

# STAYING ON, STEPPING UP

**How can employment retention and advancement policies be made to work for lone parents?**

Kate Bell, Natalie Branosky, Joan Fitzgerald, Mark Greenberg, Susan Harkness, Donald Hirsch, Elisa Minoff and Anna Wadia





# One parent families

making change happen

## Staying on, stepping up: how can advancement and retention policies be made to work for lone parents?

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## Foreword

The publication of the Green Paper on Welfare Reform has once again turned attention to the Government's target that 70 per cent of lone parents should be in employment by 2010.

One Parent Families has supported efforts to meet this target as we believe it can help the Government to meet the much more important target of halving child poverty by 2010. But we have urged caution about whether this target can be achieved while at the same time maintaining acceptable choices for lone parents who do not feel that work is best for them. We are strongly opposed to any measures that try to force lone parents who are not ready to take a job to do so. Many lone parents who move into work do not stay there for long, particularly when this work is poorly paid. So we were very interested when the Department for Work and Pensions published research showing that lone parents are twice as likely to leave work as other groups. It is self-evident that raising job-retention rates would help to increase the overall employment rate for lone parents: simple simulations suggest that if the lone-parent job exit rate were reduced to that of other groups, the 70 per cent target could be met without further raising job entry rates.

One Parent Families' concern over this matched our long-running concern about the quality of jobs that lone parents move into. The Government has repeatedly emphasised that 'work is the best route out of poverty', and tax credits have helped to make this a reality for many. But not all lone parents who move into work move out of poverty, and many move into low-skilled, high-turnover jobs that offer few prospects for moving up in the future. If lone parents are moving into low-paid jobs that they do not keep, then neither the employment target nor the poverty target will be met.

We therefore held two seminars in the summer of 2005, funded by the Nuffield Foundation, as is this publication, to begin to look at the issues of job retention, job advancement and job quality. Many of the issues that the seminars threw up were familiar, such as the importance of childcare, and the problems of low pay. But they also emphasised issues such as the correlation between better-skilled jobs, better pay, and better job retention. We were also helped by a seminar held by the Joseph Rowntree Foundation in autumn 2005 which looked at these issues in a broad sense.

While job retention and advancement are relatively new issues in the UK welfare-to-work field, debate in the US has centred on these for some time. We are fortunate to have been able to draw on US expertise for this publication to report on the strategies that have been attempted in this field in the US, and on which UK policy makers may draw.

The Government has done much in the past nine years to improve the employment prospects of lone parents, with the introduction of the New Deal for Lone Parents, the national childcare strategy and tax credits. But if it is to meet its ambitious targets, and to improve the lives of many more lone parents, focusing on job retention and job quality will be key.

**Chris Pond**  
**Chief Executive, One Parent Families**

## Introduction

# Staying on, stepping up: how can employment retention and advancement policies be made to work for lone parents?

The Government has set ambitious targets for the 1.8 million lone parents in Britain today, aiming to have 70 per cent in employment by 2010 and to halve child poverty by the same date. Our 2003 publication *Working to target* analysed the Government's chances of reaching a 70 per cent lone-parent employment rate, and concluded that this would be challenging. Although the lone-parent employment rate has risen substantially, from 45 per cent in 1997 to 52 per cent in 2002 and around 56 per cent in 2006, progress will have to be three times as rapid in the next five years as it has in the last five if the target is to be met.

Government attention to date has focused on helping lone parents to move into work, with the introduction in 1998 of the New Deal for Lone Parents (the voluntary scheme to help those lone parents who want to return to work), compulsory Work Focused Interviews delivered by Jobcentre Plus, measures to 'make work pay' such as tax credits, and moves to improve childcare provision (a summary of employment initiatives is contained in Box 1). The current Green Paper on Welfare Reform retains this focus, proposing additional Work Focused Interviews, and additional payments for those taking steps to move towards work.<sup>1</sup> Evidence increasingly suggests, however, that, as well as facing barriers to entering work, lone parents face problems in sustaining employment. Research for the Department for Work and Pensions (DWP) by Martin Evans, Susan Harkness and Ramon Arigoni Ortiz (summarised in Chapter 1) found that lone parents were twice as likely to exit work as comparable groups, and suggested that if the lone parent 'penalty' to job exits could be removed so that job exit rates became the same for lone parents as those for the rest of the population, the 70 per cent target could be met even without raising job entry rates further.<sup>2</sup>

Not only does job exit threaten Government progress towards the 70 per cent target, it also reduces the chances of meeting the more important child poverty target. Almost half (48 per cent) of children living in a lone-parent family are poor, and although increasing

lone-parent employment has helped to bring this rate down, work is not a sure route out of poverty for all. Households Below Average Income data show that 13 per cent of the children of lone parents working full-time and 27 per cent of those working part-time are still in poverty.<sup>3</sup> What is more, lone parents often move into poor-quality jobs that offer them little opportunity for progression; evaluation of the New Deal for Lone Parents (NDLP) found that they tend to enter low-paid, low-skilled jobs, including occupations in catering, cleaning, care, the retail and clerical sectors, and hair and beauty therapy.<sup>4</sup>

These findings suggest that lone parents' ability to stay in work, and the quality of their jobs, should be key issues for policy makers, yet little attention has been paid to these to date in the UK. The Government is piloting an Employment Retention and Advancement project, but this is not due to report until 2010 – too late for its findings to have any impact on the targets. (For details of the Employment Retention and Advancement project see Box 2.)

### Chapter 1: Lone parents cycling in and out of benefits

Susan Harkness shows that lone parents are now moving into paid work at a rate similar to that of other non-employed people, but they remain twice as likely to leave paid work as non-lone parents. There is therefore greater potential to increase the employment rate of lone parents by increasing job retention than by increasing job entry.

The jobs many lone parents move into are low paid and offer poor prospects for progression. Working part-time for low pay is associated with exiting work, as are being aged under 30, not being a homeowner, having no savings, and having entered work in the past year. There is a point at which encouraging a higher volume of entry into employment for those lone parents with poor prospects will lead to only small increases in the net employment rate because of the high probability of job exit.



### Box 1: Employment programmes for lone parents in the UK

The main Government programme for helping lone parents into work is the New Deal for Lone Parents (NDLP). Participation in the NDLP is voluntary, but lone parents must attend compulsory Work Focused Interviews at Jobcentre Plus as follows:

- before an initial claim for Income Support can be processed;
- six months after the initial claim;
- annually thereafter; and
- every three months once their youngest child has reached the age of 14.

NDLP offers support from a Personal Adviser who can offer:

- help looking for and preparing for a job;
- help working out how much better off the lone parent would be if she or he returned to work, through the 'in work benefit calculation';
- help with finding training to assist return to work, including payment of a £15-a-week training premium;
- help finding childcare and help with the costs of childcare while the lone parent is training or looking for work, including paying for childcare for the week before she or he enters employment;
- help with the costs of going back to work, through the Advisers' Discretion Fund which can be used to meet one-off costs up to a maximum of £100;
- support during the transition from benefits to employment through the £250 Job Grant.

Several additions or variations to the programme are being piloted in different locations around the UK. These include the following:

- Employment Zones (EZ) – private-sector-led EZ services are offered as an alternative to NDLP in certain areas and replace it in several parts of London.
- Extended Schools – involve Sure Start working with local education authorities and Jobcentre Plus to improve provision of childcare. Lone parents whose youngest child is aged 12 or over must undertake Work Focused Interviews every three months.
- Childcare Tasters – offer the lone parent a discussion with a Childcare Broker about childcare options. Tasters allow up to five days' trial of a childcare provider.

- Debt Counselling – available in some areas for lone parents, partners and others where debt is a barrier to employment or debt advice is not currently accessible.
- Working Neighbourhoods – currently piloting in 12 local authority wards, more frequent Work Focused Interviews for lone parents, and a flexible discretionary fund.
- Tailored Mentoring and Discovery Weeks – mentors offer support to lone parents who are not ready to join NDLP or look for work; and Discovery Weeks offer lone parents a week's opportunity, outside the work environment, to explore the benefits of work.
- In Work Emergencies Fund – financial support to lone parents for emergency expenses in their first 60 days of work.
- In Work Credit – a weekly payment of £40 for up to 52 weeks for lone parents when they move into work.
- Work Search Premium – a weekly payment of £20 for up to 26 weeks for lone parents following an action plan designed to help them move closer to the labour market.

New Deal Plus for Lone Parents – brings together several of the above to offer:

- a guarantee about a clear gain from work including In Work Credit, Work Search Premium and the In Work Emergencies Fund;
- extended schools childcare, childcare tasters, childcare chats, and additional childcare partnership manager resources; and
- a guarantee of ongoing help, with lone parents linked to a named adviser with access to a wider range of tools and support.

The Government's Green Paper on Welfare Reform published on 24 January 2006 proposes additional measures including:

- Work Focused Interviews every six months for all lone parents;
- Work Focused Interviews every three months for all lone parents whose youngest child is aged 11 or over;
- additional support in the first year of work (possibly via further Work Focused Interviews);
- introduction of a Work Related Activity Premium to be paid on top of benefits to those lone parents who engage in work-related activity. It is not yet clear whether this will be available to all lone parents or only to those whose youngest child is aged over 11.

### Chapter 2: Welfare in work: the missing link in welfare reform

Donald Hirsch looks at the evidence on job retention and advancement across the UK, and at policy solutions to promote these aims. He suggests that while government policies on welfare reform to date have helped move many more people into work, they have failed to address underlying labour market inequalities, which result in poor pay, job insecurity and few opportunities for progression. He suggests that there is a two fold imperative for government to look more carefully at these issues: firstly, the long-term effect on the employment rate of policies to move people into work will depend on job retention, and, secondly, topping up low wages via tax credits is expensive for government.

Evidence on the characteristics of 'vulnerable workers' shows that low-paid workers in particular risk poor job retention, that the cost of job loss (in terms of future prospects) has risen, and that each time someone experiences job loss, the chances of them doing so in the future increase. These factors point to the need for a focus on retention in government policy, as well as job entry.

The Government's current approach prioritises work first, and job retention and advancement second. Three different types of alternative approach are 'sustainable entry strategies', 'support for new entrants' and

### Box 2: The UK Employment Retention and Advancement project (ERA)

The ERA scheme is designed to test a method of improving unemployed and low-paid workers' labour market prospects. ERA is conceived as the 'next step' in welfare-to-work policy in combining continuing adviser support in the period following customers' entry to work with additional cash payments for training, and bonus payments for retaining work. These new in-work services are aimed at three groups who have difficulty securing and keeping full-time work and in advancing to more secure and better-paid positions:

- long-term unemployed people entering the New Deal 25+;
- lone parents entering the New Deal for Lone Parents;
- lone parents receiving Working Tax Credits (WTC) on the basis of jobs in which they work between 16 and 29 hours a week.

Qualified participants are randomly assigned to either the control or programme group. For nearly three years the programme group will receive individual support from an Advancement Support Adviser (ASA) to assist them:

'improving jobs'. The first category, sustainable entry strategies, points to a need to strengthen training opportunities provided through the New Deal, and to look again at target structures in order to measure long-term outcomes. Looking at the second type of policies around support for new entrants, Hirsch suggests that although more support is needed for those who have entered work, a generalised 'post-entry New Deal' would not be the way to provide this. The final category, improving jobs, suggests that the Government should consider raising the National Minimum Wage and implementing a strategy for fair pay within the public sector.

Hirsch concludes that although such measures are needed now, it may be difficult to persuade government to implement them as the labour market weakens, and the money available for government services reduces. However, creating a more stable and rewarding work environment would help to improve employment rates, in accordance with the Government's ambitious targets.

### Chapter 3: Employment retention: evidence from the UK and the US

UK policy has to date not been highly focused on sustaining jobs but some projects have begun to look at employment retention. These include the Employment Retention and Advancement (ERA) project, the StepUP programme and the National Partnership Accord

into sustainable work;

- in remaining in work and avoiding some of the early pitfalls that sometimes cause new jobs to be short-lived;
- in getting on in their jobs by advancing to positions of greater job security, better pay and conditions, and so on.

Individuals may receive cash incentives once in employment, including:

- a Retention Bonus of £400 if they stay in full-time work of at least 30 hours a week for 13 out of 17 weeks with a maximum total amount of £2,400;
- training fees of up to £1,000;
- a training bonus of up to £1,000; and
- access to an emergency payment to overcome short-term barriers to retaining work.

Source: Hall, N., Hoggart, L., Marsh, A., Phillips, J., Ray, K. and Vegeris, S. (2005), *The Employment Retention and Advancement Scheme – The Early Months of Implementation: Summary and Conclusions*, DWP Research Report no. 265, Department for Work and Pensions: London.



between central and local government and Jobcentre Plus. This chapter reviews early evaluation evidence from these.

Employment retention has been a concern for longer in the US and a variety of programmes have been trialed at state level to improve it. Evidence from these is mixed, but research and guidance from practice suggest that pre-employment training, job quality, and in-work supports are all important elements of strategies to promote employment retention, and authors Elisa Minoff, Mark Greenberg and Natalia Branosky draw some lessons from programmes which have delivered such services. They conclude that two guiding philosophies of retention programmes should be that there is no 'one size fits all' approach, and that retention must be incorporated from day one of employment programmes.

#### Chapter 4: The poverty of caring work in the US

In this chapter, Joan Fitzgerald and Anna Wadia look at the career ladder strategies that have been used to improve employment prospects for those working in care work, drawing on Fitzgerald's research in the United States. They point out that at present, poor pay and few opportunities for advancement damage both employment prospects for care workers, and the quality of care that they can provide.

The chapter describes career ladder programmes in childcare, for Certified Nursing Aides and for home health workers. All of these involved the incremental building up of qualifications. However, while these programmes helped workers to perform better on the job and increased career satisfaction, they have not yet done enough to ensure that the jobs provide a living wage, due, in main part, to a shortfall in government funding.

Successful career ladder programmes start with building basic academic skills, and then progress in attainable steps (with attached qualifications) which must make sense to the employer as much as to the worker. Such programmes also require social supports, and assistance with the costs of tuition, which low-paid workers cannot afford to meet the costs of.

#### Chapter 5: Staying on, stepping up: the view from One Parent Families

Kate Bell, for One Parent Families, concludes that there is a clear case to be made for greater government focus on promoting retention in work and job quality. Efforts

must focus not only on improving the skills of those who want to advance in the labour market, but also on improving the quality of jobs for all lone parents. Without measures in this area, the Government's child poverty target will be threatened, and the employment target will not be met.

The evidence on what factors promote job sustainability and advancement in work is discussed, and One Parent Families lays out its recommendations for policy, as follows:

##### Sustainable job entry

We recommend that the Government should:

- measure achievement by both Jobcentre Plus and private sector employment providers in terms of sustainable job outcomes – these should measure progress at 3, 6 and 12 months, and include a measure of hourly wages;
- increase the resources available to advisers for those lone parents who are returning to the Jobcentre for a second time, possibly by an increase in the Adviser Discretion Fund for this group; and
- extend access to NVQ level 3 training to all lone parents.

##### Support for new entrants

We recommend that the Government should:

- roll out the in-work emergency fund across the UK and allow Personal Advisers full discretion over its use;
- consider making the in-work emergency fund available for up to six months after entering work (rather than the current 60 days);
- offer lone parents a further interview with a Personal Adviser in the 11th month of their claim for In Work Credit (or possibly make this a condition of receiving the 12th month of the credit);
- implement Ambition-style programmes at the local level which implement a demand-led approach to training;
- work to develop career ladders in government-funded and public sector services, and ensure that such services are working closely with Jobcentre Plus when recruiting; and
- offer incentives to the job brokers delivering the National Employer Training programme to work with Jobcentre Plus and employment service providers to ensure that lone parents (and jobseekers) are placed in jobs with opportunities for training, and encouraged to make use of this.

##### Improving jobs

We recommend that the Government should:

- increase the National Minimum Wage to at least two-thirds of male median earnings;
- develop a strategy to tackle low pay across the public sector;
- extend the right to request flexible working to parents with children aged up to 18, and introduces 13 weeks of paid parental leave;
- investigate ways to further reduce the cost of childcare; and
- implement the 'parents direct' helpline to provide, or signpost to, advice not just on employment rights but also on benefits and tax credits, which are essential for low-income lone parents to retain work.

##### Notes

- 1 DWP (2006), *A New Deal for Welfare: Empowering People to Work*, Department for Work and Pensions: London.
- 2 Evans, M., Harkness, S. and Arigoni Ortiz, R. (2004), *Lone parents cycling between work and benefits*, DWP Research Report no. 217, Department for Work and Pensions: London.
- 3 DWP (2006), *Households Below Average Income 1994–95 – 2004/05*, Department for Work and Pensions: London.
- 4 Evans, M. et al. (2003), *New Deal for Lone Parents: Second Synthesis Report of the National Evaluation*, DWP Research Report no. 163, Department for Work and Pensions: London.



# 1 Lone parents cycling in and out of benefits

Since New Labour came to government in 1997 a stream of policy initiatives has been targeted at getting lone parents into work. Recent evidence suggests that these policies have been effective: employment rates of lone parents rose by around 11 percentage points to 53 per cent between 1992 and 2002. Favourable economic conditions and very low levels of unemployment in part explain this rise in employment. However, lone parents' employment rates have also been catching up with those of other demographic groups, and policy reforms introduced since 1997 appear to be having an effect. Gregg and Harkness (2003) find that 5 percentage points of the 11-percentage-point rise in employment since 1992 can be attributed to post-1997 policy reforms.<sup>1</sup> Yet if the government's target of getting 70 per cent of lone parents into employment by 2010 is to be achieved, the rate of progress will need to increase further.

