

# **Lone parents and employment: International comparisons of what works**

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The views in this report are the authors' own and do not necessarily reflect those of the Department for Work and Pensions.



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## Executive Summary

The UK government has set a target that 70 per cent of lone parents should be in employment by 2010 - the current employment rate is about 54 per cent - and has introduced various measures intended to achieve that goal. This report examines the nature and impact of policy across a number of countries that are also exploring ways to increase the employment rates of lone parents. Such a cross-national comparison provides an opportunity to exchange information about the design and implementation of employment-related policies for lone parents.

Chapters 2 and 3 gives an overview of the New Deal for Lone Parents (NDLP) since its introduction in the summer of 1997 over six years ago, based on Evans *et al.* (2003) and Lessof *et al* (2003). Chapter 2 covers the background and policy context of NDLP, participation in NDLP, and at participants' experience of the programme. It also summarises the evidence on cost-effectiveness. Chapter 3 focuses on the impact of NDLP on lone parents' employment outcomes, and describes the research design chosen to estimate the impact of NDLP. These chapters show that NDLP has been popular with participants but as a voluntary programme has had fairly low take up. Despite low take up (which has increased substantially since the introduction of mandatory PA meetings) it has been a successful and cost effective programme that significantly increased the chances of participants to enter work.

Chapter 4 examines policy and outcomes in the United States. It provides an overview of the context for efforts to promote lone parent employment and reduce welfare caseloads in the United States during the 1990s; summarises the principal policy initiatives of this period; discusses findings about the progress and problems in the post-1996 period; and describes the current disputes over next directions.

In the US since 1996, there have been a large decline in welfare caseloads and a significant expansion in employment by lone-parent families. There is substantial consensus among researchers that the 1996 welfare changes played an important role in contributing to caseload declines and employment growth. However, it is probably impossible to determine precisely the role of the 1996 law, because the welfare changes occurred in the context of a very strong economy and other policy changes. If the goal of policymakers is both to promote employment and reduce child poverty, there is a need to do far more than the US has done to date in addressing skill-building, employment retention and advancement, and in broadening the availability of work support for low-earning families.

Chapter 5 focuses on Norway. Since the late 1990s, the Norwegian welfare policy balance has gradually shifted towards more strongly supporting women in combining employment and motherhood. The policy towards lone mothers was changed in a way that limited the period that lone parents could stay at home full-time or part-time with their children, or take part in education while living on the transitional allowance. In addition, the rates of the financial support were slightly increased and a

greater proportion of childcare expenses covered by the state. An organisation for lone-parent self-help and support was also set up. All these changes are intended to motivate lone parents to take up education and employment and represent a new policy regime for lone parenthood in Norway.

This chapter presents the results from a study conducted to evaluate the consequences of these changes for lone parents. The results show that the reform has succeeded very well with regard to reducing the number of lone parents receiving benefits. However it also showed that about half of the people interviewed had difficulties with regard to supporting themselves in the labour market. These difficulties are connected to various practical problems in the labour market and in the welfare state, but are also linked to problems in reconciling ideals and realities concerning the combination of paid work and care for small children. The chapter concludes that the problems with the new scheme in Norway are related to an over-optimistic picture of the possibilities for lone mothers in the labour market, and an under-estimation of the difficulties they face in combining care and paid work.

The situation in the Netherlands is discussed in Chapter 6. During the last two decades, the rights and obligations of people dependent on social security and social assistance have been revised in the Netherlands, and a large number of measures, including 'activation' or employment programmes, have been introduced to promote or enforce employment, employability and participation. This chapter considers the nature and impact of these changes for lone parents. It describes the main national policy reforms; discusses the increasing role of the local level in implementing and delivering social policies; summarises research which provides insight into the perspectives of lone parents themselves on participation, employment, and the combination of work and care.

For lone parents receiving Social Assistance, these reforms have had several consequences. Their work obligations have been sharpened and the opportunities to raise their own children reduced. At the same time, escaping from poverty through employment is difficult, since many lone parents are poorly qualified and prefer part-time work in order to be able to combine paid work and child care. This also raises serious doubts regarding the national government's aim to increase the outflow from Social Assistance of lone parents to the level of the outflow for all Social Assistance recipients. For lone parents with young children, activation is still voluntary, but the debate on work obligations for this group of lone parents is regularly put back on the political agenda.

Finally, in Chapter 7, New Zealand provides an example of a country which has moved from a system where work search was mandatory for lone parents on benefit with school age children, to one where getting the right outcome for the individual, regardless of children's ages, is seen as the main objective. The chapter explores this shift from 'work tests' to 'enhanced case management' in New Zealand and draws out some potential lessons for the UK. The first relates to work testing and the pitfalls to avoid in any extension of conditionality for lone parents. The evaluation of the 1998 DPB/WB reforms clearly demonstrates the importance of the 'hearts and minds' issue, particularly where Case Managers are concerned. The work-test regime while it existed was easy to subvert and was subverted. The second potential lesson relates to how the UK government might engage a much wider group of 'inactive' lone

parents in looking for work through Enhanced Case Management. This does appear to offer a more imaginative way of engaging with clients who are at a greater distance from work than those who typically engage with NDLP currently, for example. It gains support by being holistic and client led.



# 1) Employment policies for lone parents

**Jane Millar**

The UK government has set a target that 70 per cent of lone parents should be employed by 2010 - the current employment rate is about 54 per cent - and has introduced various measures intended to achieve that goal. This report examines the nature and impact of policy across a number of countries that are also exploring ways to increase the employment rates of lone parents. Such a cross-national comparison provides an opportunity to exchange information about the design and implementation of employment-related policies for lone parents.

There is a quite substantial body of evidence to call on. In the UK there have been six years of extensive evaluation of the New Deal for Lone Parents (NDLP), examining both the way in which the programme has operated and the impact that it has had. The evidence from this research has recently been summarised in a synthesis report published by the Department for Work and Pensions in the summer of 2003 (Evans *et al.*, 2003). The publication of that report was accompanied by an international conference in London, in which the main findings were presented and discussed. The conference also included papers from four other countries - the USA, Norway, the Netherlands, and New Zealand - where similar policy goals are being pursued. This volume collects these papers together. The two chapters on NDLP are closely based on the synthesis report (Evans *et al.*, 2003) and the final report of the national evaluation survey (Lessof *et al.*, 2003). The four country chapters were specially written for the conference. Each author was asked to summarise current policy goals, to outline the key measures introduced, to describe how these were evaluated, and to discuss impacts and outcomes.

As the following chapters show, these countries have introduced a mixture of programmes and other provisions. These include the extension of welfare-to-work programmes to lone parents, the development of financial incentives to work, the expansion of childcare provisions, and the introduction of other services to support lone parents in the labour market. In some cases these measures are targeted on all lone parents, while in others the target groups are confined to lone parents with older children. There are varying degrees of compulsion attached. There are also varying levels of discretion in the way the policies have been implemented. In the UK, NDLP is a voluntary programme available to all non-employed lone parents, with a strong focus on providing lone parents with work-focused information and advice, particularly in relation to the financial implications of employment. Tax credits ensure that employed lone parents are, in the majority of cases, financially better off in work than out of work. Employment rates for British lone parents have risen from about 47 per cent in 1998 to about 54 per cent in 2002. The USA provides an example of an approach in which participation in work or work-related activities is compulsory for almost all lone parents claiming out of work benefits, but with a

substantial degree of discretion for the states in the way this is implemented. At the federal level, tax credits provide financial incentives to take up paid work. Employment rates for lone parents in the US have risen from 57 per cent in 1994 to 70 per cent in 2000. Norway has followed an approach in which lone mothers with children under the age of three continue to receive financial support as full-time carers but those with older children are expected, and when children reach the age of eight required, to seek paid work. Lone mothers are, as a main rule, not given financial support for more than three years. Employment rates for lone parents in Norway have risen from 53 per cent in 1991 to 62 per cent in 1999. In the Netherlands, local municipalities are required to include lone parents with children aged over five in activation measures and there are proposals to extend this to all lone parents, regardless of age of children. Employment rates for lone parents in the Netherlands have increased significantly over the past decade, and are currently at about 55 per cent. In New Zealand a system based on compulsory work requirements for lone parents with older children has recently been abolished in favour of an approach based on individual plans and annual review. Employment rates for New Zealand have remained fairly static in recent years, at around 42 per cent<sup>1</sup>.

There is thus much diversity in approach, with different countries pursuing similar goals but with different policy mix and different levels of investment of money and other resources. Nevertheless some common themes or lessons can be drawn out.

First, these policies to increase employment among lone parents are, at least to some extent, pushing at an open door. As noted above, in most of these countries employment rates for lone parents have been rising in recent years. This is due to a combination of factors: policy has played a role (in some places more effectively than others), and so too have economic circumstances (good labour markets with the right sort of jobs). Changes in the characteristics of lone parents have also helped (with more lone parents having had previous work experience) and there also seem to have been some change in attitudes and aspirations. Most women now see participation in paid work as something they expect to do - although not necessarily full time, and not necessarily all the time - and as employment has become more expected and acceptable for mothers, so the majority of lone mothers have generally responded positively to those policies. However, this does not mean that lone parents are willing, or able, to engage in the labour market regardless of personal circumstances and situation. As noted by Trudie Knijn and Rik Van Berkel on their chapter on the Netherlands, 'many [lone mothers] are willing to accept obligations. But not unconditionally: they want social workers to respect their home situations, the problems they may have with (rearing) their children, their identity in terms of how they see their role as mother and provider, etc'.

Second, there is a lot more frictional unemployment among lone parents than was generally realised in the past. It used to be assumed lone parents fell into two main groups - they were either working or they were staying at home in order to care for their children. However there are also unemployed lone parents who lose their jobs for the same types of reasons as do other workers. We do not have complete information on the reasons why lone parents move in and out of work, and how far these moves are employment-related or family-related, or both. Their family and

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<sup>1</sup> These employment rates are based on national data and definitions, so are not strictly comparable across countries.



care-giving responsibilities may make it more difficult for lone parents to sustain jobs. But many working lone mothers are employed in relatively insecure sectors of the labour market and so are likely to be vulnerable to unemployment, as are other workers in these sectors. Such lone parents may not require much help to re-enter employment, provided that there are suitable jobs available.

Third, however, there are also a significant number of lone parents with severe and multiple disadvantages in the labour market. They have little work experience, low skills, they lack confidence, and they - or their children - often have health problems. These people need a lot of help just to become work ready, and even more support to help them find, and stay in, employment. In between these short-term and long-term unemployed lone parents, there are a variety of different circumstances. For example, some lone mothers fit the model of 'women returners', going back to work after some years of child rearing. Others are recently separated and need time to establish financial and emotional security following a break-up from their partner, especially if domestic violence has been an issue. It is essential that policy measures are flexible and varied enough to recognise, and address, this diversity of circumstances and needs.

Fourth, effective policies to support lone parents into paid work are not a cheap option. Labour market programmes, such as NDLP, are often cost-effective, with the costs of the programme offset by benefit savings and additional tax revenue. But overall welfare-to-work policies, including the introduction of in-work benefits and childcare services, may involve a shift in total welfare expenditure, not a reduction. Wages alone may not be sufficient to ensure an adequate income for working lone-parent families, even in Norway where poverty levels are generally very low (as Liv Johanne Syltevik shows in her chapter here). Many lone mothers need substantial in-work transfers and help with childcare costs if they are to have a chance of avoiding poverty in work. Thus while spending on out-of-work benefits falls, spending on in-work support increases. This shift from out-of-work to in-work expenditure has happened in the US, for example, where total costs for tax credits and child care for working parents have grown by more than the amount by which cash assistance spending under AFDC and TANF fell, and health care expenditures for working families have also increased. It is also happening in the UK, with tax credit expenditure projected to rise rapidly over the next few years.

Fifth, the most effective way to help lone parents into employment seems to be a mix of provision - including help with job search, access to suitable education and training as appropriate, in-work cash transfers, individual advice and support, and access to affordable and good quality childcare - in the context of a labour market in which suitable jobs are readily available and relatively secure. However it is very difficult, if not impossible, to isolate the independent effect of all these different factors. For example, as Mark Greenberg notes in his chapter here on the US, 'Virtually all of these factors occurred at or near the same time, and all pushed in the same direction, making it difficult or impossible to know how the same policies would have worked in a different economy, or how one component would have worked without the others'. Arguably, it is the combination of measures that is necessary to make any impact; that is the sum is greater than the parts.

Sixth, there is a great deal of cross-national variation in the degree of compulsion attached to programmes, with different definitions of which lone parents are required to take part in what sort of activities, and significant variation in how strictly this is applied in practice. NDLP is voluntary and has been successful at getting participants into paid work, but less successful in getting lone parents to take part. Compulsory annual interviews have been introduced as a way of getting lone parents into the programme, and this does seem to have helped. The research evidence suggests that some small degree of compulsion (such as these work-focused interviews) can be helpful, but that beyond that point compulsion can easily become counter productive. Compulsion potentially reduces acceptability. The US is unusual in being willing to accept very strict work requirements for all lone parents. In most other countries public attitude evidence suggests that the majority would not support compulsion for all lone parents, and especially not if there are young children in the family. Compulsion is also costly in time and resources. Staff spend a lot of time on arranging compulsory interviews, chasing up people who do not attend, and applying sanctions. Participants spend too much time fulfilling compulsory conditions and less time on job search or preparing for work. The US evidence also shows that sanctions tend to fall most heavily on the most disadvantaged, as it is those with the most severe and multiple barriers that are most likely to fail to comply, not deliberately but because they find it difficult to fulfil obligations.

Last, cross-national comparison highlights the importance of looking closely at the way in which policies are actually implemented on the ground. The shift to supporting lone parents as workers rather than as carers has involved these countries in some radical changes. This has sometimes proved difficult to put into practice. In both the Netherlands and New Zealand, front-line caseworkers were, at least initially, exempting many lone parents from work requirements, and so the shift to strict work requirements was not a reality in practice. In the US, the 'culture shift', which involved the reorientation of the welfare system from benefit-payment to work-orientation, has arguably been a key factor in driving change. In the UK the rollout of Jobcentre Plus aims to effect a similar change in aims and culture.

It also important to note what we do **NOT** know. Perhaps the most significant gap in the existing evaluation evidence concerns the impact of these policies on children living in lone-parent families. Poverty rates have fallen for some lone-parent families in these countries, but not for all, and not always by very much. The time costs of parental employment are high, and so the quality of the alternative care is important. This may be variable, with some children probably benefiting from good quality formal care but others not. Older children may be receiving less parental time and supervision, which could help them towards greater independence or could mean more risk-taking behaviour.

These lessons highlight the point that it is essential to be aware of the differences in labour market and demographic context and also that there is different emphasis given to different goals. In the UK there are two related targets - one to increase lone-parent employment and the other to eliminate child poverty - and this means that policy must tackle both of these simultaneously. In the US, by contrast, the main goal has been to reduce welfare dependency among lone parents, and there has been no specific anti-poverty goal. In New Zealand the main goal was also to reduce benefit dependency through paid employment but now it is to help lone parents into employment only

when their individual circumstances and parental responsibilities allow. In Norway, the policy towards lone parents is part of a wider family policy that seeks to reconcile increased women's employment with time for parental child care by allowing mothers with young children to spend some time as full-time carers. In the Netherlands, the policies for lone parents are part of a wider activation strategy, which includes a commitment to helping all parents combine parenting and paid work through an increase in opportunities for part-time employment. Thus, while all these countries are seeking to increase lone-parent employment, they do not necessarily share other aims.

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## **2) New Deal for Lone Parents: Six Years of Operation and Evaluation**

**Martin Evans**

### **2.1 Introduction**

This chapter gives an overview of the New Deal for Lone Parents (NDLP) since its introduction in the summer of 1997 over six years ago. It is a shorter version of the full report written by colleagues and myself in the Centre for Analysis of Social Policy at the University of Bath (Evans, Eyre, Millar and Sarre 2003). I have also restricted discussion and analysis of the impact study undertaken on NDLP by the National Centre for Social Research to reflect the fact that these are covered by Susan Purdon and others elsewhere in this volume. The chapter focuses first on the background and policy context of NDLP, and then looks at participation and at participants' experience of the programme before also considering its cost-effectiveness.

### **2.2 The Aims and Background of NDLP**

Prior to 1997 British active labour market programmes had focused on groups defined as 'unemployed' and had largely ignored lone parents. The introduction of the range of New Deals, of which NDLP was one, both improved the quality and focus of programmes for the unemployed and extended provision to the non-employed – lone parents, people with disabilities, partners and others. Over the past six years these New Deals have become accepted as part of the policy framework and it is worth remembering just how radical a departure NDLP was for British social policy – moving away from a largely passive acceptance that lone parents could claim out-of-work benefits and would receive no assistance from the benefits system if they wanted to find work or enter training or education. Of course, local and voluntary organisations and lone parents themselves had developed strategies of their own and one of the great stories of NDLP has been the involvement of the voluntary sector in the development of the programme since its inception and their continued support for it.

For international readers there are a couple of additional important British policy assumptions that need clarifying. First, unlike most Continental countries and the USA the provision of social assistance is a central government function and there is a single system called Income Support for all people aged 18 to 59 who are not

unemployed and required to register as available for work.<sup>2</sup> This centralised organisation was split between benefit operations and employment services, but since 2001 they have been part of a rolling programme of integration under the new Jobcentre Plus service. Second, the definition of lone parents in the UK is that they have children aged under 16 and no co-resident partner. This means that once their youngest child reaches the age of 16 they fall to be treated as 'unemployed' but at which point, for the first time, there is a requirement for them to look for work as a condition of benefit.

NDLP was introduced firstly in prototype form in several areas in the summer of 1997 and then nationally from October 1998. It is a voluntary programme. The aims of the programme were stated as *'to encourage lone parents to improve their prospects and living standards by taking up and increasing paid work, and to improve their job readiness to increase their employment opportunities'* (DWP 2002).

## 2.3 Lone Parents and Employment

There are estimated to be about 1.75 million lone-parent families in the UK, with about 2.9 million dependent children (Haskey, 2002)<sup>3</sup>. This is equivalent to a quarter of all families with children. Lone parents on Income Support have the following characteristics (Lessof *et al*, 2001):

- They are mostly women (94 per cent), mostly aged 25 to 39 (61 per cent), mostly white (85 per cent), they have one (43 per cent) or two (34 per cent) children, about half have children under school age (47 per cent) and most live in social rented housing (66 per cent).
- Just over half (51 per cent) have neither academic nor technical qualifications and most (60 per cent) do not have a driving licence.
- About one third (36 per cent) had been receiving Income Support for less than two years, 28 per cent for two to five years and 37 per cent for five or more years.
- Most (82 per cent) had had some work experience, and those who had never worked were more likely to be younger, to have no qualifications and to live in social housing.
- About half were engaged in some work-related activity – 23 per cent were looking for work, 13 per cent were studying, 5 per cent were doing voluntary work and 20 per cent were active in other ways.
- When asked about their plans for paid work, 33 per cent said they wanted to work within the next year, 28 per cent within the next three years, and 40 per cent said not within the next three years<sup>4</sup>. Those with no previous work experience were the most likely to say they do not want to work in the near future. Just over half (56 per cent) said they were interested in training or studying.

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<sup>2</sup> Unemployment claimants maybe eligible for Jobseekers Allowance, which has both contributory and mean-tested forms.

<sup>3</sup> Estimates of numbers of lone-parent families differ between survey data sources

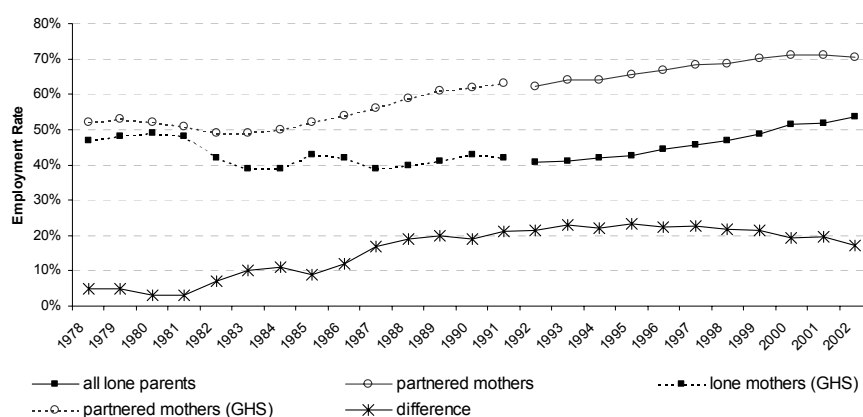
<sup>4</sup> Other studies tend to show that about 10-12 per cent say that they never want to work; these are typically older women, with health problem, and little work experience.

- Those wanting to work in the near future were mostly actively looking for work, mainly by looking at job adverts in the newspapers, by asking their friends and relatives, and via Jobcentres. Of those with longer time horizons regarding work, most (over 60 per cent) were not actively job seeking.
- Very few saw no potential barriers to finding and keeping work. Only 7 per cent surveyed said there were none, 28 per cent said there were one or two, 30 per cent said there were three or four, and 36 per cent said there were five to ten.
- The barriers most frequently mentioned reasons were to do with children, either not wanting to leave children in care or lack of childcare, but similar proportions also mentioned lack of skills and concerns about being worse off financially. There were also issues of confidence, concern about employer attitudes, and about lack of jobs.

Those furthest away from work were more likely to report health problems or caring responsibilities, but in general there was no simple relationship between the perceived barriers and closeness to work. It was not the case that those closest to work had fewer barriers, or different types of barriers, and to some extent those closest to work seem to have been more aware of the problems they potentially faced.

There is a wealth of evidence that suggests that a large proportion of lone parents on IS want to work. As noted above, a third wanted to work in the next year and a further quarter within the next three years. Qualitative studies, (for example, Finch, 1999; Lewis et al 2000 and Dawson et al 2000) show that lone parents want to work for financial and other reasons (social contacts, wanting independence, goals of self actualisation, etc) but also highlight the number and complexity of the factors that lone parents have to take into account when thinking about work. NDLP's target group are thus a challenging group for labour market policy because of serious constraints on work but at the same time, the group includes many who are motivated to work. The Government has now set a target for improving lone parents' employment rate to 70 per cent by 2010. As figure 2.1 shows, employment rates of lone mothers have risen significantly over the 1990s and are now at around 54 per cent, but still lag behind those of couple mothers.

**Figure 2.1 Lone Mothers and Partnered Mothers Employment Rates 1978-2002**



Source: DWP analysis of GHS and LFS

The Government also aims to reduce child poverty and evidence shows that 54 per cent of lone parents live in income poverty and are the group most likely to experience persistent poverty. Moving into employment accounts for two thirds of lone parent exits from low income and thus the employment target and child poverty target are linked objectives hinging on job creation, programmes such as NDLP and on the system of in-work tax credits that significantly improve incomes of the low paid, in particular those in part-time work (>16 hours per week) and with children. NDLP has a part to play in these objectives but other programmes operating alongside it boost its potential and impact.

## 2.4 Other Related Policies

There is not sufficient space in this paper to comprehensively describe the other programmes operating alongside NDLP – but the most important to bear in mind are:

### *Making work pay:*

- Tax credits, topping up wages in work, have been the central element – first Working Families' Tax Credit (WFTC) in 1999, and from April 2003, Working Tax Credit and Child Tax Credit.
- The National Minimum Wage, introduced in 1999, which has benefited women in particular.
- National Insurance Contributions for people on low wages have been reduced.
- Transitional income support when starting work including 'benefit run-ons', which allow payments of Income Support and Housing Benefits to continue.

### *Changes to benefit rates and administration:*

- Increases in the rates for children in real terms– for example by 25 per cent for a lone parent with a young child.
- Helping lone parents work part-time (under 16 hours) and to train while receiving IS.

### *The introduction of Jobcentre Plus (mentioned above):*

- The introduction of mandatory Personal Adviser meetings for lone parents. These are work focussed interviews that lone parents have to attend to qualify and to continue to qualify for Income Support and were introduced in April 2001 for all new claimants and have been rolled out to cover the stock of lone parents claiming IS. At the time of writing all new and repeat claimants and existing claimants with youngest child aged over 5¼ have to attend PA meetings. These meetings can assist in finding work and/or refer people to NDLP and, while



subject to separate evaluation, are discussed further below due to their impact on NDLP participation rates and profiles.

*The National Childcare Strategy:*

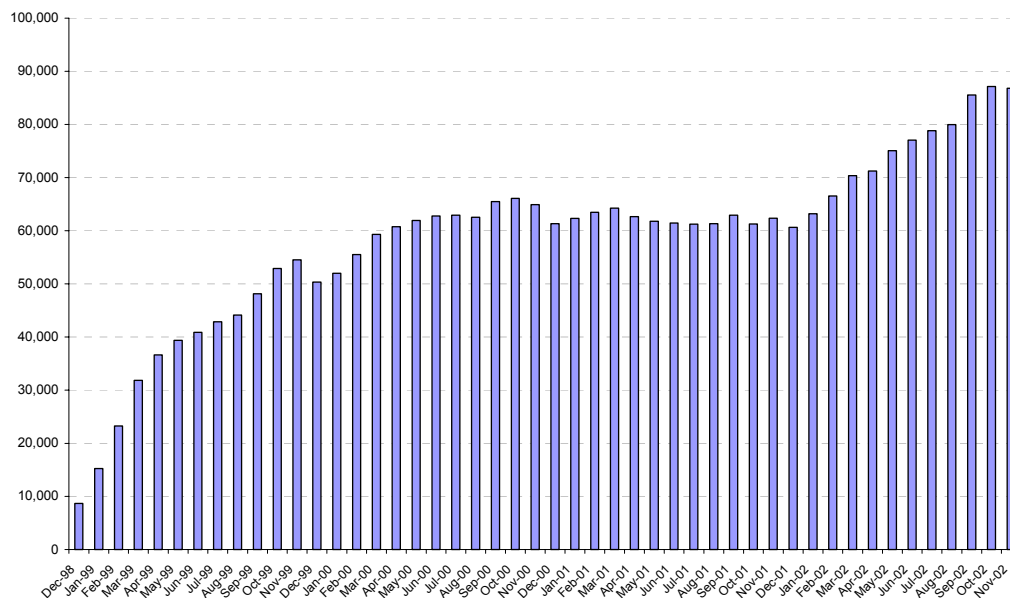
- introduced in 1998 to ensure that there is accessible, affordable and quality childcare for children aged 0 to 14 (and 0-16s for those with disabilities or special needs) in each neighbourhood.

## 2.5 Participation in NDLP

Originally lone parents had to be claiming IS to be eligible to participate in NDLP but since November 2001 all lone parents working under 16 hours a week have been eligible to join the programme. There is little evidence available so far of the effect of this change in eligibility rules. Some groups have been targeted for recruitment onto the programme – originally those with children under 5¼ were invited but so many with younger children came forward that the target group was expanded to those with children aged over 3.

Overall, 317,000 lone parents participated in NDLP between October 1998 and September 2002. Figure 2.2 clearly shows that numbers have grown over the duration of the programme and, allowing for seasonal fluctuations, average numbers of participant each month have grown by about a third from 41,000 in 1999/2000 to 55,000 in 2001/2002.

**Figure 2.2 The Number Of NDLP Participants - November 1998 to November 2002**



Source: Authors' calculations from NDED.

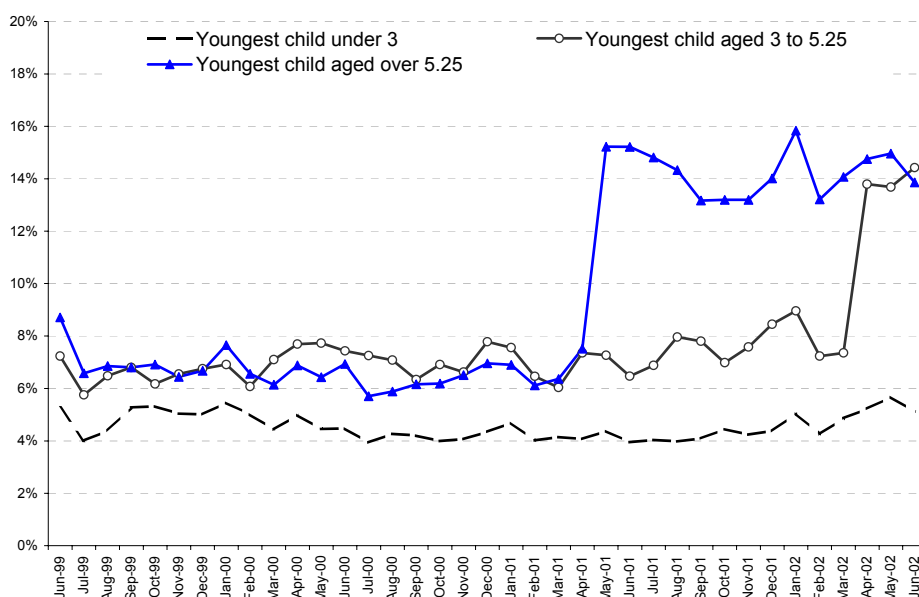
What does this volume of participants represent in terms of coverage of eligible lone parents, in other words the take-up of the programme or participation *rate*? If, for the

sake of consistency, we keep the eligible population defined as all lone parents on IS, then it is possible to calculate a simple participation rate figure from those registered as on the programme and those registered as claiming IS. However, this take up figure has some problems – firstly because some of those participating on the programme have actually left IS and are in work while getting continued help from the programme and, secondly, because the recording of participation over-estimates actual participation. This latter problem is the more serious – a significant proportion of people join the programme and are subsequently not seen leaving and are not recorded as active on the programme. Many such ‘dormant’ cases have been discounted in the calculations that follow, but there is still some uncertainty about fully accurate participation rates.

In the first year NDLP participation rates grew from around two to six per cent of lone parents and a rate of six to seven per cent continued through the year 2000. From 2001 participation rates rose and by 2002 were around nine to ten per cent. PA meetings were prominent in the rise in take up of the programme. Twenty one per cent of participants came into NDLP via PA meetings in their first year of operation (April 2001- March 2002) with most of these participants, around 67 per cent, coming from new and repeat claimants who have their PA meeting at the point of their claim for IS. This increase in inflow onto the programme meant that by August 2002, over one quarter of all NDLP participants had entered via a PA meeting.

Figure 2.3 gives a clear indication of the effect of PA meetings on NDLP participation for new and repeat claimants for IS. PA meetings for this group have been rolled out according to age of youngest child so that for the first year from April 2001 all those with children aged over 5 ¼ had to attend them, the second year from April 2002 all those with youngest child aged over 3, etc. Figure 2.3 clearly shows the jump in participation rate for these two groups soon after the point of time at which they began to have PA meetings – doubling rates of participation from seven to eight per cent to 14 per cent and over.

**Figure 2.3 Participation in NDLP by New and Repeat Claimants June 1999 to June 2002 (Source: DWP analysis of NDED)**



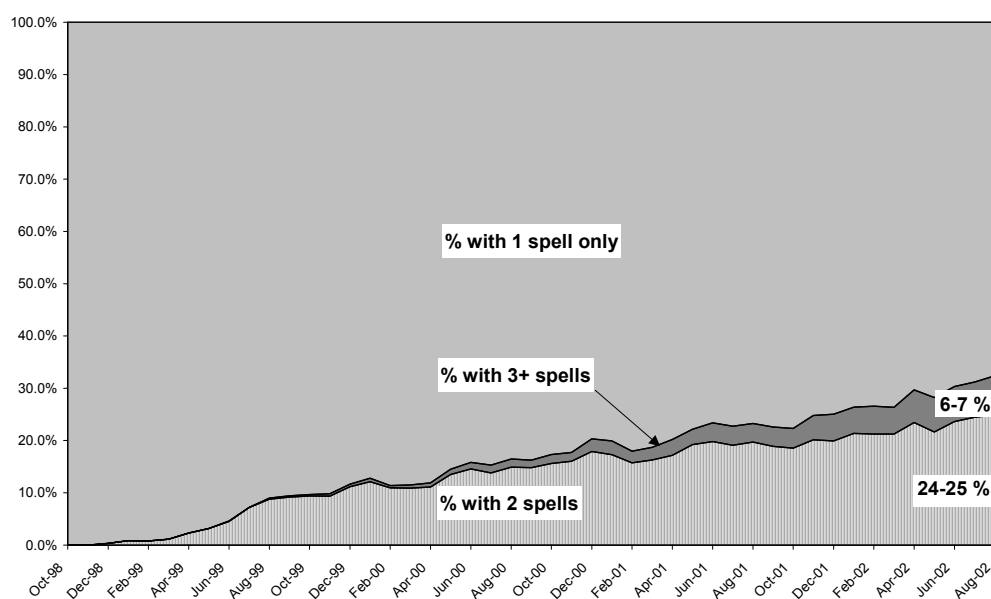
When we look more carefully at explaining both participation and non-participation in NDLP there is no straightforward unambiguous story. There is a complex mixture of reasons for both participation and non-participation. Around three quarters of the eligible *non-participants* had heard of NDLP, which means that the information problem was relatively small but still significant. However, only a third of non-participants had a clear reason for choosing not to participate. The main reasons lone parents gave for not participating included the desire to look after their children, and not wanting help in their search for work. Timing is crucial for participation, and some non-participants may decide to join at a later date.

