

# LONE PARENTS POLICIES IN THE UK: THE IMPACT OF THE NEW DEAL FOR LONE PARENTS (NDLP) ON SOCIOECONOMIC AND HEALTH INEQUALITIES

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## **Abstract**

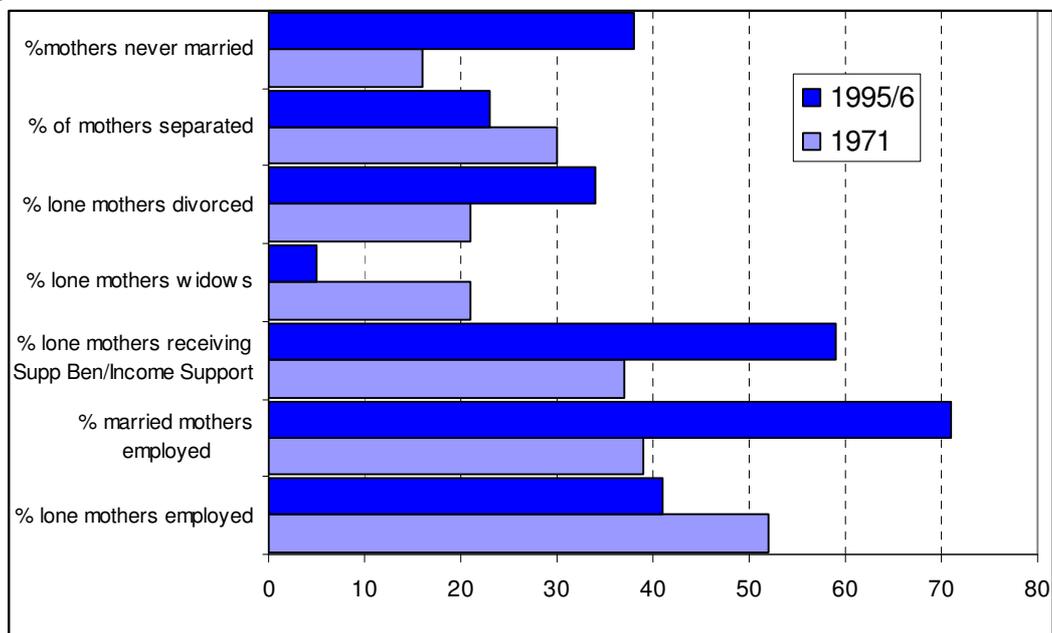
Lone parents and their children are one of the most vulnerable social groups in the UK. The number of lone parent families in the UK and the incidence of poverty and unemployment among them were particularly high in 1997. In addition, increasing child poverty and teenage pregnancy had already become common and worrisome trends that were associated with lone parenthood. As a response to these emerging concerns, and in light of the growing consensus that poverty and exclusion for lone parents and their children were mostly attributable to parents' unemployment, the New Labour Government introduced the New Deal for Lone Parents (NDLP) as part of a comprehensive policy package to tackle inequality in the UK. The NDLP, which has undergone successive reforms towards a more mandatory and tailored system in recent years, is an active labour market programme aimed at providing lone parents with the required support and assistance to move from income-support into the labour market in line with the US-type "Make Work Pay"-approach to welfare. This note reviews the existing evidence on the relationship between socioeconomic and health inequalities and lone parenthood in the UK, the different measures adopted by the Government to address these issues and the evaluations and studies that assess their impact on both socio-economic and health outcomes. The paper also intends to draw relevant lessons from other international experiences. Since the NDLP and complementary measures are in place, lone parents in the UK have increasingly moved into employment and relative poverty among lone parent families has substantially declined. The existing evidence suggests that the NDLP (and ND+fLP) and the Work Family Tax Credits partly account for this positive trend. However, while it may be plausible to expect that this has led to an improvement in health outcomes of both (lone) parents and their children, the evidence to test this hypothesis is sketchy and mixed. This is due to a number of factors, including the lack of evaluation of health effects resulting from NDLP, the inherent difficulty of disentangling the separate effects of NDLP in the presence of a whole range of policies, but also the potentially compensating health effects that lone parents' movement into employment can have.

# 1. Introduction

Lone parents have been part of the policy debate in the UK since the 1970s. At that time and until the 1980s the predominant view was that lone parents should not necessarily be encouraged to work. However, this approach started to be challenged by the increasing evidence that lone parents wanted to work but faced difficulties and barriers, partly created by the so-called "benefits trap". At the same time, the costs of Income Support (IS) to lone parents were increasing with their boosting numbers while poverty rates were high in this group. Figure 1 provides a striking picture of the changes in the proportion of households headed by lone parents in Britain and in the percentage of lone parents on income support and in employment between 1971 and 1995 (Hales *et al.* 2000).

By 1995, a quarter of families were headed by a lone parent, compared with 8 percent in 1971. As shown in figure 1, the percentage who were divorced increased from 21 to 34 percent in that period, and the percentage who were never married doubled, up to 38 percent. The number of lone parent families who were dependent on Income Support (and its precursor the Supplementary Benefit) increased in absolute terms and as a percentage of lone parent families, from 37 to 59 percent, while labour market participation decreased from 52 to 41 percent. Over the same period women in couples were increasingly moving into employment (39 percent in 1971 as compared to 71 percent in 1995-96).

**Figure 1: Evolution of lone mothers 1971-1995/6**



Source: Hales *et al.*, 2000

A key concern and one of the major driving forces behind the development of policies directed at lone parents in the UK was the high incidence of poverty among children in this kind of family. The rise in child poverty over the decades prior to 1997 and subsequent reforms were associated with the increased proportion of children in lone parent families. In 1996-97 poverty rates among children of lone parents rose from one

in two to two in three, while the proportion of all children living with a lone parent rose from around one in ten to a little more than one in five (Brewer, 2002).

Trends observed in child poverty data are confirmed by statistical analysis that suggests that lone parenthood can have significant implications for socio economic and health outcomes, not only of parents but also of their children (Spencer, 2005; Weitoft *et al.*, 2003). At the same time, certain social and economic conditions appear according to existing research to be causal determinants of lone parenthood. People from disadvantaged socio-economic backgrounds and with poorer education are more likely to become single parents, particularly at a young age (see Box 1). The combination of these interactions could lead to systemic inequalities and the intergenerational transmission of poverty (see following section).

**Box 1: Lone Parents in the UK tend to come from disadvantaged backgrounds**

There were an estimated 1.75 million lone parents in the UK in 2002, with about 2.9 million dependent children. Lone parents on income support had the following characteristics:

- They were **mostly women** (94 percent), in the **25-39 age range** (61 percent), white (85 percent), they had one (43 percent) or two children (34 percent), around half had children under school age (47 percent), and **most lived in social rented housing** (66 percent).
- Just over half (51 percent) **did not have academic nor technical qualifications**.
- Most (82 percent) 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.

*Source: Haskey 2002; Lessof et al. 2001; in Millar*

Another UK specificity that has fuelled the lone parenthood policy debate has been the high number and proportion of teenage pregnancies in the country. According to the latest official statistics the percentage of teenage pregnancies in the UK has decreased by 10 percent from 1998 to 2007<sup>1</sup>. However, at 41.7 conceptions per 1,000 females aged 15-17 it is still the highest rate in Western Europe<sup>2</sup> and it registered an increase (from 40.6 to 41.7) in 2007 for the first time in seven years<sup>3</sup>. Figure 2 shows how already in the 1970s the birth rate per 1,000 women aged 15-19 was particularly high in England and Wales relative to other European countries. This phenomenon bears important implications for lone parenthood, since a large proportion of teenage mothers remain single or eventually become lone parents.

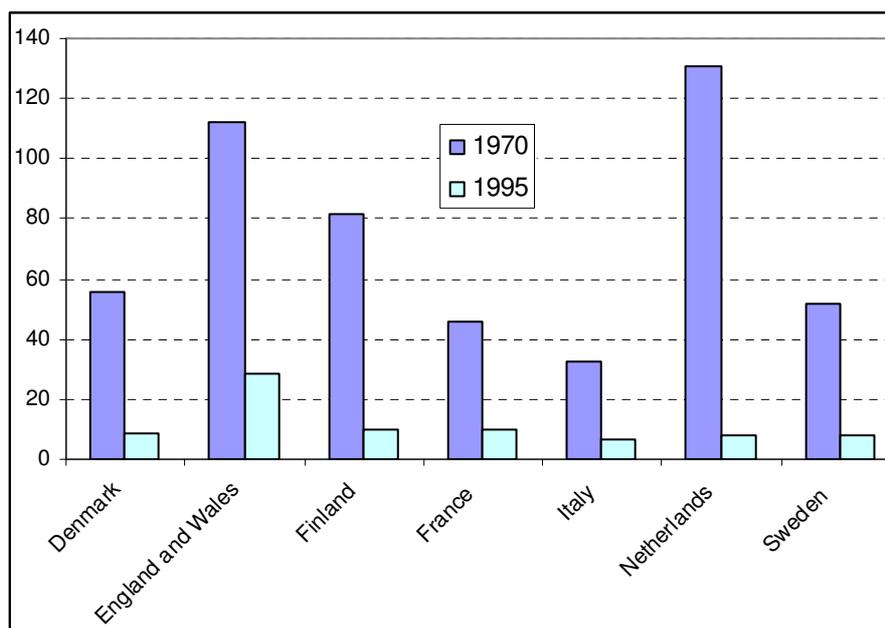
The socio-economic and health impacts of lone parenthood in the case of teenage mothers are likely to be particularly negative. Evidence shows that former teenage mothers show higher levels of physical and mental ill health by the age of 30, and only a small part of this difference could be explained by their disadvantaged backgrounds. Higher levels of partnership breakdown and a greater risk for teenage mothers to be in a workless family appeared to be the main cause (UK Department of Health, 2007).