Employment among lone parents may rise either because more lone parents are entering into work, or because fewer lone parents are leaving their jobs, or because of a combination of the two. To date, policies aimed at raising lone-parent employment have focused on (1) ensuring that work pays (through the introduction of the Working Families Tax Credit) and (2) encouraging lone parents' labour market participation. This second approach has promoted moves into work through the New Deal for Lone Parents and more recently through mandatory Work Focused Interviews for lone parents claiming Income Support. Less focus has been paid to reducing job exits, although recently a number of schemes aimed at improving job retention have been piloted, including the Employment Retention and Advancement scheme and an In Work Credit scheme. Evaluation evidence on the effectiveness of these schemes is not yet available.

Analysis of data from the Quarterly Labour Force Survey suggests that policies aimed at getting non-employed lone parents into work have been a success. The rate at which non-employed lone parents are starting work has grown rapidly since the mid-1990s, converging with those of non-lone parents in recent years. Over a twelve-month period in 2002–03, 15 per cent of non-employed lone parents moved into work, a 4-percentage-point increase since the mid-1990s and a rate similar to that of other non-employed people. Thus while there did

appear to be additional barriers to lone parents finding work in the 1990s, by 2003 this lone-parent penalty to finding work seemed to have disappeared. Working lone parents are also less likely to leave their jobs than they were a decade ago, although 10 per cent still quit their job in any one year. Nevertheless, in 2002–03 lone parents remained twice as likely to leave work as non-lone parents. This difference cannot be explained by differences in personal or job characteristics, such as educational background or job type.

Job entry and exit rates determine the overall steady-state employment rate, and at current rates employment may be expected to rise to an equilibrium rate of 57 per cent. But, as we have seen, the lone-parent penalty to finding work seems to have disappeared in recent years, and the potential to raise entry rates further (so that lone parents are more successful in finding work than non-lone parents with similar characteristics) may be limited. The greatest potential for further substantial gains in employment would therefore seem to lie instead with reducing the job exit rate. Indeed if the lone-parent penalty to job exits could be removed so that job exit rates were the same for lone parents as those for the rest of the population (they are currently approximately double those of non-lone parents) the target employment rate of 70 per cent could be met without raising job entry rates further.

Using multivariate modelling we have assessed the factors that are significantly associated with lone parents' job entry and exit. These characteristics may be related directly to the individual (for example, age, education), to demographics (for example, number and age of children) or to employment characteristics (for example, pay or occupation). Our findings suggest that lone parents' probability of entering work from non-employment is positively and significantly associated with:

- having fewer children;
- working less than 16 hours in so-called 'mini-jobs';
- looking for work rather than being inactive;
- having a driving licence and access to a car;
- being a home owner;
- receiving maintenance;
- having good educational qualifications.

Having three or more children, self-reported ill health and living in London, the South East, East and North West regions all significantly worsen the probability of entering work. Notably, the length of time a lone parent has been out of work is not significantly associated with the probability of entering work once other factors are taken into account.

Many of the jobs that lone parents take are low paid with poor prospects for progression. Stewart identified 12 job types that are particularly likely to be low paid.<sup>2</sup> These jobs coincide with the ten lowest-paid jobs identified in the 2003 New Earnings Survey (and include jobs in the retail, hotels and catering sectors, and low-skilled or unskilled occupations such as personal services). Of lone parents moving into work, 48 per cent were employed in these low-paid occupations and 59 per cent were low paid (that is, they earned two thirds of the median male hourly wage, or less). Most of the jobs taken by lone-parent job entrants were part-time.

Factors explaining job exits are less clear. However the probability of lone parents exiting work was found to be significantly associated with:

- being aged under 30;
- not being a homeowner;
- having no savings;
- having entered work in the past year;
- working part-time for low pay.

The exit rate is particularly heavy for new job entrants, with around one-quarter of lone parents who find a job in any given year being out of work one year later. This may be related to the high incidence of low pay among job enterers. Such a pattern is suggestive of a 'low pay – no pay' cycle among lone parents, a pattern that has previously been observed in the unemployed/jobseeker benefit populations.<sup>3</sup> To date, though, little attention has been paid to how far such a cycle affects lone parents. Low pay is a substantial problem among working lone parents as a whole: around half of lone parents who ever worked between 1999 and 2003 were permanently low paid (that is, their earnings never rose above two-thirds of the male median wage). Just one-quarter of working lone parents were never low paid.

Our research suggests that addressing issues surrounding job retention and improving the quality of jobs that lone parents move into could have a substantial impact on raising overall employment rates for lone parents. Our findings are echoed in a number of US studies, although these are concerned with welfare claims rather than employment directly. Their research suggest a high degree of 'recidivism' among lone parents

leaving welfare,<sup>4</sup> with job quality and earnings being important factors influencing welfare returns.<sup>5</sup> They also suggest that as welfare leavers are most likely to return to welfare in the first few months after leaving it, additional government assistance at this time would be most beneficial. Johnson's 2002 review of evidence from the US and UK on job retention and advancement highlights the importance of financial incentives, post-employment services and job quality.<sup>6</sup>

Berthoud has suggested that reaching the employment target of 70 per cent will involve far higher participation rates among the lone-parent population with young and very young children, and among those with more disadvantages and barriers to work.<sup>7</sup> Our research suggests that there is a lone-parent penalty to job exits which has led to lone parents leaving work at far greater rates than the non-lone parent population and that this difference persists even after accounting for differences in personal and employment characteristics. This suggests there is a need to know to what extent wider changes in employment practice that promote family-friendly work alongside the provision of childcare can be a protective factor in sustaining work for lone parents and thus promoting job retention. There are, as noted earlier, two additional factors that appear to add to the lone-parent penalty for job exits: low pay, especially when linked to part-time work, and ill health. Again, these point to wider structural problems in employment practice and conditions, but they may also have an impact on the strategies underlying moving out-of-work lone parents into work as low pay and ill health also appear to be associated with returning to benefit. This raises the problem of how far to encourage large numbers of lone parents who are at the margin of employment into work if their prospects for job retention are poor. There is a point at which encouraging a higher volume of entry into employment for those with poor prospects will lead to only small marginal increases in the net employment rate because of their high probability of job exit.

Evidence on this is already beginning to emerge from the US, with more recent cohorts of welfare leavers performing less well in the labour market and being more likely to return to welfare.<sup>8</sup> As employment grows, the remaining stock of non-employed lone parents is likely to comprise those who are hardest to help; efforts to move these lone parents into employment may have a marginal effect on overall employment. If the 70 per cent employment target is to be met, a more effective



route for policy may be to ensure that lone parents entering work move into high-quality, sustainable jobs.

## Notes

- 1 Gregg, P. and Harkness, S. (2003), 'Welfare Reform and Lone Parents' Employment in the UK', CMPO Working Paper no. 03/072, University of Bristol: Bristol.
- 2 Stewart, M. (2002), 'The Inter-related Dynamics of Unemployment and Low-wage Employment', International Conferences on Panel Data.
- 3 See, for example, *ibid.*
- 4 See, for example, Blank, R. and Ruggles, P. (1994), 'Short-term Recidivism Among Public Assistance Recipients', *American Economic Review*, 84, 2: 49-53; Bane, M.J. and Ellwood, D.R. (1994), *Welfare Realities: From Rhetoric to Reform*, Harvard University Press: Cambridge, MA.
- 5 Bartik, T. (1997), 'Short-term Employment Persistence for Welfare Recipients: The Effects of Wages, Industry, Occupation and Firm Size', WE Upjohn Institute for Employment Research: Kalamazoo, MI; Brandon, P.D. (1995), 'Vulnerability to Future Dependence among Former AFDC Mothers', DP no. 055-95, Institute for Research on Poverty, University of Wisconsin-Madison: Madison, WI.
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- 7 Berthoud, R. (2003), in *Working to Target: Can Policy Deliver Paid Work for Seven in Ten Lone Parents?*, One Parent Families: London.
- 8 Cancian, M., Haveman, R., Meyer, D. and Wolfe, B. (2003), 'The Employment, Earnings and Income of Single Mothers in Wisconsin who Left Cash Assistance: Comparisons among Three Cohorts', Institute for Research on Poverty, Special Report no. 85, University of Wisconsin-Madison: Madison, WI.

## 2 Welfare in work: the missing link in welfare reform

The sharp growth in poverty and inequality in Britain in the 1980s and early 1990s, and their persistence at historically high levels over the past decade have been driven largely by the position of low-income households in relation to the labour market. Compared to the past, more households have no members in work, and among households that do contain paid workers, more are unable to lift themselves out of poverty through earnings alone. The number of people who are poor at any one time has therefore risen. Poverty, however, is also a dynamic experience: many people working in lower-paid jobs find that these jobs are fragile and short-lived, and these people move in and out of the labour market in a 'low pay, no pay' cycle.

Government efforts to reform welfare and tackle poverty in the past eight years have centred around helping more people to move into work, especially people living in previously 'workless' households. The Government has also helped to raise the income of some people in and out of work, especially families with children, through its tax credits system. Both of these measures have helped to take families out of poverty, and have introduced or re-introduced to the labour market many people who might otherwise have stayed outside it. Yet they go only a small way towards addressing underlying inequalities – in terms of wages, security, job quality and opportunity for progression – that distinguish the experiences of privileged and of disadvantaged groups in work.

To what extent can work-focused welfare policies be widened in their scope, to help improve people's experiences within jobs, rather than concentrating principally on helping them take a first step into work? An underlying difficulty with such an approach is that the clientele of labour market services has tended to be drawn from those claiming out-of-work benefits. Traditionally, this has meant people whose benefits are conditional on them seeking work; more recently, it has involved also two groups – lone parents and disabled people – who are not obliged to seek work but many of whom the Government thinks could benefit from doing so. It is harder both to identify and to engage people already in jobs, helping them to improve their skills, to stay in work for longer or to move into higher-paid or more rewarding jobs. Yet there are powerful reasons for government to care about workers' fortunes beyond that first step into employment. One reason is that rewarding

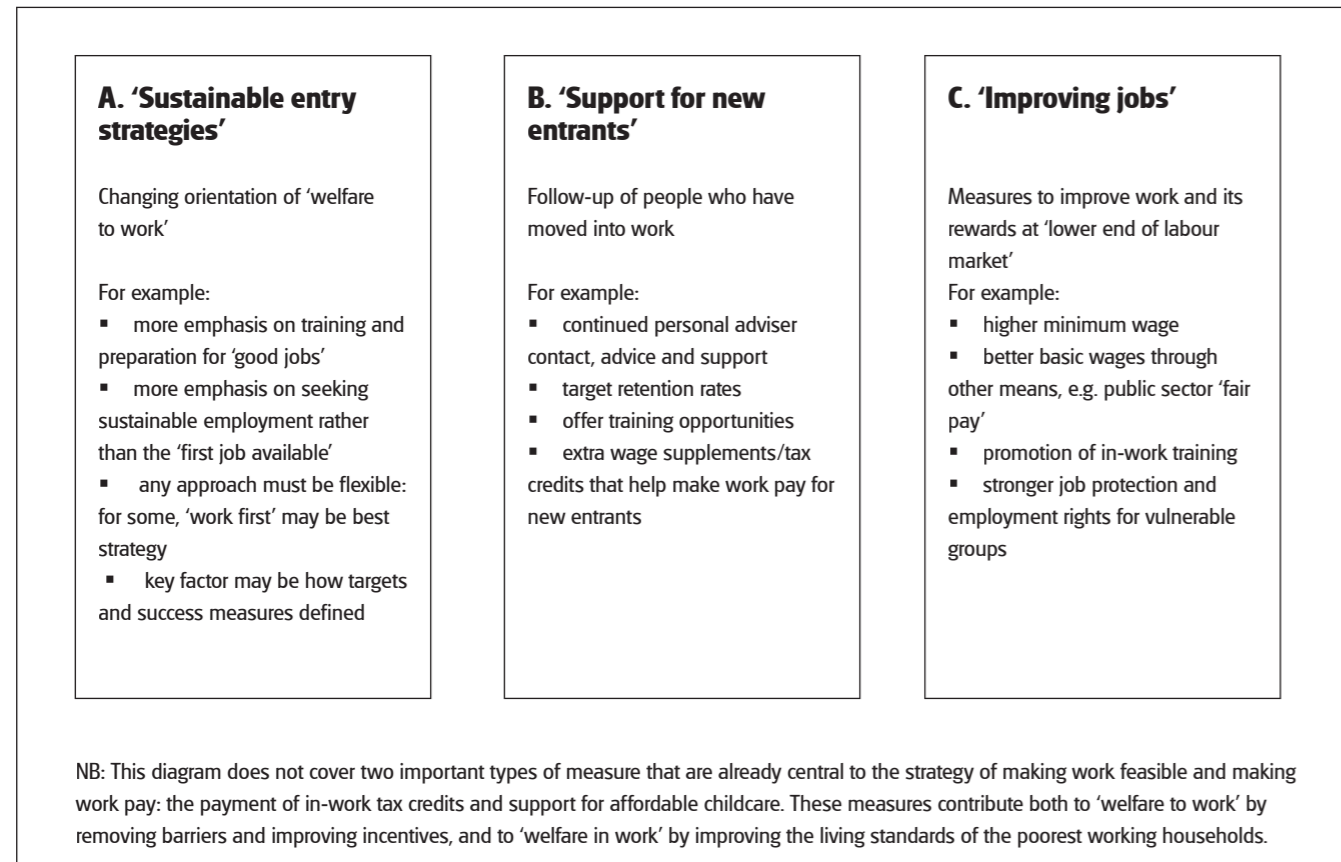
jobs improve the quality of people's lives. Another, more hard-nosed motive for government is the same imperative that has fuelled efforts to reduce 'welfare dependency': to save public money. Two reasons why this imperative applies beyond an initial move from 'welfare to work' are that:

1. The long-term effect of moving people into jobs on the stock of unemployed people will depend on job retention: it is no good having a rapid flow in if there is also a rapid flow out. So job sustainability, and hence the quality of work, and of people's experiences in work affect the long-term cost of out-of-work benefits.
2. The government is spending billions of pounds topping up the incomes of low-earning families through tax credits. A total of £15 billion is spent on tax credits, of which a large proportion goes to working families on low incomes. By comparison, the government spent £2.3 billion on Family Credit (the main in-work benefit) in 1997-98, and currently spends £2.4 billion on Income Support and Jobseeker's Allowance for unemployed people. An improvement of the earnings of people who are dependent long-term on tax credits would therefore benefit not just their own households but also the Treasury and taxpayers. Indeed, the Inland Revenue claws back 70p of a £1 pay rise of someone on tax credits who is also paying the basic rate of tax and National Insurance. If that worker is also claiming Housing Benefit and Council Tax Benefit, the clawback is 95p. This compares to just 33p (in tax and National Insurance) for most middle earners.

But what can government do to improve people's fortunes within work? This is a much more complex, multifaceted agenda than that of 'welfare to work', where the central objective of moving benefit claimants into jobs provides a tangible focus and success indicator. The multiple objectives of improving the sustainability, pay, promotion prospects and job quality of individuals suggests action on a number of fronts. Figure 1 suggests a categorisation of some of these measures under three broad headings: 'sustainable entry strategies', 'support for new entrants' and 'improving jobs'. This categorisation emphasises the fact that there are several points of intervention that may influence the sustainability of a return to work. The first involves the way in which people are helped into work, the



**Figure 1: Government measures to help improve welfare in work— suggested typology**



second concerns follow-up services and the third covers measures affecting a wider range of people who may be disadvantaged and vulnerable in work, not just new entrants.

The remainder of this chapter first discusses why government needs to be concerned about the experiences of people beyond the point where they enter jobs, second characterises the present government approach, and third considers the scope for pursuing strategies in the three categories shown in Figure 1, as well as some barriers to doing so. In discussing such a wide agenda, the aim is not to present a detailed analysis of possible policy options, but rather to raise some issues that have emerged from the Joseph Rowntree Foundation's and One Parent Families' discussions on this theme, each of which would benefit from much deeper exploration.

**The vulnerable worker: why a return to work is a beginning and not an end**

While jobseekers can benefit greatly from a first step into work, there has long been evidence that many people face a merry-go-round of poor-quality and low-paid jobs interspersed with periods of unemployment. For example, a Joseph Rowntree Foundation study

in 1998 found that three-quarters of people leaving unemployment went into jobs that were part-time, temporary, self-employed or used lower skill levels than their previous work, and moreover that these workers were more likely to remain in such work or become unemployed than to move into more stable employment.<sup>1</sup> Today, two in five people making a new claim for Jobseeker's Allowance were last claiming it less than six months ago.<sup>2</sup> Research by Steve Nickell and others<sup>3</sup> and by Paul Gregg and Emma Tominey<sup>4</sup> has addressed the incidence of job insecurity and its outcomes for different groups and their future pay expectations. This research finds that people at the lower end of the labour market face more frequent job loss and that each time they lose a job there is a 'scarring' effect reducing future prospects. Moreover, job loss is most likely in the early period after entering the labour market.

Thus, current labour market policy needs to be designed to cope with a very different kind of labour market to that which existed a generation ago. In particular, wage statistics and the evidence cited above show that:

- Relative wages at the lower end of the labour market are historically low. Between the late 1970s and late 1990s male real wages grew about half as fast at the bottom decile than at the median, with the gap also

widening (at a slightly slower rate) for women. At present it is unclear whether this trend has stopped, or even started to reverse.

- The low-paid are more susceptible to job interruptions.
- Most people leaving unemployment are going into non-standard jobs (that is, not full-time permanent employment).
- The average length of time in a job has fallen for men. It has not fallen for women around childbearing age, because of improved maternity leave laws.
- Job retention is low in the first year after entering the labour market, but the prospects of staying in work rise substantially once one has survived for a year, and continue to rise up to about four years, when the probability of keeping one's job levels off.
- The cost of job loss rose during the 1980s, and by the late 1990s the loss of a job for a young person reduced her or his expected lifetime earnings by 17 per cent. Some groups (especially women, older workers) face higher penalties for job loss than others, and some groups (women, younger workers) are more prone to interruptions in employment.
- Each time someone experiences job loss, the chance of her or him doing so in the future increases, although the marginal negative effect of such a loss on predicted lifetime earnings diminishes on each successive occasion.

