



# **ESPN Thematic Report on Social Investment United Kingdom**

**2015**

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**EUROPEAN SOCIAL POLICY NETWORK (ESPN)**

**ESPN Thematic Report on  
Social Investment  
United Kingdom**

**2015**

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# Contents

SUMMARY .....	1
1 ASSESSMENT OF OVERALL APPROACH TO SOCIAL INVESTMENT .....	2
2 ASSESSMENT OF SPECIFIC POLICY AREAS AND MEASUREMENT/INSTRUMENTS .....	3
2.1 Support for early childhood development .....	3
2.1.1 Early childhood education and care (ECEC).....	3
2.1.2 Family benefits (cash and in-kind) .....	4
2.1.3 Parenting services .....	5
2.2 Supporting parents’ labour market activity.....	6
2.2.1 Child care.....	6
2.2.2 Long-term care .....	6
2.2.3 Maternal/paternal/parental leave schemes .....	7
2.2.4 Interaction of policies.....	7
2.3 Policy measures to address social and labour market exclusion .....	8
2.3.1 Unemployment benefits.....	8
2.3.2 Minimum income .....	8
2.3.3 Active labour market policies.....	9
2.3.4 Social services .....	10
APPENDIX.....	11

## SUMMARY

- Social investment is not yet a central or explicit theme in most UK social policy.
- Nevertheless, some policies pursued since 2010 (and before) can be said to be of a social investment type. In particular, a focus on social mobility in the child poverty strategy and on early intervention more generally, can be said to point in this direction; and social investment is highlighted in the social justice strategy for the most disadvantaged (where it is equated with social impact bonds).
- Other policies are certainly not characteristic of social investment. Overall, indeed, fiscal consolidation rather than social investment has been the dominant influence since 2010, distributing resources away from families with children, and those on low incomes, while maintaining or improving the living standards of the elderly. Women have also lost out disproportionately from tax and benefit changes.
- The social protection system has become more concerned with relief than with prevention and protection.
- Revenue has been foregone on cuts in tax rates, raising tax thresholds, and reducing corporation tax and taxes on beer and fuel. Allowing individuals to keep more of their own money and at the same time cutting social provision is arguably not conducive to social investment. And direct tax cuts have been paid for by reductions in social benefits, particularly affecting families with children and those on low incomes.
- Policies within the smaller nations and some local authorities have varied in the extent to which they adopt a social investment perspective.
- Health and education spending has been protected and is broadly investment oriented.
- There have been positive developments in early childhood education and care (ECEC), but cuts in spending have hit Sure Start/children's centres.
- In long-term care, promising investments in prevention have been undermined by spending cuts.
- The pupil premium and free school meals for 5-7 year olds can be seen as investment but the reduction of payments to young people staying on at school is a step in the reverse direction. Parenting support is increasingly directed at those at risk.
- Child care is still costly in the UK, and subsidies are aimed at the demand side rather than investing more in supply. Infrastructure projects are often focused on construction rather than social services, creating more jobs for men, and universal credit will worsen incentives to work for many second earners (often women). The UK ranks last in Europe for well-paid leave following childbirth.
- The UK has a fairly comprehensive safety net, though cuts, sanctions and adverse decisions on fitness to work are among factors causing increased recourse to food banks. There is more emphasis on applying for jobs than on training for jobseekers and the Work Programme has struggled to help those with more difficulties. Cuts to employers' national insurance contributions are designed to encourage employment of young people. Numbers subject to labour market conditionality have increased and will do so further with the introduction of universal credit, the means-tested benefit bringing together six existing means-tested benefits.
- It would therefore be difficult to claim that UK policy since 2010 has focused resolutely on social investment.

## 1 Assessment of overall approach to social investment

This report reviews whether, and if so, how social policies in the UK since 2010 have followed the aspirations set out in the 2013 European Commission's *Social Investment Package (SIP)*. We understand social investment policies as those designed to improve human capital and support people's participation in economic and social life, as well as preventative policies to confront new social risks and poverty. Social investment implies policies with a return on investment over the life-cycle.

The government set up the Early Intervention Foundation, which focuses on interventions in children's lives (up to age 19). This could be seen as embodying a social investment perspective. In addition, the social justice strategy (directed at those with multiple disadvantages) involves a focus on social impact bonds. The government states: 'social investment offers a huge opportunity to transform the whole culture of our public spending ... Government starts paying for the outcomes that are achieved ... we invest early and invest intelligently.'<sup>1</sup> Other authors have taken a more critical perspective of social impact bonds.<sup>2</sup> But more generally, social investment has not been adopted as an explicit social policy approach, even since 2013.

Fiscal consolidation has been dominant. The main preoccupation of the coalition government has been to reduce the deficit. However, even these measures can be more or less oriented to social investment. The coalition government's strategy was to protect the education and health services budgets, which could both be seen as social investment oriented. Further detail on fiscal consolidation is given in the appendix.

An analysis<sup>3</sup> of the cumulative impact of the changes in taxes, benefits and services from 2010-15 shows that couples with children, lone parent families and those with the lowest incomes had the biggest percentage reduction in their net disposable incomes. The real living standards of families have fallen as price inflation has exceeded income growth every year for the last six years. This is partly due to the three-year freeze in child benefit, and uprating the bulk of working age benefits/tax credits by the Consumer Prices Index (CPI) rather than Retail Prices Index (RPI), and then by only 1% over the last two years and next year, as well as specific 'welfare reforms' reducing certain benefits, in particular housing benefit, in various ways. Analysis<sup>4</sup> also shows that local authority areas in the more disadvantaged areas of the country will suffer more from cuts in central government funding and from the impact of cut-backs in benefits and tax credits.

