Experience of work and job retention among lone parents: An evidence review

Alasdair Yeo
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<tr>
<td>ADF</td>
<td>Adviser Discretion Fund</td>
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<td>AFDC</td>
<td>Aid to Families with Dependent Children</td>
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<td>ASA</td>
<td>Advancement Support Adviser</td>
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<td>BHPS</td>
<td>British Household Panel Survey</td>
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<td>BoND</td>
<td>Building on the New Deal</td>
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<td>CCDBG</td>
<td>Child Care and Development Block Grant</td>
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<td>CTC</td>
<td>Child Tax Credit</td>
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<td>DFES</td>
<td>Department for Education and Skills</td>
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<td>DTI</td>
<td>Department for Trade and Industry</td>
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<td>DWP</td>
<td>Department for Work and Pensions</td>
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<td>EITC</td>
<td>Earned Income Tax Credit</td>
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<td>ERA</td>
<td>Employment Retention and Advancement (demonstration)</td>
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<td>EU</td>
<td>European Union</td>
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<td>EZ</td>
<td>Employment Zone</td>
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<td>FACS</td>
<td>Family and Children’s Study</td>
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<td>FC</td>
<td>Family Credit</td>
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<td>HMRC</td>
<td>Her Majesty’s Revenue and Customs</td>
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<td>Her Majesty’s Treasury</td>
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<td>IS</td>
<td>Income Support</td>
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<td>IT</td>
<td>Information Technology</td>
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<td>IWBC</td>
<td>In-Work Benefit Calculation</td>
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<td>JSA</td>
<td>Jobseeker’s Allowance</td>
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<td>LMS</td>
<td>Labour Market System</td>
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<td>LPWFI</td>
<td>Lone Parent Work Focused Interview</td>
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<td>MI</td>
<td>Management Information</td>
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<td>NAP</td>
<td>National Action Plan</td>
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<td>ND+LP</td>
<td>New Deal Plus for Lone Parents</td>
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<td>National Employment Panel</td>
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<td>PRWORA</td>
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<td>Survey of Income and Programme Participation</td>
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<td>Standard Occupational Classification</td>
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<td>TANF</td>
<td>Temporary Assistance to Needy Families</td>
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<td>WFI</td>
<td>Work Focused Interview</td>
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<td>WFTC</td>
<td>Working Families’ Tax Credit</td>
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<td>WTC</td>
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Summary

The purpose of this paper was to review the current evidence and policies surrounding the issue of job retention amongst lone parents. Improving job retention rates is seen as an important element in meeting the Government’s target of a 70 per cent employment rate for lone parents by 2010. A better understanding of the issue of job retention was developed by reviewing the content and evaluations of the New Deal for Lone Parents (NDLP), Work Focused Interviews (WFI) and other related Department for Work and Pensions (DWP) and non-DWP reports. The factors influencing lone parents leaving work and conversely, the factors associated with lone parents staying in-work, are explored. The current policies and pilots aimed at improving job retention for lone parents in the UK are examined; international policies are also scrutinised, enabling cross national comparisons to be drawn. This analysis informed the development of a framework to understand types of policy initiatives. This framework is then used to analyse the UK’s policies and pilots with regard to job retention and to develop further proposals.

The report is in four sections: the first is an introductory chapter providing background information and details of current policies, pilots and programmes impacting on lone parent job retention. Chapter 2 examines some of the evidence gathered in the literature review, primarily from the UK, the US and Norway but also from New Zealand, Canada and the EU. This section draws together evidence from various sources to construct a coherent policy framework to inform the analysis of current policies and pilots. Chapter 3 uses the framework to assess the current policies and pilots described earlier in the paper; this analysis highlights any policy gaps or weaknesses in the current strategy. Chapter 4 provides a summary of the findings, highlights policy recommendations in light of the evidence presented and looks at ways the identified policy weaknesses could be improved upon.

Since the introduction of NDLP, the lone parent employment rate has risen from 45.3 per cent in 1997 to 56.5 per cent in spring 2006. The growth in employment levels mainly occurred in the first two years of the programme and has slowed since. One explanation is that ‘work first’ has encouraged lone parents to take lower paid jobs with fewer prospects of advancement which results in shorter job durations. Evidence also shows a growth in the number of NDLP participants taking part for the
second or subsequent time. This evidence of benefit cycling may also explain the slowing increase in the lone parent employment rate.

Main findings

- Lone parents do not suffer worse job retention outcomes than other client groups but do suffer worse outcomes than partnered mothers.
- Increasing lone parents’ job retention would increase the numbers in work and hence help in achieving a 70 per cent employment rate for lone parents by 2010.
- Analysis suggests a four fold strategy is required to address the issue of retention:
  - financial incentives and supports;
  - case management strategies;
  - skill development;
  - employer focused strategies.

The analysis found that all four strands are being addressed to some degree by current UK policy, but the case management and skill development strands particularly could be strengthened.

Evidence on the current policy provision suggests that:

- If In-Work Credit and other pilots (eg WSP, IWEF) are included, financial incentives are at a level sufficient to encourage lone parents into work, especially when combined with a Better Off Calculation. These incentives should be combined with in-work support to improve the timeliness of interventions and reduce job exits. The cycles of vulnerability framework presented in the report shows how targeting of financial support in a timely manner is essential to prevent job exits. Targeting financial supports more effectively could be combined with bolstered in-work adviser support provision.
- Case management strategies could be improved and there is a role for the voluntary sector in this provision. A greater degree of in-work support could play a key role in retention. A policy currently being tested involves Lone Parent Advisers maintaining contact with lone parents who require additional support during the first 60 days of employment.
- Skill development should be strengthened. Demand led approaches – providing recognised qualifications in demand by local labour markets – have the best evidence of success and could be built upon. Such provision is recommended in the Leitch\(^1\) review.

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\(^1\) Leitch, S.(2006) Prosperity for all in the global economy – world class skills.
• **Employer based strategies** could be improved, though there is little evidence on what works in this area. For example, part time employment needs to be promoted by employers as a realistic and respected form of employment tenure. The Government’s goal is to support all families to find working hours to match their caring responsibilities. It has sought to encourage the provision of flexible working through promoting the spread of best practice alongside targeted, light touch legislation. Helping lone parents to balance work and family life can, by helping them meet their parental responsibilities, have positive impacts on their children’s health, schooling and prospects in later life.
1 Introduction, background and policy context

1.1 Introduction

The overriding objective of the Government’s welfare strategy in relation to families with children is to halve child poverty by 2010 and to eradicate it by 2020. A major part of this strategy is the connected aspiration of increasing the employment rate of lone parents from 45.3 per cent in 1997 to 70 per cent by 2010. The strategy of increasing lone parent employment rates will have a major impact on child poverty; it is currently estimated that there are 1.8 million lone parents in Britain, making up approximately one in four families with dependent children; approximately 37 per cent of these families are living in households with incomes below 60 per cent of median income.²

1.2 Background

The New Deal for Lone Parents (NDLP) was set up to help achieve these Government targets; it was introduced as a pilot in 1997 and nationally in 1998. NDLP is a voluntary programme which aims to ‘help and encourage lone parents to improve their prospects and living standards by taking up or increasing hours of paid work and/or to improve the job readiness of lone parents to increase their employment opportunities’.³ Though NDLP itself is a voluntary programme, lone parents attend mandatory Work Focused Interviews (WFIs). WFIs were introduced in October 2000 for lone parents making new or repeat claims in three pathfinder areas, and nationally in April 2001. Interviews were rolled out gradually depending on the age


of the youngest child. WFIIs are intended to increase participation in NDLP by making lone parents aware of the support available to them at the beginning of their Income Support (IS) claim. This programme is typical of the current welfare strategy, known as Welfare to Work, the principle of which is to aid people off benefits and into work as the best way of reducing poverty and welfare dependency.

To date, NDLP has proved very successful at meeting its goals: the employment rate for lone parents has increased from 45.3 per cent in 1997 to the current figure of 56.5 per cent in spring 2006 (figures from Labour Force Survey). Since 1998 almost 824,200 lone parents have joined NDLP and since October 1998, NDLP has helped over 458,000 lone parents into work. Evaluation of the national programme has shown a number of benefits of NDLP, beyond simple job outcomes. Participants reported high levels of satisfaction with NDLP, with high praise for their Personal Adviser (PA). NDLP helped lone parents find work, change their working arrangements, find a place in an education or training programme, find suitable childcare or set up a business. These tangible outcomes were often combined with less tangible improvements such as improved confidence in relation to ability and skills, and increased motivation. An evaluation of New Deal for Lone Parents (NDLP) quantitative survey data has shown that, ‘43 per cent of participants had entered full-time or part-time work compared to 19 per cent of matched non-participants. This suggests that 24 per cent of lone parent participants had found work who would not otherwise have done so.’ An econometric evaluation by Dolton (2006) suggests this estimate is too high but still estimates 14.2 per cent of flow NDLP and WFI participants (those who have been on benefit for less than six months) leave benefits who would not otherwise have done so. However, research by Evans et al (2003) indicates that in terms of movement into employment, ‘growth in performance mostly occurred between the first two years and growth between the last two years has been negligible.’ This raises the question of whether an ‘outcome plateau’ could have been reached.