These features of people's experiences in the labour market create many pitfalls for a government strategy to lift families out of poverty and to reduce the public welfare bill principally by moving more people into work. So long as government is also providing generous top-ups to working households with low earnings, poor wages will have a public cost, while the recurrence of periods of unemployment or economic inactivity will limit the extent to which high rates of job entry increase employment rates. This will especially be the case as the government aims to reach its ambitious target of 80 per cent of working-age people in jobs, since this involves engaging people in the labour market, such as people with certain disabilities, whose characteristics may make it relatively hard for them to hold down a job. Thus, without extra emphasis on retention and advancement, a strategy to reduce 'welfare dependency' could become increasingly difficult. A long-term approach to improving the fortunes of an out-of-work individual would have to see the first step into a job as a beginning not an end, with future success highly contingent on avoiding a series of false starts and failures.

**The present approach: jobs first, retention and advancement second**

'The next stage of welfare reform', states the Department for Work and Pensions' new Principles for Welfare Reform, 'will be designed not only to help people to return to work but to progress in work.' Ministers and civil servants have for some time acknowledged the need for such a strategy, but the overall orientation of welfare services has continued to be mainly based on getting people into jobs.

In practice, it is possible to identify a wide range of existing measures that at least contribute to the wider goal of improving labour market outcomes for the least advantaged people in the labour market. A range of initiatives has been introduced, for example, to improve worker skills. On pay, as well as introducing the National Minimum Wage, the government has taken various specific initiatives that help address low pay, at least in the public sector, including an overhaul of National Health Service (NHS) pay terms and conditions in Agenda for Change (2004), a Code of Practice that ends a two-tier workforce between public employees and contractors (2005), and a focus on pay for non-teaching staff in Schools Remodelling (2003). The government has also strengthened the employment rights of part-time and temporary workers, in accordance with European Union (EU) legislation. However, these disconnected efforts have not been developed into an overall strategy, or linked with the overall orientation of Jobcentre Plus services or the New Deals. The structure of those services, as well as the government's political rhetoric, continues to emphasise that a move into work is 'the best route out of poverty'. While Personal Advisers are in principle able to look at clients' needs in the round, and in some cases to aim to improve 'work readiness' before focusing on job search, the priority remains moving as many clients as possible into jobs. This is reflected in the targets for Jobcentre Plus offices, expressed in terms of number of clients getting work, and on the strong emphasis on meeting these targets. Some observers have reflected that an office that is good at placing people quickly into shortlived jobs could get extra credit under this system by repeatedly finding work for the same people as they return to the welfare rolls. In other words, the incentives are structured around throughput, not based on long-term impact on people's lives.





At present, severe cutbacks in Jobcentre Plus do not favour an expansion of its role or that of Personal Advisers. There is clearly a theoretical interest in measures that favour retention, especially through the Employment Retention and Advancement (ERA) demonstration project, which breaks new ground by following through case management after entry into work. Members of targeted groups who participate in this project are not only given assistance and incentives for up to two years after entering jobs (see category B in Figure 1) but also treated differently in the pre-employment period (category A). Personal Advisers can place greater stress on adequate job preparation, and may actively discourage clients from taking the first job that comes along, where these actions are likely to avoid unhelpful dead ends.

Yet the obvious interest taken in ERA as a demonstration project is not speeding up the adoption of mainstream policies that move beyond 'work first', and may indeed be slowing it down. The full results of the demonstration will not be known until after it is completed in 2010, and in the mean time the Government regards any major changes that anticipate its findings as premature. One view is that this policy experiment, which is unprecedented in scale, time frame and care in evaluation, is a commendable example of the Government's interest in evidence-based policy making. At present, it may be argued, there is no clear evidence that welfare services based on advancement and retention can provide better outcomes than those more narrowly focused on moving people into jobs. Yet this argument misses the rather central point that neither is there any evidence of the reverse. A work-first policy can demonstrably meet its narrow aims, but may at the same time perform badly in terms of longer-term work outcomes for its clients. In other words, we risk pursuing policies that have tangible intermediate outcomes whether or not they have desirable longer-term effects, because these effects are harder to evaluate.

### Sustainable entry strategies – potential and pitfalls

In its third term, the Government is trying to improve the relationship between Jobcentre Plus and local labour markets, initially through its planned Building on the New Deal (BOND) pilots.<sup>5</sup> This is considered especially important as groups facing greater barriers and disadvantages are moved towards the labour market. The idea is to give local offices greater flexibility in the light

of local conditions, allowing them, for example, to adopt more imaginative strategies to prepare clients for work.

At the core of such a strategy is the potential for a greater emphasis on developing work-relevant skills. Skill development has hitherto focused, perhaps excessively, on basic skills, which are necessary but not sufficient for thriving in the labour market. BOND identifies the need for better local articulation between employer skill requirements and the training that is on offer. Yet the provision for skills under BOND remains weak.

In this context, there is a considerable consensus around the need to strengthen training opportunities throughout the New Deal, as well as to ensure that advisers are able to point clients towards training opportunities that are well matched with the jobs available locally. Yet this does not mean that everyone needs to think first about training and then about entering work. Another part of an emerging consensus is that the age-old debate between the value of pre-entry training compared with the value of work experience is a false one. Different solutions will be relevant to different individuals. A crucial factor will be the ability of Personal Advisers to identify the course of action most appropriate to individuals concerned. This requires the advisers themselves to have skills, as well as flexibilities, that are greater than exist in many cases today.

In reassessing entry strategies, it will be necessary to address not only the issue of skills and preparation for work but also the nature of targets and performance indicators. Here again, the BOND pilots introduce some flexibility, in particular in assessing the performance of 'helping the most disadvantaged into sustainable work'. One variation on current forms of measurement is to assess 'distance travelled' towards job readiness among those who have not yet entered work. Another feature centres around sustainability: is it possible to measure long-term outcomes? David Grubb of the Organisation for Economic Cooperation and Development (OECD) has suggested that it is, and that as public employment services are increasingly contracted out, it is essential to hold contractors to results defined in terms of a client's destination several years after contact with the service as well as 'intermediate' outcomes defined by placement rates.<sup>6</sup>

### Support for new entrants – potential and pitfalls

The Employment Retention and Advancement demonstration project is having to address some difficult issues about extending casework to people who are already in employment. To what extent will they be willing to participate? Can publicly commissioned employment services escape the stigma of 'welfare' sufficiently to engage those in work? And can such services succeed in enabling clients to overcome often powerful barriers to retention and advancement, which may for some workers be tied up with the nature of the jobs available?

One approach to these issues may be to transform radically the appearance and design of publicly paid-for employment services, for example by giving support to voluntary agencies that help particular vulnerable groups in the labour market rather than providing or even commissioning government-specified services directly. Another contribution can be made by focusing on incentives rather than assistance, through bonuses to employees for retention or a development of the wage supplements that have been offered to older workers and lone parents when they first re-enter work. A third strategy is to encourage employers to provide training for new entrants, although an obstacle here is that the evidence on the effect on longer-term outcomes of training at this stage remains weak.

These limitations suggest that a generalised 'post-entry New Deal' or universal 'advancement-focused interviews' for people entering jobs would not make sense. Here again, a tailored rather than a universal approach is needed. Yet if, for example, the Government succeeds in getting into jobs a substantial proportion of the million Incapacity Benefit claimants who say they would like to work, there are likely to be a substantial number of people in the early months or years of a job for whom continued practical support and advice will be essential. The Government needs a strategy for developing such support to a much greater degree than at present, and it would be risky to wait until after the completion of ERA to design it.

### Improving jobs – potential and pitfalls

Efforts to improve the welfare and prospects of individuals entering work through the design of employment services will always be constrained by the character of the work available on the labour market.

Government cannot control the labour market, although it can influence it in many ways. It can, for example, encourage and incentivise work-based training, provide a more stable employment environment for temporary and part-time workers through regulation, and take steps to promote better pay. Such measures may have an effect both in improving the jobs in which disadvantaged people find themselves and in improving their ability to access better jobs. In terms of the latter, initiatives that break down rigid occupational distinctions, that help people acquire portable skills and that promote equal pay between men and women can all make a difference.

The Joseph Rowntree Foundation's October 2005 seminar on this theme focused on one aspect of making jobs better: improving wages. The present Government initially showed considerable ambiguity about its ambitions for low pay: despite its manifesto commitment to a National Minimum Wage (NMW), it also emphasised competitiveness, and in 1999 it set the NMW low enough to avoid any possibility that it would 'price people out of jobs'. Since then, it has grown more confident in promoting a higher wage baseline, not only raising the NMW much faster than prices, but also making a virtue of an apparent knock-on effect on low earnings more generally, with higher-than-average earnings growth among the bottom third of wage earners.<sup>7</sup>

Yet beyond the NMW itself, there is no government strategy for improving low pay. One direct tool that could be used for this purpose would be to improve wages in lower-paid jobs in the public sector, which employs one in four people earning less than £6.50 an hour. Local campaigners in London and elsewhere (for example, TELCO) have been pressing for this rate as a minimum standard of 'fair pay', on the basis that a 'median' household needs this amount if it is to escape poverty through wages alone.

Yet are public bodies, which have a duty to obtain value for money in providing and purchasing services, in a position to take a lead in paying higher wages? Under the original competitive tendering rules, local authorities would have found it hard to justify such behaviour, but under the present Best Value regime, a social objective such as fair pay is acceptable. But there remains the major constraint of affordability. A local authority, with a statutory duty to provide services and a severely limited ability to increase resources to pay for them through further rises in Council Tax, finds it hard to act on its own in this regard. The London Borough of Southwark is attempting to implement a fair pay policy



but is having to proceed with caution. Aware that an across-the-board policy would require either Council Tax rises or limits to the improvement of services in priority areas such as education, it is using fair pay as a consideration rather than a blanket rule, looking at how much it would add to costs on a case-by-case basis when letting contracts.

On the other hand, a properly funded commitment to fair pay across the public sector would avoid a situation where in order to pay reasonable wages a public body has to cut services. Such a policy would not be prohibitively expensive; for example, raising the pay of one million public sector workers by £1 an hour would raise public spending by less than half a per cent gross, and some of this would be recouped in reduced tax credits and higher tax revenues. To take such a major step, the government would need to go further than it has so far in prioritising low pay, rather than just low income, as a source of social harm that needs to be reduced over the long term.

An obstacle to this kind of thinking is the relatively small overlap between low individual pay rates and low household income – for example, only one in seven people paid less than two-thirds the median wage live in households in poverty.<sup>8</sup> Yet the interaction between low pay and poverty may be stronger if one considers people's experiences over the life cycle rather than just taking a snapshot of who is low-paid and poor at a moment in time. People trapped in a 'low pay, no pay' cycle may not be continuously poor, yet are unable to escape a lifetime of economic disadvantage.

### Conclusion: the time is right but the timing is problematic

Since 1997, a buoyant economy combined with Government policy has done much to move people off benefits and into employment. Despite these successes, not everybody who would like to work has got a job, and not everybody who has moved into work has found a stable or rewarding place in the labour market. As the Government acknowledges, a next stage of welfare reform needs to help people not just to enter but to progress in work.

If the UK were to have another eight years of buoyant labour demand and of expansion in the volume and scope of market services, the time would be right for an unprecedented transformation in the way in which government helps people enter the labour market.

Unfortunately, neither of these two conditions is likely to apply. If labour demand falls, the pressure will be greater to get disadvantaged people into jobs without the luxury of thinking about their longer-term future. At the same time fiscal pressure to reduce the cost of public services is causing a contraction rather than an expansion in this sector.

In these circumstances, it would be unrealistic to expect a transformation of employment services to emphasise job progression and retention rather than initial job entry. Yet there is still scope for a progressive widening in the ambitions of government in this respect. The development of a more coherent strategy to help the most vulnerable and low-paid workers to improve their experiences in the labour market would acknowledge that efforts to improve pay, conditions and training when in work need to complement measures to help people into jobs. The evidence shows that creating a more stable and rewarding work environment will reduce the casualty rate in the labour market, and hence help improve employment rates in accordance with government targets.

### Notes

- 1 White, M. and Forth, J. (1998), *Pathways through Unemployment: The Effects of a Flexible Labour Market*, Joseph Rowntree Foundation: York.
- 2 Palmer, G., North, J., Carr, J. and Kenway, P. (2003), *Monitoring Poverty and Social Exclusion 2003, Indicator 28*, and [www.poverty.org.uk](http://www.poverty.org.uk) – Indicator 30, Joseph Rowntree Foundation: York.
- 3 Nickell, S., Jones, P. and Quintini, G. (2002), 'A picture of job insecurity facing British men', *Economic Journal*, vol. 112, issue 476, p. 1.
- 4 Gregg, P. and Tominey, E. (2005), *The Wage Scar from Youth Unemployment*, CMPO Working Paper Series 04/097, Centre for Market and Public Organisation: University of Bristol: Bristol.
- 5 The extent of these pilots was at time of writing uncertain due to cuts in Jobcentre Plus.
- 6 See, for example, <http://cep.lse.ac.uk/seminarpapers/27-01-04-GRU.ppt>.
- 7 See HM Treasury (2005), *Budget 2005 Red Book*, HC372, p. 97, The Stationery Office: London.
- 8 Millar, J. and Gardiner, K. (2004), *Low Pay, Household Resources and Poverty*, York Publishing Services: York.

## 3 Employment retention: evidence from the UK and the US

Improving employment retention for lone parents will be essential to meet the targets of having 70 per cent of lone parents in employment by 2010 and of reducing child poverty by 50 per cent by that date. UK policy makers are increasingly recognising the importance of addressing employment retention, and a set of research and demonstration projects are under way. At the same time, the basic design of the New Deal for Lone Parents does not provide for a strong emphasis on services and supports to promote employment retention, and there are questions about how best to do so.

In efforts to improve employment retention, some valuable lessons and insights can be learned from experience in the United States. In recent years, employment retention has been a significant challenge for US welfare reform efforts. During the 1990s, it became clear that despite dramatic employment growth among lone parents, a significant share of employment entries were short-term and not sustained. This led to a range of efforts by the federal government, states, and local programmes to improve employment retention.

While some US approaches have been evaluated, many have not, and knowledge and perspectives continue to evolve. Moreover, there are important differences in policy context and goals, and some aspects of US approaches that are plainly inconsistent with UK goals of ending child poverty. Nevertheless, some aspects of the US experience can be relevant to next steps in the UK; both research and practice on promoting retention in the US can suggest possible directions and cautions.

In this chapter we:

- briefly summarise the UK context: the dimensions of the challenge, and current approaches to promoting employment retention for lone parents;
- summarise the US context, noting the key elements of welfare reform strategies, and the reasons why concerns about retention have become more prominent over time;
- describe the principal strategies that have been or are being pursued in the US to promote employment retention for lone parents, and the research evidence relating to these strategies;

- at the request of One Parent Families, describe best practice in job retention efforts in the US that should be considered by UK policy makers.

### The UK and the US: some similarities and differences in context

Both the UK and the US have sought to raise employment among lone parents through welfare reform strategies, including expansion of employment services, enhancement of financial incentives, and broadening of childcare assistance. At the same time, there are important differences between the approaches. In particular:

- The UK has a highly centralized structure, while the US provides for substantial state and local discretion in benefit programme design and delivery.
- The UK relies principally on voluntary and incentive-based approaches to participation in work-related activities, while the US relies on mandatory approaches, including extensive use of conditionality, penalties and time limits on benefits receipt.
- The UK approach is being implemented within the context of a national commitment to end child poverty, while there is no similar US framework.
- In the UK, efforts to promote lone-parent employment are one part of a broader set of New Deals intended to increase employment among a range of population groups; in the US, the principal focus of welfare reform has concerned lone parents.

### UK policies

#### The New Deal for Lone Parents (NDLP)

The New Deal for Lone Parents (NDLP) seeks to promote employment among lone parents receiving Income Support. The programme has evolved since its inception in 1998, with an increase both in the tools available to advisers and in the requirements placed on lone parents. In its current form, Work Focused Interviews (WFIs) for lone parents claiming Income Support are compulsory, and all lone parents making a claim for



Income Support must now meet an adviser for a series of WFIs. Apart from the WFIs, programme participation is voluntary. The differing elements of the programme are described more fully in Box 1 in the Introduction: it includes help with costs, a premium for participation in training programmes, measures to help with the costs of childcare, and, in some areas, financial incentives for both searching for, and remaining in work.

While research finds that the NDLP has been an effective (and cost-effective) programme increasing the number of lone parents finding work, research also highlights a significant employment retention issue for lone parents. Evans, Harkness and Arigoni Ortiz found that while lone parents' job entry rates are now similar to those of other non-employed groups, in 2002–03 they remained twice as likely to leave work as non-lone parents (as discussed in Chapter 1).<sup>1</sup> The NDLP evaluation also found that 29 per cent of lone parents who found work through the programme returned to Income Support within a year. The programme at present focuses on job entry and has not addressed issues of job retention – in fact, the programme structure may discourage it. Personal Advisers delivering the programme are managed under a 'points' system, which offers 12 'job points' for each job entry. No reward is given for job retention, and advisers whose clients return to them after failing to sustain work may in fact receive more points if they then achieve a second job entry. In the areas (Employment Zones) where private providers have been contracted to deliver welfare-to-work services for lone parents, rewards are given for employment that is sustained for 13 weeks. However, research into the delivery of these private sector programmes suggests that problems with staying in work often arise after this period.<sup>2</sup>

### UK approaches to employment retention

To date, there has been limited attention to employment retention in the UK. Although anecdotal evidence from providers of welfare-to-work services suggests that in-work support in the form of case management is strongly desired, services associated with job retention – especially in relation to the New Deals, which primarily assist with the transition to work – have been slower to gain prominence in the welfare-to-work policy landscape.

