

Supporting lone parents' journey off benefits and into work: a qualitative evaluation of the role of In Work Credit

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In Work Credit (IWC) is a non-taxable weekly payment of £40 (£60 in London districts). It is paid for a maximum of 52 weeks to lone parents moving into paid employment of 16 hours per week or more, who have had a period of 12 months or more on out-of-work benefits. The policy intent of IWC is to increase lone parent employment rates by encouraging more lone parents to look for work and to move from benefits into work, as well as to contribute to the government's target of reducing child poverty. Since it was rolled out nationally in April 2008, 118,100 individuals have received IWC.¹

Inclusion was commissioned by the Department for Work and Pensions (DWP) to evaluate the delivery of IWC since national roll-out, investigate the effect on retention after the end of IWC and examine differences between those who completed their claim and those who did not. In addition, the research examined the wider impact of being in work on lone parents and their children.

The findings from this evaluation are based on qualitative interviews with 126 lone parents in four case study areas² and three focus groups of Jobcentre Plus staff. Lone parent interviewees included those who had recently started an IWC claim, those nearing the end or who had recently completed 52 weeks of IWC, some who had not completed the 52 weeks of IWC and a smaller group who had made more than one IWC claim. This evaluation comprised an implementation study and

a retention study, the latter of which had a second wave of research in order to follow up interviewees three to seven months after their IWC claim had ended.

Findings

Role of IWC in lone parents' decision to move into work

Interviewees' motivations for working were mixed and included: financial reward, improved social standing, gaining various personal benefits and setting a good example to their children. The timing of when a lone parent decided to go back to work was often related to an individual 'tipping point' in their life, for instance their children reaching a certain age. Interviewees had often become more disposed to working as their children grew older. However, some interviewees expressed reservations about working when children were early teenaged or secondary school age. This was due to concerns that without the stronger supervision and influence that would come from having their parent at home more, older children would (or might) be more vulnerable to negative peer influences such as drugs, gangs and crime. The main issues that lone parents overcame before moving into work were: a lack of confidence and a lack of jobs available locally. However, the degree to which interviewees for this study felt they had been restrained from seeking and entering work was less acute than has been found in some other lone parent studies (Casebourne *et al.*, forthcoming 2010 and Gloster *et al.*, 2010).

IWC was generally found not to incentivise lone parents to work, although it did some. Other factors,

¹ Data based on period between April 2008 and the end of March 2010 (inclusive). Source: DWP.

² The fieldwork for this evaluation included IWC pilot areas but excluded New Deal Plus for Lone Parent (ND+fLP) areas and the In Work Retention Pilot (IWRP) areas.

such as being motivated to work, overcoming constraints such as a lack of confidence and personal milestones were more important in the decision to look for work than IWC. However, there was a small but important group for whom IWC was an incentive. Lone parents who had been out of the labour market for a significant period found the safety net and added income that IWC provided to be key in their decision to look for and enter work. Findings indicate that the incentive effect tended to be weaker for people with more recent (and consistent) work histories, and stronger for those with more inconsistent work histories (as they are likely to be less motivated to find work without the additional financial incentive of IWC). 'Better off calculations' that included IWC led to lone parents' feeling that they would be better off in work, which for some reinforced their decision to enter work. IWC also led some lone parents to expand the type of work they considered moving into, including temporary work, and lower-paid work.

Delivery of IWC and lone parents' experience of claiming it

Overall, both staff and customers indicated that the delivery of IWC following national roll-out in April 2008 has been successful. In particular, the claim process and providing evidence of employment at the mandatory reviews was seen by most lone parents as a relatively straightforward process. Moreover, staff were confident in their ability to deliver IWC successfully and the lone parents interviewed tended to report that they had not experienced problems claiming IWC or with the payment of it. This was partly attributed to the fact that IWC was considered a relatively straightforward credit to administer, as well as the fact it had remained largely the same in the 18 months following national roll-out.

Some staff were uncertain about what evidence should be provided to demonstrate self-employment, and some lone parents found it difficult to provide the evidence requested. Therefore, this is a potential area for improvement in the future delivery of in-work credits to self-employed customers. Another suggested area for improvement was in relation to the weekly letters confirming payment of IWC. These were often seen as 'pointless' by many customers and so could be made optional or removed altogether, in order to make an efficiency saving.

The employment experience of lone parents

Finding part-time work which fitted around their childcare commitments and children's school hours was seen as being more important to lone parents than the type of job they did. Where lone parents specified the type of work they had been looking for, it often reflected the type of work that is available part-time, which was, in the main, low-paid, low-skilled work. Jobcentre Plus support (e.g. Work Focused Interviews) was the most common form of work search and support used.

In relation to hours worked, a sizable group were working exactly 16 hours a week and it was most common for interviewees to work between 16 to 29 hours a week. Fewer interviewees worked for 30 hours a week or more. These patterns of working hours reflect the benefit and tax credit system, which incentivises lone parents to work part-time more than full time. Lone parents in this evaluation had chosen part-time work that suited their caring responsibilities even when it did not reflect their skills.

Once in work, interviewees tended not to use formal childcare provision, either because they were using informal childcare or because they did not need childcare, e.g. due to the age of their children or because they worked during school hours. Responses from staff and interviewees indicated that, generally, lone parents did not receive further support from Jobcentre Plus or other welfare-to-work providers after starting work, although it was common for interviewees to be aware that it was available.