One factor limiting the impact of NDLP is the level of participation; currently only 17.5 per cent of the eligible population of lone parents participate. Survey evidence suggests that around two-thirds of those who do not take part in NDLP do not have a specific reason for their non-participation. Qualitative evidence suggests that this may be due to a lack of awareness about the content of NDLP by lone parents and a

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8 DWP (2007) Internal administrative data.
lack of clarity on the advisers’ behalf as to when a lone parent can be said to be a participant. Other factors limiting participation include: attitudes towards parenthood, views regarding childcare, personal circumstances (such as health, low levels of confidence and lack of stability within the family), financial concerns, practical issues such as transport and cultural factors (i.e. a culture of living on benefits).

There are several reasons for the slowing of lone parent employment rate growth but the nature of a work first programme is one of the underlying explanations. Evidence from the UK suggests that the work first approach has led to a lack of retention in jobs secured through the programme. This is backed by evidence from the implementation of Temporary Assistance to Needy Families (TANF) in the US (see Section 2.2). TANF is the federal funding providing grants for needy families and was predominantly based on a work first philosophy. Millar and Evans (2003) report, ‘the effectiveness of programmes with a stronger emphasis on rapid labour market attachment was simplified into a message that education and training “didn’t work” and that programmes should redirect attention to work first.’ The emphasis on work first ‘also played an important role in increasing the likelihood that parents attaining employment entered low-wage jobs.’ Such low paid, part-time employment with fewer prospects of advancement results in higher job exit rates. Boushey (2002) agrees with this analysis stating that, ‘lower quality jobs mean shorter employment durations and lower real wage growth’. The synthesis report by Evans, Millar and Sarre (2003) suggests that since 1999 the cumulative numbers of NDLP participants leaving work and returning to IS after two-and-three-quarter years represents 41 per cent of all those who left NDLP for work. There is also evidence to suggest a growth in the number of repeat participants, those on NDLP for a second or subsequent time; as Evans and Millar (2003) point out, ‘This would be expected as programme longevity increases, but...by August 2002, just under one third of participants are participating for the second time and a further six to seven per cent for the third or subsequent time.’ This evidence of high job exit rates and of so called ‘benefit cycling’ (repeated claims for out of work benefits

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accompanied by intervening periods in work\textsuperscript{15}) highlights one of the possible reasons for the slowing in the increase of the lone parent employment rate.

The issues of benefit cycling and of high job exit rates for lone parents must be addressed if the target of 70 per cent employment rate for lone parents is to be met. In short, this is the issue of retention; if policies can be developed that help lone parents stay in work that complement the effective strategies for getting lone parents into work, a 70 per cent employment rate is more likely to be achievable.

1.3 Definitions and related concepts

The concept of retention (or employment sustainability) encompasses several related concepts. Kellard \textit{et al.} (2001) state that, ‘\textit{employment sustainability embraces a common sense meaning and this is best defined as: the maintenance of a stable or upward employment trajectory in the longer term.}’\textsuperscript{16} In order to properly understand this issue, the following related concepts must be considered:

- Employability – defined as ‘\textit{having the capability to gain initial employment, maintain employment and obtain new employment if required}’\textsuperscript{17}.
- Job stability – is defined and measured in terms of how long an individual stays in a particular job.
- Job retention – the literature refers to job retention in terms of employees who remain in their job despite changes in personal circumstances or changes in the job.
- Career development or advancement – refers to the progression up the career or wage ladder in a job/career over time.
- Self sufficiency – implies financial independence, this can be through income from work or being free from benefit dependency.

\textsuperscript{15} Evans, Harkness and Ortiz (2004), Lone parents cycling between work and benefits, p.5.


1.4 The experience of lone parents in work – UK

The latest full analysis of the Family and Children Study (FACS) is based on the 2004 data\textsuperscript{18}. This study provides quantitative data on many aspects of life, including experience of work. The report shows that:

- 48 per cent of lone mothers worked 16 hours or more per week compared to 59 per cent of mothers in couple families;
- 48 per cent of lone mothers worked no hours compared to 28 per cent of mothers in couple families;
- among lone mothers in work, 43 per cent were full-time (30 hours or more per week);
- among lone mothers in work, 41 per cent worked part-time (16 – 29 hours per week);
- of those lone mothers in work, 92 per cent work 16 hours or more per week compared to 83 per cent of mothers in couple families;
- coupled mothers are over twice as likely as lone mothers to be working between one and 15 hours per week (17 compared to eight per cent);
- 30 per cent of lone mothers working 16 hours or more per week, were found in the top three Standard Occupational Classification (SOC) groups (managerial, professional and associated professional groups), this compares to 42 per cent of coupled mothers;
- lone mothers are more likely to have been out of work for over two years than coupled mothers, 63 per cent and 55 per cent respectively.

These figures show that lone parents as a whole are less likely to be employed than coupled mothers; if lone parents are in work they are more likely to work longer hours and less likely to be in the top three SOC groups and are more likely to have been out of work for more than two years. This experience of work impacts on family income, almost three-quarters (73 per cent) of families in the lowest income quintile were lone parents, over half (53 per cent) were lone parents not working 16 or more hours per week and one-fifth were lone parents working 16 or more hours per week.

\textsuperscript{18} Lyon, Barnes and Sweiry (2006) Families with children in Britain: Findings from the 2004 Families and Children Study (FACS).
1.4.1 Part-time working

The figures above show that 41 per cent of lone mothers in work are working part-time. Evidence\textsuperscript{19} does not suggest that lone mothers are more likely than other women to work part-time; however, evidence from the British Household Panel Survey (BHPS) suggests that the greater the number of children, the more likely both men and women are to work part-time, though the effect is far more pronounced for women.

\textit{‘One additional child aged 0-4 increases the likelihood of part-time involvement in the labour market by about 24 per cent in the case of men, and by almost 80 per cent in the case of women. The difference in probability terms is huge: one extra child in this age group increases the probability of working part-time from 6 per cent to 7 per cent for men, and from 30 per cent to virtually 100 per cent for women.’}\textsuperscript{20}

So, whilst lone parents may be no more likely than other women to work part-time, as women with children they are still strongly associated with part-time work.

The personal characteristics of female part-time workers and male part-time workers are strikingly different. Men are less likely to be voluntarily working part-time than women; only 48 per cent of male part-time workers did not want a full-time job compared to 81 per cent of women part-time workers. Nearly all women part-timers with dependent children (therefore including lone mothers) said they did not want a full-time job (94 per cent).

The strong association of lone mothers with part-time work may have an impact on their experience of work. Part-time work has been found to be associated with lower hourly pay, women part-timers have been found to earn around 60 per cent of the hourly median for male full-timers.\textsuperscript{21} A recent study found that women part-timers receive an average of 22 per cent less than women working full-time. However, once the characteristics of the women are taken into account, this pay penalty is reduced to 10 per cent and if occupational segregation is taken into account, this falls to just three per cent.\textsuperscript{22} This reflects the fact that part-time work is more available in lower paid occupations such as sales and customer service and very little part-time work is available in higher paid occupations such as managerial or professional occupations.

Part-time workers are 40 per cent less likely to receive training than full-time workers\textsuperscript{23}, this can result in deskilling and an increasing gap between full- and part-time workers over time. This lack of in-work training may also result in poor advancement opportunities which in turn can lead to poor retention outcomes.

\textsuperscript{22} Millar, Ridge and Bennett (2006) Part-time work and social security: increasing the options, p20.
Part-time jobs have been found to have shorter durations than full-time work. The median duration of a full-time job during the 1990s and the first years of the new millennium was 30 months, the equivalent figure for part-time jobs is 18 months.\(^{24}\)

There is evidence to suggest that part-time work can act as a ‘stepping stone’ into longer hours or full-time work. Millar, Ridge and Bennett suggests several reasons this may be the case; part-time work, ‘can provide a way of ‘testing the water’, providing a chance to get used to new work routines and new childcare and other arrangements. They can help people to update skills and human capital more generally. They may also increase social capital, providing an increased chance for work-related contacts.\(^{25}\) A current research project aims to better understand these issues and ascertain how important the role of ‘mini-jobs’ (less than 16 hours per week) are in helping mothers move into full-time work (over 30 hours per week) and under what circumstances mini-jobs help mothers make the transition from worklessness to full-time work.

To summarise, part-time workers generally (and hence, lone parents as they are more likely to be working part-time) are more likely to be in lower paid occupations, less likely to receive on the job training and more likely to exit work sooner than those working full-time.

### 1.4.2 Job duration

Analysis has been conducted on internal DWP figures\(^{26}\) estimating the percentage of clients leaving jobs of particular durations broken down by Jobcentre Plus district and month. The data tables are provided in the appendices and graphs are included below. Figure 1.1 presents job duration figures averaged over all districts and shows the percentage of those leaving jobs after durations of 0-1 quarters, 1-2 quarters, 2-3 quarters, etc. The graph shows what might be expected: a fairly smooth curve showing the longer someone stays in a job, the less likely they become to leave that job. This relationship is consistent across all Jobcentre Plus districts.

Figure 1.2 shows the job duration figures, averaged over all Jobcentre Plus districts and broken down by client groups. This graph shows that lone parents have very similar retention outcomes to other client groups. In fact, the graph shows that lone parents are less likely to exit a job during the first quarter than other client groups.

