

Lone parents and ‘mini jobs’

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Outline

- **Motivation**
- **Mini-jobs and lone parents**
- **Mini-jobs and incentives**
- **Policies to encourage mini-jobs**



Why care about mini jobs?

- **Incentives for work in mini jobs very weak for lone parents compared to mothers in couples**
 - Helpful or unhelpful distortion?
 - Fairness between different sorts of families
- **Target for child poverty in 2010/11**
- **Target for 70% lone parents in work**
 - Increases in lone parent employment slowing
- **HMT objectives:**
 - Ensure adequate financial incentives to work
 - Reduce child poverty and increase financial support for all families



What type of jobs are mini jobs?

- **2.6 million jobs (LFS, 2005/6)**
 - 1.8 million as only job, and 0.8 million as secondary jobs.
- **Compared with jobs of longer hours**
 - Lower skill, less stable and less responsibility
 - Less likely to receive training
 - Lower pay (hourly wage), but risk of low pay in a mini job was no greater than for jobs at longer hours with similar skills levels (Hales et al (2007)).



What type of jobs are mini jobs?

- But satisfaction with pay and job security is higher in both mini jobs and part time work than for those in full time work (Francesconi and Gosling 2005).



Lone parents in mini jobs

- 4% of lone parents work in mini-jobs compared to 10% of mothers in couples (LFS 05-06)
 - accounts for half of 12 ppt difference in employment
 - Corresponds to 8% of employed lone mothers, compared to 17% of mothers in couples (FACS 2005).



Lone parents in mini jobs

- Compared to those working longer hours, those in mini jobs:
 - less qualified
 - more children
 - had more characteristics associated with labour market disadvantage
 - were more likely to experience hardship.