<sup>1</sup> Office for National Statistics and Teenage Pregnancy Unit, 2009

<sup>2</sup> Lawlor *et al.* 2004; Independent Oct 2007

<sup>3</sup> Office for National Statistics and Teenage Pregnancy Unit, 2009

**Figure 2: Birth rate per 1000 to women aged 15–19 in Western European Countries 1970–95**

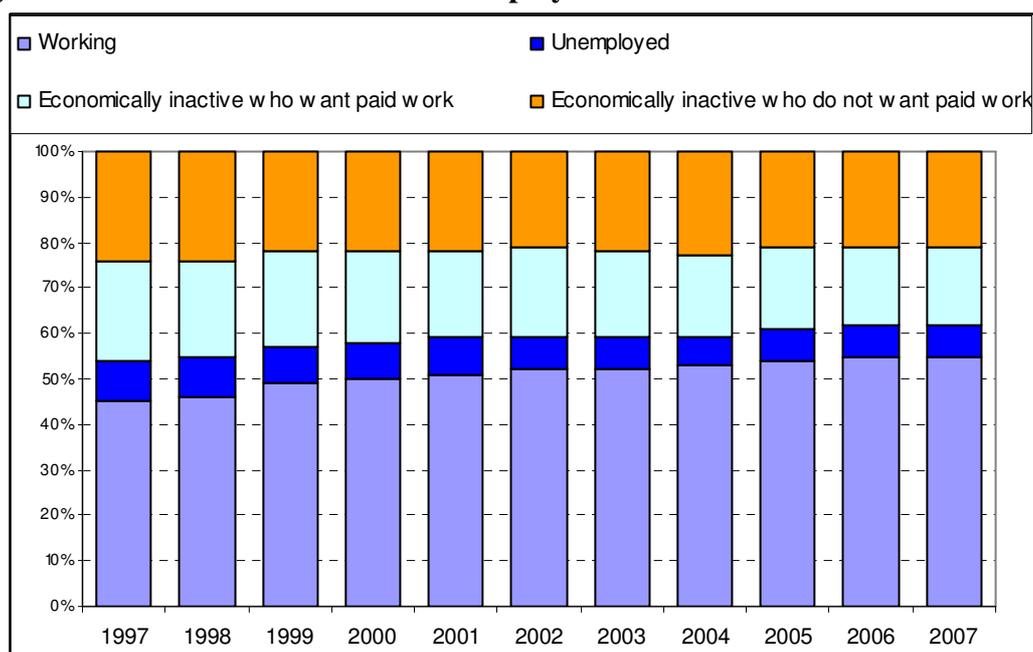


*Source: Adapted from Lawlor et al. 2004*

The introduction of Family Credit (FC) in 1988 and its extension in 1992 to those working at least 16 hours per week were key policy changes driven by the shift in perceptions and the trend towards “Making Work Pay” welfare reforms in the UK. Since then a number of measures targeting lone parents including the New Deal for Lone Parents (NDLP) have been implemented and evaluated in the UK, in a welfare reform aimed at reducing dependency, “making work pay” and ultimately reducing the poverty experienced by lone parents and their children.

Over the period, the numbers of lone parents in employment have substantially increased (see figure 3). Although the UK still has a large number and a high share of lone parent families relative to other EU countries, their unemployment rate, at 5 percent, compares favourably (see table 1). In addition the risk of relative poverty fell for children in the three types of lone-parent families between 2004 and 2006, as depicted in Table 2, but rose for children in all two-parent family types except those with two full-time earners (IFS, 2007).

**Figure 3: Increase in the Number of Employed Lone Parents 1997-2007**



Source: Labour Force Survey, ONS, UK

**Table 1: Lone parent households and their main activity status in EU-15**

	Belgium	Germany	France	Netherlands	UK	EU-15
Total number (in 000s)	136	766	845	202	1229	4338
As percent of all households	3	2	3	3	5	3
As percent of all households with dependent children	9	8	9	11	17	9
Working with an employer	53	56	71	50	53	62
Self-employed	6	4	2	3	5	7
Unemployed	23	6	17	26	5	10
Doing housework, looking after children or other persons	5	20	9	18	29	15
Other	14	13	1	3	8	6

Source: ECHP UDB, Eurostat, version December 2003; Eurostat(2004), Statistics in Focus, Population and Social Conditions, Theme 3-5/2004 Luxemburg.

**Table 2: Decomposition of the Raise in Relative Poverty 2004-2006**

	Poverty Rate		Percentage of child population		Total Change in Poverty
	2004-2005	2005-2006	2004-2005	2005-2006	
Lone Parents					
Full time	10	6.8%	4.7%	5.2%	-28,427
Part time	19.7%	17.3%	6.9%	6.7%	-20,197
Workless	56.6%	56%	12.8%	13%	-3,496
All			24.4%	24.9%	-52,119

Couples with children					
Self-employed	24.1%	28.2%	12.1%	12%	62,691
Two full-time earners	1.4%	1.3%	11.8%	12%	-8,057
One full time one part time	3.5%	4.3%	23.6%	23.4%	25,764
One full time one workless	15.2%	17%	17.7%	17.1%	42,979
Workless	61.6%	64.2%	6.1%	6	15,498
All			75.6%	75.1%	154,689

Source: Institute for Fiscal Studies, 2007

To what extent can these recent trends be explained by policies directed at lone parents? Have these policies determined an improvement of the socioeconomic and health status of both parents and children? What key lessons from these and other experiences can inform the current dialogue and policy reforms? This paper aims to provide an answer to all these questions.

In this sense, the main objectives of the study, which coincide with its main sections, are to: (1) review the evidence on the relationship between lone parenthood and socio economic and health inequalities in the UK, providing a simple theoretical framework for analysis (section 2); (2) synthesise NDLP's and complementary measures' objectives, components and different reforms (section 3); (3) systematically review the evaluations carried out to date assessing the impact of these policies on the socioeconomic and health status of lone parents and their children, and their cost-effectiveness (section 4); (3) analyse other international comparative experiences; (4) discuss the potential implications of findings moving forward (section 5).

## 2. Is Lone Parenthood a Predictor of Lower Socio Economic and Health Status?

### Lone Parenthood and Family Socioeconomic Status

Lone parent families are disproportionately represented among the poor across countries, and particularly in the UK (Rowlingson and McKay 2002, Garcia and Kazepov 2002, in McKay 2002, Jenkin *et al.*, 2001). As reflected in Table 3, the likelihood that lone-parent families were below the poverty line<sup>4</sup> at the end of the 1990s in the UK was much higher than for other family types. The incidence of poverty among lone parent families had also experienced a substantial increase between 1988-89 and 1999-2000, from 50 to 57 percent (Millar and Ridge, 2001).

**Table 3: People in Poverty by Family Type 1988/1989 to 1999/2000**

People in poor households Family type	Number (000s)		Rate (percent) <sup>5</sup>	
	88/89	99/00	88/89	99/00
Single person of working age	1840	2070	16	23
Couple, working age, no children	980	1166	10	11
Couple with dependent children	4210	3400	19	20
Lone parent with dependent children	1500	2736	50	57

<sup>4</sup> Poor households here are defined as those with equivalent income of less than 50 percent of the mean household income after housing costs;

<sup>5</sup> Poverty rate (share of total poor people represented by that group). Poverty defined as individuals living in households whose income is below 50% of equivalent mean income.

Pensioner single	1890	1160	42	29
Pensioner couples	1680	1092	33	21
All family types	12000	11.600	22	23

Source: *Households below Average Income*, in Millar and Ridge (2001)

Lone parents in the UK often endure lower average incomes and face special barriers to work (Bryson *et al.*, 1997; Evans *et al.*, 2002). In this sense, Jarvis and Jenkins (1998) showed using data from the British Household Panel Survey that marital separation leads to large drops in income for women and their children. Additional evidence indicates that at any point in time a quarter of lone parents will experience severe hardship (Ford *et al.*, 1995; Marsh *et al.* 1997).

Research has found that many of the social and economic problems that lone mothers are exposed to are almost entirely a consequence of their exclusion from paid work and the lack of income (Ford and Millar, 1998; Millar, 2000; Millar and Ridge, 2002; Marsh and McKay, 2002; Spencer 2005). Coupled with this is the increased susceptibility of lone mothers to negative life-course influences which research has found predispose individuals to accumulating chains of deprivation involving unemployment, poor employment and ill health (Boheim and Ermisch 1998; Benzeval *et al.* 2000; Kuh *et al.* 1997).

As shown in Table 4 lone mothers' employment rates were particularly low in 1997 relative to other groups, after having barely changed since 1990. In addition, a lone parent penalty in job retention has been demonstrated in the UK (Evans *et al.*, 2004).

**Table 4: Changes in lone parents' employment 1990-1997**

	Number employed ('000)		Employment rate	
	1990	1997	1990	1997
Married mothers	3480	3422	61	69
Married fathers	5206	4769	92	90
Lone mothers	427	680	41	44
Lone fathers	66	116	61	65

Source: *Labour Force Survey*, in Millar and Ridge (2001)

Workless households with children are particularly at risk of income poverty. Only 72 percent of individuals in workless couple families with children compared to 76 percent in workless single households with children were in the bottom fifth of the income distribution in 1999/00 (DWP 2001). According to Marsh and McKay (1993) people on Income Support and out-of-work are between three and four times more likely to undergo severe hardship than those in work.

Despite the generalised assumption that being a lone parent directly determines the likelihood of unemployment and financial deprivation, this association remains somewhat unclear. Lone parents in the UK tend to come from particularly disadvantaged backgrounds and have relatively low educational and skills levels (see Box 1). Although this linkage might not exist in the case of divorced or widowed parents, it does among never married parents (and especially among teenage mothers), who represent a high share of the total lone parent population in the UK. The degree to which previously existing socio economic differentials carried over into lone parenthood not only bear a significant influence on post-parenthood outcomes but at the same time determine the likelihood of becoming a lone parent in the first place has been

rather overlooked in the literature and evaluations of lone parents programmes in the UK.

