

'Mini-jobs' for lone parents?

Juggling work and childcare is the big conundrum of being a lone parent. But as the Government increasingly promotes work as the best way out of poverty, lone parents have little to choose from. Now however, new research by the Joseph Rowntree Foundation has found that working in a so-called 'mini-job' for under 16 hours a week could be the way to bring lone parents gradually back into full-time employment while also allowing them to adjust their childcare needs. But are the advantages to lone parents real ones? What happens once benefit cuts are taken into account? Kate Bell considers the different options, as well as whether the strategy could contribute to achieving the Government's target of halving child poverty for 2010.

ONE PARENT EMPLOYMENT is back in the spotlight once more, following publication in July of a Green Paper by the Department for Work and Pensions, *In Work, Better Off*¹. The Paper proposes a radical extension of the work search conditions for lone parents claiming benefits, suggesting that from 2010 they must claim jobseeker's allowance and 'actively seek work' when their youngest child reaches the age of seven (currently the age cut off is 16). With the 2010 target to halve child poverty rapidly approaching, the Green Paper states that 'further significant numbers of lone parents moving into work are critical to reducing child poverty' and suggests that the imposition of greater conditionality is key to meeting that goal – a proposal greeted with dismay by campaigners.

Yet new research, funded by the Joseph Rowntree Foundation and carried out jointly by One Parent Families | Gingerbread and the Institute for Fiscal Studies suggests that improving the incentives to work in jobs of less than 16 hours – often known as mini-jobs – could represent an alternative strategy for meeting the Government's child poverty target,



and its equally ambitious goal to have 70 per cent of lone parents in work by 2010. This article outlines the main findings of the research and their possible implications for policy, concluding that measures to increase the earnings disregards within means-tested benefits could make a substantial contribution to government goals.

Why look at mini-jobs?

Despite the current climate of concern over the lone parent employment rate, its rapid increase can be seen as one of the undoubted success stories of the Labour Government. In line with their stated aims to reduce poverty and ensure

adequate financial incentives to work², the past ten years have seen an increase in the lone parent employment rate of over 10 percentage points, from 45 per cent in 1997 to around 57 per cent today. At the same time rates of poverty in one parent families, although remaining high, have decreased: while 62 per cent of children in one parent families were poor in 1996–7, by 2005–6 this had fallen to 50 per cent³.

Yet despite the fact that the official measure used to assess the lone parent employment rate, the Labour Force Survey, measures all paid work of over one hour a week, the number of lone parents (90 per cent of whom are women) working in jobs of under 16 hours has remained stubbornly low at around four per cent. While the proportions of lone parents working in part-time and full-time jobs has been catching up with those of mothers in couples, over this period consistently twice as many mothers in couples have worked in mini-jobs as lone parents.

The briefest glance at the tax and benefit system for lone parents reveals the likely cause of this difference. The gap between the earnings disregard of £20 for lone parents on income support, and the 16 hours of paid work condition for qualifying for working tax credit means that lone parents who are earning more than £20 a week (the level of the earnings disregard within income support) but who are working for less than 16 hours (the minimum hours rule for claiming the working tax credit) do not see any increase in their earnings for working additional hours. Or, as one lone parent who wrote to One Parent Families put it: 'The benefits system is appallingly complicated. There are three different departments all with different benchmarks.

If I earn more than £20 a week I lose income support, if I work less than 16 hours I get no tax credits'.

