Evaluation of the extension to Lone Parent Work Focused Interviews eligibility: administrative data analyses

Genevieve Knight
Steve Lissenburgh

Policy Studies Institute

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The Authors

Genevieve Knight, is a Senior Research Fellow of the Employment Group at PSI. Recently, she has mainly worked on her specialisation, the quantitative evaluation of labour market programmes. Other interests include cost-benefit analysis, data quality, and handling missing data. Past projects include and examination of self-employment and pensions; the evaluation of the New Deal for Young People (NDYP); the evaluation of Joint Claims for JSA (including the extension to Joint Claims); the evaluation of NDYP in Scotland (for the Scottish Executive); and, benchmarking the NDYP (for the National Audit Office).

Steve Lissenburgh, was Principal Research Fellow and Head of the Employment Group at PSI. He joined PSI in 1994 after completing a PhD in Economics at the University of Cambridge. He was involved in most of the labour market programme evaluations carried out by PSI in the 1990s, including Employment Training/ Employment Action, Project Work, and Training for Work and had overall responsibility for PSI's evaluations of New Deal programmes in the early 2000s. He has carried out work on occupational segregation, the gender pay gap and women's labour market participation using the British Household Panel Study, the Fourth Survey of Ethnic Minorities, Employment in Britain, the Youth Cohort Survey, the Social Change and Economic Life Initiative and the Labour Force Survey.

In the final stages of this report, Steve Lissenburgh tragically lost his life together with his children in the tsunami in Sri Lanka. The project team extend their deepest sympathy to his surviving wife and family members.

Glossary

IS	Income Support is a non-contributory, income-assessed benefit available to people who are not required to work.
NDED	New Deal Evaluation Database maintained by DWP's Information and Analysis Directorate (IAD) **(Formerly Analytical Service Directorate – ASD)**. This Evaluation Database also incorporates data from other sources: data on claimant unemployment extracted from the Joint Unemployment and Vacancies Operating System (JUVOS) maintained by the Office for National Statistics, which is the primary source of published statistics on claimant unemployment; data from the Work Based Learning for Adults (WBLA) Database maintained by the Department for Work and Pensions, and data on age of youngest child of lone parents from the ISCS system again maintained by the Department for Work and Pensions.
ORC	Opinion Research Corporation International UK, an Opinion Research Corporation affiliated company.

Abbreviations

BA	Benefits Agency
DWP	Department for Work and Pensions
GMS database	Generalised Matching Service database
IS	Income Support.
JSA	Jobseeker's Allowance
NDLP	New Deal for Lone Parents
NDED	New Deal Evaluation Database
ORC	Opinion Research Corporation International UK

Summary

Background and aims

This research examines lone parents affected by the Lone Parent Work Focused Interviews (LPWFI) extension in April 2002. LPWFI for lone parents claiming Income Support (IS) were introduced nationally on 30 April 2001 and the first extension to eligibility occurred from 1 April 2002. From 1 April 2002, new/repeat lone parent IS claimants with youngest child over three years became eligible and those who were current IS claimants on 30 April 2001 with youngest child aged nine and under 12. The LPWFI system provides a mandatory Work Focused Interview with a Personal Adviser to help and encourage as many lone parents as possible to participate in the voluntary New Deal for Lone Parents (NDLP) program and take up paid employment.

The chief aim of the research reported here was to provide rigorously quantified estimates of how much difference the extension to the LPWFI system made to the rate of exits from Income Support (IS). A further aim was to contribute to the overall evaluation of LPWFI, which has been developed through several parallel strands of research.

Method

The effects of the LPWFIs extension were estimated by comparing IS exits for each eligible group in the period following the 2002 extension of the system with the outcomes for corresponding groups of lone parents in the period before introduction (from May 1999). To adjust for general changes in the economy and labour market, comparisons were also made over the same periods for groups of lone parent claimants who were not eligible for the LPWFI extension. The analysis method is normally termed the Difference in Difference (DiD) method. The policy objective is to help lone parents into work, not simply to leave IS, but the available data only allowed exits from benefit to be measured.

The data used for the analysis were derived from linked administrative records for IS claims, LPWFI and NDLP participation, for the period May 1999 to May 2004. There was separate analysis for ‘new or repeat claimants’ and ‘stock claimants’. This

reflects their different eligibilities under the LPWFI extension, and also different programme operation for these groups.

To ensure estimates are sound, the research investigated potential difficulties that could affect the evaluation, of which two were particularly important. Firstly, changes in outcomes over the period in question could have been affected by shifts in the relative characteristics of the eligible and non-eligible groups being compared. Checks of the characteristics of analysis groups were examined over time. Changes to characteristics were slight and evenly distributed between the groups, consistent with the requirements of the evaluation design. Secondly, checks were made to ensure that policy changes, particularly the replacement of Family Credit by Working Families' Tax Credit (WFTC) in October 1999 did not affect the evaluation design. It should be noted that the choice of baseline was fairly limited as the data were available from mid-1999 only. The possible impact of WFTC was tested by making comparisons in outcomes over the period *before* the introduction of LPWFI. It was possible to test this for the new/repeat cohort, and the results showed that WFTC may have affected the baseline for IS exits for the new/repeat cohort. The new/repeat analysis adjusts for this by removing the estimated impact due to WFTC.

The DiD analysis examines the impact of *eligibility* for the LPWFI extension. However, a key assumption in interpreting the impact is that most of those eligible for the LPWFI actually attend it. The impact measured across the eligible population is inevitably smaller than the impact on participants if only a minority of those eligible participate. Of those eligible, overall 74 per cent of the new/repeat and 65 per cent of the stock were observed to enter the LPWFI system, of which a smaller proportion would have attended a LPWFI, as some are deferred or waived. Some of this might be a measurement problem, but there are indications that there may be eligible claimants not undergoing the LPWFI process. It is possible to adjust the impacts found to account for the proportion entering the LPWFI system, as suggested by Bloom (1984), by dividing the impact estimate by the proportion entering the LPWFI system. This adjustment was not carried out because of uncertainty about the accuracy and matching quality of administrative records on the proportion of the eligible population who had entered the LPWFI system. To this extent, the LPWFI impacts described in this report represent lower bound estimates. Additionally, if a Bloom adjustment were applied, an assumption is required that the selection process into LPWFI participation is random, as if the selection is not random then it cannot be assumed that the similar size impact could be attained for the proportion not participating in LPWFI.

LPWFI extension impacts on IS terminations

Estimates of LPWFI extension impacts upon IS terminations for new/repeat claimants were close to zero in size and were not statistically significant. Although the extension of LPWFI brought about no detectable change in exit rates from IS for eligible new/repeat claimants, for the groups analysed, the limitations of the analysis do not preclude an impact that was not measurable using these methods.

Lone parents with ongoing claims became *more* likely to exit IS following the extension of LPWFI. For lone parents with an ongoing claim who were eligible for the LPWFI extension, a statistically significant small positive average impact on exits from IS was found. The LPWFI extension was found to raise IS exits by one percentage point at six months after April 2002, and this impact rose to two percentage points after 12 months. The differences in LPWFI impacts on exits from IS by age of youngest child were all positive, varying between one and two and a half percentage points.

1 Introduction

Lone Parent Work Focused Interviews (LPWFI) for lone parents claiming Income Support (IS) were introduced nationally on 30 April 2001. The system provided a Work Focused Interview with a Personal Adviser that was compulsory for eligible lone parents. It was also designed to encourage participation in New Deal for Lone Parents (NDLP), which remained voluntary.

Eligibility for LPWFI was based on the age of the youngest dependent child. Initially, lone parents making a new or repeat claim were eligible if their youngest child was at least five years three months old. Those who had ongoing ('stock') claims at the time when LPWFI were introduced were eligible if their youngest child was aged 13 to 15 years nine months. Since 1 April 2002, eligibility has subsequently been progressively extended. From 1 April 2002, new/repeat lone parent claimants with youngest child over three years became eligible and those who were current claimants on 30 April 2001 with youngest child aged nine and under 12. It is evaluation of this first extension in 2002 which is covered in this report. Further extensions to eligibility occurred (see Section 1.1.3) and these are not dealt with here, but in later reports.

This report presents initial findings from an analysis of administrative data relevant to the first extension of LPWFI. The administrative data analysis examines the impact of the system of mandatory LPWFI on lone parents claiming Income Support (IS) after 1 April 2002, when LPWFI were extended nationally as a welfare-to-work programme for lone parents on IS.

This research is one part of a wider national programme to evaluate the delivery and impact of LPWFI for lone parents. Other parts of the evaluation which have reported earlier are:

- Qualitative: Qualitative interviews with staff involved in the management, administration and delivery of lone parent LPWFI in five selected districts in England, Scotland and Wales. Observations of lone parent LPWFI in these districts with follow-up qualitative interviews with both the customers and Personal Advisers involved. Qualitative interviews with lone parent participants of LPWFI, covering a range of subgroups. Thomas, A. and Griffiths, R. (2002).

- A national quantitative survey of lone parent participants in LPWFI, from among both ‘stock’ and ‘new/repeat’ claimants. Coleman, N.; Rousseau, N.; Kennedy, L. (2002), Coleman, N.; Rousseau, N.; Laycock, M. (2003).
- Administrative data analyses of the impact on benefit exit. Knight and White (2003), Knight and Lissenburgh (2004).

The earlier findings from these research strands were combined into a LPWFIs Evaluation Integrated Report published in 2004[1].

This report might be considered to contain fairly technical content due to the nature of the analysis. However, the structure is fairly simple. The introduction in Chapter 1 covers the policy background to LPWFI and the scope and limitations of the report are laid out. Chapter 2 describes the evaluation approach. Chapter 3 examines the data which assists in assessing the viability of the method. Chapter 4 is a technical description of the results of the analysis while Chapter 5 concludes.

1.1 Policy background to Lone Parent Work Focused Interviews

1.1.1 Increasing lone parents’ labour market participation

Lone parents are one of the main groups addressed within the Government’s Welfare to Work strategy. The Government has set a target to raise the proportion of lone parents in work to 70 per cent by 2010. The importance of this policy relates to the Government’s associated target to eliminate child poverty by 2020. Most couples with children are in work, so the largest group of those out of work amongst households with dependent children is among lone parent families[2].

As a result, a key objective for the Department for Work and Pensions (DWP) is to promote work as the best form of welfare for people of working age (Public Service Agreement, DWP). With this in mind, it is the aim of the DWP to encourage more lone parents to actively seek work and thereby increase the employment rate of lone parents.

Lone parents in the UK often suffer from low income and a range of barriers to work, Bryson et al., (1997); Evans et al., (2002). Many lone parents rely on IS. A number of recent policies seek to address the difficulties faced by lone parents, including:

- Changes to in-work benefits, with the change from Family Credit to Working Families’ Tax Credit (WFTC), which includes a Childcare Tax Credit (CTC), and now to Working Tax Credit (WTC).

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[1] Thomas, A. and Griffiths, R. (2004).

[2] There are more than 800,000 lone parents either not working or working less than 16 hours a week. This compares to about 300,000 out-of-work couples (Marsh and Perry 2003).

- Help with the financial transition into paid employment from benefit, through the Lone Parent Benefit Run-on, extended payments of Housing Benefit and Mortgage Interest Run-on.
- Establishment of the National Childcare Strategy and a drive to improve childcare provision.
- Introduction of the voluntary NDLP in 1998.

Additionally, since April 2001, these policies have been enhanced with:

- The introduction of mandatory LPWFI.
- Extra financial help for lone parents entering part-time work of less than 16 hours per week after NDLP participation, in the form of childcare payments for the first twelve months of work.
- An increase in the earnings disregard for lone parents working less than 16 hours per week from £15 to £20 per week.
- An increase in the training allowance for lone parents undertaking work-related training on NDLP, from £10 to £15 per week.
- A disregard of the first £10 of child support maintenance

Further policy changes that variously affect lone parents have also been introduced:

- Self-employment option (from Autumn 2001).
- Extension of Work Based Learning for Adults to 18 – 24 year old lone parents (from April 2001).
- Adviser Discretion Fund for lone parents on IS six months or more (from July 01).
- Basic Skills screening at initial NDLP interview (from April 2001).
- National Outreach service for partners and lone parents (from April 2002, but now withdrawn).
- The introduction of a new mentoring service, to provide support and advice to lone parents seeking to enter work.
- Childcare Partnership Managers to be established in every Jobcentre Plus district from April 2003, to improve access to information about local childcare provision.
- In some areas, Employment Zones to be extended to lone parents.
- Reform of the administration of Housing Benefit.
- Movement towards paying all benefits electronically, (from April 2003).
- Reaffirmation of the child poverty target – now to reduce the number of children living in low-income households by at least a quarter by 2004.
- A target to double to 60 per cent the proportion of families with an absent parent on IS who receive maintenance.

- Discovery week pilots to boost soft skills such as confidence, and to increase the familiarity of lone parents with the help and support available to them.

1.1.2 New Deal for Lone Parents

NDLP was launched in eight areas as a prototype in July and August 1997, introduced nationally for new and repeat claimants in April 1998, and extended to all existing lone parents on IS in October 1998. It was, and continues to be, a voluntary programme, and all lone parents on IS whose youngest child was under 16 were eligible to join. There was no need to wait for an invitation: by contacting a lone parent Personal Adviser, an eligible person could join at any time. An interview with a Personal Adviser was a key delivery mechanism for NDLP. The Personal Adviser developed a package of advice and support. An individually tailored package of advice and support designed to facilitate a move into employment, could include:

- providing job search support to customers who are job ready;
- helping lone parents to identify their skills and develop confidence;
- identifying and providing access to education and training opportunities;
- improving awareness of benefits;
- providing practical support and information on finding childcare;
- providing 'better off' calculations and assisting with benefit claims;
- liaising with employers and other agencies offering in-work support.

Although all lone parents on IS with a youngest child aged less than 16 were eligible, NDLP was initially targeted on those whose youngest child was at least five years three months. After May 2000, targeting was extended to include lone parents on IS whose youngest child was at least three years old. From November 2001, NDLP eligibility was extended to lone parents not working and lone parents working less than 16 hours a week[3].

1.1.3 Lone Parent Work Focused Interviews

To help and encourage as many lone parents as possible to participate in NDLP and take up paid employment, a number of further measures were announced in the March 2000 Budget[4]. With effect from 30 April 2001, mandatory LPWFIs were introduced for lone parents claiming IS within the following groups:

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3 More detailed information on NDLP can be found on the New Deal website www.newdeal.gov.uk and in Evans et al. (2002) and Evans et al. (2003).

4 LPWFIs were introduced into legislation in 2000, in the Social Security (Work Focused Interviews for lone parents) and Miscellaneous Amendments Regulations 2000, S1200, no. 1926.

- New/repeat claimants for IS where the youngest child was at least five years three months at the time of initiating a claim.
- Lone parents already claiming IS on 30 April 2001 (known as 'stock claimants') where the youngest child was in the 13 – 15¾ year age group.

Lone parents with new/repeat claims were to attend their first meeting with a Personal Adviser at the start of their IS claim, and then on an annual basis while they received IS. For lone parents in the stock group, the invitation to attend the first meeting would be sent at specific times, depending on the age of the youngest child. For example, in the first year of the national programme, local offices were instructed to begin with those stock claimants with youngest children closest to the cut-off age of 15 years and nine months. The 13 – 15 year age group for the stock was interpreted in determining the stock invitations as youngest child turning 13 years within 12 months, to 15 years nine months, ie 12 years to 15 years nine months.

LPWFIs were essentially an appointed meeting with a Personal Adviser. The Personal Adviser could use the meeting to provide awareness about the opportunities and the support available to lone parents.

The stated aim of the mandatory LPWFI was to facilitate a movement into paid employment by encouraging the lone parent to seek work and supporting the job search process, and/or encourage them to take up training opportunities aimed at improving their chances of moving into paid employment. In particular, LPWFI had the additional objective of encouraging participation in NDLP. Although participation in the LPWFI was compulsory, it was not compulsory for lone parents to seek work or join NDLP.

The system of mandatory LPWFI was subsequently extended to other groups. Interviews were rolled out gradually depending on the age of the youngest child and for new/repeat claimants, the extension groups are:

- April 2002: those whose youngest child is three years or above.
- April 2003: all new and repeat claimants.

For stock claimants, the extension groups are:

- From April 2002: those with youngest child aged 9 – 12
- From April 2003: those with youngest child aged 5 – 8
- From April 2004: those with youngest child aged 0 – 5 years and three months, so that all IS lone parent claimants were eligible.

In addition to the extension to coverage, review meetings were started as a follow-up for those eligible for LPWFI. After the first LPWFI, if the customer remained claiming, then a review meeting would take place. The introduction of review meetings was staggered:

- Annual reviews started in May 2002 for those eligible new/repeat claimants who had entered the LPWFI system between April 2001 – April 2002. Annual reviews also started at this time for the stock of claimants who became eligible on 30 April 2001.
- Reviews at six months started in October 2002 for all eligible new/repeats who had entered the LPWFI system after April 2002, and then subsequent annual reviews followed these.

Hence, new/repeat claimants of IS who remain on benefit are required to attend a review meeting after six months, and then again six months after that and annually thereafter.

This evaluation examines the impact of the first extension of the LPWFI system in 2002 only. The further extensions to the LPWFI system, and Review[5] meetings, will be evaluated separately using administrative data in a follow-up report. An earlier report evaluates the impact of the initial introduction of the LPWFI system, Knight and Lissenburgh (2004).

1.2 Policy context

In evaluating a welfare-to-work or labour market programme, it is essential to take account of other policy developments which may affect the results. As explained further in Chapter 2, this is particularly important with the evaluation method that is applied in this study.

1.2.1 Benefit system changes

The changes to the benefit system itself should not be ignored. An important change relevant for lone parents is the increase in IS and associated benefits for families with children. These increases were above the level of inflation. A rise in the rate of benefit on October 1999 and again in April 2000 for those claiming IS, income-related Jobseeker's Allowance (JSA), Housing Benefit (HB) and Council Tax Benefit (CTB) for families with children under 11 years meant that the rewards to low wage part-time work fell slightly for these groups, Brewer et al., (2003).

1.2.2 NDLP enhancements

Section 1.1 referred to NDLP, the importance of which is obvious, since LPWFI are designed to increase take-up of NDLP, while NDLP provides one of the main channels through which participants in LPWFI are assisted. As a result of these close connections, it is difficult to separate the impact of LPWFI from parallel changes in NDLP. It is also important to note that another report will present findings on the impact of LPWFI in the context of NDLP[6].

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[5] Qualitative findings about review meetings for LPWFI are already published in Thomas and Jones (2003).

[6] As part of the project 'Secondary analyses of New Deal for Lone Parents'.