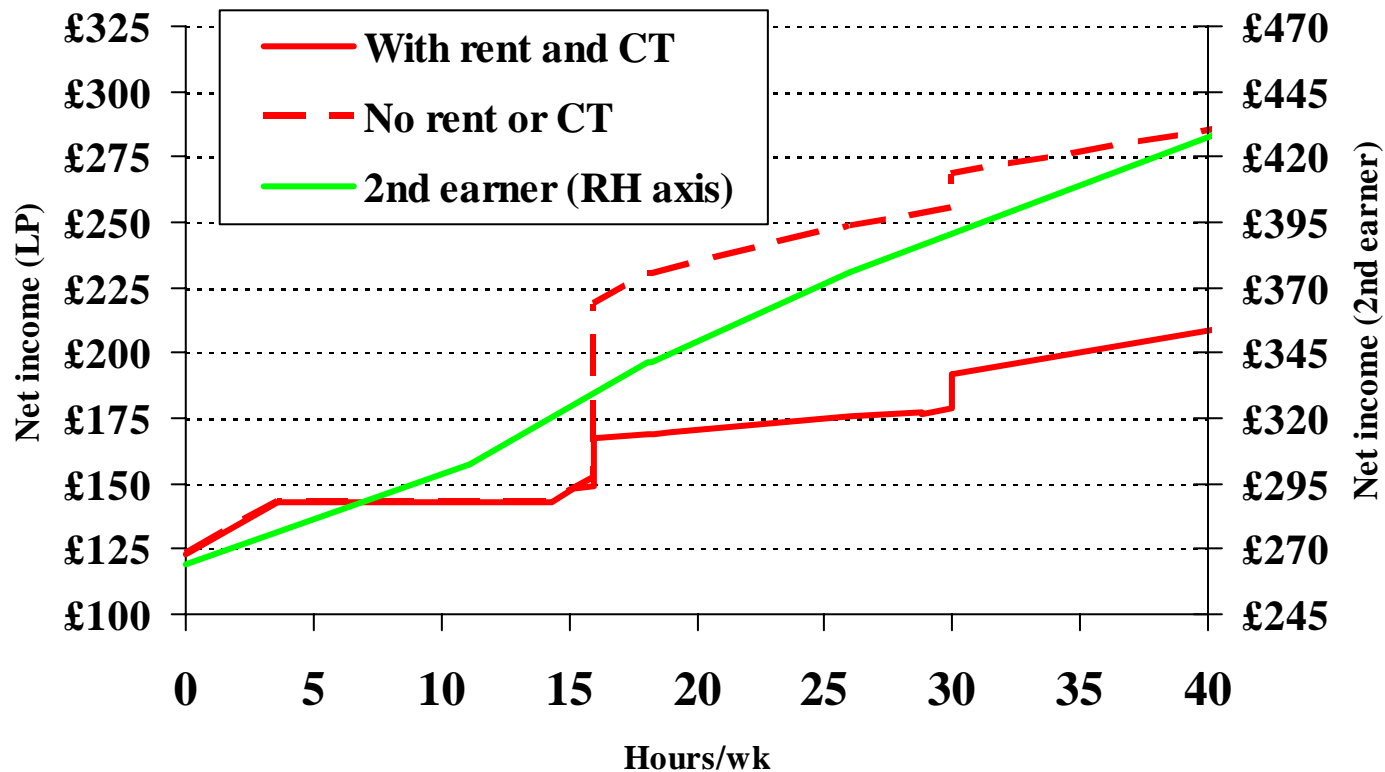


Why do so few lone parents work in mini jobs?

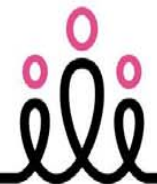
- *“The benefits system is appallingly complicated. Three different departments all with different benchmarks. If I earn more than £20 per week I lose Income Support, if I work less than 20 hours I get no tax credits”*
- Gains to work for a lone parent working:
 - 4 hours a week = £20
 - 15 hours a week = £23.65
 - 16 hours a week = £95.13



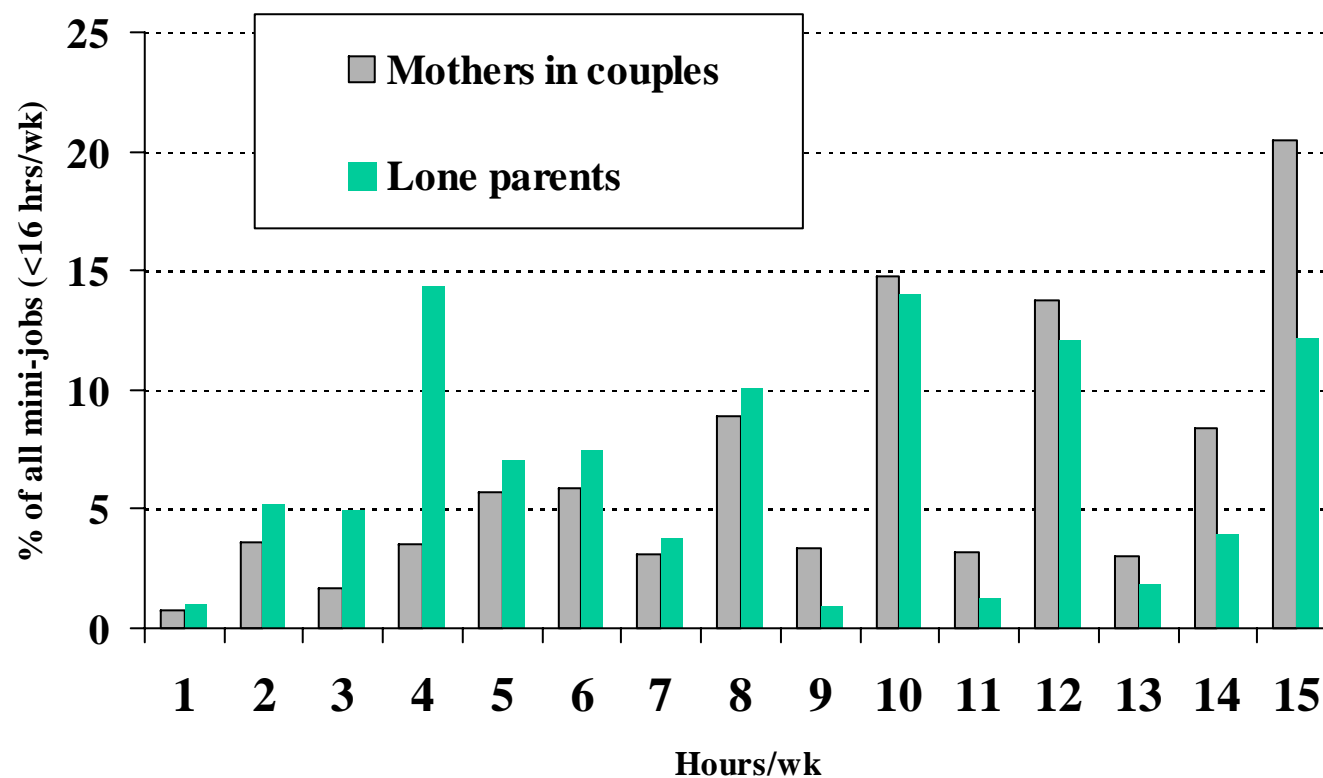
Why do so few lone parents work in mini jobs?