Those most likely to participate are the highest qualified claimants; those with the shortest claim history; those who have worked in the past year or are currently working; those who want to work in the next six months; and those who believe they will be better off in work and are willing to work for the minimum wage. Those less likely to participate have two or more children; have a child under the age of three; or have health problems or a disability.

The characteristics of NDLP participants have changed over time, with a growth in older participants (reflecting the way PA meetings have been rolled out with older 'stock' claimants being first to be invited). While long-term IS claimants make up a quarter of all entrants to the programme, there has also been a growth in the proportion of short-term claimants who join – mostly via PA meetings.

There is also a growth in the number of repeat participants who are in NDLP for the second or subsequent time. This would be expected as programme longevity increases, but as Figure 2. shows, by August 2002, just under one third of participants had previously been on NDLP. Around one quarter of participants are participating for the second time and a further six to seven per cent for the third or subsequent time.

**Figure 2.4 Number of NDLP spells for all NDLP Participants: Oct 98- Aug 02**  
(Source: Authors' calculations from NDED)



There is some evidence of cycling between the programme and work and of cycling between the programme and out-of-work IS. Over half of those with their second spell on the programme had had an intervening period on IS while over a third had had an intervening period off benefit in employment. Almost one half of all those having their third spell on the programme had had one or more intervening period off benefit and in employment.

## 2.6 Programme Design and Delivery

The heart of the programme rests on the provision of one-to-one individually specific advice and support from a specialist NDLP Personal Adviser (PA). Lone parents rated NDLP PAs highly. Praise was given for their helpfulness, competence and personal characteristics. The majority of lone parents have a fairly brief engagement with the programme, usually one meeting face to face and perhaps some follow up telephone contact. Most participants are generally happy with this level of contact. NDLP PAs are trained to give employment advice and to use the computerised job-searching databases and to provide other aspects of assistance with job search. Additionally the NDLP PA's 'toolkit' can provide, *inter alia*, financial help with one-off work-related needs, help claiming transitional benefit support from benefit run-ons, assist in finding training and educational opportunities and provide information and some assistance with childcare (for instance for training and for working less than 16 hours a week). One major service provided is the 'better-off' calculation that gives lone parents a clear idea of what the combination of take-home pay and in-work benefits will provide in weekly income. The range of services available through Personal Advisers on NDLP has increased over time.

NDLP focuses mainly on providing lone parents with practical and specific help with finding work, making the transition to work, and maximising in-work incomes. Training has been less of a priority for the programme, which has really defined itself as having a 'work first' approach rather than focusing on improving qualifications and skills. The focus on finding work meant that when surveyed, 64 per cent of participants said they discussed work in general with their PA and 55 per cent discussed finding work more particularly, while 45 per cent got help with vacancies and 18 per cent obtained help with job applications. A further 11 per cent discussed self-employment (Lessof et al 2001). Additionally, 58 per cent discussed childcare with 27 per cent having help finding care. Around 85 per cent had 'better off calculations'.

Participants rated the work-focused help they received through NDLP more highly than other services provided such as training/childcare assistance. Satisfaction with what the PA provided on the programme was also very high – around 85 per cent said that everything they wanted was covered by PAs. However, evidence shows that less concrete outcomes are also important from meeting the NDLP PA – meetings built confidence and broke isolation and often were the first time that the participant had had the opportunity to discuss work and financial matters with a trained adviser. Of course, not all participants have positive views of NDLP, but negative views are usually associated with either the service that people received – for instance not 'hitting it off' with the PA - or on poor results of the better off calculation, or linked to their own circumstances, outcomes and expectations. Expectations are often quite

high in such circumstances and some participants expect the programme to provide more than advice, assistance and brokerage. They are disappointed when it does not.

Turning to management and delivery, key factors identified in the effectiveness of NDLP include: highly motivated and committed PAs; a high level of PA autonomy and built in flexibility to tailor services to clients' needs and caseload management skills.

## **2.7 NDLP Related Initiatives & Experiments**

NDLP has experimented with piloting a number of innovative schemes and projects alongside mainstream programme. These pilots and additional programmes usually operated in specific localities.

There is clearly a group of potential NDLP participants who are some distance away from being job ready. Innovative projects have been very active in preparing these sorts of people for more employment-related activities by helping them with the 'first steps'. This frequently involved a personal development approach. NDLP PAs said that NDLP participants who had previously taken part in innovative schemes were easier to help because of this. The programmes had helped them towards job-readiness, both practically and attitudinally.

Some projects have offered the opportunity to develop transferable skills linked to vocational training. Such schemes can have a role in meeting the needs not only of parents with low educational attainment, but also those who want to increase their incomes from work/achieve a higher level entry into the labour market, or to be able to secure more sustainable jobs.

Childcare was an issue for all of the innovative programmes and their clients. Childcare shortages (especially for temporary places), poor facilities, and finding care suitable for sick children, older children and babies were all problematic. Lone parents frequently requested help with informal childcare, which better suited their needs, but the terms of funding did not allow this. The underlying issue of childcare and its effect on lone parents' employment and participation in NDLP is one that is considered later in this chapter.

Recruitment to innovative schemes has presented difficulties. The main reasons for these were: lack of interest in some programmes that were designed to cater for needs that had no underlying explicit demand (this applied particularly to career development courses); staffing issues; timing of intakes; lack of referrals; too much commitment required on the part of lone parents; and overly tight eligibility criteria. Low uptake has in turn affected funding and cost effectiveness. Retention difficulties on the projects were often linked to poor health or disability, and sometimes due to lack of basic skills amongst participants.

Among projects that concentrated on the provision of training, it was found that lone parents were more likely to complete training if the content of the course was manageable, enjoyable, and held out good job prospects. Work placements were found to be effective in rebuilding confidence; providing experience of the workplace

and its requirements; providing opportunity to consolidate and improve on previous training; and improving the content of CVs. Mentoring schemes were seen to provide valuable support for some lone parents, especially in sensitive periods of transition.

One important factor for successful job outcomes for all the schemes was the way in which projects interacted with, and reflected, the local employment context. This included the important need to engage employers and to identify local skills shortages and employment opportunities.

## **2.8 The Outcomes and Impacts of NDLP**

Overall since October 1998, 51 per cent of all leavers from the programme and 41 per cent of all participants have left IS and entered work of at least 16 hours per week. Overall rates of leaving the programme and entering work have increased from 47 per cent to 52 per cent of leavers from April 1999 to March 2002, despite changes in the composition of participants that suggests that they have become in aggregate more difficult to employ.

A full exploration of factors that explain work outcomes from NDLP will be part of future further analysis of Quantitative Survey data. Interim results for participants on the programme, without taking into account human capital, itself very important, suggest that lone fathers, teenage and older lone parents, those with ill health and disability and ethnic minorities all have lower employment outcomes. Lone parents with younger children and with large numbers of children also have lower outcomes. Previous spells on IS and working under 16 hours on IS are both associated with positive work outcomes but having a long current spell on IS is associated with lower outcomes.

NDLP factors are also important in explanations of work outcomes. Those with more than one spell on the programme, those who entered the programme in the year 2000, and those with short durations on the programme have better work outcomes. However, there are also strong locational factors, with ward-level deprivation, participating in London and participating in a rural area all associated with lower work outcomes. There is a high level of District level variation in NDLP performance that is not explained by individual or environmental factors.

Job quality and sustainability of jobs gained from NDLP are generally better than those for non-participants. Overall jobs gained from NDLP tend to be low or elementary skilled occupations that reflect the skill profile of participants. There is a substantial flow back from work onto IS and around 29 per cent return within 12 months. The evaluation evidence suggests a broad range of reasons for leaving jobs. As we saw in the participation profile above, there is evidence of significant levels of cycling between work and the programme.

Susan Purdon and others describe in detail the impact assessment and its underlying approach and methodology elsewhere in this volume. The impacts measured for the programme from this study are very large and impressive; half – 50 per cent of participants left the programme for work compared with 26 per cent of a matched sample of non-participants – an additional impact of 24 percentage points. Other

impacts of similar size have been found for exits from IS and in job satisfaction and job sustainability. NDLP was also found to have an impact in lowering barriers to work and improving knowledge of in-work benefits but to have a negative impact on likelihood of entering training. These impact assessments would benefit from further complementary analysis, especially to test how far the measurement of impact of a voluntary programme has managed to compensate for selection bias.

These impact figures have been used to assess NDLP's cost-effectiveness and, even with much lower assumptions about programme additionality it can still be assessed as producing net saving to the Exchequer. The analysis suggests an economic gain to society of £4,400 per additional job and a net exchequer saving of just under £1,600 per additional job and a substantial social benefit. The low unit costs of the programme alongside other factors ensure some certainty about cost-effectiveness.

## **2.9 Future Prospects for Lone Parents and NDLP**

NDLP has a significant role to play in helping to meet the government's target of 70 per cent of lone parents being in work by 2010. Current participation rates and profiles suggest that the programme is most helpful for those lone parents with the greatest work readiness and those who are considering work in the near future. It is less effective in engaging with those who need, or who would value, more intensive support to help them move closer to the labour market. Those lone parents who are looking for higher-level jobs, that may require some specialist training, tend also to be poorly served.

The Department for Work and Pension's strategy for meeting the 70 per cent employment target for lone parents consists of four key elements:

- increasing the work focus of all interventions;
- developing childcare that is flexible and meets the needs of lone parents;
- improving the financial incentives to work; and
- engaging employers and increasing public awareness in relation to all working parents' needs at work.

NDLP is thus a key element in a larger package of measures.

NDLP comes out very well when compared to other similar programmes abroad for lone parents – it is popular, effective and non-stigmatising. UK public attitudes support the approach taken so far – there is no mainstream political pressure for more punitive sanction based approach or increased mandation.

### **2.9.1 What of the future?**

Soon, all lone parents on IS will enter NDLP having previously had PA meetings. Given that PA meetings provide many similar functions to NDLP the existing

duplication could continue or there could be a *convergence* of PA meetings and NDLP into a single programme with the same levels of current provision, or alternatively, a *divergence* with PA meetings becoming the intervention for the work-ready and a referral point for a reformed and expanded NDLP that provides a series of more structured interventions that assist in building employability for those who cannot be returned to work quickly. But whichever is the case, there are various revisions that could be considered.

### **(i) Participation**

Improving participation is important. Improving participation without changing the content of the programme is logical for as long as there is a large proportion of non-participants who look very similar in all respects to participants and would gain similarly from the programme. PA meetings have raised NDLP participation rates dramatically and it will be important to see at what point larger numbers of lone parents come forward who need 'more' from the programme. Nevertheless, other measures could be introduced to increase voluntary participation. These might include, for example, making more use of outreach services to contact lone parents; having more follow-up contacts (for example, home visits); and making contact at particular 'trigger' times (for example, when children reach a certain age). Another option would be to make participation in NDLP itself mandatory. But this raises some complex issues. It would change the composition of the participants in ways that might make it difficult to help people find work; it could increase caseloads and so reduce time spent with each participant and it could undermine trust and the current positive perception of NDLP among lone parents. It could also require a complete change in defining participation as agreeing to join the programme and meeting the PA is all that is currently required, whereas a mandatory programme would have to set some standards of participation. On the other hand, there is a risk that a voluntary scheme may miss those most in need of help, who may feel the programme has little to offer them and so not come forward to take part. But evidence so far suggests that the mandatory PA meetings are already addressing this 'information problem'. Overall, making participation in NDLP itself compulsory is unlikely to achieve much more than the mandatory PA meetings are already achieving, and may reduce the impact of the programme by extending participation beyond the capacity to cope.

### **(ii) Local Delivery**

There is an apparent need to improve local delivery and to tune the programme more to local circumstances. Some lone parents live in areas where suitable jobs and childcare are quite readily available and accessible, others live where neither is easy to find. NDLP by itself cannot do much to improve the number of jobs or childcare places, nor to improve local transport services but it can provide better local knowledge and accurate information to lone parents, so that they know exactly what is available in their local area. Childcare Partnership Managers are being introduced in each District and is an important step in this direction. There is scope for more resources to be put into this and for other parallel posts to be considered, for example, 'Job Development Officers' could take a more active role in working with local employers; 'Training Officers' could collect and disseminate information about training opportunities and funding; 'Marketing Officers' could take responsibility for



outreach activities. All this would free up NDLP PAs to work more closely with lone parents, and on the basis of more complete and accurate information.

Local integration of NDLP into employment and regeneration initiatives could also be improved. The growing number of 'Public Service Agreements' between central government and local authorities are a potentially important element in this. These often have the reduction of the numbers of workless people in the area as an explicit target. Such initiatives, together with pre-existing initiatives such as the Single Regeneration Budget and New Deal for Communities, pave the way for provision to be sensitive to local needs and integrated to reflect public and private employment needs, skills gaps, and social and economic investment.

### **(iii) The PA toolkit**

The toolkit available to the New Deal Personal Advisers has already grown, and more measures have been introduced following the 2003 Budget. This toolkit could still be developed further, in order to provide a wider range of provision and more flexibility in matching provision to needs. This might include more devolved budgets, enabling PAs to offer more or different financial support to help lone parents to train, to find work and to make the transition to work.

### **(iv) The needs of repeat participants**

NDLP must also adapt to the growing number of repeat participants. At the moment the emphasis is on moving claimants off benefit and into work, and this is wholly appropriate for most participants but it under-diagnoses the needs of those who are cycling between work and benefits. This cycling may be due to job-related problems, individual characteristics or family-related factors, or some combination of all these. Whatever the reasons, giving such participants the same treatment on each entry into NDLP is unlikely to provide the most appropriate form of help. Cyclers between low paid unskilled work and benefit also present a real opportunity for a more training/education-based approach.

### **(v) Improving job readiness**

One of the original goals of NDLP was to help people get closer to work and to improve job readiness. This has, perhaps not surprisingly, proved difficult to define and measure. But there seem to be four main ways in which lone parents might be helped to develop job readiness. The first is through education or training and some greater exploration of both appropriate and effective training approaches could be worthwhile. Secondly, lone parents might improve their job-readiness through voluntary work, because at the moment there is no structured way in which voluntary work among lone parents on NDLP can be supported. Thirdly, work trials, job shadowing and mentoring can give opportunities for lone parents to experience different employment environments. Fourthly, part-time work for less than 16 hours has now been shown quite widely and consistently to help future moves into full-time work. NDLP's role in its promotion is presently minimal and reflects the overall tax-benefit system's emphasis on the 16 hour cut off point between in work and out of work benefits, but the employment target of 70 per cent is more easily reached if the

opportunities to take up such work are expanded and then used as a stepping-stone to full-time work.

**(vi) The transition to work**

The measures introduced to help parents make the transition to work have so far mainly focused on the financial transition, and the evaluation shows that in-work job grants and benefit run-ons have been helpful to lone parents. The Child Tax Credit, introduced from April 2003, should also help in this transition, as it means that benefits for children will continue in payment when parents leave Income Support. The proposed reforms to simplify housing benefit and to allow the payment to continue at the same rate in work, until re-calculated by the Local Authority, should also help to make the transition easier. Making sure that financial incentives of work are optimal is important for policy makers and such incentives are to be further enhanced through piloting *In-work Credit* that will give a guaranteed £40 gain in work and *Work Search Premium* that will increase out-of work incomes by £20 a week for those lone parents that are actively looking for work. It is also important that NDLP Personal Advisers retain the flexibility and devolved budgets to help support lone parents individually as they start work. There may also be a need for other forms of individual support besides money, which could be offered by Personal Advisers or by the development of the mentoring scheme, which is soon to be introduced. This may also contribute to employment retention. The 'Employment Retention and Advancement' demonstration project, due to start in the autumn of 2003, aims to help low-paid workers, including lone parents, to improve their labour market position.

**2.9.2 NDLP in context**

As noted above, NDLP is part of wider package of policy measures. There is a major challenge for the Department for Work and Pensions and for all the other government departments involved in delivery of tax credits, childcare, education and training, transport etc. The challenge is also for employers, to offer much greater flexibility and support for their workers with caring responsibilities. This applies to small and medium sized employers as well as to the large employers. The role of the public sector is important here, not only as a major provider of family-friendly employment, but also as a significant recruiter and retainer of staff. This employment role will grow as the Government's commitment to improving public service delivery is taken forward, particularly in health and education. There are also challenges for the voluntary sector, which may have a particular role to play in providing training for people who have little or no labour market experience, in boosting self-confidence, and in helping lone parents create mutual support systems.

The supply of affordable and high quality childcare still falls short of demand, and levels of provision vary across the country (Paull, Taylor and Duncan 2002). The financial subsidy for the costs of childcare favour small families and, although home-based care can be covered by tax credits for some families, extending financial support to a wider range of childcare services, including informal childcare, should be considered.

Ensuring that work really does pay is essential. The national minimum wage offers some protection to those who work in the lowest paid jobs, and any increases in the level of this would be reasonably well targeted on women workers, including lone mothers, and those working part time. The in-work support offered by the tax credits is clearly of great importance to lone parents, and continued attention to increasing take-up is required. Lone parents are much more likely than couples to claim their entitlement to tax credits, but there is still a shortfall. Ensuring that lone parents receive Child Support payments they are due on a regular basis will also help some lone parents to improve their incomes in work.

Helping lone parents increase their chances of obtaining better-paid and more secure employment is an even tougher challenge than getting lone parents into paid work, but essential if the government also wants to achieve its target of creating a fairer and more inclusive society, including the elimination of child poverty. NDLP may have to widen its primary focus from *transition into work* to ensure trajectories in work are also considered as important and appropriate.

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### **3) Estimating the impact of NDLP**

**Carli Lessof, Miranda Phillips, Kevin Pickering, Susan Purdon**

The New Deal for Lone Parents (NDLP) is one element of the Government's Welfare to Work strategy. It is a national voluntary programme aimed at helping lone parents into work, improving their job readiness and supporting them in employment. The key feature of the programme is a network of Personal Advisers who offer work-related guidance through a series of interviews and contacts with participants. The National Centre for Social Research was commissioned by the Department for Work and Pensions to conduct a quantitative assessment of NDLP as part of a large-scale evaluation of the programme, which included several complementary elements. The evaluation that is summarised in this paper constituted the main quantitative element of the evaluation. The study is described in more detail in the full report (Lessof et al, 2003) and the accompanying technical report (Phillips et al, 2003).

In interpreting findings from the evaluation it is important to place the study in its broader context. The New Deal for Lone Parents was introduced nationally in October 1998. A cohort of lone parents was selected for the evaluation between August and October 2000 and data was collected about them through to the end of 2001. At the time of the evaluation, all lone parents on Income Support were eligible to join NDLP and the target population had recently been extended from lone parents with children of five and older to those with children of three and over. Other changes were introduced to the programme during the course of the evaluation, for example the introduction of compulsory Personal Adviser meetings. Various broader changes also took place, both in the buoyancy of the labour market and the characteristics of lone parents themselves. As a result, it is important to remember that this evaluation took place during a particular time period and measures the effect of a programme in a particular phase, within a particular social and economic context, on a particular cohort of individuals. As such, great care should be taken in generalising from the results.

The main objectives of the NDLP evaluation were to describe:

- who took part in the programme,
- what taking part involved, and
- what impact it had on lone parents' outcomes.

This paper focuses on the third objective and describes the research design chosen to estimate the impact of NDLP as well as presenting some of the key findings. Before doing so, however, a few summary findings are provided about who took part in NDLP and what the programme involved since some information about the nature of the programme or intervention is needed to understand its impact.

### **3.1 Who took part in NDLP?**

Seven per cent of the lone parents on Income Support in this study participated in NDLP over a 12-month period. The rates of participation varied, however, with different sub-groups taking part more rapidly than others. For example, younger lone parents, those who had been on Income Support for less than six months and those with a youngest child between three and five years old had higher participation rates. Other factors associated with an increased rate of participation included having higher educational qualifications, recent work experience, holding a current driving licence and having applied for a job in the last four weeks.

Non-participants in this study were a specially selected group (selected to be like participants in all other respects) so it is important to take care when drawing inferences about the reasons that lone parents did not take part in the programme. Nevertheless, 65 per cent of those interviewed gave no specific reason why they had not joined the programme, saying that it had just turned out that way. Even amongst those who had taken an active decision not to participate, there were many who were willing to meet with an adviser in the future. This suggests that the programme has the potential to reach more lone parents than it did at the time of the evaluation.

#### **31.1 What did taking part in NDLP involve?**

The majority of lone parents had only a brief engagement with the programme, involving just one or two meetings with a Personal Adviser (69 per cent). Most of these had additional telephone or postal contact with their adviser with 45 per cent of participants having all three types of contact. In addition, over a quarter of participants who started a job received in-work support from the programme. In general, participants were satisfied with the degree of contact they received.

Issues covered during the NDLP interviews included: an in-work benefit calculation (85 per cent of participants), discussions of work or jobsearch (76 per cent), help with benefits, tax credits or other financial issues (70 per cent) and childcare (64 per cent). The result of the in-work benefit calculation showed that, on average, a lone parent would be £26 per week better off in work. While 71 per cent of participants who had a better-off calculation reported they would be better off in work, 12 per cent reported that they would be neither better nor worse off in work and 15 per cent that they might be worse-off in work.

Overall lone parents viewed the programme very favourably. The majority (54 per cent) felt that the programme as a whole was helpful or good, 36 per cent liked the fact that it was informative or provided information from a single source. Approximately the same proportion said their adviser was very helpful, competent or good. Sixty nine per cent said there was nothing they disliked about the programme, although a minority (12 per cent) felt that it did not provide them with enough information.

### **3.2 Designing the evaluation to estimate the impact of NDLP**

In carrying out any evaluation of the impact of a programme, the aim is to estimate how many additional outcomes (such as movements into work or exits from benefit) can be attributed to the programme in question. In order to do this it is necessary to estimate the counterfactual; that is, the number of lone parents experiencing these outcomes (such as entering work or leaving benefit) in the absence of the programme. This involves selecting a group of participants and a comparison (or control) group who do not take part in the programme.

For a true experimental design, one would ideally randomly allocate lone parents who apply for the programme into two groups - those who go on to participate, and those who are denied the opportunity to take part - and then compare the outcomes of the two groups. Since this often cannot be implemented for a variety of reasons (and in itself presents some ethical and practical challenges) a range of alternatives were considered. One approach tried elsewhere (for example in the evaluation of the prototype of NDLP) is to select the control group of lone parents from areas where the programme does not exist. This was not possible on this occasion because the programme was already available nationally. For the same reason it was not possible to use the behaviour of lone parents before the programme as a comparison (in the way it had been in the evaluation of Jobseeker's Allowance). Another approach is to use participants' own estimates of the impact of the programme on their decisions and actions. While part of the approach used in this study, there is general consensus that this approach does not of itself produce reliable results and can only be used to complement findings generated using more robust techniques.

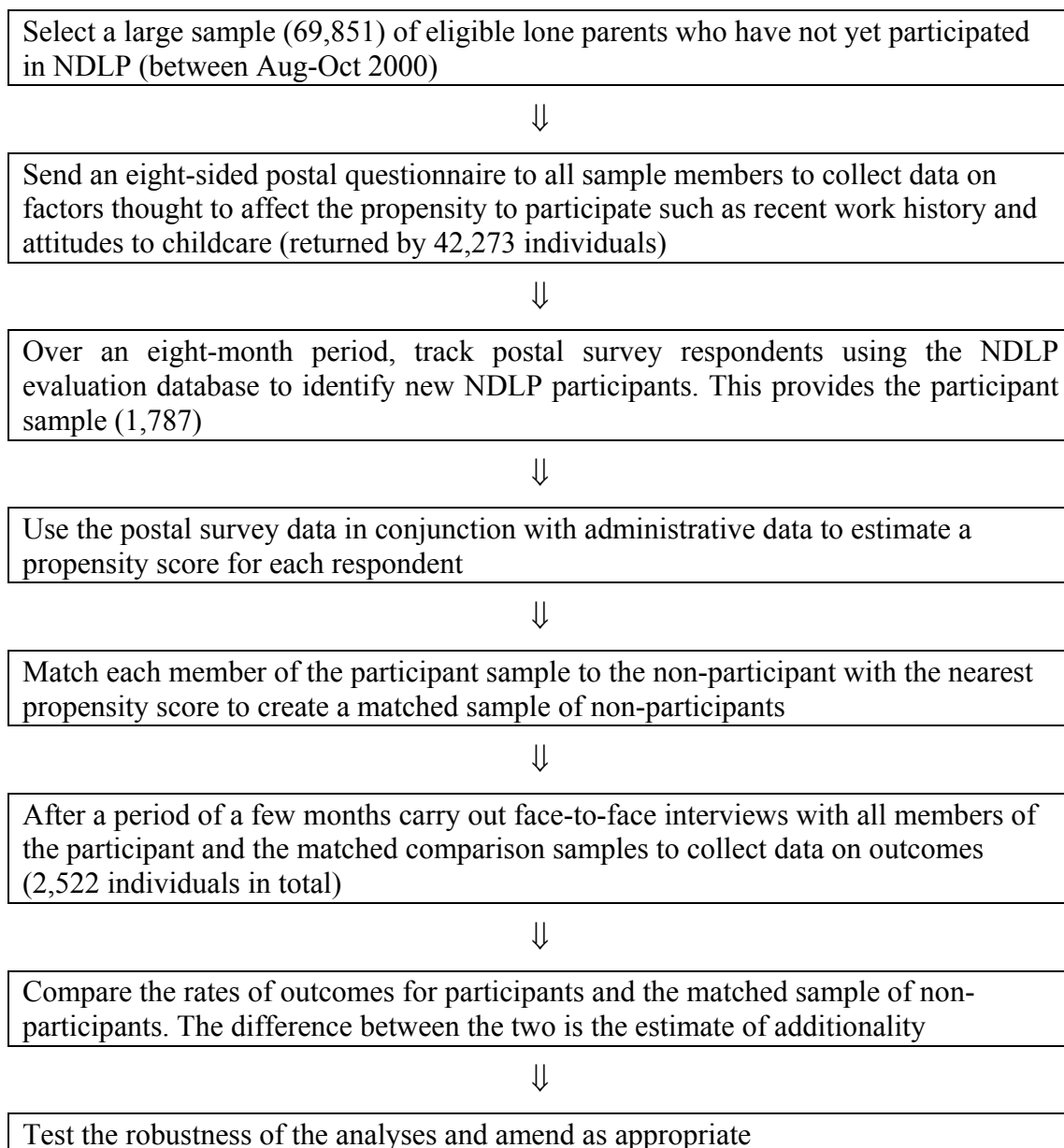
In this instance, the approach taken was to choose the comparison group from the pool of individuals identified following the completion of a large-scale postal survey of lone parents on Income Support. The comparison group was made up of lone parents who were eligible to participate in NDLP but who had not come forward to do so. We used a matched comparison quasi-experimental design and employed a statistical technique (propensity score matching) to identify matched pairs of participants and non-participants who were similar in a number of respects apart from the fact that one group had elected to participate and other had not. Once identified, detailed face-to-face structured interviews were undertaken to explore views, experiences and outcomes in relation to participants and non-participants. This in turn, enabled us to estimate the impact of the programme by comparing the different outcomes of the two groups, (following adjustments for interview non-response).

To offer more detail on the process, the evaluation began with the selection of a representative sample of approximately 70,000 lone parents on Income Support who were eligible to join NDLP, but had not yet done so. An eight page postal survey was issued to all 70,000 lone parents to collect information about their attitudes and behaviour. This information source was also supplemented with analysis of administrative data. In total, 42,000 surveys were returned. We then tracked all members of the sample for eight months to see who subsequently participated in NDLP using the New Deal Evaluation Database.

The administrative and postal data was then used to estimate a summary score which measured 'propensity' to participate in NDLP. Individual non-participants with a

similar summary score to individual participants were then matched with one another. After approximately seven months, face-to-face interviews were carried out with around 1,250 participants and a carefully matched sample of around 1,250 non-participants to explore and compare outcomes achieved over that time. The design process is illustrated in Figure 3.1.

**Figure 3.1 The design of the evaluation**

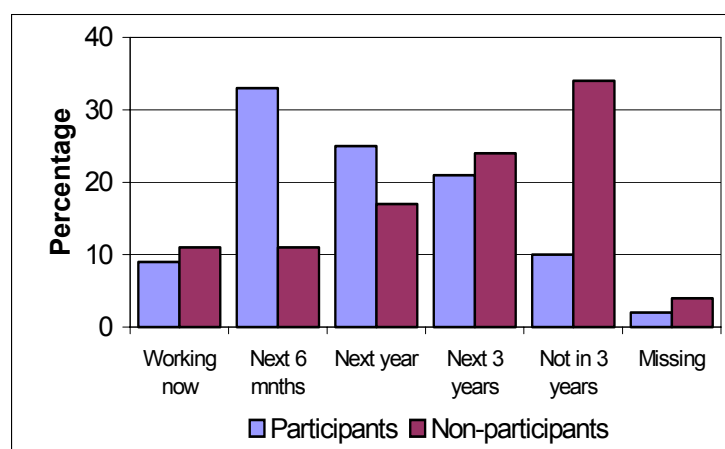


Propensity score matching to produce a summary score which effectively represents 'propensity to participate' has proved to be a very effective tool for this research. Initial analysis of the administrative and postal survey data showed that participants and non-participants were, taken as a whole, very different and their outcomes could not sensibly be compared. Propensity score matching helped because it allowed us to move beyond a simple comparison of participants and non-participants at an

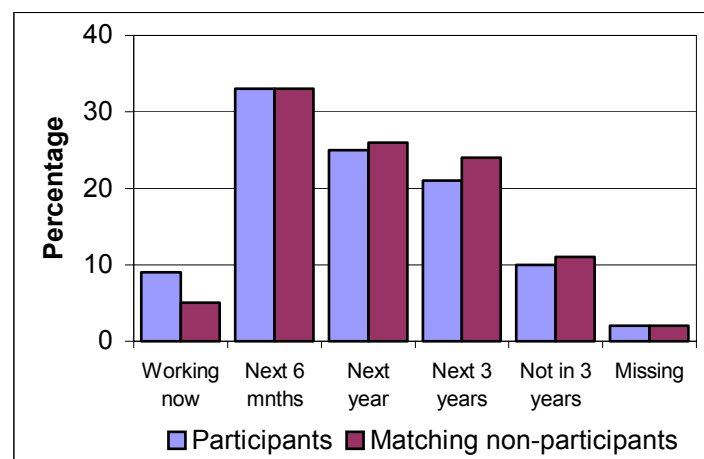


aggregate level. Instead it allowed us to select a tailored control group of non-participants that displayed very similar characteristics to participants and so *could* be used for comparison purposes. The matching process can be demonstrated by comparing the characteristics of the participants and non-participants *before* matching, with the characteristics of the two samples *after* matching. The example in Figure 3.2 shows that before matching, participants were very much more likely to want to enter work in the near future, compared with non-participants as a whole. The matching involved selecting a small sub-sample of non-participants with characteristics which were, on aggregate, very similar to the participants. The high degree to which this was successful is reflected in the follow-up chart.