NDLP preceded the introduction of LPWFI, but (as outlined above) was enhanced in a number of respects at the same time that LPWFI commenced as a national system. Wherever in the following sections reference is made to the effect or impact of LPWFI, it should be understood that this includes the enhancements to NDLP as an integral part of the LPWFI programme.

1.2.3 Tax Credits changes

Section 1.1 also briefly referred to WFTC. This was the other main policy development affecting lone parents. WFTC was introduced slightly more than 18 months in advance of the introduction of LPWFI when WFTC replaced Family Credit (FC) from 5th October 1999. In June 2000 there was an increase in child rates available on WFTC (See Appendix C, Table C.2). WFTC was fully phased in by April 2000, with claims in the intermediate period after October 1999 a mixture of WFTC and FC[7] recipients. WFTC can change participation in employment by changing the financial incentives for working for different types of households with children. This may affect comparisons over time, depending on the selection of time-periods involved in the comparisons. This issue is further analysed in Chapter 4.

WFTC is of benefit to all qualifying[8] lone parents who work more than 16 hours per week[9], and so there is interaction between the WFTC and LPWFI, as well as NDLP policy enhancements. A full description of WFTC, and its relative generosity compared to FC is in Appendix C and Table C.2 lists the various components of WFTC.

It is evident that WFTC was a major development with considerable power to affect the labour market behaviour of lone parents and other low-income groups. In Spring 2002, 668,000 lone parents were receiving WFTC[10], a figure that was not far short of the 856,000 lone parents receiving IS (National Council for One Parent Families, 2002). After WFTC was introduced, the number of recipients grew markedly with a much higher growth rate than FC, so that one year later the caseload had increased by 39 per cent, however some interpreted the majority of this rise to be due to the increased generosity of WFTC making more families entitled rather than from families moving into work (Brewer et al. 2003: 24). Additionally, due to the interaction of means tested programmes, families receiving help with rental housing costs and local taxes (through Housing Benefit (HB) and Council Tax Benefit (CTB)) would have gained less from the WFTC reform than otherwise

[7] Those with FC awards up to 30 September 1999 and still current at the reference date.

[8] Those with income above the limits will not qualify.

[9] The childcare tax credit component of WFTC may be particularly attractive for those with young children. Note that parents with higher earnings may not qualify.

[10] This is the official Inland Revenue figure for February 2002, All awards, Great Britain: See Table 1 p3 WFTC Statistics, UK Summary Statistics February 2003.

equivalent families not receiving these benefits. This is because although WFTC increased the financial reward to HB recipients, they have lower incentives to work 16 or more hours and also lower incentive to increase their hours above 16 hours per week (Brewer et al. 2003: 6). The largest share of lone parents out of work also claim housing benefit.

However, data from national surveys of lone parents have shown that WFTC has substantially raised the income of working lone parents, Vegeris and McKay (2002), and this would increase the attractiveness of employment to them. Additionally, the provision (under WFTC) of considerably higher payments towards childcare costs would be of particular advantage to lone parents, who on average have relatively low access to unpaid childcare, and especially to those lone parents with young children where the costs of paid childcare tend to be greatest. Recent evaluation work assessing the impact of WFTC on employment found that it had a positive impact on lone parents. Brewer et al. (2003) found a positive effect of WFTC on lone mothers labour supply of 4.6 per cent, and earlier estimates of the predicted impact of WFTC on single parents employment were between one and two per cent, Blundell and Reed (2000)[11]. Some published statistics for lone parents receiving IS are in Appendix C, Table C.1 and figures for WFTC take-up are shown in Appendix C, Figure C.1.

It is maintained that increased in-work support has been achieved principally by making first the WFTC and then the new tax credits WTC and CTC far more generous than their predecessor, FC, with reduced taper rates also evident in the new tax credits which are withdrawn much more slowly than Family Credit was, Brewer & Clark (2002). It is likely that the favourable impact of WFTC on employment for lone parents would be repeated to some degree with the move from WFTC to WTC/CTC in April 2003. A description of WTC/CTC is contained in Appendix C and Table C.3. The timing of the changes to WTC/CTC mean that it is unlikely that they affect the analyses here, however it may have importance for further analyses of the LPWFI extension.

1.2.4 Maternity and Parental Leave changes

Another area with some potential implications for lone parents is maternity provision[12]. These are particularly relevant to the large proportion of lone parents entering IS on the birth of a child. The provisions were modified in the Maternity and Parental Leave Regulations 1999, the Maternity and Parental Leave (Amendment) Regulations 2001 and the Welfare Reform and Pensions Act 1999. The 2001 Budget

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[11] An important qualification is that these WFTC analyses do not examine lone parents and whether they are claiming IS, but the economy more generally.

[12] Another program The National Childcare Strategy (NCS) was introduced in 1998, with the aim of ensuring affordable childcare provision for children less than 14 in every neighbourhood. This introduction is earlier than the data analysed here, and so should not affect comparisons in the analysis.

also announced increases in the amount and period of Maternity Pay, effective from 2003. These changes are not discussed in more detail, since a straightforward method of avoiding any possibly confounding influence from them has been implemented in the analyses. Essentially, those new/repeat claimants with youngest child less than 12 months old are excluded from analyses.

1.2.5 Jobcentre Plus rollout

Delivery of the LPWFI initiative is increasingly affected by the national implementation of Jobcentre Plus. Jobcentre Plus extends LPWFI to other groups of benefit claimants and places emphasis on priority groups and programmes including lone parents, people from ethnic minority groups, the most disadvantaged in the labour market and those on New Deal. Initially, there were 56 Jobcentre Plus pathfinder offices offering fully integrated work and benefit services, but a further 225 fully integrated Jobcentre Plus offices were planned to open between October 2002 and April 2003, the majority of which were completed by April 2003. Full integration of all Employment Services (ES) and Benefits Agency (BA) local offices will take several years, during which time services will continue to be provided in social security offices and Jobcentres as was the case during this research. The timing of the rollout of Jobcentre Plus is relevant to the LPWFI analysis because in areas where Jobcentre Plus conversion has taken place, the comparison group of lone parents could also receive LPWFI. This is slightly complicated by the fact that they would need to sign off and start a new IS claim to enter a Jobcentre Plus LPWFI. While it was decided to exclude the few pathfinder areas, the October 2002 – April 2003 rollout of Jobcentre Plus affects more than a quarter of the country, making exclusion of affected offices infeasible. Instead, a more complex system of exclusions was applied, so that all new claimants in potentially affected postcode areas are dropped after their Jobcentre Plus rollout date[13].

1.2.6 Pilots affecting the eligible or comparison groups

In addition to these aspects of national provision, several pilot programmes which potentially affected lone parents were operating in selected areas shortly before or overlapping with the introduction of LPWFI. The most relevant to LPWFI over the period of this analysis were the ONE pilots (which were also based on Work Focused Interviews, for lone parent entrants to IS as well as for entrants to Incapacity Benefit and to JSA); Pathfinder pilots for the LPWFI themselves; and the pathfinders for the

[13] Jobcentre Plus rollout is more difficult to identify as it takes place by postcode area, not Jobcentre district or office. To identify these, analysis of the Jobcentre Plus data was carried out by DWP, and monthly frequencies of starts within postcode areas produced. Where the frequency within postcode area became greater than ten, this was deemed a rollout of Jobcentre Plus, and the month this occurred was set as the roll-out date for that postcode area. This was then mapped onto the IS data, and all claims within the postcode area with a start date after the Jobcentre Plus roll-out were excluded from analysis.

integrated services of Jobcentre Plus. To simplify the task of the administrative data analysis, it was decided to exclude these pilot areas. This results in a reduction of about 15 per cent of the total sample. Since administrative data are being used, the sample sizes are sufficiently large for this not to be a problem. Northern Ireland has also been excluded, so the data generally gives coverage of information that represents 'standard' LPWFI implementation in Great Britain.

1.3 Scope and limitations of the report

The most general limitation of the evaluation, is that outcomes are confined to movements off IS, but do not include entry to employment[14]. In addition to this, if as a result of LPWFI a person moved into only part-time work of less than sixteen hours per week, as they could continue to claim IS, this change would not be picked up in the analysis of IS exits[15]. The sensitivity of the evaluation is thus limited to picking up impacts of LPWFI that lead to termination of the IS claim. Re-partnering is an example of an exit from a lone parent IS claim which may not involve employment (in addition, only some re-partnering will lead to an IS claim exit, for example a change of circumstances from a lone parent to general IS claim will not result in IS claim exit).

The analysis of LPWFI presented in this report relates to outcomes up to six months from claiming for new/repeat IS claimants who started their IS claim in the period June – October 2002, and for up to twelve months for eligible stock claimants with an ongoing claim at 30 April 2001 and still claiming at 1 April 2002. The scope of the analysis was determined in part by the availability of administrative data, and in part by the occurrence of further changes to the LPWFI system. The data availability from mid-1999 onwards limits the choice of baseline period. The follow-up period for measuring outcomes is also limited by the further extensions to LPWFI in 2003 and by the review meetings schedule for those still claiming. Analysis of outcomes extending beyond the period covered here, for the evaluation of the extension of LPWFI to further groups of lone parents on IS, will need to take account of these further changes to the system and will therefore involve a new evaluation design.

The results reflect a stage in the development of the system that may not be representative of subsequent operation. They also show the system in operation over only part of a year, while lone parents, because of their childcare responsibilities and the timing of school and nursery terms, and because of seasonality in the part-

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[14] Estimating the impact on employment would have necessitated collecting survey data, and with the expected size of the overall impact being small, the required sample size would have been far larger than is feasible.

[15] Note that movements into work of any hours would contribute to the 70% employment target for lone parents. The NDLP aim is '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', Evans et al. 2003: 1.

time and temporary job market sectors[16], may have variable access to employment across the year. Entry or access to NDLP may also differ across the months of the year, and so the results may be specific to the analysis period.

An issue for both new/repeat and stock claimants was that, even though in principle LPWFI are compulsory, only a proportion of those who were eligible for LPWFI are recorded as taking part[17]. The proportion taking part is also discussed further in Section 3.3. It would be of interest to estimate the impact of actually taking part in LPWFI, but to do so one would need detailed information on the factors or reasons distinguishing eligible participants from eligible non-participants, and this level of detail was not available in the administrative database. Also, interaction with NDLP participation needs to be accounted for. Further analyses are being conducted which examine the impact of participation in LPWFI and NDLP, which will report in 2005[18]. Thus, the evaluation focuses mainly on the impact of eligibility for LPWFI, rather than on active participation in LPWFI. In other words, it considers the impact of the LPWFI system as a whole on all those eligible, whether or not they actively participated.

Despite these limitations, the data available for this evaluation offered a number of important opportunities or strengths:

- The data were representative of the whole claimant group to which LPWFI applied over the May 1999 – May 2004 period.
- There were large numbers of observations for each analysis, typically in the region of 100,000, and there was no loss of precision from clustered sampling or other design effects usually introduced by sample survey designs.

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[16] See Marsh et al. (1997) regarding seasonality of lone parent employment opportunities.

[17] Taking part in the LPWFI system includes attending, deferring or waiving a meeting, not just attendance of a LPWFI. Note that in the context of this report 'attending' is used to also imply active participation beyond attendance per se, for example answering questions during the interview.

[18] The project 'Secondary analyses of New Deal for Lone Parents'.

- These features meant that relatively small impacts could be estimated with a higher degree of precision than is possible from survey data[19].
- Furthermore, the administrative data sources, which are used for the payment of benefits, are likely to be more accurate than data collected through survey interviews. In particular, the recall of dates by individuals in surveys tends to introduce large errors and gaps in information. Compared to the typical survey, the administrative data puts one in a better position to compare exit-times from claiming IS at various periods before and after the introduction of LPWFI.
- Another advantage of the administrative data is that one can determine with reasonable confidence whether individuals did or did not take part in LPWFI or in NDLP. In survey interviews true non-participation is hard to separate from forgetting and from individuals' confusions about the names of different programmes or services.

[19] Note that administrative register data is also subject to measurement error, although it does not have sampling error.

2 Evaluation method

In this evaluation, the aim is to estimate the net impact of the 2002 extension of Lone Parent Work Focused Interviews (LPWFI) system on eligible lone parents. The central question is *what difference did LPWFI make to outcomes for these lone parents, which would not otherwise have happened*?

The outcome of interest to the national Welfare-to-Work strategy would be the employment of lone parents. However, the administrative data available for the evaluation did not include information on employment for those terminating an IS claim. The evaluation used an outcome that is indirectly related to employment, terminating an IS claim.

Further details of how the evaluation aim is addressed follow.

2.1 The evaluated groups

The impact of the LPWFI extension has been estimated in this evaluation for the whole group eligible for LPWFI, including those who never actively participated. As such, this is an evaluation of the extension of the LPWFI *system*.

Those who are seemingly eligible for LPWFI might not be equivalent to those who actually take part in them. For a variety of reasons, even though LPWFI are mandatory, the meetings for eligible customers may be delayed or waived, or the lone parent may cease to be a claimant before the meeting takes place. As a result, in principle it might be possible to estimate the impact solely for participants, but to do so it would be necessary to have good information that could explain why some do and others do not take part, for all analysis and comparison groups. The administrative data used for this research contained little information of this type, precluding estimation of the net impact of LPWFI on its participants. On the other hand, it was possible using the IS administrative database to identify, with reasonable accuracy, those who were eligible to take part, since this depended only on the dates of commencing and ending an IS claim, on the age of the youngest child, and on having no partner.

Evaluating LPWFI *eligibility* rather than LPWFI *participation* might not be considered a severe limitation. As shown in Section 3, the majority of eligible lone parents did in fact participate in LPWFI. Furthermore, there could be real indirect consequences of the LPWFI *system*, even when no meetings had taken place. Those who did not participate may have been affected by the existence of LPWFI in a variety of ways: for example, by being told about the meetings when they initiated or inquired about a benefit claim, or by hearing of the meetings from people they knew who had attended. Some of the non-participating lone parents who heard about LPWFI may have been stimulated to begin job search, or left for a job to avoid LPWFI, while others may have tried to switch to a different type of benefits. Any such indirect effects of the LPWFI system on eligible IS claimants were captured by the evaluation method[20].

2.1.1 'New/repeat' and 'stock' claimants

The extension of the programme of LPWFI was applied differently to customers making 'new or repeat claimants' and those current lone parent customers at the introduction date, the 'stock of claimants'. The analyses of the stock and new/repeat eligible groups were each carried out separately. This is a very important distinction for the evaluation: samples for the two groups were constructed in fundamentally different ways, and the analyses for the two groups were also designed differently.

Eligible new/repeat customers

New/repeat customers are in general those who initiate a fresh claim during some reference period. The eligible group of new/repeat claimants for this evaluation consisted of those whose IS claims were initiated after the commencement of the LPWFI system extension on 1 April 2002. These constituted an eligible new/repeat lone parent customer in the LPWFI system if:

- their youngest child was aged between three years and five years and three months, or more, at the start of the claim;
- and if in addition they had no partner at the start of the claim[21].

This group forms only the additional part of those new/repeat lone parent IS claimants who were eligible from 1 April 2002, as those with youngest child five years and three months to 15 years became eligible from 30 April 2001.

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[20] Note that those deterred before claiming IS as a lone parent would not be detected with this method, (but this would lead to a fall in the total number starting new claims as lone parents). Such deterrence would be a problem if it affected the composition of the analysis groups (the treatment group or the comparisons), as difference in differences is not robust to changes to composition. Changes to composition of the groups is examined in Chapter 3. See Section 2.2.1 for further discussion about changes to composition.

[21] This definition excludes those who flow onto the IS for some other reason, and then subsequently become lone parents with a change of circumstance. This is dealt with in more detail in Section 2.1.3.

Of all such new/repeat lone parent IS claimants, we examined the cohort of entrants with IS claims commencing June to October 2002, covering five months. The entrant cohort had to be curtailed at October to enable a follow-up period of six months to April due to the LPWFI extension coming into operation on 1 April 2003 (this affected the comparison group). This curtailment avoids the need to change the comparison groups, but limits the cohort and follow-up period. Reviews at six months started in October 2002 for all eligible new/repeats who had entered the LPWFI system after April 2002. This also limits the follow-up period to six months for this evaluation, as after six months the impact estimated would reflect the combined impact of the review and initial LPWFI.

Under the LPWFI system, new/repeat claimants for lone parent IS, once identified as meeting the eligibility criteria, were immediately informed that they were required to participate in a LPWFI as a condition of being able to proceed with the processing of their benefit claim. An appointment could be arranged immediately, or appointment options could be discussed later via telephone or letter. So as not to delay processing of benefits, there was a requirement that the meetings be set up within four days of the claim date[22]. It has been reported that early on, there were some problems with new/repeat claimants not being identified by the Benefits Agency (BA) as being eligible for entry to LPWFI (Thomas & Griffiths, 2002: 15). This is discussed further in Section 3. The LPWFI process for new/repeat claimants in the extension was substantially different to that applied to the stock of claimants.

Eligible stock customers

Stock customers are in general those who already had a claim in being before a reference date and continuing beyond that date. The eligible group of stock claimants for the purposes of this evaluation consisted of those with existing claims before or on 30 April 2001 and continuing thereafter until 1 April 2002. Those eligible for LPWFI were identified from scans of the MIDAS payment system, where lists of lone parents with youngest child between nine and 12 years were provided to the local administration teams on a regular basis. In practice the lists also identified lone parents where the youngest child would turn nine years within the next 12 months, ie currently aged eight. A similar practice was adopted for the original introduction of LPWFI to the stock of those with youngest child aged 13 – 15, from April 2001. As a result, all those with youngest child aged 12 at April 2001 would have been invited to a LPWFI by April 2002. Hence the eligible group for stock were those aged eight to 11[23]. All stock claimants would have been sent a letter informing them of the introduction of LPWFI, and advising they would need to attend a LPWFI appointment. Appointment letters were then sent out proposing an appointment

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[22] The claim date is counted as day zero, and the LPWFI should be booked within the next three days.

[23] The 13 – 15 year age group for the April 2001 stock was interpreted in determining the stock invitations as youngest child turning 13 years within 12 months, to 15 years nine months, ie 12 years to 15 years nine months.

time. There are indications from the LPWFI meetings database that there were some delays in the delivery of LPWFI. This is further discussed in Chapter 3.