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\(^{26}\) Figures based on provisional internal DWP administrative data. See the Appendix for details.
Figure 1.3 is produced using the averaged job exit percentages from all the Jobcentre Plus districts, the graph shows the percentage of job leavers falling into each duration category (0-1 quarters, 1-2 quarters, 2-3 quarters, etc) for each month (April 2004 – March 2005). Plotting the graph in this way makes clear the seasonal nature of lone parent job exits. There is a noticeable peak of job exits between January – March for those lone parents whose job has lasted between 0-1 quarter and 1-2 quarters. An increased job exit rate during the period January – March, for those lone parents with shorter job durations can be explained by an increase in short term jobs taken in the run up to the Christmas period. Another trend highlighted by this analysis is that those with longer job durations are most likely to leave their jobs in August; this is true of all durations over three quarters. This trend could be explained by lone parents exiting work during children’s school holiday period.

Overall, the data shows that a lone parent is over twice as likely to leave a job in the first quarter (or first three months) than in the second quarter and nearly four times more likely to leave a job in the first quarter than the third quarter. However, lone parents do not appear to suffer worse retention outcomes when compared to other client groups.

Further details on these figures can be found in the Appendix.

Figure 1.1  Duration of jobs ending between April 2004 and March 2005 – PG1 Lone parents
Figure 1.2  Duration of jobs ending between April 2004 and March 2005 – by client group

Figure 1.3  Percentage leaving jobs by month of job exit and duration of job
1.5 Policy context – NDLP

As mentioned already, NDLP is a voluntary programme, the objectives of which are to:

- help and encourage lone parents to improve their prospects and living standards by taking up increased hours of paid work;
- improve the job readiness of lone parents to increase their employment opportunities.

These objectives are typical of a work first approach. However, as the second objective hints, NDLP also recognises that a work first approach will not work for everyone. Those some distance from the labour market, for example with few or no qualifications or work experience, will find it more difficult to find stable employment.

NDLP provision is centred on the PA. The PA works with the lone parent through Lone Parent Work Focused Interviews (LPWFIs) and other contact in order to:

- encourage and motivate all lone parents to identify their skills and develop confidence;
- provide support and guidance to clients who are ready to search for work and provide practical support in finding and applying for jobs;
- improve awareness and knowledge of benefits and tax credits and provide practical support organising and applying for them;
- help with the transition from IS into work by providing ‘better off’ calculations, assisting with in-work benefit claims and liaising with employers;
- identify and provide access to education or training courses with a ‘direct’ work outcome to increase job readiness (including Jobcentre Plus programmes), and provide practical support applying for education and training;
- provide practical support in finding childcare, applying for child maintenance and liaising with the Child Support Agency;
- offer in-work support.

This provision has been available to NDLP participants since the beginning of the programme. Other policy developments are currently being piloted; the pilots will be returned to and discussed later in this chapter. Even in the original form, NDLP does, if only in a small way, provide services aimed at improving job retention; specifically the training element and the provision of in-work support. A major development in the NDLP provision was the introduction, in 2001, of the Adviser Discretion Fund (ADF). This fund is designed to extend the flexibility of New Deal programmes and to

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help remove obstacles to a successful job search. The PA can award funds for use on anything which will help customers find work, attend an interview or accept a job offer. This might include clothes, tools, travel costs or, particularly important to lone parents, up-front childcare costs. The ADF originally provided awards for up to £300. Since May 2005, this has been reduced to £100 (awards of £300 can still be made for up-front childcare costs if supported by a simplified business case).

1.6 Policy context – making work pay

Policies other than NDLP also have significance to lone parent job retention; notably policies designed to make sure people are financially better off in work than on benefits.

1.6.1 Tax credits

In 1999 Family Credit (FC) was replaced by Working Families’ Tax Credit (WFTC). FC was, ‘a means-tested social security benefit administered by the Benefits Agency and paid to people in families where at least one person works full-time (i.e. for 16 hours per week or more).’ WFTC was, as the name suggests, a tax credit and as such administered by the Inland Revenue, again for those working full-time. The Government saw this development as a ‘step towards greater integration of the tax and benefits system.’ In 2003 WFTC was replaced by Working Tax Credit (WTC) and Child Tax Credit (CTC).

CTC is payable to families with children whether or not the parent(s) are in full-time work. The credit is made up of several elements, each carrying with it extra entitlement: a family element is payable for each family (irrespective of being a single parent or a couple and hence, benefiting lone parents more than couples), and an amount for each child plus an extra entitlement if there is a child under the age of one (the baby entitlement), there is an element for children with a disability and an extra entitlement for those with a severe disability. The credit is administered through Her Majesty’s Revenue and Customs (HMRC).

WTC is payable to any low paid workers employed for 16 hours or more per week. WTC comprises of elements in a similar way to CTC. The elements are: the basic element (to which all are entitled) a lone parent element, a couple element, 30 hour element (for those working 30 hours or more per week), a disability element and a 50 plus element. WTC also includes a childcare element. The childcare element is available to working lone parents or couples where both adults are working or where one is working and the other partner is incapacitated, in hospital or prison. The childcare element is calculated separately from the rest of the credit and is

designed to cover up to 80 per cent of registered childcare, up to a maximum of £175 a week for a single child or up to £300 per week for two or more children. The Daycare Trust's 2007 Childcare Costs Survey\textsuperscript{31} found the average weekly cost of a nursery place for a child under four in England was £146 and £128.50 in Wales.

These credits are designed to create an incentive to work for 16 hours or more and a greater incentive to work 30 hours or more. Such incentives help individuals to avoid the poverty trap whereby they are unable to increase their income by increasing the number of hours worked. The Joseph Rowntree Foundation published a report assessing the current Government policy regarding child poverty, the report states, ‘In-work benefits and tax credits for a couple with two children ensure that employment, even at only 16 hours a week, raises incomes significantly above the level available from benefits when out of work.’\textsuperscript{32}

Evidence suggests that WFTC, ‘increased lone parents’ employment by 4.7 percentage points’\textsuperscript{33}. This equates to 69,000 more lone parents in work. When combined with the findings relating to couples this equates to 95,000 less workless households with children.

\subsection*{1.6.2 National minimum wage}

Another major policy change aimed at making work pay was the introduction of a national minimum wage, currently at £5.35 per hour for workers aged 22 and over. The Low Pay Commission report published in 2005\textsuperscript{34} shows that women and part-time workers are the main beneficiaries of the national minimum wage.

\subsection*{1.6.3 Childcare}

The National Childcare Strategy has been a key element of the policies to enable lone parents to get and stay in work; lone parents have a particular requirement for childcare due to their single carer status. Childcare cost is one of the major expenses associated with returning to work for lone parents. The National Childcare Strategy has aimed to increase the number and quality of childcare places and to provide better information about accessing those places. ‘Since 1997, more than 553,000 new childcare places have been created across the country, benefiting over 1,007,000 children.’\textsuperscript{35} By 2010 the Government aims to ensure that all children...

\textsuperscript{33} Brewer et al. (2003) Did Working Families' Tax Credit work? Analysing the impact of in-work support on labour supply and programme participation, p.40.
aged 3 to 14 will have access to a childcare place between 8am and 6pm each weekday. It is also worth noting that all three and four year olds now receive free part-time childcare up to 12.5 hours per week.

1.6.4 Employment rights

Another policy which will help lone parents stay in work is the right to time off and flexible working. Up until the child’s fifth birthday, a parent is entitled to 13 weeks leave (for each child) though this leave is not necessarily paid and can only be taken after the parent has worked for the employer for a year or more. Flexible working patterns can be requested, and have to be seriously considered by the employer, until the child’s sixth birthday; this is available after working for an employer for 26 weeks. ‘Over a fifth (22 per cent) of parents with children under six requested to work flexibly over the last 2 years. The majority of employees (81 per cent) who had made a request had their request either fully or partly accepted. This compares with 77 per cent of requests that were accepted before the right to request was introduced’

Evidence from the Government’s former Work-life Balance Challenge Fund showed that workplaces with flexible working policies have reduced staff turnover by 68 per cent, reduced absenteeism by 50 per cent and increased productivity by 50 per cent. The Government is currently looking at the possibility of extending the right to request flexible working to parents with older children. Legislation has recently been passed to extend maternity leave from six to nine months from April 2007. The Government aims to have 12 months entitlement to paid maternity leave by the end of the Parliament.

The combination of NDLP, and other policies which aim to make work pay, have been successful in helping to break the benefit dependency cycle for many individuals. Despite the introduction of the above policies since 1998, lone parents continue to experience disproportionately poor job retention outcomes when compared to other coupled mothers.

1.7 Policy context – pilots and programmes

In addition to the provision currently available to lone parents through NDLP, other policies are being/have been piloted and evaluated. Major policy developments being tested include the Employment Retention and Advancement (ERA) programme, Employment Zones (EZs), New Deal Plus for Lone Parents, the Extended Schools childcare pilots, In-Work Credit, Work Search Premium and the Ambition pilots.


38 Evans, Harkness & Ortiz (2004) Lone parents cycling between work and benefits, Chapter 2.
1.7.1 Supply- and demand-based employment policies

The pilots described in this section show the direction of travel in current policies; various in-work supports are being tested, predominantly financial but also tailored training as in the ERA programme. Employment policies are moving to a more demand-led approach rather than the traditional supply-based policies. A supply based employment strategy concentrates on the potential employee and their circumstances; ie the supply of labour. NDLP is a good example of such a policy; the emphasis is on overcoming the various issues affecting lone parents’ ability to work. The childcare element of WTC is a good example of a supply-led approach; it aims to overcome the issue of affordability of childcare in order to facilitate the return to work for a lone parent and to ensure that work is financially beneficial. The alternative to this supply approach is a demand-based strategy, ‘This approach engages employers in the design of training and work experience and uses their hiring requirements to define programme content and the basic standard of job readiness.’