In contrast, since 2010, pensioner incomes have been protected by the 'triple lock' – a commitment to increase state pensions by the best of prices or earnings rises or 2.5%.<sup>5</sup> Greater freedom is being given to draw on private pension pots and tax on inherited pensions is being reduced. The Social Mobility and Child Poverty Commission has proposed that the government 'stop[s] protecting wealthy pensioners from austerity'.<sup>6</sup>

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<sup>1</sup> Referred to in HM Government (2014) Government's Response to the Second Annual Report of the Social Mobility and Child Poverty Commission, Cm 8970, London: HMSO, p. 19.

<sup>2</sup> For example, see McHugh, N., Sinclair, S., Roy, M., Huckfield, L. and Donaldson, Ca. (2013) 'Social impact bonds: a wolf in sheep's clothing?', *Journal of Poverty and Social Justice* 21(3): 247-257.

<sup>3</sup> Reed, H. and Portes, J. (2014) Cumulative Impact Assessment: A research report by Landman Economics and the National Institute of Economic and Social Research, Research Report 94, London: Equality and Human Rights Commission.

<sup>4</sup> <http://www.theguardian.com/society/patrick-butler-cuts-blog/2013/jan/11/council-cuts-north-loses-out-to-the-south-newcastle#data>. See also Beatty, C. & Fothergill, S. (2013). *Hitting the Poorest Places Hardest: The local and regional impact of welfare reform*. Sheffield: Centre for Regional Economic and Social Research, Sheffield Hallam University. Retrieved from: [http://www.shu.ac.uk/research/cresr/sites/shu.ac.uk/files/hitting-poorest-places-hardest\\_0.pdf](http://www.shu.ac.uk/research/cresr/sites/shu.ac.uk/files/hitting-poorest-places-hardest_0.pdf).

<sup>5</sup> This does, however, result in a lower increase than the pre-2010 formula for uprating would have done.

<sup>6</sup> Social Mobility and Child Poverty Commission (2014) State of the Nation 2014: Social mobility and child poverty in Great Britain - Report summary, London: SMCPC.

From April 2014, the annual personal tax allowance rose to £10,000, with the increases to date saving the typical taxpayer £705/year - but of no help to those with earnings below the tax threshold (or with none). There will be another real increase in 2015. A new report calculates that, since May 2010, changes in direct taxation have been matched by cuts in benefits and tax credits, cancelling each other out in terms of impact on the deficit, but with adverse redistributive consequences.<sup>7</sup>

The smaller nations and specific local authority areas vary in the extent to which they adopt policies which prioritise social investment. The smaller nations have resisted some of the benefit cuts, for example. But detailed analysis is not possible here.<sup>8</sup>

The sections below report on specific policy areas. The main message so far is that whilst social investment is sometimes highlighted by the government, it is not a consistent theme; the priority is fiscal consolidation. The impact favours protection of pensioners, as well as those on middle incomes and above, relative to families with children and those on low incomes.

## **2 Assessment of specific policy areas and measurement/instruments**

### **2.1 Support for early childhood development**

#### **2.1.1 Early childhood education and care (ECEC)**

Early intervention is important for this government, as it was for previous administrations. It has set up the Early Intervention Foundation to focus on child development up to age 19. Within the education budget, there has been a very small real increase in spending on the under-5s and a very large fall in the post-secondary non-tertiary sector. But it is important to look beyond this: real spending per child on early education, child care and Sure Start services overall fell by a quarter between 2009-10 and 2012-13. Cuts to local authority budgets meant that real spending on Sure Start services fell by 32% between 2009-10 and 2012-13, with local authorities in more disadvantaged areas having more substantial funding cuts. The government hoped local authorities would do more for less. But the ring fencing that prevented Sure Start funding from being used for wider purposes was removed. The number of Sure Start centres fell by a fifth (from 3,631 in April 2010 to 3,019 in June 2014); though the government said the loss was 72 centres (due to mergers). Nearly 3/4 of centre managers said service delivery had been affected by cuts in 2011-12. But there was also evidence of resilience, with 3 in 4 in 2012 and 2 in 3 in 2013 expecting to maintain or expand services. A requirement for children's centres in disadvantaged areas to provide day-care places for children was lifted. Payment by results was piloted for children's centres, but abandoned after evaluation. Children's centres were required to target services on the neediest.<sup>9</sup>

ECEC is seen in part as social investment, aimed at school readiness for disadvantaged children in particular.<sup>10</sup> This fits with the emphasis in the draft child poverty strategy on social mobility.<sup>11</sup> There is still differential access to ECEC, especially outside the

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<sup>7</sup> De Agostini, P., Hills, J. and Sutherland, H. (2014) *Were we Really All in it Together? The distributional effects of the UK Coalition government's tax-benefit policy changes*, Working Paper 10, Social Policy in a Cold Climate, London: Centre for Analysis of Social Exclusion, London School of Economics.

<sup>8</sup> See, for example, McCormick, J. (2013) *A Review of Devolved Approaches to Child Poverty*, York: Joseph Rowntree Foundation.

<sup>9</sup> Stewart, K. (2015) 'The Coalition's record on the under-fives 2010-2015', Working Paper 12, Social Policy in a Cold Climate, London: Centre for Analysis of Social Exclusion, London School of Economics.