2.1.2 Comparison groups

In addition to the eligible groups defined in Section 2.1.1, the evaluation made use of 'comparison groups'. For each eligible sample, separately amongst the stock or new/repeat claimants, **three** types of comparison groups were constructed (the way in which these comparison groups contributed to the Difference in Difference (DiD) evaluation is described in Section 2.2):

- A comparison group of lone parent claimants from **before** the period when LPWFI were introduced, with children of the right age to make them *eligible* for LPWFI if those had existed at the time.
- A comparison group of lone parent claimants from **after** the period when LPWFI were introduced, who were *ineligible* because of the age of their youngest child.
- A comparison group of lone parent claimants from **before** the LPWFI period, who would have been *ineligible* because of the age of their youngest child even if LPWFI had existed at the time.

In the case of new/repeat claimants, the non-eligible groups were claimants with a youngest child aged less than three years when they began their claim. To increase comparability between the eligible and non-eligible new/repeat claimants, those with a child aged less than one year on entry to IS were excluded from the new/repeat comparison groups.

Comparison groups of stock claimants were sampled at two points: those with ongoing claims existing on 15 May 1999 (before) and those existing on 30 April 2001, and continuing to 1 April 2002. The three comparison groups are formed in a similar way to those of the new/repeat. The eligible group was those with youngest child aged 8 – 11 at the reference dates[24]. The non-eligible groups consisted of those with a youngest child aged less than eight on 30 April 2001, or on 15 May 1999. To increase comparability, those with a child aged less than five years on these reference dates were excluded from the stock comparison groups.

2.2 The method of 'Difference in Differences'

The impact of the extension of the LPWFI system is estimated by the method of 'difference in differences' (DiD)'[25]. 'DiD' is one of the most widely used economic evaluation methods for welfare-to-work programmes. It is often suitable when (a) data are available both before and after the start of the programme, and (b) the amount of information available for each individual or claim is sparse. This is the

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[24] See Section 2.1.1 previous for practical interpretations of these age limits.

[25] See Purdon (2002) for more discussion of the Differences in Differences method in labour market evaluation.

situation in the present evaluation. However, there are assumptions required for the valid use of DiD and these need to be carefully examined in each application to check that they are met.

The DiD method can be understood as an extension of the 'before and after' method of evaluation. In the 'before and after' method[26], the outcomes for participants after the introduction of the programme or service are compared with outcomes for a similarly defined group in a baseline period before the programme or service started. The difference between the two outcomes is taken as the estimate of the effect of the programme or service.

A particular strength of the 'before and after' estimate is that it is unaffected by characteristics of the participant group which are unchanging over time, since these 'cancel out'. Because of this feature, one does not need much information about the participant characteristics provided that it is reasonable to assume that they change very little over the period considered. This is usually a reasonable assumption if the 'before' and 'after' samples have been drawn in precisely the same way, and the time-gap is short. Additionally, any changes in observed characteristics can be adjusted statistically. However, the 'before and after' estimator has a severe drawback: it can be biased by other changes in circumstances that could have affected outcomes over the period in question. With labour market programmes, other types of change are often – indeed, usually – taking place in parallel with the programme being evaluated. In particular, economic and labour market conditions are continually changing, and these changes are often rapid, affecting the ease or difficulty of finding a job from month to month. In addition, there are a number of policy changes affecting the employment of lone parents, as described in Section 1.2.

The DiD method seeks to overcome this drawback of the 'before and after' method. It does so by adding to the evaluation a further parallel group that is **not** involved in the new programme or service. Since this group is not affected by the programme or service, any change in its outcomes over time can (usually) be attributed to changes in general economic or labour market conditions. The difference in outcomes over time for this non-participating group is therefore used to estimate the effect of these background changes. A key assumption of DiD associated with this is that the changes are assumed to act similarly on both the participant and comparison groups. When the comparison group difference is subtracted from the 'before and after' estimate for the participating group, this provides an estimate of the impact which is adjusted for changes in background conditions. The DiD estimator also retains the same advantages of the 'before and after' estimator in providing estimates that are unaffected by characteristics of the groups provided that these do not change over time.

Appendix A explains more formally how the information from the different groups is combined to produce the net impact estimate.

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[26] This is known more technically as the 'fixed effects method'.

2.2.1 Difference in Difference assumptions

As already noted the DiD method requires a number of assumptions which must be satisfied if the results it produces are to be trustworthy. These assumptions are of three main types:

(a) The changes in background conditions are assumed to affect the participant groups and the non-participant groups to the same extent. If they are affected to an appreciably different extent, then the DiD method is invalid. An example where the assumption is problematic is when the participants are located in different areas from the non-participants, since there could be regional or local variations in economic or labour market conditions. More generally, this assumption is most likely to be satisfied when the participant and the non-participant groups are broadly similar. For instance, comparisons between different groups of lone parents should be less problematic than comparisons between lone parents and parents who are married or have partners. This is because the latter group on average has a higher employment rate, more employment experience, and higher family income – all features that could affect the response to changing economic conditions. This issue can be tested directly in an ideal situation, however the ability to do so here is limited (see Section 4.1 later for results of the tests and further discussion).

(b) It is assumed that, at the particular periods over which the comparisons are being made, there are no *other* policy changes taking place which affect the participant group differently from the non-participating group. The assumption is satisfied if the other policy changes affect both the participant and comparison groups similarly. In Sections 1.1 and 1.2, reference was made to several policy changes that were taking place around the same time as LPWFI, including Working Families' Tax Credit (WFTC). It is necessary to consider, and if possible test, how far these developments may impinge on the evaluation.

(c) It is assumed that the composition of the samples does not change over the period of the comparisons in such a way as to affect the differences, either within or between the participant and non-participant groups. If extensive information on the characteristics of the groups is available for analysis, then any changes in composition can be statistically controlled. But it is important to remember that the only changes which can be controlled for are in changes to observed characteristics (hence changes to unobserved characteristics remain problematic). If information, as in the present case, is relatively sparse, then one must rely on background knowledge of the groups supported by examination of those characteristics on which information is available over time.

In addition to these three assumptions, there is:

(d) The general issue of 'seasonality' that arises with any method of over-time analysis. In the case of the DiD method, seasonality is not a problem if it affects the participant groups and the non-participant groups to the same extent, since in that case seasonal effects cancel out. But seasonality becomes a problem if it affects the groups differently. In the case of LPWFI, for example, eligibility is determined by the age of the youngest child, and those with children of different ages may be more or less affected by the start of school or nursery terms and by school/nursery holiday periods. There is a further aspect to seasonality that should be borne in mind, and that is that the impact itself may vary seasonally. This does not affect the difference in differences measure. This remains valid for the cohort that is observed – but caution is needed in generalising from this cohort to the impacts that might be experienced by individuals at other times of the year. However, this can be more important for the length of the period over which the difference in differences is constructed – impacts assessed over periods less than one year can vary seasonally.[27]

2.3 Design of the analysis

2.3.1 Samples

The analysis draws upon data from the period May 1999 to May 2004, inclusive. This is the longest period available in the administrative data source for IS claims. As noted earlier, claimants in ONE areas, LPWFI Pathfinder areas, and Jobcentre Plus Pathfinder areas and integrated offices, have been excluded from the analysis. The analysis also excluded Northern Ireland, an area which is not administered by Jobcentre Plus.

The eight sub-samples required for the evaluation are summarised in Table 2.1. As the table clearly shows, the non-eligible groups were formed in identical fashion to the eligible group, with regard to year and date period.

For *new/repeat claimants*, the analysis used *cohorts* of entrants in 1999 and 2002, matching the cohorts by month so as to eliminate some potential problems of seasonality. The cohort used covered the months June – October (see Table 2.1, upper half).

Many ongoing stock claims at 15 May 1999 were continuing on 30 April 2001. For the stock analysis this is a further issue, that some of the individuals in the 'before' groups will have claims which are still current at April 2002 and therefore fall into the 'after' group as well. This would invalidate the basis of the analysis. To counter this, only a randomly selected half of the claims live at 15 May 1999 were used for the 'before' groups. The 'after' groups were then composed of those claims among the other half which were still live at April 2002, plus half of the claims which started between 15 May 1999 and April 2001 and which were still live at April 2002. This sampling scheme ensured that all durations of claim were selected with equal probability in the stock samples.

Thus, for *stock claimants*, the 'before' groups were taken from claims that were ongoing at 15 May 1999, which was the first scan date for the lone parent administrative database, while the 'after' groups were taken from claims that were ongoing at 30 April 2001 and still ongoing at 1 April 2002. These dates provided a near match in terms of seasonality (see Table 2.1, lower half).

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[27] Seasonality of the impact may affect the new/repeat DID impacts which are assessed over the June-October months.

Table 2.1 Summary of groups used in the impact analysis

	Before 30 April 2001		2002 LPWFI Extension	
	LPWFI pseudo-eligible	**Comparisons**	**LPWFI eligible**	**Comparisons**
New/repeat claimants				
Groups used in the analysis	1 'Before' sample of pseudo-eligible	2 'Before' sample of non-eligible	3 'After' sample of eligible	4 'After' sample of non-eligible
year	1999	1999	2002	2002
dates	June-October entrants	June-October entrants	June-October entrants	June-October entrants
Stock claimants				
Groups used in the analysis	5 'Before' sample of pseudo-eligible	6 'Before' sample of non-eligible	7 'After' sample of eligible	8 'After' sample of non-eligible
year	1999	1999	2002	2002
dates	ongoing claim at 15 May	ongoing claim at 15 May	ongoing claim at 30 April 2001 and still live at 1 April 2002	ongoing claim at 30 April 2001 and still live at 1 April 2002

2.3.2 Other steps to ensure validity of the analysis method

To reduce potential non-comparability between the eligible and comparison samples, lone parents with a baby under one year old were excluded from the new/repeat analyses, and those with a child under five years old were excluded from the stock analyses. This enables the eligible and comparison groups to be as close as possible. The exclusion of those with young babies also reduced any possible differential effect of maternity rights legislation. These exclusions do not affect the validity of the DiD method or of estimates based on it. The comparability of the samples was further explored through descriptive analysis, which is presented in Section 3. The descriptive analysis of Section 3 was also used to assess whether relative shifts in the composition of the samples were likely to influence the impact analysis. This addresses assumption (c) outlined in Section 2.2.1.

The issue of 'interference' with the impact analysis from other policy changes, notably the introduction of WFTC, was addressed by statistical analysis of the pre-programme period. This analysis, which addresses assumptions (a) and (b) outlined in Section 2.2.1, is presented in Section 4.1, and will not be discussed further at this point. The seasonality issue discussed in Section 2.2.1 is also addressed in Section 4.1, although the method for dealing with it, which was to align the dates of the 'before' and 'after' groups in each analysis, should be apparent from Section 2.3.1 and Table 2.1.

2.3.3 Outcomes

The measure used was whether the IS claim had terminated by a given time. The shorthand label used for this outcome is 'exit IS'. For the *new/repeat claimants*, this was evaluated at monthly intervals from the start of the claim, ie at one, two, three, four months and so on. However, the data did not allow analysis of the interval of the first month, as too few exits took place in any four of the eligible or comparison groups, with at most one per cent of any group exiting. Each exit period included any exits which took place after shorter times, for instance exits by two months include exits by one month.

2.4 The administrative data

Data on both IS claims as lone parents and separate data concerning LPWFI and New Deal for Lone Parents (NDLP) were necessary to meet the evaluation objectives of the analysis. Several administrative datasets were linked to construct the data. A basic description of the datasets is presented here.

The main administrative data on lone parent IS claims were extracted from the Generalised Matching Service (GMS) database. GMS data is used as a substitute for direct access to the Income Support Computer System (ISCS), which is not available. GMS uses data from MIDAS[28], which provides point-in-time data extracts that were originally obtained for data matching purposes. GMS brings together all of the MIDAS data extracts that have been received, holding only one record for each benefit claim (with the latest or final position), with a history of the changes to the benefit record held separately. The source data were held by the Department for Work and Pensions (DWP) and constructed for the evaluation from the Income Support database by ORC. An extract was made so that the data covered all customers who had ever been recorded as claiming IS as a lone parent on or since 15 May 1999. Information from two separate files were combined to prepare the analysis data. The Personal Details file gave the most recent record for customers, with one record per customer per benefit per location. The Personal Details History file had one record per changed personal details record. The structure of the data resulted from repeated scans of the administrative database at fixed intervals. The first scan took place on 15 May 1999. Subsequent scans took place (with a few exceptions) at fortnightly intervals. This interval means that very short-term claims are not all present as they might start and end within the interval.

In addition, information about LPWFI attendance was taken from the Personal Adviser Meeting database, which is in turn derived from Labour Market System (LMS) data. This contains information about meeting dates, together with details of deferrals and waivers. The two kinds of information are contained on a combined database, together with NDLP and the two kinds of entry were separated to carry out an analysis of either NDLP activity or of LPWFI activity.

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[28] MIDAS stands for Matching Intelligence Data Analysis Services.

The IS administrative database consists of individuals' claim details, with one or more claims per individual. The sample therefore contains more than one claimant spell for some customers. These are counted as separate observations for the new/ repeat. However, most of the individuals in the sample made only one claim during the period being analysed.

A claim is split into several different records on the IS Personal Details History File, even though all these records relate to a continuous period of claiming as a lone parent (with a single claim start date). This happens because details of the record have to be changed: for instance, the lone parent may have moved to a different address, had another baby, or changed their name. A crucial distinction for the analysis is between claims as a lone parent and other IS claims. For this analysis, all consecutive records relating to a single IS claim as a lone parent (the split records) have been 'rolled up' into a single spell of claiming[29]. For the new/repeat claims, the start date is taken as the start of the claim as a lone parent, and the age of the youngest child taken as that recorded at the start of this claim. For the stock IS claimants, the circumstances of the lone parent spell (the age of the youngest child) at the reference date are used.

Lone parent spells arising due to a change in circumstance can start after the original IS claim was registered. An example of such a change in circumstance for an IS claimant might be the departure or death of a parent, or the birth of a child. If this customer started their spell of lone parenthood prior to the introduction of LPWFI, then they form a valid part of the stock lone parent claimants. However, the process by which the LPWFI system operates for new/repeat claimants indicates that certain such customers would not enter LPWFI eligibility. For new/repeat claimants who start claiming after the introduction of LPWFI, such a customer was not a lone parent when they first registered their IS claim, and so they would not be identified as eligible for a LPWFI at the time of their IS claim start. Customers becoming a lone parent with a change of circumstances, who do not start a new IS claim, are not accounted for in the current LPWFI rollout process and are not included in this analysis[30]. However, it is planned that the subsequent final LPWFI extension should include a process for identifying and including new lone parent spells arising due to a change in circumstance.

A further limitation was that the database did not permit the consistent calculation of lone parent IS claim durations for stock claimants. Database limitations meant that while the IS claim length was known, the length of lone parent claim was not known. It was therefore not possible to examine variation in impacts by duration of claim.

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[29] It is important to note that this is only for spells within the same continuous IS claim, without a new IS claim start.

[30] To ensure this, the history file was used, and only those claims which were lone parents at the date of claim initiation were included in new/repeat analyses.

2.4.1 Definitions

It was necessary to establish a set of key definitions within the data to construct the analysis. The first step was to distinguish a lone parent claim from other types of IS claim. A lone parent claim is recognised when the IS database record for a claim flags the individual as not having a partner, and provides the date of birth of the youngest child. Where either of these items is missing, the IS record was classified as not being a lone parent claim. This definition was the same as that used within the DWP in working with the database.

The end date of a lone parent IS claim in the administrative data is subject to some measurement error. Because of the way the database is constructed from approximately fortnightly snapshots, a claim is known to have terminated when it is present in one scan but absent in the next. The end date is not known exactly; it is only known that it lies between the two scan dates. For analytical purposes, an end date is imputed as a random date uniformly distributed over the interval between scans.

2.4.1.1 Stock data definitions

A fundamental point for the stock analysis concerned the definition of the start and end of a lone parent IS claim. In the daily functioning of the benefit system, the start of an IS claim is the actual date on which the claim became effective. However, as noted earlier, a single IS claim can include several sequential periods in which the grounds of the claim vary (eg, change of circumstance from lone parent to incapacity to lone parent again). Each of these sub-claims is allocated the same IS claim start date if there is no break in claiming. Since this evaluation is concerned only with *lone parent* IS claims, the IS benefit claim date does not uniquely identify the start of a claim for the stock evaluation purposes. However, any sub-claim to or from lone parent status is identifiable through the Personal History dataset (see Section 2.4 above). All of these lone parent spells are used for the stock analysis.[31] Thus, a claimant could have started out their IS claim while not a lone parent, but changed to lone parent and so was a lone parent at the reference date 30 April 2001. In the case of stock claimants, the birth date of the youngest child was subtracted from the reference date (either 15 May 1999 or 30 April 2001, depending on the sample). This should in principle produce the same age as used in the listings of eligible stock claimants provided to local offices. Children born after the reference date, which would initiate a change in circumstances for the claim, are thus not considered. Exits were also calculated from these dates.

The definitions for the stock samples are summarised in Table 2.2, which shows the analysis groups outlined in Section 2.3 earlier. The follow-up period for the stock was 12 months, which is the point at which review meetings for stock claimants apply – impacts assessed beyond this period include the effect of both the LPWFI and review meeting.

[31] The claim start date is not in itself important for the definition of stock lone parents, only that the claim started prior to the reference date.

Table 2.2 Description of the key evaluation groups: stock claimants

	Before 30 April 2001		2002 LPWFI Extension	
	LPWFI pseudo-eligible	**Comparisons**	**LPWFI eligible**	**Comparisons**
	IS claim as lone parent		IS claim as lone parent	
Entrant cohort	First random 50 per cent of those with Claim start live on 15 May 1999		Of the second 50 per cent of those with claim start live on 15 May 1999, all those with claim still live at 1 April 2002; plus of a random 50 per cent of those with claims starting between 15 May 1999 and 30 April 2001, all those with claim still live at 1 April 2002.	
	Youngest child aged at least eight	Youngest child aged less than eight years	Youngest child aged at least eight	Youngest child aged less than eight years
	And not older than 11 years	And at least five years	And not older than 11 years	And at least five years

Notes:
1) Those eligible includes those where youngest child was eight years at April 1 2001. The youngest child of these customers would turn nine at some point during the year 2001 – 2002, and so were included in the lists sent to offices but these customers would only be invited to attend a LPWFI once their youngest child has turned nine.
2) The reference dates for the age of the youngest child are 15 May 1999 for the before period, and 1 April 2002 for the after period.

2.4.1.2 New/repeat data definitions

The new/repeat data definitions differed from those of the stock. While all lone parent spells were identified for the stock, we selected for the new/repeat only those new cases that were lone parents at the start of their claim for IS. Any new claim for IS which then later changed their details to indicate a lone parent was excluded from the new/repeat analysis[32]. However, subsequent information indicates that these cases would not receive a LPWFI. Take for example a claim starting in April 2002, not as a lone parent, which changed in August 2002 to a lone parent claim with youngest child aged ten. This claim would not be included in the stock group of the 2002 extension, because it was not current on 30 April 2001; but nor would it be included in the flow group because it was not a lone parent claim when the IS claim started [hence they would not be identified as a new lone parent at their IS claim registration and so gain access to a LPWFI]. As the system currently operates, it is not clear that they would ever access a LPWFI[33]. Accordingly, they are excluded from the new/repeat analysis.