A demand-led strategy has been piloted by the National Employment Panel (NEP) in the form of the Ambition pilots and in the EZs. Demand based approaches appear to provide better retention outcomes than the more traditional supply based approach. Evidence from Canada’s federal Employability Improvement Programme introduced in 1991 (replacing several existing training programmes with a demand led approach) found that, “Comparing participants to non-participants suggested that employment duration was enhanced following the programme, with participants working more weeks per year after participation (approximately 13 more weeks), and having higher annual earnings (approximately £2,306) with less time in receipt of social assistance.”

1.7.2 In-Work Credit (supply)

In-Work Credit (IWC) involves a payment of £40 per week to a lone parent working over 16 hours per week; the allowance is paid for a year up to the value of £2,080. To receive the credit a lone parent has to be in continuous work, providing evidence of this four times over the 12 month period; if the individual leaves work for five weeks or more, the credit is stopped. This policy makes work more financially attractive and appears to be popular amongst both lone parents and advisers. Emerging qualitative evidence suggests that lone parents do not return to IS once the incentive ends. The early evidence from this pilot suggests it could be very popular and highly successful in both getting lone parents into work and encouraging them to stay in work. The pilot was originally introduced in three Extended Schools.

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40 Kellard et al. (2002) From Job Seekers to Job Keepers: Job retention, advancement and the role of in-work support programmes, p.27.
41 DWP is engaged in a continuous programme of research, all emerging findings will be published and become available from: http://www.dwp.gov.uk/asd/asd5/
Childcare pilot areas in April 2004. From October 2004, IWC became available in a further nine pilot areas. From April 2005, IWC was also rolled out across eight of the nine London districts to all parents who have been out of work and on certain benefits for more than one year. The pilot does not cover the North-East London Jobcentre Plus district, where the Employment Retention and Advancement Scheme tests similar incentives. In October 2005, IWC was extended to six further areas in the South East of England, where the gains to work are weakest. As a result an additional 84,000 lone parents were eligible for the Credit from October 2005. This means that 48 per cent of lone parents in the UK who have been on benefit for a year or more are now eligible for the IWC.

1.7.3 In-Work Emergency Fund (supply)

The In-Work Emergency Fund (IWEF) introduced in October 2004 in the six Work Works areas (Leeds, Bradford, Glasgow, London, Manchester and Liverpool) is another pilot designed to help lone parents remain in work; it was introduced to help lone parents meet the costs of emergencies during the first 60 days of employment and to overcome issues that might otherwise make it difficult to remain in work. The overall aim of the IWEF is, therefore, to help sustain lone parents in work and to prevent them returning to benefits. Early evaluation evidence showed that the initial guidance written for the IWEF was too restrictive, resulting in low take up of the fund. Qualitative evidence indicated that, ‘the IWEF had played a crucial role in sustaining lone parents in work.’ However, a lack of clarity remained around when and how the fund could be promoted and used. The problem was addressed by relaxing and clarifying the guidance in November 2005. Since then the fund can be used to help pay utility bill arrears, childcare costs, transport needs, to fill the gap left by late payments of tax credits and other similar situations. Emerging qualitative evidence from the New Deal Plus for Lone Parents pilots indicates that since the changed guidance advisers now view the IWEF as a useful element of provision, but, that the long processing time when awards are of a greater value than £50 is contrary to the concept of an emergency fund. A quantitative impact study on this policy would be impossible due to the relatively small numbers involved. However, the statistics presented earlier in the paper clearly show that lone parents are most likely to exit work during the first three months; the IWEF covers the first 60 days of this and is now flexible enough to cover the issues faced by lone parents; as a result, one would expect this policy to help lone parents retain work during a vulnerable period.

1.7.4 In-Work Benefit Calculation (supply)

The use of the In-Work Benefit Calculation (IWBC) during compulsory WFIs, which includes the various in-work financial supports, is an effective way to change lone parents’ perceptions about the financial benefits of work. Advisers have identified a

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fear in lone parents about the financial risks of moving off benefit and into work; by conducting an IWBC, advisers are able to quantify how much better or worse off the lone parent would be in work. Eighty-seven per cent of IWBCs show the lone parent will be better off in work, by an average of £40. These findings do suggest the financial support available is sufficient to encourage lone parents back into work by ensuring they will be financially better off.

1.7.5 Employment, Advancement and Retention demonstration (supply)

Currently, the biggest development in retention policies is the ERA programme. This is a long term demonstration project designed by the Chief Social Researcher’s Office (located within the Strategy Unit within Her Majesty’s Treasury (HMT)) to both develop current welfare to work policies and to make a significant contribution to evidence-based policy making in this country. This project has been designed to test what is effective in helping people retain and advance in work. These new in-work services are aimed at three groups who have difficulty in getting and keeping full-time work and in advancing to more secure and better paid positions; these are lone parents entering NDLP, lone parents receiving WTCs on the basis of jobs in which they work between 16 and 24 hours per week and longer term, unemployed people entering the New Deal for 25+ (ND25+). ERA is a demonstration project which is an experiment to test how well such a scheme might work, rather than a pilot which aims to test a new programme prior to a planned national implementation. This demonstration project randomly assigned everyone eligible for the new services, within six Jobcentre Plus districts, into one of two groups: a programme or a control group. The random assignment took place between October 2003 and January 2005. Over 16,000 people were randomly assigned. The programme group are offered the new ERA services and incentives, while the control group receive no ERA services or initiatives but continue to receive instead their existing New Deal services or other schemes, or none as appropriate. The two groups can then be compared and any additional impact (such as higher retention rates) observed in the programme group, can be directly attributed to the programme. The findings from this project provide robust evidence of what works and ought to allow for reproduction of policies throughout the country. Year one impacts have recently been published; it must be noted that ERA is designed to have an impact over a long period of time and that year one impacts must be taken in this context; that being said, the results from the first year are extremely positive. Year two impacts will be published early in 2008.

ERA consists of the following elements:

- full-time workers receive six bonus payments of £400 if they have worked for three months of a set four-month period;

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• those in the programme group working more than 16 hours per week can get up to £1,000 for training fees. Whilst they are undertaking the course they can then qualify for up to £1,000 of bonus payments, which is worked out as a bonus of £8 per hour for every hour they spend studying on their course;

• Advancement Support Advisers (ASAs) provide one-to-one support for up to 33 months; allowing for nine months pre-employment support and a minimum of 24 months post-employment support.

ASAs provide all forms of pre- and post-employment services. For example, ASAs will help with job searches, advise on gaining promotion, can help to deal with problems in the workplace, identify training opportunities and other related services.

1.7.6 Employment Zones (demand)

EZs were set up in April 2000 to address the areas worst affected by long term unemployment. The Spending Review 2002 announced that EZs would be extended to new client groups, including lone parents. Unlike other groups participating in EZs, participation for lone parents is voluntary. EZ provision for lone parents typically consists of:

• a 26 week period of intensive engagement involving action planning and jobsearch;

• in-work support once the client has entered work. Contractors receive payments when the client enters work and further outcome payments at 5 and 13 weeks.

Initially, the take up of EZ provision among the eligible lone parent population was relatively low\textsuperscript{44}. Variations in the level of recruitment aimed at lone parents, issues with contracts and problems regarding the referral of lone parents from Jobcentre Plus\textsuperscript{45}, all hampered participation and the collection of evidence. However, several changes to the EZ contracts were introduced in November 2005, which have resulted in providers now viewing the lone parent client group as more important\textsuperscript{46}.

1.7.7 Ambition pilots (demand)

Research in the US has shown that the demand-led approach achieves consistently high performance outcomes. Ambition was expected to deliver high levels of performance. Sixty per cent of starters are expected to enter work; with 70 per cent of those job entrants retained in employment six months later. The funding model for Ambition provided a strong incentive to achieve these performance levels and

\textsuperscript{44} Based on internal administrative data.

\textsuperscript{45} Griffiths et al. (2006) Evaluation of the single provider employment zone extension, p.71.

providers were paid a bonus if they exceed them both by at least five percentage points.47

The Ambition pilots were set up by the NEP, Jobcentre Plus, employers and other partners with four key objectives which were to:

- test demand-led approach to job preparation and training programmes;
- achieve higher performance than most mainstream provision;
- enable disadvantaged jobseekers to enter jobs with higher than entry level pay and strong potential for career development;
- generate wider lessons regarding employer engagement and to raise the capacity of Jobcentre Plus and providers to implement the demand-led approach.

The roll out of the pilots began in June 2002. There were four Ambition strands: Construction, IT, Energy and Retail. A key objective for Ambition was to place at least 60 per cent of trainees into Ambition jobs and for at least 70 per cent of those still to be in the occupation six months later.

A stock-take report was published in February 2004 to assess the development and progress of the Ambition pilots. The report states that (in October 2003), ‘Ambitions were achieving a placement rate of 59% and a retention rate of 72%’. Ambition pilots were, therefore, meeting their targets and achieving excellent results. However, though lone parents were identified as a target group, there has been limited success in attracting them to the programme. The reasons for this are not well evidenced but appear to be related to gender stereotypes regarding the types of jobs available (IT, construction and energy industries) and to the amount of time and commitment required by the programme. More was done to attract and retain lone parents in the programme in the run up to, and following, the publication of this report but no evidence is available on the impact or effectiveness of those developments and no further impact evaluation is planned.