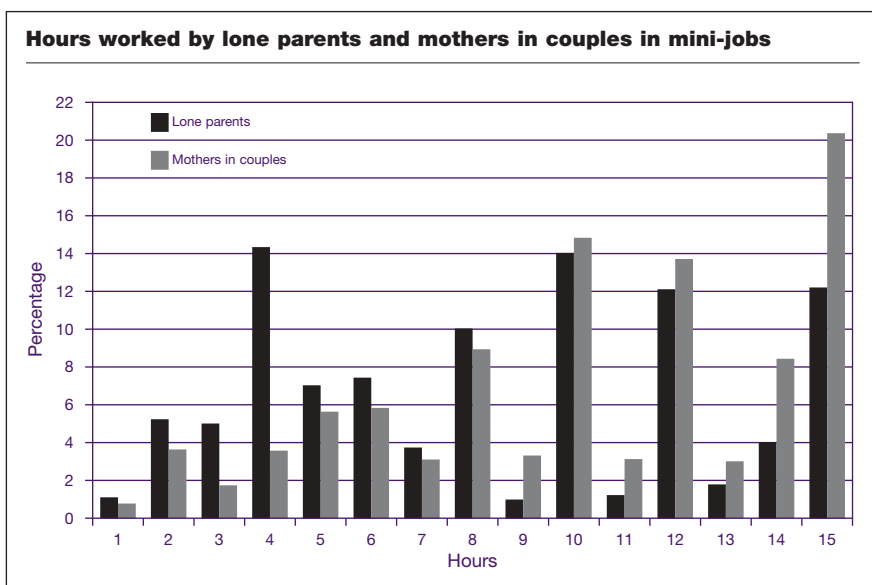
The gain to working at the national minimum wage for a lone parent with one child who is eligible for housing benefit and council tax benefit is around £20 for four hours' work, £24 for 15 hours' work but £44 for 16 hours (before the costs of any childcare or additional expenses). This shows a clear disincentive to work between four and 16 hours. On the other hand, mothers (or second earners) in couples, who are unlikely to be claiming means-tested benefits, do not face these constraints. Analysis for this research showed that the participation tax rate, (which shows the extent to which participation in the labour market is 'taxed', including the cost of benefits foregone) for second earners in mini-jobs never exceeds 37 per cent, whereas for a lone parent working ten hours a week is just under 67 per cent.

Do lone parents understand these incentives sufficiently to make decisions based on them? An analysis of the distribution of hours worked in mini-jobs by lone parents and mothers in couples suggests that they do. While the most common number of hours worked in a mini-job by mothers in couples was 15 (or two 7.5 hour days), the most frequent pattern for lone parents was to work just four hours – falling within the income support disregard, as shown in the graph below.

It appears obvious that lone parents face worse incentives to work in mini-jobs than mothers in couples, and these incentives impact on their decisions about hours of employment. Given that lone parents' labour market participation is often compared to that of mothers in couples – some have suggested that this is the source of the 70 per cent target – it seems fair to suggest that allowing lone parents to make choices about work at these hours on a more similar basis to mothers in couples could indeed encourage more of them to take up paid work and improve their incomes.

Do lone parents want mini-jobs?

Analysis of the Labour Force Survey for 2005–06 shows that there were around 2.6 million jobs of less than 16 hours per week being undertaken in the UK. Of these, 1.83 million were the primary or only job undertaken by the relevant individual and 0.77 million were secondary jobs. Further analysis of job type suggests that jobs at these hours tend to be low skilled, with low responsibility. They tend to be



low paid – although this appears to not be linked to the fact of being a mini job *per se*⁴ and are unlikely to be in managerial or supervisory positions.

Why encourage lone parents to take up such jobs? Firstly, it seems that mini-jobs are not that different to the jobs being taken up at 16 hours or more⁵. Secondly, it may be that women in mini-jobs are making conscious trade offs when they choose work at these hours. Francesconi and Gosling⁶ found that while women in mini-jobs were substantially less likely to receive training than those in full-time work, and slightly less so than those in part-time work, levels of job satisfaction were higher amongst those in mini- and part-time jobs.

Thirdly, in addition to the suggestive fact that many mothers who do not face the constraints of the benefit system choose to take up work at such hours, qualitative evidence suggests that lone parents would like this option to be more available. Bell and others⁷ study of parents' work and childcare preferences found lone parents expressing a strong desire for part-time work of less than 16 hours a week, particularly around school hours, to enable a gradual entry or return to paid work.

Finally, and particularly for more disadvantaged parents, work at less than 16 hours might represent a 'stepping stone' into longer hours of work. There are good reasons for thinking this: those who have been out of the labour market for some time may want to return to work gradually, to build up confidence and work experience and to settle their children into childcare arrangements – work may also increase social capital and work related contacts who could lead to longer hours work⁸. Qualitative evidence also supports the theory, with Jane Millar⁹ finding that many lone parents now in work of 16 hours or more had moved into this as a gradual process, after working part-time, engaging in voluntary work or training while on income support.

However, quantitative research is more equivocal. While Iacovou and Berthoud¹⁰ found substantial positive effects of working in a mini-job on later moves into employment at more than 16 hours, Hales¹¹ suggests that these impacts were overestimated, and the findings of much subsequent research have been that for lone parents at least, mini-jobs are a relatively unstable form of employment, with moves both to greater and lesser (and zero) hours more common than in other types of work. This may

reflect our starting point that for a lone parent, working in a mini-job is unlikely to be financially rewarding.