An interesting study in this regard is McKay's (2002), which concluded that overall it is not the transition into lone parenthood itself that appears to trigger lower employment rates of parents, but other characteristics of lone parents, namely their generally poorer socio economic circumstances. Therefore, relatively lower social, economic and health outcomes might not only be a consequence of lone parenthood, but also its cause.

Notwithstanding the specific interaction between lone parenthood and parents' socio economic circumstances, both pre and post- parenthood, it seems clear from the literature that children in lone parent families are more likely to experience poverty and experience lower socioeconomic outcomes.

Poverty in childhood, which can have a severe impact on children's health and well-being, appears to be mediated by factors including family structure. Children in lone-parent families can experience long durations of poverty, which can be felt also into adulthood. Poor children are vulnerable to poor health, poor cognitive development, low self-esteem and poor educational achievement (Millar and Ridge, 2001).

The National Child Development Survey of 1958 and the British Cohort Study of 1970 that followed children from birth into adulthood revealed that children growing up in financially deprived households (of which lone parent families represent a large share, as seen above) underachieved in terms of education, were more likely to contact with the police and probation services, and experienced higher unemployment and lower wages in adulthood<sup>6</sup>.

The 1998-2001 British Lone Parents Cohort study additionally found that lone parenthood was an important factor in truancy from school, vandalism and trouble with the law among youths, early school leaving and attitude towards school performance. However, lone parenthood did not determine reports of fighting in youth, attainment of advanced academic qualifications, work status and benefit receipt, nor early motherhood (Marsh and Vegeris, 2004).

Francesconi and Ermisch (2004) study in turn found that living in a lone parent family tends to reduce children's educational attainment and increase the chances that a young woman becomes a mother before their 21st birthday, but also that it has no effect on adult unemployment rates. The authors also concluded that for children, mother's employment during their childhood is generally associated with higher educational attainment, lower unemployment and a smaller chance of becoming a mother before a woman's 21st birthday.

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<sup>6</sup> Since these studies can control for a wealth of aspects of child and family background but not for residual unobserved family or child differences, they may somewhat overestimate the impact of financial deprivation. A more important limitation is that they cannot say conclusively, whether the effects identified are associated with relative or absolute deprivation, since some of the studies relate to childhoods in the 1960s.

## **Lone Parenthood and Health Outcomes**

Health inequalities are widespread across developed countries, and the UK is no exception. To what extent does family structure, as a key determinant of socio-economic status, influence health inequalities? Most of the literature on the topic to date concludes quite consistently that lone parents tend to have poorer health than parents in couples, while children of lone parents score lower than those in bi-parental families on a wide range of health outcomes.

The empirical evidence relating to lone parents and health indicates that they are subject to a variety of negative health conditions such as musculoskeletal, respiratory, and psychiatric/psychological disorders, in particular depression (Benzeval, 1998; Targosz *et al.*, 2003; Weitoft, 2003). As the work of Ali and Avison, 1997, Lipman *et al.*, 1997, and more recently Spencer, 2005 and Targosz *et al.*, 2003 demonstrates lone mothers have lower self-esteem, less self-confidence in their practical and vocational skills, lower psychological well-being and greater levels of distress. The 2001 Families, Poverty, Work and Care review of literature also concluded that lone mothers have poorer health overall than mothers in couples (while comparatively better health in single mothers is associated with employment). Specifically, lone mothers had been identified as a group with below average levels of mental well-being (see Payne, 2000; Hope *et al.*, 1999).

These adverse effects are due to the combination of material and psychosocial deprivation which exposes individuals to inadequate housing conditions, neighbourhood disorder and violence, as well as health damaging behaviours such as high rates of alcohol and cigarette consumption and poor dietary habits. This is further compounded by the lack of access to social support, resulting in isolation and loneliness (Targosz, 2003).

In a study by Dorsett and Marsh (1998) on the health experiences of lone parents in the United Kingdom, they reported that high rates of cigarette consumption augmented the financial problems and poor health of lone mothers, with low self-esteem acting as an obstacle to labour-market entry. The authors proposed that welfare-to-work programmes targeted at lone parents should rather initially focus upon 'welfare-to-health' measures.

Studies from various countries including the United Kingdom report that children of lone parents experience increased rates of emotional, behavioural and educational problems (Buchanan *et al.*, 2000; Clark *et al.*, 1993; Franz *et al.*, 2003; McMunn *et al.*, 2001) as well as increased risk of all cause mortality, suicide, psychiatric morbidity (Weitoft *et al.*, 2003) and accidents (Fleming and Charlton, 1998) amongst the children of lone parent families.

The British Lone Parent Cohort 1991-2001 study shows that family structure after lone parenthood is an important factor regarding the incidence of hospital admissions among children aged three to ten years, alcohol consumption in youths, cigarette smoking among 13 to 15 year olds and young adult self-esteem, after accounting for other possible influences. However, family structure over the previous decade did not appear to have any bearing on children's general health.

Moreover, the effect of lone parenthood on mental health outcomes appears to vary greatly between boys and girls. According to a recent study, lone parenthood has no significant effect on any of the reference outcomes for girls, while it does for boys. Although family break-up was found to have a significant effect on children's wellbeing, this result was not confirmed using an instrumental variables approach, which suggests that there are important unobservable factors correlated both with separation and the outcome variables (Walker, 2005). In addition, evidence focusing on lone mothers suggests that the differentiated health outcomes of their children are mostly explained by the loss of income rather than the absence of a father *per se* (Walker and Zhu, 2005).

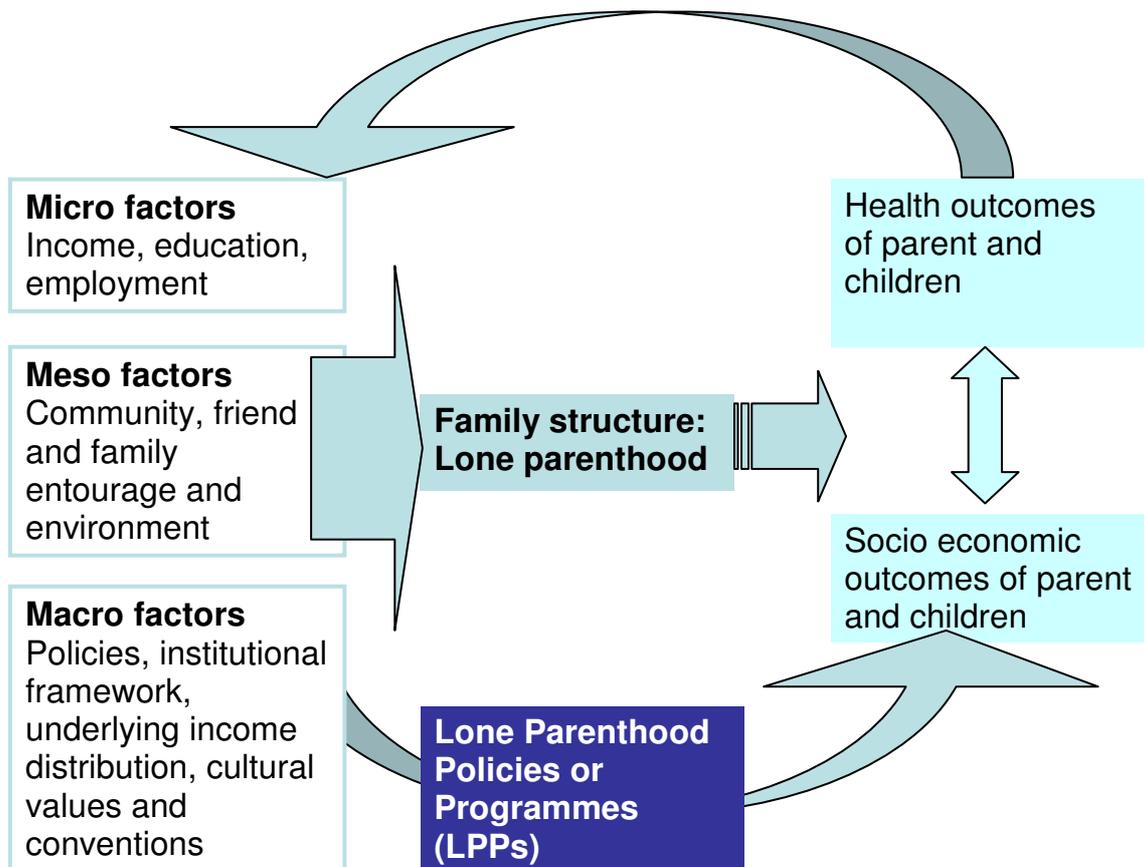
### **Socioeconomic and Health Inequalities and Lone Parenthood: A Framework for Analysis**

Based on the existing evidence a framework for analysis has been devised for this note, represented in the diagram below (Figure 4). As shown in the boxes at the centre and to the right-hand side of the diagram, lone parenthood status is considered a major driver of socio-economic and health outcomes for both parents and children. The individual's socioeconomic background is also highlighted as one of the factors possibly affecting the likelihood of becoming a lone parent in the UK (left-hand side boxes) (McKay, 2002; Walker, 2005).

The circling arrows connecting pre-parenthood and post-parenthood factors represent the inter-generational transmission of inequalities through socio economic and health outcomes of children. An individual from a disadvantaged background is more likely to become a lone parent, a condition that will increase the risk of poverty and deprivation for both the parent and the child. This, in turn, will affect the future prospects of the child in a self-reinforcing vicious cycle that can perpetuate poverty and inequality.