The final research output of the Ambition pilots was designed to identify best practice in employer engagement and aspects of the programme that could be replicated in the delivery of BoND (Building on the New Deal). The report stated, ‘The general satisfaction with Ambition and its principles suggest that an approach that takes employer requirements into account and provides the necessary flexibility in delivering such a service should be replicated in other employment programmes.’ That being said, the lack of a control group meant that the long-term impact and value for money of the Ambition programme could not be comprehensively evaluated. It was clear, however, that such an approach takes significant time and resources.

2 Evidence review

2.1 UK evidence review (2001)

Kellard et al. (2001) conducted a comprehensive literature review into the concept of employment sustainability – the focus was on young people, the long-term unemployed and others at a disadvantage in the labour market, including lone parents. A definition of employment sustainability was established and several related concepts and issues were identified (as mentioned previously in this paper). The review also explored what issues impact on this concept of job sustainability; certain personal characteristics were found to correlate with lower job sustainability but labour market characteristics and employers’ attitudes and practices were also found to have an impact. Though job stability is important, employment sustainability (ie length of time in constant employment) is of greater concern. Moving jobs is often necessary in order to gain a promotion, get a better job or a pay rise.

The report suggests the concept of sustainability, encompassing job stability and job retention together with advancement, is best viewed as an individual’s trajectory being facilitated or constrained by their attributes and labour market characteristics. The themes that emerged from their comprehensive literature review were:

- Sustainability is related to an individual’s employability, this includes human capital and social capital as well as the individual characteristics, skills and abilities that help people to stay in work.

- Sustainability is about the nature of jobs themselves. For many leaving benefits, low skilled, low paid employment is the only option available, these jobs are by nature shorter lived and more insecure.

- Sustainability is related to the relationship between the employer and employee, including the practices of employers.

- Sustainability is about staying in the labour market for a sufficient period to gain resources, be they financial, human or social capital.

- Finally, sustainability involves a dynamic element, an individual’s ability to progress in employment (not necessarily in the same job or with the same employer).
From these themes, the common sense definition of sustainability was expanded, defining it as,

‘...the maintenance of a stable or upward employment trajectory in the longer term. Sustainability will be determined by personal characteristics and circumstances and by labour market opportunities.’

These themes can be used to inform the understanding of retention policies for lone parents; they make it clear that emphasis on a client’s personal characteristics only addresses one part of the issue of job retention; a successful retention policy will have to not only concentrate on personal characteristics but also the nature of jobs clients apply for and the practices of potential employers.

2.1.1 Individual characteristics

Several individual characteristics were identified as potentially impacting on job retention, a few of which are already being addressed by the NDLP programme. The identified characteristics are as follows:

- number and duration of spells on benefit;
- activities whilst unemployed;
- motivation and attachment to work;
- human capital (qualifications and numeracy skills);
- social capital;
- race and ethnicity;
- health and disability;
- housing tenure;
- Transport.

Of these characteristics, most can be addressed by policy interventions, these include: activities whilst unemployed, human capital and to a degree, motivation. NDLP and other pilot schemes (such as Discovery Weeks) are already attempting to address these issues.

2.1.2 Employers’ attitudes and practices

Employers’ attitudes and practices have been found to impact on retention outcomes. For example, there exists a trend towards a more flexible workforce; this means that an employer may decide to take on temporary workers, staff on short-term or part-time contract or subcontract work out. Such types of employment are less sustainable than full-time contracted employment. Evidence suggests that

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young women and women with young children are more likely to hold seasonal or casual jobs. Seasonal and casual workers are less likely to be satisfied with their jobs than permanent workers. Both types of temporary workers (seasonal and casual) are less satisfied than permanent workers with their promotion prospects and job security. The relationship between the employer and employee could also play a crucial role in retention outcomes; if the relationship has been a productive one, retention is more likely; if the relationship has been antagonistic, it is unlikely the employer will promote or support that employee.

2.1.3 Labour market characteristics
Another factor to examine is that of the labour market characteristics, four elements were identified by Kellard et al. (2001):

- an increase in flexible working patterns;
- shorter job tenure;
- a decrease in the ‘sustainability’ of entry level jobs;
- opportunities in high turnover occupations.

The increase in flexible working patterns over the last two decades such as: self employment, part-time and temporary employment, has been dramatic. Such jobs are more often associated with women and younger workers and are also associated with high turnover (hence, low retention rates). Entry level jobs tend to be in high turnover sectors such as retail, offering low skilled manual jobs (compared to the stock of jobs). Entry level jobs are five times more likely to be temporary and 50 per cent more likely to be part-time. Lone parents are particularly associated with this type of employment as discussed earlier in the paper.

2.1.4 Summary
The evidence presented by Kellard et al. (2001) suggests that a policy designed to impact on job retention will have to address not only individual characteristics but also employers’ practice and labour market issues.

Attitudes and practices of employers have been found to impact on job retention; this includes ways of building strong productive relationships between the employer and employee and also finding incentives for employers to take on lone parents for long term and full-time employment. This could be achieved through financial incentives or demand-based training and enhanced job matching by providing employers with employees who have the skills and knowledge required for particular jobs. This would help bypass the entry level jobs associated with poor retention outcomes. The relationship between the employer and employee is an issue that can be addressed; one of the key roles of an in-work adviser is to act as an intermediary and to help resolve any issues amicably.


2.2 Retention policy in the US

Welfare policy in the US differs markedly from that of Britain: the US employs a residual welfare state as opposed to universal provision in the UK. In the terms of Esping-Anderson’s (1990)\textsuperscript{54} typology, the US has an overtly liberal regime whereas the welfare state in the UK is traditionally social democratic (though it has elements of a liberal system). This difference has profound impacts on the aims of welfare policy; the US, for example, imposes time limits on federal welfare provision for lone parents (60 months in the case of Temporary Assistance for Needy Families (TANF)) whereas in the UK, welfare provision for lone parents is currently available until the youngest child reaches 16. Another major difference is that participation is often mandatory in the US whereas NDLP in the UK is voluntary. Due to these institutional differences, care must be taken when drawing on the experience of the US; some lessons can, however, be learnt.

During the 1990s, the US Federal Government replaced Aid to Families with Dependent Children (AFDC), which had provided the mainstay of welfare provision to impoverished families since the Great Depression era. There was much debate and political wrangling over the make up of the replacement policy; as a result, findings from random assignment experiments became highly influential in the creation of the new policy.

2.2.1 Personal Responsibility and Work Opportunity Reconciliation Act

The research findings informed the creation of the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA), introduced in 1996. This policy provided block grants to states, the most relevant to lone parents being TANF and Child Care and Development Block Grants (CCDBG).

TANF provides block grants of fixed funding to states; the individual states are able to use these funds in any manner that they see as appropriate in the achievement of the four purposes of the law. The four purposes are to:

- provide assistance to needy families;
- end dependency on Government benefits by promoting job preparation, work and marriage;
- discourage out-of-wedlock pregnancies;
- encourage the formation and maintenance of two-parent families.

In addition to PRWORA, several other policy changes had an impact on lone parent employment. In 1993, the Federal Government increased payments of Earned Income Tax Credits (EITC). EITC is the main wage subsidy available to low income families. It provides a tax credit equal to a percentage of earnings, thus payments increase as earnings increase, up to a specified income level. Changes to the entitlement rules for Medicaid were introduced in 1996; this enabled low income families to access free health care. The other major policy change was the increase in the minimum wage, thus making work more financially beneficial to those in low paid jobs.

In the years following the introduction of TANF, caseloads decreased markedly; even during the period of economic downturn faced since 2001 caseloads continued to fall, albeit less rapidly. The increase in employment rates among lone parents was dramatic; however, jobs gained by lone parents were predominantly low paid with few employer-provided benefits. Studies found that those leaving TANF for work were experiencing poor retention outcomes. A national compilation of studies found that 71 per cent worked at some point in the year after leaving TANF but only 37 per cent worked in all four quarters of the year.55 This low retention rate has led to developing interest in job retention strategies in the US.

2.2.2 Evidence from Survey of Income and Programme Participation

A paper published by Boushey (2002)56 draws evidence from the Survey of Income and Programme Participation (SIPP) longitudinal panel data set. The paper reports several findings but the main point raised is that increased wages and long-term employment work together. Those who remain consistently employed are more likely to experience increased wages, but causality also works the other way; those who start jobs with higher wages are more likely to stay employed for longer. The quality of the first job entered into after receiving benefits was found to be crucial. The study uses two proxies to measure whether a job can be considered ‘a good job’: whether it includes employer-provided health insurance and the starting wages. Unsurprisingly, increased job duration was found to be associated with starting in good quality jobs. The implication of this is that a work first approach will have a detrimental impact on job durations.

