Cant work or wont work: Quasi-experimental evidence on work search requirements for single parents

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Context

- UK - share of single parent families $\sim$ 25 %

Lone Parent Obligations
Impact of work search requirements
Data and estimation strategy
Results
Conclusion

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- Historically -lower labour force participation ($\sim$ 55%)

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    - Radical reform of benefits available to single parents of older children

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- Study commissioned by the DWP to examine the impact on employment and benefit receipt

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- Report: `www.gov.uk/government/uploads/system/uploads/attachment_data/file/211688/rrep845.pdf`

Main findings

- LPO increased the probability of lone parents entering employment by around 10ppt

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- It also increased the probability of claiming health-related benefits (IB/ESA) by between 10-14 ppt

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- It also increased the probability of claiming health-related benefits (IB/ESA) by between 10-14 ppt
- The probability of being in non-claimant unemployment also increased by around 6ppt

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- It also increased the probability of claiming health-related benefits (IB/ESA) by between 10-14 ppt
- The probability of being in non-claimant unemployment also increased by around 6ppt
- Effects of the reform larger for those with weaker labour force attachment

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2 Impact of work search requirements

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Lone Parent Obligations (1/2)

- Before November 2008-lone parents entitled to receive IS until their youngest child turned 16

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Lone Parent Obligations (1/2)

- Before November 2008-lone parents entitled to receive IS until their youngest child turned 16
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- Reform=lowering the age of the youngest child that entitled lone parents to IS

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- Very large decrease!

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Lone Parent Obligations(2/2)

- Once no longer entitled to IS, lone parents were expected to claim JSA

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- Once no longer entitled to IS, lone parents were expected to claim JSA
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    - No work search conditionality attached to ESA
- LPO did not affect eligibility for other means-tested benefits (HB) or tax credits

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- Results not always consistent: both positive effects (Dahlberg et al., 2009; Bolvig et al., 2003) and no or negative effects (Brodersen, 2015)

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  - reforms often a bundle

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    - lower probability of receiving a job offer (that meets their time constraints) & lower wage

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- Significant amount of data cleaning

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Population and observation window

- Lone parents due to lose entitlement between November 2008 and April 2011

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Population and observation window

- Lone parents due to lose entitlement between November 2008 and April 2011
- Loss of IS entitlement depends on age of youngest child (12-16 Phase 1; 10-12 Phase 2 and 7-10 Phase 3) and the date of the quarterly WFI

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- We follow them for a maximum of 36 months (Phase 1) and a minimum of 18 months (Phase 3)
- We examine only outflows from IS not inflows

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Estimation strategy (1/3)

- DiD: Compare outcomes for lone parents with older and younger children before and after the introduction of LPO

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    - 5 pre-treatment groups: lone parents whose children are aged the same as LPO affected parents but sampled at least 4 years before LPO was introduced

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  - 5 pre-comparison groups: lone parents whose child turns 4 sampled at least 4 years before LPO was introduced
- 12 groups; 6 cohorts, 5 pre-LPO and 1 affected by LPO

Estimation strategy (2/3)

- Outcomes:

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Estimation strategy (2/3)

- Outcomes:
    - Working 16 hours or more (determined based on tax credit claims)

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- Outcomes:
    - Working 16 hours or more (determined based on tax credit claims)
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- Outcomes:
  - Working 16 hours or more (determined based on tax credit claims)
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- Examine outcomes at -9 months, -6 months, +3 months , +9 months & +15 months relative to point where IS entitlement is lost

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- Include anticipation effects

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- Examine outcomes at -9 months, -6 months, +3 months , +9 months & +15 months relative to point where IS entitlement is lost

- Include anticipation effects

- ITT: we sample lone parents who are due to lose entitlement in 1 year (but potentially do not due to a change in circumstances)

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Estimation strategy (3/3)

- Two-step approach (Donald & Lang, 2007)

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- First step: estimate the effect of being in a particular group

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- Two-step approach (Donald & Lang, 2007)
- First step: estimate the effect of being in a particular group
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- $y_{ig} = \beta x_i + \sum_{g=1}^{12} \delta_g I_g + \epsilon_i$ List of Xs