Macro factors such as the policy environment, under which recent UK reforms such as the NDLP, have the potential of breaking this systemic linkage, mostly through the higher incomes of lone parent families when the parent moves into employment. The following sections will analyse in more detail whether these policies have been successful in helping lone parent families overcome financial hardship and poverty, and thus in levelling the playfield for children of lone parent families.

**Figure 4: Intergenerational Transmission of Inequalities through Lone Parenthood**



### 3. Welfare Programs and Policies for Lone Parents in the UK

To address the social and economic challenges that lone parents and their children are confronted with, Government policies since the 1980s have increasingly been aimed at encouraging lone parents to move into work. This ‘‘Make Work Pay’’ view is based upon the belief that parents’ employment will not only improve their economic situation and individual wellbeing, but will have positive ‘trickle-down’ effects for their children in terms of health gains and, in particular, improved behavioural and educational outcomes.

In 1997, shortly after the Labour Party came to power, the so-called New Deal was introduced, which initially included 6 sub-programmes targeted at specific groups<sup>7</sup>, with the overall objective of reducing social exclusion and abolishing child poverty. The programme proposed several cross departmental measures, outlined universal measures such as the reform of the taxation and benefits systems, and targeted measures to specific groups. Direct and indirect provisions were introduced to respond to the specific challenges of lone parenthood, and the following targets were set:

<sup>7</sup> Sub-programmes: New Deal for Young People; New Deal 25+; New Deal for Lone Parents; New Deal for Disable; New Deal 50+; New Deal for Musicians.

- Increase employment rates so that 70 percent of lone parents would be employed by 2010.
- Eliminate child poverty by 2020, and halve it by 2010.
- Increase the supply of child care in general and provide child care places for all employed lone parents living in the poorest areas in particular.
- Reform child support to make the system simpler and more effective.

This reform was based on policy makers' assumption that active labour market mechanisms that aim to move individuals from economic inactivity to employment are key mechanisms in tackling and reducing the cycles of social and economic deprivation<sup>8</sup>. There were also concerns expressed by the former Department of Education and Skills, in particular that 'skills and learning initiatives are not reaching all of society. We want to increase the skills levels for all under-represented groups and encourage all individuals to improve their employability'<sup>9</sup>.

### **The New Deal for Lone Parents – Activating the Employment of Lone Parents**

In conjunction with the policy volte face embodied in the transition from a passive to an active welfare state in which personal responsibility and increased opportunity for 'hard working families' became paramount, lone parents – formerly considered a group outside the remit of unemployment policy – were subject to a range of policies encouraging them to take up paid work (Halpern *et al.*, 2004; Millar, 2000a; Lodemel and Trickey, 2001). A New Deal for Lone Parents (NDLP) was introduced as a voluntary mechanism to facilitate the reintegration of single parents with school age children into the labour market, becoming the first UK labour policy specifically targeted at lone parents.

The currently favored model, which aims to deliver social inclusion and employability via labour force (re)attachment, bridges two traditionally separate elements of welfare policy, namely that of labour market policy and social policy (Lodemel and Trickey, 2001). It focuses on a supply-side approach in which the unemployed and disadvantaged groups, such as lone mothers, are provided with human capital 'steps' towards the labour market and paid work by raising their employability through training and education, i.e., through Active Labour Market Programmes (ALMPs).

The main objective of the NDLP was and remains: '*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 2002c). The programme is voluntary in nature, and provides information and advice on how to access the job market; facilitates access to training; access to child care; and provides support to help coping with the transition to work.

The key feature of the NDLP has been a network of personal advisers who provide work-related guidance through a series of interviews and contacts with participants. They support lone parents in looking for a job and can also continue to provide support

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<sup>8</sup> Baker and North, 1999; Social Exclusion Unit, 2004

<sup>9</sup> Department for Education and Skills, 2003

once the lone parent has found it. The service offered in the NDLP is essentially one of advice and information, and although lone parents can be offered access to education and training as part of the scheme, there is no specific training option as there is in the New Deal for Young People (NDYP). The so-called Work Focused Interviews (WFI) for lone parents in out-of-work income support were made compulsory in 2001. Benefits sanctions were further associated with lack of attendance to regular interviews.

### **The New Deal Plus for Lone Parents – A step forward**

The NDLP has been subject to various modifications, including a significant reform intended *‘to draw out lone parents’ aspirations and provide the support and capabilities they need to overcome their individual constraints and return to work’* (DWP 2008c), which led to the New Deal Plus for Lone Parents (ND+fLP). In April 2005 the Government launched in England the ND+fLP, which was rolled out to Scotland and Wales in October 2006. Originally expected to run until 2008, the programme was then extended till 2011. The enlarged programme includes measures to provide pre- and post-employment support, not only facilitating access to the labour market but doing so taking into consideration the specific skills and aspirations of lone parents and the particular barriers they face to enter the labour market. The programme also intends to work with its beneficiaries to build up their confidence and upgrade their skills.

Specific measures include:

- Pre-employment support: measures to increase motivation for joining the labour market, financial help for training and childcare while preparing to enter the labour market.
- In-Work support: financial assistance to “Make Work Pay” (i.e. In Work Credit); financial help for unforeseeable problems (i.e. In Work Emergency Fund); and adviser assistance once in work (i.e. In Work Support).
- Operational support for delivery: extra human and financial resources provided to the districts implementing the ND+fLP.

### **Current situation and challenges ahead**

The NDLP remains an “opt-in” system, now available to all non-employed lone parents, and to those working less than 16 hours per week<sup>10</sup>, regardless of the age of their children or their status as Income Support recipients (or non-recipients). However, it has become increasingly compulsory, particularly with the reforms introduced since 2007.

Despite the positive progress over the last decade, Britain still registered one of the lowest lone parent employment rates in Europe in 2008, with only 56.5 percent of lone parents in the labour force relative to 80 percent in some of the Scandinavian countries.

In November 2008, the Department for Work and Pensions introduced changes to the Income Support (IS) scheme for lone parents and to the general Jobseeker’s Allowance (JSA) scheme. The new regulations reduced the entitlement to IS on the grounds of being a lone parent. As a result, lone parents with a child aged 12 or over are currently

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<sup>10</sup> In November 2001 the eligibility requirements were modified to extend the programme to a wider number of families.

not eligible for IS. After 26 October, 2009, the child age limit will be 10 years, and from 25 October, 2010 onwards it will be further reduced to 7 years.

By 2010 lone parents will be moved onto JSA. As JSA recipients, they will have to prove that they are actively looking for employment and will have to attend the Jobcenter on a regular basis. Failing to attend the Jobcenter or to take the steps in the job hunt jointly agreed with their Personal Advisors will lead to financial sanctions. For instance, the refusal of a job offer can lead to a loss of up to 40 percent of benefits.

With the introduction of these reforms the Government attempts to find a balance between measures to encourage employment for self-financing and those providing supplementary income to maintain families and children out of poverty. The governing Labour party is “committed to the principle that once children are older, lone parents who are claiming benefits and are able to do so, should be expected to look for paid employment”<sup>11</sup>.

The introduction of these changes was strongly criticized. A report by the Social Security Advisory Committee (SSAC)<sup>12</sup> raised concerns about the impact of the new measures on family poverty and on children’s upbringing, and about the possible damage to lone parent’s mental health through the additional strain brought about by reduced benefits. Despite claims to the Government to hold up the reform until nationwide childcare arrangements are in place, the programme is ongoing and reforms are being implemented as scheduled.

The latest reform, which reduced Income Support in November 2008, was approved right when the global financial crisis started to unveil. Due to the deep impact of the crisis in the UK's real economy and labour market, concerns are rising about the suitability of implementing the IS reductions as scheduled.

### **Other related policies**

Alongside NDLP, the British Government introduced several universal complementary policies with the objectives of reducing welfare dependency by supporting employment, and reducing child poverty. Most of these complementary policies are targeted at low-income families, and therefore are expected to have a significant impact on lone parents. They can be grouped under three main categories:

1. Maximizing the value of present wages: since May 1997, the Government has introduced several measures to maximize the families’ pocket money, through its so-called “Making Work Pay” strategy within the 2000 Budget. The most relevant measures included:
  - The introduction in 1997 of a National Minimum Wage to help guarantee fair minimum standards of pay. Last reformed in October 1, 2008, it was raised to £5.73 per hour for workers aged 22 years and older, £4.77 per hour for workers

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<sup>11</sup> Changes to Income Support for lone parents and Jobseeker’s Allowance for all parents, Information Pack; Department for Work and Pensions; November 2008.

<sup>12</sup> Social Security Advisory Committee Response – Consultation: The Social Security (Lone Parents and Miscellaneous Amendments) Regulations 2008. A response from the Ingeus Centre for Policy and Research, June 2008.

aged 18-21 inclusive and £3.53 per hour for all workers under the age of 18, who are no longer of compulsory school age.

- The introduction in 1999 of a 10p rate of income tax to reduce the tax burden on low-paid workers, which was abolished in the March 2007 Budget and replaced by a 20p income tax basic rate.
  - A reform of the National Insurance to take 1 million low-paid workers out of the National Insurance Contributions (NICs) system while protecting their entitlement to benefits.
  - A Working Families' Tax Credit (WFTC) introduced in 1999 that replaced the Family Credit. Applicable to working families responsible for at least one child under 16, it delivers a minimum income of £214 a week since April 2001 for a family with someone in full-time employment (both in mono-parental and bi-parental families). Its main objective is to top-up earnings of low income families.
  - A Childcare Tax Credit, introduced in 1999, which provides extra financial help to working families to bear the cost of childcare.
  - The introduction in 2004 of a Job Grant to ease the transition between welfare and work. The Job Grant, which replaces the previous Back to Work Bonus and Lone Parent's Benefit Run-on programmes, is a one-off tax-free payment a person can get when starting to work at least 16 hours a week if he/she stops receiving benefits. Aid can amount to £250 in the case of lone parents.
2. Employment Opportunities for All: NDLP is not a stand-alone programme, but it is the more comprehensive programme within a wider set of measures intended to increase employment rates among lone parents. Others include the Employment Tax Credit announced in the 2003 Budget, which aims to increase the gains from work for low-paid workers and to relieve in-work poverty for working households with children.
3. Direct Support for Families: The Government has additionally been increasing the financial allowance associated with:
- Universal Child Benefits paid to the main care provider.
  - Universal Income Support scheme.