All on min wage & with 1 child. 1st earner earns £350/wk. Ignores childcare costs.



Why do so few lone parents work in mini jobs?



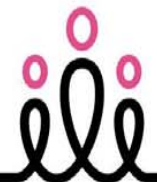
Do lone parents want to work in mini jobs?

- We think so
- Lone parents' labour market behaviour often compared to mothers in couples
- Desire to return to work gradually, settle children in childcare, provide children with sufficient quality time.
- Free childcare entitlement currently set at 12.5 (rising to 15) hours.
- Mini jobs may be more suitable for those further from labour market. Barriers cited by those not in work, and those working <16 hours, are:
 - Not wanting to spend more time apart from children
 - Cannot afford childcare



Do short hours jobs act as a 'stepping stone' to longer hours work?

- Long-held bias in social security system against work of <16. Mini jobs may act as a 'stepping stone' to work at longer hours?
- Mini jobs popular for those moving into work
 - 29% of lone parents who moved into work over 12 months moved into a mini job.
- Mini jobs are short lived
 - after 2 years, 68% of LPs and 54% of mothers in couples no longer in mini jobs (both from Barnes et al, 2005)



Do short hours jobs act as a 'stepping stone' to longer hours work?

- Qualitative evidence positive: mini jobs build confidence, contacts etc
- Quantitative evidence mixed
 - Iacovou and Berthoud (2000): those in mini jobs more likely to move into 16+ hrs/wk work (& the more hours, the more likely).
 - Hales et al (2007): *'the significance of mini-jobs as a precursor to working additional hours was probably over stated.'*
- Does it matter?



Can policies change working hours?

- Yes!
- WFTC – c 5ppt increase in lone parent employment
- ‘Permitted work rules’ – year long £72 income disregard for claimants of IB – evaluation:
 - “there is clear evidence that for a (not insignificant) minority of clients, the Permitted Work Rules have acted as a stepping stone to employment, and as a shift away from benefits.”



Can policies change working hours?

- **Family Credit reform**
 - Eligibility for FC changed in 1992 from 24 hours work to 16; numbers of lone parents working 8-15 hours and 24-29 hours declined as number working 16-23 hours increased.
- Will discuss later whether encouraging mini-jobs would have negative effects on labour supply



Can policies change working hours?

<i>Hrs/wk</i>	<i>Year / Survey</i>				
	<i>1990</i>	<i>1992</i>	<i>1994</i>	<i>Spring 1995</i>	<i>Autumn 1995</i>
<i>None</i>	57.3	58.9	57.1	56.6	56.7
<i>1 – 7</i>	3.6	4.0	3.9	3.6	3.8
<i>8 – 15</i>	5.4	4.6	4.4	4.0	3.6
<i>16 – 23</i>	4.6	4.1	7.2	7.7	8.2
<i>24 - 29</i>	3.9	4.4	3.6	3.8	3.8
<i>30 +</i>	25.%	24.1	23.8	24.3	24.0