**Figure 3.2 When hoping to start work before propensity score matching**



**When hoping to start work after propensity score matching**



This exercise was repeated across a range of criteria (for example qualifications, time since left last job and so on). Once matching had taken place, and individuals had been selected from the large pool of non-participants, the characteristics of the participant sample became very similar to the characteristics of the (matched) non-participant sample. The matching process is explained in more detail in the full evaluation reports published by DWP (Lessof *et al*, 2003 and Phillips *et al*, 2003). It

is however worth emphasising that a considerable number of matching criteria were used. The outcome of this matching exercise was to produce two groups – a participant group and a matched control group made up of non-participants who could sensibly be compared to identify the additional impact of the NDLP programme.

It should be clear that the success of the evaluation *depended* on being able to find non-participants who were just like participants, but for some reason had not taken part. In this context, had programme take-up been very high, it would have been more difficult to derive effective matches of non-participants as the basis for comparison and subsequent measuring of impact (a recognised problem in the literature in relation to this method). Because of this, the relatively low take-up of the programme was seen as a positive advantage for this study design. In practice, there were many non-participants who were ‘like’ the observed participants, and this meant that the findings were more robust than is sometimes the case with propensity score matching exercises which rely on smaller samples and can experience what is technically known as a ‘support’ problem.

### **3.3 What are the main findings from the evaluation of impacts?**

A few key outcomes are presented here to indicate the scale and nature of the findings. The estimates of impact presented here are divided into:

- the impact of NDLP on rates of exit from Income Support
- the impact of NDLP on rates of entry into work (both overall, and by the nature of the work)
- and other impacts.

It is important to remember that these findings are only valid if several criteria are met. The most important of these is that the participant and non-participant samples do not systematically differ from each other on one or more factors that were not included when the participants and non-participants were matched (usually referred to in the literature as ‘unobservables’).

#### **3.3.1 What impact did NDLP have on rates of exit from Income Support?**

A key objective of NDLP is to assist lone parents to move off Income Support and we were able to observe this accurately using a longitudinal administrative dataset known as the Generalised Matching Service (GMS), which holds information about Income Support receipt.

Our estimates (shown in figure 3.3) suggested that NDLP had dramatically increased the rate at which lone parents left Income Support, with for instance, 39.3 per cent of participants having left IS in the first six months after participation, compared to a counterfactual estimate of just 13.0 per cent. This suggests that 26.3 per cent of participants left IS who would not have done so without participating in NDLP. Put another way, of those participants who left IS in the first six months after participation, 67 per cent would not have done so if they had not participated in NDLP.

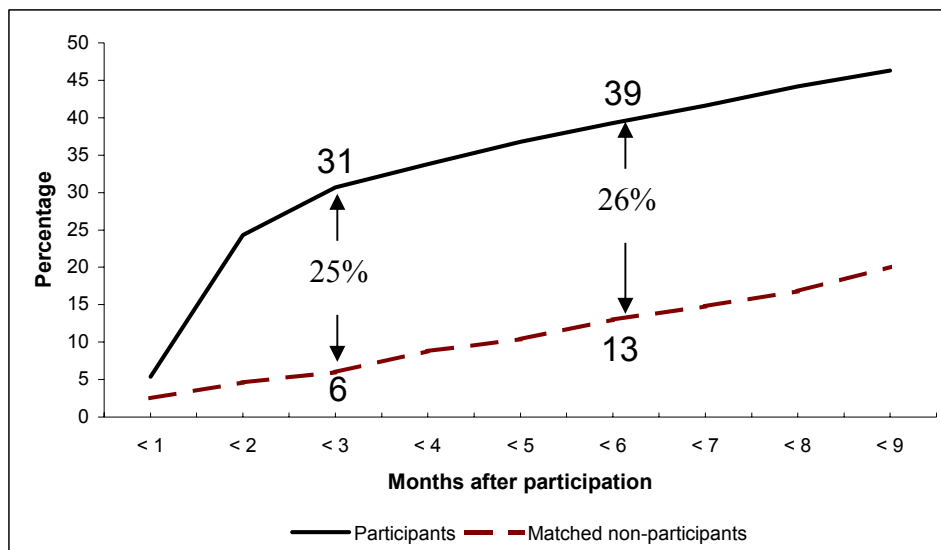
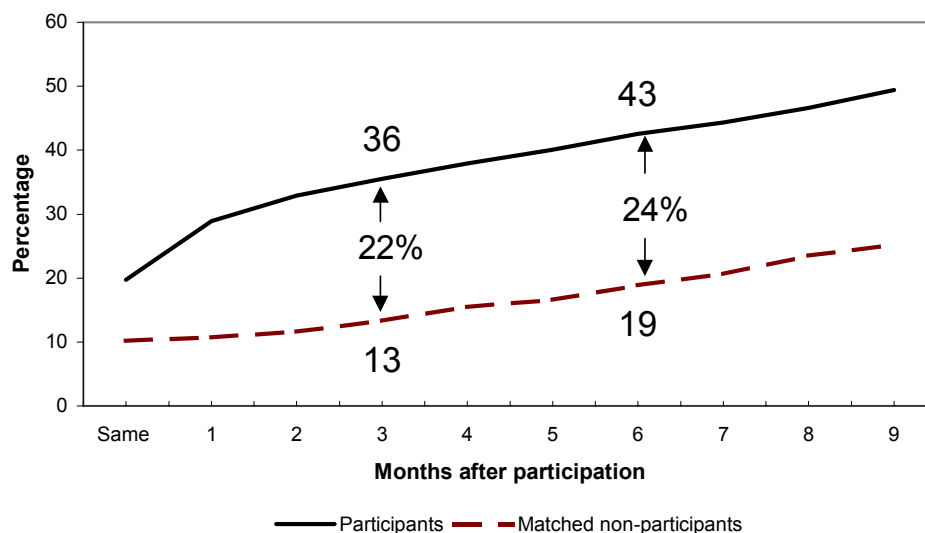
**Figure 3.3 Cumulative exits from Income Support**

Figure 3.3 shows that differences in IS exit rates between participants and non-participants begin to emerge soon after participation, within three months of participation. In summary, NDLP appears to dramatically increase the rate at which lone parents leave benefit.

### 3.3.2 What impact did NDLP have on entries to work?

NDLP also appears to have had a large positive impact on entries into work. Figure 3.4 shows that after six months, 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.

**Figure 3.4 Cumulative entries into work**

### **3.3.3 What other impacts did NDLP have?**

There is evidence to show that NDLP jobs are just as (if not slightly more) sustainable than jobs obtained outside of NDLP. On the whole, participants left jobs as quickly (or less quickly) than non-participants (12 per cent of participants left work of 16 hours or more per week within six months compared with 14 per cent of matched non-participants).

Participants appeared to be in jobs with which they were satisfied, and were no more likely to be seeking another job than non-participants. Lone parents who participated in NDLP but who were not yet in work were more likely to be looking for work.

The programme did not appear to have a measurable impact on entries into training, nor on perceived barriers to work. This is not altogether unexpected given that NDLP is a 'work first' programme and is designed to help lone parents manage 'barriers' rather than remove them.

## **3.4 How reliable are the estimates of NDLP's impact?**

Our reported findings were based on a straightforward comparison between the participant and matched comparison samples. There are alternative, more complex approaches that could have been used but our examination of these approaches suggested they made very little difference to the additionality estimates obtained. For instance we tested: re-matching the propensity scores to adjust for non-response to the follow-up survey; re-calculation and re-matching of the propensity scores using retrospective data collected during the follow-up interview; and the impact of reducing the length of the participation period. The impact estimates proved robust to all of these changes.

As noted above, the propensity scores used to match the two samples were based on administrative records and on responses to the postal survey. However, further information was collected during the face-to-face follow-up interview (of particular relevance here: year first became lone parent, ethnic origin, qualifications, and a summary of whether or not the respondent was mainly employed during the period between school and first becoming pregnant). Revising propensity scores to reflect this additional information and then rematching the two samples did not have a major effect on the initial outcome of the matching exercise.

A key assumption for unbiased estimation with the matched comparison design is that the propensity scores estimated using the responses to the postal survey were still valid at the participation or (in the case of non-participants) quasi-participation date. Imperfections in matching caused by differences emerging during this time period could mean, in theory at least, that any differences in outcomes observed may be attributable to events/activities occurring in the period following postal survey completion but prior to NDLP participation, rather than to NDLP. Although it is hard to guarantee there is no change in the propensity scores over the time, it seems plausible to presume that if changes do occur they are more likely to occur among

participants joining NDLP towards the end of the observed period rather than among those joining early.

In response to this risk, we repeated our analysis, this time deliberately excluding those joining the programme in the last two months of the eight-month participation window. This reduced our sample size by about 40 per cent. The analysis revealed little change in the difference in outcomes between participants and matched non-participants.

### **3.4.1 Are the estimates matched by self-reported additionality?**

During the face-to-face survey, participants were asked to give their own self-reported assessments of the effect of NDLP. Though these subjective assessments of the contribution of NDLP are not methodologically robust, they do provide an interesting additional insight into the programme.

This alternative (or complementary) approach to using a matched comparison sample to give a valid estimate of the counterfactual, involves asking participants to assess whether they would have been in work if they had not taken part in the programme. In other words, it is possible to ask participants to estimate their own counterfactual. In the interview, participants who were in work were asked which of the following statements best applied to them:

- I would not have got this job without NDLP
- I would have got this job anyway, but I got it more quickly because of NDLP
- I would have got this or a similar job without NDLP

For those in work three months after participation, 59 per cent of participants claimed that they ‘*would* have got this or a similar job without NDLP’, suggesting that, based on self-assessment, just 41 per cent of jobs are (to some degree) additional. Given that at three months, 35.5 per cent of participants were in work, this suggests a counterfactual estimate of 20.9 per cent, and that just 14.6 per cent of participants are in work that is additional. This estimate of 14.6 per cent is considerably smaller than that derived from the matched comparison sample, where the equivalent figure is 22.1 per cent. The difference between the figures may suggest that the matched comparison approach is biased, or alternatively that participants are not fully recognising the contribution of NDLP in their job search even when there was a contribution in practice. Indeed, it seems possible that the difference may be attributable to a combination of these two factors.

## **3.5 The impact of NDLP on the eligible population of lone parents**

The quantitative evaluation of NDLP was designed to give estimates of the impact of NDLP on lone parents who choose to participate. In this respect it took a very different approach to the prototype evaluation (Hales *et al.*, 2001) for which estimates of the impact of NDLP on the whole eligible population were made.

If we make two strong assumptions (that NDLP has no pre-participation impact on participants and no impact on those who do not participate) it is possible to convert our estimate of the impact on participants into an estimate for the eligible population. Further detail is provided in the main report (Lessof *et al*, 2003) but in summary, this suggests that over a six month period 1.1 per cent of the eligible population have left IS because of NDLP. This is similar to the 1.5 per cent impact at six months found in the NDLP prototype evaluation, although it is not a precise comparison because the prototype experienced substantially higher rates of participation, and lower overall additionality in terms of outcomes. Since only a minority of eligible lone parents chose to participate, the impact measured across the eligible population was inevitably very much smaller than the impact measured on participants.

### 3.6 Interpreting the findings

The estimates of the effect of NDLP in this study are far larger than some expected. It is certainly possible that some degree of overestimation resulted from a failure to observe some of the factors that might have been included in the propensity score matching exercise. Despite this possibility remaining, great efforts were made to ensure that the results were as robust as they could have been, within the context of the quasi-experimental approach used.

However, although the evaluation did not examine this in detail, we also need to consider the close interaction between NDLP and Working Families' Tax Credit (WFTC) when it comes to interpreting these results. It seems likely that the New Deal for Lone Parents has helped to facilitate a far higher take up of Working Families' Tax Credit than would have occurred without the programme (given the role of NDLP in discussing and arranging applications for WFTC). At the same time, WFTC has, we suspect, played an important part in lone parent decisions to enter work following NDLP participation. In this sense, it seems likely that the two policies have worked in tandem improving both policy take-up and employment outcomes.

In summary, this evaluation supports findings from other research studies, which show that NDLP, though experienced by only a minority of lone parents, is well received and has a significant and positive impact on participant employment outcomes.

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## **4) The US: rising employment, explanations, implications, and future trajectories**

**Mark Greenberg**

### **4.1 Introduction**

During the 1990s, the United States experienced a large decline in the number of families receiving ‘welfare’ assistance and a substantial growth in the share of lone parents that were employed. These dramatic changes occurred in the years after enactment of a controversial ‘welfare reform’ law, the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA). Since that time, some have argued that the caseload decline and employment growth are evidence of a significant social policy success, and that the success was largely attributable to the imposition of stringent requirements and restrictions on assistance under PRWORA. Others agree that the story has principally been one of progress, but argue that PRWORA’s more stringent provisions were at most one of many factors that accounted for employment growth. And, others contend that behind the seeming success is a more complex story of winners and losers, from a strategy that unnecessarily tolerated significant social costs in pursuit of limited gains.

This paper offers an overview of the context for efforts to promote lone-parent employment and reduce welfare caseloads in the United States during the 1990s; summarises the principal policy initiatives of this period; discusses findings about the progress and problems in the post-1996 period; and describes the current disputes over next directions<sup>5</sup>. A final section offers some observations about possible relevance of ‘the US story’ for UK and European policymakers.

Key points are:

- For a number of decades, there has been a goal of promoting employment for lone parents in the US, but disputes about how to accomplish the goal and about how and whether to balance it with other goals.
- Throughout the 1980s and the early 1990s, US states were engaged in initiatives intended to promote employment for lone parents. Issues included whether to emphasise education, training, unpaid work experience, job search, or other employment-related activities; whether programmes should be mandatory; the extent to which child care, health care, and ‘make work pay’ strategies were needed. During this period, research findings from experimental evaluations were often influential in shaping state choices.

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<sup>5</sup> Thanks for assistance provided by Hedieh Rahmanou and Rosa Maria Castaneda.

- The 1996 US welfare law provided states with a fixed ‘block grant’ of funds, with strong incentives to promote rapid employment and reduce welfare caseloads. A number of other policy initiatives also occurred in the mid-1990s, to expand the Earned Income Tax Credit (EITC), child care, health care, child support enforcement, and the minimum wage.
- Since 1996, there has been a large decline in welfare caseloads and a significant expansion in employment by lone-parent families. Studies consistently find that most of those who left assistance entered employment, typically in low-wage jobs. There is also evidence of limited earnings growth over time, of employment instability for a significant share of leavers, and of a group with multiple employment barriers that remains unemployed after leaving assistance. There is little evidence that the increased employment was associated with much, if any, change in measures of child well-being.
- There is substantial consensus among researchers that the 1996 welfare changes played an important role in contributing to caseload declines and employment growth. However, it is probably impossible to determine precisely the role of the 1996 law, because the welfare changes occurred in the context of a very strong economy and other policy changes. Moreover, among the welfare changes, it is difficult to separate the relative roles of different and sometimes conflicting aspects: expanded employment services, increased penalties and sanctions, time limits, ‘make work pay’ policies, cultural and other factors. As the economy has weakened since 2001, welfare caseloads have remained essentially flat, prompting some to assert this is further evidence of success, and others to argue that the system has failed to respond to increased needs during a period of economic downturn.
- Much of the experimental research that has emerged since 1996 relates to programmes implemented before enactment of the 1996 law. Generally, this research has suggested that ‘mixed’ employment service strategies are more effective than ones that only focus on rapid labour force attachment or education; that work incentive approaches can be structured to increase employment and retention rates; and that programmes that raise employment without increasing income seem to have few or mixed effects on child well-being.
- As caseloads fell, states demonstrated increased interest in efforts to strengthen employment retention and promote advancement for low-wage workers, and to develop more effective approaches for individuals with multiple employment barriers. At the same time, large state budget deficits (for reasons unrelated to welfare reform efforts) have impeded innovation. Congress has been unable to reach agreement on the terms for reauthorizing the welfare law, due to unexpectedly sharp disputes about issues including the nature of work requirements, child care spending, and the role of government in promoting marriage.
- Key conclusions are that policy initiatives clearly played a role in raising lone-parent employment rates in the US but that one should be hesitant to attribute any aspects of US progress to a single factor. It is at best unclear what role the more

stringent aspects of US policy played in promoting employment. If the goal of policymakers is both to promote employment and reduce child poverty, there is a need to do far more than the US has done to date in addressing skill-building, employment retention and advancement, and in broadening the availability of supports for work supports for low-earning families.

## **4.2 Background and Context: Lone Parents, Employment, and Income Support in the United States**

During the latter part of the 20<sup>th</sup> Century, the share of children living in lone-parent families in the United States tripled, increasing from 9 per cent in 1950 to 27 per cent in 1995. The annual divorce rate (per 1000 married women aged 15 plus) grew from 8.8 per thousand married women in 1940 to 20 per thousand married women in 1975, and levelled off at approximately that rate since 1975 (Clark, 1995). The share of births that were non-marital grew from less than 4 per cent in 1940 to 32 per cent in 1995, seemingly levelling off at about one in three in the early 1990s (US Department of Health and Human Services, 1995; Hamilton, *et al.*, 2003). Most (over 80 per cent) of lone parents are women and among these families in 2002, 43 per cent of the mothers were never-married; 35 per cent were divorced, 18 per cent were separated, and 4 per cent were widowed (Fields, 2003).

In the United States, many lone-parent families are poor. The official measure of poverty in the United States is calculated according to an absolute standard, under which the poverty level for a family of three (a parent and two children) was \$14,494 in 2002.<sup>6</sup> Under the official US definition, 16 per cent of all children were poor in 2001. For children in female-headed households, the poverty rate was 38 per cent. Most poor children (52 per cent) resided in mother-only households (Proctor and Dalaker, 2003).

During the latter part of the 20<sup>th</sup> Century, there was a large increase in the employment of mothers. From 1950 to 1995, labour force participation among women with children increased from 22 per cent to 70 per cent; among those with children under age 6, participation increased from 14 per cent to 62 per cent. (Fullerton, 1999). Thus, over time, the likelihood that a mother was employed grew, though full-time employment is still not the norm for mothers of young children. On the contrary, in 2001, 43 per cent of mothers with children under 6 were working full-time (defined as 35 hours or more each week), 18 per cent were working part-time, and 39 per cent were either unemployed or not in the labour force. (US Department of Labor, March 2000).

In the period before 1996, employment grew for both married and lone-mothers, but more rapidly for married mothers. Historically, employment rates for divorced mothers have been higher than those for married mothers, but employment rates for

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<sup>6</sup> The measure and level for the US poverty definition is a source of continuing controversy. The definition was originally established in the early 1960s. At that time, research suggested that about one-third of family expenditures were for food, so a poverty threshold was developed by taking the cost of a food plan designed for temporary or emergency use, and multiplying by three, with adjustments for household size (Fisher, 1997). While much has changed since that time, the poverty thresholds have only been adjusted for inflation, though there have been many proposals for change.

never-married mothers have been lower. Thus, as never-married mothers became an increasing share of lone-mothers, the overall employment rate for lone-mothers grew more slowly than for married mothers. In 1970, lone mothers were substantially more likely to be employed than married mothers (55 per cent vs. 36 per cent). By 1995, the employment rate was 65 per cent for married mothers, and 63 per cent for lone mothers (National Research Council and Institute of Medicine, 2003).

As the above statistics suggest, by the mid-1990s, employment rates for lone-mothers were comparable to those of married mothers, and the norm for married mothers was not full-time labour force participation. However, female-headed families were much more likely to be in poverty, and the growth in the share of children growing up in lone-parent families became an increasing source of public concern. There is no social consensus that mothers of young children ‘should’ work outside the home<sup>7</sup>; and in fact, new data indicate that in 2002, 25 per cent of children under 15 living with married parents lived with a mother who was out of the labour force for the entire year, and the share of such families grown since 1994 (Fields, 2003). Rather, the concerns about lone-parent employment have been related to their participation in welfare programmes: public concern was motivated, in part, by concerns that public funds were making it possible for single parents to choose not to work, and by concerns that such subsidies were increasing the share of children growing up in lone-parent families.

In the United States, the discussion of lone-parent employment has been closely connected with welfare policy, because unemployed lone-parent families have been the principal group receiving means-tested cash assistance. In the United States, there has never been a national programme providing income support to all in need. Rather, at the national level, the Social Security system provides insurance-based payments for qualifying elderly or disabled individuals and their dependents; the Supplemental Security Income (SSI) programme provides means-tested assistance for elderly or disabled individuals, and the federal-state Unemployment Insurance system provides insurance-based payments to qualifying unemployed individuals, generally for not more than 26 weeks. For non-disabled individuals who have exhausted or not qualified for unemployment insurance, there is no residual programme of income support.

Until 1996, the principal programme of income support for families with little or no income was the Aid to Families with Dependent Children (AFDC) Programme. AFDC was a federal-state programme of cash assistance and sometimes, services, to very low-income families with children. With limited exceptions, federal law established eligibility requirements, and each state determined the benefit level it wished to pay. There were large variations between states in benefit levels and eligibility thresholds. Generally, in order to be eligible for assistance, a family needed to have little or no income, have a child under age 18, and be ‘deprived of parental

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<sup>7</sup> According to the US General Social Survey, in 2000, only 10 percent of adults believed that a mother of a child below school-age should work outside the home on a full-time basis; 30 percent believed such a mother should work outside the home part-time; and 48 percent believed the mother should stay at home. However, in the same survey, 81 percent agreed that people should be required to work to receive welfare, with only 7 percent disagreeing (General Social Survey, 2000).

support of care' due to the death, absence, incapacity, or in limited circumstances, unemployment of a parent.

AFDC operated under the principle of 'entitlement' for families and states. States had a legal obligation to provide assistance to a family that qualified under programme rules; at the same time, the federal government had a legal obligation to join in the cost of providing assistance to needy families, with the federal government always paying half or more of benefit costs. Because benefit levels were set so low that families with employment income were typically ineligible for assistance, and because there were restrictions on when two-parent families qualified for assistance, the vast majority of families receiving assistance were lone-parent families.

AFDC was enacted in 1935, during the Great Depression. The oft-described original rationale was to provide assistance so that a mother could continue to raise her children after the death or departure of the father and presumed breadwinner. Thus, the programme began with a goal of providing financial support so that a parent could raise children without being in the labour force. However, some states began establishing work-related requirements early, and the first federal requirements were enacted in 1967. Under these provisions, federal law allowed states to impose work-related requirements for single parents of children age six and over, but only limited resources were available for employment services. Such efforts were generally not seen as central to programme operations; rather, the main foci typically involved eligibility determination, payment accuracy, and fraud prevention. However, with the enactment of the Family Support Act of 1988, all states were required to operate programmes of work-related services for AFDC families, the requirements became applicable to parents with children age 3 and over (or, age 1 at state option), federal matching funds were made available for child care and other programme costs, and states were required to provide child care assistance needed for participation in employment or programme activities and to provide child care and health care assistance for up to a year for families leaving assistance due to employment. The 1988 law also introduced the device of participation rates: states risked federal penalties unless an increasing share of families receiving assistance was engaged in work-related activities.

During the late 1980s and early 1990s, there was increasing consensus on the need to do more to link AFDC parents with employment, but there were political disputes about how to do so. Policymakers disagreed about whether programmes should emphasise education and training, work experience, or job search; whether programmes should emphasise 'voluntariness' and services or mandates and requirements; and about the extent and severity of penalties that should be applied for failure to meet programme requirements. During this period, the findings from random assignment experiments were highly influential. Generally, the random assignment experiments calculated programme impacts by comparing outcomes for individuals subject to programme treatment with individuals in a control group that were not subject to requirements and did not receive services from the programme being evaluated (though many received other employment and training services available elsewhere). Probably the principal conclusions drawn from these experiments were that:

- Programmes of mandatory requirements could raise employment rates, though the increase in employment rates was often characterized as ‘modest’;
- Such programmes could pay for themselves through reductions in assistance payments;
- Programmes of unpaid work experience appeared to demonstrate little or no impact;
- Programmes emphasizing rapid labour force attachment, often through strong initial job search requirements, showed the greatest impacts in raising employment rates, though they did not show evidence of improving job quality;
- Programmes emphasizing adult basic education, without close connections to employers or employment, cost more than programmes emphasizing job search, and did not demonstrate better impacts. (see generally, Gueron and Pauly, 1991).

While the random assignment experiments did not directly compare mandatory and voluntary programmes, the fact that mandatory programmes demonstrated impacts tended to be treated in the political process as evidence of the superiority of such approaches. There were early indications that programmes using a range of services—job search, work experience, education, and training—were likely to have larger and more sustained impacts than programmes relying chiefly on one service, such as job search or basic education. However, in the political process (and for many programme administrators) the effectiveness of programmes with a stronger emphasis on rapid labour force attachment was simplified into a message that education and training ‘didn’t work’ and that programmes should redirect attention to work first.

While states were engaged in experimentation and learning, the welfare caseload grew rapidly during an economic downturn, and the Family Support Act came to be seen as either inadequate or a failure. Beginning in 1992, President Bush invited states to seek ‘waivers’ of federal requirements in order to initiate more extensive programme alterations. President Clinton allowed states to continue this approach. Over the 1992-96 period, almost every state sought waivers for large or small initiatives. The waiver requests involved a mix of proposals to make programme requirements more stringent and to broaden eligibility and services. Among the most common work-related waivers were ones to reduce or eliminate exemptions from required programme participation; increase the penalties for failure to meet requirements; liberalize treatment of earnings and assets; broaden eligibility for two-parent families; extend the period for which transitional child care and health care were provided; and establish time limits on assistance. (For more detailed information, see Greenberg and Savner, 1996; Savner and Greenberg 1995). Under federal policy, a state receiving a waiver was required to initiate an evaluation, generally using random assignment. Much of the knowledge from programme evaluations derives from these waivers.

In his 1992 election campaign, Bill Clinton was substantially responsible for introducing the concept of time limits into the political dialogue in the US. The original Clinton framing emphasised providing services for up to two years, then expecting and requiring work as a condition of further assistance beyond two years. However, the Administration faced numerous difficulties in developing and identifying adequate funding for its initiative, and did not formally introduce a plan

until the summer of 1994. Republicans gained control of Congress in the 1994 elections, and within a short period, the discussion of time limits became part of a much larger proposal to repeal the entire AFDC programme, and to provide states instead with block grants to structure their own programmes.

The proposal that ultimately became the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) was highly controversial for many reasons. First, some features of the law were simply designed to cut federal low-income spending by restricting eligibility and benefits in various programmes. Second, the law made most legal immigrants ineligible for a broad range of public benefits. Third, the elimination of AFDC and its replacement with block grants was a source of deep dispute, because the block grant structure would eliminate entitlements to assistance, impose time limits, and freeze federal funding for state assistance programmes at a fixed level regardless of future caseload growth or needs. (Greenberg *et al*, 2000).

#### **4.2.1 TANF and the Child Care Block Grant**

In the summer preceding the 1996 elections, Congress approved, and the President signed the PRWORA. PRWORA affected a wide array of low-income programmes, but the most relevant for purposes of lone-parent employment initiatives were the enactment of the Temporary Assistance for Needy Families (TANF) and Child Care and Development Block Grants (CCDBG).

##### **TANF**

TANF has seven key features:

##### **(i) Fixed Funding**

First, each state was provided with a block grant of essentially fixed funding, generally representing the amount of funding that the state had been receiving from the federal government for AFDC and related programmes in or around 1994.

##### **(ii) Broad Discretion in Spending Funds**

Unless prohibited, states are free to spend their block grants in any manner reasonably calculated to accomplish any of the four purposes of the law: to provide assistance to needy families; to end dependency on government benefits by promoting job preparation, work and marriage; to discourage out-of-wedlock pregnancies; and to encourage the formation and maintenance of two-parent families.

##### **(iii) Maintenance of Effort (MOE)**

In order to avoid a federal penalty, each state is required to spend for low-income benefits and services each year an amount not less than 75 per cent or 80 per cent of what the state had been spending for AFDC and certain other programmes in 1994.

**(iv) No federal entitlement to assistance**

Each state determines which families are eligible, how long they are eligible, and how much assistance they receive. Federal law prohibits the state from using TANF funds to assist certain categories of people, but there is no requirement that a state provide assistance to any family or group of families.

**(v) Time Limits**

The law prohibits states from using federal TANF funds to assist families with adults for more than sixty months; states may allow exceptions for up to 20 per cent of their cases. States may, but are not required, to use state funds to provide assistance not subject to the federal time limits.

**(vi) Work Requirements**

The bill established federal participation rates, which started at 25 per cent in 1997 and reached 50 per cent in 2002. A state risked a fiscal penalty unless the required percentage of families receiving assistance met the requirements. Generally, the requirements discouraged use of education and training, because engagement in such activities only counted as participation for a very limited time period. The rules encouraged caseload reduction, because a state's required participation rate could be adjusted downward by the number of percentage points by which the state's caseload fell below 1995 levels.

**(vii) Emphasis on discouraging out-of-wedlock pregnancies**

Reducing out-of-wedlock pregnancies is an express goal of TANF and an allowable use of TANF funds. The law makes available \$100 million a year in bonuses to states demonstrating the largest reduction in the share of births out of wedlock while also reducing their number of abortions.

**Child Care**

The 1996 law also significantly modified the federal child care structure. It did so by consolidating a set of funding streams into a single block grant; eliminating previous requirements to 'guarantee' child care assistance to families receiving or leaving welfare who needed child care for work-related activities and employment; giving states broad discretion to use the funds to provide child care to families with incomes below 85 per cent of state median income. In addition, the law allowed states to transfer up to 30 per cent of their TANF funds to their child care block grant programmes and to spend TANF funds for child care whether or not the funds were transferred.

**4.2.2 State Implementation of TANF and Child Care block grants**

In implementing TANF, states generally continued or consolidated directions they had begun to take before the law was enacted. Generally, states:



- Broadened who is subject to participation requirements: States reduced or eliminated exemptions from requirements to participate in work-related activities. In 46 states, a parent's obligation to participate in such activities now begins at or before an infant reaches age one.
- Increased penalties for non-compliance: About 37 states now impose full-family sanctions, i.e., at some point all cash assistance to a family can be terminated for non-compliance with TANF work-related requirements.
- Implemented time limits: All but two states (Vermont and Michigan) established policies to terminate all or part of a family's cash assistance based on time limits. Seventeen states terminate assistance before five years for at least some families.
- Liberalized treatment of earnings: Almost every state broadened earnings eligibility for working poor, though in most states, any assistance provided to a working family counts against the state's time limit.
- Liberalized treatment of assets: All states liberalized circumstances in which a family with a car can qualify for assistance, and all but nine raised their asset limit above the AFDC level (\$1000) for at least some families.
- Broadened eligibility for two-parent families: Most (33) states eliminated all prior eligibility restrictions for two-parent families; only seven maintained all prior restrictions.
- Expanded the use of up-front job search and other efforts to 'divert' families from assistance: At least 30 states adopted formal diversion programmes, with a larger group articulating some approach to diversion.
- Made little change in benefit levels: Most states made little or no change in their basic benefits since 1996.<sup>8</sup>

More than any single rule or combination of rules, many state administrators emphasise a 'change in culture', i.e., a basic reorientation of what a welfare system is supposed to do. Stated most favourably, this is often described as a shift from a focus on income maintenance to a focus on job placement and employment preparation. Stated less favourably, it is described as a shift to a system whose principal goal became caseload reduction.

In the TANF structure, the drop in welfare caseloads gave states even broader flexibility in how they chose to spend their block grant funds. Before the law was enacted, there was much concern about how states would respond when needs increased in a structure of fixed resources. However, most states never faced this fiscal stress in early years of TANF, because funding levels were based on 1994 caseloads, and caseloads had already fallen by the time states entered TANF in 1996 or 1997. A report by the US General Accounting Office found that 45 states qualified to receive more federal funds in 1997 than 1996 even though their caseloads were continuing to fall, and that the amount available to states (in federal and state funds) under TANF in 1997 was \$4.7 billion larger than states would have had if they were still operating under the old AFDC formula (US General Accounting Office, 1998).

