



Can't work or won't work: Quasi-experimental evidence on work search requirements for single parents[☆]

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ARTICLE INFO

JEL classification:

H53
I38
J64

Keywords:

Single parents
Active labour market policy
Work search conditionalities
Disability benefits

ABSTRACT

Increasing the labour market participation of single parents, whether to boost incomes or reduce welfare spending, is a major policy objective in a number of countries. This paper presents causal evidence on the impact of work search requirements on single parents' transitions into work and onto other benefits. We use rich administrative data on all single parent welfare recipients, and apply a difference-in-differences approach that exploits the staggered roll-out of a reform in the UK that gradually decreased the age of the youngest child at which single parents lose the right to an unconditional cash benefit. Consistent with the predictions of a simple search model, the work search requirements have heterogeneous impacts, leading some single parents to move into work, but leading some (especially those with weak previous labour market attachments) to move onto disability benefits (with no search conditionalities) or non-claimant unemployment.

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1. Introduction

Over the past twenty years, several countries have extended to single parents various activation policies which are commonly directed at the unemployed at large (for reviews and discussion of active labour market policies, see OECD, 2007; Bergemann and van den Berg, 2008; Eichhorst and Konle-Seidl, 2008; Immervoll and Scarpetta, 2012; Card et al., 2015; Brown and Koetti, 2015; Eichhorst and Konle-Seidl, 2016). One central element of these policies is the imposition of work search requirements for single parents who claim benefits, with the aim of increasing the flow into employment. Previous work has shown that work search requirements might induce individuals with low level of labour market attachment to give up search entirely and join the ranks of those not in employment nor on benefits (Manning, 2009; Petrongolo, 2009). This casts doubt on the effectiveness of search conditionalities for single parents, a socio-demographic group that tends to have low levels of labour market participation.

In this paper, we present new causal evidence on the impact of the introduction of work search requirements on the probability of welfare-receiving single parents moving off welfare and into work. We exploit the staggered roll-out of a reform recently implemented in the UK, and

known as “Lone Parents Obligations” (LPO). In a series of discrete jumps, the reform gradually lowered the age of the youngest child which triggers a move from a regime of unconditional income support to a regime with work search requirements. We use a difference-in-differences setting with rich administrative data on benefit receipt and spells of employment, using single parents with younger children as an unaffected group, and using a long span of pre-reform data on single parents with similarly-aged children. The staggered nature of this roll-out – which effectively means we study not just one but a series of reforms affecting different groups at different times – provides reassurance that our results are not due to a time-varying shock differentially affecting the treatment or comparison groups. The large and rich administrative data means we pay particular attention to heterogeneous treatment effects. We find that work search conditionalities increased the flow of single parents into work, but also caused a large proportion of single mothers to move onto health-related benefits or into non-claimant unemployment. The nature of this response is related to previous labour market experience in ways that are consistent with standard models of job search.

Our research contributes to the literature examining the impact of passive or active labour market policies for single parents, and to the literature estimating the impact of work search requirements for the

[☆] The views expressed are those of the authors only and should not be taken to represent the views of the OECD or its member countries. This work was supported by the Economic and Social Research Council (ESRC) through the Research Centre on Micro-Social Change (MiSoC) at the University of Essex, grant number ES/L009153/1, by the NORFACE ERA-NET (New Opportunities for Research Funding Agency Co-operation in Europe Network) Welfare State Futures Programme, Grant Number 462-14-010, and by the UK Department for Work and Pensions.

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unemployed or those on social assistance. The literature on single parents concludes that broad activation policies that have included work search requirements reduce the benefit count, increase employment and reduce poverty among single parents.¹ But there is also evidence that the effects of such reforms are heterogeneous and some single parents are made worse off. In the US, for example, welfare reforms are thought to have led to a substantial increase in the proportion of “disconnected” single mothers who are not in work nor on benefits (Blank, 2007). But the comprehensive nature of the reforms evaluated in this literature makes it difficult to disentangle the effects of the individual provisions: the 1996 US reform, which has been the subject of a large number of studies, simultaneously introduced time limits, work search requirements and sanctions (Moffitt, 2008), as well as giving states considerable discretion in designing the welfare system. An important feature of the UK reform, and therefore an important contribution of our study, is that it allows us to focus on effects of work search requirements (backed up with the threat of sanctions) separately from other changes to the benefit, tax credit or welfare-to-work system. There is also a much smaller literature on the impact of activating recipients of social assistance benefits, which in many European countries have traditionally been “inactive” benefits (unlike unemployment insurance benefits). For example, Brodersen (2015) examines the impact of fortnightly meetings with case workers for social assistance recipients in Denmark, Dahlberg et al. (2009) examines the impact of activating welfare recipients in Stockholm, and Bolvig et al. (2003) estimates the impact of different sorts of activation policies for welfare recipients in Aarhus. Comparing the results of these studies to each other and to our own, though, is difficult, in part because there is considerable heterogeneity not just in what was involved by activation, but also by the composition of those receiving social assistance benefits.