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[32] In earlier analysis for the interim report (Knight and White, 2003), these cases were included, as at the time it was thought that the registration of their change of circumstances would flag their eligibility for LPWFI.

[33] However, it is planned that from April 2004, those making a change of circumstances to a lone parent claim for IS would be called in for a lone parent WFI.

The definition of the youngest child's age, on which eligibility for LPWFI depends, was also affected by the definition of the claim start. The relevant information provided on the database is the birth date of the youngest child. In the case of new/repeat claimants, this was subtracted from the claim start date to produce the age on entry to the claim. Exits were calculated from the IS claim end date.

Table 2.3 outlines the new/repeat claimant samples used for the impact analysis. The limits of the database mean that a baseline in 1999 for new/repeat claimants can only be constructed for months June onwards, hence the choice of the June – October cohort. The follow-up period for analysis is limited to six months, because LPWFI were further extended to the stock with youngest child aged five to eight in April 2003, and also because the flow groups were affected by the introduction of review meetings for those making new/repeat claims in 2002. Figure B.1 indicates the six month limitation to the follow-up period, and has further discussion about the new/repeat analysis groups.

Table 2.3 Description of the key evaluation groups: new/repeat claimants

	Before 30 April 2001		2002 LPWFI Extension	
	LPWFI pseudo-eligible	**Comparisons**	**LPWFI eligible**	**Comparisons**
	IS claim as lone parent		IS claim as lone parent	
Entrant cohort	Claim start in period 1 June 1999 – 31 October 1999		Claim start in period 1 June 2002 – 31 October 2002	
	Youngest child aged more than three	Youngest child aged less than three years	Youngest child aged more than three years	Youngest child aged less than three years
	And not older than 5.25 years	And at least 12 months	And not older than 5.25 years	And at least 12 months

Note: Reference date for the age of the youngest child is the IS claim start date.

3 Characteristics and entry to Lone Parent Work Focused Interviews

This section presents information on the size of the groups eligible for Lone Parent Work Focused Interviews (LPWFI), their rate of turnover, characteristics of new/repeat and stock claimants, and participation in the LPWFI system. These characteristics are of importance in interpreting the impact analysis results that follow.

The distinction between 'new or repeat claimants' and 'stock claimants' is very important. The programme operated differently for these two groups, samples for the two groups were constructed in fundamentally different ways, and the analyses for the two groups were also designed differently. Accordingly, descriptive analysis for the new/repeat claimants is presented separately from that for the stock samples.

3.1 Magnitude and turnover

This sub-section provides some figures to show the size of the lone parent claimant population, and of the sub-samples analysed in the evaluation. It also provides some simple indications of the turnover, or duration, of lone parent IS claims.

3.1.1 New/repeat claimants

Table 3.1 gives the total number of new/repeat lone parent IS claimants with youngest child less than 16 years, in each month for the period of the database, with the exclusions applied which are used for the analysis.[34] The total number of claims

[34] Most of the new/repeat claims analysis excludes those claims where the youngest child is less than 12 months. Amongst new/repeat lone parents, babies account for the greatest number of registrations at any particular year of youngest child's age with 3,000 – 4,000 new/repeat claims each month (two to three times as many as for those where the youngest child is one for example), and the equivalent table is shown in Appendix B, Table B.2 where babies are excluded.

and the average number of claims per month are shown to be falling over time. Part of this will be due to the roll-out of Jobcentre Plus which leads to increasing number of new/repeat claimants being excluded after October 2002 (see Section 1.2 for a description of Jobcentre Plus). This is an indication that over time, the groups analysed by the LPWFI evaluation become increasingly idiosyncratic, in respect to the intended full integration of Jobcentre Plus.

Table 3.2 shows the sub-sample numbers available for the analysis of the new/repeat claimants in the three new/repeat cohorts. The sub-sample definitions used for analysis are explained earlier in Section 2.4.1.2 and Table 2.3. To recall the 'before/after' groups of the Difference in Difference (DiD) analysis, the before/after format is carried through. In total 75,593 observations were available in the four sub-samples of eligible and comparison groups for analysis using the June – October cohort of entrants.

Table 3.1 Total new/repeat lone parent IS claimants in each month

	1999	2000	2001	2002	2003
January	-	21,342	22,106	19,190	16,347
February	-	18,268	17,050	15,545	12,917
March	-	19,660	19,026	17,086	18,174
April	-	17,767	17,466	18,189	17,851
May	-	20,331	17,961	17,779	12,605
June	22,964	20,542	19,406	17,500	14,161
July	23,197	20,933	19,245	19,097	13,427
August	22,041	19,833	17,590	16,692	11,444
September	22,731	19,112	16,507	17,630	12,344
October	19,966	19,927	17,646	17,208	11,431
November	18,638	18,119	15,418	14,216	10,623
December	13,428	13,200	11,223	10,125	9,213
Annual Average per month		19,086	17,554	16,688	13,378
Total	-	229,034	210,644	206,379	160,537

All new and repeat IS lone parent claimants for youngest child less than 16 years. Data excludes: Northern Ireland, Jobcentre Plus Pathfinder, LPWFI Pathfinder and ONE areas, Jobcentre Plus roll-out.

Table 3.2 New/repeat claimants: overall number of analysis claimants, new/repeat cohorts

June – October cohort	Before 30 April 2001			2002 LPWFI Extension		
LPWFI number of claimants	Meetings eligible	Comparisons		LPWFI number of claimants	Meetings eligible	Comparisons
1999	18,345	24,301		2002	14,729	18,218

Data excludes: Northern Ireland, Jobcentre Plus Pathfinder, LPWFI Pathfinder and ONE areas, Jobcentre Plus roll-out.

In interpreting the impact of an evaluation for a welfare-to-work programme, the underlying rate of exit, or turnover, is a relevant consideration. If the base rate of turnover is low, then even a small absolute impact may be considered a worthwhile gain in practical terms. In interpreting these figures, it should be borne in mind that entering employment is not the only reason why a lone parent terminates an IS claim. The claim may also be terminated because of re-partnering, or changing to another benefit that precludes an IS claim.

Table 3.3 below shows the cumulative exit rates for cohorts of new/repeat claimants drawn from the months of June to October inclusive in 1999 and 2002. At the end of six months, between one in four to one in five of the entrants had exited, a considerably lower rate than observed for unemployed (JSA) claimants[35]. The turnover rate for new/repeat claimants was averaging about four per cent per month over the six-month period, although less than one per cent per month in the first month.

[35] Note that because of the fortnightly scan process underlying the data, exits within the first month after claim start will be understated.

Table 3.3 New/repeat claimants: exit rate for lone parent IS claims

Exits up to	Lone parent with claim start June-October cohort	1999 % exiting cumulative	2002 % exiting cumulative
One month	LPWFI[1]	0.7	0.1
	comparisons[2]	0.7	0.1
Two months	LPWFI	5.6	2.7
	comparisons	5.3	3.0
Three months	LPWFI	10.4	7.4
	comparisons	10.0	7.3
Four months	LPWFI	15.3	13.5
	comparisons	14.7	12.2
Five months	LPWFI	19.6	18.1
	comparisons	19.0	16.3
Six months	LPWFI	23.7	22.4
	comparisons	22.5	19.9

Data excludes: Northern Ireland, Jobcentre Plus Pathfinder, LPWFI Pathfinder and ONE areas, Jobcentre Plus roll-out.

[1] Youngest child aged 3 – 5.25.
[2] Youngest child aged one to two.

3.1.2 Stock claimants

The total stock of lone parent claimants on the IS database at 15 May 1999, the first date for which information was available, was just over one million (or precisely 1,065,425). The stock at 30 April 2001, when the LPWFI system went into operation nationally, remained close to one million (or precisely 1,044,239).

The definitions for the stock samples are summarised earlier in Section 2.4.1.1 and Table 2.2, and the numbers obtained for each sub-sample used in the stock claimant analysis are shown in Table 3.4. As explained in Section 2.3.1, for stock claimants the pre-LPWFI and post-LPWFI sub-samples went through a random sampling process, so as to remove overlap. The total number available for analysis for the impact evaluation was 335,774. The comparison and eligible groups for analysis were roughly similar in scale.

Table 3.4 Stock claimants: overall number of claimants

	Before LPWFI		2002 LPWFI Extension	
	LPWFI eligible	Comparisons	LPWFI eligible	Comparisons
Number of claimants	96,624	83,178	84,743	71,229

Data excludes: Northern Ireland, Jobcentre Plus Pathfinder, LPWFI Pathfinder and ONE areas, Jobcentre Plus roll-out.

Table 3.5 shows the cumulative exit rate for stock claimants in the analysis groups. It is noticeably low, and substantially lower than that of new/repeat claimants. Exits at one month are negligible, and so the table shows exits over the period two months to 12 months. While at least one-fifth of new/repeat claimants exited within six months, the stock only approached this level by approximately 12 months.

Table 3.5 Stock claimants: exit rate for lone parent IS claims

Exits up to X months after the reference date	Lone parent with claim start June – October cohort	1999 % exiting cumulative	2002 % exiting cumulative
Two months	LPWFI[1]	2.2	3.9
	comparisons[2]	2.4	3.9
Three months	LPWFI	5.0	5.2
	comparisons	5.3	5.2
Four months	LPWFI	6.6	6.6
	comparisons	7.1	6.6
Five months	LPWFI	8.6	7.5
	comparisons	9.5	7.6
Six months	LPWFI	10.5	8.9
	comparisons	11.7	8.9
Seven months	LPWFI	12.7	10.8
	comparisons	14.1	10.7
Eight months	LPWFI	14.0	13.4
	comparisons	15.5	13.2
Nine months	LPWFI	15.4	14.4
	comparisons	17.1	14.2
Ten months	LPWFI	17.0	15.3
	comparisons	18.8	15.0
11 months	LPWFI	18.5	16.4
	comparisons	20.4	16.1
12 months	LPWFI	19.8	17.5
	comparisons	21.8	17.2

Data excludes: Northern Ireland, Jobcentre Plus Pathfinder, LPWFI Pathfinder and ONE areas, Jobcentre Plus roll-out. Notes: The reference dates are 15 May 1999 and 1 April 2002.

1 Youngest child nine to 12 years.
2 Youngest child five to eight years.

Overall, it is apparent that the exit or turnover rates of lone parent IS claimants were rather low. Accordingly, even a small positive impact from the LPWFI programme extension could be of practical significance (see Chapter 4 for impacts).

3.2 Characteristics

As mentioned in Section 2.2.1, any substantial changes over time in the characteristics of the groups being compared can affect the evaluation methodology, and it is important to consider the available information from this point of view. At the same time the analysis outlines the composition of the lone parent sub-samples and how they differ from one another. This may be of some interest in its own right since there has previously been rather little research on inflow samples of lone parents. The range of characteristics available on the administrative database is not large, but those available are of considerable importance for labour market outcomes. The tables focus on the same cohorts and analytical groups as are used for the impact analysis, since it was important to check how far there were differences in characteristics between them.

3.2.1 Characteristics of new/repeat claimants

This sub-section provides information about characteristics of new/repeat claimants.

Table 3.6 shows the sex of claimants. Those groups eligible for LPWFI contained slightly higher proportions of men. This was because lone fathers can have responsibility for older children, but this is less likely for very young children. If lone parents with babies under age one had been included for analysis, the proportion of men in the comparison groups would have fallen still lower, and that of women would have risen. It was with the intent of minimising this difference between the sex breakdown of the eligible and comparison groups, that lone parents with babies under age one were excluded from the evaluation. For the evaluation method, the most important finding is that the proportions of men and women in the sub-samples changed very little across these years.

Table 3.6 New/repeat claimants: sex of claimant

June – October cohort	LPWFI eligible	Comparisons
1999		
Female	93.9	95.6
Male	6.1	4.5
2002		
Female	94.1	95.6
Male	5.9	4.5

Data excludes: Northern Ireland, Jobcentre Plus Pathfinder, LPWFI Pathfinder and ONE areas, Jobcentre Plus roll-out.

The eligible and comparison groups differed in the distribution of parents' own ages, which is naturally connected to the ages of the children. Table 3.7 shows the age of claimants while Table 3.8 shows the age of the youngest child.

Those claimants who were eligible for LPWFI in the 2002 extension had slightly older children. Approximately half of those eligible for the 2002 extension were aged under 30, whereas in the comparison groups the proportion aged under 30 was about 70 per cent. Although the proportion of comparison group aged 16 – 24 grew slightly between 1999 and 2002, in the eligible group there was similar growth. However, the more important point is that, as in the case of the gender composition, there was very little change in the relative age distributions across the years, and so no potential difficulties for the DiD analysis (see Section 2.2.1 (c) regarding the issue of changing composition).

Table 3.7 New/repeat claimants: age of claimant at claim start date

June-October cohort	LPWFI eligible	Comparisons
1999		
16 – 24	19.8	39.6
25 – 29	32.0	29.9
30 – 34	27.7	19.2
35 – 39	14.1	8.5
40 – 44	5.0	2.3
45 – 49	1.1	0.4
50 or more	0.3	0.2
2002		
16 – 24	22.5	42.6
25 – 29	28.3	25.8
30 – 34	26.4	18.9
35 – 39	15.1	9.3
40 – 44	6.1	2.7
45 – 49	1.3	0.5
50 or more	0.4	0.2

Data excludes: Northern Ireland, Jobcentre Plus Pathfinder, LPWFI Pathfinder and ONE areas, Jobcentre Plus roll-out.

The proportions by each youngest child's age-group diminish with each succeeding year of the youngest child's age. This means that exits from IS progressively outweigh entries to IS as the age of the youngest child increases. Once more, the proportions in the various groups, by age of youngest child, changed little across the years of lone parent inflow.

Table 3.8 New/repeat claimants: age of youngest child at claim start date

June – October cohort Age of youngest child	LPWFI eligible	Age of youngest child	Comparisons
1999		**1999**	
		1	55.2
		2	44.8
3	48.3		
4	41.9		
5: up to 5.25	9.9		
2002		**2002**	
		1	56.1
		2	43.9
3	47.3		
4	42.5		
5: up to 5.25	10.2		

Data excludes: Northern Ireland, Jobcentre Plus Pathfinder, LPWFI Pathfinder and ONE areas, Jobcentre Plus roll-out.

Table 3.9 New/repeat claimants: number of children for claimant

June – October cohort	LPWFI eligible	Comparisons
1999		
1	39.3	44.7
2	34.3	30.5
3	17.3	15.7
4	6.6	6.3
5 or more	2.5	2.8
2002		
1	42.2	46.9
2	33.0	29.7
3	16.3	14.5
4	6.2	5.8
5 or more	2.3	3.2

Data excludes: Northern Ireland, Jobcentre Plus Pathfinder, LPWFI Pathfinder and ONE areas, Jobcentre Plus roll-out.

Table 3.9 shows the claimant's number of dependent children. Those in the comparison groups, who had children aged one or two years, were more likely to have only one child than those eligible for the LWFI extension, whose children were slightly older. The breakdown of the number of dependent children in each analysis group was very similar amongst both the comparison and eligible groups, where about three-quarters had either one or two children. These proportions were stable between 1999 and 2002. There was a small increase in the proportion with one child between 1999 and 2002, but the increase occurred for both eligible and comparison groups.

Table 3.10 New/repeat claimants: claimant of IS Disability Premium

June – October cohort	LPWFI eligible	Comparisons
1999		
None	95.5	96.0
IS Disability Premium	4.5	4.0
2002		
None	94.7	95.6
IS Disability Premium	5.3	4.4

Data excludes: Northern Ireland, Jobcentre Plus Pathfinder, LPWFI Pathfinder and ONE areas, Jobcentre Plus roll-out. The IS Disability Premium could be for the claimant or a child.

The share of new/repeat lone parent IS claimants which also had an IS Disability Premium claim are shown in Table 3.10. It should be noted that this could be for the claimant or a child of the claimant, but it was not possible to identify this using the information in the database. A small proportion (five per cent) of new/repeat lone parent IS claimants also had IS Disability Premium claims. This was similar amongst the comparison and eligible groups and was stable over time.

The geographical distribution of lone parents in the various new/repeat sub-samples is shown in Table 3.11 with the classification of Government Office Regions used for this purpose. The regions containing the largest numbers of lone parents were London, followed by the Northwest, and the South East. The regional distribution of those eligible for the LPWFI extension, and the comparisons, was very similar. Overall the regional distribution remained very stable.

Table 3.11 New/repeat claimants: Government Office Region

June – October cohort	LPWFI eligible	Comparisons
1999		
Northeast	6.1	6.2
Northwest	12.8	13.0
Yorkshire and Humber	9.4	8.9
East Midlands	7.4	7.3
West Midlands	8.6	8.8
East of England	7.2	7.5
London	13.6	13.6
Southeast	11.2	11.9

Continued

Table 3.11 Continued

June – October cohort	LPWFI eligible	Comparisons
Southwest	7.8	7.7
Wales	5.2	5.7
Scotland	9.7	8.5
Region missing	1.1	0.9
2002		
Northeast	5.9	5.5
Northwest	12.7	13.0
Yorkshire and Humber	8.3	8.7
East Midlands	6.8	7.1
West Midlands	8.7	9.2
East of England	7.3	7.8
London	14.2	13.7
Southeast	12.5	12.4
Southwest	8.3	7.8
Wales	5.5	5.3
Scotland	8.9	8.5
Region missing	1.0	1.0

Data excludes: Northern Ireland, Jobcentre Plus Pathfinder, LPWFI Pathfinder and ONE areas, Jobcentre Plus roll-out. Where missing, the administrative data was missing the Government Office Region.

The administrative database contains travel-to-work area (TTWA) codes, to which unemployment rates can be attached[36]. To compare the samples, the TTWA unemployment rates from 1999 were grouped into four bands, as shown in Table 3.12. The TTWA unemployment rate was very similar for the eligible and comparison groups. Between 1999 and 2002, there was little change in the distribution, but with a slight shift towards a greater concentration living in areas that had less than six per cent unemployment in 1999. There has recently been less variation in local unemployment rates than was common a decade ago, and this is reflected in the table, with very few lone parents in areas with nine per cent or more unemployment.

[36] The unemployment rate data were obtained from the Nomisweb service at the University of Durham.

