

# Can altering the structure of financial support payments aid work retention amongst lone parents?: Qualitative evaluation of the In Work Retention Pilot

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This report presents findings from a qualitative evaluation of the In Work Retention Pilot (IWRP) for lone parents, commissioned by the Department for Work and Pensions (DWP) and conducted by the Policy Studies Institute (PSI). The pilot was introduced in two Jobcentre Plus districts from July 2008 until July 2010. It was a variation on In Work Credit (IWC), with a different payment structure and additional advisory support. The payment structure comprised nine months of weekly payments (£40 a week) plus two lump sums of £260 at weeks 39 and 52. This compares to IWC (available in all other Jobcentre Plus districts) which comprises 52 weeks of weekly payments (£40 a week). The main findings include:

- IWRP payments were felt to have an incentive effect on work entry for some groups of lone parents, notably those who were receptive to work but needed further reassurance about their finance in work. This could be because they were entering low-paid work or because they had debts to pay off.
- The payments were thought to have less incentive effect on work retention. Some lone parents reported that the payments had enhanced their financial wellbeing in work, and thus reinforced their commitment to working, but it was rarely the case that the payments made the key difference between staying in or leaving work.
- The distinctive payment structure of IWRP, in itself, was not felt to have any effect on work entry or work retention. This was because the change to lump sums at week 39 was considered too far ahead to have any effect on initial decisions to enter work, and by the nine month stage lone parents were less likely to have financial problems that threatened work retention.
- The distinctive payment structure was said to be helpful for lone parents' budgeting. Lone parents generally appreciated weekly payments when they first started work as a safety net, but liked lump sum payments further down the line, when they were more accustomed to managing on their wages, and could dedicate the larger amounts to bigger purchases that were difficult save up for.
- Implementation and delivery of the pilot was mostly trouble-free. However, the delivery of retention and advancement support was not occurring as intended. Staff felt that there was insufficient training and awareness for providing this support.
- Lone parents reported mixed experiences of receiving retention support from Jobcentre Plus once in work, and very little experience of any kind of advancement support. There is considerable scope for improving the delivery of such support to lone parents.

## Background

The IWRP was intended to test the effectiveness of using a variation in the administration of IWC payments as an aid to work retention and

progression. To be eligible for IWC, lone parents must enter work of at least 16 hours a week and have claimed a relevant benefit for 12 months previously. As well as the distinctive payment structure, payments through IWRP were conditional on attending a meeting with a lone parent adviser which should address any barriers to work retention and discuss progression opportunities. Thus the pilot was testing the effects of a different payment model and additional adviser support on lone parents' work outcomes. The aim of the evaluation was to examine the effectiveness of the IWRP in encouraging lone parents to stay in and advance in work.

## Method

The evaluation was primarily qualitative, supplemented by an analysis of administrative data on the take up rates and background characteristics of IWRP participants. The evaluation did not provide an assessment of the **impact** of IWRP on work outcomes.

The qualitative research comprised:

- A familiarisation phase examining background materials and interviews with key informants.
- Interviews with a range of Jobcentre Plus staff involved in the delivery of the pilot and observations of meetings between advisers and lone parents.
- In-depth research with lone parents, comprising 18 depth interviews and two focus groups.

## IWRP payments as a work entry incentive

Most Jobcentre Plus staff felt that the payments were a good work entry incentive. Payments were felt to be most effective for those lone parents thinking about work but needing an extra 'push', or for those who were unsure about their finances.

Lone parent views were equally split between those who felt the payments had some influence on their decisions to work and those who did not. Those who found it influential were already receptive to entering work but said that IWRP gave them a bit

of extra encouragement or reassured them about their finances. A few people felt that it had a more direct influence as they took it into account when calculating whether they would be better off in work; these people were either on very low income or had debts to pay off.

No staff or lone parents thought that the distinctive payment structure of IWRP had any influence on its effect as a work entry incentive.

## IWRP payments as a work retention incentive

Staff and lone parents were less inclined to view the payments as an incentive to work retention. Staff generally felt that the initial weekly payments were important for work retention, but that by nine months most lone parents had sorted out their finances, and problems that threatened work retention at that stage were unlikely to be financial.

Around half of the lone parents said that payments had made a difference to their work retention, but all referred to the weekly payments rather than to the lump sums. The weekly payments had enhanced financial wellbeing, thus making respondents feel better about being in work. None said they would have left work without the payments, although a few might have reconsidered their position if, without the payments, they were not feeling better off; again these were people who were relying on the payments to pay off debts. None said that the lump sums made the key difference to their work retention, although a few described them as an encouragement to 'keep going' in work.