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<sup>8</sup> For more detailed information about state policies, see *US Department of Health and Human Services Administration for Children and Families* (2003) and *Center for Law and Social Policy and Center for Budget and Policy Priorities* (n.d.).

Thus, states had an initial TANF surplus, which grew each year as caseloads fell. Since cash assistance costs had been the largest component in determining block grant funding, the drop in caseloads resulted in states having additional billions to use for other purposes. This made it possible to increase services for TANF families and to expand services and benefits for low income working families who had left or never received TANF. The amounts involved were substantial. By 2002, the combined amount of TANF and MOE funds used that year was \$28.3 billion, but only about one-third of these funds (\$9.4 billion) was spent for cash assistance. After cash assistance, the largest single use of funding was for child care (\$5.4 billion). About 10 per cent of the funding (\$2.8 billion) was used for work-related activities and expenditures. States also financed state earned income tax credits, transportation assistance, child welfare-related activities, pregnancy prevention programmes, and an array of other initiatives (Richer *et al* 2003). However, due to limitations in data reporting, it is difficult to get a clear picture of how states used much of the funding. Moreover, states often used block grant funds to refinance pre-existing state initiatives, in order to free up state dollars for other purposes. This practice, referred to as supplantation, resulted in the loss of billions of dollars from low-income expenditures. Notwithstanding supplantation, the decline in welfare caseloads helped states significantly expand child care and related services.

One of the most dramatic shifts during this period involved the expansion of child care subsidy assistance for low-income families. In the US, low-income child care assistance is principally provided through the Child Care and Development Fund (CCDF), under which states receive federal block grant funds and can qualify for additional federal matching funds by spending non-federal funds for child care. Under CCDF, every state operates a child care subsidy programme for low-income families, principally through vouchers that may be used to purchase child care from formal or informal providers. While funds may be used for any family with income below 85 per cent of state median income, total funding falls far short of reaching the entire potentially eligible population, and most states typically give priorities to families receiving or leaving TANF assistance.

Between 1996 and 2001, US expenditures for low-income child care assistance tripled (from approximately \$3.1 billion to \$10.3 billion in nominal dollars) and the number of children receiving such assistance more than doubled (from about 1 million to over 2 million). Most of the growth of child care spending was due to increased federal funds, and most of the federal funding increase occurred because states were able to redirect TANF funds to child care (Greenberg *et al.*, 2003). Still, only about one in seven children potentially eligible for child care assistance under federal law receives such assistance, (Mezey *et al.*, 2002) though the actual extent of unmet need remains sharply debated.

#### **4.3 The rest of the policy context: the Earned Income Tax Credit, Health Care, Child Support and the Minimum Wage**

During the 1990s, another cluster of policy changes also affected the context for lone-parent employment. First, in 1993, Congress enacted a large increase in the federal Earned Income Tax Credit (EITC). In the United States, the EITC functions as the principal wage subsidy for low-earning families. The EITC provides a tax credit

equal to a percentage of earnings. The amount of the EITC increases as earnings increase until the family reaches a specified income level; then, the amount stays constant for family income reaches a point at which phase-out begins. If an EITC exceeds the family's tax liability, the difference is paid to the family, typically in the form of a lump sum 'refund.' The 1993 tax bill raised the EITC percentage for a parent with two children from 19.5 per cent to 40 per cent, and increased each of the other parameters that determined the family's EITC amount. As a result, the maximum EITC payment increased from \$1,511 in 1993 to \$3,556 in 1996 (Ways and Means Committee, US House of Representatives, 2000). (The maximum credit for 2002 was \$4,140). Federal spending on the credit more than doubled after the expansion, increasing from \$15.5 billion in 1993 to \$28.8 billion in 1996 to \$32.5 billion in 2000 (Ways and Means Committee, US House of Representatives, 2000).

Second, the 1996 welfare law made a set of changes intended to strengthen child support enforcement. These changes improved automated information available about employment and earnings of individuals as an aid to child support enforcement; expanded administrative authority for state child support enforcement agencies; required states to develop specified procedures for voluntary paternity acknowledgment; tightened rules requiring cooperation in the child support enforcement process; established new performance incentives for states; and broadened the circumstances under which former recipients can receive child support (while removing requirements that a portion of child support be passed through to families receiving assistance). Recent evidence suggests significant improvements in child support collection since 1996. Between 1996 and 2002, the percentage of cases with support orders increased (from 59 per cent to 70 per cent); the percentage of cases with support orders for which a payment was made increased (from 35 per cent to 69 per cent), and aggregate collections increased from \$12 billion to \$20 billion (Turetsky, 2003).

Third, the 1996 welfare law and subsequent Congressional action in 1997 broadened the availability of health care outside the welfare system. Until the early 1980s, eligibility for Medicaid for parents and children was closely tied to receiving AFDC, because AFDC recipients were automatically eligible for Medicaid, and parents and children not receiving AFDC were ineligible unless disabled. Legislation then began to gradually broaden eligibility for very low-income children and pregnant women, but AFDC receipt remained a principal avenue to Medicaid coverage. The 1996 law essentially provided that eligibility would be based on low income rather than on TANF receipt for parents and children who did not qualify for Medicaid on other bases. This 'delinking' of cash assistance from Medicaid was followed the next year with the enactment of the State Children's Health Insurance Programme, (SCHIP), a block grant of matching funding to states to extend health care coverage to children in families with low incomes but above the levels at which they would qualify for Medicaid.

Finally, Congress raised the minimum wage in 1996. The federal minimum wage sets a floor for all states, though states are free to enact higher state minimum wages. The minimum wage had been raised from \$3.35 an hour to \$4.25 an hour in 1991, and remained unchanged until Congress acted in 1996 to raise it to \$5.15 an hour, effective September 1, 1997 (US Department of Labor, n.d). In real terms, this raised the minimum wage to its highest value since 1982 (Economic Policy Institute, 2003).

One more part of background concerns the U.S. economy in the late 1990s. Between 1995-2000, the US economy grew faster, maintained a lower unemployment rate, and experienced less inflation than in the quarter-century from 1970 to 1995. The US unemployment rate fell from 7.5 per cent in 1992 to 4 per cent in 2000.

Unemployment rates fell for all groups during this period, but the decline in unemployment was greater for those who did not graduate high school than for any other educational group. At the same time, real wages reversed a historic trend and began to rise for the least educated and lowest-earning workers. For workers with less than a high school diploma, real wages had steadily declined since 1979, but grew from \$9.02 per hour in 1996 to \$9.50 an hour in 2001 (Economic Policy Institute, 2003a). For workers in the bottom decile of earnings, real wages steadily declined between 1979-96, but began growing in 1997, and reached their highest level since 1979 in 2001 (Economic Policy Institute, 2003b). The fact that real wages were growing for the least educated, least well-paid workers at the same time that their unemployment rates were falling is a powerful indication of the extent of demand in the US economy over this period.

#### **4.3.1 The TANF Experience: Caseload Decline and Employment Increase**

This, then, comprised the policy backdrop for TANF implementation: a cash assistance programme redesign to emphasise work and caseload reduction; an infusion of additional funding for services; a large child care expansion; a dramatic expansion of the Earned Income Tax Credit; significant improvements in child support enforcement; and a higher federal minimum wage. And, all this occurred in the context of an economy reaching historically low unemployment rates and evidencing strong demand for low-skilled workers.

In the years after TANF was enacted, state TANF caseloads fell rapidly and deeply. The caseload decline began before the law was enacted, but accelerated after enactment. The caseload fell from 5 million families in early 1994 to 4.4 million by enactment, to 2.5 million in September 1999 (US Report of Health and Human Services, 2002, chart 2:1). The caseload has continued to fall more slowly since then, and now is in the range of about 2 million families. Even during the economic downturn that the US has faced since 2001, the national caseload has continued to fall, although the majority of states have had some caseload increase (Richer *et al.*, 2003).

Increased employment is not the only reason for the caseload decline, but a range of sources all point to significant growth in employment among lone-parent families. Data from the US Census Bureau suggest that the growth began before TANF was implemented, but accelerated after 1996. Overall, the employment rate of lone-mothers with children grew from 57 per cent in 1994 to 70 per cent in 2000. For lone-mothers with children under age six, the employment rate grew from 46 per cent to 64.5 per cent over this period. For lone-mothers with children under age six and incomes below 200 per cent of the federal poverty line, employment grew from 39 per cent to 58.5 per cent. During this period, there was no comparable growth in employment for married mothers. As a result, in 1994, married mothers with children were more likely to be employed than were lone-mothers (65 per cent for married

mothers, 57 per cent for lone-mothers); by 2000, lone-mothers were somewhat more likely to be employed than married mothers (70 per cent for lone-mothers, 68 per cent for married mothers) (US Department of Health and Human Services, 2002, Chapter IV).

The evidence of increased employment is apparent among families receiving and leaving welfare. The share of adults working while receiving TANF assistance increased from 8 per cent in 1994 to 28 per cent in 1999 (and was 27 per cent in 2001) (US Department of Health and Human Services, 2003, Chapter 10). Part of the explanation is that, under TANF, most states liberalized the rules for reducing assistance when a family has earnings; as a result, a family is more likely to retain eligibility when a parent enters a low-wage job. However, the increased share of working families at the time that caseload was falling is striking. And, studies of families who left welfare in the first years after enactment of TANF consistently found that about 60 per cent of leavers were working, with an even larger share report having worked at some point since leaving assistance (Richer *et al.*, 2001).

#### **4.3.2 What kind of employment?**

While employment gains were dramatic, much of the employment for parents receiving or leaving welfare was in low-wage jobs, often without employer-provided benefits (Acs and Loprest, 2001). For families receiving assistance with earnings, the average monthly earnings were \$685.74 per month in 2001 (US Department of Health and Human Services, 2003, Table 10.46). Necessarily, earnings for families receiving assistance are low, because higher earnings would result in ineligibility for assistance. However, studies also reported low wages and earnings for those who were employed after leaving assistance. According to the Urban Institute's National Survey of America's Families, median wages for recent welfare leavers in 1999 were \$7.15 an hour (Loprest, 2001). State studies typically reported wages at or in that range. A review of more than 30 studies found that median wages ranged from \$6.00 to \$8.47 an hour. Most states showed median quarterly earnings in the range of \$2,000 to \$2,500. Furthermore, only about half of employed leavers were working in jobs that offered paid vacations, and even fewer had paid sick leave. Only one-quarter were receiving employer-sponsored health insurance (Richer *et al.*, 2001).

Data from these studies suggest that there was some earnings growth over time, but that earnings remained low for most of the affected families. A limited number of states reported longitudinal data for families leaving welfare and entering employment. In those states, earnings in the fourth quarter after exit grew by only a few hundred dollars compared to first-quarter earnings (Acs and Loprest, 2001). There are little data yet available showing long-term earnings changes for TANF leavers. A Wisconsin study that tracked families who left welfare in 1995 found that median earnings (in 1998 dollars) were \$8,608 in the first year after leaving, \$9,627 in the second year, and \$10,924 in the third year (Cancian *et al.*, 2003). Despite the growth, average annual earnings did not come close to the poverty line for a family of three.

State studies often provide little information about the working conditions of families leaving assistance. Other research finds, however, that low-income workers in the

United States are significantly less likely to have paid sick leave or vacation leave than higher-income workers. One study concluded that 74 per cent of working parents with income below poverty lacked sick leave, 57 per cent lacked vacation leave, and that 80 per cent had two weeks or less of sick and vacation leave. Poor employed parents were also more likely to work nights or evenings. Workplace flexibility is particularly important for lone-parents lacking the assistance of a spouse and often facing caretaking needs for family members with chronic conditions or special needs. However, low-income lone parents are among those least likely to have such flexibility in their jobs (Heymann, *et al.*, 2002).

### **4.3.3 What caused the caseload decline and employment growth?**

The large caseload decline and growth in lone-parent employment has sparked extensive discussion and numerous studies in the US. The strong US economy during the latter part of the 1990s seems to be one clear factor. However, there has never been a caseload decline comparable to that during the 1990s. Moreover, the pattern of employment growth suggests an important role for policy, because the increase in employment was most pronounced for lone-mothers with children, as opposed to married mothers with children, or single or married women without children. Further, among lone-mothers, the largest gains were concentrated among those who had recently received AFDC/TANF.

A number of studies have sought to examine the role of policy and the economy in accounting for caseload decline. Generally, studies have concluded that welfare policy and the economy played roles before and after TANF was enacted, but that the economy played a larger role during the earlier part of the decade, and welfare policy played a larger role in the latter part (studies are summarized and reviewed in Blank, 2002 and Grogger *et al.*, 2002). For example, the President's Council of Economic Advisers estimated that changes in unemployment explained 26 to 35 percent of the caseload change from 1993-1996, but only 8 to 10 percent of the change from 1996-1998 (Council of Economic Advisers, 1999). However, across the studies, the numbers are highly dependent on the methodology used, and a significant portion of the caseload decline is left unexplained across all major studies.

In a detailed review of the studies seeking to explain caseload decline, Rebecca Blank observes that 'Despite evaluation and methodological problems, the bulk of the research literature suggest that the policy changes over the 1990s were important to the rapid caseload decline. This evidence remains unsatisfying however, for a variety of reasons' (Blank, 2002). Blank points to a set of reasons for this concern, including that most papers focus on aggregate policy changes rather than specific components; that it remains difficult to separate economic and policy effects; and that papers focusing on welfare-related policies are less useful in measuring impacts of other policy changes.

As to the potential role of other policies, two studies estimate that the EITC accounts for between 10 and 16 per cent of the decline in caseloads (Grogger, 2003; Grogger, 2001). One study concluded that the early 1990s increases in the minimum wage explain 10 per cent of the welfare drop between 1993 and 1998 (Council of Economic Advisers, 1999). A study from the state of Rhode Island found indirect evidence that

child care subsidy expansions encouraged recipients to move off of welfare by entering work and increasing work hours (Witte and Queralto, 2003).

A smaller number of studies focus on factors accounting for the rise in employment among lone-mothers and current and former welfare recipients. Estimates of the effect of the 1996 welfare changes range from very little to half or more of the reason for the increase. (Blank, 2002; Grogger *et al.*, 2002). A few studies suggest that welfare changes had a similar effect on employment as on caseload reduction, with TANF playing a larger role in the late 1990s (O'Neill and Hill, 2003; O'Neill and Hill, 2001). In contrast, Schoeni and Blank (2000) find few effects of TANF implementation on increasing labour market participation after they control for state unemployment and income changes. A number of studies find that a sizeable component of the growth in labour force participation among single women can be linked to the Earned Income Tax Credit expansions (Blank, 2002).

A fundamental limitation of efforts to 'explain' the caseload decline or increase in employment is that they generally attempt to isolate the independent effects of particular factors, and it may be impossible to do so. As suggested above, during the 1990s, the overall context included the strong national economy, the expansion of the Earned Income Tax Credit, TANF implementation, the increased availability of child care subsidies, expansion of health coverage for children, the minimum wage increase, and improved child support enforcement. Moreover, the 'TANF effect' involved additional requirements, multiple rules changes, and additional billions of dollars available to states to increase services. Virtually all of these factors occurred at or near the same time, and all pushed in the same direction, making it difficult or impossible to know how the same policies would have worked in a different economy, or how one component would have worked without the others. For example, a job search requirement may have a very different effect in a strong and a weak economy, and the ability to retain employment in a strong economy with child care and health care may be quite different from the ability to do so if any of the components are absent.

Still, the consensus remains that TANF played a significant role in promoting employment growth. However, TANF may have also played an important role in increasing the likelihood that parents attaining employment entered low-wage jobs. In implementing TANF, many states were guided by a 'work-first' philosophy, in which programmes emphasized rapid employment entry. The guiding perspective was that any job could be a stepping stone to a better job, that job placement efforts should not make special efforts to link parents with better jobs, and that education, training, and skill-building for the unemployed should be discouraged. Nationwide, by 2000, only about 1 per cent of TANF funds were being used for education and training. A number of states subsequently moderated the more extreme approaches of the early years: a review by the Urban Institute reported that in visits to seventeen sites, in 1997, eleven were characterized as strictly work-first; three years later, only five of the seventeen still met that description (Holcomb and Martinson, 2002). By 2002, the share of TANF funds being used for education and training had grown to 2 per cent (which may be viewed either as a doubling or as still reflecting a very low share.) (Greenberg and Richer, 2003). Nevertheless, questions remain about whether a different mix of services in TANF implementation might have resulted in better employment outcomes.

Questions about the wisdom of a rigid work-first strategy were also raised by the findings of the National Evaluation of Welfare to Work Strategies (NEWWS), an eleven site experiment that began under the Family Support Act, but whose impact findings were not completed and released until after states began implementing TANF. Some NEWWS sites emphasized job search and others emphasized adult education. The one with the strongest impacts did not reflect either extreme: rather, the Portland programme had a 'mixed service' strategy, with a strong emphasis on employment, but a mix of job search and education and training. And, rather than emphasizing the need to take the first available job, the Portland programme urged participants to wait for a good job, generally viewed as one paying at least 25 per cent more than the minimum wage and offering a good chance for stable employment. (Hamilton, 2002). Thus, the Portland findings suggest that while maintaining a strong emphasis on employment, states could generate (and could have generated) better employment impacts by a more diverse set of services and more attention to job matching to help individuals get better jobs.

#### **4.3.4 The Unemployed Leavers**

While much of the attention concerning TANF has focused on employment outcomes, probably around 40 per cent of welfare leavers in the initial years of TANF implementation reported that they were not working. There is only limited information about these families. While many receive some form of public benefits, non-working leavers are likely to be poorer than working leavers. It appears that some, but not most, are residing with partners or other adults. The range of non-working leavers reporting income from household members and family (either living with the leavers or not) spreads from 10 per cent to nearly 50 per cent. However, this source of income is often sporadic (Kubo and Richer, forthcoming).

Parents who are not working after leaving welfare are more likely to have multiple barriers to employment than parents who are working after having left welfare. In addition, nonworking leavers have lower education levels than leavers who were employed at the point of exit. In a set of state studies, less than half of leavers without a high school diploma were working, compared to two-thirds of those with a high school diploma, and three-fourths of those with some college (Kubo and Richer, forthcoming). When asked why they were not working, between 20 and 30 per cent of nonworking leavers cited health problems, including physical and mental health issues, disabilities, and children with physical or mental health concerns. The reported types of conditions tend to be chronic and serious, such as hepatitis, cancer, depression, and diabetes (Kubo and Richer, forthcoming). One national study found that over one-third of nonworking leavers reported experiencing poor health status, pain which interferes with normal work, a health limitation which prevents them from even climbing several flights of stairs, and/or a health condition which limits the kind of work they can engage in (Polit *et al.*, 2001). State studies report that between one-fifth and one-third of non-working leavers could not pay for necessary medical care. Other barriers include child care (reported by 20 to 30 per cent of non-working leavers), transportation (nearly half of non-working leavers experience transportation difficulties), and less commonly, a lack of jobs (Kubo and Richer, forthcoming).



Non-working leavers experience a wide range of hardships. Between one-quarter to one-third report facing food insecurity or hunger (Polit *et al.*, 2001). A set of state studies indicates that between one-quarter and one half of nonworking leavers fall behind in their rent (and 10 to 20 per cent have to move due to financial problems). A national study found that 35 per cent of nonworking leavers paid more than half of their income in rent and utilities and did not have housing assistance, and 20 per cent lived in a crowded household (that is, less than one room per person) (Polit *et al.*, 2001)

#### **4.3.5 The role of sanctions and time limits**

A significant share of case closures in some states are due to sanctions or non-compliance with programme requirements, such as failure to meet a work requirement, attend a meeting or respond to a notice (US General Accounting Office, 2000). The share of case closures attributable to sanctions or other non-compliance appears to range from very low in some states to 25 per cent or higher in others (US Department of Health and Human Services, 2003, Table 10:48).

Compared with other welfare recipients, sanctioned individuals have lower levels of education, less work experience, a high prevalence of health-related barriers to employment, and are more likely to experience several barriers at once (Goldberg and Schott, 2000). Compared to non-sanctioned recipients, sanctioned families have lower household income, are more likely to return to welfare, less likely to be employed and 'are more likely than non-sanctioned recipients to have personal characteristics, human capital deficits, transportation barriers or personal and family challenges that make them harder to employ' (Pavetti *et al.*, 2003). A report on the impact of sanctions on the health of infants and toddlers found that sanctions are associated with significantly increased rates of food insecurity in households with young children and increased rates of hospitalization for young children. Infants and toddlers whose benefits were reduced or terminated due to sanctions have a 90 percent higher risk of being hospitalized at the time of an emergency room visit compared to families whose benefits have not been reduced. They also have a 50 percent higher risk of being food insecure than similar children in families whose benefits have not been decreased (Skalicky and Cook, 2002).

In the early years of TANF implementation, reaching time limits was not a major reason for case closures in most states. Most states adopted a five-year limit on assistance, and most families did not reach the limit in five years. Much of what is currently known about time limits comes from studies in states with shorter time limits. In these states, it appears that many or most families whose cases closed due to time limits were already working when they lost assistance, but had earnings so low that they continued to qualify for assistance until they reached the time limit (Adams-Ciardulla *et al.*, 2002; Bloom *et al.*, 2000; Richardson *et al.*, 1999; Gordon *et al.*, 2002; Bania, *et al.*, 2001). Thus, a principal effect of time limits was to cut off assistance to very poor working families (Massachusetts Department of Transitional Assistance, 2000; Richardson *et al.*, 1999, Taylor and Barusch, 2000). Longitudinal data following families reaching time limits suggest that reaching the time limit has the net effect of lowering family income: earnings increase over time, but not enough to offset the loss of benefits (Adams-Ciardulla *et al.*, 2002; Bloom *et al.*, 2000).

One state, Utah, collected unusually rich information about the employment barriers faced by families terminated due to time limits. Compared with other welfare leavers, families terminated due to time limits in Utah were more than twice as likely to have experienced severe domestic abuse in the last 12 months, to suffer from Post-Traumatic Stress Disorder, or have a language barrier, and were nearly twice as likely to lack transportation (Taylor and Barusch, 2000).

There are only a few random assignment studies of families reaching time limits, each based on waiver initiatives established before the 1996 law was enacted. These studies find that programmes with a time limit demonstrate impacts on employment before the families reach the time limit, though it is impossible to tell whether the impact is being driven by the time limit or other features of the programme. The magnitude of these impacts stays flat or declines after the time limit is reached. There is no evidence that the programme impacts grow after families are terminated due to the time limit.

#### **4.3.6 Impacts on Child Well-being**

While the employment growth and caseload decline of the late 1990s are clear, it is far less clear how these changes have affected children. On the one hand, there was a notable decline in child poverty, as measured under the US absolute standard. The child poverty rate fell from 22 per cent in 1994 to 16 per cent in 2001, and the decline was particularly strong for children in minority groups (Proctor and Dalaker 2002)<sup>9</sup>. All else being equal, one would anticipate that declines in poverty would have positive effects on child well-being.

At the same time, it remains unclear what the ultimate effects will be of increased employment, income, and time away from children will mean for lone-parent families. So far, the evidence is limited because it comes from random assignment experiments that did not reflect the full set of TANF-related policies. The Manpower Demonstration Research Corporation, looking at pre-TANF welfare-work programmes, found that many programmes raised employment rates, but only some raised income, because gains in employment were often offset by losses in benefits. MDRC found evidence of positive effects on children's school achievement in programmes in which employment was associated with increased family income. In addition, two of three programmes that raised incomes found increases in positive behaviours by children, and one found a decline in problem behaviours. In contrast, programmes in which increased employment did not translate to increased incomes had mixed effects, and no clear positive impact on children's well-being. The authors conclude: '[W]e found that programmes that provided earnings supplements had consistently positive impacts on children's achievement.... Raising employment without increasing income may not be sufficient to boost the healthy development of children in low-income families' (Morris *et al.*, 2001, p. 63).

Even when programmes have raised family incomes, there are concerns that welfare-work programmes have had negative effects on adolescents. A review of evaluations

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<sup>9</sup> The poverty rate for African-American children fell from 44 per cent to 30 per cent, and the rate for Hispanic children fell from 41.5 per cent to 28 per cent. For white children, the rate fell from 17 per cent to 13 per cent.

notes that '...adolescent children of parents enrolled in welfare-to-work programmes showed increased behavioural problems and lower academic achievement'. The most dramatic negative impact was among the students in welfare families who had younger siblings; these youth experienced increased rates of school dropout, school suspensions, grade repetition, and poorer school performance (Brooks *et al.*, 2001).

It is not yet clear whether these effects could be reduced or reversed by expanded services for adolescents or different programme requirements for parents.

#### **4.4 Recent Developments: Some Employment Decline, Little Change in Caseload, and Severe Fiscal Stress in States**

The US economy's strong growth ended in 2000. The national unemployment rate grew from 4 per cent in 2000 to 5.8 per cent in 2002 (Bureau of Labor Statistics, 2002). Over this period, the unemployment rate for lone-mothers grew from 9.8 per cent to 12.3 per cent (Chapman and Bernstein, 2003). In data from the National Survey of America's Families (NSAF), among families that had recently left and had not returned to TANF, the share working declined from 50 percent in 1999 to 42 percent in 2002 (Loprest, 2003). NSAF data also indicate that an increased share of leavers are 'disconnected', defined as those who are not working, do not have a working spouse, and are not receiving TANF or Supplemental Security Income). The share of disconnected leavers rose from 10 percent in 1999 to 14 percent in 2002 (Loprest, 2003a). These disconnected families are more likely to face barriers to employment including poor health, low levels of education, and lack of recent work history and face more hardships than working leavers.

Before the downturn, many people had anticipated that welfare caseloads would likely have become more responsive to economic fluctuations, in light of the growth in labour force participation by low-income lone parents. However, the welfare caseload story during the downturn is mixed: in the two years since March 2001, 29 states reported caseload increases, 21 reported decreases, but the overall national caseload declined by 3 per cent (Richer *et al.*, 2003). The Economic Policy Institute found that between 2000 and 2001, real income for lone-mothers fell because employment income fell, public assistance continued to fall, and the modest growth in income from unemployment compensation did not approach compensating for the losses in earnings and public assistance (Chapman and Bernstein, 2003). To date, there is no comprehensive analysis of why the national caseload continued to fall during the downturn. In the political process, some have pointed to the continuing decline in welfare caseloads as evidence of the continuing success of the law, while others point to the increased share of nonworking and disconnected leavers as further evidence that the US safety net has been significantly weakened.

Meanwhile, most states have implemented or are facing reductions in TANF-funded services and benefits, largely because of sharply deteriorating state finances. Since 2001, states have faced budget shortfalls each year, principally due to steep drops in revenues, and a large additional deficit is forecast for the next fiscal year. At the same time, TANF funds remain fixed and do not adjust for inflation. As long as caseloads were declining, states had an increasing amount of discretionary funding that could be used to fund child care and other service expansions. Now, with frozen funding and a slowing or reversal of caseload decline, states increasingly face the need to cut back

on low-income benefits and services. For example, a recent survey concluded that more than 35 states have made cuts in programmes funded with TANF and child care block grant funds, with most states having already made some reductions in child care assistance, particularly affecting working families that do not receive cash assistance (Parrott and Wu, 2003). Thus, the block grant structure, which provided increasing amounts of flexible funding so long as welfare caseloads were falling, is not able to provide additional amounts of counter-cyclical assistance to respond to increased needs during the economic downturn.

#### **4.4.1 The Puzzling Direction of TANF Reauthorization**

In the US legislative structure, programmes are often ‘authorized’ for a discrete number of years, and are then scheduled for reauthorization. Reauthorization is a time for determining the funding level for the next set of years, and also may function as an occasion for a broader review by Congress and consideration of the next set of directions for the programme.

TANF was scheduled to be reauthorized in 2002. Despite the controversies around enactment of the 1996 law, there appeared to be broad consensus about next steps by the end of 2001. There seemed to be substantial agreement that there had been a large increase in employment but often in low wage jobs; that incomes had increased for those entering employment but the families often still fell short of meeting basic living costs and needed an improved structure of ‘work supports;’ that families still receiving assistance tended to have more serious employment barriers, calling for more flexible strategies; and that at least in the context of ample resources, the block grant structure had worked better than many expected, and that it was appropriate to preserve substantial state flexibility (see generally Blank and Haskins (eds) 2001).

Many people anticipated that the next disputes would be between those emphasising the need for a focus on poverty reduction and those urging that government should do more to promote marriage (Haskins *et al.*, 2001). Proponents of the poverty reduction focus highlighted the need for expanded education and training, promoting employment retention and advancement, expanding child care, modifying time limits policies so that states could use TANF funds to assist working families on an ongoing basis, ensuring that families benefit from child support, removing restrictions on ability to assist legal immigrants, rewarding states for success in reducing poverty.

For others, a central fact of the period since 1996 was that while caseloads had fallen and employment had grown, there had been far less, if any, change in family structure, and that states had done too little to discourage non-marital births or promote two-parent families. Therefore, it was argued, that if Congress truly wished to improve child well-being, an essential step was to encourage or require states to do much more to encourage marriage.

While the themes of poverty reduction and marriage promotion were prominent in 2002, the reauthorization debate took on an unanticipated direction when the Bush Administration put forward its reauthorization proposal in February of 2002 (Greenberg, 2002). Generally, the Administration proposed to freeze TANF and child care funding levels for the next five years; to commit \$1.5 billion over this period to a

demonstration and research agenda in efforts to advance ‘healthy marriages’; and to substantially alter the participation rate structure for families receiving TANF assistance. While there were disputes about each component of the proposed approach, the disagreements about participation rates were probably sharpest, and played the largest role in preventing the enactment of a reauthorization bill in 2002.

The context for the participation rate disputes arose from the original provisions of the 1996 law. Under that law, states had been required to meet a 50 per cent participation rate in 2002, but the rate was then adjusted to the extent a state’s caseload had fallen since 1995 for reasons other than changes in eligibility rules. Since most states had had caseload declines of 50 per cent or more, most states had faced adjusted participation rates at or near zero in 2002. There was little if any evidence that states had reduced their emphasis on work as a result of having such low effective participation rates. However, the Administration proposed that over the next five year period, the required participation rate should be raised to 70 per cent, with no credit for caseload reduction; that families should be required to participate in work-related activities for 40 hours a week in order to count toward participation rates (while under current law, the requirement is 20 hours for lone-parents of children under age six and 30 hours for others); and that after a three month period, only a very limited set of work activities could count toward the first 24 hours of participation. The rationale for the 40-hour requirement was partly to encourage a stronger emphasis on full-time employment, and partly because a 40-hour work week is ‘expected’ of other workers. In practice, the proposed requirements were viewed by many as making it essentially impossible to allow full-time participation in training for more than three months, and to effectively require states to operate unpaid work experience programmes for those not able to attain employment within three months.

The Administration’s proposal generated sharp controversy. Many advocates and programme providers expressed concern over the contraction of access to education and training and the promotion of unpaid work programmes. State officials were often inhibited from speaking freely due to partisan political pressures, but many of those able to do so expressed frustration at what appeared to be federal prescription and micromanagement. Moreover, it was estimated that the new requirements would add billions of dollars to programme costs, and without new funding would force states to cut benefits and services to other low-income working families in order to meet the new requirements.

Ultimately, the Republican-majority House passed a bill closely resembling the Administration’s proposal, but disputes about how to proceed prevented the Senate from ever enacting its own bill, and the issues were deferred until 2003. As of this date, the reauthorization remains pending.