Table 3.12 New/repeat claimants: TTWA unemployment rate in April 1999

June – October cohort	LPWFI eligible	Comparisons
1999		
0 to 3 %	18.7	18.9
More than 3 to 6%	54.8	55.0
More than 6 to 9%	23.9	23.6
More than 9 to 12%	1.7	1.5
missing	1.1	0.9
2002		
0 to 3%	19.6	19.3
More than 3 to 6%	54.8	55.6
More than 6 to 9%	23.0	22.5
More than 9 to 12%	1.6	1.6
Missing	1.0	1.0

Data excludes: Northern Ireland, Jobcentre Plus Pathfinder, LPWFI Pathfinder and ONE areas, Jobcentre Plus roll-out. The Travel to Work Area unemployment rate for April 1999 is matched on from the NOMIS (www.nomisweb.co.uk) for the JUVOS claimant count. Where missing, the TTWA was missing.

3.2.2 Characteristics of stock claimants

Table 3.13 shows the gender composition of the stock samples. As in the case of the new/repeat claimants there were more male lone parents in the eligible stock groups, where the youngest children were older. There was little change in the gender composition between 1999 and 2001.

Table 3.13 Stock claimants: sex of claimant

	1999 stock sample		2002 stock sample	
	LPWFI eligible	Comparisons	LPWFI eligible	Comparisons
Female	90.5	94.7	91.4	95.4
Male	9.5	5.3	8.6	4.6

Data excludes: Northern Ireland, Jobcentre Plus Pathfinder, LPWFI Pathfinder and ONE areas, Jobcentre Plus roll-out.

As shown in Table 3.14, eligible stock claimants were on average older than non-eligible stock claimants. Between 1999 and 2002, both the eligible stock claimants and the comparisons age distributions shifted towards younger claimants, with comparisons slightly younger than eligible claimants with more among the 16 – 24 age group in 2002. Because this change is observed to occur for both those eligible and the comparisons, it is less problematic. In any case, statistical controls for this and other characteristics can be included to control for changes so that they do not affect the evaluation methodology (see Section 2.2.1).

Table 3.14 Stock claimants: age of claimant at sampling date

Age of claimant: years	1999 stock sample LPWFI eligible	1999 stock sample Comparisons	2002 stock sample LPWFI eligible	2002 stock sample Comparisons
16 – 24	–	1.4	_	7.0
25 – 29	3.4	18.6	8.7	24.5
30 – 34	19.7	31.3	25.4	30.3
35 – 39	31.1	27.4	30.1	22.7
40 – 44	24.3	14.0	20.0	10.8
45 – 49	12.8	5.4	9.9	3.5
50 or more	8.7	2.0	5.8	1.3

Data excludes: Northern Ireland, Jobcentre Plus Pathfinder, LPWFI Pathfinder and ONE areas, Jobcentre Plus roll-out. Note: – indicates a percentage more than zero but less than one half of a percent.

As shown in Table 3.15, there was very little change over time in the proportions of stock claimants with youngest children of various ages.

Table 3.15 Stock claimants: age of youngest child at sampling date

Age of youngest: child: years	1999 stock sample LPWFI eligible	1999 stock sample Comparisons	2002 stock sample LPWFI eligible	2002 stock sample Comparisons
5		36.6		36.5
6		33.2		32.9
7		30.3		30.6
8	23.5		23.9	
9	21.9		21.5	
10	20.0		19.5	
11	18.1		18.3	
12	16.6		16.8	

Data excludes: Northern Ireland, Jobcentre Plus Pathfinder, LPWFI Pathfinder and ONE areas, Jobcentre Plus roll-out.

Table 3.16 shows the numbers of dependent children in the various stock sub-samples. In this case, there was an appreciable change in the distribution for the eligible claimants, with the proportion of lone parents with one child falling from 45 per cent in 1999 to 41 per cent in 2002, and an increase over the period in the proportion of parents with three or more children. There was some shift in the same direction for the non-eligible stock groups, but it was considerably smaller. Because this change is observed to occur only for those eligible and not the comparisons, it indicates change in the composition of the samples. Statistical controls for this and other characteristics can be included to control for changes so that they do not affect the evaluation methodology (see Section 2.2.1).

Table 3.16 Stock claimants: number of children for claim

Number of children	1999 stock sample		2002 stock sample	
	LPWFI eligible	Comparisons	LPWFI eligible	Comparisons
1	45.3	39.0	41.2	37.7
2	37.3	35.6	36.2	34.3
3	13.5	17.3	16.0	18.0
4	3.3	6.1	5.0	7.1
5 or more	0.7	2.0	1.5	2.9

Data excludes: Northern Ireland, Jobcentre Plus Pathfinder, LPWFI Pathfinder and ONE areas, Jobcentre Plus roll-out.

The share of stock claimants which also had an IS Disability Premium claim are shown in Table 3.17. The proportion of stock claimants with IS Disability Premium was higher amongst those eligible for LPWFI in the extension than comparisons. However, this difference between eligible and comparisons was fairly stable over time. The proportion of stock claimants with an IS Disability Premium was much higher than the five per cent observed for new/repeat claimants. This reflects the lower exit rate for those with IS Disability Premium claims.

Table 3.17 Stock claimants: claimant of IS Disability Premium

June – October cohort	LPWFI eligible	Comparisons
1999		
None	85.7	90.9
IS Disability Premium	14.3	9.1
2002		
None	84.7	89.3
IS Disability Premium	15.3	10.7

Data excludes: Northern Ireland, Jobcentre Plus Pathfinder, LPWFI Pathfinder and ONE areas, Jobcentre Plus roll-out. The IS Disability Premium could be for the claimant or a child.

In Tables 3.18 and 3.19, the distributions of lone parents in the four sub-samples are shown, respectively, by Government Office Region and by TTWA unemployment rate band. These distributions were highly stable across 1999 – 2002 for the stock claimants. The concentration of stock claimants was considerably higher in the regions of the Northwest and London, and comparatively higher in these two areas than for new/repeat claimants.

Table 3.18 Stock claimants: region

	1999 stock sample		2002 stock sample	
	LPWFI eligible	Comparisons	LPWFI eligible	Comparisons
Northeast	5.2	5.2	5.2	5.2
Northwest	15.6	15.1	15.2	14.9
Yorkshire and Humber	7.2	7.4	7.2	7.3
East Midlands	5.8	6.0	5.6	5.6
West Midlands	8.3	8.3	8.4	8.5
East of England	6.4	6.6	6.2	6.3
London	19.7	19.4	21.5	21.8
Southeast	10.1	10.6	9.6	10.1
Southwest	6.9	6.8	6.0	6.0
Wales	5.5	5.7	5.7	5.6
Scotland	9.4	9.0	9.5	8.7

Data excludes: Northern Ireland, Jobcentre Plus Pathfinder, LPWFI Pathfinder and ONE areas, Jobcentre Plus roll-out.

Table 3.19 Stock claimants: TTWA unemployment rate in April 1999

	1999 stock sample		2002 stock sample	
	LPWFI eligible	Comparisons	LPWFI eligible	Comparisons
0 to 3%	15.6	16.2	14.4	15.4
More than 3 to 6%	57.3	57.2	58.2	58.2
More than 6 to 9%	24.4	24.0	24.6	24.0
More than 9 to 12%	1.4	1.5	1.4	1.4
Missing	1.3	1.2	1.2	1.1

The Travel to Work Area unemployment rate for April 1999 is matched on from the NOMIS (www.nomisweb.co.uk) for the JUVOS claimant count. Where missing, the administrative data was missing the TTWA area. Data excludes: Northern Ireland, Jobcentre Plus Pathfinder, LPWFI Pathfinder and ONE areas, Jobcentre Plus roll-out.

Overall, the descriptive analysis for the stock claimants showed, like the analysis for new/repeat claimants, that the characteristics changed very little over the period. There were some exceptions. However, the implication for the impact analysis to be presented in Chapter 4 is that compositional change is unlikely to affect the estimates to any great extent. However, statistical controls for the characteristics considered above will be included in all analyses since this can have no adverse repercussions on the results obtained, given the large sample sizes available.

3.3 Participation in Lone Parent Work Focused Interviews

This section presents information on the proportions taking part in LPWFI. These characteristics are relevant to interpreting the impact analysis results that follow.

As already noted in Chapter 2, not everyone who was eligible for LPWFI took part in the programme. This section provides estimates of the proportions that did take part in LPWFI among the new/repeat and stock claimant LPWFI eligible groups. It should be stressed that these are *estimates*, since data limitations make it necessary to introduce various assumptions, and the results are dependent on the assumptions.

3.3.1 Administration of LPWFI eligibility in practice

To gain insight into the issue of non-participation in LPWFI by eligible claimants, it may be helpful to consider how eligibility rules were interpreted and applied in practice. An account of this has been provided by the qualitative research which itself forms part of the overall evaluation of LPWFI, Thomas and Griffiths (2002). This description related to the first year of operating the programme, which does not correspond to the period covered by this report and it may not be representative of subsequent operational practice. These difficulties were addressed by training and by exercises to raise staff awareness.

The qualitative research noted that eligibility for new/repeat claimants was established by Benefits Agency (BA) staff when a lone parent initiated an Income Support (IS) claim. It was then the responsibility of BA staff to notify the administration staff about lone parent IS claimants that were eligible so that appointments could be set up. According to Thomas and Griffiths (2002: 15) 'the majority of the difficulties...relate to early problems with new and repeat claimants not being immediately identified as requiring a LPWFI by BA[37] reception staff'. A further possible source of difficulty arises if claimants obtained claim forms from sources other than the BA (eg, from Citizens Advice Bureaux) and were then not contactable when an initial appointment was being set up.

In contrast to the process for new/repeat claimants, stock claimants were identified from management information systems, with listings of the eligible customers supplied to the New Deal for Lone Parents (NDLP) administration teams locally. Administration teams then carried out the procedures to call the customers to interview. In most cases, customers would have received preliminary letters from the BA telling them of the obligation to attend interviews, when called upon. However, there could be considerable delays in processing the claimants (*ibid.*). Statistics for attendance numbers at LPWFI indicate that the bulk of stock claimants for the LPWFI extension were not processed until January – March 2003 (See Figure B.1). The reason for the delay is not clear, but may be due to a backlog of customers to be seen from the initial LPWFI stage.

[37] During this research, services were provided in social security offices and Jobcentres. With the full introduction of Jobcentre Plus, as discussed in Section 1.2, full integration of all Employment Services (ES) and BA local offices will take place over several years, during which time services will continue to be provided in social security offices and Jobcentres.

Deferral and waiver

It was possible for either BA staff or the NDLP administration team to waive or defer the requirement to take part in LPWFI (Thomas and Griffiths, 2002: 16-17). The guidelines used by staff in making such decisions refer to the following main criteria for waiver:

- The lone parent is judged likely to be off work for only a few weeks and has a job to return to.
- The lone parent is seriously or terminally ill.

A waiver indicates that the mandatory requirement for a LPWFI has been set aside, and no LPWFI need take place. Criteria relating to deferral of interviews include:

- The lone parent has been recently bereaved.
- The lone parent has given up work to look after a sick relative.
- The case has involved domestic violence or rape.
- The lone parent has suffered a recent traumatic separation.
- Short-term sickness.

Sickness of various types could be considered in decisions whether to waive or defer interviews.

Sanctions in a mandatory program

Finally it is relevant to consider how the sanctioning process, which was applicable to those not complying with the requirement to attend a LPWFI, was interpreted in practice (Thomas and Griffiths, 2002: 19). A new/repeat IS claim should be disallowed if the customer fails to attend a LPWFI, which although not technically termed a sanction, is designed to enforce the programme. The 'disallowed claim' process was inherently stronger in the case of new/repeat claims than the sanctions (resulting in benefit reduction) of stock claimants[38]. In contrast, stock claimants were already in being and the LPWFI usually took place only after a substantial lapse of time, from both starting their lone parent IS claim and then becoming eligible for LPWFI. In practice however the possibility of sanction leading to a 'disallowed claim' or benefit reduction was often delayed, even for a new/repeat claim. A customer failing to attend the first LPWFI that was arranged was always given a second appointment. If customers failed to attend this next LPWFI appointment, the standard procedure required Personal Advisers to attempt to visit them at their home. However, many Personal Advisers were reluctant to carry out home visits, partly for reasons of security and partly because they did not wish to become associated with the sanctioning or 'disallowed claim' role, which was commonly associated with BA staff. It was concluded by Thomas and Griffiths (2002) that the sanctioning process was undermined by this, and 'for as long as home visits are not

[38] Where a claim is in payment, a claim is not disallowed if a sanction is applied but instead a reduction in the benefit is applied.

being undertaken, sanctions on those refusing to participate in an LPWFI cannot be applied' (*ibid.*). Aspects of this process have been tightened since this time[39] to address some of these concerns.

3.3.2 Matching LPWFI records to IS records

To analyse participation and non-participation in LPWFI, it was first necessary to link records concerning participation with the IS claims database. The LPWFI records form part of a file that also contains details of participation in NDLP. This file did not include information on eligible people who did not enter the system; these had to be inferred from the IS data. Linking of the data was first established using individual identifiers. However, the LPWFI database did not include the claim start date of the IS claim on which eligibility was based. As many claimants had more than one IS claim as lone parents, the link between LPWFI activity and IS claims had to be further established through the correspondence of dates in the two systems. Classifying a claimant as an eligible non-participant involved using the IS database to indicate eligibility, and then finding no matching record for the particular IS claim period in the LPWFI data. This requires the assumption that all LPWFI meetings are correctly recorded by personal advisers in the LMS system.

A report on the matching and the rules is contained in Appendix D. Further analysis is currently being undertaken to explore whether those eligible claimants not matched can be found in other databases which related to meetings with Personal Advisers. The supposition is that because the LMS is the source for these data, that for those not matched, the LPWFI meeting may have been recorded erroneously by the Personal Adviser under a different type of meeting, and hence not be in this database[40]. However, it may also be reasonably inferred from other meeting data being recorded that in fact no LPWFI took place with the Personal Adviser, but instead a different type of meeting without the required discussions of a Work

[39] From October 2004 (after the period of these analyses), customers who fail to attend their LPWFI are given the opportunity to re-arrange their LPWFI only once before they are required to show good cause for not attending the interview. If a new/repeat customer doesn't make contact within five days their claim is withdrawn, unless there is reason to believe there is a mental health problem or disability. If a stock customer doesn't make contact within five days and there is evidence to show that the LPWFI process has been explained to them, their claim is sanctioned. If the LPWFI process hasn't been explained, before a sanction is considered, their case is referred to a Visiting Officer for a home visit.

[40] An internal check by DWP examined LMS SIR listings (lists of all actions on LMS) for each of a random sample of 100 eligible customers for whom no LPWFI data could be found. All meeting types at or around the time of the eligible lone parent IS claim start and end dates were examined. In all cases, no LPWFI information was found. But in 49 of the 100 cases there was some form of meeting at or around the correct time. This could have been in many forms – either an actual meeting (EO or AO) or in the form a marker (Jobcentre Plus) being set or certain referral types indicating a meeting.

Focused Interview. A proportion of those not matched might have undertaken a Jobcentre Plus interview, and a match with the Jobcentre Plus database is investigating this option. The results of these investigations will be reported on in the context of the final LPWFI report on the administrative data analyses.

3.3.3 Estimates of participation in Lone Parent Work Focused Interviews

The combined dataset from the linked IS and LPWFI information was used to produce estimates of participation in LPWFI. The most basic measure of participation was used for this purpose, namely whether a start date for entry to the LPWFI system was recorded for the individual. Entry into the LPWFI system could mean any recorded date for LPWFI attendance, deferral or waiver. Entry to the LPWFI system is then **not** indicative of only LPWFI *attendance*[41]. In considering entry to the LPWFI system, it should be recalled that the LPWFI are mandatory.

For the LPWFI extension, amongst the eligible new/repeat claimants in the June October cohort, 74 per cent overall were found to have entered the LPWFI system. This is very similar to the proportion found for those new/repeat claimants eligible during the 2001 introduction of LPWFI. Within one month of claim start, 65 per cent had entered the LPWFI system. However by six months after IS claim initiation, this had risen to only 71 per cent, with 74 per cent achieved by 12 months after claim start (to which the review meetings system would contribute). A slightly lower overall entry rate was found for extension stock claimants at 65 per cent. This was however substantially higher than the 42 per cent observed for the 2001 eligible LPWFI stock. Reasons for the persistent low observed entry rate to the LPWFI system were discussed in Sections 3.3.1 and 3.3.2.

[41] Note that in the context of this report 'attending' is used to also imply active participation beyond attendance per se, for example answering questions during the interview.

4 Impact of Lone Parent Work Focused Interviews extension

This chapter considers the impact of the Lone Parent Work Focused Interviews (LPWFI) extension on new/repeat and stock claimants. The average impact estimates shown are from Difference in Differences (DiD) models where the control variables included were gender, age of claimant, age squared, number of children, whether had received Income Support (IS) Disability Premium, Government Office Region, and travel to work area unemployment rate in April 1999. The impact was then estimated using the information from the model. Further details of the statistical implementation of the method are shown in Appendix A.

In these analyses, the outcome measure used is whether the IS claim is terminated (ie, whether an exit has taken place). This is because the data provide no direct information on an alternative status to IS: what is observed is only whether the claim spell continues or not. Accordingly, a negative effect (as shown in the 'coefficient' columns of the table) means that exits had fallen for the 'pseudo-eligible' group relative to the comparison group, while a positive effect means that their exits had increased relative to the comparison group. In other words, a positive value indicates LPWFI having the desired effect; a negative value indicates an opposite effect to that intended. The t statistic indicates the statistical significance[42] of the coefficient – only those values marked with an asterisk are statistically significant however.

4.1 Tests of the method assumptions

In Section 2.2.1 the assumptions underlying the method of DiD were set out. To recapitulate briefly, these assumptions were of four kinds:

- Background conditions (in the economy and labour market) affect the groups

[42] All t tests are two-tailed.

being compared to the same extent.

- There are no other policy changes over the same period that affect comparisons between the groups.
- There are no differential changes in composition that could affect the relative outcomes of the groups, or if there are, they can be statistically controlled. This involves assuming, unavoidably, that any relative changes in unobservable characteristics are sufficiently small to have no material effect on the results of the analysis.
- Seasonality affects the groups in the same way, or seasonality can be eliminated from the analysis.

In Chapter 3, the available evidence concerning change in characteristics of the various groups was examined. These checks examine the underlying assumption that the comparison group is appropriate and valid. There was little indication of change in the characteristics from the period before LPWFI to the period after, either in absolute terms or relatively between groups. Although the range of characteristics considered was small, they were all important from the viewpoint of individuals' labour market behaviour and prospects. In any case, these characteristics will be incorporated and controlled in the statistical analyses which produce the impact estimates.