<sup>10</sup> See, for example, report from Institute of Health Equity at University College London, reported in *The Guardian*, 23.9.14.

<sup>11</sup> Department for Work and Pensions (2014) *Consultation on the Child Poverty Strategy 2014-17*, Cm 8782, London: HMSO.

maintained sector.<sup>12</sup> The devolved administrations' policies differ slightly (Northern Ireland having more limited goals).<sup>13</sup>

There is part-time free early education for all 3- and 4-year-olds whose parents want it (15 hours/week in school terms), recently made more flexible. This is being extended to disadvantaged 2-year-olds (40% by September 2014), with slightly different criteria in Scotland.<sup>14</sup> So this has priority in a time of fiscal consolidation. However, providers are finding it hard to provide places for these 2-year-olds, and there is some resistance from other users.<sup>15</sup> Maintained settings offer the highest quality ECEC for children from low-income families according to a recent study, but providing only the free entitlement means parental employment or (thus) a social mix is not facilitated;<sup>16</sup> so the question is how to extend this whilst maintaining quality. And maintained settings are not geared to meeting the needs of 2-year-olds. The integrated services for families provided by local Sure Start/children's centres are under threat from cuts to central government grants.<sup>17</sup>

### 2.1.2 Family benefits (cash and in-kind)<sup>18</sup>

Child benefit and child tax credit make an important contribution to reducing pre-transfer child poverty rates<sup>19</sup> and poverty gaps. However, the failure to uprate them in line with prices since 2010 has reduced this capacity.<sup>20</sup>

A key focus of the government's child poverty strategy is preventing poor children becoming poor adults through raising educational attainment.<sup>21</sup> The major mechanism here is the pupil premium, introduced in England in 2011, and increased and extended to cover a wider range of pupils (beyond the trigger of current entitlement to free school meals); there is now also better monitoring, to ensure it is spent by schools on disadvantaged pupils.<sup>22</sup> This has priority at a time of fiscal consolidation (with extension to all disadvantaged 3- and 4-year-olds proposed from April 2015). It

<sup>12</sup> Speight, S., Smith, R., Coshall, C. & Lloyd, E. (2010a) *Towards Universal Early Years Provision: Analysis of take-up by disadvantaged families from recent annual childcare surveys*, FE-RR066, London: Department for Education; Speight, S., Smith, R., Lloyd, E. & Coshall, C. (2010b) *Families Experiencing Multiple Deprivation: Their use of and views on childcare provision*. Research Report DCSF-RR191, London: Department for Children, Schools and Families.

<sup>13</sup> Bradshaw, J. and Bennett, F. (2014) *Investing in Children: Breaking the cycle of disadvantage - a study of national policies (UK)*, for European Commission.

<sup>14</sup> *Ibid.*

<sup>15</sup> Reported in *The Observer*, 24.8.14.

<sup>16</sup> Gambaro, L., Stewart, K. and Waldfogel, J. (2013) *A Question of Quality: Do children from disadvantaged backgrounds receive lower quality early years education & care in England?*, CASEpaper 171, London: London School of Economics.

<sup>17</sup> 4Children (2012) *Sure Start Children's Centres Census 2012: Developments, trends & analysis of Sure Start children's centres over the last year & the implications for the future*; Tanner, E., Agur, M., Hussey, D. & Hall, J. (with Sammons, P., Sylva, K., Smith, T., Evangelou, M. & Flint, A.) (2012) *Evaluation of Children's Centres in England (ECCE) Strand 1: First Survey of Children's Centre Leaders in the Most Deprived Areas*, Research Report RR230, Department for Education; The Guardian (2013), 23 July; All Party Parliamentary Sure Start Group (2013) *Best Practice for a Sure Start: The way forward for children's centres*, London: 4Children.

<sup>18</sup> For more information, see Bradshaw, J. and Bennett, F. (2014) *Investing in Children: Breaking the cycle of disadvantage - A study of national policies (Country Report - UK)*, for European Commission.

<sup>19</sup> Bradshaw, J. and Huby, M. (2014) 'Decomposing child poverty reduction', *European Journal of Social Security*, 6, 1, 26-50.

<sup>20</sup> Bradshaw, J. (2015) 'The erosion of the UK safety net', Discover Society, <http://www.discover society.org/2015/01/03/the-erosion-of-the-uk-safety-net/>

Bradshaw, J. and Judge, L. (2015) 'The non-uprating of child benefits - impact on poverty gaps', <http://www.nechildpoverty.org.uk/blog/non-uprating-child-benefits-%E2%80%93-impact-poverty-gaps#1>

<sup>21</sup> Department for Work and Pensions (2014) *Consultation on the Child Poverty Strategy 2014-17*, Cm 8782, London: HMSO.