Source: LFS

More attractive after 1992 reform



Options to encourage mini-jobs

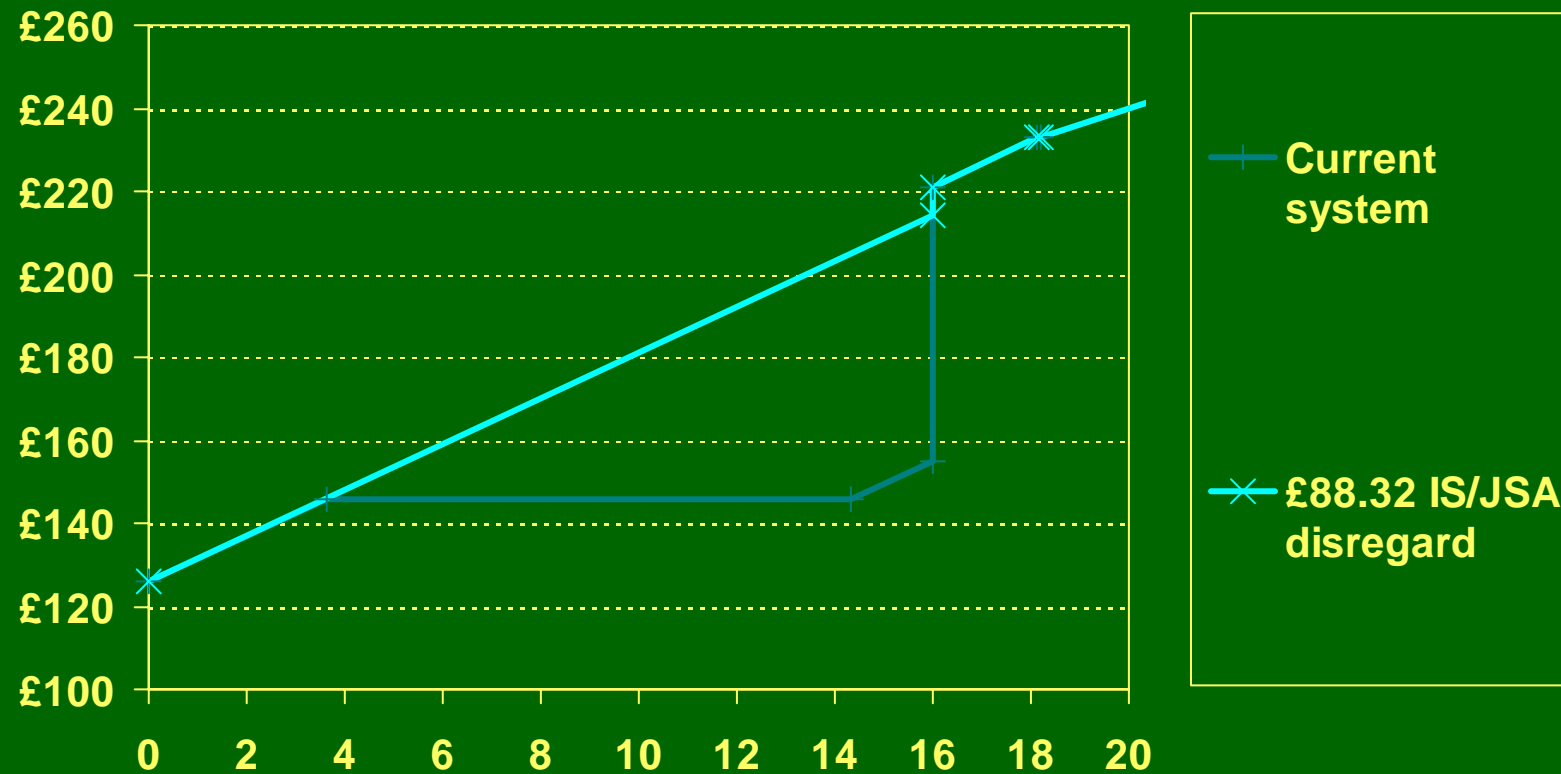
- Cut withdrawal rates (from 100%) in means-tested benefits
- Increase disregards in means-tested benefits (from £20/25)
- Changes hours rules (cut 16 hour rule in WTC)
- Means-tested benefits = IS/JSA, HB/CTB