Whether the groups are likely to differ in their responsiveness to changing background conditions is a matter to which the characteristics of the groups are also relevant. Fundamentally, our comparisons are made between groups all of whom are lone parents and all of whom are claiming the same benefit. The more similarly the evaluation groups are defined then the lower the chance for differences in responsiveness. Another important factor that makes the evaluation groups likely to respond similarly to labour market conditions is that the great majority are women, thus reducing variation in response due to gender difference. It is also known from previous research that a large share of lone parents entering employment do so in part-time jobs. This is supported in the survey of LPWFI participants which found that 49% of those who started a job after their initial Work Focused Interview (WFI) moved into part-time work (16 – 29 hours) [Base = 466] (Coleman et al., 2003). The female, part-time sector of the labour market has been particularly stable in the face of varying economic conditions over the past two decades. This temporal stability is a desirable property for the evaluation method.

None the less, there are potentially important differences between the eligible and non-eligible groups, in the age of the youngest child and in their own ages. Measures have been taken to counteract this. In the case of new/repeat claimants, these differences have been reduced by excluding (from the comparison groups) those lone parents with a baby under one year old. In the case of the stock claimants, there is a similar exclusion from the comparison groups of those lone parents with children aged under five years. The assumption of equal responsiveness to labour market conditions appears reasonable, since high and increasing proportions of mothers, with children at all ages, now take part in employment (McRae, 1997; Callender, Millward, Lissenburgh and Forth, 1997). However, this is checked with the pre-programme test, in Section 4.2.

The potential problem of seasonality can be reduced, provided that analyses refer to the same time periods for the various groups being compared. This is implemented in all the impact analyses. For new/repeat claimants, comparable entry cohorts are constructed for each year from 1999 to 2002. For stock claimants, those with ongoing claims when the IS database begins (in mid-May 1999) are used to compare with the LPWFI extension stock. Details of the stock definitions are found in Table 2.2 and discussed in Chapter 2.

The final assumption to be considered is that comparisons are unaffected by other policy changes which take place in parallel. One type of development which could interact with LPWFI is maternity rights legislation. However, by excluding from the new/repeat comparison groups those lone parents with a baby under one year old, this potential issue was largely eliminated, as noted in Section 2.3.2.

The policy change of greatest relevance to lone parents took place in October 1999, when Family Credit (FC) was replaced by Working Families' Tax Credit (WFTC)[43]. The implications of this change have been briefly reviewed in Section 1.2. Although WFTC was introduced well in advance of LPWFI, it is possible that any influence on lone parents' labour market behaviour was progressive, and took place over the baseline periods available in the data. In that case, in making overtime comparisons, there would be a risk of attributing improved outcomes for the lone parent group to LPWFI when part or all of the gains were actually due to WFTC. Of course, WFTC is of benefit to all lone parents, and provided that the different groups of lone parents respond in the same way over time, then the validity of the DiD method is unaffected. What would be of concern would be if certain aspects of WFTC influenced one group more than others. Such differential effects of WFTC need not always result in an over-estimate of the impact of LPWFI. In particular, the child credit, the value of which increased in June 2000, and childcare support components, the value of which was increased in June 2001 (see Table C.2), could be of greater financial importance to those with younger children.[44] If so, it would be the non-eligible groups who could be more positively affected by WFTC and the impact of LPWFI would then be under-estimated. Such an effect could be compounded if awards of WFTC were particularly likely to exhaust the entitlement to IS of families with younger children.

One way of assessing this type of issue is to test for changes in outcomes that might be produced by WFTC in the period before the introduction of LPWFI. This can also

[43] WFTC was fully phased in by April 2000, with claims in the intermediate period after October 1999 a mixture of WFTC and FC recipients.

[44] There may also be effects due to the difficulty of finding childcare for children over 11 years.

be seen as a more general test of whether the baseline period used for DiD is itself a stable one[45]. If the comparisons between groups produce unstable results in the baseline period, then any subsequent estimates that use the baseline may be unreliable. Ideally, there would be a long time series of data for the analysis groups, which would enable a good choice of baseline and also a better examination of how closely the groups compare, however lack of pre-1999 data and seasonality give restrictions.

4.1.2 Pre-programme tests of changes in exits

It was possible to perform some baseline tests, but only for certain cohorts of new/repeat claimants, and not at all for the stock. The tests use similar methods to those used for the main impact analysis, but are confined to the pre-programme period. Hence the tests used the DiD method, but limited the comparisons to cohorts of new/repeat claimants beginning their claims in 1999 and 2000. All outcomes also took place in the period before LPWFI commenced. Essentially, the test applies the same methods over a period when no change should have taken place. The groups of entrants were defined as in the LPWFI period, that is, a 'pseudo-eligible' group consisting of those with youngest child aged between three and five years three months, and a comparison group consisting of those with youngest child between one and two years. The statistical controls included were the same as for the impact analyses. The cohort of June-October entrants was considered, as for the main impact analyses. Note that WFTC was introduced in October 1999, so the cohort in 1999 was largely before the introduction point. Between October 1999 – April 2000, claims were a mixture of WFTC and FC[46] recipients. The child credit rate in WFTC also increased from June 2000 (see Table C.2). These aspects slightly complicate interpretation of the pre-test.

The analyses sought to answer the following question: *Was there a significantly different change in outcome, for the two groups defined by age of youngest child, between the initial year when WFTC was being introduced, and the subsequent year*?

The term in the analysis that is of primary interest is the interaction between time period (here, 1999 and 2000 defined the before and after test periods) and age group of youngest child (which defined LPWFI 'pseudo-eligible' or comparison groups). If the answer is positive, this is interpreted as evidence that WFTC was de-stabilising the relative positions of the two groups with respect to exiting IS. If the answer is negative, this is interpreted as a lack of evidence of any de-stabilising effect of WFTC on the relative position of the two groups.

Table 4.1 shows the results of the baseline test for new/repeat claimants, where the

[45] This approach was suggested as a general way of testing the DiD method by Heckman and Hotz (1989).

[46] Those with FC awards up to 30 September 1999 and still current at the reference date.

coefficients are for the interaction between entry year and age group of youngest child. The results are mixed. For exits at four and five months after claim start, the statistically significant coefficients indicate there may have been divergence between the eligible and comparison groups that affects the baseline.

Table 4.1 Baseline tests of IS exits for new/repeat claimants, 1999-2000

1999 compared to 2000	June-October cohort	
Outcome measure	**coefficient**	**t-statistic[a]**
Exit IS two month	-0.003	1.05
Exit IS three month	0	0.10
Exit IS four month	0.011	2.27**
Exit IS five month	0.014	2.54**
Exit IS six month	0.008	1.44
N for analyses	80,661	

The coefficients are for the interaction between entry year and age group of youngest child.

Data excludes: Northern Ireland, Jobcentre Plus Pathfinder, LPWFI Pathfinder and ONE areas, Jobcentre Plus roll-out. Notes: a = Absolute values. A negative effect (as shown in the 'coefficient' columns of the table) means that exits fell for the 'pseudo-eligible' group relative to the comparison group, while a positive effect means that their exits rose relative to the comparison group. t statistics with * for statistical significance at ten per cent, ** for statistical significance at five per cent.

A further pre-programme test can be conducted for the LPWFI extension, comparing 2000 to 2001. This gives some insight into whether the change observed between 1999 and 2000 continued subsequently, or was a once off change. A once off change could be interpreted as most likely due to a step-change in behaviour introduced by WFTC. A more sustained change may reflect divergent growth paths for the eligible and comparison groups.

Table 4.2 below shows the results of the further pre-programme test. The coefficients are not statistically different from zero and their size is small and varies between negative, positive and zero. These results are indicative that there was a once off change, which might be interpreted as due to WFTC. This indicates that using the DiD results without adjustment would result in a biased estimate of the impact. In other words, the results without adjustment are invalid because the required assumption of a stable baseline is not met[47]. It is possible to apply an adjustment, suggested by Heckman and Hotz (1989), where the coefficients from the pre-programme test are used to adjust the impact size.[48] This is further discussed and carried out in Section 4.2.1.

[47] Because of this, to avoid confusion, they are not presented.

[48] The change between 1999 and 2000 is taken to be a measure of bias resulting from a tendency for the control group to have a trend in outcomes different from that of the treatment group. The adjustment removes the bias to the extent that we are able to measure it.

Table 4.2 Baseline tests of IS exits for new/repeat claimants, 2000-2001

2000 compared to 2001	June-October cohort	
Outcome measure	coefficient	t-statistic[a]
Exit IS two month	0.001	0.4
Exit IS three month	-0.001	0.27
Exit IS four month	-0.002	0.34
Exit IS five month	0	0.08
Exit IS six month	0.002	0.36
N for analyses	72,159	

The coefficients are for the interaction between entry year and age group of youngest child.

Data excludes: Northern Ireland, Jobcentre Plus Pathfinder, LPWFI Pathfinder and ONE areas, Jobcentre Plus roll-out. Notes: a = Absolute values. A negative effect (as shown in the 'coefficient' columns of the table) means that exits fell for the 'pseudo-eligible' group relative to the comparison group, while a positive effect means that their exits rose relative to the comparison group. t statistics with * for statistical significance at ten per cent, ** for statistical significance at five per cent.

4.2 Impact estimates

4.2.1 Exits from IS claim for new/repeat claimants

The estimated average impact of LPWFI on exits from IS for the June to October cohort are shown in Table 4.3. Table 4.3 presents for each number of months after claim start the estimated impact, as well as the statistical significance. It was not possible to estimate the impact at one month after claim start for IS terminations because too few cases were observed to exit, with less than one per cent exiting in any group. A positive impact indicates that in 2002, those eligible for LPWFI had higher exits from IS than comparisons not eligible for LPWFI.

As pointed out in Section 4.1.2, the results have been adjusted to take account of the pre-programme test results. Heckman and Hotz (1989) suggested using a random growth model as a modification to the standard DiD framework. The bias revealed in the pre-programme test is subtracted from the impact estimated. The two pre-programme tests indicated that it was most likely a step change, and estimates of the LPWFI extension impact adjusted using the step-change assumption are shown in Table 4.3. The results indicate that the impact was very small or zero, and there is no statistical significance.

An alternative assumption is that there was sustained divergent growth. Adopting this assumption gives extremely small impact estimates, also close to zero in size but negative, with mixed statistical significance. Results for this alternative are shown in Table B.2. These combined results are interpreted to support the conclusion that for new/repeat claimants, the average impact of the LPWFI extension on IS exits was not different to zero in size, under alternative assumptions about the differential pattern of growth for the eligible and comparison groups. Note that as stated earlier in Section 4.1.2, the pre-programme tests indicate that the unadjusted results using the 1999 baseline are invalid.

Another alternative assumption, is that rather than adjust one might change the baseline from 1999, which was found in the tests of Section 4.1.2 to be unstable, to 2000, which was found to be stable. This would be valid if the changes observed between 1999 and 2000 were maintained to be a step change. Tables B.3 and B.4 show the results for the average impact on exits from IS for new/repeat claimants using the baselines of 2000 and 2001. For both alternative baselines, these impacts are very close to the step-change adjusted results for 1999, with small impact estimates, close to zero in size. Hence, all results for new/repeat claimants, accounting for various alternative assumptions, give similar conclusions of extremely small impact estimates, close to zero in size.

Table 4.3 New/repeat claimants: LPWFI extension average impact on exits from IS claim

	Months after claim start				
June – October cohort	**2**	**3**	**4**	**5**	**6**
Adjusted					
Average impact					
Percentage points	-0.27	-0.29	-0.30	-0.12	0.47
t statistic	0.84	0.47	0.33	0.05	0.58
Observations	75,593				

Base: 1999. Data excludes: Northern Ireland, Jobcentre Plus Pathfinder, LPWFI Pathfinder and ONE areas, Jobcentre Plus roll-out. The t statistics are marked with * for statistical significance at ten per cent, ** for statistical significance at five per cent.

4.2.2 Exits from IS claim for stock claimants

The estimated average impact of the LPWFI extension on exits from IS claim for the stock of claimants are shown in Table 4.4. The follow-up period for the stock is 12 months, as beyond this point the schedule for annual review meetings influence the impact. The impact increases steadily in size over the period to 12 months, reaching one per cent at six months after the introduction of the LPWFI extension, and two per cent at 12 months, as shown in Figure 4.1. The impact of LPWFI on exits from IS for stock claimants first became statistically significant very early at three months after the introduction date, and then remained statistically significant.

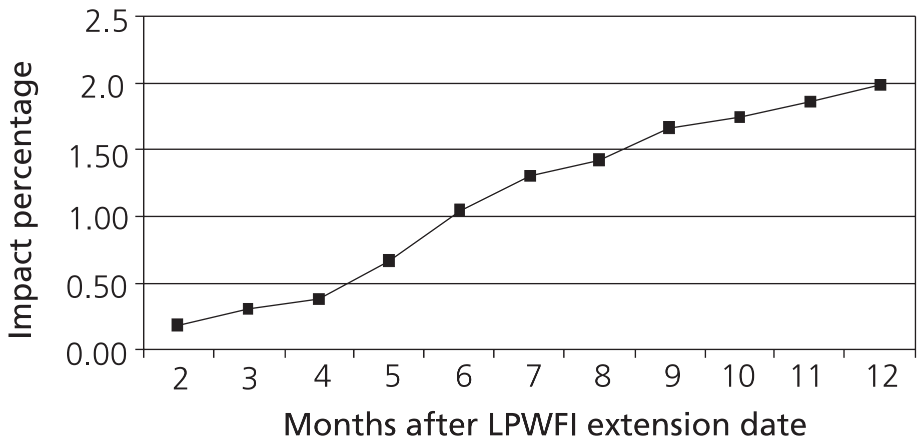
Table 4.4 Stock claimants: LPWFI average impact on exits from IS claim

Months after introduction of LPWFI Extension	Average impact Percentage points	T statistic
2	0.18	1.49
3	0.31**	2.00
4	0.38**	2.18
5	0.67**	3.47
6	1.04**	4.96
7	1.30**	5.75
8	1.43**	5.94
9	1.66**	6.67
10	1.75**	6.78
11	1.86**	6.99
12	1.98**	7.28

The coefficients are for the interaction between entry year and age group of youngest child.

Base: 1999. Data excludes: Northern Ireland, Jobcentre Plus Pathfinder, LPWFI Pathfinder and ONE areas, Jobcentre Plus roll-out. t statistics with * for statistical significance at ten per cent, ** for statistical significance at five per cent.

Figure 4.1 Stock claimants: LPWFI average impact on exits from IS claim

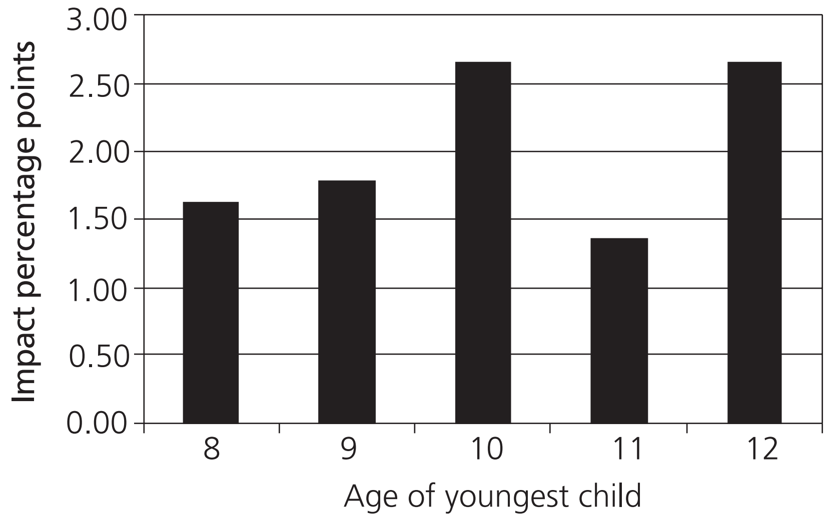


Base: 1999. Data excludes: Northern Ireland, Jobcentre Plus Pathfinder, LPWFI Pathfinder and ONE areas, Jobcentre Plus roll-out

4.2.2.1 Impact on exits from IS claim for stock claimants by year of age of youngest child

Section 4.2.2 reveals the LPWFI extension raised exits from IS for stock claimants to two percentage points at 12 months. Figure 4.2 shows the LPWFI extension impact on IS exits for each of the subgroups of year of age of the youngest child, at 12 months after the LPWFI extension. The chart shows that after 12 months the LPWFI extension had a statistically significant positive impact for stock claimants for all ages of youngest child, ranging in size from 1.5 to just over 2.5 percentage points. Note that for the stock analyses, it was not possible to test the validity of the chosen prior period using the pre-programme test. As a consequence, the reliability of the results rests upon the assumptions for the baseline, as discussed previously.

Figure 4.2 Stock claimants: impact on exits from IS claim by year of age of youngest child at 12 months after LPWFI extension



Base: 1999. Data excludes: Northern Ireland, Jobcentre Plus Pathfinder, LPWFI Pathfinder and ONE areas, Jobcentre Plus roll-out. Note: All impacts are statistically significant at 5 per cent level of significance.

4.3 Conclusions

For new/repeat claimants, there was no evidence that the LPWFI extension had an impact greater than zero on exiting IS shortly after entering the claim. Baseline tests indicated that the new/repeat claimants cohort may be affected by policy changes such as WFTC prior to the LPWFI introduction. Different ways of dealing with the possible impact of policy changes such as WFTC all gave consistent results. These results are in line with those found for the introduction of LPWFI for those with youngest child aged five years and three months or more, see Knight and Lissenburgh (2004). It should be noted that the follow-up period of six months is a short observation period, and it is possible that some impact of the initial LPWFI might occur after six months, however it was not possible to test this because of the limitations imposed by the review meetings and further extension of LPWFI eligibility.

In contrast, stock claimants were found to have raised IS terminations after the LPWFI extension. The average net impact on IS exits for stock was two percentage points at twelve months. This reflected consistent statistically significant positive impacts for all ages of youngest child eligible for the LPWFI stock extension, of between one and two and a half percentage points. The two percentage point impact on IS exits after 12 months found for the LPWFI extension compares favourably with the one percentage point impact found for stock customers at LPWFI introduction. However some of this may in part be due to the definition of claim for the LPWFI stock extension group relative to that of the LPWFI introduction stock rather than the different age group for the youngest child[49]. The age of youngest child breakdown indicates success in achieving customer participation in the LPWFI system for all eligible youngest child ages during the LPWFI extension.

[49] Stock extension clients had to have claims live at 30 April 2001 and additionally remain claimants until 1 April 2002.