<sup>22</sup> Ofsted (2012) *The Pupil Premium: How schools are using the pupil premium funding to raise achievement for disadvantaged pupils*, HMI 120197; Clifton, J. (ed.) (2013) *Excellence & Equity: Tackling educational disadvantage in England's secondary schools*, London: Institute for Public Policy Research; Carpenter, H., Papps, I., Bragg, J., Dyson, A., Harris, D., Kerr, K., Todd, L. & Laing, K. (2013) *Evaluation of Pupil Premium*, Research Report 282, London: Department for Education; The Guardian (2013), 3 July.

provides funding to schools, not to individual children/families, though the Education Endowment Fund helps disadvantaged pupils.<sup>23</sup> The proportion of children on free school meals getting good General Certificate of Secondary Education (GCSE) results doubled from 2004/05 to 2012/13.<sup>24</sup> But schools are still highly socially segregated.<sup>25</sup>

Free school meals were made universal for 5-7 year olds from September 2014.<sup>26</sup> However, abolition in England of the Educational Maintenance Allowance (EMA - a means-tested payment made to 16-18 year olds conditional on attendance, which had resulted in increased participation, retention and achievement)<sup>27</sup> can be seen as reducing social investment. EMAs were replaced by reduced discretionary bursaries, given at school/college level, which one study estimated reduced both participation and achievement amongst low-income pupils.<sup>28</sup> (EMAs were retained in the devolved administrations.)

Means-tested Healthy Start vouchers (replacing previous provision) which give nutritional foods for low-income pregnant women and those with young families have not increased since 2009, and are now worth much less, especially as food prices have increased by more than inflation.<sup>29</sup>

### 2.1.3 Parenting services<sup>30</sup>

England has an extensive network of services to engage with parents, emphasising intervention to provide resources to (re)skill/train parents with the aim of changing their behaviour to better support their children. Standard parenting programmes are often used, and this government pioneered a voucher for some parents to participate in these. Mothers are the main focus.

Parenting support under Labour was retained by the coalition government, though some was cut in the fiscal consolidation measures. The health visiting service has been expanded, being seen as an essential resource for families. But the focus has shifted increasingly to those at greater risk. Mothers in some areas are being paid to breastfeed for a set period in a pilot scheme. Intensive work is being undertaken with parents/families who may be seen as at greater risk, by prolonging the Family Nurse Partnership (for younger mothers) and introducing the Troubled Families programme (expanded from 120,000 to 500,000 families) for those with multiple problems. The coalition government is more focused on social mobility, i.e. interventions to help children in poverty now escape in the longer term.

<sup>23</sup> <http://educationendowmentfoundation.org.uk/>.

<sup>24</sup> Social Mobility and Child Poverty Commission (2014) *State of the Nation 2014: Social mobility and child poverty in Great Britain - Report summary*, London: SMCP.

<sup>25</sup> OECD (2012) *Education at a Glance 2012: OECD indicators*, Paris: Organisation for Economic Co-operation & Development.

<sup>26</sup> Dimpleby, H. & Vincent, J. (2013) *The School Food Plan*, London: Department for Education; *The Guardian* (2013), 13 July.

<sup>27</sup> Dearden, L., Emmerson, C., Frayne, C. and Meghir, C. (2009) 'Conditional cash transfers and school dropout rates', *Journal of Human Resources* 44(4): 827-857; and Chowdry, H., Dearden, L. and Emmerson, C. (2008) *Educational Maintenance Allowance Evaluation with Administrative Data*, London: Learning and Skills Council.

<sup>28</sup> Britton, J., Chowdry, H. & Dearden, L. (2014) *The 16 to 19 Bursary Fund Evaluation: Interim report*, London: Department of Education (DfE); Callanan, M., Drever, E., Fry, A., Lewis, G., Lloyd, C. & Wollny, I. (2014) *The 16 to 19 Bursary Fund: Year 2 process evaluation report*, London: DfE.

<sup>29</sup> Lucas, P., Jessiman, T. and Cameron, A. (forthcoming, 2015) 'Healthy Start: the use of welfare food vouchers by low-income parents in England', *Social Policy and Society*; McFadden, A., Green, J.M., Williams, V., McLeish, J., McCormick, F., Fox-Rushby, J. and Renfrew, M.J. (2014) 'Can food vouchers improve nutrition and reduce health inequalities in low-income mothers and young children: a multi-method evaluation of the experiences of beneficiaries and practitioners of the Health Start programme in England', *BMC Public Health* 2014: 148.

<sup>30</sup> Much of the information in this section is based on Daly, M. (2013) 'Parenting support policies in Europe', *Families, Relationships and Societies* 2(2): 159-174.

## 2.2 Supporting parents' labour market activity

### 2.2.1 Child care

There is some tension between the focus on parenting support - involving intensive engagement for some - and the increasing emphasis on activation. Child care is seen by the government as enabling parents to work, which is central to its strategy of combating child poverty and promoting social mobility.<sup>31</sup> (The other key policy is universal credit; see Appendix.) But in the UK much child care is costly,<sup>32</sup> and dominated by private/voluntary sector providers, with underpaid and low-qualified staff.<sup>33</sup> Achieving the access for all and high quality that would be the mark of social investment is challenging with such provision. The Social Mobility and Child Poverty Commission has suggested 'employment proofing' childcare policies.<sup>34</sup>

Recent debate has focused on quality vs. quantity (staff/ child ratios)<sup>35</sup>, but local authorities' quality gatekeeping role for pre-school education has been reduced.<sup>36</sup> More funding will be given to parents via tax-free child care up to high earnings levels. This is in addition to increasing means-tested help, extending it to part-timers in 'mini jobs' under 16 hours/week, and making it more flexible via universal credit.<sup>37</sup> But these two policies may overlap for some parents, causing confusion; and because the first is seen as a tax cut, it may be favoured in future. Many experts instead favour supply side over demand side subsidy, and are also concerned about proposals to cut one type of investment (benefits for children) to boost another (child care) in future.<sup>38</sup> But the government argues that investing in support services for lower-income families is a more sustainable way to tackle child poverty and improve life chances.<sup>39</sup>