It is at best unclear what relevance the reauthorization story may have for other nations. Much of the deliberative process in Congress has been consumed with disputes about the details of participation rates: how many hours should count, which activities, what rates should apply, how should they be adjusted. Stating the case most favourably to the Administration, the effort is to ensure that states actively engage a very high share of families, and to ensure that programmes emphasize the importance of full-time employment. An alternative view is that the Administration largely diverted what should have been a discussion of efforts to improve employment

outcomes into a dispute about what share of welfare families ‘aren’t doing anything’ and to again tap the politics of resentment against families receiving assistance, in a debate that has been strikingly unresponsive to the fiscal crises being felt by states.

#### **4.5 What Works? What Lessons for Other Nations?**

Necessarily, any discussion of ‘what works’ needs to begin by asking what goal one is trying to attain. In the United States, during the late 1990s, two clear goals were welfare caseload reduction and increased employment for lone parents, and both those goals were largely accomplished. (For some, a third goal was reducing the share of non-marital births, and while the rate stopped growing in the early 1990s, there was no comparable dramatic change in the late 1990s for this measure.)

It seems clear that a crucial part of the US story was the strong economy and strong demand for low-skilled workers during the latter 1990s. At the same time, it also seems clear that this is not the full explanation, and that policy played an important role in the sharp increase in lone parent labour force participation at a time when there was no comparable increase for married mothers or for single women who were not parents.

As to which policies most mattered, the not-very-satisfactory answer is that it is hard to be certain, because TANF involved a complex mix of requirements, penalties, messages, and expanded services and supports and because one cannot readily disentangle how the same TANF policies might have functioned in a different economy, or without the supports for work provided by the expansions in the earned income credit, child care, child support, and health care. However, the US story is sometime presented as if it was only about imposing requirements and penalties, and it is clear that the expansion of services and supports was a key part of the mix.

It does seem apparent, though, that if one’s goal is not just to maximize employment, the approach taken by the US has significant, and perhaps unacceptable, costs. While the imposition of strong requirements probably contributed to increased employment, it also contributed to the number of families that left assistance without finding work, and to the increasing numbers of families that are now without work and without welfare. Thus, if a nation’s goal is not just to lower child poverty, but actually to eliminate it, an approach that tolerates terminating all cash assistance to needy families as a motivator to find employment should be deeply troubling. Rather, if the challenge is simultaneously to raise employment while also pursuing the goal of ending child poverty, a strategy needs to combine those elements that promote and support employment while avoiding those that risk leaving families and children with little or no income.

Moreover, the US approach has, to date, been successful in increasing employment but far less successful in helping families advance in the labour force. The emphasis on rapid employment entry was tied to a vision that once in work, families would either advance through the accumulation of work experience or by taking advantage of advancement initiatives. Yet to date, the gains to experience have been limited, only a small share of resources has been committed to advancement initiatives, and even those are at risk under fiscal stress. Thus, if a nation’s efforts seek to accomplish

more than rapid connection to any employment, there is a need for a more comprehensive and balanced approach than was typically taken by states during the late 1990s.

Finally, if a nation's goals include advancing the well-being of children, then there is both a need to ensure that employment translates to increased income, and to pay far more attention to issues of work-family balance, the conditions of parents' work and the conditions children face when their parents are not home. The US discussion remains oddly bifurcated. The welfare discussions continue to focus on maximizing hours of work participation by lone parents. At the same time, it is by no means clear that this will translate to improved child well-being, and the discussions of work-family balance issues remain largely unconnected to the issues of promotion of employment for lone parents.

Thus, there is significant value in examining the US experience in promoting lone parent employment, but in the UK where there are broader goals to end child poverty and promote child well-being, it is also important to appreciate the limits to the US approach.

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## **5) Norway: creating a work/welfare divide - lone parents experiencing the new employment strategy**

**Liv Johanne Syltevik**

### **5.1 Introduction**

In a Scandinavian context the Norwegian welfare state has been a latecomer with regard to making the combination of paid work and child care easier for Norwegian mothers, particularly in relation to developing public child care provision (see Leira, 1992; Wærness 1998). At the same time, the Norwegian welfare state has given women better rights to continue their traditional roles as housewives and mothers after divorce, or the death of a husband, or when supporting a family through childbirth in the absence of a male provider. In contrast to Sweden and Denmark, the Norwegian approach has supported lone mothers as both carers and/or workers. Policy has been clearly oriented towards employment, but also based on the presupposition that employment can be difficult under such circumstances. Thus the approach has been a mix of the 'ideal types' of care regimes: the 'Care-giving model' and the 'Parent-worker Model' (Lewis and Hobson, 1997). Norwegian lone mothers have been supported by the welfare state as both carers and workers. This policy could be seen as reproducing gender hierarchies and reinforcing segregated gender roles by keeping some women at home for longer. But it can also be seen as giving women power by valuing their unpaid care work. The benefit system has made it possible for lone mothers to set up their own households and has provided opportunities for education and part-time work when the children are small, as well as supporting lone mothers in full-time paid work.

However since the late 1990s, the Norwegian welfare policy balance has gradually shifted towards more strongly supporting women in combining employment and motherhood. The policy towards lone mothers was changed in a way that limited the period that lone parents could stay at home full-time or part-time with their children, or take part education while living on the transitional allowance. In addition, the rates of the financial support have been slightly increased and a greater proportion of childcare expenses covered by the state. An organisation for lone-parent self-help and support was also set up. All these changes are intended to motivate lone parents to take up education and employment. In sum they represent a new policy regime for lone parenthood in Norway. This chapter presents the results from a study<sup>10</sup> conducted to evaluate the consequences of these changes for lone parents.

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## 5.2 Historical background

The Norwegian scheme for lone parents has been, and still is, an example of what Kamerman and Kahn (1988) called a *categorical lone mother strategy*<sup>11</sup> reflecting the special rights connected to the category of lone parent families. The national allowance scheme was established in 1964, and included widows, unmarried mothers and 'family widows'<sup>12</sup>. This allowance represented the end of the building of the National Insurance Scheme in Norway, and was the last area in which politicians believed it possible to give rights without means testing. In 1981 the scheme was altered so it also covered separated and divorced mothers, and made gender neutral by including lone fathers. By being defined as a lone parent<sup>13</sup>, lone mothers and fathers have been guaranteed a minimum income through the allowance if they preferred to take care of their child (children) at home until the youngest child reached the age of about 10 years of age. The allowance has also made it possible to combine being at home part-time with paid employment or with education for the same period. For employed lone mothers with low wages and children under the age of 10, the allowance has provided a top-up to wages. In addition to the allowance, the Norwegian scheme has also included *child-care benefits* for lone parents who take up education or who are in paid work, and an *educational allowance* to cover the costs of books and travel expenses. All lone parents were also given an extra child allowance until the youngest child reached the age of 18, and paid reduced levels of taxation, reflecting their status as lone parents. In short, social transfers play a significant part of the income of Norwegian lone parents compared with married or cohabiting parents (Kirkeland *et al.*, 2003).

The transitional allowance element is what distinguishes Norway from other Scandinavian countries because it gave a minimum income regardless of what choices the lone parent made with regard to paid work. The transitional allowance has supported lone parents both as full-time and part-time carers or workers, and has been widely used. Calculations show that about 70 per cent of the lone parents entitled to the allowance in the 1980s and 60 per cent in the 1990s have used it for some period of time (Terum, 1993; Kjeldstad and Roalsø, 1995)<sup>14</sup>. It is, however, important to note that at any given time a majority of Norwegian lone parents are supporting their families by other means. Compared with lone parents in general, lone mothers receiving the transitional allowance are younger and have fewer educational

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<sup>11</sup> Kamerman and Kahn (1988) contrast this kind of policy with an anti-poverty strategy (here Britain is the example), a universal young-child strategy (exemplified with France) and combining labour market and family policy to make it possible to combine parenting and work (here Sweden is mentioned as the most prominent example). Kamerman and Kahn characterised the Norwegian Transitional Allowance programme at that time as the most generous targeted benefit for lone parents in Europe.

<sup>12</sup> "Family widows" were women that had taken care of their old parents or other relatives, that after the death of those they had cared for were not able to provide themselves.

<sup>13</sup> The category of lone parent has undergone some changes since 1981. The latest changes are related to cohabitants. Since 1994 cohabitation for more than 12 of the last 18 months excludes you from being considered a lone parent.

<sup>14</sup> Kjeldstad and Roalsø (1995) found that about a third of the lone parents in 1991 had never received the allowance, while a quarter had never been employed during their period as lone parents.



qualifications. The allowance has mainly been used by lone *mothers*.<sup>15</sup> Few recipients have used the allowance for long periods. The average time on allowance was three years in the early 1990s (Terum, 1993).

In the early 1990s the increase in the number of divorces and cohabiting couples separating led to an increase in the number of recipients both of transitional allowance and child-care benefits. This did not create moral panic regarding lone parent families. As Skevik (2001a) points out, lone parents were not singled out as targets of moralist attacks, and lone parents were treated as one of many family forms. In the political debate about the welfare system it was, however, questioned as to whether the scheme gave lone parents enough incentive to take up employment. It was argued that the allowance made lone parents 'passive' and 'dependent' for a longer time than necessary, and was therefore counter-productive in relation to goals of increased self-provision. The considerable investment in provisions to help families in general combine work and care for children<sup>16</sup> was also given, as a reason as to why it was no longer considered necessary for lone parents to stay at home to care for children<sup>17</sup>. Another argument against the old scheme was that it had proved unsuccessful with regard to keeping lone parents out of economic hardship. Norwegian lone mothers were amongst the worst-off group in the population according to standard of living surveys, and this position had worsened during the last decade (Kjeldstad, 1998). This was reflected in the fact that an increased number of lone parents also were receiving the transitional allowance alongside social assistance, a means-tested benefit based on the old poor relief system given by municipalities. On the other hand, fewer lone mothers in Norway received the most stigmatised means-tested social benefits compared with the other Scandinavian countries with a more work-oriented policy and no allowance (Syltevik, 1996).

### 5.3 The new policy regime for lone parents in Norway

The changes to the benefit system in the late 1990s were part of an overall strengthening of the emphasis on employment policy in the Norwegian Insurance system by the Labour Government at that time. Welfare to work policy was based on uneasiness about whether it had become too easy to get welfare support and the view that the length of time on allowance made it difficult for people to enter the labour market again. The Labour Party also had a strong commitment to the ideal of gender equality, and wished to facilitate women's labour market participation. The changes in the allowances for lone mothers were presented by the Labour Government as a necessary modernisation of the welfare system due to the new role of women in a developed welfare state. From 1<sup>st</sup> January 1998 the period of eligibility for the transitional allowance was limited to three years, with the possibility of an extension of two more years if the recipient took up education. New rules were also introduced regarding the age of children. Support was restricted to families where the youngest child is under 8 years of age. In addition, if the youngest child is 3 years of age or

<sup>15</sup> Of those receiving the allowance in 2001 only 3 per cent were lone fathers, and this is the highest per cent so far (Syltevik 1999).

<sup>16</sup> During the 1990s the schemes for parental leave in connection with the birth of a child were increased to 52 weeks with 80 per cent wage replacement, the daddy quota (1 month reserved for fathers) was established, and kindergarten coverage was increased considerably.

<sup>17</sup> See Syltevik 1999 and Skevik 2001a for presentations and discussions of the political debate.

older, the recipient has to be active in the labour market - either by actively seeking employment, or by having a job (of at least 50% of full time hours), or by studying (again at least half time) - in order to receive financial support. Tables 5.1 and 5.2 give an illustration of the differences between the old and new rules. As the tables show, the age of child at the start of the claim determines both how long eligibility lasts and what conditions must be met. For example, if the youngest child is 6 years old when transitional allowance is claimed the lone parent can now receive the allowance for two years, but only if she is active in paid employment or takes up education. This compares with the old system where the lone parent would have had four years of entitlement, without conditions.

**Table 5.1 The Time Budget of the transitional allowance OLD rules, Norway**

| Age of child | Age of youngest child at the start of the period with allowance |   |   |   |   |   |   |   |   |   |
|--------------|---|---|---|---|---|---|---|---|---|---|
|              | 0   | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| 0            | X   |   |   |   |   |   |   |   |   |   |
| 1            | X   | X |   |   |   |   |   |   |   |   |
| 2            | X   | X | X |   |   |   |   |   |   |   |
| 3            | X   | X | X | X |   |   |   |   |   |   |
| 4            | X   | X | X | X | X |   |   |   |   |   |
| 5            | X   | X | X | X | X | X |   |   |   |   |
| 6            | X   | X | X | X | X | X | X |   |   |   |
| 7            | X   | X | X | X | X | X | X | X |   |   |
| 8            | X   | X | X | X | X | X | X | X | X |   |
| 9            | X   | X | X | X | X | X | X | X | X | X |

X - lone parents received allowance whether staying at home, or working part-time or full-time (the allowance was reduced according to income).

**Table 5.2: The Time Budget of the Transitional allowance NEW rules, Norway**

| Age of child | Age of youngest child at the start of the period with allowance |   |   |   |   |   |   |   |   |   |
|--------------|---|---|---|---|---|---|---|---|---|---|
|              | 0   | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| 0            | X   |   |   |   |   |   |   |   |   |   |
| 1            | X   | X |   |   |   |   |   |   |   |   |
| 2            | X   | X | X |   |   |   |   |   |   |   |
| 3            | E   | D | D | D |   |   |   |   |   |   |
| 4            | E   | E | D | D | D |   |   |   |   |   |
| 5            |   | E | E | D | D | D |   |   |   |   |
| 6            |   |   | E | E | D | D | D |   |   |   |
| 7            |   |   |   | E | E | D | D | D |   |   |
| 8            |   |   |   |   |   |   |   |   | C |   |
| 9            |   |   |   |   |   |   |   |   |   | C |

X - lone parents receive allowance whether staying at home, attending school, or working part-time or full-time (the allowance is reduced according to income).

E – transitional allowance is only given if the recipient takes education.

D – transitional allowance is only given if the lone parent is either actively seeking employment, working or taking part in education for more than 50 per cent of full-time.

C – transitional allowance is only given if the lone parent has special difficulties adjusting to a new situation.

Since it was introduced the transitional allowance has given Norwegian lone mothers the possibility of different combinations of paid work, study and care. This still remains the case but the recent reforms have limited the possible options and thus give the individual lone mother less choice than before. The reforms are based on the assumption that most lone parents want to secure their provision through employment in the labour market, and that most are able to do so following a period of adjustment.

The new rules made employment necessary and a duty for new groups of lone parents through the curtailment of their benefit eligibility. At the same time as these eligibility changes were introduced, the rates of support were also slightly increased and a larger proportion of child daycare expenses were covered (now up to 70 per cent of the cost).<sup>18</sup> Finally, a nation-wide for self-help and support

(*Brukermedvirkningsordningen* – hereafter abbreviated BMO) was set up, to motivate lone parents to get jobs and education. This consists of local groups established separate from, but connected to, the local National Insurance offices. Lone mothers receiving transitional allowance were recruited as ‘user- contacts’ – client representatives - and received their allowance as wages for their work. The goals of the groups were to motivate lone parents for education and work, to organise activities for lone parents, to give information and to help lone mothers with practical tasks like contact with the local authorities and applying for child-care. The model was based on ideas about empowerment and self-help. Earlier attempts to set up similar s had had some success in a few municipalities prior to the national benefit reforms (The Welfare White Paper (St.meld. nr. 35, 1994-95). Compared with other similar labour market programmes elsewhere, the Norwegian BMO programme has wider ambitions, aiming to increase lone parents’ self-esteem and improve their financial situation, in addition to helping them enter employment (Skevik, 2001b).

The three main goals of the reforms were to improve the economic situation for lone parents, to increase their capacity to make their own living through paid work, and to improve the quality of public service towards the group. In sum these changes represented a new policy regime for lone parenthood in Norway. The policy created a division at a child’s third birthday, after which it is no longer seen as appropriate that mothers (or fathers) should stay at home to look after their children on a full-time basis with support from the welfare state.

This approach fits well with the general approach to family policy in Norway. It can be seen as a sort of compromise between the wish to facilitate women’s employment on the one hand, and the general discourse about the need for more time with children for working parents on the other. In the first year of a child’s life all working parents are given parental leave - either 52 weeks with 80 per cent of earnings replaced or 42 weeks with 100 per cent of earnings. After this period, a cash-for-care benefit called

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<sup>18</sup> Previously there were fixed maximum rates for expenses covered for each child.

‘kontantstøtten’ is offered to all parents who have children in the age group 1-3 years and who do not use state sponsored child-care services. For this age group the coverage of kindergartens (nursery schools) in 2000 was around 31 per cent for the one year olds, and 49 per cent for two year olds (Gulbrandsen and Hellevik, 2000). This means that the majority of parents with children in these age groups receive this benefit. The parents can use it as they wish – either hiring private help for childcare or staying at home themselves, either part- time or full-time. Since this cash-for-care benefit is given to all families, it also gives lone mothers the option to stay at home with the under threes.

This new ‘three-year’ division is however rather fragile, as the ‘cash for care’ benefit is constantly under attack. The cash benefit was implemented by the Centre Coalition Government, established when the Labour Party lost government in 1997. The main arguments against it have been the possible re-domestication of young mothers and a wish to use the money for public childcare instead. The present opposition parties, the Labour party and the Socialist Left party are ready to abolish the benefit if they come to power

#### **5.4 Evaluation strategy – design of the study, sample and questionnaires**

The main goal of our study was to gain knowledge about the experiences of those receiving a transitional allowance two years after the new regime was put in place. It was decided from the beginning that the study was to be a client-evaluation based on self-reported experiences by lone parents. We also wanted to say something about the experiences of the group as a whole, and therefore chose a quantitative approach with a representative sample of recipients. Financial constraints meant that we had to go for a postal rather than a face-to-face survey but we were given the opportunity to use a panel design sending questionnaires to the sample twice. This allowed us to follow recipients through the transition from the old to the new regime. Key research questions explored the extent to which these policy changes influenced the ways lone parents organise paid and unpaid work, and how they provided for their family. We also wanted to know how the recipients of the transitional allowance viewed their economic situation and about their general attitudes towards paid work, care for children and the changed scheme for lone parents.

The evaluation is based on data from a panel of respondents who answered two questionnaires within a period of one and a half years. In the questionnaires the respondents were asked about their views and attitudes and their actual situation with regard to welfare benefits, employment, education and the care of their children. They could also comment freely on the back page of questionnaires. The first questionnaire was sent out in the summer of 2000 (T1), and the second one by the end of 2001 (T2). Most of the participants have therefore had experience of both the old and the new systems of transitional allowance. The period when recipients were allowed to go by the old rules was over by the end of 2000. Accordingly, when the last questionnaire was answered, all the recipients were experiencing the new regime. However, since the study was done after the implementation of the reform, it is not a before and after study and we are therefore only able to compare the results with earlier research and available statistics.

The sample was drawn at random from all recipients of transitional allowance in March 2000 (N=1600). Of this sample only 41 per cent answered the first questionnaire, while 19 per cent said that they did not want to participate in the research (the remainder were non respondents)<sup>19</sup>. Of the 654 answering first time, 70 per cent (458) also answered the second questionnaire. Compared with the population of all those receiving transitional allowance in 2000, our sample is biased in several important respects. In particular, they tend to have higher education and greater work participation rates. Our respondents are thus more likely to be able to fulfil the goals of the reform than are the population as a whole, and the results of the study should be interpreted taking this into account. In a way this is a 'best case study' of how those best equipped to fare well are doing in the new system. Speculatively, this may mean that the problems and issues raised from our sample are more acute within the population as a whole. Notwithstanding this, we still have a panel with a broad spectrum of experiences, including experience of the problematic aspects of the changing rules. We have also included some qualitative analysis of what the respondents have written freely (on the last page of their forms<sup>20</sup>) to a greater extent than we originally planned to do. This material was used to deepen our understanding of how the changing rules have affected the individual lives of lone parents and their children.

## **5.5 The main consequences of the reform**

The changes in the benefit system have resulted in a considerable decrease in the number of persons receiving transitional allowance. This has fallen from 44,986 in 1997 to 25,470 in 2002 (see table 5.3). The reform has therefore obviously worked with regard to reducing the number of recipients. The important question is, however, whether the main goals of government reforms have been achieved.

As discussed above, the main aim of the reformed scheme was to increase lone parent's ability to provide for themselves and their children through paid work. During the 1990s an increased percentage of lone mothers with allowance have combined allowance with part-time work or with education. From 2000 the percentage of recipients of transitional allowance that are employed and undergoing education has actually fallen (see table 5.3). This is not surprising and is not an indication that the reform is unsuccessful, since the group eligible for transitional allowance after the reform now consists of women with smaller children or for whom divorce is more recent. Employment participation rates have generally increased for lone mothers since 1992 and also from 1997-1999 (Kjeldstad and Rønsen, 2002). There is therefore reason to believe that the work-participation rate for lone mothers has increased after the reform as well. But it is impossible to know whether this is because of the reform, wider changes in the labour market, or the trends towards higher employment rates among women in general. Probably a mixture of all those explanations is the case. Compared with married and cohabiting mothers, lone

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<sup>19</sup> We consider this as an expression both of the general low participation rates in postal surveys, the special low response-rates from receivers of welfare benefits and the fact that this group in general have to answer a lot of questions from the authorities.

<sup>20</sup> In sum 216 (33 per cent of the respondents) used the last page of either of the two questionnaires to make their own comments.

mothers have lower work participation rates but (as shown in table 5.4) this is mostly due to the fact that more of them are engaged in education.

**Table 5.3 Lone parents in Norway, number of recipients of extra child allowance and transitional allowance**

| Year | Recipients of extra child allowance <sup>1</sup> | Recipients of extra child allowance. Percent of all parents | Recipients of transitional allowance <sup>2</sup> | Percent of recipients of transitional allowance that are employed or taking education | Recipients of Child-care benefits only <sup>3</sup> |
|------|--|---|---|---|---|
| 1981 | 69233  | 12.4  | 24749   |   | 8573  |
| 1982 | 72418  | 13.0  | 25571   |   | 9095  |
| 1983 | 70942  | 13.5  | 26138   |   | 9513  |
| 1984 | 70046  | 14.0  | 26067   | 51  | 9849  |
| 1985 | 71884  | 14.6  | 26474   |   | 10579   |
| 1986 | 71638  | 15.1  | 25792   |   | 11609   |
| 1987 | 70850  | 15.1  | 25483   |   | 11638   |
| 1988 | 84019  | 16.6  | 28346   |   | 13483   |
| 1989 | 87614  | 17.4  | 31122   | 54  | 14111   |
| 1990 | 91096  | 18.3  | 37185   |   | 12359   |
| 1991 | 98517  | 19.4  | 41703   |   | 12007   |
| 1992 | 103208   | 20.2  | 44333   | 57  | 12422   |
| 1993 | 107590   | 21.0  | 45996   |   | 12900   |
| 1994 | 88646  | 17.2  | 46255   | 65  | 13637   |
| 1995 | 95529  | 18.3  | 46340   |   | 14391   |
| 1996 | 96736  | 18.4  | 45529   |   | 15030   |
| 1997 | 97163  | 18.4  | 44986   |   | 14950   |
| 1998 | 98182  | 18.5  | 44663   | 68  | 12581   |
| 1999 | 100316   | 18.7  | 41328   | 68  | 11246   |
| 2000 | 112966   | 19.3  | 40382   | 69  | 11910   |
| 2001 | 116208   | 19.7  | 26083   | 63  | 19555   |
| 2002 | 118617   | 19.9  | 25470   | 64  | 19590   |

Source: Rikstrygdeverket, SSB

<sup>1</sup> In Norway, it is common to estimate the number of lone parents by using the share of recipients of extended child allowance of all that have child allowance. This extended child allowance is however also given to parents with sick children demanding extra care, so the figures are blurred. The rules have also been changed. Until 1999 this allowance was given to parents with children under 16 years of age. In 2000 the child allowance was extended with two years and given until the child is 18 years of age. Parents living with a partner not the parent of their child have also been eligible for this benefit until 1993. Since then couples living together more than 12 of the 18 last months are excluded. Even with all these limitation, these figures are considered the best available estimates of the number of Norwegian lone parents.

<sup>2</sup> Here recipients combining transitional allowance and child-care benefits are also included.

<sup>3</sup> Recipients of child-care benefits who do not receive transitional allowance.

As Table 5.4 shows, overall, lone mothers are less often full-time at home than married/cohabiting mothers, and are more likely to work full-time if they are employed.

**Table 5.4 Main activities for lone mothers and cohabiting and married mothers with children 0-15 years of age 1990-1999, Norway. Per cent.**

|                                      | 1991 | 1993 | 1995 | 1997 | 1999 |
|--------------------------------------|------|------|------|------|------|
| <i>Married or cohabiting mothers</i> |      |      |      |      |      |
| Employed                             | 64   | 66   | 68   | 73   | 75   |
| Education                            | 3    | 3    | 4    | 3    | 5    |
| Home                                 | 25   | 20   | 18   | 17   | 15   |
| Other activities                     | 9    | 10   | 10   | 7    | 6    |
| <i>Lone mothers</i>                  |      |      |      |      |      |
| Employed                             | 53   | 51   | 57   | 58   | 62   |
| Education                            | 11   | 12   | 12   | 13   | 17   |
| Home                                 | 23   | 22   | 18   | 16   | 9    |
| Other activities                     | 13   | 15   | 13   | 13   | 12   |

\* Other activities = unemployed/ out of job for a short period

Source: Kjeldstad and Rønsen, 2002:86 NB: the numbers are rounded

Our respondents and their situation at T1 by situation T2 is shown in Table 5.5. The table shows trajectories in different directions, but the tendency is clearly towards more work-related activity during the period of the study among the respondents.

**Table 5.5 Situation 2000 (T1) by situation 2002 (T2) Norway. Per cent.**

| Situation 2000                     | Situation 2002    |                               |                               |                                  |
|------------------------------------|-------------------|-------------------------------|-------------------------------|----------------------------------|
|                                    | At home full-time | Paid work or education < 50 % | Paid work or education > 50 % | Paid work or education full-time |
| At home full-time %                | 36                | 10                            | 20                            | 34                               |
| Paid work and education < 50 %     | 18                | 26                            | 33                            | 23                               |
| Paid work and education > 50 %     | 8                 | 4                             | 45                            | 43                               |
| Paid work or education full-time % | 5                 | 4                             | 15                            | 76                               |

At T2, 70 per cent of our respondents were no longer in receipt of the transitional allowance mostly because they had used up their period on allowance/ their children

were too old (57 per cent), because their earnings were too high (13 per cent), or because their family status had changed (10 per cent). We therefore know to what extent lone parents without transitional allowance have found other ways of providing for themselves. The main occupation status in 2001 of former recipients is shown in table 5.6. As the table shows, only half of the those without the allowance in 2001 were in full-time work or full-time education, while the rest of them worked or studied part-time (37 per cent) or were at home full-time (12 per cent).

**Table 5.6 Activity Status, all respondents 2000 and those without allowance, Norway, 2001 (per cent)**

| Activity                          | 2000<br>All respondents<br>% | 2001<br>Respondents no longer in<br>receipt of transitional<br>allowance<br>% |
|-----------------------------------|------------------------------|---|
| At home full-time                 | 21                           | 12  |
| Working or in education<br>< 50 % | 9                            | 7   |
| Working or in education<br>> 50 % | 32                           | 30  |
| Work or education full-time       | 38                           | 51  |
| Number                            | 635                          | 305   |

In Norway full-time work (with average wages in “female” occupations) is normally necessary to achieve an income that is sufficient to provide for a one-earner household. The fact that nearly half of the sample is not in full-time work is therefore an indication that many of the lone mothers are not able to do so. Even with the very low unemployment rates in Norway in this period<sup>21</sup>, many lone mothers have difficulties getting work or enough working hours. In addition, many had not finished their education when the allowance ended and many have other kinds of welfare support. Some have also married during the period or received financial help from their parents.

The second major aim of the reform was to improve the economic conditions for lone parents, both while they live on allowance and if they enter the labour market. In our study we asked respondents how they experienced their economic situation. They were asked whether they would have difficulties with an unforeseen bill, or if they experienced problems with their daily expenses. Their answers show that lone parents experience their economic situation as dominated by ‘economic scarcity’. Those who are dependent on other public benefits, loans for studying and private maintenance have particularly poor economic situations. Those with children under three years of age fare somewhat better than those with older children, as do those who have full-time work. We also asked them about their monthly income. According to these

<sup>21</sup> According to labour market statistics about 3 per cent of the labour force were unemployed in 1998. The figures are now increasing and in spring 2003 4.4 per cent of the labour force was unemployed.



figures only about one quarter of the group as a whole has an income level that gives a reasonable income compared with the rest of the population (Fjær and Syltevik, 2002:105)<sup>22</sup>. Since lone parents are mostly women, and since the Norwegian labour market is highly segregated by gender (coinciding with a gender-gap in wages) (Ellingsæter and Solheim, 2002), even full-time employment does not necessarily lead to a high income. This picture of lone parent economic conditions is confirmed by other studies that show that lone parents are still one of the groups lacking behind the general improvement of the standard of living for families with children (Kirkeland *et al.*, 2003). This is particularly so for those without employment (Lyngstad and Epland, 2003). Although the transitional allowance was increased, it would seem that this increase was quickly consumed by the general increase in housing and electricity costs at this time.

The third aim of the reforms was to improve the quality of public service towards the group. Our respondents were frequently in contact with the different welfare bureaucracies in the year before they answered the second questionnaire – 86 per cent had contacted the local national social insurance office, 40 per cent the employment (aetat) office, and 40 per cent the social security offices. With regard to the new nationwide self-help (BMO) only 9.8 per cent of our sample at T1 had been in contact and participated in activities organised by these groups, and a further 6.3 per cent in the period from T1 to T2. At the first interview 30 per cent claimed that they had never heard about it, and this was just reduced to 27 per cent at T2. Half of the sample said that they did not wish or need the help from BMO, but there is still a considerable group that wants help, but either does not know about BMO, or for other reasons are not active participants. Those using BMO are in general very positive. Aspects of the BMO service that are particularly appreciated are the range of activities on offer and the opportunity to build social contacts with other lone parents. However because the group that have used BMO is so small in our sample, we have been reluctant to conclude what impact BMO has had. We find no difference with regard to how those who have been in contact with BMO are doing compared with the rest of the group, but we would recognise that one and a half years is also a limited period of time in which to monitor for changes in outcomes. Among those that have not participated (even if they belong to the target group), some responses suggest that the activities of these groups in some places have been connected with attitudes towards lone mothers as a vulnerable group without self confidence and the ability to cope, and this negative view of BMO makes some people reluctant to participate. It seems to be difficult for nationwide groups to achieve the same results as local initiatives formed by enthusiasts, and there seems to be a considerable challenge to make these groups known to those who could participate in them.

## 5.6 Attitudes towards the reform, care and work

In their answers to the questionnaires the majority of the respondents were very positive towards the reform. However there was some increase in negative responses over the two years. At T1 about 22 per cent were negative, but this was the case for 30 per cent at T2 (as shown in table 5.7).

<sup>22</sup> Here we have to take into account that self-reported income data has proved unreliable.

**Table 5.7 Attitudes towards the reform, 2000 and 2002. Per cent. Norway**

|                     | 2002          |                   |         |                   |               |            |               | N   |
|---------------------|---------------|-------------------|---------|-------------------|---------------|------------|---------------|-----|
|                     | Very positive | Somewhat positive | Pos/Neg | Somewhat negative | Very negative | Don't know | All in 2000 % |     |
| 2000                |               |                   |         |                   |               |            |               |     |
| Very positive %     | 40            | 29                | 13      | 6                 | 3             | 9          | 23            | 102 |
| Somewhat positive % | 15            | 42                | 14      | 17                | 2             | 9          | 37            | 162 |
| Positive/negative % | 6             | 27                | 24      | 21                | 12            | 10         | 15            | 67  |
| Somewhat negative % | 2             | 16                | 9       | 49                | 18            | 6          | 13            | 55  |
| Very negative %     | 3             | 10                | 3       | 40                | 37            | 7          | 7             | 30  |
| Don't know %        | 5             | 5                 | 19      | 14                | 5             | 52         | 5             | 21  |
| All in 2002 %       | 17            | 30                | 14      | 21                | 8             | 11         |               | 437 |

These changes are probably due to negative experiences during this period. For instance, we find that the attitudes towards the change in the rules are much more negative among those who had some social assistance from 2000 to 2002. We also find that, comparing the positive and negative respondents, those who are positive have a better economic situation, are more likely to be established in the labour market, and have more education (Fjær and Syltevik, 2002:72). They are also less care-oriented (see below) than those who had a negative view of reform. Those best equipped to follow the new rules are therefore not surprisingly also the most supportive.