5 Summary and conclusions

5.1 Aims and methods

Lone Parent Work Focused Interviews (LPWFIs) provide an appointment with a Personal Adviser where the aim is to make lone parents aware of possible support available. The chief aim was to facilitate movement into paid employment, with a subsidiary objective of encouraging participation in New Deal for Lone Parents (NDLP). Participation in LPWFI is mandatory for those eligible. As the programme was introduced, eligibility was determined by the age of the youngest child. In the LPWFI extension from 1 April 2002, new/repeat lone parent claimants with youngest child over three years became eligible and those who were current claimants on 30 April 2001 with youngest child aged nine and under 12.

The aim of this evaluation was to estimate the net impact of the 2002 extension of LPWFI on movements off IS for eligible lone parents. The net impact was estimated using the method of Difference in Differences (DiD). Previous reports gave results of a similar investigation into the net impact of the 2001 introduction of LPWFI, see Knight and White (2003), Knight and Lissenburgh (2004). Administrative data records on Income Support, and LPWFI participation were used, spanning May 1999 to May 2004. The analysis excluded Northern Ireland, Jobcentre Plus and LPWFI Pathfinder areas, ONE areas, and the Jobcentre Plus rollout areas. New/repeat claimants and stock claimants were analysed separately, reflecting the different programme operation for these two groups, and their different eligibility criteria which translated into different sample constructions and analysis designs.

5.2 LPWFI extension impacts on IS terminations

No evidence was found that exits from IS by new/repeat claimants were affected by eligibility for the LPWFI extension. The analysis did not find a statistically significant impact of LPWFI on Income Support (IS) exits for new/repeats, and the impacts found were of small size close to zero. The pre-programme tests indicated that the DiD analysis for new/repeat claimants was limited by a divergence of the behaviour of eligible and comparison groups in the baseline period 2000. Accordingly, the results were adjusted using techniques suggested by Heckman and Hotz (1989). Two adjustment techniques were applied, which reflected two differing assumptions about the nature of the divergence in exits of the eligible and comparison groups. The results were equivalent for each test.

Although this analysis found no evidence of an impact of the LPWFI extension on IS exits for new/repeats, the limitations of the analysis do not rule out the possibility of an impact not measurable within the scope of the current analysis. The impact of the LPWFI extension on IS exits for new/repeats may be unobserved by this analysis for a variety of reasons. As the main action of the programme evaluated here is a single meeting with a PA, it is not implausible that the LPWFI impact on IS exits would be small. The LPWFI system was designed to be obligatory, however there is little evidence of the application of the sanctioning process. By definition, a new claim as a lone parent would be closer in time to the event that provoked the claim, and so perhaps the customer would be less job ready[50]. It may be that due to their timing within a week of the start of the IS lone parent claim, LPWFI were only effective for those already job ready. Early evaluation evidence suggests that LPWFI have a selective focus, as Personal Advisers are more likely to discuss work at Work Focused Interviews (WFIs) if they perceive the customer to be positively inclined towards this option, Coleman et al. (2002); Coleman et al. (2003); Lissenburgh and Marsh (2003).

The impacts of the LPWFI extension on IS exits for the stock of claimants was overall small but positive and statistically significant. At six months after the LPWFI extension there was a one percentage point average impact on IS exits for stock claimants, and at 12 months after this was higher at two percentage points. The stock subgroup impacts by age of youngest child showed that the impact of LPWFI on IS exits was robustly positive across the range of ages of youngest child eligible for the extension. The impact of the LPWFI extension on IS exits for the stock varied between one and two and a half percentage points for the given age of the youngest child.

The LPWFI process appears to work positively for stock lone parent IS claimants in the 2002 extension, many of whom might be contemplating getting a job as their youngest child approached their early teens. The stock have their LPWFI some time after starting their claim, and possibly have had changes to their circumstances, and would perhaps be expected to suffer less deadweight loss and more additionality from the LPWFI programme services than the new/repeat claimants.

5.3 Reliability of the analytical method

The scope and limitations of the report are outlined in Section 1.4 and provide a fuller understanding of the estimates. This section addresses the validity of the

[50] While this would usually be the case for new claims, a proportion of new/repeat claims are repeat claims for lone parents who cease work or restart claims, often observed to occur over school holiday periods.

estimates presented in Section 4.2, which depend on the underlying requirements of the evaluation design.

This analysis examines the impact of *eligibility* for the LPWFI extension. However, a key assumption in interpreting the impact is that most of those eligible for the LPWFI actually attend it. The impact measured across the eligible population is inevitably smaller than the impact on participants if only a minority of those eligible participate. In Chapter 3 evidence was presented which indicated that of those eligible, about 74 per cent of new/repeat claimants and 65 per cent of stock claimants entered the LPWFI system, of which a smaller proportion would have attended a LPWFI, as some are deferred or waived. It is possible to adjust the impacts found to account for the smaller proportion entering the LPWFI system, as suggested by Bloom (1984). Essentially, the adjustment procedure involves dividing the impact estimate by the proportion entering the LPWFI system. This adjustment was not carried out because of uncertainty about the accuracy of administrative records on the proportion of the eligible population who had entered the LPWFI system. Ongoing checks are attempting to reconcile this. As non-attendance of LPWFI clearly occurs to some degree, however, it is reasonable to assume that the impact of LPWFI would be greater if the proportion attending could be raised. To this extent, the LPWFI extension impacts described in this report represent lower bound estimates. Additionally, if a Bloom adjustment were applied, an assumption is required that the selection process into LPWFI participation is random, as if the selection is not random then it cannot be simply assumed that the similar size impact could be attained for the proportion not participating in LPWFI.

The study design eliminated any influences on outcomes from differences in characteristics that remained stable over time. However, were the estimates likely to be distorted by *changes* in the characteristics of lone parents over time?; and more specifically, by changes in the *relative differences* in characteristics between the groups that were eligible and non-eligible for LPWFI? Descriptive analysis for these groups indicated that overtime change in characteristics was very slight, and furthermore was evenly distributed between the groups. This suggests that the comparability of groups over time was likely to be satisfactory, and consistent with the requirements of the design. The inclusion of characteristics as statistical controls in the modelling helps deal with this.

There were parallel changes in policy, discussed in Section 1.2, and these may have affected the estimates. The most obvious example was the introduction of Working Families' Tax Credit (WFTC), which might have affected some groups of lone parents more than others. The pre-programme tests for the new/repeats baseline, found that there were changes in this earlier period that might be due to WFTC. Data limitations meant that it was not possible to test the baseline for the stock. The affected new/repeat estimates were adjusted to take account of the baseline impacts found and remove resulting bias.

A particularly important, but difficult, issue is whether impacts on exit from IS can be interpreted as mainly moves into employment, or into some other status. It seems likely that the LPWFI extension did **not** increase exits from IS on the basis of sickness or disability. It is not possible to investigate this with the current data, however evidence from the 2001 LPWFI initial introduction is relevant. This showed that the majority of IS exits were to work. Early results from the quantitative survey of participants which formed another part of the overall evaluation estimated that 33 per cent of the new/repeat LPWFI participants had left IS at the time of a follow-up interview, which took place four to eight months after the LPWFI, and of these about three-fifths (61 per cent) had jobs (Coleman et al. 2002: 53-55). Later results found that 39 per cent had exited IS at the second interview, of which 58 per cent had started work or increased their working hours beyond the threshold of 16 hours per week (Coleman et al. 2003: 38). However, only two per cent had moved to Incapacity Benefit. One important alternative destination other than work was JSA, and of the stock 27 per cent moved from IS to JSA, usually when the youngest child reached 16 years, and six to eight per cent of new/repeat claimants did so. Overall, excluding work, a total of 23 per cent of those exiting IS moved onto another non-working benefit, of which 56 per cent moved to JSA and ten per cent moved to IB (Coleman et al. 2003: 39). Additional relevant evidence can be found for the 2003 Destination of Benefit Leavers Survey[51]. Amongst lone parents observed to have exited benefits, 54 per cent said this was to start work of 16 or more hours per week, and 16 per cent ended their claim due to re-partnering and thus losing eligibility while 11 per cent moved to another benefit or restarted their benefit claim after a short break. Of those moving to another benefit, two-thirds moved to JSA, 16 per cent restarted IS claims, four per cent moved to IB and 15 per cent moved to another benefit (which was mostly State Pension, but also included tax credits, maternity benefits and Disability Living Allowance).

The outcome measure used is moving off IS, which may mask some employment outcomes from LPWFI. It is possible to work less than 16 hours and remain claiming IS. As such, part time working due to LPWFI that involved less than 16 hours would not be picked up in this analysis of exits from benefits.

As the central component of this LPWFI programme is a single meeting, it is reasonable to expect a small effect size. *A priori*, one would expect an intervention such as mandatory LPWFI to have a fairly immediate effect to the extent that a strongly 'work-focused' message from the interview might deter false or borderline claims. However, one shortcoming of the admin database is that very short-term impacts may not be observable – the time to scan the data (two weeks) means these may be missed.

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[51] Bowling et al. (2004). This survey was of people leaving benefit between February and April 2003 and they were interviewed 4-5 months after leaving benefit, in telephone or face to face interviews. Note that the response rate was 45 per cent, or 69 per cent once inaccurate contact details and opt-out are included, and all figures are weighted for non-response.

Appendix A
Detail of method

Constructing the counterfactual

The net impact of a programme or service is defined as the difference between the observed outcome for the participant or eligible group and the outcome *which would have taken place in the absence of the programme or service.* If the symbol Y is used for an outcome, this can be written as:

(1) $Y^{\Delta} = Y^{1} - Y^{0}$

where the superscript Δ ('delta') indicates the difference in outcome attributable to the programme, 1 indicates the outcome under the programme, and 0 indicates the outcome *for the same people* in the absence of the programme. Whereas Y^1 is directly observable, Y^0 has to be estimated indirectly since it is impossible to observe participants being, at the same time, non-participants. The estimation of Y^0 is often referred to as 'constructing the counterfactual'.

In the case of the Difference in Difference (DiD) method, constructing the counterfactual involves three measurements. One is the 'before' outcome for the equivalent group of people who later become participants or, in the present case, eligible or pseudo-eligible. This can be thought of as the unadjusted counterfactual. The second and third measurements are the outcomes for the non-eligible group, respectively 'before' and 'after' the programme is introduced. The difference between these non-eligible outcomes represents the adjustment which needs to be applied to the counterfactual. The adjusted counterfactual is therefore

(2) $Y_e^{0} + (Y_c^{1} - Y_c^{0})$

where the superscripts 1 and 0 mean the same as before, subscript e means the eligible group and subscript c means the comparison (non-eligible) group.

The programme impact is obtained by subtracting the counterfactual term from the gross outcome for the programme or service, as follows:

(3) $Y^{\Delta} = (Y_e^{1} - Y_e^{0}) - (Y_c^{1} - Y_c^{0})$.

The DiD estimate of the programme's impact can be obtained by estimating each of the four terms separately and then subtracting them as shown in equation (3). If there are other variables in the analysis that are to be controlled (for instance, variables describing sample composition in terms of age, sex, region etc.), then estimating the outcomes separately permits the influence of these control variables to vary in each sub-analysis. Unless the control variables are believed to be particularly important, it is often simpler and more convenient to estimate the net impact term, Y^{Δ}, in a pooled analysis where the calculation is obtained through an interaction effect between period (before or after) and group (eligible or non-eligible). This forces the control variables to have the same influences across the four sub-samples. It is the latter approach which was used in setting up the analyses for this evaluation, since there was no reason to suppose that sample characteristics were changing in important ways over the period of the evaluation (see further details in Chapter 3).

Practical application of difference in differences

Application of the DiD estimator uses a regression framework. In this analysis treatment is reflected by eligibility for Lone Parent Work Focused Interviews (LPWFI). An equation is estimated which reflects the following construction:

$Y_{it} = \alpha + \beta_0 X_{it} + \beta_1$ (*LPWFI treatment*)$_{it}$ + β_2 (*LPWFI period*)$_{it}$ + β_3 (*LPWFI treatment* * *LPWFI period*) $+\varepsilon_{it}$

The dependent variable Y is the outcome of interest. Where the subscript i indicates the individual, t the time period classified as before or after the introduction of LPWFI, X is the vector of observable covariates (gender, age of claimant, number of children, Government Office Region, travel to work area unemployment rate in April 1999), *LPWFI treatment* is the dummy with value of 1 for LPWFI eligibility, *LPWFI period* is the dummy with value of 1 for the time period from 1 April 2002 (after the extension introduction date for LPWFI), ε is the normal error term. The post LPWFI treatment group is identified by the interaction of the *LPWFI treatment* dummy with the *LPWFI period* dummy. The statistical significance and impact estimated are derived from the associated DiD coefficient β_3. For all analyses, the linear probability model was applied. The impact size was then constructed from the model predictions. Subgroup analysis of impact by the age of youngest child was achieved by coding the eligible group of the *LPWFI treatment* as a categorical variable for each year of age of the youngest child, with the comparison group in the base. Each of the years of age of youngest child then had an interaction term.

Adjustment for pre-programme test

Under the assumption of a step change, as suggested by Heckman and Hotz (1989), the coefficients from the pre-programme test are used to adjust the impact size, and the pre-programme test is subtracted from the impact estimated, within a combined model that incorporates the three periods 1999, 2000 and 2002. Under the assumption of divergent growth, a model that allows for unequally spaced intervals was used. Again this results from a combined model with the three periods 1999, 2000 and 2002. Additionally, this model incorporates the scalar measures for the number of months separating the time periods (12, 24 and the overall period of 36), a common time trend and a differential time trend with monthly growth parameters. The impact estimate is then the coefficient for the interaction of the *LPWFI treatment* dummy with the *LPWFI period* dummy, but must undergo scalar adjustment before interpretation.

Appendix B
Additional tables

Figure B.1 Data periods

	Jan	Feb	Mar	April	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
1999	No	data										
2000												
2001												
2002						New/repeat entry cohort						
2003												
2004												

The IS database was first started in May 1999, so no data exists for spells prior to this, although spells in existence on the date 15 May 1999 are included, and all subsequent lone parent spells observed. The bold vertical line in 2001 indicates the 30 April 2001 introduction of LPWFI. The bold vertical line in 2002 indicates the 1 April 2002 LPWFI extension which is the focus of this evaluation. The shaded months in 2002 indicate the new/repeat entry cohort examined, and the diagonal crossed months indicate the follow up periods. The bold vertical line in 2003 indicates the date of the 2003 LPWFI further extension of eligibility (which affects the comparison group used for analysis and so limits the follow up period).

Table B.1 Total new/repeat Lone parent IS claims in each month, with youngest child aged one to 16 years

	1999	2000	2001	2002	2003
January	-	16,780	17,352	15,226	12,587
February	-	14,318	13,509	12,204	10,122
March	-	15,454	15,043	13,626	14,636
April	-	14,343	14,028	14,526	14,752
May	-	16,167	14,271	14,257	9,984
June	18,455	16,659	15,737	14,293	11,779
July	18,783	17,027	15,607	15,307	11,037
August	17,591	15,786	13,953	13,222	9,252
September	18,092	15,208	13,104	14,177	9,917
October	16,003	15,895	14,020	13,720	9,181
November	14,776	14,331	12,233	11,262	8,529
December	10,694	10,415	8,908	7,774	7,414
Annual average per month	-	15,199	13,980	13,300	10,766
Total	-	182,383	167,765	159,594	129,190

All new and repeat IS lone parent claims for youngest child at least 12 months and less than 16 years. Data excludes: Northern Ireland, Jobcentre Plus Pathfinder, LPWFI Pathfinder and ONE areas, Jobcentre Plus roll-out.

Figure B.2 Stock extension timing of LPWFI attendance: number of LPWFI attended in each month for stock claimants

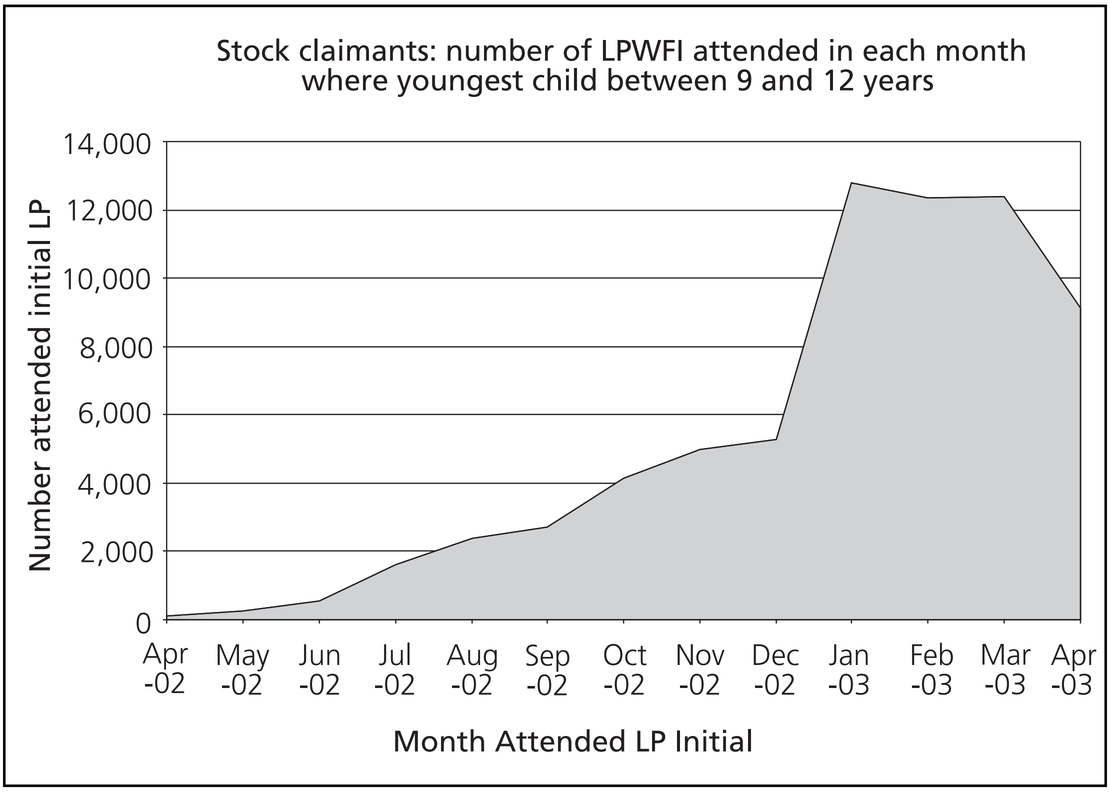


Figure B.2 is based on the LMS administrative data for the variable 'fpaatt' which gives the month the LPWFI was attended. Source: LPWFI Performance figures by age of youngest child, New Deal for Lone Parents (NDLP)/LPWFI database analysis, DWP Families and Disability Analysis Division, Work, Welfare and Poverty Directorate (WW&PD), February 2004 (contact: Jessica Vince).