### 2.2.2 Long-term care

For over a decade in England there has been pressure to develop services that have the potential to postpone or avoid needs for more intensive support in later old age. However, local government budgets have been severely cut – including a reduction of £800m in adult social care funding in 2013/14. Local authorities have therefore cut many community services. Moreover, eligibility for publicly funded social care is now restricted only to those with the highest needs (and the lowest assets/incomes). Given the greater likelihood that women take on caring tasks (58/42%),<sup>40</sup> especially when longer hours and more intensive care are needed,<sup>41</sup> such restrictions threaten women's participation in the labour market in particular. And leaves are much less

<sup>31</sup> Department for Work and Pensions (2014) *Consultation on the Child Poverty Strategy 2014-17*, Cm 8782, London: HMSO.

<sup>32</sup> Rutter, J. and Stocker, K. (2014) *Childcare Costs Survey 2014*, London: Family & Childcare Trust. See also OECD Family data base Table PF3.4 for comparative costs: <http://www.oecd.org/els/soc/database.htm>. See also Bouget, D., Frazer, H., Marlier, E., Sabato, S. and Vanhercke, B. (2015). *Social Investment in Europe: A study of national policies*, Annex 3. Brussels: European Commission, European Social Policy Network (ESPN), Table B7.

<sup>33</sup> Lloyd, E. and Potter, S. (2014) *Early Childhood Education and Care and Poverty*, working paper for Joseph Rowntree Foundation, London: University of East London.

<sup>34</sup> Social Mobility and Child Poverty Commission (2013) *Social Mobility: The next steps*, London: SMCP.

<sup>35</sup> HM Government (2013) *More Great Childcare*.

<sup>36</sup> HM Government (2013) *More Affordable Childcare*.

<sup>37</sup> Written Ministerial Statement (2013), House of Commons *Hansard*, London: TSO, 19 March.

<sup>38</sup> Bradshaw, J. (2012) 'Does cash or services have the biggest impact on child poverty?', *New Statesman* blog: <http://www.newstatesman.com/blogs/economics/2012/06/does-cash-or-services-have-biggest-impact-child-poverty>.

<sup>39</sup> Stewart, K. (2015) *The Coalition's Record on the Under Fives 2010-15*, Summary Working Paper 12, Social Policy in a Cold Climate, London: Centre for Analysis of Social Exclusion, London School of Economics.

<sup>40</sup> See [www.carers.org.uk](http://www.carers.org.uk); 72% of male carers are in employment and 62% of women.

<sup>41</sup> As shown by the Office for National Statistics in the Census data for England and Wales, 2011: <http://www.ons.gov.uk/ons/guide-method/census/2011/carers-week/index.html>.

developed than for those with children. But these links between policy areas, revealing contradictions in terms of desired goals, are often not made.

### 2.2.3 Maternal/paternal/parental leave schemes<sup>42</sup>

A priority area for social investment is ensuring that parenthood does not result in long-term under-utilisation of parents' (especially women's) skills. It is not yet clear if parental leave changes will help to avoid this. But the worsening of incentives for many 'second earners' under universal credit, compared with the current system (with withdrawal on gross, not net, income), is likely to work against it.<sup>43</sup>

Most working women receive 6 weeks of Statutory Maternity Pay (SMP) at 90% of their wage, and then a flat rate of £138.18/week for 33 weeks. There is no SMP during the final 13 weeks of statutory maternity leave. Working women who do not meet the SMP criteria are entitled to Maternity Allowance (£138.18 for 39 weeks).

Despite improvements, therefore, maternity leave is long but mostly not well-paid. The Trades Union Congress says only 1 in 4 women get occupational maternity pay. Maternity Action reports that cuts to benefits and statutory payments for pregnant women and parents with a young baby amounted to £1.5bn/year by 2014. There are increasing reports of pregnancy discrimination at work, leading to the government researching this; but shortage of money also forces some women back to work early.

Fathers/partners can take 2 weeks of Ordinary Paternity Leave paid at £138.18/week, and those taking Additional Paternity Leave or the new Shared Parental Leave can access statutory maternity leave and pay which mothers have not used. There is no other payment for Parental Leave in the UK (see Appendix for more detail.)

Fathers' involvement in care when children are young can lead to a more balanced division of responsibilities later - with under-utilisation of women's skills less likely. In April 2015, the "Shared Parental Leave" scheme, with Statutory Shared Parental Pay, is being introduced in England, Scotland and Wales, aimed at promoting a more balanced division of responsibilities between the partners. However, due to the low replacement rate, especially after the first six weeks of earnings related pay, the UK experts do not expect a high take-up rate among fathers. International evidence shows that increasing take-up of leave by fathers requires it to be well paid (60-80% wage replacement level), provided on a 'use it or lose it' basis, and to be labelled as leave for fathers rather than 'parental leave'.<sup>44</sup>

The Trades Union Congress says<sup>45</sup> overall the UK ranks last in Europe in giving parents well-paid leave after childbirth; and there is a nearly 3-year gap between the end of such leave and the beginning of free ECEC (other than for disadvantaged 2-year-olds).<sup>46</sup> There is no state home allowance (likely to lead to mothers' labour market exit). But these policies together may not encourage parental employment sufficiently.