**Box 1: Welfare policies affecting lone parents since the introduction of the NDLP**

1997

- Introduction of Child Maintenance Bonus payments on movement into full-time (16 or more hours a week). The Bonus will come to an end in October 27, 2009.
- Launch of New Deal for Lone Parents in eight prototype areas.

1998

- Lone parent premium in Income Support and One Parent Benefit abolished for lone parents making a new claim.
- Childcare disregard increased to GBP 100 where two or more children are eligible (children up to age 12).

- New Deal for Lone Parents implemented nationally.
- Improved provision for work-related training within NDLP.
- Introduction of linking rule to preserve benefit entitlement for breaks of up to twelve weeks.

#### 1999

- Family Credit replaced with Working Families' Tax Credit to supplement the income of working parents.
- Increase in basic level of Income Support.
- Introduction of National Minimum Wage.

#### 2000

- Target group expanded to those parents whose youngest child is aged three or over (formerly aged five and three months or over).
- Introduction of compulsory Personal Adviser meetings in three "pathfinder" areas.
- Introduction of In-Work Training Grant pilots for those already in employment.

#### 2001

- Target set to get 70 percent of lone parents into work by 2010.
- National introduction of compulsory Personal Adviser meetings for new and repeat claimants and stock with youngest child 13-15 years (April 2001).
- Extension of New Deal For Lone Parents to all non-working lone parents and to those working fewer than 16 hours (regardless of whether they are claiming benefits or not).
- Extension of Work-Based Learning for Adults to lone parents aged 18-24 (April 2001).
- Basic skills screening introduced at initial NDLP interview (April 2001).
- Adviser Discretion Fund replaces Jobseeker's Grant for lone parents (July 2001).
- Introduction of Jobcentre Plus (from October 2001).
- Self employment option is available for NDLP from Autumn.

#### 2002

- Outreach to increase participation in voluntary NDP/NDLP.
- PA meetings extended further with roll-out to stock clients with youngest child aged 9-12 and new/repeat clients with youngest child aged three and above.
- Compulsory PA review meetings every six months in pathfinder areas and for all new claimants nationally.
- Full national roll-out of Jobcentre Plus.
- Review meetings for stock claimants every 12 months introduced.

#### 2003

- New Child Tax Credit and Working Tax Credit begin.
- Mandatory PA meetings include new and repeat lone parent claimants of IS with children under 3 and to existing claimants with youngest children aged 5-8 years.
- Mandatory PA meetings to be expanded in 2004 to existing claimants with children under five thus covering all lone parents on IS.
- Development (working closely with employers) of a targeted communications strategy in six metropolitan areas, to supplement existing national and local advertising campaigns.
- Discovery Week pilots in six major metropolitan areas (two in 2003 and the remaining four in 2004) to boost knowledge of help available.
- Lone Parents joining Employment Zones (from October 2003).

#### 2004

- A new national mentoring service tailored specifically for lone parents (2004).
- Childcare taster pilots from April 2004.
- Introduction of a new GBP 20 per week Work Search Premium in 8 pilot areas (October 2004) and new GBP 40 per week In-Work Credit in 12 pilot areas available to lone parents who have been on IS for 12 months or more (October 2004).

- A new flexible fund for debt advisory services (April 2004).

#### 2005

- The New Deal Plus for Lone Parents (ND +fLP) was launched in England, building on the NDLP volunteer programme launched in 1998.

#### 2006

- The New Deal Plus for Lone Parents (ND +fLP) is extended to two Jobcentre Plus district in Scotland and Wales.

#### 2008

- The New Deal Plus for Lone Parents expected to close down this years is extended to all areas till 2011.
- Income Support to end by November 24 for lone parents whose youngest child is aged 12 or over, or will be 12 in the next year.

#### 2009

- Child Maintenance Bonus to come to an end by October 27, 2009.
- Income Support to end by October 26 for lone parents whose youngest child is aged 10 or over, or will be 10 in the next year.

#### 2010

- Income Support to end by October 25 for lone parents whose youngest child is aged 7 or over, or will be 7 in the next year.

*Source: Adapted from the Department from Work and Pensions (2003): New Deal for Lone Parents: Second Synthesis Report of the National Evaluation. Quoting Lessof et al., 2003, Ford and Millar, 1998, and Hales et al., 2000.*

## **4. The Impact of the NDLP and associated interventions targeting lone parents**

### **Evidence of the Effects of the NDLP and Complementary Measures**

Since the implementation of the first NDLP prototype in 1997 the UK Government has regularly conducted both qualitative and quantitative evaluations and studies, mostly commissioned to different British academic and research institutions. The evaluations and studies have been carried out normally at the request of the Department for Work and Pensions or the Social Security Department, and by various organizations including:

- Academic institutions: Centre for the Analysis of Social Policy of the University of Bath, Social and Community Planning Research and Centre for the Analysis of Social Policy, University of Bath the Centre for Public Policy of University of Northumbria, Department of Economics, Royal Holloway, University of London, Institute of Employment Research, University of Warwick.
- Consultancy firms: GHK Consulting, Insite Research and Consulting, BMRB Social Research Limited.

- Think-tanks: National Centre for Social Research, Policy Studies Institute, Institute for Fiscal Studies, Institute for Employment Studies and Centre for Economic and Social Inclusion.

The evaluations have typically focused on the effect of interventions on the number of parents in employment and on out-of-work benefits, although some of the studies additionally observed their impact on parents' health or general family welfare. Few evaluations study the impact of programmes directly on children's outcomes. Studies mostly consider policy impacts on programme participants rather than on overall targeted populations. Moreover, single mothers, rather than fathers, tend to be the focus of assessments.

Some of the studies are qualitative, and therefore base their results on interviews and focus groups with lone parents, programme administrators, managers and advisors, and in some cases with children. These evaluations normally aim at assessing programme effectiveness, measured through the number or proportion of parents entitled to the programmes and/or participating in them for whom they have proved to be helpful in moving into employment. They therefore attempt to identify constraints and incentives to employment for lone parents, problems and gaps in specific programme component's delivery, and areas for improvement, as perceived by the potential beneficiaries and those in charge of the administration and delivery.

There are several quantitative studies that complement the qualitative evidence through the use of different econometric techniques on mostly longitudinal data, both administrative (from the programme archives) and from official surveys. Again, these studies tend to focus on aspects related to employment. In addition, at least one of the published evaluations incorporates an element of cost-benefit analysis.

Independent academic research on the effects of these programmes remains scarce and focuses mostly on the impact of Work Family Tax Credits (WFTC). One of the most complete and rigorous efforts is the study by Gregg *et al.*, conducted in 2007, which used a range of sophisticated econometric methodologies to estimate the impact of the NDLP and the WFTC on a variety of outcomes, including parents' health and children's wellbeing.

### **The Findings of Evaluations and Research**

Overall, the evaluations and studies conducted to date have found a positive impact of the NDLP alone and in combination with complementary welfare measures (herein referred as "lone parents policies or programmes" or LPPs and comprising WFIs and WFTC<sup>13</sup>) on lone parents' employment, and thus a parallel negative effect on the number of lone parents on out-of-work income support (Cebulla *et al.*, 2008). The effects of the programmes seem to vary substantially depending on the initial attitude of participants to work or "job readiness", and on factors including the number and age of children and the advisors' effectiveness. Most of the available studies highlight that the WFTC was the main driving force behind employment gains. Without it, the significant positive effects of the NDLP would be in principle debatable.

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<sup>13</sup> WFIs included on the basis of their important role as main component of NDLP and WFTC due to its relevant reinforcing effect, see findings.

Several factors call for special caution in the interpretation of results:

- Qualitative studies based on self-reported measures do not necessarily provide an accurate, unbiased estimation of the impact of LPPs, although they certainly contribute to enhance the understanding of what are the constraints to employment and of what are the users' perceptions and concerns about these programmes.
- Isolating the actual impact of LPPs on employment remains challenging, since different out-of-work income support schemes providing an incentive for lone parents to stay unemployed and other in-work support programmes were operating over the same period of time (Dolton *et al.*, 2006, Gregg *et al.*, 2007).
- Existing evaluations tend to focus on short-term impacts, such as movement into any kind of employment and/or out of income support. However, we need to bear in mind that the primary objective of the programmes was raising family income and living standards in the long run. Although general measures of wellbeing and job retention are considered in some studies, overall evaluations lack a longer-term approach. In this context there is also a need to link general employment results with employment stability and labour market progression of participants.
- Quantitative assessments of NDLP generally analyse the impact of programmes on participants, and not on the overall lone parent population, which probably leads to an overestimation of the impact due to self-selection (in cases where this is not corrected through the estimation technique).

The impact of LPPs on health outcomes of both parents and children has not been the main interest of most of the evaluations conducted to date. In addition, the existing evidence is not as conclusive as in the case of employment. On the one hand, LPPs seem to have a positive effect on parents' health through increased financial resources and self-esteem. On the other hand, this positive effect could be counter-balanced by higher stress and anxiety incidence. As for children's outcomes, the programmes appear to have a positive impact on wellbeing and happiness (through parents' employment), but mostly for boys rather than girls. Overall health does not seem to be affected by parents' employment.

## **The Impact of Lone Parents Programmes on Employment and Income**

### **▪ New Deal for Lone Parents**

*Qualitative evaluations* conclude that programme participation accounts for sizeable movements into work among lone parents. However, personal factors such as constraints to work and personal attitudes and motivation are also relevant in explaining these changes.