How policy should promote mini-jobs

Can policy make a difference to lone parents' chances of taking up such jobs? While their decisions about how best to combine work and childcare are not motivated by financial considerations alone¹², changes in the incentives to participate in work clearly have a strong influence, as seen by the introduction of working families tax credit¹³.

Given that the poor incentives for lone parents to work in mini-jobs are caused by the gap between the earnings disregard for income support and the hours rule for working tax credit, the two clear options for improving incentives are increasing the former and lowering the latter. However, a further complication is introduced by the fact that receipt of income support currently 'passports' a claimant to full housing and council tax benefits. Raising the income support disregard alone would therefore lead to a situation where once income support entitlement ran out due to earnings increases, claimants would suffer a substantial drop in their incomes due to the loss of housing and council tax benefit.

The research therefore uses a model of lone parents labour supply to model the impact of three options:

- **A drop in the hours necessary to qualify for working tax credit from 16 to 8.** Although the earned income tax credit in the US conditions receipt on all work of one hour a week or more, we do not see this as politically feasible in the UK.
- **An increase in the earnings disregard in income support alone.** Despite the discontinuity described above, this policy would mirror the recently introduced £86 disregard in the employment and support allowance that is to replace Incapacity Benefit (albeit that this will be available for one year only).
- **An increase in the earnings disregard in all means-tested benefits** (ie income support, housing benefit and council tax benefit). Given that housing and council tax benefit are available to people in work (albeit poorly claimed), this would also improve the incentives for lone parents to work for more than 16 hours a week, as well as in mini-jobs.

This third reform produces impressive results – albeit these would be dependent on improved

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take up of housing and council tax benefit by those in work. A reform of this type would strengthen incentives for almost all lone parents to work in mini-jobs, and for those eligible for housing and council tax benefits to work in jobs of more than 16 hours as well. If disregards in all means-tested benefits were increased to the value of 16 hours work at the national minimum wage, this could lead to an increase in the lone parent employment rate of 5.4 per cent. This would be enough (if previous predictions about the rate of increase in lone parent employment prove correct¹⁴) to meet the Government's 70 per cent target. Moreover, provided that take-up of housing benefit and council tax benefit improved among working lone parents, the cost to Government would be around £790 million, a cost per job far lower than for working families tax credit.

Increasing income disregards in income support alone could lead to a more modest increase in lone parent employment of 2.3 per cent, at an accompanying more modest price tag. While this policy would introduce a discontinuity around the incentives to work above and beyond 16 hours, it does mirror, as described above, that introduced for the new Employment and Support Allowance, and implementation of this policy, especially if similarly time limited, could look like a sensible alignment of benefit rules, at a time when most agree that simplification is urgently needed¹⁵.

Cutting the hours rule in working tax credit has a more modest impact. However it still leads to an increase in lone parents' labour supply of one percentage point, around that achieved by the introduction of work focused interviews¹⁶. As the policy most likely to reduce the numbers of benefit claimants *per se*, this may appear most attractive to government.

Encouraging lone parents into mini-jobs therefore looks like a good bet for a government seemingly very concerned to increase the numbers of those in employment. Distributional analysis of these reforms also suggests that they would have most impact for parents currently around the poverty line. Two concerns exist around such policies however: firstly, that they will encourage parents into poor quality jobs that they cannot sustain; secondly, that they will lead some lone parents to reduce their hours of work.

The second may not be such a concern – essentially the reforms allow lone parents to make choices around their working hours on a

more similar basis to mothers in couples. But both of these could be addressed by placing a time limit on the implementation of such a policy of up to a year. This would require placing some faith in the idea that mini-jobs can act as a stepping stone to longer hours of work. But if lone parents in mini-jobs remained on income support, this would represent an opportunity for Jobcentre Plus to engage with them to make this progression a reality.

Lone parents are often stigmatised for being less likely to be in paid work than other mothers. But this research shows clearly that the tax and benefit system plays a large part in those decisions. Improving the incentives to work in mini-jobs could not only help the Government meet its own targets, but also help many lone parents to choose how best to combine their work and family life.

Lone parents and mini-jobs by Kate Bell, Mike Brewer and David Phillips will be published by the Joseph Rowntree Foundation in the first week of October. It is available on the JRF website www.jrf.org.uk ■

Kate Bell is Head of Policy and Research at One Parent Families | Gingerbread

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