-enters work.

Everything just hits you when you start working. They come chasing you, that is the most horrible thing about it, because it puts you off, just makes you want to go back on benefits and just pay £2 a week. I am going to be honest that is how it feels like but I am trying to deal with it.

(Lucia, lone parent with 2 children, working full-time)

The high interest rates money-lenders and others charge to people in these areas is also part of the problem.

5.5 Other barriers

Other barriers to parents maintaining paid employment were:

Employers' inflexibility and perceived discrimination towards people with responsibilities was also mentioned by professionals and by one in five participants as barriers to entering and sustaining paid employment. Only four percent of the WFF sample cited discrimination by employers as a barrier.

The lack of jobs, together with the high number of people chasing those jobs, was considered an important barrier to entering the labour market by participants (one third) and professionals and by 12 per cent of the WFF sample. One professional said that the lack of jobs is the 'elephant in the room no one wants to talk about and this disadvantages unemployed people, puts the emphasis on them as if they were the problem rather than the lack of jobs being the problem'. Lack of jobs was exacerbated by the lack and cost of public and private transport. Although transport seemed more of an issue in rural areas, it was also a problem for some parents when trying to co-ordinate work and childcare responsibilities.

The lack of flexible childcare (during the evenings, at weekends, at short notice), together with the lack of childcare during the school holidays, was highlighted by parents and professionals as a particular problem, with professionals saying that this issue forces people, including those in well-paid professional occupations, to leave their jobs.

6. Qualifications as a Route out of the Low-Pay-No-Pay Cycle

Much research has linked the level of qualifications to employability and earnings, with educational intervention increasing employment rates and incomes (Simmonds and Bivand, 2008). Therefore the aim of most participants to access education could be seen as a route out of the low-pay-no-pay poverty cycle.

I thought a degree would help me to get a better salary instead of just going part-time and working in somebody's house cleaning their house, their toilet for £3.50 an hour. I felt that having proper qualifications would get me access to a better-paid job.

(Susan, couple with 6 children, education part-time)

Almost half of our participants saw lack of qualifications as a barrier to paid employment, while almost a third mentioned lack of experience (the same as WFF clients) and only a few cited lack of skill as a barrier to paid employment. One third of the WFF sample considered lack of qualifications as a barrier, the same number also mentioned lack of experience, while just under one third cited lack of skills.

'I have only my SVQ 2 but then it is just experience that I got. Some jobs are asking for an HNC and I just haven't got that.'

(Joan, couple with 2 children, unemployed)

Nevertheless, five participants who were unemployed at the time of the interview had qualifications at the level of SVQ3 and above. The professionals interviewed said that having qualifications can make a difference but it was also recognised that education has to be coupled with a supply of adequate

jobs. Lawton's research (2009) illustrates the point by arguing that the supply of workforce skills has risen faster than the demand in recent decades.

Participants and professionals mentioned a number of barriers to accessing education. For participants, financial difficulties were the most common barrier to education, followed by lack and cost of childcare.

In terms of financial barriers, professionals said student loans disadvantage those preferring to take part in open learning. Professionals also highlighted problems that occur when parents want to move into higher education, as at that point, benefits stop and they must go through the Student Awards Agency for Scotland (SAAS). The childcare budget allocated to parents by SAAS was described as 'ridiculous'. Additionally, further expense can be incurred if childcare spans two sessions, such as before and after lunch with no financial provision for this eventuality or for parents' travelling and study time.

The childcare and the financial issue of the childcare is a barrier, because with the SAAS you only get a certain amount of funding and it does not cover it. Maybe just now I am considering applying to the hardship through the University for the rest of my childcare.

(Pat, 31, lone parent with 1 child, education full-time)

Professionals also said that education does not provide consistent childcare due to: childcare subsidies stopping during holidays, which mean childcare places are given up; timetables changing from one year to the next, which in some cases makes it difficult sustaining the same childcare provision.

There was also an issue when a parent's income reached around £15,000, as at that point they have to start paying back the student loan as well as getting less support from Working Tax Credit and other benefits.

7. Conclusion

We found that many movements into paid employment did not lead to the households escaping income poverty. Most households experienced a low-pay-no-pay poverty cycle; therefore fully escaping poverty would mean escaping low-paid work.

Improvements are needed to support parents on low incomes to: more effectively reconcile work and family life; reduce unintended consequences resulting from the benefits and tax credit systems; and help parents move towards higher paid careers and jobs. There is scope to improve the way benefits and tax credits operate, to make them more sensitive and responsive to people on very low-incomes. There are a number of other barriers, not mentioned in this article that in some cases would have to be addressed for our participants to enter and sustain employment. Nevertheless the structural barriers discussed would have to be addressed in order to allow movement into sustainable jobs that allow the cycle of low-pay-no-pay to be broken. Some recommendations on tackling some of these barriers follow below.

Making work pay

Making jobs financially viable seems vital in order to break the low-pay-no-pay poverty cycle. Whether this is done via the benefit and/or tax system or via legislation in terms of increasing wage levels, is an issue for further debate. Nevertheless, the benefit and tax credit system, in its current form, is in some cases hindering parents that try to escape the low-pay-no-pay poverty cycle. Therefore, if pulling people out of in-work poverty is going to be achieved through the benefit and/or tax credit system, it seems advisable to address its shortcomings first.