The first three qualitative evaluations of the effects of the NDLP in the prototype areas led to somewhat heterogeneous conclusions. According to the first one, conducted in 1999, there was considerable diversity of opinion among participants about whether the programme had made a difference to their job search, depending on how "effective" the adviser was in the lone parents' eyes (Finch *et al.*, 1999).

A 2000 follow-up study concluded that what led lone parents into or towards work was generally a combination of factors relating to their own personal circumstances and their participation in the programme, although some became employed without any help from NDLP (Lewis *et al.* 2000). Similarly, a 2000 assessment concluded that the degree to which NDLP was of help to the sample depended mostly on job-readiness. Respondents with the strongest motivations and the lowest barriers to work did not find NDLP of help. One quarter of the sample, however, responded that the NDLP had made a noticeable difference in outcome, through the provision of secured paid work, training or voluntary work, more general encouragement and information (Dawson *et al.* 2000).

*Quantitative evaluations and studies* confirm qualitative results, further showing a statistically significant effect of NDLP on movements into employment or off income support. However, the size and significance of the estimated impact varies across studies.

A preliminary report on early lessons from the phase one prototype concluded that the programme had a "small but appreciable effect on the rate of movement off income support and into work among lone parents in the eight benefits agency districts where it was implemented". On average, each adviser seemed to help a lone parent to start work every one and a half weeks (Hales *et al.*, 2000).

The effect of NDLP was quantitatively evaluated twice later, in 2003 and 2006, using the same data but changing the methodological details. The 2006 evaluation in this sense defined benefit exit after programme participation in a stricter way, discounted repeat participation and observed exits not just from IS, but also Jobseeker's Allowance (JSA) and Incapacity Benefit (IB) (Cebulla *et al.*, 2008).

The 2003 evaluation found that NDLP appeared to have had a large positive impact on entries into work. After six months, 43 percent of participants had entered work relative to 19 percent of matched non-participants, which indicates that 24 percent of participants moved into employment as a result of the programme. These results were in line with the exit rate from IS results, since 24.7 percent of participants left IS who would not have done it otherwise. Regarding job sustainability, participants left jobs less quickly than non-participants (12 percent of participants left work within six months compared with 14 percent of matched non-participants) (Lessof *et al.*, 2003).

The 2006 revision of the 2003 evaluation was conducted using 'propensity score matching' techniques and focusing on the simple outcome measure of the probability of being on benefit. According to the study, the impact or additionality estimate of NDLP was 14.24 percent. The authors highlighted the difficulty of isolating the impact of NDLP given that it was implemented at the same time as other measures, such as the NDYP (Dolton *et al.*, 2006).

Both evaluations estimated the programme impact on participants rather than the entire eligible lone parent population. Since participants account for a small fraction of the entire eligible population and are probably more work-ready and motivated, the real contribution of NDLP to all lone parent exits from benefits would be smaller (Cebulla *et al.*, 2008).

An additional 2006 quantitative study of the combined impact of NDLP and WFIs found that at 48 months after NDLP participation, the impact of NDLP raised the proportion off benefit by about 20 percentage points, once remaining differences were adjusted for. The NDLP impacts on benefit exit and employment were not constant over time, and fell after longer periods subsequent to participation (Knight *et al.*, 2006).

The British Lone Parents Cohorts 1991 to 1998 and 1991 to 2001 that followed lone parents over time provide further support to the former conclusions. Between 1991 and 1996 the percentage of the cohort that worked full-time<sup>14</sup> increased from 29 to 45 percent and rose again to 50 percent by 1998. Over time, the material well-being of families improved (Finlayson *et al.* 2000). The British Lone Parents Cohort 1991 to 2001 further established these results. The proportion of cohort members in work rose from 27 percent in 1991 to 56 percent in 2001. Overall, lone parents' persistence in work was high. For example, three-quarters of those in work in 1991 were in work in both 1996 and 2001. Entry to work was the factor most strongly associated with recovery from higher levels of hardship in 1991 (Finlayson *et al.*, 2004).

The results from Government-commissioned evaluations that found a significant impact of NDLP were further confirmed by a high quality independent academic study conducted in 2007. The study used a range of methodologies, including difference-in-differences and fixed effects on data from official surveys (Family Resources Survey 1995 – 2003 General Household Survey, Labour Force Survey Panel). According to the authors, overall, the NDLP and WFTC raised lone mothers' employment by around 4 to 5 percentage points, mainly through a large increase in the share of mothers becoming lone parents holding on to work at the point of transition into lone parenthood (Gregg *et al.*, 2007).

Only some quantitative studies have not found a clear or significant effect of the NDLP on lone parents' employment. In this sense, the Findings of Surveys 1999 Report that studied a random sample of about 1,800 lone parents in the prototype and comparison areas concluded that the majority of lone parents had remained on income support throughout the period in both areas (Hales *et al.*, 2000bis). An additional 2000 quantitative evaluation of the Phase One Prototype concluded that the scale of the effect of NDLP as determined by multivariate analysis and after controlling for a wide variety of factors accounting for differences between prototype and comparison areas was large but at the margin of statistical significance (Hasluck *et al.*, 2000).

#### ▪ **Work Focused Interviews**

*Qualitative evaluations* reviewed in a 2007 synthesis report on the effect of WFIs since they were set up in 2001 highlighted that there was an initial increase in job entries from NDLP following the introduction of the interviews. However, only 30 percent of those starting a new job reported that LPWFI had any influence on their decision. Assessments of the net impacts on benefit exits suggested that much of this increase was a reflection of increased volumes on NDLP but not as strongly additional as conversions from LPWFIs onto NDLP caseload.

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<sup>14</sup> Defined in all years as 16 or more hours a week

A 2008 qualitative study of the effect of benefit sanctions supporting the mandatory WFI system concluded that the sanction regime had negligible effects upon labour market behaviour among the lone parents in the sample. Although incurring a sanction did cause stress to some lone parents, the majority of lone parents reported being unaware of a sanction until they noticed a reduced benefit payment (Goodwin, 2008).

A *quantitative evaluation* of the combined effect of the NDLP and LPWFI using propensity score matching on administrative records published in 2006 found that both programmes had a positive and significant impact on employment (negative on participation in out-of-work income support) in the short and medium term. For existing claimants, at 18 months the LPWFI/NDLP had a 10 percent positive impact, meaning that 19 percent of those who left IS after 18 months would not have done so if they had not participated in LPWFI/NDLP. In the case of new/repeat claimants, starting NDLP after LPWFI had a consistently positive and large effect on benefit terminations of 14 percentage points after one year, rising to 18 percentage points at 18 months. However, this figure is not considered robust. The incremental effect of LPWFI on benefit terminations was initially insignificant but then negative and large (Knight *et al.*, 2006).

- **Work Family Tax Credits**

A *qualitative assessment* that followed lone mothers who moved into employment supported by tax credits after a period of unemployment in receipt of IS since 2003 has found that tax credits played a vital role in lone mothers' decisions to enter employment and in ensuring that their employment was financially viable (Ridge and Millar, 2009).

Concerning *quantitative studies*, a 2008 DWP-commissioned review of evidence of the impacts on employment of the three LPPs (NDLP, WFIs and WFTC) concluded that although NDLP appeared to have had the greatest effect, WFTC had the strongest impact. This is mainly due to the fact that WFTC assessments use all lone parents and not only participants as the reference group. Several studies suggest that WFTC helped to increase the proportion of all lone parents in paid work by between 3 and 5 percentage points (Cebulla *et al.* 2008).

Francesconi *et al.* (2004) used longitudinal data collected between 1991 and 2001 to evaluate the effect of the WFTC reform on single mothers, and concluded that the reform led to a substantial increase in employment rates of about 5 percentage points driven by both higher rates at which lone mothers remained in the labor force and higher rates at which they entered it.

Leigh (2005) in turn used panel data with individual fixed effects and compared eligible with ineligible individuals for the earned income tax credits in general within different groups, including single mothers. The author concludes that over a 15-month period, boosting credit appeared to have raised labour participation rates, hours, and earnings of the eligible population.

Although Gregg *et al.* (2007) results can not distinguish the impact of the WFTC from other contemporaneous reforms such as the National Minimum Wage, increases to Income Support and the New Deal for Lone Parents programme, the authors conclude,

in line with Brewer *et al.* (2004), that the impact of WFTC on employment was sizeable and that it would have been greater if it weren't for increased out of work support. According to the authors, the New Deal had focused primarily on job entry, where the gains to the reform had been weakest. The impact on employment on transition into lone parenthood and the improvements in job retention among continuing lone parents suggested that WFTC had been the dominant driver of the employment gains (Gregg *et al.*, 2007).

A general lack of focus of these evaluations on the income effects of LPPs can be highlighted. However, there is some evidence that the tax and benefit changes implemented between April 1999 and April 2002 (i.e. just before WFTC was introduced to just before Child Tax Credit and Work Tax Credit replaced it) had a positive effect on the budget constraints faced by lone parents, slightly higher for working parents than for those who stayed out of work. In this sense, the budget of a lone parent with two children working less than 16 hours increased from around 125 to over 150 GBP per week between 1999 and 2002, and from between 200 and 250 to between 250 and 300 GBP per week respectively for those working over 16 hours (depending on the number of hours worked per week and assuming an hourly wage of 4.10 GBP) (Brewer and Fredriksson, 2008).