The literature estimating the impact of work search requirements for the unemployed is too large for us to summarise, but two very relevant studies are Manning (2009) and Petrongolo (2009), which both study the introduction of work search requirements for the unemployed in the UK (with the introduction of Jobseeker’s Allowance (JSA) in 1996). Both studies find the JSA reform to have moved people off unemployment benefits, but not into work, with large flows into non-claimant unemployment and benefits for those with disabilities or poor health (we call these “health-related benefits” hereafter). These findings are consistent with a simple search model that predicts that some claimants might find the search requirements too burdensome and give up search entirely. As Manning (2009) shows, this is likely to be the case for individuals with initial low level of search, for whom the marginal cost of the extra search effort might exceed the expected benefit. And there are plausible reasons to think that single parents might be disproportionately found in this group. For example, single parents may have lower expected returns compared to the typical unemployed for given search effort, due to the longer average duration of their jobless spells (which might lower both the probability of an offer being made and the wage offered), or because, for a given job offer rate, they will accept only jobs with flexible arrangements or part-time hours that allow them to manage their childcare duties. If this is the case, the additional work search requirements could induce a significant flow towards benefits with no search

¹ See Moffitt (2008) for a review of the evidence for the US, but also Fok and McVicar (2013) and Gong and Breunig (2014), who study a reform similar to LPO in Australia, Mogstad and Pronzato (2012) who study a related reform from Norway, and Knoef and van Ours (2016) for 2 reforms in the Netherlands. Dolton and Smith (2011) examine an earlier UK reform (known as “New Deal for Lone Parents”, or NDLP) in the UK that introduced a voluntary programme of work search counselling, and use the same administrative data on benefit receipt as we do, except that their data pre-dates the existence of tax credits, from which we draw our measure of employment. Blundell et al. (2014) briefly considers the impact of reform we study on single parents’ employment rates, but their analysis identifies the impact of LPO from deviations from a linear time trend in employment rates, with no explicit comparison group to net out common labour market shocks, and without considering the precise rules determining when individual single parents were affected.

conditionalities or towards non-claimant unemployment.² Hence, both the literature on the impact of comprehensive activation policies on single parents and that on the impact of work search requirements on the unemployed at large suggest that introduction of search conditionalities for single parents might not achieve the intended aim of increasing labour market participation for this group.

We contribute to this issue by studying a reform that gradually reduced, from 16 to 7, the age of the youngest child at which a single parent loses her (or his, but we use female pronouns throughout) entitlement to the unconditional income support benefit (a further extension to age 5 took place in a period not covered by our data). The intention was that, once the youngest child had reached this age, single parents that wanted to receive welfare benefits would have to claim the unemployment benefit, although they could also claim health-related benefits if they met the medical conditions. The unemployment benefit, known as Jobseekers Allowance (JSA), can be claimed indefinitely (subject to a means-test on income and financial assets), but claimants are required to look for work actively, report to a welfare office at least fortnightly, and, like most “active” benefits, can be sanctioned for not making sufficient efforts to look for work, or for turning down job offers without good reason.³ There were no other differences between the unconditional income support benefit and the unemployment benefit: both are administered by the same agency and a family’s entitlements to both should be identical.

We show that the introduction of work search conditionalities did increase the flow of single parents into work, but also caused a large proportion of single mothers to move onto health-related benefits or into non-claimant unemployment (in the sense that they are not observed either in work or on benefits in our dataset). In fact, the flow towards either of the two states with no work search requirements attached is generally larger than that into work. For example, nine months after the loss of entitlement to the unconditional income support, the reform has increased the probability that a previously welfare-receiving single parent is in work by about 10pp, but has also increased the probability of receiving either health-related benefits or being in non-claimant unemployment by about 18pp. The nature of this response is related to previous labour market experience: those with lower labour market attachment (proxied for by the fraction of time a single parent has spent on welfare benefits before being affected by the reform) are more likely to move into non-claimant unemployment and particularly onto health-related benefits, than those with stronger labour market attachment. Point estimates suggest that lone parents with low labour market attachment were also more likely to move into work, but the differences by previous labour market attachment are not statistically significant. That the impact of work search requirements might vary with the work-readiness of the single parents is consistent with the search model of Manning (2009) and Petrongolo (2009), and our empirical findings echo the one of an increase in the proportion of “detached” mothers found in the US (Blank, 2007), although we are not able to examine the reform’s impact on incomes or poverty. Our findings also, there-

² Some of these alternative benefits might bear initial take-up costs that are greater than those for the unconditional income support. For example, health-related benefits might require medical examinations. By introducing search requirements for lone parents, the reform lowers the relative up-front cost of taking up health-related benefits (Reiso 2014).

³ There is an extensive literature that seeks to estimate the causal impact of being sanctioned, or the causal impact of receiving unemployment benefits under a sanctioning regime (for example, see: Arni et al., 2015; Lalive et al., 2008; Rosholm and Svarer, 2008; Abbring et al., 2005). An important feature of the JSA regime in the UK is that claimants are required to undertake work search and related activities, and can be sanctioned if they do not comply with the terms of their “jobseeker’s agreement”, and so part of the impact of the LPO reform could be due to the act of being sanctioned, or the threat of being sanctioned. However, we lack data on who is sanctioned, and so we cannot contribute directly to this literature (Appendix C documents that about 3–5 percent of lone parents receiving JSA were sanctioned in each month, with sanctions typically lasting 1, 2, or 4 weeks); instead, our results should be seen as the overall impact of moving single parents to a regime where they are required to attend fortnightly meetings and undertake work search activities, backed up by the threat of sanctions.

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