Table B.2 New/repeat claimants: LPWFI average impact on exits from IS claim, sustained growth assumption

	Months after claim start				
June – October cohort	**2**	**3**	**4**	**5**	**6**
Adjusted average impact					
Percentage points	0.001	-0.001	-0.004	-0.005	-0.002
t statistic	0.46	-0.34	-1.94*	-1.99**	-0.78
Observations	75,593				

Base: 1999. Data excludes: Northern Ireland, Jobcentre Plus, LPWFI Pathfinder and ONE areas. The t statistics are marked with * for statistical significance at ten per cent, ** for statistical significance at five per cent.

See Section 4.2.1 for discussion relating to this table.

Table B.3 New/repeat claimants: LPWFI average impact on exits from IS claim, using 2000 as baseline

	Months after claim start				
June – October cohort	**2**	**3**	**4**	**5**	**6**
Adjusted average impact					
Percentage points	-0.26	-0.28	-0.29	-0.12	0.47
t statistic	-1.02	-0.72	-0.59	-0.22	-0.77
Observations	70,962				

Base: 2000. Data excludes: Northern Ireland, Jobcentre Plus, LPWFI Pathfinder and ONE areas. The t statistics are marked with * for statistical significance at ten per cent, ** for statistical significance at five per cent.

Table B.4 New/repeat claimants: LPWFI average impact on exits from IS claim, using 2001 as baseline

	Months after claim start				
June – October cohort	**2**	**3**	**4**	**5**	**6**
Adjusted average impact					
Percentage points	-0.37	-0.19	-0.13	-0.09	0.25
t statistic	-1.39	-0.47	-0.26	-0.15	0.39
Observations	67,091				

Base: 2001. Data excludes: Northern Ireland, Jobcentre Plus, LPWFI Pathfinder and ONE areas. The t statistics are marked with * for statistical significance at ten per cent, ** for statistical significance at five per cent.

Appendix C
Additional statistics

Description of Working Families' Tax Credit

Working Families' Tax Credit (WFTC) was a tax credit available to working families responsible for at least one child under 16 (or under 19 if in full-time education up to A-level or equivalent standard). It was payable to two-parent and one-parent families. The applicant or the partner (if they had one) must be working 16 hours or more per week. Eligibility depended on hours of paid employment, the number of children, income, capital and formal childcare costs. WFTC was more generous than Family Credit (FC), with higher payments particularly for those with young children, higher earnings allowed before the credit was phased out, an increase in the threshold from £80.65 to £90 per week and a lower withdrawal rate taper (55 per cent compared to 70 per cent under FC). It also significantly changed the system of support for formal childcare costs. Under FC there was a disregard for childcare costs up to £60 before benefit phased out, which only benefited those parents earning more than the earnings threshold. Under WFTC, there was a payable childcare tax credit, giving a 70 per cent subsidy on costs up to £150 a week for those with two or more children of any age, and paid on top of WFTC rather than an income disregard. Finally, while FC treated child support or maintenance payments above £15 a week as income, WFTC disregarded all child support when calculating awards. In addition to these changes, the payment mechanism of FC was a directly paid cash benefit administered by the welfare system but WFTC was paid by employers through wages, and they were reimbursed by Inland Revenue, and so administered through the tax system. Table C.1 lists the various components of WFTC.

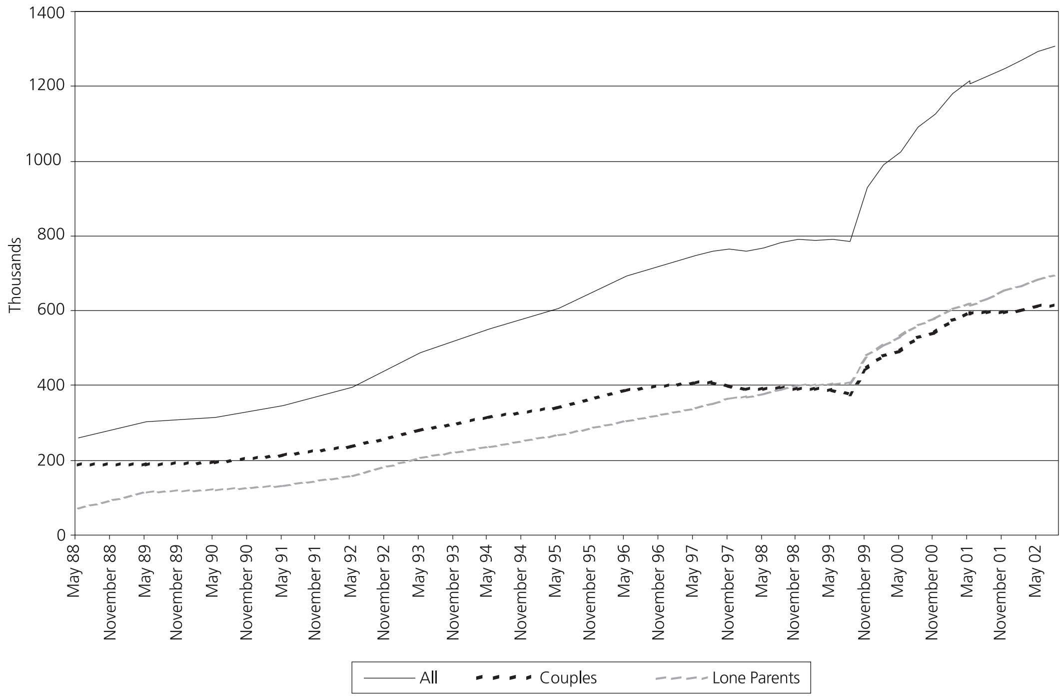
Table C.1 Income Support quarterly statistical enquiry figures, Great Britain

Income Support claimants by statistical group: 1997 to 2003					
	Statistical group				
	All claimants	Aged 60 or over (MIG)	Lone parents	Disabled	Other
1999					
February	3,815	1,620	940	914	341
May	3,814	1,624	936	914	341
August	3,835	1,628	940	926	341
November	3,835	1,626	929	940	340
2000					
February	3,806	1,604	919	949	333
May	3,811	1,615	910	962	324
August	3,845	1,638	909	976	323
November	3,877	1,675	894	992	316
2001					
February	3,890	1,679	895	1,003	313
May	3,928	1,717	888	1,017	306
August	3,963	1,736	893	1,033	301
November	3,950	1,741	867	1,044	298
2002					
February	3,941	1,737	861	1,054	289
May	3,930	1,746	856	1,067	261
August	3,960	1,758	861	1,077	263
November	3,961	1,768	843	1,086	265
2003					
February	3,960	1,769	837	1,093	261
May	3,982	1,778	847	1,100	257

Source: Income Support Quarterly Statistical Enquiry, May 2003, Table 1.1
http://www.dwp.gov.uk/asd/asd1/is/is_quarterly_may03.asp

The data is based on a five per cent sample of all claimants in Great Britain whose benefit is in payment on the last weekend in February, May, August and November. Income Support is a non-contributory, income-assessed benefit available to people who are not required to work. Those aged 60 or over receive the Minimum Income Guarantee (MIG), which is paid as Income Support (IS). These figures are not seasonally adjusted. Any comparisons should be made ‘year on year’.

Figure C.1 Working Families' Tax Credit statistics quarterly enquiry, UK time series August 2002



Source: Working Families' Tax Credit statistics quarterly enquiry, UK time series August 2002, Chart 1 http://www.inlandrevenue.gov.uk/wftctables/index.htm.

Figure C.1 shows quarterly series for the number of recipients of FC and WFTC, and their average weekly awards. For dates up to August 1999, the awards are of FC. For November 1999 and February 2000, the recipient families are a mixture of FC and WFTC recipients. FC recipients are those with awards starting up to 30 September 1999 and still current at the reference date. From May 2000, all the awards are of Working Families' Tax Credit. From May 2001, the figures initially published for each reference date have been based on extracts covering all awards current at the reference date according to data available three months later. They are consistent with the figures published in the geographical publications with the same reference dates. For earlier dates the figures were estimates based on data for a five per cent sample of all awards in Great Britain, and all awards in Northern Ireland, again extracted about three months later. To provide consistent estimates over the change of source, figures for May 2001 were compiled on both bases. The differences are due to sampling error in the sample estimates. The final figures, shown here for months up to May 2002, take into account awards made, disallowances and changes to termination dates that occurred after the data for the initially published figures were extracted. The sizes of the changes are estimated by analysing the five per cent sample of all awards extracted six months after the reference date.

Table C.2 Working Families Tax Credit rates and threshold, 1999 – 2000 to 2002-03[52]

		1999-2000	2000-2001	2001-2002	2002-2003
Basic tax credit					
WFTC	£ per week	52.30	53.15	59.00[1]	62.50[2]
30-hour credit	£ per week	11.05	11.25	11.45	11.65
Child credits					
Under 11	£ per week	19.85	25.60[3]	26.00	26.45
11 – 16[4]	£ per week	20.90	25.60	26.00	26.45
16 – 18	£ per week	25.95	26.35	26.75	27.20
Childcare tax credit					
Maximum eligible childcare costs – one child[5]	£ per week	100	100	135[6]	135
Maximum eligible childcare costs – two plus children	£ per week	150	150	200	200
Percentage of allowed childcare costs in credit		70%	70%	70%	70%
Savings					
Amount disregarded	£	3,000	3,000	3,000	3,000
£1 per week income assumed per additional:	£	250	250	250	250
Upper limit (WFTC)	£	8,000	8,000	8,000	8,000
Reduction of award through income[7]					
Income threshold – lone parent or couple	£ per week	90.00	91.45	92.90	94.50
Income taper rate		55%	55%	55%	55%
Minimum award	£ per week	0.50	0.50	0.50	0.50

1 For awards starting from 5 June 2001. £5.00 lower for awards starting during April and May 2001.

2 For awards starting from 4 June 2002. £2.50 lower for awards starting during April and May 2002.

3 For awards starting from 6 June 2000, £21.25 for awards starting during April 2000.

4 These rates apply to awards starting from the September following the child's relevant birthday.

5 Number of children for whom eligible childcare costs are incurred.

6 For awards starting from 5 June 2001. The 2000-01 level for awards starting during April and May 2001.

7 Income is net of tax, National Insurance contributions and half of pension contributions, and excludes Child Benefit, Housing Benefit, Council Tax Benefit, maintenance and investment income. The award is reduced by the excess of income over the threshold, multiplied by the income taper rate.

52 The rates apply to awards starting from the first Tuesday after 5 April in each year, unless otherwise stated. Source: TA.3 – Credit Rates and Threshold, 1999-2000 to 2002-03, http://www.inlandrevenue.gov.uk/stats/wftc/00ap_a3.htm#7

Description of WTC and CTC

The WFTC was superseded by two tax credits, Child Tax Credit (CTC) and Working Tax Credit (WTC), from April 2003.

CTC is for people who are responsible for at least one child or qualifying young person. CTC is paid direct to the person who is mainly responsible for caring for the child or children in couples, and lone parents receive the payment.

WTC is for people who are employed or self-employed (either on their own or in a partnership), who usually work 16 hours or more a week, are paid for that work, and expect to work for at least four weeks **and** who are aged 16 or over and responsible for at least one child, or aged 16 or over and disabled or aged 25 or over and usually work at least 30 hours a week. WTC is paid to the person who is working 16 hours or more a week. Couples, if both are working 16 hours or more a week, must choose which one will receive it. You cannot receive WTC if you are not working.

As part of WTC you may qualify for help towards the costs of childcare. If you receive the childcare element of WTC, this will always be paid direct to the person who is mainly responsible for caring for the child or children, alongside payments of CTC.

The amount of tax credits received depend on the claimants' annual income. There is a single claim form covering both Child and Working Tax Credits, and entitlement is calculated jointly. Families without children can only receive WTC. Out-of-work families with children can only receive CTC. The maximum award (before tapering) of in-work families with children includes both WTC and CTC. The tapering is deemed to reduce WTC first.

Awards run to the end of the tax year. An annual award is calculated by summing the various elements to which the family is entitled and reducing the resulting maximum award if the family's annual income (see Table C.3) exceeds the first income threshold. The reduction is 37 per cent of the excess over the threshold. Awards of CTC are not, however, reduced below the level of the family element unless the annual income exceeds the second threshold of £50,000. Once the income exceeds the second threshold the award is further reduced by £1 for every £15 of income over the threshold.

Table C.3 CTC and WTC elements and thresholds

Annual rate (£), except where specified	2003-04	2004-05
Child Tax Credit		
Family element	545	545
Family element, baby addition[1]	545	545
Child element[2]	1,445	1,625
Disabled child additional element[3]	2,155	2,215
Severely disabled child additional element[4]	865	890
Working Tax Credit		
Basic element	1,525	1,570
Couples and lone parent element	1,500	1,545
30 hour element[5]	620	640
Disabled worker element	2,040	100
Severely disabled adult element	865	890
50+ return to work payment[6]		
16 but less than 30 hours per week	1,045	1,075
at least 30 hours per week	1,565	1,610
Childcare element		
Maximum eligible costs allowed (£ per week)		
Eligible costs incurred for 1 child	135	135
Eligible costs incurred for 2+ children	200	200
Percentage of eligible costs covered	70%	70%

Continued

Table C.3 Continued

Common features		
First income threshold[7]	5,060	5,060
First withdrawal rate	37%	37%
Second income threshold[8]	50,000	50,000
Second withdrawal rate	I in 15	I in 15
First income threshold for those		
entitled to Child Tax Credit only[9]	13,230	13,480
Income increase disregard	2,500	2,500
Minimum award payable	26	26

[1] Payable to families for any period during which they have one or more children aged under one.

[2] Payable for each child up to 31 August after their 16th birthday, and for each young person for any period in which they are aged under 19 and in full-time non-advanced education, or under 18 and in their first 20 weeks of registration with the Careers service or Connexions.

[3] Payable in addition to the child element for each disabled child.

[4] Payable in addition to the disabled child element for each severely disabled child.

[5] Payable for any period during which normal hours worked (for a couple, summed over the two partners) is at least 30 per week.

[6] Payable for each qualifying adult for the first 12 months following a return to work after 5 April 2003.

[7] Income is net of pension contributions, and excludes Child Benefit, Housing Benefit, Council Tax Benefit, maintenance and the first £300 of family income other than from work or benefits. The award is reduced by the excess of income over the first threshold, multiplied by the first withdrawal rate.

[8] For those entitled to the Child Tax Credit, the award is reduced only down to the family element, plus the baby addition where relevant, less the excess of income over the second threshold multiplied by the second withdrawal rate.

[9] Those also receiving Income Support, income-based Jobseeker's Allowance or Pension Credit are passported to maximum CTC with no tapering.

Source: Child and Working Tax Credits Quarterly Statistics April 2004, Appendix B: CTC and WTC elements and thresholds http://www.inlandrevenue.gov.uk/stats/personal-tax-credits/cwtc-quarterly-stats.htm

Appendix D
Report on matching of databases

There were Lone Parent Work Focused Interviews (LPWFI) records (about eight per cent of the total) which had no matching National Insurance (NI) number in the Income Support (IS) file; in other words the LPWFI information had no claimant with that NI number in the IS file. Nearly all of these were classified, in the NDLP/LPWFI database itself, as new/repeat claimants, and this provided an important clue to the reasons for this type of non-matching:

- New/repeat claimants in the LPWFI records may not be found in the IS records if the claim is terminated within two weeks of its start, and falls entirely between two database scans (in which case the claim is never recorded in the IS database). During this time an LPWFI can be arranged and recorded in the LPWFI database. Of course, it is also possible that other individuals with these very short claims do not enter the LPWFI system, so it is impossible to say whether this results in any bias to the records as between participants and non-participants.

- From November 2001, NDLP was opened to lone parents on benefits other than IS. It is possible that an NDLP meeting with a personal adviser was recorded incorrectly as a Personal Adviser Meeting. However, there was no indication that the unmatchable LPWFI records were concentrated in the period after November 2001. No method was available of directly identifying entrants of this type.

- If an NI number had been mis-entered in either of the two systems then this would lead to a non-match for an individual. There were also temporary NI numbers on the LPWFI data (i.e. those which are just a number rather than beginning with a letter), which might not then be matched if the other system contains the correct NI number. Ten per cent of all the cases not successfully merged had only numbers and no letters in the first part of the NI number.

- Subsequent to attending an LPWFI, the IS lone parent claim might be disallowed, and so although in the LPWFI data this case might not reach IS administrative records. Also, in some cases, although IS claim forms were taken, and they were then registered for an LPWFI or could even have attended, yet they might not then pursue an IS claim. The system of records relies on markers being set by advisers when a customer has been invited and subsequently attends a lone parent WFI. However, it is likely that for a proportion of cases the markers are not applied correctly, and no record is found in the database.

It is important to bear in mind that these matched IS and LPWFI cases included individuals with multiple claims: these claims were all counted as initial matches if there was any LPWFI record with the same NI number. Clearly, if an individual had several claims, but only one period of LPWFI participation, then all but one of the claims must be non-participating. To select the correct corresponding claim, the obvious method was to compare dates. However, some of the LPWFI records which matched on NI number had start dates which could not be at all closely matched into *any* of the IS claim dates for the claimant concerned. To reconcile the two sets of dates required the introduction of assumptions. Various assumptions were tested; those were adopted which resulted in the lowest proportion of rejections without accepting cases that were completely implausible.

For new/repeat claimants, initial matches were disallowed in the following circumstances:

- The LPWFI start date was more than 30 days after the IS claim end date.
- The LPWFI start date was more than 30 days before the IS claim start date.

An exception to these rules was made where individual had more than one IS claim, in which case the rule did not allow the extra 30 days leeway before or after the IS claim dates. This meant that once an earlier scan date was associated with the LPWFI information, it was not allowed to also be associated with a later IS spell.

Next the relationship between *stock claimants* and LPWFI entry is considered, in a similar way to new/repeat claimants. For these cases, initial matches were disallowed in the following circumstances:

- The LPWFI start date was before 30 April 2001.
- The LPWFI start date was after the IS claim end date.

The second rule removed 17 per cent of the original matches, and this rule is more strict than in the case of new/repeat claimants, because many more stock claimants had other, previously completed claims on the IS database. The second rule prevented LPWFI starts being attached spuriously to these earlier claims. The reason why the assumption about start date of the IS claim used in the new/repeat claims was not applied here, is that stock claims all started before 30 April 2001. It was therefore not possible for the LPWFI start date to precede the IS claim start date, except for those very few cases already disallowed by the first assumption.

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