### 2.2.4 Interaction of policies

The policies in 2.1 and 2.2 are motivated by different imperatives and do not always form a coherent package, either in themselves or in conjunction with others described below. For example, little has been done to address fathers' long hours of work, which may affect mothers' labour market participation. Couples' relationships may affect

<sup>42</sup> Much of the information on this page is based on Bragg, R. and Psarros, A. (2014) *Valuing Families? The impact of cuts to maternity benefits*, London: Maternity Action.

<sup>43</sup> Bennett, F. (2011) 'Universal credit: the gender impact', *Poverty* 40: 15-18.

<sup>44</sup> Cited in Equality and Human Rights Commission (2009) *Working Better*: [http://www.equalityhumanrights.com/uploaded\\_files/working\\_better\\_final\\_pdf\\_250309.pdf](http://www.equalityhumanrights.com/uploaded_files/working_better_final_pdf_250309.pdf).

<sup>45</sup> Based on O'Brien, M., Moss, P., Koslowski, A. and Daly, M. (2013) 'United Kingdom', in P. Moss (ed.) *International Review of Leave Policies and Related Research 2013*, International Network on Leave Policies and Research.

<sup>46</sup> This section is based on Bennett, F. and Daly, M. (2014) *Poverty Through a Gender Lens: Evidence and policy review on gender and poverty*, Working Paper, Oxford: Department of Social Policy and Intervention.

their job-seeking behaviour more than other factors, but gender is not often addressed. A 'work first' approach may not improve parents' capacity to support their children's learning. And whilst conditionality is increasing for low-income parents, the introduction of a transferable tax allowance, and reduced incentives for 'second earners' in universal credit, send contradictory messages about desired behaviours.

These figures demonstrate the comparative picture of parental employment for the UK. Male and female employment rates are at record levels; but the maternal employment rate was middling in 2011. The same source showed that spending on family benefits and services was the highest in the OECD.<sup>47</sup> But EU social investment indicators show comparatively high rates of worklessness; middling proportions of under 3s in child care; middling quality of child care; a high percentage who say they are excluded from the labour market due to caring; poor levels of parental leave; and very expensive child care. Of course, as labour demand and also demography (e.g. the number and characteristics of lone parents) also influence outcomes, it is not possible to say that these are solely the result of the mix of policies adopted in the UK.

## 2.3 Policy measures to address social and labour market exclusion

### 2.3.1 Unemployment benefits

UK unemployment benefits consist of contributory and means-tested elements in one benefit (Jobseeker's Allowance (JSA)), with similar rates for individuals, and additional payments for dependants in the means-tested part. They can be claimed simultaneously, but the contributory element runs out after 6 months. There are various proposals for increasing the contributory element but most involve offsetting savings. By 2009, relative to the average level of consumption, JSA was only worth half what it was 30 years before.<sup>48</sup> By any standards, therefore, this level is low and comparatively spending is also low<sup>49</sup>.

### 2.3.2 Minimum income

The UK is usually seen as having a fairly comprehensive means-tested social assistance system, payable to those with insufficient resources (though for those of working age for whom work is seen as appropriate - an expanding group - entitlement is subject to labour market conditionality). The level is seen as low for those without dependants. The most important changes to social protection policy has been the decision to uprate most benefits and tax credits for working age claimants by less than inflation,<sup>50</sup> while pensioners have been protected by the 'triple lock' (see above). This has resulted in an undermining of the safety net, particularly for households with children.<sup>51</sup>

One measure of these adequacy problems is the gap between the Minimum Income Standard (MIS) and in-work and out-of-work incomes. Analysis by the Joseph Rowntree Foundation<sup>52</sup> shows that out-of-work benefit incomes are a long way short of MIS, though much closer for pensioners; that MIS is above the 60% median income poverty threshold, except for pensioners; and that the net disposable income of families with one earner on the minimum wage (or two earners on the minimum wage but having to pay for child care) does not meet the MIS.

<sup>47</sup> <http://www.oecd.org/els/family/database.htm> (note that these figures are somewhat outdated)

<sup>48</sup> Kenway, P. (2009) *Should Adult Benefit for Unemployment Now be Raised?*, York: Joseph Rowntree Foundation.

<sup>49</sup> See Bouget et al. (2015), Annex 3, Table C.1.

<sup>50</sup> Except for benefits for disability and for carers, or elements of other benefits specific to these groups.

<sup>51</sup> Bradshaw, J. (2015) The erosion of the UK safety net, *Discover Society*.

<http://www.discoverociety.org/2015/01/03/the-erosion-of-the-uk-safety-net/>.

<sup>52</sup> <http://www.jrf.org.uk/sites/files/jrf/Minimum-income-standards-2014-FULL.pdf>.

Meanwhile the Trussell Trust, the largest food bank organiser, says 913,000 people got at least 3 days' emergency food last year<sup>53</sup> - an increase of 163% on the previous year. One report showed that over half of those using food banks did so because of problems with benefits,<sup>54</sup> including sanctions for not complying with conditionality, or benefit delays, being declared 'fit for work' etc. Other reasons included the disproportionate rise in the cost of basics such as housing, food and fuel compared with incomes. A report from a parliamentary inquiry<sup>55</sup> confirmed the political centrality of this issue.

Two benefits were abolished by the coalition government in 2010 which were clearly examples of social investment. The Health in Pregnancy Grant was the first attempt to tackle the health of pregnant women, critical to birth weights and long-term outcomes for children. The other is Educational Maintenance Allowances (see 'Education' above).