### **The Impact of Lone Parents Programmes on Parents' Health Outcomes**

Research on the relationship between employment and health shows that work can have significant health benefits for mothers (Brown and Harris 1978; Gore and Mangione 1983; Hall *et al.* 1985; Macran *et al.* 1996; Nathanson 1980; Verbrugge 1983; Warr and Parry 1982). These benefits have been found to depend on a range of factors including the type and quality of employment (Hope *et al.* 1999), the level of individual work involvement, (Brief *et al.* 1997; Nordenmark and Strandh 1999), social class (Elliot and Huppert 1991) the presence and quality of social support networks (Warr and Parry 1982), and the number and age of children (Haw 1995). In the particular case of lone mothers, evidence on the health impacts of employment is however mixed, in particular due to what has been described as the higher risk of 'spillover' between the work/family interface (Ali and Avison 1997; Barling 1990). The pressure and strain of managing a household and a job are particularly high for lone mothers, which can have especially negative health effects (Harry and Tingerman, 1992).

The few Government-commissioned studies and academic research that directly investigate health and wellbeing issues related to lone parenting and LPPs are not conclusive regarding the way LPPs have affected lone parents' health outcomes.

Ridge and Millar (2009) *qualitative study* on work and well being of lone mothers that moved into employment under the programme found that poor health had been a significant issue. The incidence of ill-health was increasing over the period of study, with women suffering from a range of conditions that affected their capacity for work, including stress and depression. According to the study, the main difference between those on IS and those in work was the ability to make choices about private medical support and the availability of social networks through work to get advice about treatment. It appeared to be difficult for some mothers on IS to afford regular treatment due to transport and childcare problems. Contrary to these results, a 2005 qualitative study on lone parents, health and work found that there were no major differences in the

types of health problems that lone parents and their children had, between those on IS and those in work.

Concerning *quantitative assessments*, the British Lone Parents Cohorts 1991 to 1998 and 1991 to 2001 that followed lone parents over time provide some evidence of how parents' health indicators evolved. The first study concluded that there was an increase in the incidence of long-term illness among cohort families. By 1998, there had been a two-fold increase in reported ill health in both adults and children. Taking adult and child health together, only half the cohort families were free from limiting illness.

As for the second study, it concluded that more than half (55 percent) of the cohort reported some long-term illness during the study period. Most common were musculo-skeletal problems (especially bad backs), chest complaints or trouble with other internal organs, and mental problems, especially anxiety and depression. Poor health was associated with remaining alone. Cigarette smoking fell from 54 to 45 percent between 1991 and 2001 but remained far higher than among women of similar age. Smoking continued to be associated with hardship.

Gregg *et al.* (2007) in turn estimated the impact of LPP on mother's mental health using data from the British Household Panel Survey and using difference-in-difference and fixed effects methodologies. According to the authors there was a significant improvement in mental health among lone mothers after the reforms, equivalent to over half a point. The gap between lone mothers and women in couples with children was halved after the reforms. The life satisfaction score also improved significantly. This contrasted with no significant improvement over the same period for either women in couples with children or single women without children (Gregg, *et al.*, 2007).

### **The Impact of Lone Parents Programmes on Children's Outcomes**

Although assessment on the impact of LPPs on children remains scarce, existing evidence indicates that these policies can have a positive effect on their overall wellbeing and particularly on self-esteem through parents' employment.

*Qualitative studies* such as the 2009 Work and Wellbeing Over Time report highlight that children strongly associate their mother's work and financial reward. In general children prefer their mothers to work part-time and during school hours, and there seems to be a general dissatisfaction with formal out-of-school care. Childcare was often reported to be inappropriate, unsuitable and stigmatised. Children generally perceived employment as positive for their mothers, giving them opportunities to meet friends and get out of the house, and increasing well-being and self esteem. But there were also concerns about their mothers being tired, stressed, moody and /or depressed.

As for *quantitative assessments*, the 1991-2001 British Lone Parents Cohort includes rich information on the evolution of children of lone parents over time. Compared to children from predominantly working households, 11 to 15 year olds from non-working households or with parents who worked for only a short period were more likely to report they had frequently truanted from school, to have been in trouble with the law and to have a more negative attitude towards doing well in school. However, 11 to 15 year olds from non-working families were less likely to report having consumed alcohol in the past month.

Compared to children with parents who worked for the majority of the study period, 16 to 28 year olds from non-working families were less likely to score in the high range on a self-esteem index, and more likely to finish school early, to be unemployed and seeking work and to have received out-of-work benefits. In addition, female children were more likely to have had children at a young age. Significant differences were found among older children, many of whom were no longer living at home, and in latent measures such as work status and receipt of out-of-work support. This indicates how enduring the effects of a non-working environment can be on children's life chances.

Family work history was not found to be a significant factor in predicting child measures on general health, the incidence of hospital admissions among young (three to ten year old) children, smoking behaviour or achievement of advanced academic qualifications. Still, multivariate analyses indicate that the children's history of exposure to hardship was identified as a significant, independent predictor for several measures: they were less likely to be admitted to hospital during the past year, more likely to have completed school at or before age 16 and less likely to have attained higher-level educational qualifications. On the other hand, they were also less likely to report they had smoked a cigarette in the past week.

According to the Gregg *et al.* (2007) quantitative study of LPPs impacts, there is clear evidence of improved self-esteem and overall happiness around the reforms for children of lone parents, compared to those observed for children in couple families. Simple difference-in-difference estimates suggest there have been marked improvements in the relationship between children and parents in the post-reform period, which could be an important transmission mechanism for youth behaviour. According to the study results, the effect of policy reforms on boys and girls differs. For girls lone parenthood does not show any impact on self-esteem and thus the "reform" or policy variable has no effect. For boys, on the other hand, living in a lone parent family was significantly associated with poorer self-esteem in the period prior to policy reform, and thus the "reform" shows a significant positive effect on their self-esteem.

### **Cost-effectiveness of Lone Parents Programmes**

The NDLP has also been assessed from a cost-effectiveness perspective. The Department for Work and Pensions commissioned a cost-benefit analysis of the programme in the initial stages of its development and implementation, which attempted to measure the benefits of the Phase One Prototype against its costs. The study concluded that the net economic benefits of the NDLP ranged from £3.6 million to over £5 million, depending on whether set-up and fixed costs were ignored.

Of the 8,107 lone parents taking part in interviews around 3,393 entered employment. Since this figure did not discount participants who would have entered employment in any case, it overstated the programme's impact. To adequately account for this, additionality was assessed through the subjective opinion of participants, survey evidence and from a 'counter-factual' derived from an analysis of administrative data. It was concluded that around 20 percent of the observed employment amongst NDLP participants would not have occurred without the programme. That means that 645 lone parents were assisted into work.

To attain an accurate estimation of the net benefit of the programme, it was particularly important to include all the costs that were relevant to the NDLP. Although the total expenditure was around £7.86 million, for the purpose of the analysis the costs that were not directly related to the core NDLP programme or that would have been incurred in any case (such as the costs of evaluation or those of Employment Service and Benefits Agency premises) were excluded from the total. In addition, some costs incurred at the outset of the programme but to be also accounted for in further stages were spread over a longer period of time. The total cost of the NDLP Prototype programme was thus reduced to £4.7 million. As a result, estimates of the unit costs of the NDLP Prototype ranged from £140 per lone parent invited to a NDLP interview (£581 per participant attending an interview) to £1,493 per participant leaving Income Support for employment.

The main economic benefit arising from NDLP in turn is the value of the additional output of goods and services produced by lone parents who enter employment through the programme, valued using information on earnings (assuming that employers are willing to incur labour costs up to the value of lone parents' marginal product). The full-time and part-time gross weekly wages (£164 and £68.40 respectively) were derived from the median hourly wage and mean hours of work amongst lone parents surveyed in late 1998. The estimated duration of employment was 20 months.

The estimation of the net benefits based on the former information and for both the full-time and part-time scenarios suggests that the programme yielded substantial gains. Even recognising that many NDLP participants entering employment would have found a job in any event (and assuming such deadweight is around 80 percent) the economic net gain was just under £16,000 per additionally full-time employed lone parent (using operational costs, £13,700 per additionally if the full average cost of the programme was to be covered). In the case of a lone parent entering a part-time job (16-29 hours per week), there would still have been a small net gain from the programme (£3,705 per additional lone parent if the programme was only to cover operational costs, £1,460 in the case it was to cover full costs).

Since additional employment arising from NDLP consisted of a mix of both full-time and part-time jobs, the overall net benefit of NDLP was calculated as a weighted average of the net gains from lone parents entering full-time jobs and the gains from those entering part-time employment. The net benefit was thus of +£7,862 per additional employed participant (operational cost, +£5,618 if total costs were to be covered). The overall value of NDLP, given the estimate of around 645 additional employed lone parents, is derived by multiplying the net benefit figures by the number of additionally employed lone parents (645). The estimated overall value of NDLP (rounded to the nearest £1000) was thus:

- Economic net benefit if additionality is 20 percent: +£5,071,000 (operational cost)
- Economic net benefit if additionality is 20 percent: +£3,624,000 (total cost)

In addition, entry into employment also reduces benefit payments and in many cases generates an additional flow of income for the Exchequer in the form of income tax and National Insurance contributions. Such Exchequer gains can be set against the costs of the NDLP to provide a measure of the net effect of the programme on public finances (though they would not count as relevant economic gains from a societal perspective). Since the rules and rates relating to both benefits and taxation are characterized by

thresholds and non-linearities, there is a wide variety of potential Exchequer gains and costs depending on the spread of NDLP participants across different jobs and household types.

Using some of the information available from participants, it was estimated that the programme involved a net benefit for the Exchequer in the case in which only operational costs were to be considered (+£2,778 per participant), and a loss in the case total costs were included (-£724). Given the estimate of around 645 additional employed lone parents, the overall net Exchequer cost of the programme was:

- Programme NE cost: additionality at 20 percent: +£1,792,000 (operational costs)
- Programme NE cost: additionality at 20 percent: -£467,000 (total costs)

These estimates suggest that much of the total cost of £4.7 million was actually recovered by the Exchequer.