2.2.3 Post Employment Services Demonstration

The first large scale evaluation into advancement and retention strategies was the Post Employment Services Demonstration (PESD). This programme provided case management services to newly employed welfare recipients, aiming to promote job


retention. The evaluation findings were disappointing, ‘overall, the programs had little effect on increasing earnings, reducing welfare, or promoting the move toward self-sufficiency.’ \(^{57}\). However, several conclusions drawn can provide valuable insight for future retention programmes:

- programmes should attempt to tailor services to meet client needs and target clients appropriately for different types of job retention services;

- simplifying service delivery mechanisms can enable programme staff to focus more on service coordination and on meeting other needs of clients;

- programmes considering adding job retention assistance to their current set of services should carefully assess what services their programs currently provide and make changes to fill gaps in their current systems. \(^{58}\)

### 2.2.4 Employment Retention and Advancement

The next attempt to design and evaluate a retention programme in the US was the ERA programme. There are 15 areas running variations of this programme across the US and some preliminary findings are available. The scheme aimed to build on the previous experience of PESD. The focus was broadened from the case management strategy to include a wider range of approaches, including job matching, training opportunities and financial incentives. Bloom et al. (2005) published a paper detailing early findings from four of the areas involved. The most important finding was that, ‘The four programs discussed in this report, like virtually all the other ERA programs, have faced a substantial challenge in increasing participation in retention and advancement services’ \(^{59}\). This is mainly due to post-employment programmes being unable to mandate participation, unlike pre-employment programmes. Many of those affected, especially lone parents, are already struggling to balance low paid work and family responsibilities, this leaves little time and energy to participate in additional activities. The overall picture of the effects of the programme on employment outcomes was mixed. The Chicago programme generated a nine per cent increase in average annual earnings, the South Carolina programme generated improved employment rates but the results were short term and inconsistent whilst Riverside found no evidence that their training-based ERA programme delivered improvements in labour market outcomes. Overall, ‘it is too early to draw broad conclusions about effectiveness of employment retention and advancement services or to determine why some ERA programs appear to be working better than others.’ \(^{60}\)

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A report by Scrivener, Azurdia and Page (2005) details the results of South Carolina's ERA programme. The content of the programme varied according to the participants’ needs but was centred on case management services. The conclusions were:

• implementing a retention and advancement programme is challenging;

• it may have been especially difficult to implement South Carolina’s ERA model, which relied on individual case managers’ abilities to assess participants’ needs, skills and goals and then provide services that would make a difference;

• for more positive results, a programme like South Carolina’s could be targeted to those who want to participate and who are likely to benefit from the services;

• many of the TANF leavers in the study remain poor and in need of support.61

2.2.5 Holzer and Martinson’s review

The ERA evaluations have not yet been running long enough to provide any robust findings that could inform policy development. A paper published by Holzer and Martinson (2005) looked at the various job retention strategies in the US and drew several conclusions. Their report identifies four types of strategy to improve job retention: financial incentives and support (earning subsidies and tax credits), case management strategies (linking workers to services), skill development (training opportunities) and employer-focused strategies (those that provide services and/or training to employees for jobs with specific employers and those that try to influence employers’ human resource policies – including recruitment, training, etc). Their review of the policy evaluations led them to the conclusion that no one policy held the answers. They found the evidence patchy with some promising initiatives not rigorously evaluated and some evaluations giving mixed results. However, strong enough evidence was collected to make the following conclusions:

• financial incentives and support seem to generate steadier employment for low earners, especially if tied to full-time work; but these supports must be permanent, and their impacts alone on advancement are likely to be very limited;

• temp agencies (and perhaps other intermediaries) can improve the access of low earners to higher wage employers, where their retention and advancement are strengthened. Some post-employment services provided at the workplace seem to strengthen advancement as well;

• education and job training for low earners are most successful when they provide workers with credentials that employers value (such as associate’s degrees, and perhaps other training certificates) and when the training provides skills that match the private sector demands in local labour markets;

61 Scrivener, Azurdia and Page (2005) The employment retention and advancement project: results from the South Carolina ERA site. MDRC. USA.
• the returns to employees from privately provided training by employers are high;
• some programmes based on mixed strategies – especially those that provide some training, a range of services and supports, financial incentives and access to better employers – have worked well, especially when implemented in an environment where pressures to gain employment are strong.\textsuperscript{62}

It seems, therefore, that strategies that take into account all four elements identified will be most effective.

2.3 Retention policies in the EU

Few EU countries have policies specifically aimed at job retention among lone parents. Member states produce National Action Plans (NAPs) on employment; these enable best practice in employment policy to be shared amongst members and for comparisons to be made. In 2002 none of the member states’ NAPs for the previous two years contained a specific reference to job retention or advancement. The EU produced its own employment report in 2001; this did not specifically mention job retention strategies.

2.4 Retention policies in Canada

Canada does have policies aimed at improving job retention and advancement. The focus of the policy initiatives is training and work experience, though some post-employment strategies, such as wage subsidies to employers and earnings supplements to employees, were also introduced. An evaluation\textsuperscript{63} (using random assignment) found that the wage supplement increased full-time employment in the first year from eight to 29 per cent, compared to the control group’s increase from eight to 14 per cent. However, wages appear to have stayed low; wages in the control group grew by 12.7 per cent compared to 11.7 per cent for the programme group. Another part of the evaluation aimed to test the success of post-employment services. It was found that a greater proportion of recipients of the post-employment services found work but lost their jobs more quickly.


\textsuperscript{63} Michalopoulos et al. (2000) cited in: Kellard et al. (2002) From jobseekers to job keepers: job retention advancement and the role of in-work support programmes, p.43.
2.5 Retention policies in New Zealand

New Zealand has brought in policies designed to increase the numbers of unemployed moving into work and aims specifically to move people into sustained employment with increased income. Policies included a transition grant available during the first six months in employment, a childcare cash subsidy and a freeze on debt repayments for the first 91 days. These policies were evaluated but no impact assessment has been carried out. The evaluation did not provide any evidence on retention outcomes but did find that although finding childcare remained a problem, those using childcare services were more likely to move into employment or undertake education or training courses.\(^{64}\)

2.6 Lone parent policy in Norway

Norway provides for an interesting comparison to the welfare models employed by the US and UK. Norway has traditionally supported lone parents as either workers and/or carers. The approach is characterised by Lewis and Hobson (1997) as a mix of ideal types of care regimes: the care giving model and the parent worker model. Since the 1990s, however, the policy context has shifted towards supporting lone parents in combining caring and employment.

Since 1964 the Norwegian Government has provided a transitional allowance to certain categories of lone parents; the allowance was made available to all lone parents (making it gender neutral) in 1981. The allowance guaranteed lone parents a minimum income until the youngest child reached the age of 10, enabling the lone parent to choose to stay at home to care for their child. The allowance also enabled the lone parent to combine caring with part-time work or education by providing top-up wages. In addition, the scheme also paid childcare benefit for parents entering paid work or education and an educational allowance to pay for books and travel expenses. All lone parents were also given a child allowance until the child reached 18 and paid reduced levels of taxation. This high level of social transfers reflects the social democratic nature of the Norwegian welfare state. Since the 1990s, however, social democratic welfare regimes such as Norway’s have generally moved toward more liberal regimes.\(^{65}\)

In line with trends across the western world, Norway experienced a rapid growth in the number of lone parents during the early 1990s. This growth in lone parent numbers did not cause a moral panic\(^{66}\) and a reactionary response. The US


\(^{65}\) Mishra, R., *Globalization and the welfare state*.

responded to a similar situation of growing numbers of lone parents by introducing TANF, one of the seven key objectives of which is to reduce out-of-wedlock pregnancies, with cash bonuses to states demonstrating the largest reduction in out-of-wedlock births and also reducing the number of abortions. The political debate over welfare reform in Norway did, however, raise a concern that the old system did not give enough incentive to lone parents to take up employment; it was argued that the scheme had made lone parents passive and dependent on welfare for too long, making a return to the labour market very difficult.

In 1998 the Norwegian Labour Government, as part of a general tightening of employment policy, time limited the transitional allowance available to lone parents to three years, with a two year extension if the lone parent takes up education. The allowance is also restricted to families where the youngest child is under eight years old. A further restriction exists after the youngest child reaches three years old, the lone parent can only receive the allowance if they are active in the labour market (either by working or actively seeking work) or studying.

The three aims of this policy were to improve the economic situation for lone parents, increase the capacity of lone parents to make their own living through paid work and improve the quality of public service toward this group. An evaluation of the scheme\textsuperscript{67} (though limited in a number of ways due to its design) found that up to half of the lone parent sample drawn for the evaluation had difficulties supporting themselves in the labour market (despite advantageous economic conditions). The time limiting element also appears to have caused problems, the Norwegian Government introduced some degree of flexibility to this, allowing a six month extension if entitlement to transitional allowance ended mid-way through a school year.

An analysis conducted by Kjeldstad and Rønsen (2004) using a longitudinal data set (the equivalent to the British Labour Force Survey) and employing multivariate analysis, drew several conclusions. It is important to note that the definition of an unemployed person in this paper is as a non-employed person available and actively seeking work and that the counterfactual used for lone parents is married and cohabiting parents. Lone mothers and fathers were found to be far more susceptible (25 and 20 per cent higher respectively) to becoming unemployed (whilst in employment) and when unemployed, lone mothers and fathers are less likely to re-enter employment (nine and 27 per cent less likely, respectively). Findings also suggest that lone parents are significantly more likely than other parents to quit the labour market altogether.

The study found:

‘Cuts in the benefit period encourage a closer attachment to the workforce by reducing exit rates to home work from employment and unemployment, raising unemployment registration rates among home workers, and speeding up the return to work among those who are unemployed. Also as expected, a higher benefit level reduces employment entry among home workers.’