Universal Credit, the new means-tested benefit for those of working age, is still being rolled out, and to date includes very few people (see appendix).

### 2.3.3 Active labour market policies<sup>56</sup>

The UK tends to be seen as operating a 'work first' approach to activation,<sup>57</sup> with an emphasis on tackling 'welfare dependency', and there has been some criticism of the emphasis on applying for jobs rather than training for young NEETs and others.<sup>58</sup> More information on increased conditionality is given in the appendix.

More broadly, there is a focus on apprenticeships,<sup>59</sup> which have been expanded (though many are not high quality,<sup>60</sup> and older people also take them up). The wage incentive for employers under the Youth Contract had benefited under 5,000 young people by mid-2013.<sup>61</sup> A simpler incentive, the abolition of employers' national insurance contributions for young workers earning under a ceiling, was announced in the 2014 Budget.

A skills strategy must be important to a government emphasising the supply side of the labour market. But it has been argued that more investment is needed to help the 'long tail' of low-skilled people in the UK,<sup>62</sup> and Local Enterprise Partnerships have only gradually got into their stride after the abolition of Regional Development Agencies. The cuts in public service jobs are likely to reduce on-the-job training and upskilling significantly, especially for lower-paid women.<sup>63</sup>

<sup>53</sup> Interview (2014) with Adrian Curtis in *Poverty*, 149, 11-14.

<sup>54</sup> Perry, J., Williams, M., Sefton, T. and Haddad, M. (2014) *Emergency Use Only: Understanding and reducing the use of food banks in the UK*, London: Child Poverty Action Group, Church of England, Oxfam GB and The Trussell Trust.

<sup>55</sup> Forsey, A. (2014) *Feeding Britain: A strategy for zero hunger in England, Wales, Scotland and Northern Ireland*, An Evidence Review for the All Party Parliamentary Inquiry into Hunger in the UK: <https://foodpovertyinquiry.files.wordpress.com/2014/12/food-poverty-feeding-britain-final.pdf>.

<sup>56</sup> For more detail, see Bradshaw, J., Bennett, F. and Sainsbury, R. (2012) *Assessment of the Implementation of the European Commission Recommendation on Active Inclusion - A study of national policies - Country Report: the UK*, for European Commission.

<sup>57</sup> E.g. see Haux, T. et al. (2012), *A Longitudinal Qualitative Study of the Journeys of Single Parents on Jobseeker's Allowance*, Bristol: Single Parents Action Network/University of the West of England.

<sup>58</sup> Bradshaw, J., Bennett, F. and Sainsbury, R. (2012) *Assessment of the Implementation of the European Commission Recommendation on Active Inclusion: A study of national policies - Country Report: the UK*, for European Commission, para. 5.2.2. (NEET = not in employment, education or training.)

<sup>59</sup> Rhodes, C. (2012), *Apprenticeships Policy*, Standard Note SN/3052, London: House of Commons Library.

<sup>60</sup> House of Commons Public Accounts Select Committee (2012), *Adult Apprenticeships*, 84th Report (Session 2010-12), London: TSO; and National Audit Office (2012), *Adult Apprenticeships*, HC 1787 (Session 2010-12), London: TSO.

<sup>61</sup> *Financial Times*, 24 July 2014.

<sup>62</sup> Hasluck, C. (2011), *Low Skills and Social Disadvantage in a Changing Economy*, London: UK Commission for Employment and Skills.

<sup>63</sup> McKay, A., Campbell, J., Thomson, E. and Ross, S. (2013) 'Economic recession and recovery in the UK; what's gender got to do with it?', *Feminist Economics* 19(3).

### **2.3.4 Social services**

Some aspects relevant to social investment are covered elsewhere in this report. Social and health services of course make a contribution to labour market and social integration including rehabilitation and drug treatment. However they are not closely aligned/integrated with active labour market policies. This is an undoubted weakness.<sup>64</sup> It is in part because Job Centre Plus and the Work Programme are central government programmes operated by the Department for Work and Pensions while social services are provided by local authorities and health services by local Clinical Commissioning Groups and hospital trusts sponsored the Department of Health.

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<sup>64</sup> Meager, N., Newton, B., Sainsbury, R., Corden, A. and Irvine, A. (2014) *Work Programme Evaluation: the participant experience report*, Department for Work and Pensions Research Report No. 892, London: Department for Work and Pensions.

## Appendix

### Fiscal consolidation

Between 2009/10 and 2013/14, real spending on education fell slightly and health spending increased. During this period, the education system has had to cope with rising school rolls on a falling budget and the health service has had to cope with an increase in the very old elderly. Spending on employment policies and housing has fallen. But spending on social protection (social security benefits) has seen an increase, attributable to growth in spending on pensions, housing benefit and disability benefits. Spending on family benefits has been reduced the most; the impact of this is described above.<sup>65</sup> Bouget et al. 2015 (Annex 4) find the UK comparatively low on spending on families and the unemployed.

### Paternity leave

Specific paternity leave is short<sup>66</sup>, and badly paid, with only 29% of new fathers in the UK spending longer than 2 weeks at home, and better-paid fathers 50% more likely to take it than those on the lowest incomes. Only 11% of parents with children under 6 reported taking (unpaid) parental leave in a 2012 survey<sup>67</sup>. According to a parliamentary answer (3.4.14), Additional Statutory Paternity Pay (paid if the mother does not take up all her maternity leave and the father takes it), available since 2011/12, was paid to under 4,000 fathers in 2012/13<sup>68</sup>.