However, retention has begun to move up the policy agenda, with the introduction of the Employment Retention and Advancement (ERA) project (see Box 2 in the Introduction) and the StepUP scheme for returners

to mandatory New Deal programmes. Here we discuss initial findings from ERA itself, early findings from StepUP and, finally, the National Partnership Accord between government, local government and Jobcentre Plus, which highlights employment retention.

### The UK Employment Retention and Advancement (ERA) scheme

Designed to test a method of improving unemployed and low-paid workers' labour market prospects, the ERA provides continuing adviser support in the period following customers' entry to work, plus additional cash payments for training and bonus payments for retaining work.<sup>3</sup> The programme is described more fully in Box 2 of the Introduction.

No findings exist yet on the impacts of the ERA approach. However, a report on early implementation experiences found that:

- Lone parents volunteering for the NDLP were also willing to volunteer for the ERA scheme. It is important to note that lone parents participating in NDLP are volunteers, and as such 'required little more persuasion to agree to be randomly assigned in ERA too'. In some testing areas, the programme became so popular that evaluators had to stop recruiting because caseload numbers went well beyond capacity.
- It was more difficult to recruit lone parents who were already in work and receiving Working Tax Credit (WTC). The ERA sought to recruit lone parents who were already in work but working only part-time; it recruited only a fraction of its intended WTC customers. The shortfalls were likely due to operational difficulties (these individuals are no longer Jobcentre Plus customers), and customer disengagement (many were puzzled to be offered support when they already had work). Because people in this group were typically receiving as much in total benefits and tax credits as they earned in wages, the report suggests they may also have been sceptical about the possibility of receiving additional financial support. The long-term challenge for this group is to move them from part-time to full-time employment, which, the report notes, may be the purest test of the advancement element of the scheme.

The larger question remaining for ERA is the extent to which Jobcentre Plus can move from being a government agency whose main goal is to move out-

### Box 3: Literature review: *From Job Seekers to Job Keepers*

*From Job Seekers to Job Keepers*, a report for the Department for Work and Pensions, provided a review of post-employment support and advancement programmes for long-term unemployed workers in OECD countries. The review considered success rates for a range of 'in-work support services', including: childcare; transport; earnings supplements and financial assistance for employees; wage subsidies for employers; retention incentives for employers and employees; non-financial support services, such as job coaching, mentoring, and telephone helplines (case management); peer support groups; post-employment education and training; and advancement strategies.

The report found that:

- Private and voluntary sectors can play an important role in delivery. Participation can be improved if services are delivered by private and voluntary sector service providers independent of the public employment service. This may require performance benchmarking and financial incentives to be effective.
- The value of participation must be demonstrated to employers. A key incentive for employers to participate is the prospect of reducing staff turnover and recruitment costs. Low-level customised pre-employment programmes are sometimes the best avenue for gradually increasing employers' involvement.
- The case worker plays a significant role in coordination. The delivery of support calls for the coordination of multiple provisions and referral services. Investment in case-worker skills and training is essential.
- Case management techniques vary in method and impact. There is mixed evidence on the impact of case management on job retention rates. The report found that the clearest evidence of success came from small-scale studies of case management services designed to meet the needs of specific client groups. Case management works best when caseworkers can build long-term relationships with a client, and can deliver services such as counselling and encouragement, referral services, advice on benefits, and emergency assistance.

- Whether and how to identify and target clients remains a source of debate. Some researchers urge targeting of clients, but who and how to target remains unclear. Non-targeted services available to all can be wasteful of resources and may fail to reach workers most in need. Targeting, on the other hand, can stigmatise potential clients. Making programmes mandatory may circumvent the problem of allocating resources to the identifying and tracing of participants. However, the processes required to monitor and respond to non-compliance can be administratively burdensome.
- In-work support programmes tend to be costly. Job retention programmes that actively recruit clients tend to be costly. Proactive programmes in the US have been shown to increase programme participation, but it is unclear whether retention rates have improved. Low-key approaches are less costly, but probably fail to reach the most critical cases in need of support.

The report concluded that:

- there is some evidence that short-term job retention rates can be improved with earnings supplements to workers and subsidies to employers;
- there is limited, less robust evidence that:
  - employer-provided childcare may improve job retention, reduce absenteeism and improve work performance;
  - providing financial assistance for benefit leavers to deal with domestic emergencies may improve job retention;
  - providing transport assistance to help workers get to and from work may improve retention rates;
  - job coaching, skills training and mentoring programmes may have an impact on job retention.

Source: Adelman, L., Cebulla, A., Heaver, C. and Kellard, K. (2002), *From Job Seekers to Job Keepers: Job Retention, Advancement and the Role of In-Work Support Programmes*, Department for Work and Pensions, Centre for Research in Social Policy, Her Majesty's Stationery Office: Norwich.



of-work benefit claimants quickly into work to one that takes a longer, more proactive view of employment for its customers, and works with them beyond the point of job entry. The interim report notes that 'by design, ERA is a logical and irresistibly sensible extension to a growing public service that has already had considerable success in improving its customers' labour market prospects. In operation, though, it cuts across the grain of much of the way Jobcentre Plus is organised. It asks advisers to pause and try to place people in more suitable work at a time when the task of meeting job-entry targets is paramount' (p. 19). This dilemma is slowly beginning to attract the attention of policy-makers, as the likelihood of falling out of employment and returning to benefit (for all claimant groups) is on the rise.

### Job retention in StepUP – the 'guaranteed jobs' pilot

Job retention (although for target groups other than lone parents) has also been a focus of the StepUP pilots. StepUP provides a guaranteed job and support for up to 50 weeks to those in the 20 pilot areas who remained unemployed six months after completing the mandatory New Deal for Young People (NDYP) or the New Deal 25+ (ND25+). The pilot was prompted by the high proportion of participants who returned to these programmes.

Support is provided through a Jobcentre Plus Personal Adviser, a Managing Agent, and workplace buddies. The Managing Agent is responsible for finding participants a guaranteed job placement in the voluntary, public or private sector. Training may also be provided by StepUP (though the programme does not require it) and other support, such as advice on drug misuse, is also available. Employers that participate in the programme receive a wage subsidy for 50 weeks of at least the National Minimum Wage, in addition to a fee to reflect their costs.

Support during the job is split into two phases. The first 26 weeks is the Retention Phase, which aims to maximise retention in the StepUP job. The final 26 weeks is the Progression Phase, which aims to increase jobsearch so that StepUP employees progress into a job in the open labour market.

The interim evaluation of the programme produced the following findings:<sup>4</sup>

- In the Retention Phase, only 16 per cent of participants left the StepUP job and the programme. However, the reservation wages of those in StepUP jobs were £29 a week lower than those of people who had left to go to unsubsidised jobs.

- There are good indications that those in StepUP jobs had a significantly more positive attitude to work than the control group.
- The diversity of StepUP customers can mean that the Retention Phase may be too long or too short. Support workers should be encouraged to personalise the point at which progression is encouraged.
- For adults aged 25 and older, the jobs they secured after participating in StepUP jobs were more likely to be full-time permanent jobs. However, jobs were more likely to be elementary jobs, and pay rates were lower than for controls.
- The role of the independent support worker was thought by employers and managing agents to be critical in maximising retention within StepUP jobs. Support workers were regarded positively by a large majority of participants.
- The initial job match by Jobcentre Plus is important to retention in the StepUP job and the promotion of a positive image of StepUP among participants and employers. There were some indications that performance was better in areas that took more care over the initial job match.

### The National Partnership Accord

In May 2004, the Department for Work and Pensions, Jobcentre Plus, and the Local Government Association signed the National Partnership Accord, which committed these organisations to working in partnership locally to 'improve employment rates (especially amongst disadvantaged groups), reduce poverty, and encourage social inclusion'. A Partnership Tool Kit was developed based on the best practice gleaned from eight local government bodies – called Beacon Councils – recognised for removing barriers to employment.

In their advice to other local authorities wishing to develop local employment and skills strategies, the Beacon Councils noted that as employers (and often as the largest employer in a local area), they were obligated to 'improve local job retention rates for people from disadvantaged groups and neighbourhoods', and to 'ensure development and advancement opportunities were encouraged'.

The advice included methods for decreasing the chances of continuing the 'low pay, no pay' cycle, which included identifying a human resources professional within the authority to assist the new employee with a retention and advancement plan. This person would also work with managers to develop training plans for new

employees, and help to identify early warning signs that might lead to an exit from employment.

### The United States policy context

In the US, most poor children live in lone-parent families, and lone-parent families have been the central focus of welfare reform efforts. During the 1990s, the US initiated or expanded a range of strategies to promote lone-parent employment. These included a greatly expanded earned income tax credit, an increased minimum wage, an expansion of childcare subsidy assistance, a broadening of healthcare coverage for low-income children, and a stronger child support enforcement system. At the same time, the US transformed its cash assistance system for poor families into one emphasising time-limited assistance and rapid job entries. In 1996, Congress replaced the previous cash assistance programme, Aid to Families with Dependent Children (AFDC), with a structure of block grants to states known as Temporary Assistance to Needy Families (TANF).

Key features of the TANF structure include:

- broad state discretion in the use of their block grant funds and the design of their TANF programmes;
- no entitlements to assistance under federal law;
- a prohibition against using federal funds to assist families for more than 60 months, subject to limited exceptions, with states free to set shorter time limits;
- federal 'work participation rates' requiring that a percentage of families must be engaged in specified work-related activities for a specified number of hours each month, with the required rates adjusted downwards based on the extent of caseload reduction;
- states have the authority to reduce or terminate benefit receipt by families that fail to meet work requirements;
- rules that generally discourage education and skill building, and encourage rapid employment entry; and
- an emphasis on discouraging out-of-wedlock pregnancies and encouraging the promotion of two-parent families.

While it is impossible to identify the independent role played by TANF or any single factor, it is clear that during the 1990s, amidst an exceptionally strong national economy, there was dramatic growth in lone-parent employment, and a sharp decline in the number of families receiving TANF assistance. Studies repeatedly

found that half or more of families leaving assistance were employed. Since 2000, the employment rate for lone-parent families has fallen, though it remains substantially above its pre-reform level.<sup>5</sup>

Yet even when the economy was at its strongest, it was clear that many parents entering jobs did not sustain employment. Earlier research found that among women who started a job while, or shortly after, receiving AFDC, 45 per cent of employment spells ended within four months and 75 per cent ended within a year.<sup>6</sup> The extent of job loss quickly became evident in studies of families leaving TANF: a national compilation of studies of TANF leavers found that 71 per cent worked at some point in the year after leaving assistance, but that only 37 per cent worked in all four quarters of the year.<sup>7</sup>

The problem of job loss is not unique to single mothers: a large share of low-wage workers lose or leave their jobs within a year. High turnover has been a particular problem for low-income single mothers, high-school dropouts, minorities, and welfare recipients.<sup>8</sup> As discussed further below, this is in part due to the characteristics of workers and in part due to the characteristics of their jobs.

In understanding the issue, many US researchers and policy makers have come to recognize the need to distinguish between job retention and employment retention. Simply maintaining the same job for an extended period is not necessarily a good thing, as research finds that changing jobs is often an important strategy for moving up in the labour force. However, sustaining labour force participation is important: job turnover may limit earnings for those who lose or leave their jobs frequently, or who spend long periods between jobs.<sup>9</sup> Steady work is associated with increases in earnings. The study of AFDC recipients found that those who worked steadily increased earnings, primarily by increasing hours and weeks worked. Even though average hourly wages only increased by 10 per cent over the five-year study period, 70 per cent of workers moved into 'better' jobs, that is, jobs offering either higher wages or benefits such as paid vacation or health insurance.<sup>10</sup>

States have broad flexibility under TANF in deciding whether or how to address employment retention. There are neither formal requirements that states should address retention nor legal barriers for states choosing to do so. For example, states are free to use their block grant resources to provide case management for families entering employment, and can use TANF funds to



develop supports such as bonuses or special payments when workers begin jobs, work expense allowances, retention bonuses, earned income tax credits, childcare and transportation subsidies, and continued cash assistance for those entering work. Through 2005, the law also included a modest incentive to address retention, because a federal 'high performance bonus' awarded bonus funds to states based on performance relating to job entries, earnings gains, and sustained employment over the six months after a worker enters employment. However, the high performance bonus was repealed in legislation enacted early in 2006.

### Strategies for promoting retention: lessons from US research and practice

While there is much that is suggestive from US practice and experience, there is a very limited body of experimental research about US strategies to promote employment retention. Accordingly, it is helpful to understand the findings from the experimental research, but also to draw from non-experimental research, and the experience and perspectives of those involved in retention efforts, even when those efforts have not been rigorously evaluated.

Generally, the findings to date suggest that no single strategy will solve the problems of employment instability. Instead, evaluations of job retention programmes emphasise comprehensiveness and flexibility – programmes tailored to the individual needs of disadvantaged workers.<sup>11</sup> Moreover, the US research and experience suggests four key themes:

- attention to the quality of initial job placements may improve employment retention;
- pre-employment services can help upgrade skills to help people enter and maintain work;
- in-work supports and financial incentives can improve employment retention; and
- case management and post-employment follow-up are viewed by many as important parts of an overall strategy, though experimental evidence does not clearly establish their effectiveness.

Moreover, whilst this chapter focuses on retention strategies, an effort to improve employment outcomes for disadvantaged workers must also attend to labour force advancement. US research suggests that retention does not automatically lead to advancement – individuals may be stably employed in low-wage jobs with little prospect for better opportunities, and advancement for many is not likely to occur without intervention and

assistance. Accordingly, an overall approach should also include development of advancement strategies; for further discussion of these see Chapter 4.<sup>12</sup>

### Experimental evaluations

To date, there have been two principal experimental evaluations of programmes to address employment retention in the US: the Post-Employment Services Demonstration (PESD), and the Employment Retention and Advancement (ERA) demonstration. The PESD evaluation was conducted before welfare reform, from 1994 to 1996, while the ERA evaluation was conducted shortly after welfare reform, from 2000 through 2003.

The PESD was the first evaluated effort to provide case management services to parents receiving welfare assistance who entered employment. Though there was some variation among programmes, case managers generally provided counselling and support (the most common PESD service), job search assistance, help with benefits, service referrals, and support service payments for work-related expenses. Evaluators found no impacts on employment, earnings, or welfare receipt. Analysis suggested several limitations in the model that may have contributed to the lack of impacts. Contact was limited: on average, in the first three months programmes had slightly more than two contacts per month per each client. Case managers who had had no prior contact with the parent were seeking to make contact after the parent entered employment, at a point where the parent was generally not seeking to establish a new relationship with a worker from the human services agency. In addition, as caseloads increased over the course of the programme, case managers may not have had time to reach all clients and provide needed services. Therefore, though case managers were required to contact and serve all clients, not all clients who found jobs may have needed or wanted the case management services offered, while others with severe barriers to work could have benefited from even more intensive and varied services.<sup>13</sup>

Drawing from the PSED experience and other state efforts, the federal government funded an evaluation of a range of state approaches in the Employment Retention and Advancement (ERA) project. The ERA demonstration involves 15 different experiments, though to date initial impact results are only available from four of them:

- In Illinois, contracted service providers were responsible for providing a range of services designed to help parents who were working more than 30

hours a week and were still receiving assistance to increase their earnings or find a higher-paying job.

- In Riverside, California, one model encouraged recipients employed at least 20 hours a week to participate in education or training. Another model operated by the local workforce development agency allowed participants to cut back their work hours or stop work to participate in education or training.
- In South Carolina, case managers in a set of rural counties engaged in outreach to offer job placement help, employment retention services or advancement-focused activities to former recipients who had been off assistance for a long period.
- In Texas, a stipend of \$200 a month and continuing case management was made available to individuals who entered and remained in full-time employment.

Key findings from early results were that:

- each of the programmes faced challenges in generating programme participation;
- the Illinois effort generated modest increases in earnings in jobs covered by the state's unemployment insurance system, and large decreases in welfare receipt;
- in a one-year follow-up, neither of the models tested in Riverside was generating improvements in labour market outcomes.
- effects in South Carolina were inconsistent and short-lived; and
- only one of the three Texas sites, the one implemented more smoothly, demonstrated some improvements in employment retention. In that site, employment staff helped place participants in jobs, provided job development, and monitored participants in the job search phase. Retention and advancement staff worked with participants only once they began receiving the monthly stipend, helping participants address issues arising on the job, and conducting monthly employer visits to discuss job performance and advancement options with both the employee and the employer.<sup>14</sup>

It is too soon to draw definitive conclusions from the ERA experiments, as the only available results are early ones from only 4 of 15 experiments. Even at this stage, the ERA results do suggest that some programme models can have impacts in improving employment retention. At the same time, there are clear cautionary notes: that generating participation in post-employment services is challenging, and that case management alone may be insufficient to generate substantial impacts.

### What should be done? Guidance from US experience

The limited impacts of approaches relying exclusively or primarily on case management are not an argument against case management, but do suggest the need for a broader focus with greater attention to the labour market itself, pre-employment services, and other supports for those entering employment.