The Norwegian policy approach to lone parents has achieved some success; it has reduced the numbers in receipt of the transitional allowance and has increased participation in the labour market. The Kjeldstad and Rønsen (2004) evaluation found that the policy had the expected results, encouraging lone parents to stay in employment and encouraging returns to work. However, the approach has left many lone parents in difficulty; key recommendations from the Syltevik (2001) evaluation are that the time limit ought to be more flexible, different combinations of care and paid work should be facilitated, education ought to be more accessible and problems faced by lone parents in the labour market must be addressed.

Very little evidence on the effect of these policies on job retention among lone parents has been found. The evaluations studied suggest that whilst welfare policy has helped many lone parents strengthen their attachment to the labour market, a significant proportion (up to half) of lone parents find it difficult to sustain themselves and their children in employment, suggesting the effect on retention may be negative.

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3 Analysis and policy framework

3.1 Introduction

Kellard et al. (2001) identified several concepts which are associated with job retention (or sustainability); any policy design will have to consider all these elements if it is to be successful. Kellard et al. also established that a retention policy needs to address not only personal characteristics and circumstances but also employers’ practices and labour market issues.

The lessons to be learned from the American experience have been discussed in the previous chapter; one of the main conclusions was that a retention policy needs to incorporate the four elements identified:

- case management strategies;
- financial incentives and supports;
- skill development;
- employer-focused strategies.

If these elements (and other lessons from the American experience) are considered alongside the evidence from Kellard et al., the following conclusions can be drawn:

**Case management services** providing individual tailoring and targeting of services and benefits can help aid career development and advancement and provide an intermediary between the employer and employee to promote flexibility and good practice from employers.

**Financial incentives and supports** tied into full-time work should encourage job retention and stability and make work more financially beneficial.
Skill development whilst in-work is essential to career development and advancement which directly benefits job retention. Courses that provide recognised qualifications in skills which are in demand in the local labour market (demand-based training) during the pre-employment stage, can help lone parents to avoid the low skilled, entry level jobs associated with part-time and temporary work, which also traditionally have high turnover rates.

Employer-focused strategies are needed to encourage in-work training, flexible working conditions, short notice leave for emergencies and other examples of good practice aiding positive retention outcomes. Employer-focused strategies could also help identify skills gaps, encourage more suitable pay and holiday strategies and change and improve human resource management strategies.

3.2 Analysis of current policy using the fourfold strategy

This fourfold strategy covers all the identified issues regarding job retention. One of the key lessons to be learned from the American experience was that before considering adding retention strategies to current services, existing policies should be assessed to identify gaps in the current system. The fourfold strategy developed above enables the beginning of such an assessment.

3.2.1 Case management

Case management services are currently provided to lone parents to some degree through NDLP and the WFI regime. In the pre-work stage, lone parents have an adviser who acts in the role of a case manager. The adviser is able to build up a rapport with the lone parent over time and is well positioned to help the lone parent access benefits and provide a job matching service. Advisers are able to provide some training opportunities and financial assistance to lone parents to help them into employment. Once in employment, the lone parent is still able to contact their adviser; NDLP does provide for in-work support.

‘However, take-up of post-placement support, where available (for example in the US and in some of the New Deal initiatives), was thought to be relatively low. The reasons for this were unclear. It was suggested that they could be partly related to who offers the support (that is, whether it is seen as support or policing), or a desire to disassociate with the experience of unemployment once in the world of work.’

In-work case management providing career development and advancement advice is not in general practice. Evidence from the evaluation of the NDLP PA Service pilots by Lewis et al. (2000) suggested that:

‘PAs appeared to have very little conception of a proactive role for themselves in encouraging employment sustainability. As a consequence, they did not promote their services to any great extent, nor did they establish any regular, systematic contact with lone parents once they were in work. Moreover, pressures of their workload tended to discourage them taking an active approach to in-work support.’

This is probably due to time and resources not being set aside to enable advisers to provide this service beyond the initial six weeks. Even during the available six week period, time is not properly scheduled in an adviser’s day, but instead is allocated on an ad hoc basis. The evidence collected by Lewis et al. (2000) also suggested that lone parents had little knowledge of the in-work services available through NDLP and little interest in contacting their PA. This could be due to the reasons mentioned above (ie the wish to disassociate with the experience of unemployment and whether provision is seen as support or policing) but could also be due to the stigma attached to being seen as still on benefits.

Evidence from the Lessof et al. (2003) quantitative survey suggests that 28 per cent of NDLP participants who gained employment had some further contact with their PA and of those who had no further contact, 19 per cent would have liked further contact.71

Such case management strategies are important to enable targeting of resources; this helps to avoid the situation that once a lone parent is in work they do not have the Jobcentre Plus contact which would enable advisers to identify needs and offer solutions to those needs. Case management strategies also provide an intermediary between the employer and the lone parent. A case manager may be able to negotiate better conditions for the lone parent, be it more flexible hours or the ability to take short term leave at short notice (to help with child sickness, etc). It is important to note that the services provided and skills needed for in-work case management are very different to those needed for pre-work case management and extensive upskilling of advisers would be required.


3.2.2 Financial incentives

Financial incentives and in-work supports make up the bulk of the strategies employed and being developed in the UK to aid lone parent job retention. Financial supports exist to ensure that the majority of lone parents will be better off in work than on benefit; such supports include tax credits, the minimum wage, IWC, IWEF and others. These supports not only encourage lone parents into employment, evidence suggests they also aid job retention\(^\text{72}\).

3.2.3 Skill development

Skill development plays a vital role in the pre-work period of help for lone parents; it helps an individual gain vital work skills, develop confidence in their abilities and to build human and social capital.

The Department for Trade and Industry (DTI) and the Department for Education and Skills (DFES) published a White Paper in spring 2005 entitled ‘Skills: Getting on in business, getting on at work’\(^\text{73}\). The paper builds on the Governments’ first national skills strategy from 2003 and aims to develop the ‘strategy for ensuring that employers have the right skills to support the success of their businesses and individuals gain the skills they need to be employable and personally fulfilled’\(^\text{74}\). The most important elements for lone parents are the ‘skills for life’ initiative aiming to improve parents’ literacy and numeracy skills and the New Deal for Skills. The New Deal for Skills provides a package of measures designed to provide individually tailored support to priority groups, including lone parents. However, there is no employer input or demand-based approach used in this programme.

There is some provision available on NDLP; lone parents are able to take courses up to NVQ level 2 if they have not already achieved qualifications at that level and up to level 3 at the adviser’s discretion. The evidence on the impact of training is mixed. Whilst there is a direct correlation between the level of qualifications held by an individual and the quality of job, level of wages and job durations; when policies providing training whilst unemployed are evaluated, there is no discernable impact on quality of jobs, wages or retention. Added to this, training programmes come across very badly in standard cost benefit analysis; probably due to the longer term impact of such interventions and unquantifiable benefits such as building human and social capital. As a result, training programmes are not given the level of prominence or funding enjoyed by other interventions. The evidence available does, however, suggest that a demand-led approach to training that provides recognised

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\(\text{72}\) Lessof et al. (2003) New Deal for Lone Parents evaluation: Findings from the quantitative survey, p.132.

\(\text{73}\) DFES (2005) Skills: Getting on in business, getting on at work.

qualifications, does relate to better job outcomes.\textsuperscript{75} The Leitch review (2006) emphatically backs a demand led approach, stating that, ‘building a demand-led system is the only way in which to increase employer and individual investment in skills and ensure that increased investment delivers economically valuable skills.’\textsuperscript{76}

3.2.4 Employer-focused strategies

Employer focused strategies (that attempt to influence employers’ human resources (HR), training and pay strategies) are a vital part of any retention strategy. Policies such as the minimum wage, in-work training provision and the right to request flexible work if your child is under six years old, all provide a work environment that enables lone parents to stay in, and advance in, work. Such employer-focused policy is overseen by the DTI who understandably do not measure the impact of such policies on the labour market outcomes for lone parents.

3.3 In-work support analysis

Having discussed the various forms of in-work support currently available and the pilots currently being tested (including in-work adviser and financial support), a position has now been reached where an analysis of these policies as a whole is possible. The policies that exist currently include tax credits (including the childcare element), the national minimum wage and the National Childcare Strategy; if the IWC and the IWEF are all rolled out to complement the current policy, a fairly comprehensive system of financial support will be available; the policies will ensure the lone parent is better off in work than on benefit. Extra financial support will be available for the first 60 days (the time that a lone parent is most likely to exit a job) through the IWEF whilst the IWC will provide an incentive to remain employed for at least a year. Emerging evidence suggests that once employed for a year (the period for which IWC is available) lone parents are likely to remain in work, despite the ending of in-work supports. Whilst these policies do appear to provide sufficient financial support to lone parents, the issue is how to make such interventions available to those who under normal circumstances will have no contact with the Jobcentre Plus office (due to being employed), in a timely manner; such issues could be addressed through a greater use of in-work adviser support. Section 3.4 shows the necessity of timely interventions and the problems that can be caused by the lack of an intervention.

\textsuperscript{75} Kellard \textit{et al.} (2002) From Job Seekers to Job Keepers: job retention, advancement and the role of in-work support programmes, p.27.

