



# Lone Parent Obligations: an impact assessment

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Before November 2008, lone parents were able to claim Income Support (IS) as a lone parent until their youngest child reached 16. Since then, the age of the youngest child has been reduced over time, so that since May 2012 lone parents with a youngest child aged five or over are no longer entitled to claim IS solely on the grounds of being a lone parent. Lone parents losing entitlement to IS are able to claim another out-of-work benefit, such as Jobseeker's Allowance (JSA) or Employment and Support Allowance (ESA), where appropriate. Some lone parents are also exempt from Lone Parent Obligations (LPO) and can continue to claim IS for another qualifying reason. LPO aims to increase the number of lone parents moving into work, as a way of reducing child poverty among lone parent families, as well as to promote the wider benefits from a move into work.

## Key findings

- LPO has had a much greater impact on moving lone parents into work than other previous programmes and initiatives aimed at this group of claimants.
- Three months after the loss of IS entitlement, LPO is estimated to have reduced the share of lone parents receiving any out-of-work benefit by between 11 and 13 percentage points, and to have increased the share in work by around seven percentage points. This corresponds to 50,000 fewer lone parents receiving an out-of-work benefit and 30,000 more recorded as being in work.

- Nine months after loss of IS entitlement, the share receiving any out-of-work benefit had fallen further, to between a 13 and 16 percentage point reduction, and the share in work had increased by between eight and ten percentage points.
- Of those lone parents who moved into work, most moved directly from IS to work (58 per cent) before the loss of IS entitlement. Just under a third had moved into work following a spell on JSA.
- Lone parents with older children and lone parents aged under 25 appear to be less affected by LPO, consistent with these lone parents being further from the labour market, with less (recent) experience of work, and greater barriers to moving into work.
- LPO does not appear to have encouraged lone parents to have more children to remain eligible for IS and avoid LPO.

## Background

This impact assessment is part of a comprehensive evaluation of LPO. The primary aim of the evaluation has been to explore whether and how lone parent employment interventions provide an effective incentive to look for paid employment, alongside an effective package of support for workless lone parents to enable them to find, enter and sustain paid employment.

The impact assessment aims to quantify the impact of LPO by providing estimates of how many lone parents were moved off out-of-work benefits and into work as a result of LPO. It examines the impact of LPO on lone parents in the earlier phases of LPO, who lost entitlement to IS between November 2008 and the end of June 2011, at a time when their youngest child was at least seven-years-old but less than 16-years-old. It does not examine the impact of LPO on lone parents with a youngest child aged five or six, who were subject to LPO from May 2012.

The analysis uses a 'difference-in-differences' estimator, with lone parents with a youngest child aged four used as the 'comparison group'. In such a study, the difference in outcomes between the two groups before 2008 serves as a baseline against which to compare the difference in outcomes between the two groups after LPO was introduced.

The impact assessment uses Department for Work and Pensions (DWP) administrative data from the Work and Pensions Longitudinal Study (WPLS). The definition of being 'in work' is derived from information about working hours (16 hours or more) within tax credits claims. This is assumed to be the most accurate measure of work, given that it is reported by lone parents themselves and captures information for people on lower earnings, compared to other sources of data. However, it may be an incomplete measure if lone parents affected by LPO did not claim tax credits when in work, either through non-take-up among those who were eligible, or because they were ineligible (which would happen if they were in families who earned too much).

## **Moving off of out-of-work benefits and into work**

Three months after the loss of entitlement to IS, LPO is estimated to have reduced the share of affected lone parents receiving any out-of-work benefit by between 11 and 13 percentage points, and to have increased the share in work by around seven percentage points. In absolute

numbers, this corresponds to 50,000 fewer receiving an out-of-work benefit, and 30,000 more recorded as being in work.

The reduction in receipt of out-of-work benefits conceals flows between out-of-work benefits: three months after the estimated loss of IS entitlement, LPO had reduced the share of lone parents receiving IS by between 47 and 58 percentage points, but, of those, between 24 and 33 percentage points moved to JSA and 11 and 12 percentage points to ESA. This equates to there being 230,000 fewer receiving IS, but 130,000 more receiving JSA and 45,000 more receiving ESA.

The impact of LPO generally grows over time, so that, nine months after the loss of IS entitlement, LPO is estimated to have reduced the share of affected lone parents receiving any out-of-work benefit by between 13 and 16 percentage points, and to have increased the share in work by between eight to ten percentage points.

## **What happens to lone parents as a result of LPO**

As expected, LPO resulted in the majority of lone parents moving off IS at the time the data suggest that they should have lost entitlement to IS. There is a significant move between the out-of-work benefits at this time, with lone parents moving from IS to JSA or ESA.