### Attention to job quality and job matching is important

Efforts to promote employment retention partly concern the circumstances and characteristics of the worker, but also should concern the characteristics of the job itself. Recent research has shown that job characteristics are at least as important to employment retention as observable personal characteristics.<sup>15</sup> One study of women who started a job while, or soon after, receiving AFDC found only small differences in the employment spell lengths between women with different personal characteristics – for example, those with high school diplomas had longer employment spells than those without, but the actual differences in spell length was on average only about a month. By contrast, as described below, job characteristics were found to be closely related to employment spells.<sup>16</sup>

Employment retention rates vary significantly across industries, occupations and firms. One US literature review found that 'employment in large firms, unionized firms, or firms paying higher wages reduces turnover'. Weak promotion prospects, as well as working part-time, or working non-standard shifts, leads to higher turnover rates.<sup>17</sup>

- The study of women who started a job while, or soon after, receiving AFDC found that better jobs were associated with longer employment spells. Women who earned higher wages worked more weeks in the follow-up period, as did those who received fringe benefits.<sup>18</sup>
- One study analysing longitudinal Census Bureau data on women aged 18 to 64 found that higher starting wages were correlated with longer employment durations – women who started in the bottom fifth of wage earners were substantially less likely to be employed after two years compared to women in the second-lowest fifth, and were less than half as likely to be employed compared to women in the top fifth (35.5 per cent versus 73.4 per cent).<sup>19</sup>



- A survey of US workers found that those who worked in 'effective workplaces' (defined as workplaces that offer job autonomy, learning opportunities and challenges on the job, supervisor support for job success, co-worker team support for job success, involvement in management and decision making, and flexible workplace options) were twice as likely to describe themselves as 'not at all likely' to seek a new job with another employer in the next year compared to workers in ineffective workplaces.<sup>20</sup> Moreover, 73 per cent of people with high workplace flexibility planned to stay with their current employers for at least one year, compared to 54 per cent of people with low workplace flexibility.<sup>21</sup> Workers who were supported by their supervisors or their co-workers were also significantly more likely to report that they were 'not at all likely' to seek a new job with another employer in the next year: 71 per cent of those who had supervisor support, and only 47 per cent of those who did not, planned to stay with their employer; roughly the same share of those who had co-workers' support intended to stay with their current employer.<sup>22</sup>

### Pre-employment hard and soft skills training can promote sustained employment

One key way to enhance access to better jobs is through strengthening basic skills and provision of vocation-specific training. US research has found that the most effective employment approaches involve a 'mixed strategy' that emphasises linkages to employment, individualised services, and a combination of job search and education and training opportunities.

In addition, individuals with little or no work history often face significant issues in adjusting to the 'culture of the workplace'. The PESD evaluation found that 40 per cent of participants had problems at work, particularly in understanding the employer's expectations or workplace norms. Lateness and failure to comply with work schedules were common issues. The majority of those who had problems said they found it difficult to get along with their co-workers or supervisor.<sup>23</sup> Such 'soft skills' – including problem solving, teamwork, communication skills, motivation and punctuality – have been highlighted as particularly important to employers of low-skilled entry-level workers.<sup>24</sup> Post-employment case management often seeks to address soft skills through mentoring, counselling and other supports in the initial months of employment. However, many programme providers believe that a range of job

readiness exercises and supports can address these soft skills before disadvantaged workers begin employment.

A number of programmes offer intensive job search and education and training services, tailored to the individual needs of workers – including soft skills along with 'hard' skills, and 'basic' skills training.<sup>25</sup>

- In the experimental National Evaluation of Welfare to Work Strategies (NEWWS), four programmes offered pre-employment services that emphasised moving to work quickly. The two programmes with the highest impacts on sustained employment used a broader mix of job search and adult basic education than the other two programs, which tended to emphasize continued job search more or, to a lesser extent, work experience.<sup>26</sup> The highest-performing programme, in Portland, Oregon, emphasised job search, life skills, basic education, occupational training and job quality. Some participants were assigned to short-term education and training—for example, intensive General Educational Development (GED) preparation classes for participants who appeared close to attaining a GED. All participants were encouraged to look for jobs that paid above the minimum wage and offered the best chance for long-lasting and stable employment. Over the five year follow up period, program group members worked 1.6 quarters more than control group members, and earned about \$5,000 more on average.<sup>27</sup>
- A non-experimental evaluation of ten local programmes offering a range of pre- and post-employment services found, when controlling for personal characteristics, that 'receiving program services for six months or more and averaging three or more contacts with program staff per month were positively related to increased employment, hourly wages and annual earnings'. Those that enrolled in and completed programmes with pre-employment training (including occupational skills training, technical literacy, industry-specific training, simulated work experience and employability training) earned higher hourly wages at their current or most recent jobs than those in programmes without pre-employment training.<sup>28</sup>
- The Annie E. Casey Foundation's Jobs Initiative emphasised quality of job placement and provided training in selected sectors in collaboration with employers. A non-experimental evaluation found that sites that emphasised a tailored approach with a mix of job readiness, soft skills training, job training, job placement, and job retention/support services had better retention rates than the site

that emphasised only job search. Programmes with training in medical office administration, construction, manufacturing and business services had average one-year retention rates of over 65 per cent and average starting wages between \$8.73 and \$12.28.<sup>29</sup>

### Financial incentives and in-work supports are associated with more sustained employment

US research finds that certain work supports – such as childcare subsidies, tax credits and other financial incentives – can increase employment retention. Work supports may affect retention either by improving 'work incentives', namely, the return available to the individual or family from work, or by helping workers avoid work disruptions by helping families make ends meet. The PESD evaluation found that 70 per cent of sample members had problems outside work, related to childcare, finances/budgeting, family and transportation.<sup>30</sup>

- A number of US studies have shown that receiving childcare subsidies increases the likelihood of being employed.<sup>31</sup> One study found that '[r]eceiving a subsidy for child care promotes longer employment durations among women, regardless of marital status or educational attainment.'<sup>32</sup> The study found that mothers of young children who received childcare assistance were 40 per cent more likely to still be employed after two years than those who did not receive any help paying for childcare, and 70 per cent more likely to still be employed after three years. Another study of former and current welfare recipients found that, after controlling for a range of socio-economic and demographic characteristics, using a childcare subsidy decreased the probability of ending employment over the study period by 25 to 43 per cent.<sup>33</sup>
- Studies have repeatedly found that the Earned Income Tax Credit (EITC) has been a significant factor in increasing work among lone mothers. The EITC provides a refundable tax credit to low-earning workers, that is, the taxpayer receives a direct payment if the amount of the credit exceeds her or his tax liability; the credit is substantial for low-earning families with children. One analysis found that the EITC accounted for 63 per cent of the weekly employment rate increase among lone mothers from 1984 to 1996 and 37 per cent of the increase from 1992 to 1996. For annual employment, the EITC played a similar role – explaining 63 per cent of the

1984-96 increase and 34 per cent of the 1992-96 increase.<sup>34</sup> Further research found that the effects of the EITC on female-headed families' employment was large – 34 per cent of the increase in employment is tied to EITC expansion, suggesting that the EITC is an important factor in explaining why lone mothers increased their employment over the 1993-99 period.<sup>35</sup>

- The benefit phase-out rate for state TANF programmes is generally determined by the size of the state's 'earned income disregard', that is, the extent to which TANF benefits are reduced by the amount of the family's earnings. An experimental study of earning supplement programmes, some of which use enhanced earnings disregard policies to encourage work, has shown that supplements increase income and improve employment retention. Financial incentives for both full-time and part-time work were found to increase the income of individuals with the most barriers to work. Those with fewer barriers to work benefited more from full-time incentives.<sup>36</sup> Earning supplements were found to increase stable employment – by 5.9 percentage points for the most disadvantaged, and by 5.1 and 3.6 percentage points for the moderately and least-disadvantaged groups, respectively.<sup>37</sup> Generally speaking, the more generous the work incentive the larger the effect on income and stable employment. The programmes most effective at encouraging full-time work had full-time financial work incentives that were significantly more generous than their part-time work incentives.

### Post-employment case management is not sufficient, but may play an important role

As discussed above, initial US responses largely focused on the importance of post-employment case management. There are good reasons for such a focus – a repeated theme among practitioners, providers, and participants is that the first months of employment can be enormously stressful; that job loss rates are highest in those initial months; and that a supportive counsellor or adviser can provide help in navigating the crises that inevitably arise in the first weeks and months in the workplace. During the first months, there are often issues of childcare and transportation breakdowns; there can be new tensions at home as parents seek to balance their work hours and family needs; and there can be significant adjustment issues in learning the rules



of the workplace, the culture of the organisation, and the challenges of developing working relationships with supervisors and co-workers. All of these factors point to the potential importance of case management follow-up.

At the same time, the experimental research, to date, has not found strong impacts for post-employment case management. This is probably not sufficient reason to doubt the utility of the strategy, but it is reason not to rely solely on the strategy, but rather to combine it with attention to initial job placements, job readiness and skill-building activities, and expansion of in-work supports.

Much of the guidance for designing retention efforts draws from a combination of research, practitioner experience and common sense. It should be emphasised that many of the recommendations have not been rigorously tested.

### Pre-employment services

As noted above, a first premise is that job retention services 'need not start after employment'.<sup>38</sup> Researchers and practitioners stress that retention services should start on day one, and should be tailored to the needs of individual workers.<sup>39</sup> Pre-placement services may include contingency planning, advising on work supports, soft-skills training, teaching workplace behaviour, teaching techniques to deal with unsupportive families and friends, basic education, technical/vocational skills training, and job-specific training. Recommendations include:

- Build trusting relationships with disadvantaged workers to allow honest communication about motivation, aspirations and potential challenges to working steadily.<sup>40</sup>
- Integrate training on job content, soft skills, life skills and basic education; and have advanced training result in a recognised credential whenever possible (such as an occupational certificate or an industry skill standard).<sup>41</sup>
- Offer services in an environment that mimics the workplace,<sup>42</sup> or offer workshops or other planned activities that meet regularly before job placement so that staff can assess participants' soft skills and address any issues, particularly lateness or absenteeism, before they arise at the workplace.<sup>43</sup> Practitioners at one retention programme said it was important to introduce participants to a 'culture of employment' on day one of the programme.<sup>44</sup>

- Conduct a 'personal barrier check' to review the disadvantaged worker's access to transportation, childcare, housing, health care, and public assistance.<sup>45</sup> Connect the worker to any missing work supports.
- Connect disadvantaged workers with initial payments for work-related expenses (including clothing, tools, transportation), to see them through until they receive their first pay cheque.<sup>46</sup>
- Help disadvantaged workers develop a monthly budget and offer forms and other resources to help them calculate total income, expenses and unmet needs or surpluses.<sup>47</sup>
- Help disadvantaged workers sign up for advance payment of the Earned Income Tax Credit, so that they do not have to wait until the end of the year to receive their credit.<sup>48</sup>
- Emphasise the commitment a job requires before a disadvantaged worker accepts a job.<sup>49</sup>

### Job placement services

In job placement efforts, seek to make the best match possible based on the individual's skills, experience and interests, rather than treating one job as being as good as any other job.<sup>50</sup> In addition:

- Thoroughly assess a worker's skills, abilities, and potential barriers before placement, and help identify short-term and long-term career plans.<sup>51</sup> Assessment should include career exploration and an evaluation of workers' interests, and may benefit from allowing job shadowing.
- Connect workers with quality jobs that offer higher wages, benefits and, if possible, employer-sponsored training and opportunities for advancement.<sup>52</sup>
- Work closely with local employers and learn about their needs and expectations, to develop programmes that are most useful to employers and most likely to lead disadvantaged workers into steady work. Employers should always know how retention programmes can help them.<sup>53</sup>
- Work with the employers to improve the quality of the workplace by training supervisors or offering technical assistance,<sup>54</sup> and by encouraging employers to create orientation programmes for clients to help them make the transition to work and develop 'social ties'.<sup>55</sup>

### Post-employment services

Researchers and practitioners often recommend the following practices for, and supplements to, case management:

- Contact disadvantaged workers frequently after job start. Researchers recommend that participants be contacted several times in the first week after job start, and then weekly thereafter for at least the first few months.<sup>56</sup> However, it is important to be sensitive to individual circumstances; some workers may not want such frequent contact. The focus here should be on providing timely support for those who need it most, while allowing case managers flexibility to focus on outcomes, not simply the number of contacts per week.
- Provide some recognition or reward to disadvantaged workers for staying on the job for a certain number of weeks/months.<sup>57</sup>
- With the permission of the worker, contact the employer to receive feedback on the disadvantaged worker's performance, and discuss that feedback with the worker.<sup>58</sup> With permission, mediate between employer and worker if conflict arises.<sup>59</sup>
- Offer mentoring (either on or off the job) to help workers navigate workplace issues and develop the soft skills needed to succeed.<sup>60</sup>
- Offer cash assistance for unanticipated work-related expenses. For example, a new worker whose car breaks down may not be able to pay for repairs. It may be difficult or impossible to reach work via public transportation, and the employee may eventually lose or leave her or his job as a result. A one-time infusion of cash would allow a worker to work through such an unexpected crisis.<sup>61</sup>
- Talk to clients and employers about opportunities for advancement.

### Conclusion

Promoting employment retention should not be viewed as a stand-alone programme component, but rather as an orientation that informs the overall design of employment promotion efforts. It should be reflected in initial attention to understanding the labour market and job matching; in addressing pre-employment skill building; in broadening the availability of in-work supports; and in developing stronger post-employment services. Research and practice are still evolving, and it is important to encourage flexibility, innovation and learning. At the same time, a fundamental aspect of any

government's efforts to generate higher employment rates is the need to shift the basic framework from job entry to sustained employment.

### Notes

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- 37 The definition of stable employment used here is employed in 9 of 12 quarters of the three years after random assignment.
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- 42 Ibid., p. 33.
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- 52 Ibid., p. 100.
- 53 Kramer, F. (1998), 'Job Retention and Career Advancement for Welfare Recipients', Welfare Information Network: Washington, DC, available at <http://www.financeproject.org/Publications/issuereention.htm>; Clymer and Wyckoff (2003), op. cit.
- 54 Strawn and Martinson (2000), op. cit., p. 37.
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## 4 The Poverty of Caring Work in the United States

Since major welfare reform in the US in 1996<sup>1</sup> placed a five-year limit on the total time during which an individual can receive income supports, many women on welfare have entered the labour market. Like Jobcentre Plus in the UK, the emphasis is on 'work first' rather than extensive job training in preparation for better jobs. Thus, for many women, welfare reform has meant taking jobs that require only short-term training such as childcare assistant, nurse aide, or other care-giving occupations. Many of those occupations have been experiencing shortages of workers, so the fit seemed to be a good one. The result, however, has been moving women from welfare into the ranks of the working poor. The problem is circular – low-paying jobs attract unskilled workers who often provide inadequate care.

This US debate has strong parallels in the UK, particularly in the area of childcare. Lone parents have been encouraged to enter the childcare workforce, for example by the introduction of Childcare Partnership

Managers into Jobcentre Plus, part of whose remit has been to encourage New Deal for Lone Parents' participants (among others) into the childcare profession.<sup>2</sup> But childcare workers are often very poorly paid – with typical hourly pay for a childcare worker just £5.50.<sup>3</sup>

Neither workers nor the children and patients cared for by them are served well by the current system – and the evidence on childcare in the UK has increasingly pointed out the importance of quality care, delivered by qualified workers, in delivering positive outcomes for children.<sup>4</sup> The solution is greater professionalisation of the field and higher pay. This chapter presents research examining the extent to which career ladders have been and can be built into these occupations in the US, and draws out lessons from this experience.

Care giving includes the range of childcare and early education occupations, from home-based settings to daycare centres, as well as paraprofessional healthcare

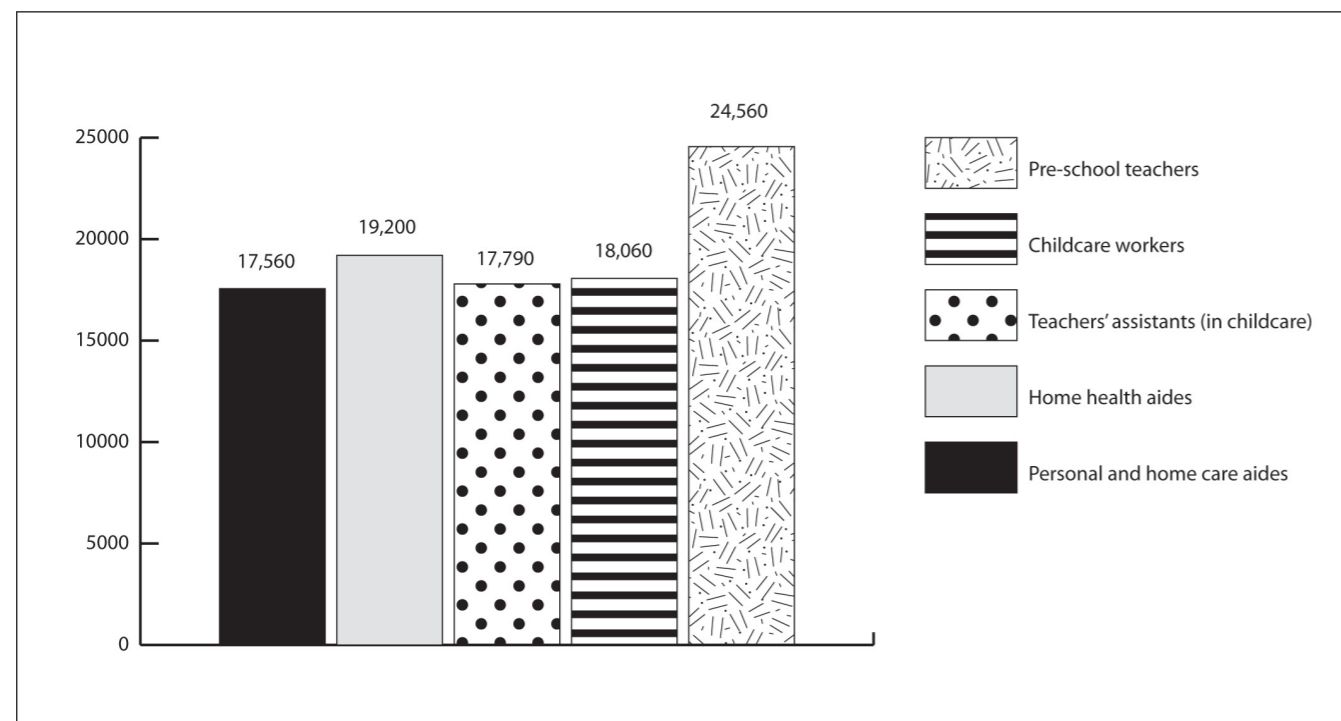
occupations that encompass both medical and social services provided to the elderly, chronically ill, and disabled in home-, community- and facility-based settings (see Box 4). Care giving in the US is almost exclusively women's work. About 98 per cent of childcare providers and 90 per cent of long-term care workers are women. Close to one-third of childcare workers and almost half of long-term care workers are minorities, mostly black and latino, compared to one-quarter of all workers. One-quarter of the direct-care workers in home care and nearly one-third of those in nursing homes are unmarried and living with children, compared to 11 per cent of the total US workforce.<sup>5</sup>

As in the UK, the pay for this work is disproportionate to its importance. Most childcare and paraprofessional healthcare workers earn poverty-level wages (see Figure 1).<sup>6</sup> The annual income figures in Figure 1 assume full-time work, which is seldom the case. And few of these workers have a decent benefits package.<sup>7</sup>

It is no wonder that retention rates in these occupations are poor. The annual turnover rate is about 59 per cent for childcare aides and 51 per cent for teachers. The annual turnover rate among home health aides is between 30 and 100 per cent.<sup>8</sup> High turnover is especially problematic in these occupations because consistency is essential for high-quality care. In many

other industries, such as fast foods, employers find living with high turnover to be preferable to increasing wages. It is unlikely that the quality of hamburgers diminishes as a result. In contrast, several studies have documented that inconsistent childcare compromises child development.<sup>9</sup> Since low wages are the strongest predictor of turnover and staff instability,<sup>10</sup> it is not surprising that many studies have found that higher wages are the best predictor of childcare-centre quality – better than the education level of care givers or the ratio of care givers to children.<sup>11</sup> The same is likely true of home healthcare.<sup>12</sup> Although researchers have not established a definitive link between turnover and quality of care in home care settings, several studies have documented the linkages between turnover among direct care staff and the clinical quality of care in nursing homes.<sup>13</sup> In home care, where the health aide is usually working without supervision, turnover can be particularly damaging. Consider a person who needs to be lifted out of bed using a specific procedure or piece of equipment; an aide unfamiliar with the routine could, indeed, cause injury. Many practitioners argue further that the key to home-care quality is a long-term, trusting relationship between care giver and care receiver.<sup>14</sup>

Figure 2: Wages in Caring Occupations, US, 2004 (\$)



### Box 4: The care-giving workforce in the US

#### Direct-care workers (healthcare)

Certified Nursing Assistants (CNAs) provide the majority of hands-on care in nursing homes and other long-term care facilities under the direction of a nurse. They help residents perform activities of daily living; administer oral medications; check pulse, temperature, and respiration; and assist with some medical equipment. The federal government requires CNAs to have 75 hours of training, but about half the states mandate more.