## Effects of IWRP payments on lone parent finances

The vast majority of lone parents used the weekly payments to supplement their income for day-to-day expenditures, although a small number saved them up. Almost everyone thought the payments had been helpful in meeting day-to-day expenses, and several felt that they had made a big difference to their financial wellbeing, particularly those people

who had used the payments for servicing debt. Lump sums were spent differently; they were either saved up for holidays/Christmas or spent on larger items (furniture, clothes, car repairs, ‘treats’). How people coped with the transition from weekly payments to lump sums varied, but no-one experienced significant financial problems. Some had to adjust and tighten their spending, others had to budget differently. Those who were further down the line said that they had coped better over time.

The majority of lone parents liked the payment structure the way it was because they felt weekly payments were better for budgeting when they first started work, while lump sums were helpful either to ‘wean them off’ IWC or to enable them to make larger purchases. A few preferred weekly payments for the full 52 weeks, often those who were more reliant on the payments or put them to a distinctive use (e.g. to pay off debts), and a few preferred just lump sums. These latter people tended to be less reliant on the payments.

Jobcentre Plus staff views were similar. Most thought that the switch to lump sums helped to ‘wean’ lone parents off reliance on weekly payments and that lump sums effectively saved up money for lone parents, enabling larger purchases to be made. A few thought that weekly payments for the full 52 weeks were better for lone parents as they are used to managing on a weekly budget or that the structure made no difference because by nine months in work most lone parents would be adept at budgeting.

## Participation, take up and implementation

Take up rates for IWRP were ten per cent, measured as a percentage of all eligible lone parents in the pilot districts, and 28 per cent, measured as a percentage of eligible lone parents leaving benefits. These figures are very similar to those recorded for the take up of the IWC pilot among lone parents who qualify due to their benefit status. Although the comparison is only approximate, the similar findings suggest that the distinctive payment structure of the IWRP has little effect on take up.

Any initial implementation problems were generally quickly resolved, although there were some early delays in the processing of payments to lone parents and some confusion over the scheduling of meetings in the early days. Advisers in some offices would have appreciated more administrative support through a dedicated In Work Credit Officer (IWCO).

Interviews at the 39 and 52 week stage fulfilled a largely administrative purpose; retention and advancement support was rarely provided. This was a consequence of lack of training and limited awareness among advisers that the pilot was intended to deliver this kind of support.

## Retention and advancement support

The early weeks of work were said to be critical in determining whether lone parents would remain in work, and when they were in most need of advisory support. However, some parents also called for the availability of ongoing support, particularly for managing the transition off IWC payments and for advice on the interactions between wage/hours increases and tax credits. The receipt of advisory support from Jobcentre Plus was inconsistent and of variable quality. Having ongoing contact with a single adviser appeared to be key in facilitating communication and support.

The majority of the lone parents did not receive advancement support, either from Jobcentre Plus or elsewhere. Advisers tended to see their own role in this as minor (compared to that of employers or lone parents themselves). However, some lone parents reported that they would have liked help to advance, while others who lacked confidence might have been enabled to progress with further advice and encouragement.

## Policy implications

The design of the IWRP did not allow a direct comparison of lump sums versus weekly payments, since lump sums only started at 39 weeks. Whether further testing of lump sums is useful should be informed by the findings of other evaluations.

The findings support the introduction of an altered structure of payments towards the end of the claim period, but the IWRP is currently not the best design to support this. One approach could be a more gradually tapered withdrawal. A different option would be to give lone parents the choice as to how payments are made to suit their individual budgeting strategies.

Given that the intended aim of the policy was to promote retention and advancement, larger lump sum payments could be tied to an advancement purpose, e.g. investing the money in training.

If a similar initiative were to deliver retention and advancement support in the future, longer meeting times would be required as well as substantial investment in staff training and management support.

More could be done to improve the delivery of in work support to lone parents including measures to increase uptake; regular reviews of the relationship between lone parents and advisers; better staff training for delivering in-work support; and more advice and support offered on budgeting and debt.

There is a need for better provision of advancement support, including both specialist advice on career paths, as well as coaching support to build up confidence.

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You can download the full report free from: <http://research.dwp.gov.uk/asd/asd5/rrs-index.asp>

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