Policies to encourage mini-jobs



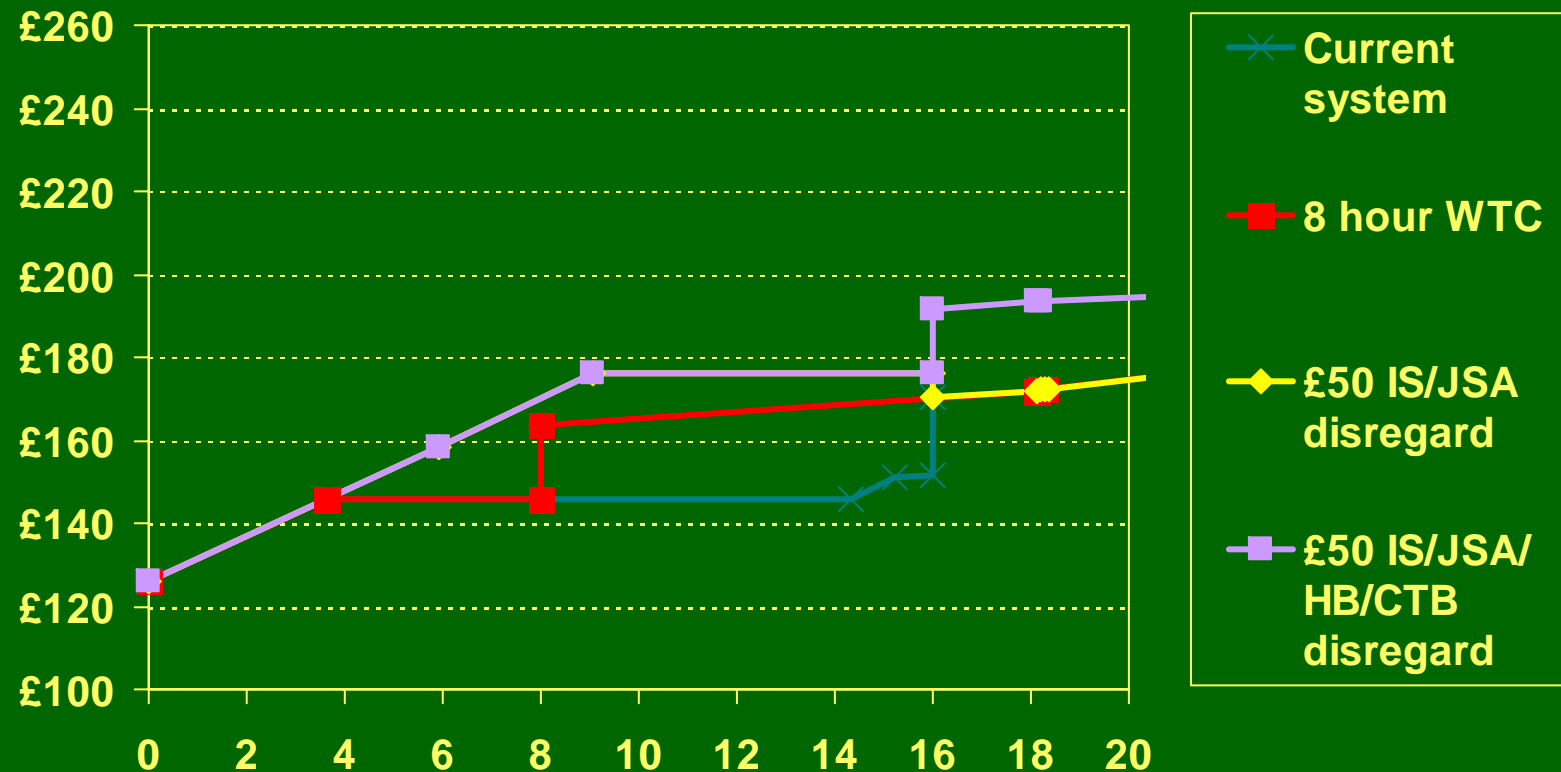
Assumes min wage, 1 child, no rent or CT