### Universal Credit

Universal Credit (UC) brings together 6 means-tested benefits<sup>69</sup> into one payment and extends labour market related conditionality to many more both in and out of employment. Social investment is not key to its design, except that it is intended to encourage people into paid work and to progress in work. But it was the main reform planned by the coalition government, and it did have the prospect of contributing to child poverty reduction, improving take-up rates, smoothing the transition into paid work, and possibly simplifying the system in some ways. However, it has suffered from some cuts in advance, compromising its contribution to tackling poverty, and also from serious delays, meaning that by September 2014 only 14,130 people were claiming it.<sup>70</sup>

### Increased conditionality

There has been a steady reduction in the age of the youngest child (now 5) as the trigger point for parents who are the main carer having to actively seek work, with requirements to prepare for work before this. The inclusion of these lone parents in the Jobseeker's Allowance makes the focus on 'work first' more of an issue,<sup>71</sup> given that it is not usually possible to pursue education/training whilst being available for work. A report called for increased investment in training for single parents, and for the government to fund their training to level 3 qualifications (equivalent to A level).<sup>72</sup>

<sup>65</sup> <https://www.gov.uk/government/statistics/public-expenditure-statistical-analyses-2014>.

<sup>66</sup> See Bouget et al. (2015), Annex 3, Table B6.

<sup>67</sup> Moss, P. (ed.) International Review of Leave Policies and Related Research 2013, International Network on Leave Policies and Research (accessed 29.12.13): [http://www.leavenetwork.org/lp\\_and\\_r\\_reports/](http://www.leavenetwork.org/lp_and_r_reports/)

<sup>68</sup> Bennett, F. and Daly, M. (2014) *Poverty Through a Gender Lens: Evidence and policy review on gender and poverty*, Working Paper, Oxford: Department of Social Policy and Intervention.

Bragg, R. and Psarros, A. (2014) *Valuing Families? The impact of cuts to maternity benefits*, London: Maternity Action.

<sup>69</sup> Income support, income based jobseeker's allowance, income based employment and support allowance, child tax credit, working tax credit and housing benefit.

<sup>70</sup> Department for Work and Pensions (2014) *Universal Credit at Work*, London: DWP.

<sup>71</sup> See, for example, Haux, T. et al. (2012), *A Longitudinal Qualitative Study of the Journeys of Single Parents on Jobseeker's Allowance*, Bristol: Single Parents Action Network/University of the West of England.

<sup>72</sup> Gingerbread (2014) *Making the Grade: How government investment in further education can benefit single parents and the state*, London: Gingerbread.

Lone parent obligations to seek paid work do seem to have increased job outcomes;<sup>73</sup> but increasing the emphasis on compulsion to seek work over support is often criticised.<sup>74</sup>

A report evaluating Jobcentre Plus said it mostly moved people with general support needs into or towards work, but was less well received by people with disabilities.<sup>75</sup>

Job seeking is increasingly referred to as a full-time activity; but a report questioned how successful a greater emphasis on conditionality could be even in terms of the narrow goal of increasing the employment rate and reducing so-called 'benefit dependency'.<sup>76</sup> The contract with out of work benefit claimants to engage in job-seeking activity has been implemented alongside increased benefit sanctions. There is concern about the increasing numbers of sanctions and their impact on health and the ability to seek work; an independent report recommended improvements.<sup>77</sup>

The Work Programme (WP - contracts with providers to help those out of work long term) has an increased emphasis on sustainability of jobs (the key factor for provider payments), which could be seen as having a greater focus on investment. A 2013 report showed that the proportion of those referred to the scheme who had achieved sustained employment one year on improved from 8.5 to 13.4% since it had begun in June 2011.<sup>78</sup> An audit report in 2014 said the Work Programme had had a poor start but was now 'at similar levels to previous programmes', though behind the original forecasts. The government had found it difficult to improve outcomes for harder-to-help groups (e.g. those on employment and support allowance due to a health condition), and providers are spending less on them than they expected to;<sup>79</sup> in response, the government said it was investigating how to do more for them. Universal credit will extend conditionality to those in work; the government says this means that support will be available to people in work as well as out.

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<sup>73</sup> Avram, S., Brewer, M. and Salvatori, A. (2013) *Lone Parent Obligations: An impact assessment*, Department for Work and Pensions Research Report 845, London: DWP.

<sup>74</sup> For example, see <http://www.discoversociety.org/2014/09/30/lone-parent-obligations-towards-paid-work-misadventure-and-misdirection-in-uk-policy-making/>.

<sup>75</sup> Bloch, A., Coleman, N., Coulter, A., Day, N., Hingley, S., Howat, N. and Romanou, E. (2013) *The Jobcentre Plus Offer: Final evaluation report*, Research Report 852, London: Department for Work and Pensions.

<sup>76</sup> Goerne, A. and Clegg, D. (2013) *National Report: UK, Combating Poverty in Europe project*, Brussels: European Commission.

<sup>77</sup> Oakley, M. (2014) *Independent Review of the Operation of Jobseeker's Allowance Sanctions Validated by the Jobseeker's Act 2013*, London: Department for Work and Pensions.

<sup>78</sup> Department for Work and Pensions (2013) *Work Programme Statistical Summary June 2013*, London: DWP.

<sup>79</sup> National Audit Office (2014) *The Work Programme*, HC 266 (Session 2014-15), London: TSO.