For lone parents who moved into work as a result of LPO, most moved into work directly from IS (58 per cent), suggesting that they are able to move into work before the loss of IS entitlement and so avoid moving to another benefit as a result of LPO. Just under a third (30 per cent) had moved into work following a spell on JSA and very few moved into work from ESA. The majority of lone parents affected by LPO who subsequently move from IS to JSA or ESA do not move into work during the period they are observed, suggesting that the effect of LPO on movement into work increases more slowly after the loss of IS entitlement than before.

There is a small group who move off of out-of-work benefits as a result of LPO, but do not move into work (around 15 per cent, 12 months after the loss of IS entitlement). About half of these are just receiving Child Tax Credit (but not Working Tax Credit), suggesting they are still a lone parent with dependent children. Of the remaining half, some have re-partnered and are receiving tax credits as part of a couple, but some do not seem to be receiving any out-of-work benefits or tax credits. It is difficult to draw firm conclusions on this latter group from the data used for the impact assessment, but other strands of the evaluation of LPO have investigated the size and circumstances of lone parents affected by LPO who stop receiving out-of-work benefits, but do not move into work (see Coleman and Riley (2012) and Casebourne *et al.* (2010)), with re-partnering accounting for the largest proportion of these lone parents. In common with other strands of the evaluation, this impact assessment has been able to estimate that the proportion of lone parents in an 'unknown' destination is small.

Twelve months after the date on which it is estimated that they should have lost IS entitlement, around ten per cent of lone parents are still receiving IS. The majority of these have experienced a change in circumstances which means that they are still eligible to receive Income Support, but, for around a third (representing around three to four percentage points of all of those potentially affected by LPO), there is no identifiable reason why the lone parent was still receiving IS at this time.

## **The effect of LPO on different groups of lone parents and different outcomes**

The analysis suggests that LPO was less effective at moving lone parents with older children (12 and over) off out-of-work benefits and into work than it was those with younger children. This may reflect that, for some lone

parents with older children affected at the start of LPO, the loss of IS entitlement happened only a few months or a year or two earlier than it would have occurred anyway under the previous entitlement rules, but it may also reflect that the affected lone parents with older children tended to have been on out-of-work benefits for a long time. Similarly, lone parents aged under 25 appear to have been impacted less by LPO than lone parents aged 25 years and older, with fewer moving off out-of-work benefits and into work. Both findings are consistent with these groups being further from the labour market, with less (recent) experience of work, and greater barriers to moving into work.

Although some lone parents due to be affected by LPO did remain on IS because they had younger children, LPO does not appear to have encouraged lone parents to have more children to remain eligible for IS and avoid LPO.

## **Conclusions**

The headline finding of the analysis for this impact assessment is that LPO has meant an additional 13 to 16 percentage points of lone parents, no longer receiving any out-of-work benefit, nine months after losing entitlement to IS. These impacts are considerably higher than the estimated impacts for other lone parent initiatives, such as for the Lone Parent Pilots, Work Focused Interviews, and the New Deal for Lone Parents evaluations; all three of which had impacts of around two percentage points for all lone parents on IS (although generally after 12 months – the main report from this analysis also has impacts for 12 months, but not always for lone parents with the younger children). It should be noted that the estimated impacts of these programmes are all for slightly different groups of lone parents and the programmes were in place at different points in time. In addition, the interventions varied in terms of whether they were voluntary or mandatory.

Overall, this suggests that LPO is an effective way of moving lone parents from out-of-work benefits and into work. It's effectiveness is partly due to its mandatory nature and the conditionality associated with a move to other benefits with the loss of IS entitlement. In addition, the assessment does not account for new or repeat lone parent claimants, so is likely to underestimate the impact of LPO because of this.

However, this analysis has not examined the wider impacts of LPO (such as substitution/displacement effects due to the employment impacts of LPO, although these are likely to be small), the cost of the intervention (in particular, relative to the cost of other interventions), nor the effect more generally of the policy on the lone parents affected (which is covered in other strands of the evaluation).

The analysis also suggests that most of those lone parents who do find work do so before they lose entitlement to IS and have to move to another benefit. The circumstances of these lone parents may mean that they have the skills, experience, motivation or opportunities to move into work relatively easily. Those lone parents who go on to claim JSA or ESA may need more support to help with a move into work, an issue covered in other strands of the evaluation.

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The full report of these research findings is published by the Department for Work and Pensions (ISBN 978 1 909532 45 8. Research Report 845. June 2013).

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

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