## **5. Employment Activation Policies Targeting Lone Parents across OECD countries**

Every reform of the welfare system is faced inevitably with the dilemma between assisting individuals to move out of the poverty trap and the need to encourage the role and responsibility of the individual in the provision of his/her own wellbeing. Different approaches to this question have led to significantly different welfare systems, from largely “liberal” programmes such as the one in the US to more “social” programmes in Europe.

### **A Liberal Approach – The Case of the US**

The latest nation-wide welfare reforms in the US aimed at reducing dependency on welfare aid and increasing employment have resulted in a greatly “liberal” set of state-systems which place most of the responsibility to avoid poverty with the individual. With the introduction in 1996 of the nation-wide Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA), the US stepped out of human capital programmes that promoted skills development as a prior step to job searching and moved towards time-limited and work-focused welfare programmes (Waldfogel, 2000) called Work-First programmes. The Work-First programmes are based on the idea that any job is good as long as it ensures entrance to the job market, and that learning and skills-development processes are better if undertaken at the workplace rather than in a classroom.

The different adoption of this concept by each US’ state has resulted in a differentiated impact of the policies across states. However, evidence shows that in general Work-First programmes out-perform human capital initiatives in some respects. Work-First approaches have proven to result in higher income earnings in the short-term, providing a higher maximum level of earnings than that achieved with alternative human capital programmes. Although human capital approaches provided a more stable level of income (mainly due to greater job retention rates) in the short term, the level of income was on average lower than through Work-First programmes. Although in the long-term the effect of both approaches seems to disappear (Cebulla *et al.*, 2005) Work-First approaches are considered a model for successful social intervention in the short-term.

Nonetheless, the fact that these findings rely on statistical predictions rather than on evaluations calls for certain caution in their interpretation and application.

Although the impact of “compulsory” participation is unclear, greater results are registered when high penalties for non-compliance are enforced (Weissman *et al.*, 2000). In the case of the US’ Work-First programmes, sanctions were seen as a key factor to their success (Lodemel and Trickey, 2001). However, the results of the application of sanctions should be considered carefully since they depend significantly on how “job-ready” the participants are, and on the labour market situation, with better results registered when labour demand outweighs the offer.

Furthermore, evidence from several evaluation studies on labour activation policies shows that activation is most successful when it is tailored to the individual preferences, needs, and capabilities of participants (R.K. Weaver & Dickens, 1995). The individual approach and the quality of services seem to have greater influence on final outcomes than the voluntary or mandatory nature of the services, because they lead to the turning point in which a job offer becomes something “you do not want to refuse” instead of something “you cannot refuse”.

Evaluations in the US system have focused on immediate and short-term results, looking basically at rates of integration into the workforce and (some dimensions of) cost-effectiveness. Work retention has not caught much attention, which makes it difficult to assess the long-term impact of some of these policies and their sub-components.

### **A State-care Approach – The Case of Norway**

Highly protective welfare programmes such as the Norwegian one have also undergone reforms in recent years to actively involve the individual. Norway, which used to have one of the most generous and extensive welfare system is a late-comer (1990s) to welfare programmes based on promoting paid work and public child provision. The 1990s reforms aimed at increasing workforce integration by limiting the time a lone parent can stay at home in any form. Before the reform, the Norwegian welfare system supported lone parents (mainly mothers) in their role as care-providers and as workers (if they did work). A transitional allowance was also provided for those who decided to study. The combination of measures made it a very generous programme, providing a minimum income to every lone parent regardless of their life choices. The system, however, proved to fail in raising living standards of lone-families and their children, with parents becoming “passive” and “dependent” on welfare aid (Kjekdstad, 1998 b). Furthermore, the original generous welfare system was criticised for promoting gender segregation by encouraging mothers to stay at home.

In 1998 conditions were attached to qualify for financial allowances including a 3-year limitation for benefits receipt (with a possible extension of two more years if the parent was undergoing education), restricting aid to lone parents whose youngest child was under 8 years of age and making compulsory for lone parents whose youngest child was over 3 years of age to be active in the labour market (either seeking for a job, working or studying at least 50percent of full time hours). From a gender perspective, the new set of welfare-to-work measures have proven to be quite challenging.

The reform aimed at improving the economic situation for lone-parents through paid-work, and evidence shows that there has been an increase in the incorporation of lone-parents into the labour market. But the studies, mainly based on self-reported evaluations, are inconclusive. It is not possible to assess to what extent the economic “boom” in the late 90s and high labour demand can explain the rise in work uptake. Similarly, the impact of the reforms on lone-parents’ income remains unknown, with families describing their situation after the reforms as one of “economic scarcity” (Liv Johanne Syltevik). Results are especially negative in female-headed lone-parent families (i.e. most lone-parents in Norway) due to the gender segregation of the labour market and the reported gender-gap in wages (Ellingsaeter and Solheim, 2002).

### **The Mixed European Approach - The Case of the Netherlands**

Tackling child poverty is a political priority for the European Union, and it is outlined as such in the European Union’s Commitment to Social Protection and Social Inclusion, which reads: “Member states should adopt balanced policy combinations to tackle child poverty. These should include strategies to bring parents into work that pays, to improve the reconciliation of work and family life, adequate cash transfers, access to high quality and affordable childcare and access to child-related services and health care”.

In order to reduce the poverty incidence of low-income families, and implicitly lone parents, most European countries have introduced two different, and most of the times complementary, sets of measures: income support programmes and (mostly mandatory) employment programmes. A limited number of European Union member countries have introduced labour policies especially targeted to lone parents including Belgium, Germany, Greece, France, Ireland, The Netherlands, Poland, and the United Kingdom.

Despite disparities among European countries, evidence shows that mandatory employment programmes have proven successful in increasing participation in the labour market, although their net effect on income remains unclear. The impact of the programmes on children’s well-being is quite limited when carried out in isolation of other supporting policies. Escaping from poverty through employment appears difficult to realize, and even more so in the case of lone parents which are predominantly low-skilled. However, if the mandatory employment programmes are combined with income support to low-wage workers, the impact on employability, family income and children wellbeing is remarkably positive (Bloom *et al.*, 2001).

The Dutch social assistance system is based on the assumption that every citizen is self-sufficient, although social assistance and support is provided to those unable to provide for themselves and their families.

Since 2004, the Dutch welfare system has been reformed to become less paternalistic and more pro-active. In order to promote participation and integration in the workforce, the Dutch Government revised the rights and obligations of those in receipt of social security and benefits, and reformed the institutional structure to encourage individuals’ participation. The Government provides the income support necessary for an acceptable standard of living to the lone parent when s/he actively seeks a job and accepts any “generally acceptable” job offer.

Non-compliance with the above (e.g. failure to provide the information requested by the act, lack of active collaboration in the job search) leads to a reduction or even suspension of the benefits (Trudie Knijn and Rik Van Berkel, 2003). The tightening of the requirements for financial allowances reduced the number of applicants for social benefits.

## 6. Conclusions

The reforms that the Government has introduced since 1997 in the UK social protection system in line with the "Make Work Pay" approach to welfare have focused, among other vulnerable groups, on lone parent families. In particular, through the New Deal for Lone Parents and complementary measures (Work Focused Interviews and Work Family Tax Credits), the Government has put into place a complete package of policies aimed primarily at encouraging and assisting lone parents to move into employment. These developments have been based on the growing evidence that lone parents and their children in the UK registered disproportionately high poverty rates, and on the belief that this pattern can be prevented through lone parents' integration into the labour market.

An exhaustive examination of these programmes' evaluations yields three main conclusions:

1. The NDLP and complementary measures have been effective in helping lone parents into employment, and have thus led to a drop in the number of lone parents living on income-support. The main driver of this effect appears to have been the Work Family Tax Credit, which tops-up lone parents' earnings.
2. The health impacts of these policies on parents and children are not so straightforward. Although research indicates that parents' employment can have beneficial impacts, particularly on their mental health and children's self-esteem and overall wellbeing, the higher levels of anxiety and stress experienced by the (lone) parents as a result of increased time constraints can counterbalance these results.
3. From a cost-effectiveness perspective, the NDLP appears to have generated substantial gains, even without considering the Net Benefits to the Exchequer driven by lower income support transfers and additional social security contributions and taxes.

However, evaluations to date have mainly attempted to measure the impact of these programmes on employment rates. Moving forward, there is thus a clear need to strengthen the focus of evaluations on: first, the income effects of interventions; second, their impacts on the health status of both parents and children, and; third, the way they affect longer term labour market outcomes, including job retention and career progression.

A review of some of the major international experiences in this area illustrates the ideological debate that has recently emerged around the improvement of welfare systems. Generous systems, and in particular welfare programmes targeting vulnerable groups including lone parents, have been systematically criticized for allegedly promoting "passive" attitudes from the beneficiaries and for increasing welfare dependency. Despite the resulting trend towards a greater promotion of individual responsibility and a stronger focus on employment facilitation and assistance in lone

parent policies in Europe, these measures are always combined with some sort of additional income support. Indeed, international experiences suggest that labour activation policies are to be complemented by welfare measures such as the facilitation of access to affordable childcare, which can smooth the transition from welfare to paid-work and reduce some of the negative side effects on family poverty and children's upbringing.

The international experiences analysed in this note also indicate that the composition of lone parents' families should be taken into consideration when designing policies to avoid gender discrimination. Additionally, lone parent policies should be flexible to adapt and respond better to unexpected challenging economic conditions.

In conclusion, it can be certainly said that the comprehensive efforts made by the UK Government in the last decade to address the particularly vulnerable situation of lone parents and their children have helped lone parents into employment. Yet it remains unclear what the specific poverty impacts of these programmes have been, both in terms of income and of other social indicators such as health outcomes. The need to understand these interactions becomes especially relevant as these programmes evolve towards a consolidated and increasingly compulsory system. Other country experiences suggest that the Government should at the same time pay special attention to the improvement and adequate development of complementary social protection measures such as childcare provision, which would allow maximizing the potential benefits of labour activation measures such as the NDLP.

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