Home health aides provide personal care as well as some clinical care for people in their own homes or other community settings. Like CNAs, they provide health-related services under the direction of nurses or other licensed medical staff and may also perform light housekeeping tasks. There are no federal standards, but home health aides who are employed by a Medicare-certified agency must attend 75 hours of CNA training and/or pass a competency exam. Many states require home health aides to be certified as CNAs.<sup>a</sup>

#### Childcare

Childcare has three occupations: aide or assistant, teacher, and director. The Child Development Associate (CDA) is the most widely recognised paraprofessional credential. It is obtained by participation in a 120-hour course that covers eight content areas: safety; advancing children's physical and intellectual development; supporting children's social and emotional development; establishing productive relationships with families; programme management; maintaining professionalism; observing and recording children's behaviour; and principles of child growth and development. It is the desired credential for childcare assistants or aides. The associate degree in early childhood education is typically the next level of education. Only about one-third of childcare teachers have bachelor's degrees. About 70 per cent of childcare directors hold bachelor's degrees.

Source: Partially drawn from Fitzgerald, J. and Wadia, A. (2006), *From Quality Jobs to Quality Care: A Worker-Centered Approach to Improving Child Care and Long-Term Care*, The Ms. Foundation for Women: New York, NY.

<sup>a</sup>Paraprofessional Healthcare Institute (2003), *Training Quality Home Care Workers*.



In both childcare and home healthcare, there is a proven link between the quality of jobs and the quality of care. The evidence is overwhelming that high-quality childcare is essential to the social, cognitive and emotional development of children.<sup>15</sup> Likewise, in the long-term care field, research suggests that a stable, valued and well-trained workforce is necessary to provide quality care to the US's growing numbers of elderly and disabled.<sup>16</sup> Quality care in either area does not seem to be a priority for the US government. The economics of subsidised childcare and long-term care are very similar: government, as the main purchaser of care, keeps prices artificially low and prevents increased demand from bidding up wages. And families can rarely afford the full cost of quality care.

Career ladder programmes are one potential solution to the problem being tested in cities and states throughout the US. The idea is that workers enrol in education and training to improve their job skills and in return receive wage increases and possibly advance into higher-level positions on a career ladder. In some cases new levels within an occupation are created, such as Certified Nurse Aide I, II, III. In other cases the career ladder moves the individual into a higher-level occupation, for example from childcare assistant to childcare teacher. The question is whether these programmes can accomplish either goal—improving the quality of care or turning bad jobs into good jobs. Examples in each occupation follow.

### Career ladder programmes in care-giving occupations

#### Childcare

Childcare experts debate how much training should be required for childcare workers at different levels and in different settings. Several studies show that the best outcomes for children – especially for three- to five-year-olds in centre-based care – are obtained when teachers have a bachelor's degree with some specialised content in early childhood development or education.<sup>17</sup> Research also suggests that incremental increases in the training of the existing workforce can improve the quality of care.

Career ladder pilot programmes have demonstrated the effectiveness of predictable wage increases in encouraging education and improving the quality of services delivered. In the state of Washington, an

innovative pilot, called the Early Childhood Education Career and Wage Ladder, was started in 2000 with state welfare savings and ran for three years in 126 childcare centres.<sup>18</sup> It required participating centres to pay a base wage indexed to the minimum wage plus increments based on years of service, job responsibility and educational credentials. A study by Washington State University yielded encouraging results: the programme increased the median hourly wages of participating childcare workers to \$9.00, compared to \$8.14 for workers at non-participating centres. It doubled the number of centres offering health benefits to 86 per cent of participating centres, compared to 45 per cent of others. It boosted morale among teachers and gained grassroots support among parents and centre directors. Significantly more workers from participating centres pursued additional education. And, most important, the quality of childcare delivered by participating centres was better, as measured by two widely used quality-assessment tools.<sup>19</sup>

In 2003, advocates campaigned for a tax on espresso drinks to provide continued funding for the Washington career ladder, but their ballot initiative was defeated. In 2004, the state's business community, which had opposed the ballot measure, supported a successful property-tax measure to fund education and health programmes in the Seattle area. But the \$116 million, seven-year levy allocates only \$220,000 yearly to the career ladder programme – enough to fund only 10 of the 22 Seattle centres that originally participated in the pilot. The Economic Opportunity Institute, which originated the career ladder initiative, is now seeking a longer-term legislative solution.

#### CNAs

The Georgia CNA-LPN Bridge Scholarship programme was created to decrease turnover and increase retention of CNAs and other staff positions in nursing homes and to create advancement opportunity for CNAs in nursing and health technician occupations.

The programme creates four levels of CNA that build toward the Licensed Practical Nurse (LPN) or other health technician positions. After the third level, workers can also train for surgical, respiratory or radiology technician positions (these diploma programmes typically take one year). Participants work 37 hours per week and go to college four hours a week over two days. Workers receive mentoring, assistance with GED preparation if needed, and other support services. The primary employer partner, Ethica, pays

workers while they attend class. The job categories are recognised by the Georgia Nursing Association and its curriculum (see Table 1).

**Table 1: The four job categories in the Georgia programme**

Level	Job title	Credit hours
CNA I	Certified Nurse Aide	8
CNA II	Patient Care Assistant	16
CNA III	Health Care Technician or Certified Phlebotomist or Certified Electrocardiologist	53
CNA IV	Nurse Technician	68

The curriculum is being developed at one of the state's community colleges and will eventually be available at all the state's 35 technical colleges. The US Department of Labor provided approximately \$160,000 for the pilot to run from May 2002 to June 2005. Employers provided in-kind support.

Several lessons can be drawn from the state's experience to date:

- The programme dropout rate is high because many potential students require intensive remedial help that increases the time it takes to reach even the first level.
- It costs about \$5,000 to move each CNA into a LPN position.
- The average CNA will take 3–4 years to finish all four levels before beginning the LPN coursework.
- The anticipated return on investment for the employer is to keep workers longer, thus reducing costs associated with turnover and with using temporary staffing agencies.
- Uniformity of curriculum across the state's technical college system makes it easier to develop a portable credential.
- Participation and cooperation by the state hospital, nursing home and nursing associations allows standardisation of occupational titles and curriculum.

#### Home health workers

In the US, training requirements for home healthcare aides vary greatly by state, but the basic requirement is seldom more than the 75 hours required for CNAs, and is often less. The Institute of Medicine, a part of the National Academy of Sciences, maintains that state

requirements are generally inadequate to meet the needs of the US's increasingly sick homebound patients.<sup>20</sup>

The Paraprofessional Healthcare Institute (PHI) is a leading advocacy organisation and research institute in the area of home health and nursing-home care. The PHI developed a programme for getting CNA and home health aide recognised by the US Department of Labor (DOL) as apprenticeable occupations. Approval was granted in 2005. Three states (Indiana, Michigan and Pennsylvania) are piloting the programme with 75 students each. For those who are not already certified as home health aides, the apprenticeship starts with an initial training of 75 to 150 hours required by the federal government. Once the participant is hired as an aide, her or his apprenticeship continues through the first year of employment and includes 2,000 hours of more advanced on-the-job training. Only 150 of the 2,000 required hours are in the classroom and they include the initial training and annual in-service days required by the federal government for initial certification. The rest of the apprenticeship involves on-the-job training while completing normal work assignments and peer mentorship. Once aides are able to demonstrate the required competencies, they receive a certificate of apprenticeship and a raise in hourly wages. Aides can then continue with apprenticeships in six DOL-approved specialities: working with consumers with disabilities, hospice and palliative care, working with consumers with mental illness, dementia care and peer mentoring, or in other specialties needed by employers.<sup>21</sup> Each specialisation includes 40 classroom hours of instruction and on-the-job mentoring.

Vera Salter, Director of the National Clearinghouse on the Direct Care Workforce at PHI, sees apprenticeship as a way to increase the status of the occupation and to improve the performance and job satisfaction of workers. The goal is to create better-trained workers who are more confident and satisfied in their work and thus more likely to stay on the job. Further, approved apprenticeships require wage increases as workers acquire more skills.

### Why career ladder programmes are not enough

Many effective career ladder programmes exist, but long-term evaluation of their effect on the quality of care has not been undertaken.<sup>22</sup> While career ladder initiatives have helped workers in childcare and direct care perform better on the job and have increased job satisfaction,



they have not done enough to turn these into living-wage jobs. The childcare and home health fields have particularly difficult challenges. Since there are limited opportunities for advancing up a career ladder within the professions, most workers who move up also move out. In childcare, once a teacher obtains a BA, she or he can generally find a job with better wages and benefits in the K-12 (roughly equivalent to the UK's nursery and primary stages) school system. In home care, aides who obtain their CNAs or higher certificates generally move on to nursing homes or hospitals. Opportunities for career advancement out of the field can help with recruitment, but clearly hurt retention. To retain skilled and experienced workers, therefore, the childcare and homecare professions need to reward those who further their skills – and stay in the field – with increased compensation, responsibility and status. The bottom line in all three occupations is that government funding has to be part of the solution. In all three at present in the US, however, it is part of the problem.

### Childcare

Childcare was crucial to the success of the welfare reform bill of 1996, and both states and the federal government increased spending significantly throughout the late 1990s. Unfortunately, childcare funding at the national and state levels has steadily eroded over the past several years. States have frozen reimbursement rates and reduced funding for staff compensation.<sup>23</sup> These trends will seriously hamper efforts to improve the quality of childcare jobs and the quality of care.

Advocates in states thus need to be creative about raising funds for childcare. As seen in the Washington state initiative, several states and localities have passed ballot measures that instituted sales, property or 'sin' taxes to pay for early education. Sixteen states offer childcare teachers financial rewards based on their level of education and years of tenure, whether or not their centres receive reimbursements for subsidised care. However, most of these programmes offer only a one-time award for earning a credential or completing credits. A few states offer annual supplements to workers with higher levels of education. Only a few states or cities mandate that participating centres pay a minimum base rate and on-going wage increases to teachers and aides with more training and experience.

As states raise the bar on education levels, however, they must ensure that childcare workers can afford to further their education. To this end, 22 states support the TEACH Early Childhood® Project, which provides

scholarships (as well as wage supplements) to providers who advance their education.<sup>24</sup> Another key stumbling block to childcare workers advancing their education is the lack of articulation between the CDA, the associate degree and the bachelor's degree. Articulation refers to the extent to which a certificate or degree counts towards credits at the next level of education. It is particularly discouraging for low-wage full-time workers who have to achieve degrees incrementally to complete one credential only to find that they have to start all over again to earn the next one.

One-time or annual supplements and limited education scholarships may be the most politically feasible option given the constraints on state budgets, but ultimately career ladders with permanent wage increases have to be created. Without sufficient overall federal funding, states will not be able to continue investments in quality initiatives, much less expand them.<sup>25</sup>

### Long-term care

In long-term care, whether in an institution or at home, Medicaid is the US's largest source of financing. The federal government and the states jointly finance Medicaid.<sup>26</sup> In 2002, almost \$140 billion was spent on long-term care, with 43 per cent coming from Medicaid. Medicare, which only covers limited nursing-home and home healthcare services following hospitalisation, accounts for only 17 per cent of long-term care financing.<sup>27</sup> The remainder comes from private sources.

As the baby boom generation retires and the under-65 disabled population grows, the need for long-term care services will increase substantially.<sup>28</sup> Yet tax cuts, a shaky economy and the new Medicare prescription drug benefit (projected to cost \$761 billion over ten years<sup>29</sup>) mean that both the federal government and states face immense pressures to cut rather than increase Medicaid and Medicare funding. The budget pressures present an opening to discuss reforms in the Medicaid and Medicare systems. Advocates are taking advantage of this to propose reimbursement and regulatory reforms that stabilise and strengthen the direct-care workforce. Furthermore, budget pressures will also accelerate the shift from expensive institutional care toward less expensive home care and other community-based services, creating opportunities to highlight the need to improve the quality of homecare jobs and services.

At the state level, the shortage both of long-term care workers and of nurses has prompted policy makers to experiment with a range of strategies to improve

frontline jobs. These include wage pass-throughs, mandated minimum starting wages and salaries, career ladder programmes, and incentive-based funding that links pay for long-term care services to employers' savings resulting from reduced turnover and increased retention of staff.<sup>30</sup>

As in childcare, a problem in creating career ladders is the inconsistency of standards and curricula. While about half the states have established a single approved Certified Nurse Assistant (CNA) curriculum, others have approved more than 100. The Institute of Medicine recommends that the federal and state governments, providers and consumers work together to develop consistent training programmes and competency standards for staff in all long-term care settings.

Another problem is that those homecare workers who obtain higher credentials typically move out of the field into direct care positions in long-term care facilities or hospitals. State policy can help address this problem by expanding credentialing for frontline workers and creating levels of certification within frontline positions. But if this is to work, aides with more training who take on greater responsibility would have to receive higher salaries.

### Conclusion

Moving people from welfare to work is a worthy policy goal. But moving people out of the ranks of the working poor is more difficult. At the programme level, the most effective initiatives start with building the basic academic skills of workers who have relatively low levels of education. From there, career ladders need to have attainable steps. The initiatives to create levels of CNA, for example, provide advancement possibilities for women who are unlikely to be able to move into the next-highest position, Licensed Practical Nurse. Likewise, the Washington programme creates job categories for childcare workers with clearly defined raises associated with achieving credentials. A related feature of effective programmes is to identify clear career pathways as in the Georgia programme and others like it. The programme must make sense to the employer as much as the worker. Many programmes demonstrate to employers that the return on investment they make in facilitating workers' skill upgrading pay off in reduced turnover and better-quality care. The final programme feature needed is social support services and tuition assistance. Workers earning poverty wages cannot afford to pay tuition. In some cases employers may pay all or part of tuition

on the condition that the worker stays on for a defined period of time after completing their education.

At the system level, more consistent occupational standards need to be created. Ideally this would be at the national level, but at a minimum at the state level. Such standardisation should be repeated in training and education curricula. Best-practice career ladder programmes work with community college systems to make sure that each education credential counts toward the next-highest level.

We know a lot about what makes effective career ladder programmes in care-giving occupations. What is needed is more investment by government and employers in these workers. The money can be found – Medicaid and Medicare lose \$2.5 billion to turnover in these occupations. If that amount were invested in higher salaries, benefits and better training for long-term care workers, we could dramatically reduce turnover and improve the quality of care. What government saves today by underinvesting in childcare and long-term care will cost much more to rectify in the future.

### Notes

- 1 The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 mandated that states gradually increase the percentage of their caseload in work-related activities (including subsidised and unsubsidised employment and employment training, but must also include 30 hours of work per week). In 1997, states were required to have 25 per cent of lone-parent families and 50 per cent of two-parent families in work-related activities. The respective increase by 2002 was 50 per cent and 90 per cent.
- 2 Barker, J., Ireland, J., Morrow, V., Smith, F. and Hey, V. (2004), *Evaluation of the Childcare Partnership Manager Role*, Department for Work and Pensions: London.
- 3 Daycare Trust (2005), *Childcare for all?*, Progress Report 2005, available at [http://www.daycaretrust.org.uk/mod/filemanager/files/Childcare\\_briefing\\_note\\_Nov\\_05.pdf](http://www.daycaretrust.org.uk/mod/filemanager/files/Childcare_briefing_note_Nov_05.pdf).
- 4 See for example, HM Treasury, DfES, DWP and DTI (2004), *Choice for Parents, The Best Start for Children: A ten year strategy for childcare*, The Stationery Office: Norwich.
- 5 National Governors Association Center for Best Practices (2003), *A Lifetime of Health and Dignity: Confronting Long-Term Care Challenges in America*, available at <http://www.nga.org/cda/files/0401cifactsWorkforce.pdf>; National Clearinghouse on the Direct Care Workforce (2004), *Who are direct-care workers?*; Center for the Child Care Workforce and Human Services Policy Center (2002), *Estimating the Size and Components of the U.S. Child Care Workforce and Caregiving Population*, available at <http://www.ccw.org/pubs/workforceestimatereport.pdf>; Harris-Kojetin, L., Lipson, D., Fielding, J., Kiefer, K. and Stone, R.I. (2004), *Recent Findings on Frontline Long-term Care Workers: A Research Synthesis 1999–2003*, Institute for the Future of Aging Services: Washington, DC, available at <http://aspe.hhs.gov/daltcp/Reports/insight.pdf>.