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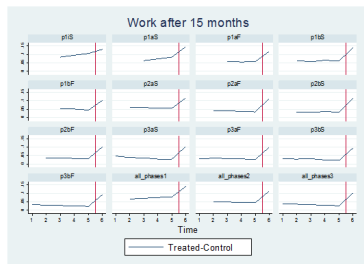Results
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- $\delta_g = \sum_{c=1}^{6} \gamma_c I_c + \beta_1 Treatment_g + \beta_2 TreatmentxI(c = 6)$

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- $\delta_g = \sum_{c=1}^{6} \gamma_c I_c + \beta_1 Treatment_g + \beta_2 TreatmentxI(c = 6)$
    - I_c indicators for the 6 cohorts
    - $Treatment_g$ indicator for having older children

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Common trends

(a) Probability of claiming an out of work benefit

(b) Probability of being in work

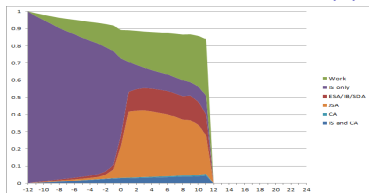Figure: Differences in outcomes between treated and control groups across cohorts

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Outcomes (1/2)

(a) Phase 1   (b) Phase 2

(c) Phase 3

Figure: Outcomes for lone parents affected by LPO

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Outcomes (2/2)

- Around 10% of lone parents remain on IS (2/3 change of circumstances)

Lone Parent Obligations
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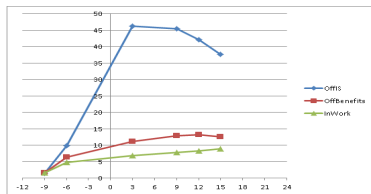Data and estimation strategy
Results
Conclusion

Outcomes (2/2)

- Around 10% of lone parents remain on IS (2/3 change of circumstances)
- Around 50% move onto JSA & IB/ESA with few transitions into work subsequently (30% and 10% respectively)

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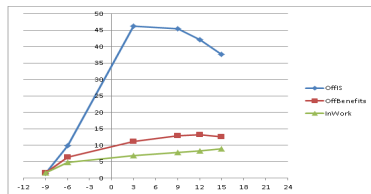Data and estimation strategy
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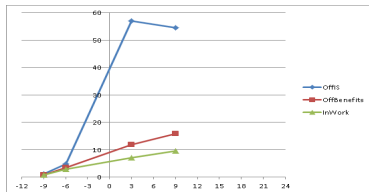- Around 15% of lone parents -not in work and not claiming benefits

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LPO Impact (1/4)

(a) Phase 1

(b) Phase 2

(c) Phase 3

Figure: DiD estimates of LPO impact

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LPO Impact (2/4)

- 3 months after loss of entitlement-LPO reduced the probability to be on IS by around 50ppt

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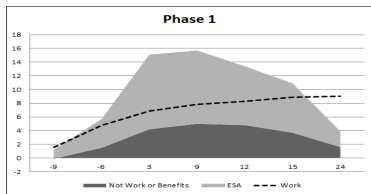**Results**
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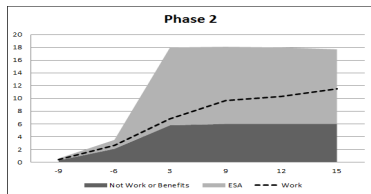Conclusion

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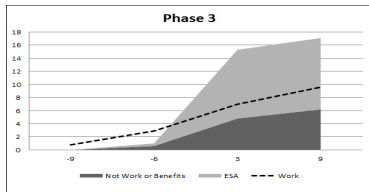- Estimated coefficients

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LPO Impact (3/4)

(a) Phase 1

(b) Phase 2

(c) Phase 3

Figure: DiD estimates of LPO impact

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LPO Impact (4/4)

- Share of lone parents induced to move onto states with no search conditionality always larger than share induced to move into work

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LPO Impact (4/4)

- Share of lone parents induced to move onto states with no search conditionality always larger than share induced to move into work
- Impact smaller in Phase 1 compared to Phases 2 & 3

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LPO Impact (4/4)

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    - LPO smaller change for parents in Phase 1

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  - Measured as % of time spent on IS in the 36 months prior to the observation window