Generally, interviewees reported having a positive experience of working. This included: getting out of the house and meeting new people, enjoying learning things and being given responsibility, finding the work interesting, gaining job satisfaction and confidence, and feeling proud to be at work. There were a mixture of views on the impact lone parents felt their job was having on their children, both positive and negative, but the positives were generally considered to balance out, or often outweigh, the negatives. The key positive effects were: setting a good example for children, improved parent-child relationships and children's increased independence as a result of being in childcare (where applicable). The positive attitudes towards work and

the effect it was having on themselves and their children reflect the fact that lone parents felt that they had achieved a good balance between work and their family responsibilities by working part-time.

On the whole, lone parents interviewed for this evaluation felt they were better off in work compared with being on benefits, although for some this was only marginal. Those interviewees who felt they were not any better off in work (although not worse off) often explained that this was due to additional outgoings they were required to cover having moved into work that they had not paid when on benefits. These costs included: additional travel costs to and from work, children's school meals (as many lone parents were no longer eligible for free school meals once in work), Council Tax and childcare costs. Low levels of wages were also cited as a factor in not being better off in work, sometimes in relation to the pay-rate, as many lone parents were earning the minimum wage, but also in relation to working part-time hours. Some lone parents stated that they would be better off if they worked full-time hours, which some interviewees did take on and others hoped to in the future. Cost of housing was also given as a reason for not being better off in work by some, particularly those living in private rented accommodation, which typically had a higher rent level than social housing.

It was rare for people to consider themselves to be worse off in work. However, some lone parents who had re-partnered or lived in private rented accommodation did report that they felt financially worse off in work compared with on benefits. While not a common problem for interviewees in this evaluation, it was a significant issue for those who experienced it. Some of those who did not feel better off in work had questioned the point of staying in employment, although it was rare for interviewees to have left employment for this reason.

Role of IWC in supporting lone parents and their retention and advancement

IWC was very effective in supporting lone parents through the initial transition from benefits into work as well as throughout the first year of employment. It did this by providing a reliable weekly income whilst lone parents adjusted to a new way of budgeting on a monthly wage and by providing

additional income. Interviewees were very aware that IWC would end after 52 weeks. Once IWC ended interviewees, on the whole, missed the additional money but dealt with it, often taking steps to reduce their spending. IWC ending did not lead to lone parents leaving employment.

Lone parents were asked what difference, if any, it would have made if IWC were payable for only six months or for more than one year. Those who had not found IWC to be much of an incentive to work, viewed it as a bonus or used it for savings were more likely to say that it would have made no difference if IWC had only been paid for six months. However, those who had felt that it was more of an incentive, were more reliant on it to settle into work or to make part-time work more financially viable were more likely to feel that a year was necessary. Those with significant debt felt that a year was not long enough.

Most of the interviewees who completed the 52 weeks of IWC were still in work three to seven months later, most commonly in the same job for which they had received IWC. The reasons for staying in work were varied, personal and often inter-related. Attitudes towards benefits and work, views on the extent to which they were financially better off in work and having had a positive experience of work were the main reasons given for staying in work. The influence these reasons had and how they combined tended to differ from one individual to the next. These factors were generally felt to be more important than IWC in keeping lone parents in work.

Where lone parents were no longer able to balance their work and family responsibilities, for instance if their hours were increased or their childcare arrangements fell through, they left their jobs. Lone parents also had to leave their jobs when their hours were reduced below 16, when insecure or temporary employment ended or when they were made redundant. Those whose employment had ended were usually keen to get back to work and were taking steps to do so.

There was little evidence of lone parents advancing in their jobs, in terms of progression, promotion and pay rises. Where job advancement did occur it tended to be in relation to having undergone job-related training and taking on additional responsibility, rather than formal promotions or pay rises.

Implications for the design of future wage supplements

The key implication of this evaluation on designing future wage supplements was that IWC has demonstrated the positive role a wage supplement can play in supporting lone parents in work. IWC did this as part of a package of support that made work pay more and provided an important reliable weekly payment. This additional income and reliable weekly payments acted as a safety net while lone parents adjusted to budgeting on a monthly salary and any additional work-related costs. If the objective of a wage supplement is to improve quality of life and to reduce child poverty through raising in-work incomes for lone parents, then a wage supplement such as IWC is a way of doing this.

IWC was generally found not to incentivise lone parents to work, although it did for some. Other factors, such as being motivated to work, overcoming constraints and personal milestones, were more important in the decision to look for work than IWC. These factors were also more important than IWC in keeping people in work. Many lone parents in this evaluation had remained in work after IWC ended. Reasons given for this included the fact that they enjoyed working, remained very motivated to work or felt financially better off in work.

Should the Department wish to restrict a future wage supplement to a smaller group of recipients, then IWC could perhaps be more effectively targeted at those who have had quite long periods on benefits and/or patchy work histories. These lone parents tended to be in the small group of interviewees for whom IWC provided an incentive to work.

If a future wage supplement was based on the current IWC eligibility then it could potentially be paid for only six months. Many lone parents felt that if IWC had only been paid for six months it would have 'made no difference' to their likelihood of moving into work or staying in work. However, if a future wage supplement was to be targeted at those who have had quite long periods on benefits and/or patchy work histories, then it would probably need to be payable for one year. This is because six months would not be sufficient to overcome concerns about financial stability and being better off in work financially. In relation to how much a future wage supplement should be, this evaluation found that for lone parents outside London, £40 a week worked well and was sufficient.

A future wage supplement could be delivered by Jobcentre Plus in a similar way to IWC. The delivery of IWC was very effective in relation to the claim and payment processes. However, more could perhaps be done to increase levels of awareness of IWC amongst eligible lone parents.

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