- 6 The official US poverty line for a family of two parents and two children in 2004 was \$18,850. Numerous organizations, including Wider Opportunities for Women, the Economic Policy Institute and the Ms. Foundation, have devised methodologies for more realistically determining the income required for families to meet basic needs. Typically these standards are twice as high as the federal poverty rate, although they can be three to four times the official rate in some cities. See [www.wowonline.org](http://www.wowonline.org), [www.raisethefloor.org](http://www.raisethefloor.org) and [http://www.epinet.org/content.cfm/issueguides\\_poverty\\_poverty](http://www.epinet.org/content.cfm/issueguides_poverty_poverty).
- 7 Whitebook, M. and Sakai, L. (2003), 'Low-income mothers overall are unlikely to have benefits. More than ¼ of low-income mothers have no health insurance at all. Only about 1/3 have health insurance from their employers'. See also Lee, S. (2004), *Women's Work Supports, Job Retention, and Job Mobility*, Institute for Women's Policy Research: Washington, DC.
- 8 Paraprofessional Healthcare Institute (2004), *Results of the 2003 National Survey of State Initiatives on the Long-Term Care Direct-Care Workforce*, author: Bronx, NY.
- 9 Phillips, D.A., Mekos, D., Scarr, S., McCartney, K. and Abbott-Shim, M. (1996), 'Paths to Quality in Child Care: Structural and Contextual Influences on Children's Classroom Environments', University of Virginia: Charlottesville, VA; Helburn, S.W. (ed.) (1995), *Cost, Quality, and Child Outcomes in Child Care Centers*, University of Colorado at Denver, Department of Economics, Center for Research in Economic and Social Policy: Denver, CO; Whitebook, M., Howes, C. and Phillips, D.A. (1990), *The National Child Care Staffing Study Final Report: Who Cares? Child Care Teachers and the Quality of Care in America*, Center for the Child Care Workforce: Washington, DC. Childcare experts note that children feel more secure when they become accustomed to the same care givers, and as aides and teachers get to know children better they are better able to respond to their needs. See Laverty, K., Burton, A., Whitebook, M. and Bellm, D. (2001), *Current Data on Child Care Salaries and Benefits in the United States*, Center for the Child Care Workforce: Washington, DC; also Whitebook, M., Sakai, L., Gerber, E. and Howes, C. (2001), *Then & Now: Changes in Child Care Staffing, 1994–2000*, Center for the Child Care Workforce: Washington, DC, p. vi.
- 10 Whitebook, M. and Sakai, L. (2003), *Turnover Begets Turnover: An Examination of Job and Occupational Instability Among Child Care Center Staff*, Center for the Study of Child Care Employment: Berkeley, CA.
- 11 Scarr, S., Eisenber, M., and Deater-Deckard, K. (1994), 'Measurement of quality in child care centers', *Early Childhood Research Quarterly*, 9(2), pp. 131–51; Phillips, D.A., Mekos, D., Scarr, S., McCartney, K., and Abbott-Shim, M. (2000), 'Within and beyond the classroom door: Assessing quality in child care centers', *Early Childhood Research Quarterly*, 15(4), pp. 475–96; Strawn, J. and Martinson, K. (2000), *Steady Work and Better Jobs: How to Help Low-Income Parents Sustain Employment and Advance in the Workforce*, MDRC: New York, NY, available at <http://www.mdrc.org/Reports2000/SteadyWorkGuide.pdf>.
- 12 The US Bureau of Labor Statistics differentiates between personal and homecare aides, on the one hand, and home health aides on the other. The latter provide routine personal health care (bathing, dressing, grooming) in a residential or institutional setting.
- 13 Stone, R., Dawson, S.L. and Harahan, M.F. (2003), 'Why Workforce Development Should be Part of the Long-Term Care Quality Debate', *Alzheimer's Care Quarterly*, 5:1, pp. 52–9.
- 14 Paraprofessional Healthcare Institute (2003), *Long-Term Care Financing and the Long-Term Care Workforce Crisis: Causes and Solutions*, report prepared for Citizens for Long Term Care, author: Bronx, NY, p. 2. See also Paraprofessional Healthcare Institute (2001), *Direct-Care Workers: The Unnecessary Crisis in Long-Term Care*, author: Bronx, NY.
- 15 See, for example, Vandell, D.L. and Wolfe, B. (2000), 'Child Care Quality: Does It Matter? Does It Need to be Improved?', University of Wisconsin, Madison, Institute for Research on Poverty: Madison, WI.
- 16 See, for example, Stone, Harahan and Dawson, (2003), op. cit.
- 17 The eight major studies are reviewed in Whitebook, M. (2003), *Bachelor's Degrees Are Best: Higher Qualifications for Pre-kindergarten Teachers Lead to Better Learning Environments for Children*, Trust for Early Childhood Education: Washington, DC.
- 18 This section draws on Fitzgerald, J. (2002), 'Caring for Children as a Career', *The American Prospect*, vol. 13, no. 13; Fitzgerald, J. and Hunt, D. (2004), 'Raising the Bar', *The American Prospect*, vol. 15, no. 1.
- 19 Moon, J. and Burbank, J.R. (2004), *The Early Childhood Education Career and Wage Ladder: A Model for Improving Quality in Early Learning and Care Programs*, Economic Opportunity Institute: Seattle, WA.
- 20 Wunderlich, G.S. and Kohler, P.O. (eds) (2001), *Improving the Quality of Long-Term Care*, Committee on Improving Quality in Long-Term Care Institute of Medicine, National Academy Press: Washington, DC.
- 21 See [http://www.directcareclearinghouse.org/n\\_news\\_det.jsp?res\\_id=169110&res\\_type=6&txn\\_type=](http://www.directcareclearinghouse.org/n_news_det.jsp?res_id=169110&res_type=6&txn_type=).
- 22 See Fitzgerald, J. (2006), *Moving Up in the New Economy*, Cornell University Press: Ithaca, NY.
- 23 Testimony of Helen Blank, Director of Leadership and Public Policy, National Women's Law Center, before the Subcommittee of Human Resources of the Committee on Ways and Means, US House of Representatives, February 8, 2005. (CCDBG funds declined from \$4.817 billion in FY2002 to \$4.799 billion in FY 2005. The total amount of Temporary Assistance to Needy Families (TANF) funds states used for child care dropped from nearly \$4 billion in FY 2000 to \$3.5 billion in FY 2003.)
- 24 For more information on these programmes, see [www.childcareservices.org](http://www.childcareservices.org).
- 25 *Progress Frozen: The Context for Child Care and Development Block Grant (CCDBG) Reauthorization in 2004*, National Women's Law Center: Washington, DC.
- 26 The federal government matches state Medicaid spending, with the federal share of Medicaid spending ranging from 50 per cent to 77 per cent depending on state per capita income.
- 27 Kaiser Commission on Medicaid Facts, January 2004 and July 2004.
- 28 Ibid.
- 29 Kaiser Family Foundation, *Fact Sheet: The Medicare Prescription Drug Benefit*, March 2005, available at <http://www.kff.org/medicare/loader.cfm?url=/commonspot/security/getfile.cfm&PageID=33325>.
- 30 A wage pass-through is an additional allocation of funds provided through Medicaid reimbursement and targeted to direct-care worker wages. As of 2003, 21 states had implemented wage pass-throughs. To limit costs, states typically set their rates based on historic expenditures. But given the labour shortages in long-term care, historic average expenditures are not adequate – meaning that providers must either pay their employees less than the workers

can get on the market or pay more than they are reimbursed by Medicaid. Wage pass-throughs address this problem by allocating additional Medicaid reimbursement funds earmarked for increasing worker compensation. Allowable uses of these funds vary by state, and include across-the-board increases in hourly wages, targeting increases to hard-to-fill shifts and retention bonuses. Since the increased state allocations are financed with annual appropriation, however, many employers are hesitant to increase the base pay of workers, out of fear that the allocation will be cut. See Paraprofessional Healthcare Institute (2003), *Workforce Strategies No. 1: State Wage Pass-Through Legislation: An Analysis*.

This chapter attempts to draw together the evidence presented in this volume, and to look at other studies in order to make recommendations for policy. We look first at the rationale for focusing on employment retention and advancement, and then summarise the evidence on what we know about the factors that promote these outcomes. We then examine policy options, and conclude with recommendations.



## 5 Staying on, stepping up: the view from One Parent Families

### Why do retention and advancement matter?

Without action to improve lone parents' chances of staying in work, and of getting better jobs, Government targets to have 70 per cent of lone parents in work by 2010 and to halve child poverty by this date will be threatened. As Chapter 1 suggests, if job exit rates for lone parents could be raised to match those of the rest of the population, significant progress towards the 70 per cent target could be made without raising job entry rates further. Moreover, the jobs that lone parents get are often not sufficient to lift them out of poverty. Half of lone parents who worked between 1999 and 2003 were permanently low paid during this period, and Households Below Average Income data show that 13 per cent of the children of lone parents working full-time and 27 per cent of those working part-time are still in poverty.<sup>1</sup>

The Government's strategy to increase the lone-parent employment rate has focused on job entry. This is reflected in the Green Paper on welfare reform, which suggests additional Work Focused Interviews as the main mechanism for getting 300,000 lone parents back to work. But pushing more lone parents into work that they may not keep and that does not necessarily represent 'the best route out of poverty' will be not only expensive but unjust. We know that the type of 'low pay, no pay' cycle that the research demonstrates is experienced by many lone-parent families is particularly bad for children; research into Britain's poorest children found that those in most hardship lived in families that had experienced one or more transitions between work and benefits.<sup>2</sup> Moreover, the 'work first' approach taken to employment policy to date has always carried with it the implicit assumption that once in work, lone parents would be able to advance to better jobs. Yet evaluation of the New Deal for Lone Parents (NDLP) found that lone parents tend to enter low-paid, low-skilled jobs offering few opportunities for progression, including catering, cleaning, care, retail, clerical, and hair and beauty therapy occupations.<sup>3</sup>

Focusing on better-paid, better-quality jobs for lone parents would also help to achieve broader government objectives. Some 21 per cent of lone parents have no qualifications (compared to only 6 per cent of couple

families). The figure is higher for lone-parent families not working 16 hours or more a week, 31 per cent of whom have no qualifications.<sup>4</sup> But only 6-7 per cent of lone parents participating in the New Deal for Lone Parents receive any help with training. The interim report of the Leitch Inquiry into the long-term skills needs of the UK suggests that there is a substantial need to increase skills among the 'lower end' of the skills spectrum, and that 'even if the Government's current ambitious targets were met, significant problems would remain with the UK's skills base in 2020'.<sup>5</sup> Given their low qualification levels, lone parents are an obvious group to target with measures to upgrade skills.

Moreover, as Chapter 2 suggests, topping up the incomes of low-income families through tax credits is expensive for government. Jane Millar and Karen Gardiner have shown that while tax credits work well to lift low-paid working lone parents out of poverty, they have to work hard to do so. Half of lone parents working more than 16 hours a week avoid poverty only by means of tax credits and benefits, with the chance of their own wages alone lifting them out of poverty having fallen between 1994-95 and 2000-2001.<sup>6</sup> Measures to make work, rather than work and tax credits, pay would therefore help to reduce welfare dependency in a broader sense than the current strategy.

Two factors suggest that efforts to improve lone parents' prospects in the labour market must concentrate not only on improving lone parents' skills and qualifications, but also on improving the quality, pay and conditions of the jobs that they are likely to take. Firstly, there is a danger that skills requirements for jobs can increase without a corresponding increase in pay and conditions – Jane Mansour gives the example of the social care sector,<sup>7</sup> and there is some danger that this may also happen in childcare. Secondly, while lone parents are enthusiastic about training, the demands of balancing work and family may mean that asking lone parents to propel themselves upward while in work is unrealistic. As Bloom et al. state in their review of retention and advancement policy, 'Low income, single, working parents ... face daunting daily challenges juggling work and parenting. It should not come as a surprise that many such parents are reticent about participating in retention and advancement activities ...'.<sup>8</sup> Policy should

aim to improve the quality and sustainability of all paid work, rather than simply concentrating on individual trajectories from 'bad jobs' to good ones.

Promoting retention and advancement may, as Chapter 2 suggests, look expensive in the short term. But the longer-term investment it implies in skills, and the savings made from preventing lone parents from cycling through employment programmes and from reducing reliance on in-work benefits suggest that there is a strong economic imperative for investing in such policies in order to save in the long term.

### What do we know about keeping jobs and advancing in the labour market?

#### Sustaining employment

In Chapter 1 we saw that the probability of lone parents exiting work is significantly associated with:

- being aged under 30;
- not being a homeowner;
- having no savings;
- having entered work in the past year; and
- working part-time for low pay.

New entrants to work were more likely to leave again, with around one-quarter of lone parents who find a job in any given year being out of work again one year later – reflecting evidence from the New Deal for Lone Parents showing that 29 per cent of those who found jobs returned to Income Support within a year.<sup>9</sup>

Qualitative research for the Department for Work and Pensions (DWP) into the experience of low-income families in the labour market suggests a further range of factors that are influential in determining the sustainability of work. In the initial stages of employment, key determinants were:

- financial gain;
- a better standard of living;
- the psychological and emotional benefits that could be derived from work;
- a motivation to work or escape benefits: 'staying in work was portrayed as a way not only of escaping benefits but also of expunging the stigma and shame associated with financial support from the state';
- childcare arrangements; and
- the support of family and friends.

However, once participants had been in work for longer, 'it is no longer considered sufficient to sustain any job as an alternative to life on benefit, and as a way of achieving financial, material and psychological benefit, but [ ... ] the job itself, and all it entails, is now equally important'. While the factors above remained important, employees were at this stage also considering:

- their relationship with colleagues;
- their relationship with the employer;
- progression at work; and
- the fit of the job with other commitments and aspirations.<sup>10</sup>

This reflects research from the US which found that employer-level characteristics were important in addition to individual characteristics in helping to sustain work. Holzer and Martinson conclude that: '... while poor education and skills and limited experience among workers contribute to their retention difficulties, the characteristics of their jobs and employers can be important as well. For any worker with given personal characteristics, employment in large firms, unionised firms and/or those paying higher wages reduce job turnover'.<sup>11</sup>

#### Moving up in work

Reviewing the evidence in preparation for the UK's Employment Retention and Advancement project, the Strategy Unit concluded that 'the empirical evidence on advancement is very sparse'. However they cite Dickens to the effect that opportunities for advancement within the UK labour market generally may have declined:

It appears that individuals find it harder now to better their position in the wage distribution than they did 20 years ago. This has occurred against a backdrop of a huge rise in cross-sectional wage dispersion. Not only are the differences in wages between a given year larger than they were, but the possibility of moving up the distribution over the next year has now become more remote. So the low paid are worse off both in terms of the relative wage they receive and in terms of their opportunity to progress out of the low-wage trap.<sup>12</sup>

While employment retention is a necessary condition for advancement, it does not appear to be a sufficient one. Evidence from the US suggests that although there are returns to work experience, few workers who start in low-paid work manage to escape their low-paid status.<sup>13</sup> Switching jobs voluntarily can be linked to higher wages, although involuntary job changes, or more than one job change, were linked to lower wages.<sup>14</sup>



Similar factors that promote retention also seem linked to advancement. Martinson and Holzer find that starting out in higher-paying jobs was linked to higher wage growth over time, even after controlling for work history, job and other personal factors. Higher basic skills, particularly education beyond high school, were also linked to higher wages after a period of employment. Again, the sector or place of employment was also important – a study by Holzer et al (cited in Holzer and Martinson) found that:

... personal skills and earning capacity of [...] workers strongly contributed to their wage growth over time but the characteristics of their employers mattered importantly as well. Employment in higher wage sectors of the economy such as construction, manufacturing, transport or health services led to higher rates of advancement for lower earners than employment elsewhere. Working in large firms and those with low turnover rates also helped raise advancement prospects, as these firms generally offer more on the job training and opportunities for promotion.<sup>15</sup>

Qualitative research suggests that the challenges of combining work and family life may put a brake on efforts to advance in the labour market, particularly for women. The DWP research cited above found that while parents appreciated the material benefits that work could bring to their children, ‘parents were still concerned about the negative implications of work on their children’s emotional well-being. Women reported that their children “missed” them or in some ways resented parental involvement in work’.<sup>16</sup> This suggests that ‘advancement’ that involves working longer hours may be problematic for some lone parents. It is important to note therefore that it is necessary not only that there are opportunities for advancement within jobs, but also that lone parents feel able to take these up without sacrificing the fine balance of commitments to work and home.

### What policies promote retention and advancement?

Chapter 2 proposes a useful typology of policies to improve job retention and quality: sustainable entry strategies, support for new entrants and improving jobs. We look at possible policy measures under each of these in turn.