Tax Credits

The Working Tax Credit (WTC) although praised by many has also been criticised for its shortcomings and changes to improve it were suggested:

- A more contemporaneous way of calculating the WTC (e.g. initially on a monthly or quarterly basis) so it is not based on income from the previous year.
- Being able to provide an estimate of the amount of WTC to be received could also help movements into employment.
- More emphasis on proportional taxation rather than a benefit threshold could solve problems of being worse off in a better-paid job that takes people just over the tax credit and benefit entitlement threshold.
- If the onus were put on employers to pay the WTC this would reduce stigma and possibly individual errors.

The Childcare element of WTC could also be reformed to address some of the problems parents and professionals highlighted:

- It was recommended that the WTC and the Childcare element of WTC are clearly split so parents are clear of the amount of money they receive for each.
- The way the Childcare element of WTC is calculated, as an average of the childcare needed throughout the year, does not seem to be helping parents and in some cases seems to be creating debt.
- The upper limit of the Childcare element of WTC (£300 for two or more children) does not seem to reflect the childcare needs of parents with more than two children.
- In some cases the upper limit of 80 per cent funding for childcare is not sufficient, as some parents struggled to finance their 20 per cent contribution.

It was suggested that the Childcare element of WTC is paid directly to the childcare provider, which would solve some of the above issues.

Better-off calculations were welcomed by participants but it seems that people had to make choices in terms of the number of hours of work in order to maximise benefits and tax credits. In some cases, these forced choices went against parents' preferences and/or reduced the number of potential jobs.

Benefits

Improving the way benefits operate was seen as a way of helping movement into paid employment. Within the current benefits system (including Housing Benefit regulations) there is potential, where appropriate, to aid movement

into paid employment and increase sustainable paid employment for some parents. Arguably, making it easier for parents to enter employment could increase labour market attachment, parents' experience and confidence and increase the possibility of escape from the low-pay-no-pay cycle in the long term. Obviously other barriers such as financial viability, childcare supply, etc. need to be dealt with in order to make these movements into employment sustainable.

Support is needed to overcome the four-week gap from the time benefits are stopped until the first pay-check is received. One solution could be to give benefit run-ons (when benefits are not stopped until the first wage comes in) more than once a year, finding a suitable way to monitor it.

Minimising systemic and individual errors (including overpayments), possibly by means of new procedures, may help reduce the movement of many vulnerable parents into debt

Debt

If, as parents and professionals have said, parents get into debt to pay for day-to-day living while they are on benefits, an increase in household incomes seems to be necessary. The specifics of how to increase household income are a matter for further debate.

Changing benefit and tax credit procedures could address some of the problems that lead people into debt.

Advice and support is necessary for those who find themselves in debt. A system that is more responsive to people's circumstances without pushing them further into poverty is desirable. Manageable repayment schemes accompanied by support would enable parents to organise debt repayment and minimise the adverse effects of re-entering or continuing in employment.

More regulation in the level of interest that some moneylenders and/or lending agencies/companies charge seems necessary.

Education

Not being able to take up education due to the barriers discussed could have consequences for in-work progression and therefore salary and also long-term sustainability of current jobs. It could also jeopardize the possibility of obtaining and sustaining jobs that meet participants' and household needs, prolonging current experience of in-work poverty or increasing vulnerability to poverty in the long-term.

Maintaining the same level of benefits and providing travel, lunch and learning-material allowances would mitigate some financial obstacles. Increasing childcare subsidy at all levels of education is important. It may be advisable for staff in colleges to be aware of the constraints some of their students face in trying to balance the demands of attendance with the constraints imposed by childcare arrangements.

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² The Scottish Government website accessed 14 April 2010.

³ In CHEX tackling Scotland's Health Inequalities, website accessed 14 April 2010.

⁴ Before housing cost.

⁵ Using the Eurostat definition, which includes female aged 15-64 years.

⁶ Defined as children living in low income households below 60% of the median income.

⁷ The Working for Families Fund (WFF) was a Scottish Government initiative to help disadvantaged parents into work, training or education. The Employment Research Institute, at Edinburgh Napier University, was contracted by the Scottish Government to carry out the evaluation of the WFF from 2004 to 2008 (see final evaluation report: McQuaid et al., 2009). WFF contributed to the Scottish Government's 'Closing the Opportunity Gap' approach to tackling poverty and disadvantage, by improving rates of employment and economic activity; and to its commitment to eradicating child poverty within a generation.

⁸ WFF clients were disadvantaged parents in terms of falling into one of three categories: parents on a low income (maximum Child Credit and WTC); lone parents pre-New Deal (those that did not come under the eligible criteria for support from New Deal for Lone Parents at that time); or parents with other stresses in the household leading to difficulties entering employment or training.

⁹ For more detailed information on the programme see McQuaid, Bond, and Fuytes (2009).

¹⁰ Childcare provided by paid or unpaid non-qualified personnel.

¹¹ Above the 60 per cent poverty line, estimated using an equivalised method of measurement – see <http://research.dwp.gov.uk/asd/hbai/hbaiconsult.pdf>.

¹² The maximum weekly eligible cost for two or more children is £300 of which parents could receive up to 80 per cent (CAB, 2009).