Policies to encourage mini-jobs



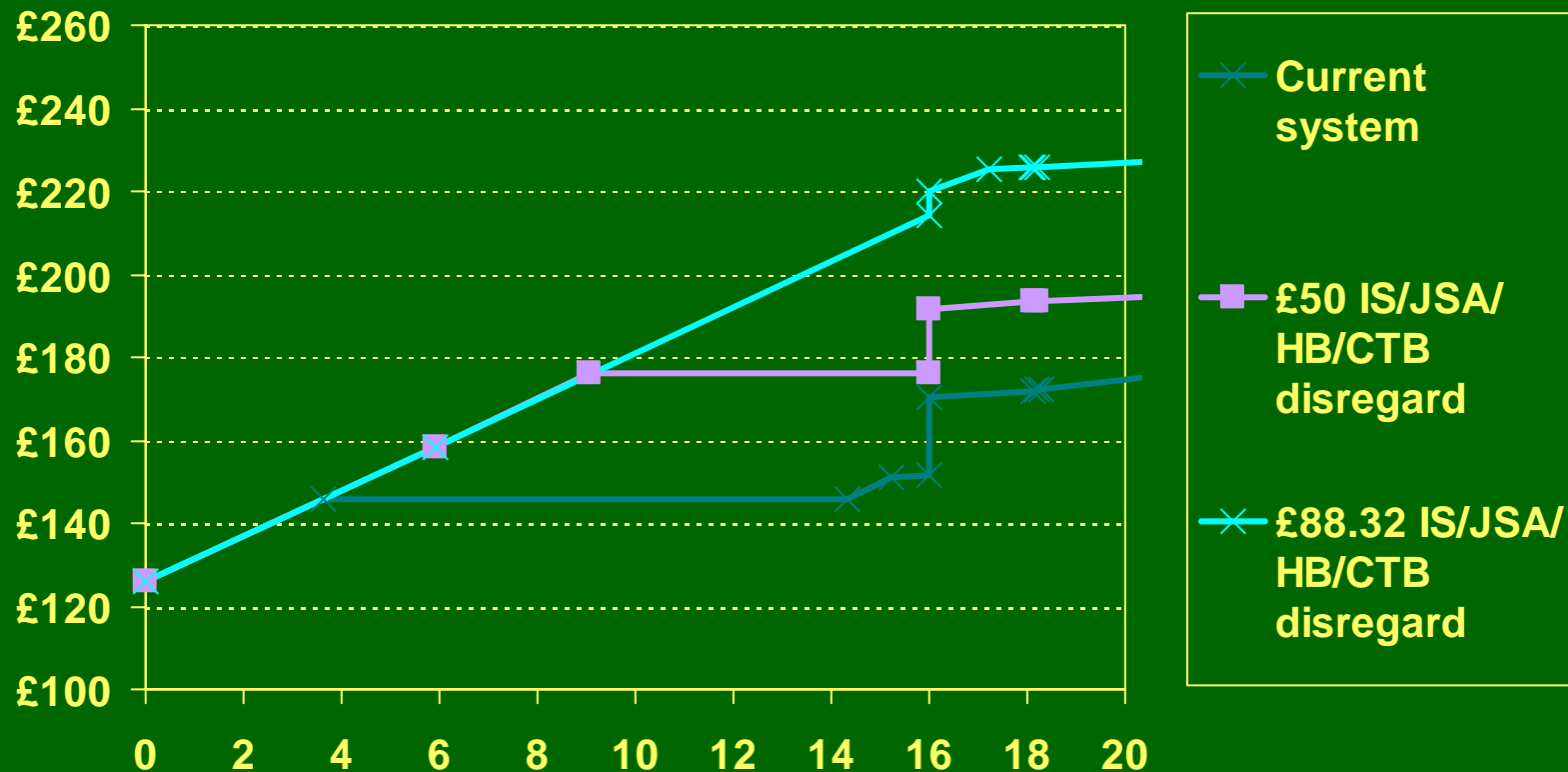
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Policies to encourage mini-jobs