The majority of the respondents are also very committed and loyal to the norm of self-provision<sup>23</sup>. In the questionnaire T1 respondents were asked to agree or disagree with a series of statements regarding care, paid work and gender roles. The analysis confirmed that this group shared the common values of Norwegian society as a whole (see for instance Knudsen and Wærness 1996, 1998). The majority have a strong wish to have paid work, do not like to be unemployed, and would prefer paid work to receipt of allowance. The majority are also supporters of gender equality and agree that both men and women should work. Nearly 70 per cent of the respondents are highly or somewhat work-oriented. They agree with statements like: 'It is important to be employed', 'I wish to work even if I win in the lottery', 'I couldn't stand being unemployed' or 'I would be bored without work', 'I wish to work regardless of the rate of the transitional allowance'. There is also a minority among the respondents with more care-oriented attitudes. They agree to statements like: 'a parent should look after their children themselves', 'you cannot follow the children's development when you

<sup>23</sup> 85 per cent of them for instance answer that they agree totally or nearly totally with the following statement: "It is positive if the changes in the conditions to get transitional allowance will lead to an increase in the number of lone parents who are self-provided."

are working', 'an employed mother cannot have such a close relation to her child as a mother who is not' and that 'it is just as satisfying to stay at home as having paid-work.'

Even if it is possible to single out a work-oriented and a care-oriented group, the overall picture is still one of ambivalence. Even if they are supporters of the reform and have work-oriented attitudes, lone mothers also see themselves mostly as parents and not as career people. They do not feel that employment is the most important part of their lives (only 13 per cent agrees or partly agrees with this statement). Nearly 43 per cent agree that to stay at home is just as satisfying as being employed. Over 40 per cent agree that it is best to take care of your children yourself and not let anybody else do it. And when they are asked what they consider best for children the majority do not support full-time work for both parents before the children have completed their first years at school.

**Table 5.8. What do you consider best for children of different ages: both parents working full-time, one parent working part-time or one parent at home full-time? Norway Per cent.**

| Children of age: |               |               |               |                |                 |                         |
|------------------|---------------|---------------|---------------|----------------|-----------------|-------------------------|
| Best to be:      | 0-1 year<br>% | 1-3 year<br>% | 3-6 year<br>% | 7-10 year<br>% | 10-17 year<br>% | 18 years<br>and older % |
| Home full-time   | 96            | 50            | 11            | 5              | 2               | 1                       |
| Work Part-time   | 3             | 48            | 72            | 58             | 30              | 2                       |
| Work Full-time   | 0             | 1             | 15            | 33             | 65              | 94                      |
| Don't know       | 1             | 1             | 3             | 5              | 4               | 4                       |
|                  | 100           | 100           | 100           | 100            | 100             | 100                     |

The majority of lone mothers thus show a considerable degree of ambiguity towards the full-time earner model. They feel that children need parents who have more time for them and that the needs of the children should be put before a career and the needs of the labour market. In sum, these answers show that the majority of the respondents support values and norms that could easily be in conflict with one another.

This ambivalence is even more apparent when we compare the answers to the questionnaire with what respondents have written more freely. Some of the respondents use their comments to reflect upon the apparent inconsistency with which they have answered the questions, and stress the dilemmas they experience:

*I think the new law is rather good, but not thoroughly thought through. There are not enough kindergartens or work for all lone parents. I have myself been forced to stay at home because of the lack of available child-care. My wish is to enter full-time*

*work, so that I can provide for myself. (..) I find it somewhat unfair that lone parents do not have the same possibility to be with their child as others do. I have myself taken an education, and feel that I have lost important time with my child. But I am of course happy that I have an education'*

*'It was difficult to answer this questionnaire. I feel my answers have contradicted each other. Regarding being a housewife versus being a worker. I feel fine being a housewife, but I do not think that a working mother is a bad mother. In my view we ought to have a choice. Being able to choose what suits you best.'*

*'It is difficult to ignore people's negative attitudes towards people that need economic help from the welfare state. Due to this it is very important for me to get paid work, even if I myself would have preferred to be at home with my child.'*

The above quotes illustrate the ways in which welfare state services and the legitimacy of welfare benefits, combined with attitudes to work and employment possibilities for lone mothers, all have an impact on lone mothers when they are making their decisions about how to handle their situation. The impact of attitudes on actions has been widely discussed. In our study we found a connection between whether they were able to fulfil their plans related to work or education and the nature of the care/work orientation. We also found a strong connection between the level of education and work orientation. What come first - attitudes or action - is difficult to know, as attitudes are both ways of arguing for what you have done, as well as reasons for doing what you did.

### **5.6.1 Being thrown into the labour market**

This sub-title refers to a phrase used by many of the lone mothers. They felt that they were thrown into the labour market, and while some felt this as a necessary 'push in the right direction', others found themselves left in a difficult predicament. The problems of the latter group were in getting paid work, getting enough work, achieving a stable income, and/or managing full-time work. For some of them this was probably a temporary situation, while for others it bore more of a permanent nature.

At T2, 12 per cent of respondents defined themselves as unemployed. Those having problems entering the labour market mentioned lack of education, lack of work-experience, particular problems in their occupation, or health problems as the reasons for their difficulties. Some also mentioned being a lone mother as an explanation in it either because they feel that employers do not want to take the risk of hiring them or because they felt they could not work under the circumstances available in the labour market:

*'It is difficult to get paid work with four children' (lone mother that reports to have applied for 20 jobs the last 6 months T2)*

*'Not sufficient work experience added to the fact that I am a lone mother' (lone mother having applied for 8 jobs the last 6 months T2)*

*'It is difficult for me to work shift, in the weekends or work evenings' (lone mother that had applied for 22 jobs the last 6 months T2)*

In addition to those that are unemployed, a considerable group has work, but not full-time work, and they find it difficult to increase their hours:

*'I am employed 50 per cent in a shop and work every other week. I wish to have a full time job, but the competition is hard. There are not many full-time positions in my business' (lone mother that had applied for 5 jobs the last 6 months)*

*'Today I work as a cleaner in a home for the elderly. I have no fixed hours, and am only paid if there is work. I don't get paid if I can't work because of my own or my children's illness. I applied for 20 jobs last year'*

These experiences tell us something about being part of the surplus labour force. The respondents are mostly women working in occupations common for women – usually mostly in the service and health sector. A lot of jobs in these sectors are based on part-time work, or are jobs that demand that the employee should be flexible and work only when needed. A lone mother has considerable problems with this kind of flexibility – she needs a stable income, and she needs working hours that can make it possible for her to look after her child. The fact that so many of these lone parents have problems finding work even when unemployment rates are low suggests that they are unable to meet the demands of the labour market regarding full-time work. This gives reason to be concerned about what will happen to lone parents in less prosperous times. Kjeldstad and Rønsen (2002), in their study of labour market statistics in Norway 1990-1999, also concluded that changes in lone-parent employment rates seem to be more closely connected to general economic cycles than to public policy. It seems that lone mothers tend to lose out in the competition for jobs in economic recession.

Those who are employed in full-time work report two types of problem. Firstly, many of them find it difficult to live on their wages. They have either unskilled work or skilled work in the lowest part of the labour market and their salary is more suited as a supplement to a main wage than as a sole income to live on. Secondly, they also face the problem of meeting their children's needs in this situation:

*'As a lone parent it should be possible to work part-time. For those of us who are poorly paid this is not possible. We have to work full-time to manage economically. In addition we have a bad conscience because we are not able to tend to our children's needs. As lone parents we often have to be both mother and father, have full-time work, keep the house in order and attend activities in our local community, and then there is not much time in between'*

*'When I come home I am very tired. I make dinner, clean the house, but we have little time. My little girl is just 4 years old. She is alone a lot. During the day she is alone with her care-taker. I agree that lone parents should go to school or work, but when you have two or three children it is very difficult. Because the children need me'*

*'My children are stressed and unsatisfied. We leave our home at 7 a.m. and are home again a quarter to five p.m. Then there is schoolwork. Then they go to bed at 20.00 p.m. What about time for childhood?'*

When asked whether they think special arrangements are needed for lone parents, 90 per cent of the sample answered yes, this is necessary. Table 5.9 outlines what kind of adjustments they feel are necessary.

**Table 5.9 Lone parents and special needs combining care and work. Norway**  
**Per cent**

| <i>Adjustment</i>  | <i>%</i> |
|--|----------|
| Flexible working hours                                     | 64       |
| Greater opportunities to be home with children who are ill | 60       |
| Child care arrangement with more flexible opening-times    | 50       |
| Reduced working hours                                      | 44       |
| Help with child care                                       | 43       |
| Help with house work                                       | 23       |

\* More than one answer was possible

Flexible working hours heads the list, while greater opportunities to be home with children who are ill comes as second, and child-care with more flexible opening hours as the third. It is perhaps surprising that such a high proportion say they would like greater flexibility to allow them to stay at home when their children are ill given that employed lone parents have the right to do so for up to 20 days a year under current legislation. However it is probably difficult to take those days for a number of reasons, and if you have more than one child the amount of leave days allowed could be too few.

### **5.6.2 Education – the key to a better life?**

Education is a key factor to enable lone parents to get access to employment that can provide an income that makes self-provision possible. At T1, 30 per cent of the respondents were taking part in some sort of education, and at T2 this was the case for 29 per cent. Since many of those originally undergoing education were finished by T2, this means that some lone mothers had taken up education since T1, indicating that this is a group that is actively trying to improve their qualifications.

However, one unintended consequence of the reform was that it became significantly more difficult for lone parents to undertake longer-term education programmes. This is because of both the more limited time period in which it is possible to receive the allowance and the new age limit for the youngest child. The time limits present a dilemma for young lone mothers with children under the age of three. On the one hand to improve their future prospects they ought to start with education as soon as possible, but on the other hand they have been given more opportunity to take care of their children at home in this period. But if they do stay at home until their child is three, and need education to support their family afterwards, they are left to meet the costs of this themselves.

There is an opportunity to extend the time in receipt of the allowance to five years, but only for those who take what is considered as 'necessary' education. To be classified as taking necessary education, you cannot take higher university education if you already have a bachelor's degree, and you cannot take higher education if you have a technical qualification. This leaves lone parents with a paradox when their former education is insufficient to get a job, or a sufficient wage:

*'My situation is that I have a qualification from secondary school. I think it is stupid that I cannot better my qualifications on allowance. I want to be a resource to society instead of living on unemployment benefits. My occupation is very poorly paid (if I get work [which is not probable]) and the salary is not enough to provide for my children, and because of this I really want more education.'*

When the allowance ends lone parents have to finance their education either through state-funded loans and/or by part-time paid work. We asked our respondents whether they were able to finish their education during the time they were receiving the transitional allowance, and whether they would take up loans to finish their education. Only 28 per cent of those taking education at T2 thought that they would be finished in the period during which they are eligible for the transitional allowance, and those taking higher education were the least likely to be able to do so. There is also some reluctance towards taking up loans, as 38 per cent do not intend to take up loans to finish their education. To take up loans is probably considered as taking too great a financial risk. Here of course there are differences between what people think and what they actually do, and this does not necessarily mean that these lone parents will not complete their education. In addition to loans, they can also support themselves by taking paid employment and studying part time. Some, however, say that the support of new partners is the only available way to finish their education.

The question of lone parents and education could be approached from different perspectives. On the one hand it could be seen as unjust that lone parents as a group should be able to get an education financed by the welfare state. On the other hand it could also be seen as a contradiction in terms to make it more difficult for lone parents to take education, when this is the only possible way to help them achieve a reasonable economic situation.

## **5.7 Norwegian lone parents – 'frontrunners' for gender equality?**

Our perspective on the new scheme is that it places lone parents in some sort of frontrunner role. This is so because the reform presupposes gender equality in the family, in the welfare state, and in the labour market. These assumptions are based more on ideology than on actual gender practice among Norwegian women and men. In our view, this tensions between the assumptions behind the reforms and the reality is an explanation of the considerable difficulties many lone parents experience within the new scheme.

Firstly, Norwegian lone mothers cannot do as 'everybody else' does. The dual-earner family and women's employment participation have increased considerably in Norway the last decades, but still the most common gender division of labour is that

fathers work full-time and mothers part-time. Part-time work when you have children is also the preferred choice of the majority of mothers in the population (Knudsen and Wærness 1996, Kitterød and Roalsø 1996, Næss 1999). Accordingly, it is not surprising that this is also the case for lone mothers. The new rules make part-time work possible for only a limited period of time, dependent on the age of your youngest child when you become a lone parent. The reforms also restrict the extent to which lone mothers can take up education in order to improve their chances of entering an occupation with adequate wages.

Secondly, lone parents with very small children have been given only one responsible choice in an ambiguous situation. The recent family policy has given a special situation to lone parents (as other parents) with children under 3 years of age. The cash-for-care benefit (which is available alongside the transitional benefit for lone parents) makes it financially possible for lone parents to stay at home and take care of their children during this period. On the other hand, if you are a lone mother without education or work experience, you cannot stay at home during these years if you need to complete your education. If you do not complete your education you will not be able to support yourself when the transitional allowance period ends. This makes it difficult for lone mothers who need to complete their studies but who share the common view that small children need more care by their mothers.

With regard to the labour market, the reform presupposes that there are sufficient and available jobs. As shown in our study, lone parents often have difficulties with finding jobs, with insecure working conditions, and with getting jobs with enough working hours. This has been the case even in a period with very low employment rates. Lone parents have met the demand for flexible workers without secure working conditions in the health and service sectors. As frontrunners lone parents have to bear the consequences of the lack of gender-equality in the labour market. The Norwegian labour market is one of the most gender-segregated in Europe, and there is a considerable difference between the average pay for women and for men. The goal that lone parents should be able to support themselves by their own work is only possible if the income achieved by working full-time is sufficient. A lot of jobs ordinarily held by women in the service sector, for example in kindergartens or as care-workers in public service, are low paid and it is difficult to maintain a family with the level of income received.

Lone parents are a group with great heterogeneity. They organise their lives and support themselves in quite different ways, due to different preferences and different opportunities. But these reforms have meant that lone parents now have a more limited set of alternatives. The assumption is that lone parents primarily want to seek employment in the labour market, and also that they are able to do so. This is indeed true for the majority of the group. However, the reforms do little to help uneducated lone mothers, who hold the same views as the majority of women about how they want to care for their children, and who have a weak position in the labour market. These women are treated as frontrunners for gender equality, but if they do not succeed they will have to bear the burden themselves.

As Table 5.10 shows, when the respondents themselves were asked what they think are the main hindrances to being self-sufficient, the most common answers refer to the difficulty of combining care and work as a lone parent, to low pay, and to a lack of



education. Very few lone mothers felt they lacked motivation, while they stress other reasons connected to their situation as lone parents, to health problems, to conditions in the labour market and in the welfare state.

**Table 5.10 Lone mothers and main hindrances for self-provision. Norway Per cent**

| <b>Hindrances</b>   | <b>%</b> |
|---|----------|
| To hard to combine paid work and care                               | 40       |
| I have work with low pay  | 36       |
| I have no education   | 34       |
| The period with allowance is too short                              | 32       |
| It is difficult to get satisfying child care                        | 19       |
| I do not wish to move to get education or paid work                 | 17       |
| My own health problems have made it difficult                       | 17       |
| There is no suitable jobs where I live                              | 13       |
| It is not possible for me to take the education I wish where I live | 11       |
| Illness or special needs of my children makes it difficult          | 8        |
| I am not motivated to do what is demanded                           | 4        |

\* Respondents were asked to mark what they saw as the three main hindrances

## 5.8 Policy implications?

Our study shows that the reform has succeeded very well with regard to reducing the use of transitional allowance. It also shows that about half of our sample had difficulties with regard to supporting themselves in the labour market. Their difficulties are connected to various practical problems in the labour market and in the welfare state, but are also linked to problems in reconciling ideals and realities concerning the combination of paid work and care for small children. The restrictions in access to the transitional allowance have been ‘paid for’ by lone parents taking paid work, or taking state-funded loans for education, or calling on private provisions, and or by obtaining a mix of other types of public support. A considerable minority has problems facing the new time limits, and even if this is a temporary situation for some of them, for others the problems are more permanent. We argue that the problems with the new scheme in Norway are related to an over-optimistic picture of the possibilities for lone mothers in the labour market and an under-estimation of the difficulties they face in combining care and paid work. Some lone parents are poorly equipped for the role as frontrunner.

In our report we proposed that more flexibility should be built into the new scheme as a way of giving lone parents more economic security. We argued that to finish an education, to find a job, to increase the working hours, or to get extra time with the children during the process of divorce, would all be easier if the time limitation was handled in a more flexible manner. With regard to education, this demand was met by the government last autumn when the rules were altered so that the transitional allowance could be extended for a half year if entitlement ends in the middle of a school year.

Norway supports lone parents as a specific group, and policy is framed in these terms. This strategy has some advantages and some obvious disadvantages. The main advantage is of course that lone parents and their children are guaranteed a form of welfare support and an economic minimum level of subsistence for a period. The scheme guarantees some support in an important period of children's lives – when they are born and after an upheaval in their families. The disadvantages are that a 'categorical' approach such as this differentiates lone mothers from other mothers. This was undoubtedly an important reason for the discussions about welfare and lone mothers in the late 1980s and the early 1990s. As being a lone mother became more and more a part of the life course for the average Norwegian mother, it was no longer felt just (or necessary) that they should be given extra support. Another disadvantage with the Norwegian approach is that it perhaps misses the target – if the problem is living on one wage in a dual-earner society, then ways of making it easier for households with one earner would be a better solution. If problems were mainly found in the labour market, then addressing those problems would be the solution and so on.

However, in our view our study underlines the importance of holding onto the categorical approach. A substantial group of lone parents do not manage to support themselves and their children through employment, even under such prosperous economic conditions as Norway had in this period. While this is so, the best way forward is for the state to continue to provide benefits targeted towards lone parents but at the same time policy should seek to facilitate different combinations of care and paid work, aim to make it easier for lone parents to participate in education, and address the problems that they face in the labour market.

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## **6) Again revisited: employment and activation policies for lone parents on social assistance in the Netherlands**

**Trudie Knijn and Rik Van Berkel**

### **6.1 Introduction**

During the last two decades, the Dutch welfare state gradually acquired more and more characteristics of an ‘active’ or ‘activating’ welfare state, particularly (though not exclusively) in the area of social security and social assistance. On the one hand, this has implied a shift in the main objective underpinning social policy interventions from protection to participation (Van Berkel et al., 1999) or from indemnification to inclusion (Rosanvallon, 2000). The rights and obligations of people dependent on social security and social assistance have been revised, and a large number of measures, including so-called activation or employment programmes, have been introduced to promote or enforce employment, employability and participation. On the other hand, a process of ‘institutional activation’ has been, and is still is, taking place. One aspect of this is decentralisation, which has increased the responsibilities of local authorities in promoting participation and reducing the number of people dependent on social assistance. Another aspect has been the privatisation and marketisation of a large part of activation services, which are now provided predominantly by private reintegration companies. This ‘participation paradigm’ is an increasingly important feature of the ‘European Social Model’ and has influenced welfare state reforms all over Europe, strongly promoted by EU policy programmes such as the European employment strategy and the open coordination method on social inclusion (Van Berkel and Hornemann Møller, 2002; Lødemel and Trickey, 2001; Heikkilä and Keskitalo, 2001). In short this represents a significant change in approach for the Netherlands.

The Dutch welfare state regime has been characterised as ‘hybrid’, combining characteristics of social-democratic and conservative welfare states (Esping-Andersen, 1999). The generosity of benefits is an example of the social democratic characteristics of the Dutch welfare state; at the same time the familialist nature of the Dutch welfare state, which was strongly based on the male breadwinner model, gave it a conservative character (Knijn and Van Wel, 1999). In both respects, but especially in the latter, the introduction of the participation paradigm in the Netherlands implied a quite radical change. Traditionally, labour-market participation rates of women were low. In addition, strategies in response to periods of rising unemployment, such as during the seventies and eighties, aimed at participation reduction rather than participation promotion: the enormous increase of the number of older workers dependent on disability benefits since the 1970s is a notorious result of these

strategies (cf. Therborn, 1986). Introducing the active approach in Dutch social policies requires the abolition of these conservative elements in the Dutch welfare state, a process that is still going on.

These general trends in Dutch social policies are elaborated in this paper by focusing on one group in particular: lone parents dependent on social assistance. This is an interesting group, not only because it can be used as an example in analysing welfare state reforms aimed at making Dutch social policies more activating, but also –since more than 9 out of 10 lone parents on social assistance are women- because the policy debates and practices concerning this group clearly reveal the debates, challenges and risks arising as a consequence of breaking with the traditional male breadwinner model.

The paper will first present data on lone parents in the Netherlands in general, and lone parents on Social Assistance in particular. Then, it will analyse the issue of the activation of lone parents from various perspectives. First, it will look at national policy reforms that have been taking place and are still taking place in order to make the Dutch welfare state more ‘activating’. Secondly, it will focus on the increasing role of the local level in implementing and delivering social policies and in realising the policy objectives of national government. Thirdly, two studies will be discussed that provide insight into the perspectives of lone parents themselves on participation, employment, and the combination of work and care. In the following section, the results of a recently published study of the Dutch General Audit Office will be discussed. This study gives some insights into the effects of the policy efforts to activate lone parents on Social Assistance. Finally, we will draw some conclusions.

## **6.2. Characteristics of lone parents in the Netherlands**

In 2002, the Netherlands counted 393,000 lone parent families of whom 333,000 are female-headed. Of all families with children, 15.7% are lone parent families (Portegijs et al. 2002). The percentage of lone-parent families -families headed by one adult who lives with at least one child below the age of 18- steadily increased during the last two decades; see table 6.1.

**Table 6.1 Lone parent families in the Netherlands**

| Year | As per cent of all families with dependent children |
|------|---|
| 1981 | 8   |
| 1985 | 10  |
| 1989 | 11  |
| 1993 | 10  |
| 1997 | 12  |
| 2002 | 15.7  |

Sources: 1981 to 1993: SCP (2001); 1997 and 2002: Portegijs *et al.*, (2002).

There has been a significant shift in the marital status of the group of lone-parent families. From 1981 to 1997, the proportion of widowed lone parents decreased from 27% to 3%. The proportion of divorced or separated lone parents increased from less than two thirds to 75%, and the proportion of never-married lone parents more than doubled, reaching around 22% in 1997.

Lone-parent families are a risk group where poverty is concerned. In 1999, 47% of all lone-parent families with one or more children under 18 were poor, compared to 9% of couples with one or more children under 18 (SCP, 2001)<sup>24</sup>. As of the early 1970s, the General Social Assistance Act offered lone parents without (sufficient) income from work or other resources the opportunity to receive assistance without the obligation to work. Since then the absolute numbers of lone mothers on Social Assistance –in 2001 96% of all lone parents on social assistance were women– has grown significantly. In 1978, about 60,000 lone mothers received welfare benefits. This number increased to 105,000 in 1991 and to 115,000 in 1997. Since then, it slightly decreased: in 2002, there were 91,750 lone mothers receiving Social Assistance (Welfare Statistics, 1998/2002).

Long-term poverty is more common among lone-parent families than among two-parent families. Lone parents on welfare receive a stable percentage (70%) of the welfare benefit for two-parent families, which in its turn is connected to the minimum wage. During the last decades the income gap between one- and two-parent families has increased; in 1985 the disposable income per person in lone-parent families was 25 per cent less than in two-parent families, in 1993 the gap was 35 per cent. This is partly due to the disconnection of benefits and inflation in the beginning of the 1980s. Also labour participation rates of women in two-parent families increased, and they contributed to the family income by getting part-time work (Niphuis-Nell, 1997).

Although lone-parent families, along with young and single old people, still belong to the poorest households in the Netherlands (Engbersen, Vrooman and Snel, 1997), the percentage of low-income households as well as the long-term poverty rates seem to have declined in the past few years. Also not every lone-parent family lives in poverty; in particular widows, male-headed lone-parent families and higher educated lone mothers are better off. Female-headed lone-parent families are the poorest lone families, in particular when the mother is divorced or never married and when she has a lower educational level (Hooghiemstra and Knijn, 1997).

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<sup>24</sup> The definition of poverty used here is the so-called low-income threshold, which is derived from the 1979 Social Assistance level. Historically, 1979 was the year in which the purchasing power of Social Assistance was highest.

**Table 6.2. Income and household composition, Netherlands 1997 and 2000.**

|                            | % low income<br>1997 | % low income<br>2000 | % long-term<br>low income<br>1997 | % long-term<br>low income<br>2000 |
|----------------------------|----------------------|----------------------|-----------------------------------|-----------------------------------|
| <i>Single:</i>             |                      |                      |                                   |                                   |
| Women                      | 31                   | 24                   | 18                                | 14                                |
| Men                        | 23                   | 17                   | 8                                 | 6                                 |
| <i>Lone parent family:</i> |                      |                      |                                   |                                   |
| Women                      | 62                   | 48                   | 27                                | 18                                |
| Men                        | 26                   | N/a                  | 9                                 | N/a                               |
| <i>Two parent family</i>   |                      |                      |                                   |                                   |
| Couple                     | 10                   | 8                    | 3                                 | 2                                 |
| Others                     | 6                    | 5                    | 3                                 | 2                                 |
|                            | 8                    | 8                    | 2                                 | 1                                 |

Sources: Jaarboek Emancipatie (1999), Portegijs *et al.*, (2002)

As can be seen from tables 6.3 and 6.4, the employment rates of lone mothers are only moderately lower than those of mothers in two-parent families. Employment rates of lone mothers have increased substantially since 1996. One might be inclined to interpret the rising employment figures of lone mothers as a result of the New Social Assistance Act that was introduced that year. However, the tables show that the employment rates of lone mothers follow the same trend as those of married/cohabiting mothers. Thus, in our view the rising employment rates among lone mothers seem to reflect the booming labour market during the late 1990s rather than the effects of the new Act.

**Table 6.3 Employment and unemployment rates of married/cohabiting mothers and fathers, Netherlands 1992-2002**

| Year | Employment rates                   |                                    | Unemployment rates                 |                                    |
|------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
|      | Married/<br>cohabiting<br>father % | Married/<br>cohabiting<br>mother % | Married/<br>cohabiting<br>father % | Married/<br>cohabiting<br>mother % |
| 1992 | 87                                 | 34                                 | 3                                  | 13                                 |
| 1993 | 87                                 | 36                                 | 3                                  | 13                                 |
| 1994 | 87                                 | 36                                 | 4                                  | 14                                 |
| 1995 | 87                                 | 38                                 | 4                                  | 14                                 |
| 1996 | 88                                 | 40                                 | 3                                  | 12                                 |
| 1997 | 89                                 | 44                                 | 3                                  | 11                                 |
| 1998 | 91                                 | 47                                 | 2                                  | 9                                  |
| 1999 | 91                                 | 50                                 | 2                                  | 7                                  |
| 2000 | 91                                 | 52                                 | 1                                  | 6                                  |
| 2001 | 92                                 | 55                                 | 1                                  | 5                                  |
| 2002 | 91                                 | 57                                 | 2                                  | 5                                  |

Source: Statistics Netherlands, Statline, 2003



**Table 6.4 Employment and unemployment rates of lone mothers and fathers, Netherlands, 1992-2002**

| Year | Employment rates |                  | Unemployment rates |                  |
|------|------------------|------------------|--------------------|------------------|
|      | Lone father<br>% | Lone mother<br>% | Lone father<br>%   | Lone mother<br>% |
| 1992 | 61               | 30               | .                  | 22               |
| 1993 | 63               | 34               | .                  | 22               |
| 1994 | 65               | 34               | .                  | 24               |
| 1995 | 64               | 37               | .                  | 21               |
| 1996 | 63               | 37               | .                  | 23               |
| 1997 | 67               | 41               | .                  | 20               |
| 1998 | 74               | 45               | .                  | 15               |
| 1999 | 78               | 46               | .                  | 13               |
| 2000 | 79               | 47               | 3                  | 11               |
| 2001 | 77               | 51               | 4                  | 8                |
| 2002 | 76               | 54               | 3                  | 8                |

Source: Statistics Netherlands, Statline, 2003

Employment rates of lone and cohabiting mothers show different patterns when we take into account the age of the youngest child of these mothers (table 6.5). The employment rates of cohabiting mothers whose youngest child was five or younger used to be lower than those of cohabiting mothers with older children, but this difference had almost disappeared by 2001. The situation of lone mothers is different. Even though employment rates of lone mothers whose youngest child is five years or younger more than doubled between 1988 and 2001, their employment rates are still considerably lower than those of lone mothers with older children; and also considerably lower than the employment rates of cohabiting mothers whose youngest child is 5 or younger.

**Table 6.5 Employment of mothers by household type, related to age of youngest child, Netherlands, 1988 – 2001**

|                      | Lone mothers |      |      |      | Cohabiting mothers |      |      |      |
|----------------------|--------------|------|------|------|--------------------|------|------|------|
|                      | 1988         | 1990 | 1997 | 2001 | 1988               | 1990 | 1997 | 2001 |
| Youngest child 0-5   | 16           | 18   | 29   | 37   | 22                 | 27   | 45   | 56   |
| Youngest child 6-11  | 23           | 27   | 45   | 56   | 28                 | 33   | 43   | 56   |
| Youngest child 12-17 | 34           | 37   | 50   | 59   | 33                 | 37   | 47   | 60   |
| All                  | 26           | 28   | 42   | 51   | 27                 | 31   | 45   | 57   |

Source: Portegijs et al., 2002

It is well known that the transformation of the traditional Dutch breadwinner model has resulted in a one and a half rather than a double-earner model. The Ministry of Social Affairs and Employment promotes a part-time work strategy for men and women who have children: the so-called ‘Combination Scenario’, which implies a working week of at maximum 32 hours a week for each partner in order to give each of them the chance to combine work and care (Commissie Toekomstscenario’s Herverdeling Onbetaalde Zorgarbeid, 1995; also see Knijn and Van Wel, 2001a).

Nevertheless, in practice men often still work full-time, and women part-time. Lone mothers, of course, do not have a partner with whom they can share care and domestic responsibilities. This seems to contribute to more ‘polarised’ employment patterns among lone mothers compared with those of cohabiting mothers. That is, on the one hand, lone mothers are more often unemployed than cohabiting mothers (tables 6.3 and 6.4). On the other hand, when employed, they more frequently have a full time job than cohabiting mothers do (table 6.6). Educational levels may play a role here as well: research shows that lower educated lone parents either do not work or work more than 30 hours a week, while a third of the middle and higher educated lone parents work for between 21 and 30 hours a week (Van Wel and Knijn, 2000).