\textsuperscript{76} Leitch, S. (2006) Prosperity for all in the global economy – world class skills.
3.4 Cycles of vulnerability

In a paper produced for the Health and Safety Executive, James, Dibben and Cunningham (2003) developed a framework of vulnerability in the workplace. This model shows cycles of vulnerability for disabled workers; the model has been adapted for this paper to address lone parent vulnerabilities and is shown in Figure 3.1. Figure 3.1 shows how a lone parent can fall into a cycle of vulnerability if a problem arises. Such problems could include a breakdown in childcare arrangements, ill health of a child, transport problems, debt crisis, benefit problems, etc. A lone parent descending into these cycles will risk eventual exit from the organisation, whether on a voluntary or compulsory basis.

The top box represents lone parents with no issues or constraints affecting their work. (Note that it does not mean they have no constraints but rather any they do have are not affecting work performance.)

The first cycle represents the lone parents in work who develop a problem that could, in the future, affect work performance if the situation worsens. Whether the issue will affect work performance will rely on two factors: whether an intervention is available to alleviate the problems and secondly, whether the employer is willing and able to introduce adjustments in the workplace (such as more flexible working, transport season ticket loans, short notice leave, etc).

The second cycle represents lone parents in work who have an issue affecting work performance (for example, being late to work due to childcare problems, over tiredness caused by child illness or transport problems). Falling into this cycle of vulnerability can occur when those in the first cycle do not receive an intervention or workplace adjustment. A fall into this cycle can also occur directly on the development of such a problem.

Finally, the third cycle of vulnerability refers to those lone parents in work with issues affecting their attendance. Lone parents can again fall directly into this cycle on the development of a problem or fall into this cycle if an intervention or workplace adjustment is not forthcoming.

The left side of the diagram depicts the opportunity for upward movement through the cycles toward more stable employment. The thicker line represents situations in which a lone parent can exit a cycle of vulnerability to the situation where they do not have any issues or constraints affecting work performance through an intervention or workplace adjustment.

The thinner lines (on the left) show movements within the three cycles representing a reduction of vulnerability; a reduction in vulnerability will depend on the extent to which the issue has been overcome.
This framework can be used to better understand the need for timely interventions to aid job retention for lone parents and the importance of workplace adjustments. Interventions in the UK are primarily financial but other types of help (such as an adviser helping to organise alternative childcare arrangements), could also alleviate issues arising. The cycles of vulnerability model shows how, unless a situation is dealt with in a timely and appropriate manner, any small scale problem can soon escalate and result in a job exit. Lone parents are particularly susceptible to such vulnerabilities.
due to their roles as sole carers of their children. On the basis that the in-work financial supports discussed cover the appropriate time period to ensure a lone
parent achieves steady employment and ensure a lone parent will be financially better off in work than on benefits, the issue becomes how to ensure the appropriate intervention reaches the lone parent at the appropriate time. In-work adviser support could help address this issue though as previously discussed (see Section 3.2.1) post-placement support take-up has been low. It has been suggested that Jobcentre Plus are not best placed to provide such support and that there is a possible role for the voluntary or charitable sector.
4 Summary and policy recommendations

The evidence gathered suggests that NDLP is an effective programme which greatly increases the chances of a participant gaining work. The policy is based on a work first approach. This has two major impacts: those who are closest to the labour market will find stable employment fairly quickly, but those furthest from the labour market are more likely to enter low paid, part-time employment with fewer prospects of advancement, resulting in higher job exit rates\textsuperscript{77}. The evidence that lone parent employment figures have remained fairly static over the last two years backs up this assertion. If the status quo remains, achieving the 70 per cent target will be extremely challenging, particularly in a tight fiscal environment. Since 1998, NDLP has helped 472,000 individuals into work; in order to achieve a 70 per cent employment rate by 2010, around an additional 300,000 lone parents would need to be in work, taking account of demographic change.

The evidence of high job entry rates but combined with a low rate of job retention suggests addressing the problem of low lone parent job retention will help considerably towards meeting the 70 per cent employment rate target.

This paper has looked at the current welfare provision available to lone parents and looked at policy and programme pilots which will impact on lone parent job retention in the future. The current evidence base from the UK and abroad has been reviewed to assess what more can be done to deal with the poor job retention outcomes experienced by lone parents, and lessons have been drawn from that review.

The evidence gathered suggests the need for a four-fold strategy to address the issue of job retention. This strategy must incorporate:

- financial incentives and supports;
- case management strategies;
- skill development;
- employer-focused strategies.

The above analysis shows that the current UK strategy for dealing with lone parent employment has dealt with each of the key areas, to some degree. The pilot policies being tested also move a lot further toward achieving the demands of this fourfold strategy. The analysis above does, however, show that there is more that the UK could be doing in order to address the issue of lone parent job retention and that without addressing these issues, it is very unlikely the 70 per cent employment target or the child poverty target will be met.

The financial supports currently available, combined with policies being piloted appear to be sufficient to ensure lone parents are better off in work than on benefits. Research into the better off calculation has found that a large majority of lone parents would be better off in work than on benefits by an average of £40 per week. Improvements could be made to the way in which in-work financial supports are targeted at vulnerable individuals in a timely manner. Such timely interventions would help reduce job exits, and hence, the problem of cycling, as demonstrated by the cycles of vulnerability framework described in Section 3.4.

NDLP provides very effective pre-work case management but was not designed to provide extensive in-work support. A strategy for providing case management services which can tailor and target interventions more effectively in the workplace is not incorporated in current policy design. An adviser can provide much needed help, advice and support during the first few months of employment, the period a lone parent is most likely to exit work. An in-work adviser who has regular contact with the lone parent might be able to prevent minor situations snowballing which could in time result in a job exit (as shown by the cycles of vulnerability framework). In-work support is available but relies on a lone parent going to a Jobcentre Plus office to access this support on their own initiative. Regular contact (in person, by phone or by letter) with an in-work support adviser would make lone parents more aware of the help and advice available. Consideration ought to be given to the voluntary or charitable sectors providing enhanced in-work support, this would help to avoid the issues regarding the provision of such support by PAs and whether such support is seen as policing (see Sections 3.2 and 3.5).

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Evidence on the effectiveness of **skill development** is mixed. NDLP has a very small training element and this is an area which could be strengthened. Evidence from a number of sources, including international evidence, suggests demand-led training results in improved retention outcomes. The Ambition pilots provided the best example of a demand-led strategy, and the lessons from this programme could be applied to other pre-work and skill development programmes.

There are some **employer-based strategies** that impact on lone parent retention, such as policies involving the right to request flexible work. The right to request flexible work has increased the uptake and had positive impacts on employers (as discussed earlier in the paper). Working with employers to develop in-house training and skill development, better HR policies and so on, could be tied into a more effective in-work case management strategy. Employers could also be encouraged to allow time off for emergencies and key transitions in parents’ lives, such as a child starting school. More could also be done to ensure that employers give part-time workers the same benefits, opportunities and promotions afforded to full-time workers. There is a lack of evidence surrounding the effectiveness and impacts of such policies on employment outcomes, and this represents a fundamental knowledge gap.

This paper has examined the current policy provision and looked at pilots and programmes relevant to the issue of job retention among lone parents. The evidence review identified four key elements to be addressed in the design of a retention policy. This fourfold strategy was used to evaluate the current policy provision and identify any gaps. The evidence collated suggests that case management strategies could be improved and that there is a role for the voluntary sector in this provision, that training provision could be strengthened and that demand-led approaches have the best evidence of success, and finally, though there is little evidence on what works in this area, employer-based strategies could be improved.
Appendix
Data tables

Below are the data tables for the graphs produced in Chapter 1 of this report. The notes below the data tables provide details on the data: sources, data cleansing, adjustments, etc, as well as details of who is included in the various client groups mentioned.

Table A.1   Data for Figures 1.1 and 1.2

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<td>30.24</td>
<td>19.4</td>
<td>10.64</td>
<td>6.23</td>
<td>14.23</td>
<td>8.41</td>
<td>5.28</td>
<td>5.57</td>
</tr>
</tbody>
</table>

Retention in job

**Duration of job outcomes known to have ended in a given month 2004-2005**

Created using longanom.johnsw_dec05.nn_jotspells.

Performance month (Cycle-b months) have been used rather than calendar months for all tables:

- PG1 – Lone parents consists of: Jobless lone parents including people on NDLP;
- PG1 – PHCD consists of: Those on the New Deal for Disabled People, Customers in receipt of an inactive benefit due to a health condition or disability;
- PG1 – Other consists of: Other inactive benefit customers;
- PG2 – consists of: People on the New Deal 50 plus, People on the New Deal 25 plus, Those on the New Deal for Young People, New Deal for Partners and the Partner WFI process, Employment Zones, People with Disabilities not included in Priority Customer Group 1, People claiming Jobseeker’s Allowance (JSA) for six months and over, Harder to help, People claiming Pension Credit;
- PG3 consists of: people claiming JSA for under six months;
- PG4 consists of: unemployed not claiming benefits;
- PG5 consists of: employed people.
This dataset does not include 6 April start dates or 5 April end dates – dates imputed for unknown employment start and end dates.

Only JOT outcomes received within six months of the employment start date are counted.

For this analysis 29 March 2003 end dates have been removed, as these are system generated end dates, therefore, the true end is unknown.

Any employment end dates or start dates after the current HMRC extract date have been removed.

Figures for years have been divided by four to make them consistent with the quarterly figures.

Figures are averages of all 50 Jobcentre Plus districts.

Figures are provisional and subject to revision. Based on internal DWP data analysis.
References