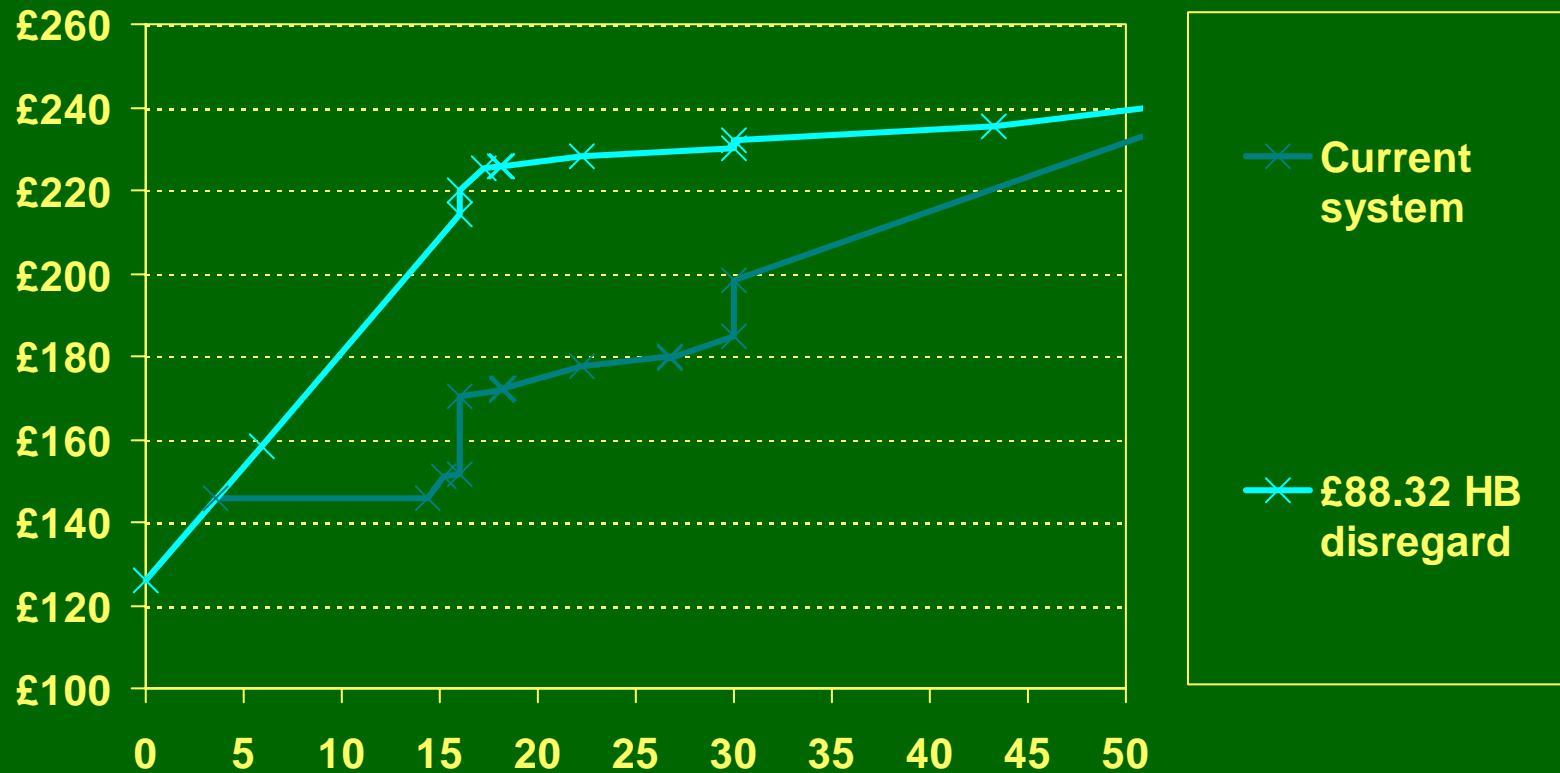
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Policies to encourage mini-jobs



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Policies to encourage mini-jobs



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Policies to encourage mini-jobs: summary

- Higher disregards encourage “short” mini-jobs, hours rule changes encourage “long” mini-jobs
- Hard to encourage mini-jobs if HB/CTB disregards unchanged
- Changing HB/CTB disregards also encourages 16+ hours for a group with low gains to work
- Tax credits or means-tested benefits for those working <16 hours?

Costs and distributional impact

- Static and dynamic costs
- Model of lone mothers' (sic) labour supply
 - Used to evaluate WFTC and related reforms (Brewer et al, 2006). Predictions validated by other methods (Brewer and Browne, 2006)
- Lone mothers choose 0, 10, 19, 26, 33, 40 hrs/wk
 - Hourly wage fixed
 - Allow for childcare costs, fixed costs of work, heterogeneity
 - Full take-up of IS/JSA, tax credits and HB/CTB