**Table 6.6 Working hours per week, married/cohabiting and lone mothers, as a share of all employed married/cohabiting and lone mothers, Netherlands**

|      | 12-19 hours  |                            | 20-34 hours  |                            | 35 hours or more |                            |
|------|--------------|----------------------------|--------------|----------------------------|------------------|----------------------------|
|      | Lone mothers | Married/cohabiting mothers | Lone mothers | Married/cohabiting mothers | Lone mothers     | Married/cohabiting mothers |
| 1992 | 14           | 29                         | 46           | 52                         | 40               | 19                         |
| 1993 | 13           | 27                         | 49           | 53                         | 39               | 19                         |
| 1994 | 13           | 28                         | 48           | 54                         | 38               | 18                         |
| 1995 | 13           | 28                         | 47           | 55                         | 39               | 17                         |
| 1996 | 12           | 28                         | 47           | 55                         | 41               | 17                         |
| 1997 | 13           | 27                         | 49           | 55                         | 38               | 18                         |
| 1998 | 15           | 29                         | 49           | 54                         | 36               | 17                         |
| 1999 | 13           | 28                         | 52           | 55                         | 35               | 17                         |
| 2000 | 13           | 28                         | 54           | 55                         | 32               | 17                         |
| 2001 | 12           | 28                         | 54           | 55                         | 34               | 17                         |
| 2002 | 11           | 29                         | 55           | 56                         | 33               | 15                         |

Source: Calculations (A.R.) based on Statistics Netherlands, Statline, 2003

### 6.3 Perspectives on participation of lone mothers on social assistance

In this section we will discuss the issue of participation of lone mothers on social assistance from various perspectives. First, we will look at some important national policy reforms aimed at activating these lone mothers. Then, we will pay some attention to the implementation and delivery of these policy reforms at the local level. Finally, we will go into studies that focused on lone mothers on social assistance, their situations and their wishes with respect to (labour-market) participation (also see Knijn and Van Wel, 2001a, 2001b).

#### 6.3.1 Policy reforms

Generally speaking, the policy reforms to make the Dutch welfare state more activating can be divided into three groups. First, reforms have been introduced into the systems of social insurance and social assistance. Their generosity has been decreased, accessibility has been made more difficult, and the duration of the period during which people are entitled to wage-related benefits has been shortened. In addition, work obligations have been sharpened. Secondly, programmes have been introduced aimed at promoting the employment and employability of people on benefits and social assistance. Thirdly, the management and administration of the benefit and assistance as well as the activation systems have been reformed. The key words here are: *disentanglement*, i.e. a reduction of the involvement of social partners in the management and administration of social insurance; *decentralisation*, i.e. an increasing role of local authorities; and *privatisation* of activation services (cf. Van der Veen, 2002; Terpstra, 2002).

These reforms have affected the position of all people on unemployment, disability and sickness benefits, as well as those on social assistance. The position of lone mothers on social assistance has particularly changed as a consequence of these reforms. Politicians have increasingly come to define lone-mother families on social assistance as a social problem, both because of their poverty and because of their dependence on Social Assistance. The politically agreed remedy for both these problems is paid employment. It is thought that getting lone mothers into paid jobs is a way to kill two birds with one stone: it will reduce welfare expenditures on the one hand, and on the other hand it will reduce lone mothers' poverty as well as their social isolation, and contribute to their emancipation. As a consequence, the legitimacy of being dependent on Social Assistance *because of* lone parenthood has decreased and with it the recognition of caring for children as the basis for entitlements to public income support.

A quarter of all Social Assistance claimants are lone-parent families, and by far the majority of these families is female headed (96% in 2001). Other recipients are people without past performance on the labour market such as school-leavers, the long term unemployed who have consumed their benefit entitlements, artists and addicts. The emergence and growth of new risk groups (such as lone mothers, migrants, extremely marginalized people such as the homeless) and the reforms in the social insurance systems have increased the number of people dependent on Social Assistance – a well-known phenomenon in other European countries as well (Leisering and Leibfried, 1999; Saraceno, 2002). Until the mid 1990s, as a category lone mothers occupied a specific position in Social Assistance: as long as their youngest child was younger than 12, they were exempted from the work obligation to enable them to raise their children. This changed with the introduction of the New General Social Assistance Act of 1996. Activation was an important objective of this Act, and lone mothers on Social Assistance were no longer seen as an exception.

During the parliamentary debates preceding the introduction of the Act, the status of lone mothers and their work obligations raised discussion, in particular the question at what age of the children the mother could be supposed to earn her own living. On the initiative of one of the very small orthodox Christian parties, an amendment to the original Bill was proposed and accepted by Parliament which led to the introduction of the obligation to work for lone mothers with school-aged children only, that is children of five and older (Weuring, 1996).

Nevertheless, many other aspects of the law were still open for interpretation. Local discretion in implementing the Act in general and in enforcing the work obligations in particular is one of its central features. With respect to the work obligations of lone mothers, it was stated that “municipalities will have to consider the presence of young children. This will give the municipalities the opportunity to attune the re-entrance to the labour market to the individual possibilities of those involved. (TK, 1993-1994, p. 23). In other words, municipalities were given discretion to implement the law and to interpret the phrase that lone parents’ caring responsibilities have to be taken into consideration. They are assumed to help lone parents out of poverty by finding a job, but municipalities can be expected to encounter problems in weighting care responsibilities, employment and the income position of lone parents.

In May 2003, the Dutch government presented a new Bill on Social Assistance, the ‘Act on Work and Assistance’ (MvT, 2003). Again, decentralisation and activation are major objectives. In terms of decentralisation, municipalities will become fully financially responsible for both the income support and the activation functions of the Bill. Until now, municipalities could declare 75% of social assistance expenditures, which were paid by national government. In the future, municipalities will receive a budget for these expenditures. If they exceed this budget, they will no longer be able to declare extra expenditures, except in exceptional circumstances. This way, the national government is seeing to provide a financial incentive to municipalities to increase their activation efforts. As far as lone parents are concerned, the Explanatory Memorandum states that “there is a generally applicable obligation to reintegration, from which can be deviated in individual cases only” (MvT, 2003, section 2). And: “Arbitrariness will be avoided by a careful, individually tailored decision. This way, a sound combination of reintegration and employment with the upbringing of children is safeguarded. In this approach, a categorical exemption for lone parents is no longer under discussion” (MvT, 2003, section 3.1.2). In other words, this Bill once again tries to impose work obligations upon all lone parents in receipt of Social Assistance. Whether it will be successful, however, remains to be seen. Already, several parties in Parliament have announced that they will oppose this part of the Bill.

In general, lone mothers on social assistance rely on the same measures and programmes for activation and reintegration as other unemployed people. Two important policy measures in this context – apart from more general activating measures such as sharpening work obligations, stricter sanctions for not meeting work obligations, a redefinition of what constitutes a ‘suitable job’, tax reductions for working people etcetera - are the Jobseekers’ Employment Act (Wet Inschakeling Werkzoekenden), and the so-called I/D-jobs (also known as Melkert jobs). The latter are subsidised and additional jobs in the public and not-for-profit sector. The Jobseekers’ Employment Act (JEA) includes various means to promote employment, employability and participation including:

- training and education;
- work experience placements: an employer from the public or private sector hires an unemployed person for a period of at least half a year, and receives a wage subsidy in return;
- JEA job: the municipality hires an unemployed person and sends him or her on secondment to a regular employer;

- Social activation: in order to promote employability and avoid social isolation, long-term unemployed people may be involved in unpaid activities (such as voluntary work), for which they may receive a small allowance for expenses.

In order to codify local decision-making concerning activation, an expert system has been developed to determine the individual's 'labour-market distance'; see Figure 6.1.

Each unemployed person (including lone parents dependent on Social Assistance) is classified in one of the categories distinguished in this system. To an important degree, the outcome of this classification determines the kind of activation measure that will be offered. Thus, someone who is classified as a 'phase 1 client' is expected to be able to find a job him/herself, and will hardly receive any activation support. On the other hand, a person classified as a 'phase 4 client' will probably receive little support in finding employment, and will most likely be made a social activation offer, if an activation offer is made at all. For it is not unusual, especially in times of high unemployment, that 'phase 4' clients are excluded from activation services.

**Figure 6.1 Activation classification, Netherlands**

|         |   |
|---------|---|
| Phase 1 | Directly available for paid work  |
| Phase 2 | Available for paid work after some additional training and guidance (3 months)                  |
| Phase 3 | Not directly available for paid work: additional training and schooling will take about a year. |
| Phase 4 | Not available for paid work in the near future.   |

In recent years, the Dutch government has specified its activation targets with respect to lone parents (TK, 2003; also see the Dutch National Action Plan (Ministerie van Sociale Zaken en Werkgelegenheid 2002). In the context of the comprehensive activation approach for the unemployed as promoted by the European Commission's Employment Strategy, lone parents will not be treated differently from other unemployed people. This means that the new inflow of lone parents into Social Assistance will be made an activation offer before one year of Social Assistance dependency. The current stock of lone parents on Social Assistance should have been made an activation offer in 2002 at the latest. The comprehensive approach means that all lone mothers should be made an activation offer, including those who do not have a work obligation, although these women would be not required to accept the offer. The aim of the comprehensive approach is to promote labour-market entry or social activation of all Social Assistance recipients. In addition, the outflow out of Social Assistance of lone parents should reach the same equal levels as the outflow of other Social Assistance recipients.

Additional measures have been introduced to stimulate activation. Some of them are targeted at the unemployed in general, other focus on lone parents in particular. First, there are financial incentives. For some specific groups that are considered unlikely to become fully independent of Social Assistance through labour-market participation, a certain part of their wage from employment is disregarded in calculating Social Assistance entitlements. One of these groups is lone parents with children under five

who, as we saw before, do not currently have a work obligation. Another group are Social Assistance claimants who, for medical or social reasons, rely on part-time rather than full-time employment. Having care responsibilities for (young) children may be treated as a 'social reason' in this respect. Another financial incentive are premiums that may be claimed for finishing a teaching programme considered necessary for reintegration, for accepting a job, or for being engaged in voluntary work in the context of social activation. These premiums are available to all Social Assistance recipients. Secondly, childcare provisions have been introduced which, evidently, are of particular importance for the reintegration and activation of lone parents. In order to stimulate lone parents' activation, government has created a budget for childcare for which municipalities can apply. The measure 'Childcare and After School Care for Lone Parents on Welfare' (KOA) offers municipalities the possibility to buy childcare in already existing childcare centres or to develop new childcare provisions for lone parents with children under thirteen (Staatscourant 43, 1996). (Part-time) working lone parents who earn less than 130% of statutory minimum wage, as well as lone parents who participate in courses and activation projects, can make use of such childcare for free. However, they do not have the right to childcare: the decision is up to the municipality. In 1999, 490 of a total of 538 municipalities made use of this childcare budget. The municipalities that did not make use of it legitimise this by ideological motives – they do not want parents to make use of 'strangers' for child care – or by stating that it is not necessary because lone parents work only during school times (Van den Akker et al., 1998; Ministerie van Sociale Zaken en Werkgelegenheid, 2000). In January 2002, the budget for KOA was increased. This should enable municipalities to purchase approximately 7,500 childcare places for lone parents on Social Assistance. Furthermore, an additional budget for childcare has been made available for the 26 largest municipalities in the Netherlands in the context of the so-called 'Agenda for the Future', which is aimed at improving the implementation of the strategic objectives of Social Assistance (Ministerie van Sociale Zaken en Werkgelegenheid 2002).

Finally, some words should be said about the reforms to the institutional context of the management, implementation and delivery of Social Assistance and activation. As has been mentioned already, decentralisation is an important feature of recent reforms, increasing the importance of local policies and the role of local actors in realising national objectives of welfare provision and activation. Another major development has been the privatisation and marketisation of reintegration services, which used to be provided by public agencies, such as the Public Employment Services. In recent years, a large number of private reintegration companies has been established. Partly these are completely new companies, partly existing companies have expanded their services with reintegration services for the (long-term) unemployed (for example, temping agencies). Privatisation will also be introduced in childcare provisions with the introduction of the Childcare Basic Provision Act (WBK). Parents will have to purchase childcare provisions on a free market, for which they will receive a non-wage related contribution from their employer and an income-related contribution from government (Ministerie van Sociale Zaken en Werkgelegenheid 2002).

### 6.3.2 Policy implementation and delivery

The so-called ‘individualisation principle’ has always been a central feature of the Dutch Social Assistance system. Having the function of a safety net, Social Assistance support should be adjusted to individual needs. Discretion at the level of policy delivery is considered necessary for the implementation of this individualisation principle, and this requires a certain level of decentralisation. At the same time, the history of Social Assistance in the Netherlands shows that decentralisation is not a straightforward process, and that periods of decentralisation and centralisation alternate. Nevertheless, during the last decade, decentralisation has been strongly pursued, and the new Social Assistance Bill strengthens this trend. This clearly shows that transforming welfare states into active welfare states is also seen as a process of activating the institutional context of the management, implementation and delivery of these policies.

Thus, local policy makers as well as local street-level social workers become ever more important actors in shaping the content of policy interventions and in determining their effects. Knijn and Van Wel’s (1999) study of lone mothers on Social Assistance in five municipalities, that also studied opinions and practices of local policy makers and social workers after the introduction of the General Social Assistance Act of 1996, illustrates the impact of local discretion. Local policy makers and social workers, though generally supportive of the objective to promote labour-market participation of lone mothers, are quite sceptical when it comes to the feasibility of this objective. They mention several reasons for this: problems of matching the capacities and preferences of lone mothers with available jobs; the fact that national incentives are insufficient and difficult to apply; low expectations of lone mothers’ ability to become economically independent and a lack of good child care provisions. In activating lone mothers, these municipalities adopt a lenient, careful rather than a tough, enforcing approach.

Of course, decentralisation may –and actually does- result in differences between municipalities. According to the Explanatory Memorandum of the Bill on Work and Assistance, this is an intended rather than an unintended consequence of decentralisation: “Because of the application of tailor-made approaches, differences between municipalities in the implementation of this Act will arise, which result from its nature and aims. For because of the larger room for policy making and the larger financial responsibility connected to it, municipalities will have to develop their own municipal policies to a much larger degree than they were used to up until now” (MvT, 2003, section 3).

Local differences may be considerable. We have already pointed at the differences between municipalities with respect to using the childcare budget. In studying the implementation of the childcare measure for lone mothers, Knijn and Van Wel (1999) found striking differences between cities as well. Some municipalities very generously pay all the costs of childcare for every lone parent on Social Assistance with school-age children who takes the initiative to get back to paid work, whether by attending education, by doing voluntary work or by participating in part-time paid work. When lone parents exit Social Assistance because of paid work, these municipalities continue to pay for childcare. Other municipalities are less generous and set all kinds of limitations. For example, they only pay two months of childcare

after lone mothers have left the Social Assistance scheme. Some municipalities do not pay childcare directly. Instead, lone mothers have to apply for additional Social Assistance to get childcare paid. As additional Social Assistance is often experienced as a favour, non-take-up rates are relatively high.

Inter-municipal differences also exist where local practices concerning work-income disregards and activation premiums are concerned. An evaluation study of 1999 showed that part-time work income disregards –which in that period could be applied more generally than today- were given by some municipalities to all people on welfare who work part-time. Some only gave it to specific categories such as clients working part-time for medical or social reasons, older clients, clients that are on welfare for a long period or lone mothers with children in the age from five to eighteen (Engelen et al., 1999). The study also showed that a third of the municipalities supplied only one or two of the three possible premiums (for work, education, and social activation), only a few gave all three premiums, and some gave none at all. An argument for not giving a premium to people who exit from welfare is that “it is ‘normal’ to accept a job if one can” (Engelen et al., 1999). Twenty per cent of municipalities do not spend the whole budget available for premiums.

Significant inter-municipal differences were also found in a study of social activation programmes. Social activation programmes are targeted at Social Assistance recipients whose labour-market integration is considered unlikely: phase 4 clients in the terminology of the classification system of the unemployed (figure 6.1). Whether or not municipalities invest in activation programmes for this group, and to what extent, differs considerably. This may seriously affect the activation support and opportunities for lone parents, as many of them –especially lone parents with children under five - are classified as phase 4 clients. Furthermore, differences exist with respect to the objectives of these social activation projects: in 1999, 17% of the projects were exclusively or primarily oriented at labour-market integration, whereas 71% were exclusively or primarily aimed at promoting the participation of social assistance recipients in useful activities (Jehoel-Gijsbers et al., 2000). Other differences concern the obligatory or voluntary nature of participation in these projects, the size of the projects, and the type of s involved in implementing and organising activities in the context of the projects.

More generally, municipalities may adopt different strategies in activating lone parents on Social Assistance. Firstly, discretion exists in deciding whether or not lone parents should have work obligations. Knijn and Van Wel’s (1999) study in five municipalities showed that whereas in one of the municipalities 50% of lone mothers were released from the work obligation, in two others this percentage was only 25%. Secondly, the classification system (figure 6.1) offers considerable room for discretion regarding activation efforts targeted at lone parents. An evaluation study of the 1996 General Social Assistance Act showed that in more than half of the municipalities involved in this study, 80% of lone parents were classified as phase 3 or phase 4 clients (Ministerie van Sociale Zaken en Werkgelegenheid, 2000). Being classified as a phase 4 client often implies that work obligations are not being strictly enforced. At the same time, however, it also may imply exclusion from any activation support and activation offer.



All this results in a situation in which activation offers made to lone parents and their actual participation in activation programmes may differ considerably across municipalities. In the late 1990s, only a minority of municipalities (15%) offer labour-market programmes specifically focused on lone parents; about 20% have programmes for women only (Engelen et al., 1999). Knijn and Van Wel's study (1999) showed that in the two cities with the highest proportion of lone mothers participating in training courses, this percentage was almost twice as high as in the municipality where participation in courses was lowest.

Of course, these inter-municipal differences may be the result of different needs and situations of local populations of social assistance recipients. To the degree that these differences are the unavoidable result of creating flexibility and room for local authorities and institutions to provide individually tailored social assistance and activation services to meet the individual needs and situations of the local welfare populations, they might be considered intended, proper and acceptable. However, inter-municipal differences also result from institutional, ideological and political considerations, which have little to do with the needs of client populations. For example, generously releasing lone mothers from the work obligation can be used as a strategy to reduce high workloads and to avoid complex and work-intensive activation processes in which jobs or training courses have to be found that match school hours, in which child care provisions have to be organised, etcetera. Moreover, exemption from work obligations is not automatically in the interest of lone parents, as a consequence may be that they are denied any activation support whatsoever. As mentioned before, local political and ideological considerations, rather than policy clients' needs, may determine whether or not lone parents will receive a childcare offer, premiums, and voluntary or obligatory activation offers.

### **6.3.3 Lone mothers on social assistance**

Discussing the situations, opinions and needs of lone mothers on social assistance after discussing policy reforms and policy implementation could be seen as reproducing the usual logic of policy processes in which: the design and implementation of social policies precedes paying serious attention to the situations and needs of the people who are the target groups of these policy interventions. As a matter of fact, the two studies that we will discuss here could be interpreted more or less as exceptions to this usual practice in the sense that they were carried out as a preparation for policy making. Policy makers show an increasing awareness that insight into the situations and needs of target groups of social interventions is a necessary condition for designing successful interventions, even though they are not always prepared to bear the full consequences of this.

The two studies that we will discuss here are the study of Knijn and Van Wel (1999), commissioned by the Dutch Ministry of Social Affairs and Employment, and the study of Hekelaar et al. (2001), commissioned by the municipality of Rotterdam. Both studies pay attention to situations, needs and opinions of lone mothers on social assistance. The study of Knijn and Van Wel involved over 1000 lone mothers, the Rotterdam study approximately 600 lone mothers. Both studies clearly reveal the heterogeneity of this target group for social policies.

First of all, both studies show that being a lone mother on social assistance does not necessarily imply exclusion from social activities. In the Rotterdam study, 13% of the respondents participated in paid work, in the study of Knijn and Van Wel this percentage was 19%. Voluntary work (including informal care for sick people) is another activity that a considerable group of single mothers is involved in: about one in five lone mothers is participating in this kind of activity. About a similar proportion of the respondents in both studies was engaged (or had recently been engaged) in education.

The welfare state reforms discussed above implied a major shift in the Dutch motherhood rationale. Instead of perceiving mothers as the main carers of their children, they are now considered as providers. This changing image of lone mothers however is not shared by lone mothers themselves. Knijn and Van Wel's study shows that 87% of lone mothers think that lone mothers with children under 5 should have no work obligations, and 54% of lone mothers think that lone mothers with children of 5 years and older should have no work obligations. Only 8% of the respondents is in favour of a full work obligation for lone mothers with children of five years and older.

This is not to say that lone mothers do not want to have a paid job. Two thirds of the respondents in the study of Knijn and Van Wel and 56% of the Rotterdam respondents say they would (very) much like to work. According to the Rotterdam respondents, the most important aspect of work are social participation, setting an example to the children, self-determination, and income. However, lone mothers differ with respect to the time perspectives they have in mind where paid employment is concerned. About one fifth of the lone mothers in both studies would like to have a job immediately, a group of similar size would like to have a job within a period of one year, and another group of approximately 20% would like to have a job in one to two years. A majority of lone mothers prefer part-time jobs.

Explaining different attitudes and preferences regarding labour-market participation is complex. For example, lone mothers with a high motivation to work do not necessarily consider raising their children as less important than lone mothers with a lower work ethos. But there are differences in lone mothers' interpretation of 'good motherhood'. On the one hand, there are mothers for whom 'good motherhood' means that they should raise their children themselves and should be there for their children whenever necessary. Approximately 30% of the respondents in the Rotterdam study prefer to stay home and not to work rather than make use of formal child care or after school care. On the other hand, there are lone mothers who think that participation in paid employment contributes to 'good motherhood' by setting an example and by stimulating their children to be independent. Thus, a high work ethos can coincide with a high care ethos. Interestingly, both studies show that ethnicity may be an important factor here. According to the Rotterdam study, lone mothers of Surinam and Antillean origin more strongly emphasise the importance of setting an example by participation in paid work than do indigenous lone mothers.

Another factor influencing the work motivation of lone mothers is their estimation of the difficulties they will be confronted with in combining paid work and taking care of their children. When lone mothers expect more difficulties, their preference to remain dependent on Social Assistance and to renounce labour-market participation

increases. Once again, indigenous lone mothers more often think that they will face problems in this area than lone mothers from other ethnic origins. In addition, lone mothers with a relatively high work motivation seem to have better labour-market opportunities, both in 'objective' terms (age, work experience, qualifications) and in more 'subjective' respects.

## 6.4 Policy reforms in practice

Recently, the Dutch General Audit Office presented a report describing the results of a study into the activation of lone parents on Social Assistance (TK, 2003). This report gives some insight into what the policy reforms described above mean in practice. It should be noted, however, that there are serious problems with the availability of quantitative and qualitative data on activation, its implementation and its effects, especially at an aggregate level. This seriously hampers the possibilities for adequately and reliably monitoring what is happening in activation. The General Audit Office used an analysis of client files in selected municipalities as a research method. From our own experiences we know, however, that these files are not always very reliable sources of information. What is registered in these files is often dependent on local practices, policies and priorities. The study of the General Audit Office finds that 23% of lone parents on Social Assistance have a job; a finding that roughly corresponds to the figures found in the studies among lone mothers discussed above. Registering the labour market participation of Social Assistance recipients is considered relevant, as this affects the amount of Social Assistance clients are entitled to. However, the report found a voluntary work participation rate of 4%, considerably lower than in the studies among lone mothers discussed before. Caseworkers do not always consider participation in voluntary work relevant, especially when it does not take place in the context of social activation projects, leading to a situation in which participation in voluntary work is underreported.

Leaving these considerations aside, the report shows the following results. First of all, the number of (partial) exemptions from work obligations is high. This goes for the Social Assistance population as a whole, but even more so for lone parents. A distinction should be made here between formal exemptions, and de facto exemptions. People with a de facto exemption do have work obligations, but these are not enforced. Table 6.7 shows that half of the Social Assistance population is fully released from work obligations. Lone parents are more frequently de facto released from work obligations than all Social Assistance recipients: 16% versus 7%. The report mentions various reasons for this: medical or social circumstances of lone parents, care responsibilities for children (in problematic situations), and part-time work. In the latter situation, lone parents are exempted from work obligations because full-time work is not considered feasible.

**Table 6.7 Formal and de facto exemptions of Social Assistance recipients, Netherlands (September 2002)**

|                                  | All Social Assistance recipients | Lone parents |
|----------------------------------|----------------------------------|--------------|
| Full work obligations            | 40%                              | 19%          |
| Formal partial exemption         |                                  | 12%          |
| Formal full exemption            | 51%                              | 18%          |
| Formal full exemption (child <5) |                                  | 35%          |
| De facto exemption               | 7%                               | 16%          |

Source : TK (2003)

Historically, the proportion of Social Assistance clients fully released from work obligations has increased, whereas the proportion with a de facto exemption has decreased (table 6.8). Partly, this reflects favourable labour-market conditions in the late 1990s: creaming processes have left the most difficult to reintegrate clients dependent on Social Assistance. Whether or not these figures also reflect changes in local implementation strategies (national government seeks a stricter enforcement of work obligations which makes de facto exemptions less legitimate) is unclear.

**Table 6.8 Formal and de facto exemptions of Social Assistance recipients, Netherlands, 1996-2002**

|                         | 1996 | 1999 | 2002 |
|-------------------------|------|------|------|
| Formal exemption (full) | 20%  | 42%  | 51%  |
| De facto exemption      | 49%  | 24%  | 7%   |

Sources: 1996 and 1999: Ministerie van Sociale Zaken en Werkgelegenheid (2000) ; 2002: TK (2003).

Interestingly, lone mothers are not always aware of their work obligations. The Rotterdam study of lone mothers shows that 12% of lone mothers with children under five think that they have full or partial work obligations, but formally they are released from work obligations, a further 27% of all respondents in this study said that they do not know whether or not they have work obligations. The local situation may be relevant here: the percentages were much lower in Knijn and Van Wel's study.

The General Audit Office's report found that 62% of lone parents on Social Assistance have been made an activation offer between 1999 and September 2002. This means that the target implied in the comprehensive approach of activation are far from being realised. Lone parents with children under five are strongly represented among those to whom no offer has been made. In the case of these lone parents, many municipalities only take action when these parents ask for it: a quite 'narrow' interpretation of the voluntary character of activation for this group.

That the comprehensive approach in activation has not yet been realised is also apparent in the two studies of lone mothers on Social Assistance discussed before. Twenty per cent of the respondents in the Rotterdam study had not had a meeting at

the municipal social services department during the two years preceding the study. Of those who had had a meeting, the issue of paid work and preferences and wishes with respect to paid work were discussed in only fifty per cent of the cases.

According to the General Audit Office's report, of those lone parents to whom an activation offer has been made, 62% ended up participating in an activation measure. This implies that of all lone parents, 39% started an activation activity; for lone parents whose youngest child is five years or older, the percentage is 45%. The report concludes that the activation rate of lone parents is considerably lower than the activation rate of all Social Assistance recipients, 59% of whom entered an activation activity.

The report of the General Audit Office also looked at the outflow from Social Assistance of lone parents during a period of 14 months in 2001 and 2002. In this period, 20% of lone parents ended Social Assistance dependency. A group of 6% ended Social Assistance dependency because of entering employment. But 70% of lone parents that entered a job in this period are still partly dependent on Social Assistance. Apparently, these lone parents do not earn sufficient income from work to exceed the Social Assistance level. The report does not present similar figures for all Social Assistance recipients.

Of course, an important reason for the low percentage of lone parents leaving Social Assistance because of employment is the fact that many lone parents, when engaged in paid work, work part-time and earn insufficient income to become fully independent from Social Assistance. This raises serious doubts regarding the feasibility of two closely connected objectives of activating lone parents which we discussed above: fighting poverty, and raising the outflow out of Social Assistance of lone parents to a similar level as the outflow of other Social Assistance recipients. In view of the high poverty rates among lone-mother families, these are not minor objectives. Not only do lone-mother families belong to the poorest Dutch families (alongside older single women), lone mothers also have low incomes from an international perspective (Hooghiemstra and Knijn 1997; Plantenga 1999). This is rather embarrassing when one takes into consideration the booming Dutch economy of the late 1990s and the rising prosperity among other categories of the population. Lone mothers' problems in getting out of poverty result from their reliance on part-time work and from the low educational level of most of them: they can only earn low wages in the highly segregated lowest segments of the labour market. Van Wel and Knijn (2000) showed that lone mothers who have at maximum a lower vocational education will have to work at least 32 hours per week to earn an income that will make them independent of Social Assistance, while lone mothers with a higher professional or academic level can do so with 21 hours a week. For less educated lone mothers the decision to enter employment is, from a financial perspective, not very rewarding. They need to work full-time in order to have any financial advantage, and that is exactly what most of them do not want.

All in all, the report of the General Audit Office is quite critical in its conclusion concerning the activation efforts directed at lone parents on Social Assistance. It states that the national government has paid insufficient attention to steering the activation of lone parents, and has neglected to operationalise the comprehensive approach into concrete targets. The report also criticizes the lack of information on effects of

activation: there is no sufficiently reliable information that the Ministry of Social Affairs and Employment could use to adjust its policies or to increase its activation efforts.

## 6.5 Summary

This paper has described how Dutch social policies in general, and those aimed at lone parents on Social Assistance specifically, have become increasingly focused on activation. Activation predominantly means labour market participation: only when this is considered unfeasible, other forms of participation are taken into consideration. Thus, underlying the activation policies is a clear participation hierarchy, where a regular paid job that generates sufficient income to put an end to benefit or assistance dependency is at the top, and social activation in unpaid activities at the bottom. For lone parents on Social Assistance, this ‘labourist’ orientation of Dutch activation has had several consequences. Their work obligations have been sharpened and the opportunities to raise their own children were reduced. At the same time, escaping from poverty through employment is hard to realise, since many lone parents are poorly qualified and prefer part-time work in order to be able to combine paid work and child care. This also raises serious doubts regarding the national government’s aim to increase the outflow from Social Assistance of lone parents to the level of the outflow for all Social Assistance recipients. For lone parents with young children, activation is still voluntary, but as we have seen, the debate on work obligations for this group of lone parents is regularly put back on the political agenda.

One of the arguments policy makers use in defending the increasing emphasis on activation of lone parents is that it contributes to their emancipation. Policy clients themselves hardly have a voice here: policy makers decide on the aims of activation, as well as – for example, through the classification of target group members in ‘phases’ – on the activation instruments that are used to realise these aims. From this point of view, the Dutch activation approach is not only labourist, but paternalist as well (Standing, 2002). Of course, policy clients can act strategically in providing social workers with information, trying to influence the decisions they will make eventually – but these decisions do not require mutual agreement and consent of clients. Nevertheless, the activation discourse increasingly emphasises the importance of tailor-made and individualised social interventions in activation. Several evaluation studies of activation have made clear that activation is most successful when the activation offers made to clients meet their needs, wishes and capacities. The Explanatory Memorandum of the Bill on Work and Assistance reflects this insight as it explicitly states that “an individual approach tailored to the personal circumstances is a starting point of the Act”. Elsewhere in the Memorandum one reads: “An active attitude of the client in encounters with the case manager and the reintegration company is important in the final choice of an activation activity. Clients that have a say in their own activation activity are usually motivated. Feeling for someone’s personal preference and personal attention are important factors for successful reintegration. The ideas and proposals of the client are evaluated for their contribution to increasing the work perspective and to realising the objective of (...) sustainable placement in a regular job” (MvT, section 3.2.2).

However, apart from decentralisation, no measures have been introduced that could strengthen the position of clients in their interactions and negotiations with social workers. In the end, the social worker disposes of sanctions to impose upon 'unwilling' clients, but clients have no sanctions that they can impose upon 'unwilling' social workers. Against this background, the increasing emphasis on obligatory activation seems to have a double aim. It should not only activate the target groups of activation, as it is often interpreted, but also the institutions responsible for its implementation. For experience shows that these institutions often adopt a passive attitude towards the activation of people without work obligations, and sometimes even exclude them from activation support. This strategy is adopted especially in circumstances of rising unemployment, as we are currently witnessing (during the last year, unemployment in the Netherlands increased from 3.9% to 5.4%).

In our view, recognising the importance of the involvement of clients in activation processes without taking steps to institutionalise this creates several risks for successful activation interventions. This is partly because paternalist attitudes among social workers are still quite common: many of them are used to make decisions *for* clients, not *with* clients. In addition, institutional conditions may elicit ways of handling clients, which may be understandable from the point of view of social workers, but are not necessary in the interest of clients. For example, the need to meet certain activation targets may lead social workers to focus on the quantity rather than the quality of placements. Releasing clients from work obligations may reduce workloads and avoid complex activation processes, but also excludes these clients from support in activation. Avoiding having to deal with complex regulations, as in the case of childcare provisions, may save time and energy, but may also take away participation and activation opportunities from people who rely most strongly on state support for realising forms of participation and activation.