Lone Parent Obligations
Impact of work search requirements
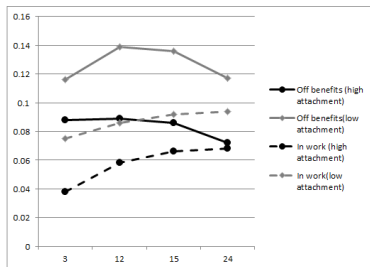Data and estimation strategy
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Lone Parent Obligations
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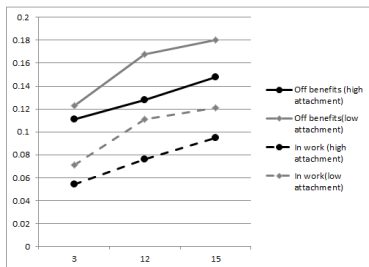**Results**
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  - Measured as % of time spent on IS in the 36 months prior to the observation window
  - High: 90-100%
  - Low: 0-50%

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LPO Impact by labour market attachment (1/2)

(a) Phase 1

(b) Phase 2

Figure: LPO impact by labour market attachment

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LPO Impact by labour market attachment (1/2)
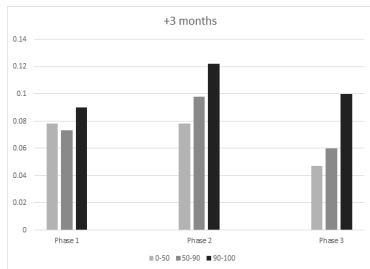
(a) 3 months after loss of IS entitlement
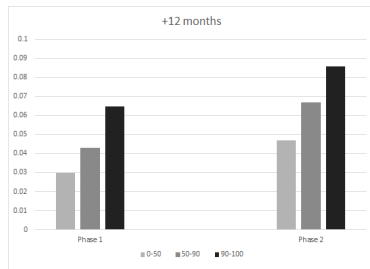
(b) 12 months after loss of IS entitlement

Figure: Difference in LPO impact on the probability of moving i) onto health-related benefits or non-claimant unemployment and ii) into work

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Other results

- LPO decreased average earnings (among lone parents with earnings)

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  - Consistent with a selection effect

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Other results

- LPO decreased average earnings (among lone parents with earnings)
    - Consistent with a selection effect
    - LPO induced lone parents with lower earnings potential to enter employment
- No evidence LPO induced lone parents to have another child (to maintain eligibility for IS)

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Conclusion

- We examine the effect of work search requirements on the employment of lone parents and their out-of-work benefits claiming

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- We examine the effect of work search requirements on the employment of lone parents and their out-of-work benefits claiming

- Evaluate the LPO reform: a staggered reduction in the age of youngest child entitling lone parents to IS from 16 to 7 years

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- LPO $\uparrow$ the inflow to employment but also the inflow into disability benefits and non-claimant unemployment

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Conclusion

- We examine the effect of work search requirements on the employment of lone parents and their out-of-work benefits claiming
- Evaluate the LPO reform: a staggered reduction in the age of youngest child entitling lone parents to IS from 16 to 7 years
- LPO ↑ the inflow to employment but also the inflow into disability benefits and non-claimant unemployment
- Increase in the probability of moving into a state with no work conditionality always larger than the increase in the probability of moving into work

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- We examine the effect of work search requirements on the employment of lone parents and their out-of-work benefits claiming

- Evaluate the LPO reform: a staggered reduction in the age of youngest child entitling lone parents to IS from 16 to 7 years

- LPO ↑ the inflow to employment but also the inflow into disability benefits and non-claimant unemployment

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- Impact is higher for lone parents with weak labour market attachment