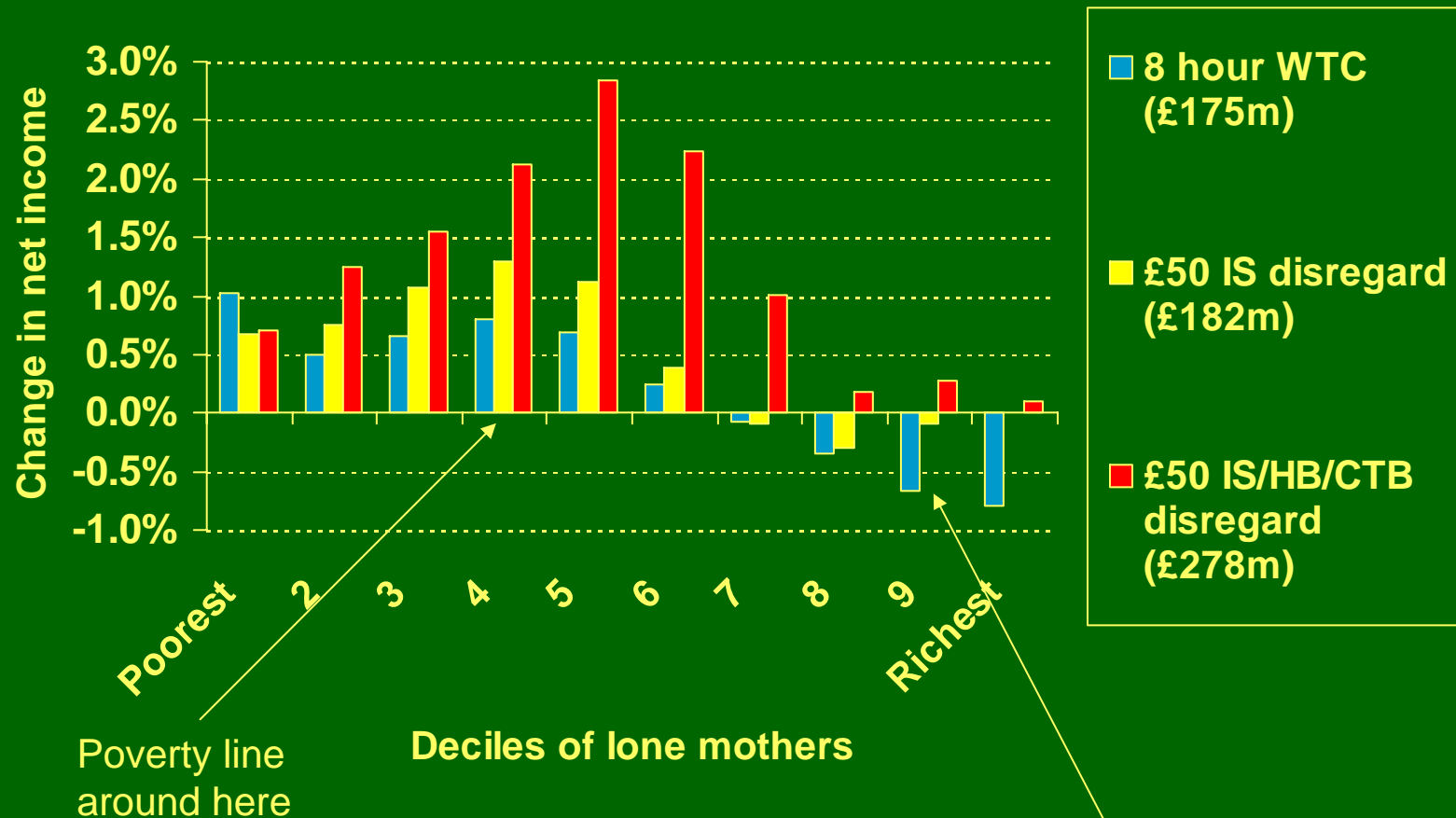
Impact on labour supply

	Change in % of lone mothers working (at baseline)			
	0 hours (48%)	1-15 hours (5%)	16-29 hours (22%)	30+ hours (25%)
8 hour WTC	-1.0	+2.1	-0.5	-0.6
£50 IS disregard	-1.3	+2.3	-0.5	-0.5
£50 IS/HB/CTB disregard	-2.3	+2.2	+0.7	-0.6
£88 IS/HB/CTB disregard	-5.4	+3.6	+2.7	-0.9

Impact on incomes and Exchequer

£m/yr	Cost (static) A	Cost (dynamic) B	Change in earnings C	Change in income D	D / B
8 hour WTC	85	175	-118	58	0.3
£50 IS disregard	103	182	-58	123	0.7
£50 IS/HB/CTB disregard	269	278	71	349	1.2
£88 IS/HB/CTB disregard	735	791	317	1,108	1.4

(Dynamic) distributional analysis



Recommendation

- Why encourage mini-jobs for lone parents?
 - Remove labour market distortion
 - Allow lone parents to make same choices as mothers in couples
- Increase disregards in all means-tested benefits to at least £50/wk
 - Extra government spending partially matched by higher earnings. Much lower “cost per job” than WFTC
 - Strengthens incentives to work for those with very weak incentives
 - Helps lone parents around the poverty line

Criticisms and caveats

- Modelling
 - Model may not accurately reflect preferences for mini-jobs
 - Full potential of higher disregards in HB/CTB requires higher take-up of HB/CTB amongst working lone parents (Turley and Thomas, 2006)
- Policy
 - Considered reforms affecting lone parents only. Extending to couples would increase cost; not extending would introduce pro-LP bias
 - Objection to policies which encourage people to stay on benefit?

End