Thus the issue at stake here is not so much obligatory versus voluntary activation. The crucial issue is the quality of activation services, that is, the degree to which activation offers match the circumstances, needs and wishes of policy clients. When activation offers can be transformed from 'an offer you can't refuse' into 'an offer you won't refuse', the issue of work obligations will lose much of its controversial nature. As the studies of lone mothers discussed above show, many are willing to accept obligations. But not unconditionally: they want social workers to respect their home situations, the problems they may have with (raising) their children, their identity in terms of how they see their role as mother and provider, etc.

The trend towards decentralisation of activation, which is occurring in other welfare states as well, can be regarded as a necessary prerequisite for individual, tailor-made social interventions. At the same time, it requires investing in the quality of activation processes and of the interactions between social workers and clients. Under the current circumstances, there are several reasons to be sceptical about this. Social workers are continuously forced to somehow find a balance between their concern for institutional issues and the needs of their individual clients. Often, institutional concerns prevail, and we expect this to become an even more serious problem when the financial responsibility for Social Assistance and activation is devolved to the municipalities. One likely consequence of this is that the strategy of formal or de facto exemptions from work obligations will meet more resistance among local authorities, as it increases the risk of exceeding the available budget for Social Assistance

payments. This may result in a situation in which fewer people are excluded from activation services, but at the same time in a situation in which the quality of activation services deteriorates. Whether local authorities will under these circumstances be willing to invest in a long-term strategy to improve the quality of activation services remains to be seen.

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## **7) From work test to enhanced case management: lone parents and social development in New Zealand**

**Rebecca Hutten**

### **7.1 Introduction**

New Zealand provides an interesting comparator to the UK. It faces a similar policy dilemma to the UK over the issue of lone parents - their high rate of economic inactivity and dependence upon state benefits - but has taken a very different course. Whilst the UK in recent years has progressively moved away from an extremely liberal regime in relation to lone parents' employment, towards a system that includes greater compulsion and incentivization of economic activity, New Zealand has moved from a system where work search was mandatory for lone parents on benefit with school age children, to one where getting the right outcome for the individual, regardless of children's ages, is seen as the main objective.

This shift from 'work tests' to 'enhanced case management' in New Zealand is the story of this paper. It is not an expert analysis of the drivers of policy change so much as a description of a system in transition, which provides useful evidence for the UK's thinking about where next to go with lone parents.

### **7.2 Background**

The labour market in both New Zealand and the UK has been strong in recent years with both countries exhibiting similar overall employment rates (see table 7.1). New Zealand has a stronger growth rate at present than the UK, and slightly lower inflation at 2.7 per cent. Employment rates between men and women do not differ significantly between the two countries, and unemployment rates are identical at 4.9 per cent (December 2002 figures). The main difference appears in the rate of long-term unemployment (more than 12 months) where the UK's rate is substantially higher than New Zealand's (28 per cent compared to 18 per cent).

**Table 7.1. New Zealand and UK Economy in 2002**

|                              | New Zealand<br>% | UK<br>% |
|------------------------------|------------------|---------|
| GDP growth                   | 5.0              | 2.0     |
| Inflation                    | 2.7              | 3.2     |
| Employment rate (all) (2001) | 71.5             | 71.3    |
| Men (2001)                   | 78.9             | 77.9    |
| Women (2001)                 | 64.8             | 64.7    |
| Unemployment rate (all)      | 4.9              | 4.9     |
| LTU (>12 months) (2001)      | 18.3             | 27.7    |

Source: OECD

New Zealand however has a population of just four million people – a key consideration for understanding the Enhanced Case Management (ECM) approach to lone parents.

Like the UK, New Zealand has a relatively high proportion of lone parents relative to other family types. Amongst families with children under the age of 5, lone-parents make up one quarter of the total in New Zealand. The employment rate for this group (29 per cent) is substantially lower than that of partnered mothers with children of this age (52 per cent). Overall lone parent employment is lower in New Zealand than in the UK at 42 per cent (compared with 53 per cent), although the employment rate of partnered women is also lower. The dependence of lone parents upon state benefits is high in both countries, at over 50 per cent. This is reflected in the poverty levels seen in lone-parent families – in New Zealand 60 per cent and in the UK 50 per cent of all lone-parent families live on incomes below 60 per cent of the national median.

**Table 7.2 Lone Parent Employment in New Zealand and UK (2002)**

|   | New Zealand<br>% | UK<br>% |
|---|------------------|---------|
| Employment rate (all)   | 42               | 54      |
| Employment rate (children under 5)  | 29               | 35      |
| Proportion of lone parent families living below 60 per cent median income level | 60               | 50      |

Source (UK) Labour Force Survey; New Zealand 2002 Social Report and unpublished census analysis by New Zealand Ministry of Women's Affairs.

### 7.3 Political context

The current Labour government in New Zealand won its second term in office in mid-2002. One of its flagship policies for its election manifesto was to abolish the work test for lone parents. Instituted in 1998 in response to rising numbers on benefit, the work test regime was strongly associated with the 'work first' ethos of the previous

National government and was seen to be incompatible with Labour's focus on 'social development' and on improving the well being of all New Zealanders.

The concept of a 'work first' approach to welfare in New Zealand was not strongly embedded in the system. This is mainly because the benefit system and childcare infrastructure have not developed in ways that are strongly supportive of welfare to work aims. The benefit system in particular has been focused on the issue of preventing severe economic hardship, at the expense of providing strong financial incentives to work. Similarly, the childcare agenda has been dominated by educational imperatives, rather than welfare to work ones. Childcare tends only to be available within standard working hours on a fee-paying basis. Only short sessional care for kindergarten-aged children is available free of charge. Overall, unlike 'work first' systems, the New Zealand approach tends to support 'early identification' of welfare recipients who require more intensive help to overcome their barriers to work. The main aim of the welfare system since 2002 has been to treat people as individuals and to ensure that once they reach the point at which they are ready to start work, they are able to sustain a life in work for a long time.

The current Department of Labour (DoL) has the policy lead on employment for lone parents, whilst the Ministry of Social Development (MSD) has operational responsibility and its executive agency, Work and Income New Zealand (WINZ) leads the delivery of ECM and related services through the national network of employment service centres. DoL has a purchase agreement with MSD that is negotiated annually covering all its employment services.

## **7.4 Social context**

The growth in Maori and Pacific Island populations in New Zealand has been a key driver for the government's social development approach. As the fastest growing group, at around 20 per cent of the total, Maori have a crucial role to play in transforming the New Zealand economy. Historically, however, Maori have experienced substantially poorer outcomes on all the main economic and social indicators of well-being – educational attainment, employment, income, health, housing etc. This has highlighted the need for a socially inclusive approach to social policy – one where community-based solutions are embraced and supported, and where social participation is viewed as equally important to economic outcomes.

## **7.5 Benefit context**

The main benefit for lone parents in New Zealand is the Domestic Purposes and Widows Benefit (DPB/ WB). This benefit is open to single women over 50 years, widows and carers as well as lone parents, and is set at a level intended to meet basic living standards. However, there are several additional tiers of benefit that lone parents and others can access. This makes the benefit system appear rather complex, even by UK standards. For example, in addition to the DPB, many lone parents qualify for a weekly top-up of income – the Special Benefit – on a means-tested basis. In areas where accommodation costs are high, it is the norm to be in receipt of special benefit on an almost indefinite basis. There is also a system whereby DPB recipients

can access non-refundable lump-sum grants - typically for 'emergency food' assistance. This has an upper limit of NZ\$ 550 per year for the largest families, and is designed to keep people out of the Church run 'food banks'. However, many recipients view it as an entitlement, rather than an emergency backstop. DPB recipients can also apply for an advance of benefit (up to 6 weeks) as a lump-sum grant to cover purchase of large household goods, such as washing machines. This is heavily used, and requires repayments to be made at a rate of NZ\$ 10 per week.

The multiplicity of additional discretionary payments for which DPB and other benefit recipients are eligible means that Case Manager<sup>25</sup> time in New Zealand is dominated by administration and processing of claims. In addition, a relatively large proportion of the client group fall in to debt to the state.

As already indicated, financial incentives to work are not as well developed in the New Zealand benefit system as they are in the UK. In particular, work on developing tax credits is still in its early stages although substantial investment is planned in this area.

## **7.6 The work test and its demise**

The work test for DPB recipients was introduced in 1998. It consisted of a full-time work test when the lone parent's youngest child reached the age of 14, and a part-time work test when the youngest child reached age 7. For the full-time work test, individuals were required to look for work of at least 30 hours per week, and for the part-time, 15 hours per week. In practice, work of any hours per week, particularly for the part-time work test cases, was approved.

The consequence of a work test linked to the age of the lone parent's youngest child was that over half the DPB client group seldom came in contact with Case Managers. Only 45 per cent were in fact subject to the work-test regime and thus required to come in to the employment service offices to provide evidence of job search and to meet with a case manager who could refer them to appropriate jobs and training opportunities.

The 1998 DPB reforms were the subject of extensive evaluation (Ministry of Social Development 2002a, 2002b). The research found:

- 92 per cent of the work test group were female
- 80 per cent were aged between 20 and 40 years
- 85 per cent had one or two dependent children
- Maori were significantly over-represented in the group, as were Pacific Islanders
- Most clients had some previous work history and were well motivated to find work.

A key issue appeared to be that Case Managers had real difficulty in identifying sufficient suitable jobs for lone parents subject to the part-time work test. In practice, work of any hours per week was treated as a success for this group. In the context of

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<sup>25</sup> The equivalent role is that of Personal Advisers in the UK.

high caseloads, Case Managers understandably concentrated their efforts on the full-time work-test clients, and within this group, upon the most motivated and work ready clients, as this was where there was greatest scope for achieving results.

The research also found that sanctions were very inconsistently applied. Case Managers effectively used their discretion to grant rather higher levels of exemptions than originally envisaged, where it was clear that the lone parent was not in a position to work immediately or that work of insufficiently flexible hours was all that was available.

The numbers moving off benefit during the period of the work-test regime did increase, although the evaluation was unable to detect whether this was an effect of the work test or other factors. The proportion moving in to part-time work also increased slightly (from one quarter to one third) but this could not be attributed to the work-test regime, and the proportions in full-time work did not change significantly. The evaluation found that most job successes occurred independently from WINZ help, although there was some evidence that those subject to the full-time work-test did increase their job search behaviour. Outcomes for Maori and Pacific Island clients were particularly poor in the work-test era and Case Managers repeatedly reported real problems in finding work opportunities to fit clients' childcare commitments. The majority of lone parents who found work were required to work outside of standard hours and/ or in non-permanent positions. The childcare infrastructure was insufficient to support this. In addition, without the cushion of a tax credits system, the financial gains from working took time to accrue.

This set of issues raised by the evaluation raised awareness amongst policy makers of the need to concentrate more fully on supporting sustainability in work. As we shall see, this was a key part of the rationale for Enhanced Case Management. Furthermore, the evaluation of the work-test regime found that income gains from working were only slight, and thus the positive benefits for children of their parents working were very slight. Some clients reported increased stress and concern about the behaviour of older children left alone, and for younger children left in the care of older siblings. This clearly paved the way for the political decision to move away from work testing lone parents.

## **7.7 Policy rationale for Enhanced Case Management**

Whilst the desire to win votes by abolishing the work test for lone parents was strong, there was also concern across government about the risks associated with this. The newly formed Ministry of Social Development was instrumental in putting forward a revised approach, based on Enhanced Case Management, as a check to prevent increases in the numbers claiming benefit and to reassure sceptics on the consequences of removing the work test. By Spring 2002, the decision was made, although the general election in mid-2002 delayed the implementation of a new approach until March 2003. A considerable period of time thus passed when the

message about work tests was very blurred and its implementation was far from consistent<sup>26</sup>.

The policy rationale for the move to ECM was clearly based around the failure of the work-test process to sufficiently ‘take account of the complexity of sole parents’ lives, their different starting positions in relation to paid employment, and the balancing that is required between work and parental responsibilities’ (Ministry of Social Development, 2003, p2). The overall policy intent of the new regime was thus described as: ‘to support DPB/WB recipients into sustainable paid employment as their individual circumstances and parental responsibilities allow’ (Ibid, p3).

The policy objectives of the 2002 DPB/WB reform package were for enhanced case management to:

- identify early the ongoing barriers to recipients obtaining adequate income through paid work and effective means of addressing these;
- promote planning and goal setting with clients and record goals in a Personal Development and Employment Plan (PDEP);
- allow recipients to make decisions about the balance between paid work and parental responsibilities;
- provide ongoing support as individuals make the transition into sustained paid employment;
- provide opportunities to engage with a case manager who is able to provide proactive support and ‘awhi’<sup>27</sup> recipients through the benefit cycle.

In addition the reforms provided for changes in the ‘abatement’ regime<sup>28</sup> to:

- encourage recipients to take up a mix of part-time paid employment and benefit receipt
- create a more financially equitable abatement regime for recipients (thus improving the financial incentive to work).

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<sup>26</sup> This has a bearing on what evaluators expect to see as they monitor the effects of the removal of the work test and transition to enhanced case management.

<sup>27</sup> ‘Awhi’ is a Maori term for the concept of mentoring and support, and can be literally translated as ‘walking alongside.’

<sup>28</sup> The system whereby earned income is offset against benefit income.



**Box 7.1 Summary of specific policy changes introduced in March 2003**

|                                 | <b>Pre-March 2003 DPB, WB and EMA policy</b>  | <b>Post -March 10 2003 changes to policy</b>  |
|---------------------------------|---|---|
| <b>Employment Expectations</b>  | <p>Employment obligations are determined by the age of a client's youngest child, which create an expectation of a return to work by having (when the youngest child is aged 0-5) an annual work preparation interview, involvement in one employment preparation activity when the youngest child is 5-6, a requirement for part-time work when the youngest child is 7-13 and to take up full-time work if there are no children or when the youngest child is 14 and over. Failure to comply with these obligations can result in benefit suspension (see sanctions). These obligations are known as the work-test regime.</p> | <p>The work-test is no longer applicable to these clients. Instead clients are obliged to participate in the Personal Development and Employment planning process, with activities determined according to a client's parental responsibilities and individual circumstances. The PDE planning process creates an expectation that clients will return to work when their parental responsibilities will not be compromised and their individual circumstances are sufficiently stable. The key policy message is that clients have more flexibility over when and how they return to work.</p> |
| <b>Caseloads</b>                | <p>Research indicates that prior to 1 Oct 2002, caseloads for staff working with DPB, WB and EMA clients have ranged between 1:200 to 1:300.</p>  | <p>Average caseload ratio for DPB/WB/EMA case managers reduced to a national average of 1:150 by 30 November 2002.</p>  |
| <b>Case management approach</b> | <p>Across all Work and Income regions there is a mix of generic case management (where case managers work with a range of different groups of clients) and specialisation where staff work with specific client groups.</p>   | <p>Specialised case management for DPB, WB and EMA clients, emphasising a client-driven, holistic assessment of needs and issues and supportive ongoing contact and assistance provided by case manager.</p>  |

|                              | <b>Pre-March 2003 DPB, WB and EMA policy</b>   | <b>Post -March 10 2003 changes to policy</b>  |
|------------------------------|--|---|
| <b>Planning processes</b>    | <p>Clients are required to complete Job Seeker Agreements (if work-tested) which focus on job search activities to obtain employment or improve prospects of employment. Additional support in the form of COMPASS – a voluntary programme providing intensive case management to assist sole parents (in receipt of DPB, WB or EMA for 12 months or more) to overcome barriers to obtaining employment.</p>                       | <p><i>A Personal Development and Employment Plan (PDEP) which focuses on resolving the complexity and range of issues facing a client, with a broader focus on moving into paid employment as parental responsibilities and individual circumstances allow.</i></p> <p>The type of support provided as part of the COMPASS programme will be delivered as part of the enhanced case management approach.</p>                        |
| <b>Employment Assistance</b> | <p>Targeted at clients who have work-test obligations.</p>   | <p>Targeted at clients who have short term training and/or work goals and needs.</p>  |
| <b>Sanctions</b>             | <p>Sanctions are applied if a client fails without a good and sufficient reason to meet their employment obligations. First or second work-test failure results in benefit suspension until re-compliance. A third failure results in cancellation of benefit and a 13-week non-entitlement period with provisional assistance available. Any sanction imposed on a sole parent is limited to 50 per cent of the benefit rate.</p> | <p>Will apply if, without a good and sufficient reason, clients do not participate in the PDEP planning process and demonstrate (on an annual basis) commitment to achieving goals/activities in their PDEP</p> <p>Initial step: benefit is reduced by 20 per cent for a period of 4 weeks. If no compliance after 4 weeks the benefit is then reduced by 50 per cent until re-compliance (see appendix 1 for further details).</p> |
| <b>Abatement</b>             | <p>A dual abatement regime applied to clients who are subject to a full or part-time work requirement (based on age of youngest child) or exemption status (see appendix 2 for details of the different abatement rates under the dual regime).</p>  | <p>A single abatement regime aligned to the removal of the work-test obligations for DPB/ WB recipients (see appendix 2 for details of these changes).</p>  |

## 7.8 Implementation

From 10 March 2003, the work test was removed for all DPB/ WB and Emergency Maintenance Assistance (EMA) clients. As already suggested, the signalling effect of the announcement of the reforms a year prior to this may have led to a significant weakening in the way the work test was applied in the run up to formal abolition. In preparation for the changeover, 'clearance' work was undertaken to get DPB clients off the 'looking for work' register. This was to avoid adverse consequences from the different targets applied to work-tested and non-work-tested clients.

The basic premise of the new approach is that all clients regardless of individual circumstances, barriers, or distance from work, are required to take part in a planning process. Waivers and deferrals are only allowed in exceptional circumstances as the process is fully adjustable by Case Managers to fit client needs. The Personal Development Employment Plan (PDEP) covers both personal development and employment needs, and is not necessarily work focused at first – although work is still the ultimate aim.

A key change for the new system was to reduce overall caseload size for each Case Manager. As all benefit clients (including regular unemployed clients) are actively case managed in New Zealand (unlike the UK) caseload size is a key determinant of the type and quality of intervention that is possible. From a caseload size of around 1:200 pre-reform, the new system aimed for a national average caseload of 1:150 by the end of 2002.

It also introduced an obligation on the client to attend and participate in meetings with their case manager, to develop a plan, to review the plan at least annually or when substantial changes in circumstances required it, and to demonstrate commitment to the plan. Non-compliance can be addressed through a sanction of 20 per cent of benefit, increasing to 50 per cent if there is still no compliance after 20 working days. The aim, however, is always to work with clients to get them back on track, so sanctions are very much a last resort.

Along with more generous abatement rates, the new regime allows for regular reviews of the client's circumstances to take place, with automatic prompts linked to the PDEP built in to the computer system to ensure appropriate and frequent (especially in the early stages) follow up. All clients have to 'reapply' for benefit annually and this is another important stage at which everything agreed in the PDEP can be reviewed.

## 7.9 The Enhanced Case Management Delivery Model

The ECM approach is based upon a minimum set of requirements:

- a preliminary meeting at the start of a claim,
- a further meeting when there are any changes of circumstances, and
- annual review linked to reapplication for benefit.

In reality, the expectation is for substantially more frequent meetings than this – perhaps averaging one per month. The core process involves setting up a ‘journal’ which baselines everything connected with the client at the start of the claim. This journal covers 8 specific areas:

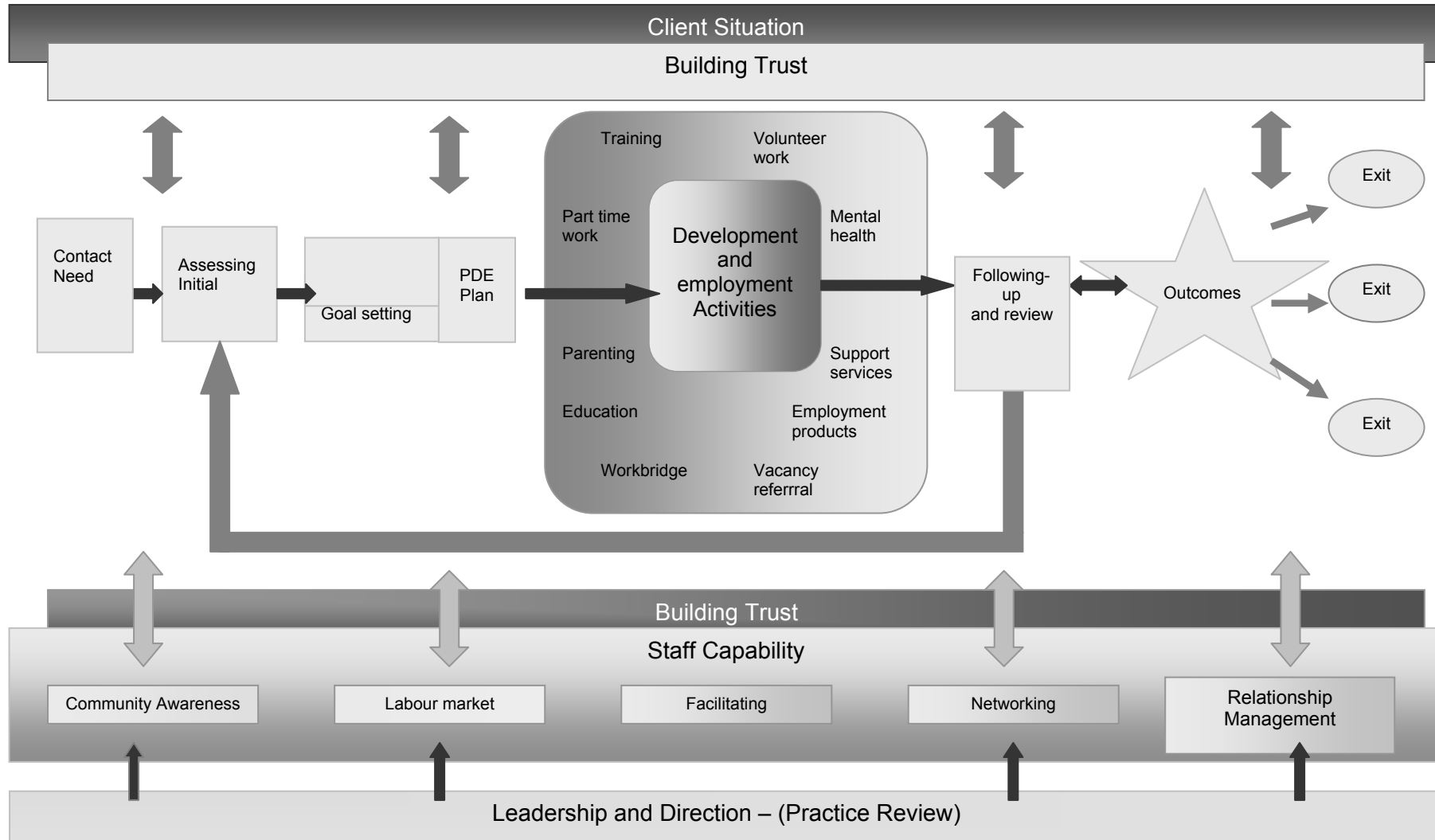
- financial issues
- accommodation
- health
- employment
- personal needs
- education and training
- social participation
- other

The PDE is then set around the journal. Goals and objectives are identified and specific actions linked to deadlines agreed. These may be small steps to address the problems and barriers identified in the journal – for example, taking up a referral for budgeting advice, or larger ones, depending on the client’s needs– for example, taking steps to address drug/ alcohol dependency or to re-establish friendship networks following a period in custody. The whole process is based around the client, their issues and concerns and what is needed to give them the confidence to move forward in a positive direction. All goals and deadlines in the plan have to be jointly agreed, and may include actions for the case manager as well as the client.

Once the goals have been recorded on the PDE plan the IT system automatically prompts follow-up action by the Case Manager as deadlines approach. If actions are not met, or are re-set (too frequently), the system records this and the information is available for use in the performance appraisal and coaching system for case managers. It is accepted however that many of the issues raised by clients are not for the Case Managers to resolve. Referral to local support agencies is a crucial mechanism for making ECM work. A large number of local agencies exist – both community-based (e.g. Maori) to provide family support, and specific to particular issues, such as debt counselling or mental health issues. These s are, in general, happy to receive referrals from the WINZ Case Managers.

Figure 7.1 illustrates how the ECM process is supposed to work in practice, with clients assessed and goals set with regular follow-up and review.

**Figure 7.1** Practice Model for Enhanced Case Management



Another key characteristic of the new system is that it has no time limits. The intention is for the client and case manager to work together for as long as it takes. There is no expectation of 'quick wins' from ECM – rather, an emphasis on laying the ground work for sustainable long-term outcomes.

This has required a substantial investment in ECM - to the tune of NZ\$55 million over a 3-year period, with further funding anticipated. The investment equates to an average of 20 minutes extra case manager time per client per month for 12 months. By adding an extra 20 minutes, ECM reduces the proportion of Case Manager time spent on administration of benefits, from 70 per cent to 50 per cent.

The reduction in caseloads across the regions however was not fully costed in the reforms package. Some of the reduction was found by raising caseloads for Case Managers working with jobseekers. Understandably, this caused some friction in the transition period, although additional funding has now been found to bring the jobseeker caseloads back down to 1:200. The role of the DPB Case Manager is understood as being different (and more intensive) than that of the 'unemployed group' Case Managers, and although they still work closely together, each is seen to have its own focus.

The management and training of DPB Case Managers has changed with the introduction of ECM. The role of DPB Case Manager has become more specialised, and there is a separate dedicated line management structure. Crucially, DPB Case Managers do not need to work to the same target regime as Case Managers for unemployed clients. Instead, their performance is judged by the quality of the process they deliver, rather than the outcomes. Team Coaches in each service centre monitor a sample of each Case Managers' PDE plans on a six-monthly basis to check whether they relate accurately to the issues identified in the journal, whether the right steps have been taken to resolve issues, and whether the action has been completed within the required timescale.

Most DPB Case Managers work in teams and a system of case conferencing helps to provide support when issues which are beyond the immediate competence of a Case Manager to resolve are raised in meetings with clients. A system of 'practice review' is also being designed to build on this support for Case Managers and ensure consistency in approach. It covers everything from administration, to training needs and one-to-one support and explicitly recognises the pressure that Case Managers may come under when working closely with clients to resolve difficult personal barriers. Training needs that have already been identified include: handling health issues, and influencing and negotiating skills (MSD, 2003 personal communication).

While Case Managers for unemployed jobseekers continue to have to meet demanding job entry targets, DPB Case Managers have an incentive not to move their own clients on to the 'seeking work' register. As soon as a client is handed off to the 'unemployment' side of the house, they become a risk to overall performance. For this reason, only those lone parents who are really convinced they want to work, and are ready to work, are encouraged to sign on to the register and access the stream of job-matching services which regular jobseekers receive. They can however still look for work without signing on to the formal jobseeking register.

This approach reflects the fact that the current benefit system in New Zealand does not mean that work pays for most people. As and when the system of financial incentives is strengthened, it is likely that a stronger line will be taken on outcome measurement for DPB clients.

## **7.10 Evaluation**

The strong expectation from the DPB reforms is that over time the overall numbers on benefit will reduce. However, there is no expectation of improvement in the first year of implementation. If numbers on benefit hold steady in this period, the approach will be deemed a success. If the numbers in receipt of training allowances increases this too will be not unexpected. It is still too early to tell whether or not this has been the case, but a comprehensive evaluation and monitoring plan is in place to ensure that information on out-flows can be captured.

However, the focus of the evaluation is more wide-ranging than simply recording outcomes. The whole ethos of ECM is to provide a quality service, and thus a key objective of the evaluation is to look at client experience of the service, and in particular, whether they have increased choice as to how and when they work (relative to the work-test policy), whether their job readiness is improved and whether their long-term movements in to work are more sustained because they have had early attention paid to their individual circumstances, barriers and constraints. It also aims to look at financial issues (the rate at which financial gains accrue), social, health and economic outcomes for DPB recipients and their children – in particular whether clients and their children have more involvement in their communities, as well as increased participation in employment and other activities.

The evaluation is due to run for 3 years, and will include econometric assessment of fiscal gains from ECM as well as qualitative and quantitative survey research with clients and case managers. Results will be posted at regular intervals on the MSD website (<http://www.msd.govt.nz>)

To date only very limited evidence is available on how the ECM is working. Monitoring data shows overall caseload sizes have reduced for DPB case managers, although still not quite as far as the 1:150 ratio envisaged by the reforms. In particular, a quarter of DPB/WB clients are managed by case managers with caseloads of more than 175 clients (MSD, 2003). Analysis of caseload mix confirms that DPB/WB case managers are becoming more specialised, and those that are fully specialised on DPB/WB clients (i.e., have 90 per cent of their clients in this group) the average caseload ratio is 1:150.

Client satisfaction as monitored through a regular client survey showed a clear drop in satisfaction in the 3 months leading up to the formal implementation of the reforms in March 2003, and a steady increase in the following period. It is still too early to measure any effect on employment or training participation.

## 7.11 Conclusions and possible lessons for the UK

The very different social and political context in New Zealand makes it hard to see any direct relevance of ECM for welfare policy on lone parents in the UK. For a start, lone parents in New Zealand are not stigmatised in the way they have sometimes been in the UK, and the benefit reforms cover a wider group of welfare recipients than just lone parents – i.e., they include widows, older single women and carers. The overall direction of travel does appear to be different in the two countries, with the strong emphasis on social development and inclusion in New Zealand leading to a much softer more ‘holistic’ approach with lone parents. In the U.K. the pressure to meet stretching high level employment targets, in particular the government’s objective of achieving 70 per cent of lone parents in work by 2010 is leading to ever stronger measures to incentivize work search in the UK.

Another key difference between the two countries stems from the nature of provision available in the community. The ECM system is very dependent upon having a good referral network to community based provision in place. This is one of the areas of concern for the success of ECM in New Zealand – i.e., whether the resources are in place to make the system really work. In some ways it is being treated as an experiment to help identify the gaps in services that are run at community level and to map out what further investment is needed. This is reasonable given that the Ministry of Social Development and DoL have a very flexible funding agreement with the New Zealand Treasury and can go back at any time to re-negotiate the overall funding package for the ECM reforms. This kind of flexibility over the financing of major new initiatives is inconceivable in the UK.

New Zealand also benefits from having a small population. The IT system operated by MSD and WINZ is flexible enough to support major policy changes such as the introduction of ECM without requiring substantial new functionality. The ease with which the system was able to be exploited to support ECM gives New Zealand the kind of technological advantage which the UK with its 60 million inhabitants, and 6 million (active and inactive) benefit recipients, can only dream about.

Despite these major differences, there are some potential lessons for the UK from the New Zealand experience to date. The first relates to work testing and the pitfalls to avoid in any extension of conditionality for lone parents. The evaluation of the 1998 DPB/WB reforms clearly demonstrates the importance of the ‘hearts and minds’ issue, particularly where Case Managers are concerned. The work-test regime while it existed was easy to subvert and was subverted. It also failed to engage a majority of clients, and led to a concentration on the most ‘work ready’ because of the volume of caseload. Thus the true policy effect of the ‘work test’ regime was never properly tested.

The second potential lesson relates to how the UK government might engage a much wider group of ‘inactive’ lone parents in looking for work. ECM does appear to offer a more imaginative way of engaging with clients who are at a greater distance from work than those who typically engage with NDLP currently, for example. It gains support by being holistic and client led. In New Zealand there appears to be no problem at all in getting clients to attend service centres for meetings with their Case Manager. In part this is because of the history of compulsory attendance, but in part



because the ECM system seems genuinely to have something to offer to every individual. By contrast, there is some evidence in the UK, at least in the initial phase of the roll-out of compulsory work-focused interviews for lone parents, that the requirement to meet with a Personal Adviser was met with considerable numbers of 'no shows.' Thus the issue of how to engage with the large majority of lone parents on benefit in the UK is one where international experience is very relevant.

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