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Thank you

- https://www.sciencedirect.com/science/article/pii/S092753711630416X

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Roll-out of LPO

Phase	DOB of youngest child	IS end date determined by	Age of youngest child when lose IS entitlement	Sample size
Phase 1 stock	25/11/1992 to 01/03/1993	Childs 16th birthday, from 25/11/2008 to 01/03/2009	Age 16 exactly	7356
		On first of childs 16th birthday or date of WFI between		
Phase 1i stock	02/03/1993 to 24/11/1993	02/03/2009 and 28/08/2009	Age 15-16	20302
Phase 1a stock	25/11/1993 to 01/03/1995	On date of WFI between 02/03/2009 to 28/08/2009	Age 14-16	37863
Phase 1a flow	02/03/1995 to 24/11/1995	Childs 14th birthday, from 02/03/2009 to 24/11/2009	Age 14 exactly	21370
Phase 1b stock	25/11/1995 to 05/07/1997	On date of WFI between 06/07/2009 to 06/01/2010	Age 12-14	52648
Phase 1b flow	6/07/1997 to 24/11/1997	On childs 12th birthday, from 06/07/2009 to 24/11/2009	Age 12 exactly	13310
Phase 2a stock	25/11/1997 to 31/01/1999	On date of WFI between 01/02/2010 to 01/05/2010	Age 11-12	40827
Phase 2a flow	01/02/1999 to 26/10/1999	Childs 11th birthday, from 01/02/2010 to 26/10/2010	Age 11 exactly	24850
Phase 2b stock	27/10/1999 to 06/06/2000	On date of WFI between 07/06/2010 to 07/09/2010	Age 10	21666
Phase 2b flow	07/06/2000 to 26/10/2000	Childs 10th birthday between 07/06/2010 and 26/10/2010	Age 10 exactly	14172
Phase 3a stock	27/10/2000 to 24/10/2001	On date of WFI between 25/10/2010 to 25/01/2011	Age 9-10	36931
Phase 3a flow	25/10/2001 to 25/10/2002	Childs 9th birthday, from 25/10/2010 to 25/10/2011	Age 9 exactly	36578
Phase 3b stock	26/10/2002 to 02/01/2004	On date of WFI between 03/01/2011 to 03/04/2011	Age 7-8	53059
Phase 3b flow	03/01/2004 to 25/10/2004	Childs 7th birthday, from 03/01/2011 to 25/10/2011	Age 7 exactly	39935

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Table: LPO impact on the probability of claiming IS

Months since predicted loss of entitlement	-9	-6	+3	+9	+12	+15	+24
Phase 1	1.4***	9.9***	46.2***	45.5***	42.1***	37.6***	28.7***
Phase 2	1.3***	7.4***	58.0***	55.6***	53.9***	51.3***	
Phase 3	1.1**	4.7***	57.1***	54.6***			

$^*p < 0.10$, $^{**}p < 0.05$, $^{***}p < 0.01$

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Estimated DiD coefficients :JSA

Table: LPO impact on the probability of claiming JSA

Months since predicted loss of entitlement	-9	-6	+3	+9	+12	+15	+24
Phase 1	0.0	1.9***	24.2***	21.4***	18.0***	14.2***	7.3***
Phase 2	0.1***	1.2***	32.8***	27.2***	25.0***	21.7***	
Phase 3	0.1***	0.5***	34.3***	27.5***			

$^{*}p < 0.10$, $^{**}p < 0.05$, $^{***}p < 0.01$

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Estimated DiD coefficients: IB/ESA

Table: LPO impact on the probability of claiming IB/ESA

Months since predicted loss of entitlement	-9	-6	+3	+9	+12	+15	+24
Phase 1	1.3***	4.2***	10.9***	10.7***	8.6***	7.2***	2.3***
Phase 2	0.3	1.4***	12.2***	12.1***	12.0***	11.7***	
Phase 3	0.0	0.4***	10.5***	10.9***			

$^{*}p < 0.10$, $^{**}p < 0.05$, $^{***}p < 0.01$

Estimated DiD coefficients:Any benefits

Table: LPO impact on the probability of claiming an out of work benefit

Months since predicted loss of entitlement	-9	-6	+3	+9	+12	+15	+24
Phase 1	1.5***	6.3***	11.1***	12.8***	13.1***	12.6***	10.6***
Phase 2	0.7**	4.7***	12.6***	15.7***	16.3***	17.5***	
Phase 3	0.8**	3.5***	11.8***	15.8***			

$^{*} p < 0.10$, $^{**} p < 0.05$, $^{***} p < 0.01$

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Table: LPO impact on the probability of being in work

Months since predicted loss of entitlement	-9	-6	+3	+9	+12	+15	+24
Phase 1	1.6***	4.8**	6.9***	7.8***	8.3***	8.9***	9.0**
Phase 2	0.4	2.6***	6.8***	9.7***	10.3***	11.5***	
Phase 3	0.8	2.9***	7.0***	9.6***			

$^*p < 0.10$, $^{**}p < 0.05$, $^{***}p < 0.01$

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List of controls

- In the first stage, we control for:
    - Age
    - Gender
    - Ethnicity
    - Number of children
    - Ill-health/ disability
    - Summary measure of past employment
    - Summary measure of past welfare receipt
    - Travel to work area
    - Index of Multiple deprivation (ward level)
    - Job Centre district
    - Job Centre district interacted with cohort