### Sustainable entry strategies

#### Work first?

Debate about job entry strategies has long been concentrated on the now pretty sterile terrain of ‘work first’ approaches versus those that concentrate on ‘human capital development’. The former suppose that the best way to advance in the labour market is to enter it as quickly as possible, and thus any job is a good job. The latter suggest that, as skills are a well-established predictor of labour market success, policy should ensure that lone parents (or other job seekers) are equipped to enter better-quality jobs, offering better prospects. The UK government has favoured a ‘work first’ approach, with guidance to New Deal for Lone Parents’ Personal Advisers specifically directing them always to steer lone parents in the first instance towards work, and with the target structure under which they work also encouraging this.

Looking at sustainable employment, rather than simply ‘work entry’, gives a different perspective to this debate, emphasising the insight that ‘retention starts at day one’ (see Chapter 3). Much US evidence suggests that the quality of the first job is important in securing sustainable employment (see above), and, as Chapter 1 shows, working part-time for low pay is particularly linked to job exit. The most successful programme in the US National Evaluation of Welfare to Work Strategies, the Portland programme, emphasised that participants should wait for a good job rather than just taking the first job available.<sup>17</sup>

Qualitative evidence also points to the importance of ensuring the right ‘job fit’ for sustaining work, but this does not necessarily indicate a ‘work first’ or ‘training first’ approach. As Chapter 3 indicates, approaches must be tailored to individuals. More important is that when looking at placing lone parents in a particular job, Personal Advisers should consider the long-term sustainability of that employment, and which approach is most likely to promote this. At present there are no incentives for Personal Advisers to promote job retention – and One Parent Families was very pleased to see the announcement in the 2005 Pre-Budget Report that the Government will look again at the target structure under which they work.<sup>18</sup>

### Targets

Private providers contracted to deliver Employment Zone services to lone parents currently receive the bulk of their payment only when a job has been sustained for 13 weeks. However, the evidence that lone parents are vulnerable for the first year in work suggests that this perspective may not be sufficiently long term. David Grubb points out the dangers of rewarding job entry only:

... the use of either placements or unemployment spell durations as outcome indicators creates incentives for gaming behaviour by providers. Short term placements, which do not reduce unemployment levels in the longer term because the clients re-enter unemployment soon afterwards, are rewarded.<sup>19</sup>

He suggests, rather, that outcomes should be assessed on a long-term basis, which measures both overall employment outcomes and receipt of benefit over a period. He also suggests that, because of the overall welfare gain from placement into a ‘good’ job, outcome measures should also include a measurement of hourly wages.

Performance measures for private providers of employment services will become progressively important if, as mooted in the Green Paper, private providers are increasingly to be relied upon to deliver the Government’s welfare-to-work offer. But careful consideration also needs to be given to the target structure under which the current New Deal for Lone Parents advisers working in Jobcentre Plus operate, particularly as this moves from measuring ‘job entries’ (relating to specific adviser activity) to ‘job outcomes’ using administrative data. Ways to record, and reward, job outcomes at 3, 6 and 12 months after job entry should be considered under the new system. This might also include, as Grubb suggests, a measure of hourly wages, which should be possible if job outcome data are being collected from Her Majesty’s Revenue and Customs as proposed.

### Jobcentre Plus practice

This approach suggests that pre-employment services should focus on outcomes rather than processes in order to secure sustainable employment, and should consider each individual and their needs, rather than taking a ‘work first’ or ‘training first’ approach across the board. However, Jobcentre Plus management requirements may initially make this difficult, and further guidance to advisers may be needed. Martin Evans has suggested

that a different approach may be needed for those lone parents (or other jobseekers) who are returning to the Jobcentre for a second time, having failed to sustain work. Greater resources could be devoted to increasing the skills of those in this position – and could include, for example, a larger Adviser Discretion Fund being made available for these lone parents.

Finally, if advisers are to be able to concentrate on sustainable employment, further investment in skills will clearly be necessary, and a more joined-up approach between Jobcentre Plus and the Learning and Skills Council (LSC) will be essential. This was a key recommendation of the National Employment Panel’s report *Welfare to Workforce Development*, which recommended that the two organisations set joint targets.<sup>20</sup> Jobcentre Plus’s most recent annual report indicates that they have ‘agreed, with local LSC, arrangements in English Districts for joint local delivery planning’<sup>21</sup> which represents progress. However, there remains a clear restriction of flexibility in this area in that New Deal for Lone Parents’ advisers (except in some pilot areas) cannot refer lone parents to training above NVQ level 2. Extending funding to training for level 3 skills, the point at which such qualifications start to show an impact on earnings,<sup>22</sup> should be a priority.

### Support for new entrants

In chapter 1 we showed that those in the first year of work are particularly vulnerable to job exit, and there is a wealth of qualitative evidence to suggest that the transition into work, particularly the financial transition, can be problematic for those coming off benefits.<sup>23</sup> Measures have been put in place to support claimants financially during this period, for example the Job Grant, but further efforts may be necessary to support lone parents in the initial stages of work.

### Case management?

Unfortunately, previous attempts to offer a comprehensive ‘case management’ service during the post-employment entry period have not met with much success. As Chapter 3 reports, the largest test of post-employment support programmes in the US, the Post Employment Support Demonstration, which provided a case management service to those in work, was found to have ‘little effect on increasing earnings, reducing welfare or promoting the move towards self-sufficiency’.<sup>24</sup> While the programme had some definite design flaws, including not targeting those who were most likely to require the service, only contacting



former welfare recipients after they had moved into work, and high caseloads for case managers, the failure of the programme to make any difference to employment sustainability casts doubt on the likely effect of any approach of this type that simply offers case management. As Donald Hirsch states in Chapter 2, 'a generalised "post-entry New Deal" or universal "advancement-focused interviews" for people entering jobs would not make sense'.

### Financial supports

However, rewarding advisers and employment service providers for sustainable rather than short-term employment should mean that they are encouraged to offer support to those in work who need it to hold onto a job. One of the most important forms this support may take is financial. In the six UK cities with the highest concentration of lone parents, and also in the New Deal Plus for Lone Parents areas, government is currently piloting an 'in work emergency fund' for lone parents. Early feedback suggests that this is extremely useful for dealing with crises that arise – although at present it cannot be used to deal with problems with tax credits or other benefits. It is also only available for 60 days, whereas recent evidence from Employment Zones suggests that the need for help and support may continue well into the first few months of a new job.<sup>25</sup> We recommend that this fund is rolled out across the UK, and that advisers are given total discretion over the costs it can be used to meet. Consideration should also be given to extending the period for which such financial support is available to six months.

Reviewing evidence on advancement and retention in 2002, Johnson suggested that 'overall, the evidence from the US suggests that financial incentives may have a greater impact on employment and job retention than all other types of pre and post employment measures'.<sup>26</sup> Tax credits have undoubtedly made a difference to lone parents' chances of entering and remaining in paid employment: Gregg and Harkness found that policy reform, in particular the introduction of the Working Families Tax Credit, raised the employment rate of lone parents by 7 percentage points between 1998 and 2003,<sup>27</sup> and Blundell et al suggest that tax and benefit changes between 2000 and 2003 have increased the labour supply of lone mothers by 3.38 percentage points.<sup>28</sup> The Government is now trialing a time-limited additional financial incentive, the £40 in-work credit. While this extra support in the first year of work is welcome, we have some concerns about what the impact will be on claimants as they reach the end of the year

for which the credit is in payment. Some evidence from the US suggests that temporary wage subsidies such as this are less effective than permanent ones such as tax credits.<sup>29</sup> Mansour suggests that those who are coming to the end of the year in which they receive in-work credit should be offered an additional interview to discuss their future prospects,<sup>30</sup> and this seems a sensible idea.

### Demand-led approaches

Perhaps the more promising of the in-work strategies are those that promote advancement. As Chapter 4 shows, well-defined career ladders, with clear qualifications structures linked to increases in pay, can help low-income workers to advance, at the same time as increasing the quality of the services they provide.

Such measures mirror to some extent the Ambition programmes recently piloted in the UK with some success. While strictly pre-employment services, these demonstrate how a demand-led, incremental approach to skills development can be operated.<sup>31</sup> The programmes were set up with the aim of 'enabling disadvantaged jobseekers to enter jobs with higher than entry level pay and strong potential for career development'.<sup>32</sup> Pilots ran in four areas – construction, retail, energy and IT – and an 'Ambition Health' programme is in the process of being piloted. Overall outcomes of the first four pilots were positive, with a job placement rate of 59 per cent of participants, and a retention rate of 72 per cent. A study of the programme for the DWP suggested that Ambition-like programmes addressing identified skills shortages should be replicated through the DWP's (currently postponed) plans for Building on New Deal, and incorporate lessons from the pilots (see Box 5).<sup>33</sup> Such programmes are expensive to run in the short term. But assessing these costs in terms not merely of job entries but also of the long-term savings on benefits and repeat entries into programmes suggests that such programmes can produce savings. Moreover, looking at such programmes from the perspective of shared targets between Jobcentre Plus and the Learning and Skills Council suggests that such programmes should not be assessed merely on a 'cost per job entry' basis.

### Workforce development

The use of demand-led and career ladder approaches, as Chapter 4 suggests, may be particularly appropriate in services meeting government objectives, an obvious example being in childcare. The children's workforce development council is developing an early years workforce strategy that will include looking at

### Box 5: Lessons from the Ambition pilots

- GHK Consulting reviewed the Ambition programme pilots and suggest that similar demand-led approaches should be rolled out at a local level. For the development of a framework for this, at the national level they recommend:
- identification and review of skills shortage areas (in conjunction with the National Employer Panel and Sector Skills Councils;
  - design and development of a menu of occupation-specific provision (for Personal Advisers to draw on) and, related to this, selection criteria for these specific occupational areas;
  - facilitation of the collection and dissemination of labour market/sector information and support for learning and transferability between Jobcentre Plus areas; and
  - efforts to achieve economies of scale in the design and development of provision, and guidance on provider selection and procurement negotiations.

the structure of the children's workforce to create incentives to improve qualifications, in order both to drive up the quality of care provided, and to increase job retention.<sup>34</sup> One Parent Families thinks that this strategy should include working with the Childcare Partnership Managers within Jobcentre Plus to see how opportunities to enter jobs that have potential for progression and further training can be opened up to lone parents. The potential for similar career ladders could also be looked at in other public sector environments, for example local government.

Another promising development in terms of promoting advancement is the development of the National Employer Training Programme, offering training to those in the workplace without an NVQ level 2 qualification. Evaluation of the pilots found that although only around 4 per cent of eligible employees had taken up the training, these did tend to fit the profile of lone parents. Participants in the pilots tended to be female, aged between 26 and 45 and working full-time in personal service or elementary occupations. Over 90 per cent of employers and 90 per cent of learners were satisfied with their experience of training.<sup>35</sup> The Pre-Budget Report in 2004 pledged to roll out this programme, delivered by a series of Brokers. Again, ensuring that these Brokers work closely with pre-employment services to help lone parents (and others) into work where there is the potential for training will be important. One Parent Families hopes that Jobcentre Plus and employment providers will be encouraged through this joint working to make a shift to measuring

At the local level they recommend:

- local employer engagement (in conjunction with local intermediaries) to identify and review local skill shortage areas, to create employer interest and obtain vacancies in selected sectors and occupations;
- enhanced knowledge of labour market trends and employer requirements amongst customer-facing Jobcentre Plus staff;
- local implementation of selection processes, training and related support, where necessary adapted to the local context; and
- piloting of new occupation-specific provision and related selection criteria.

Source: GHK Consulting (2005), *Ambition: identifying best practice for demand led approaches*, DWP Research Report no. 264, Department for Work and Pensions: London.

'sustainable' outcomes. Thought must be given to how the Brokers delivering the employer training programmes can also be given incentives to engage with pre-employment services.

### Improving jobs

It is worth restating at this point that not all lone parents will want to take up opportunities to advance in the labour market through developing their skills – as suggested in the low take-up of the employer training pilots. This does not mean, however, that they should be condemned to low pay and poor conditions, and it is important to look at improving the quality of working life for all.

### Pay

Further measures must be taken to tackle low pay which, as this report shows, increases the chance of exiting employment. It also, of course, increases the risk of in-work poverty and, as Millar and Gardiner have demonstrated, market income (or wages) has become less effective at lifting lone parents over the poverty line over time (see above). At the base of a strategy to tackle low pay must be increases to the National Minimum Wage – One Parent Families would suggest to at least two-thirds of male median earnings. As Chapter 2 suggests, there is also room for a properly funded commitment to fair pay across the public sector.



## Family-friendly policies

More must be done to improve rights at work, particularly for parents, given the importance placed on balancing work and family life. One Parent Families was disappointed that the recent Work and Families Bill missed the opportunity to extend the right to request flexible working to parents of children over 11, or to introduce a period of paid parental leave. Such measures would make a real difference not only to those lone parents who have entered employment after a period of claiming benefits, but to the 31 per cent of lone parents that One Parent Families' research with MORI found left work at the time of becoming a lone parent.<sup>36</sup> A lack of flexible working hours was the major barrier to returning to employment cited by the lone parents in One Parent Families' evaluation of our own Marks and Start employability programme. Moreover, parents spoken to in One Parent Families' Family Fortunes project (which investigated the ways in which employers could support parents to retain work at the point of family break-up) stated that while organisations often had flexible working policies, these were not implemented in practice. Stronger legal rights will be necessary to make family-friendly working a reality.

## Support at work

Improving 'jobs' also requires an improvement in the support offered around paid work. Key to this for lone parents is of course childcare; while the Government has promised much through its ten-year strategy in this area, this is only becoming evident on the ground slowly. Still more will be needed to make childcare affordable. More could also be done to make sure lone parents are aware of their rights at work, and of the financial and other support that may be available to them. Pilot work for the Family Fortunes project found that parents were confused over leave and flexible working policy, but wanted advice on these from a source other than their own line managers. The proposed 'parents direct' helpline may be one way of offering such advice – but it must be able either to give or advise on the benefits and tax credits that are vital for low-income lone parents, or to refer callers on to specialist advisers.

## Conclusions and recommendations

Promoting sustainable work for lone parents would help the Government to achieve both its employment and its child poverty targets for 2010, as well as providing lone-parent families with a better standard of living. Arguably it should also save the Government money, in reducing the repeat use of employment services, the numbers returning to benefits, and the costs of in-work support. Chapter 2 suggests that the timing is problematic for a refocusing of government services towards this aim; however, if action is not taken now, the lone-parent employment target for 2010 looks unlikely to be met. For lone-parent employment to meet 70 per cent by 2010, progress in the next five years would have to be three times as rapid as that in the past five years – and with an increasingly disadvantaged pool of lone parents to draw from this seems unlikely. Yet, as we show in Chapter 1, reducing the rate at which lone parents exit work could produce substantial gains towards the target.

### Sustainable job entry

One Parent Families recommends that the Government should:

- measures achievement by both Jobcentre Plus and private sector employment providers in terms of sustainable job outcomes. These should measure progress at 3, 6 and 12 months, and include a measure of hourly wages;
- increase the resources available to advisers for those lone parents who are returning to the Jobcentre for a second time, possibly by an increase in the Adviser Discretion Fund for this group; and
- extend access to NVQ level 3 training to all lone parents.

### Support for new entrants

One Parent Families recommends that the Government should:

- roll out the in-work emergency fund across the country and allow Personal Advisers full discretion over its use;
- consider making the in-work emergency fund available for up to six months after entering work (rather than the current 60 days);
- offer lone parents a further interview with a Personal Adviser in the 11th month of their claim for In Work Credit (or possibly make this a condition of receiving the 12th month of the credit);

- implement Ambition-style programmes at the local level which adopt a demand-led approach to training;
- work to develop career ladders in government-funded and public sector services, and ensure that such services are working closely with Jobcentre Plus when recruiting; and
- offer incentives to the job brokers delivering the National Employer Training programme to work with Jobcentre Plus and employment service providers to ensure that lone parents (and jobseekers) are placed in jobs with opportunities for training, and encouraged to make use of this.

### Improving jobs

One Parent Families recommends that the Government should:

- increase the National Minimum Wage to at least two-thirds of male median earnings;
- develop a strategy to tackle low pay across the public sector;
- extend the right to request flexible working to parents with children aged up to 18, and introduce 13 weeks of paid parental leave;
- investigate ways to further reduce the cost of childcare; and
- implement the 'parents direct' helpline to provide, or signpost to, advice not just on employment rights but also on benefits and tax credits, which are essential for low-income lone parents to retain work.

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## About One Parent Families

One Parent Families believes we can build a fairer society for all families, in which lone parents and their children are not disadvantaged and do not suffer from poverty, isolation or social exclusion.

If you are a lone parent and would like to find out about our services, or get information, free publications and details of other helpful organisations, call the Lone Parent Helpline on 0800 018 5026.

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These are details of One Parent Families' policy publications currently in print. For details of all of our publications, including the *Lone Parent Handbook* and many publications for advisers and for lone parents, please consult our website, [www.oneparentfamilies.org.uk](http://www.oneparentfamilies.org.uk), or contact Rosie Graham at [rosie@oneparentfamilies.org.uk](mailto:rosie@oneparentfamilies.org.uk)

### ACCESSING TRAINING AND EDUCATION IN EAST LONDON: The Case of Lone Parents

Authors: Tina Haux, Maria Kimina

Commissioned by the East London Learning and Skills Council, this study explores the attitudes and motivations of, and barriers to, lone parents in East London accessing education and training, with the aim of producing a best-practice guide for education and training providers and signposting agencies.

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98 pages, paper cover  
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### THE NEW TAX CREDITS SYSTEM: Knowledge and Awareness among Recipients

Authors: Julia Griggs, Fiona McAllister, Robert Walker

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Published April 2004  
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Author: Marilyn Howard

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Contributors: Richard Berthoud, Martin Evans, Jane Millar, Anthony Rafferty, Djuna Thurley, Robert Walker

Based on papers from a research seminar, *Working to Target* outlines the current situation regarding lone parents and employment, analyses the impact of policy to date and makes recommendations for the future, all in the light of the government's target of getting 70 per cent of lone parents into work by 2010.

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Author: Joan Hunt

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