

Department for Work and Pensions

Research Report No 262

Workless couples and partners of benefit claimants: a review of the evidence

Chris Hasluck and Anne E. Green

A report of research carried out by Warwick Institute for Employment Research on behalf of the Department for Work and Pensions

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First Published 2005.

ISBN 1 84123 851 1

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Printed by Corporate Document Services.

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Acknowledgements

Many people have assisted this review of evidence. The authors gratefully acknowledge the contributions of the Department for Work and Pensions (DWP) Family, Poverty and Work Division (and others teams within DWP and elsewhere), in particular Jenny Crook, Jane Perry, Tanya Saunders and Kris Simpson. The authors would also like to thank all those who attended the Roundtable Workshop in London in March 2005 when the preliminary findings of the review were presented. Their contributions – particularly those of Fran Bennett (University of Oxford), Julia Sweeney (DWP) and Sylvia Francis (The Third Age Foundation) who acted as discussants – provided an essential element of peer review as well as informing the final report. Finally, our thanks go to Amanda Kerry at IER for her efficient organisation of the Roundtable Workshop and assistance in preparing the final report.

Abbreviations and acronyms

ADF	Adviser Discretion Fund
CTBRO	Council Tax Benefit Run On
CTC	Child Tax Credit
DPTC	Disabled Persons Tax Credit
FACS	Family and Children Survey
HBRO	Housing Benefit Run On
IB	Incapacity Benefit
IER	Institute for Employment Research
IFS	Institute for Fiscal Studies
IS	Income Support
JC	Joint Claims
JSA	Jobseeker's Allowance
LFS	Labour Force Survey
LPRO	Lone Parent Run On
MIRO	Mortgage Interest Run On
NDP	New Deal for Partners
NMW	National Minimum Wage
ONS	Office for National Statistics
SDA	Severe Disablement Allowance

SRP	State Retirement Pension
UI	Unemployment Insurance
WFIP	Work Focused Interviews for Partners
WFTC	Working Families Tax Credit
WTC	Working Tax Credit

Summary

Aim and scope of the review

The review undertook a systematic examination of the evidence base relating to couples in workless households, both in the UK and other countries¹, in order to provide a more complete understanding of research in this area, and to inform future policy and research.

The review addressed three main research questions:

- How does the incidence of worklessness vary according to the personal characteristics of household members?
- What are the processes that lead to, and keep, couple households in a state of worklessness?
- What role has social policy played in both the formation of workless couple households and in encouraging and supporting engagement with work?

Evidence was sought from a wide range of sources, including a web-search, a search of central Government reports covering both published and unpublished material and a search of key journals.

Five principal themes were used in the reporting of the evidence. These themes were:

- the labour market context for workless households, concentrating on the past 20 years with a particular emphasis on pre- and post-1997;
- a review of household decision-making and labour market participation;
- the characteristics of workless households;
- routes to employment;
- the relationship between worklessness, welfare systems and social policy.

¹ Where comparable with the UK.

Workless households in the UK

By 1997 the proportion of households in the UK that contained no working adult had reached almost 20 per cent. A large element in the growth in the number of workless households was attributable not just to demographic trends relating to household formation, but also to a redistribution of work (a polarisation) across households into the 'work rich' and the 'work poor'.

The reasons for worklessness amongst couple households are varied and have changed over time. During the 1980s, it was much more common for households to be workless because of unemployment. Since then, inactivity has become the predominant reason for worklessness.

Since 1997, a range of policies and initiatives have been introduced intended to encourage people in workless households (including couple households) to seek employment (for instance, New Deal for Partners (NDP) and joint claiming for Jobseeker's Allowance (JSA)) or to encourage them to remain in employment if successful in obtaining work (tax credit and the National Minimum Wage).

These policies (along with others), operating in an expanding jobs market, have been credited with reducing the number of workless households by around 400,000 between 1998 and 2002. Much of this reduction has been concentrated on single person households and those with children. Couple households, especially those without children, appear to have benefited least from recent policy initiatives. This inevitably raises the question of whether anything can be done to further reduce the number of such workless households.

Key findings of the review

The increasing polarisation of households into 'work rich' and 'work poor' is not unique to the UK but is a phenomenon observed in many developed countries, including the USA, Canada, Australia and New Zealand.

In the UK, the majority of workless couples are economically inactive rather than unemployed. People in workless couples display a greater variety of reasons for inactivity than lone parents in workless households, suggesting that they may be a more complex target for policy intervention. There is also evidence that some individuals/couples face a multiplicity of barriers to work, and that these barriers may be interlinked. This suggests that many workless couples are likely to be 'hard to help'.

The average risk of a couple becoming workless is less than that of the average individual partner since both partners have to be workless at the same time. However, the individual risks of each partner being out of work tend to be inter-related. Couples often partner people of a similar social and skill/occupational level and this can mean that both partners are at a high risk of being out of work (for instance, because they both are low-skilled). In addition, individual risk may be inter-related, so that the unemployment or inactivity of one partner impacts negatively on the probability of the other partner being in work.

Workless couples have benefited from the wide range of programmes and initiatives introduced since 1997 to help those out of work to gain employment, even though these were often not specifically targeted on workless couples. Where initiatives have been targeted on workless couples – NDPs and joint claims – their impact appears positive but modest.

Recent changes in the UK tax and benefit regime have been designed to ‘make work pay’, particularly through the use of in-work benefits such as tax credits. They also aim to shift income in favour of households containing children in order to reduce child poverty. The evidence suggests that many long-standing tax and unemployment ‘traps’ in the UK have been removed by recent changes to Income Tax and National Insurance. Nonetheless, the introduction of tax credits has not increased the financial incentive to work for all. Additional income from tax credits can result in loss of means tested benefits such as Housing Benefit (HB) and Council Tax Benefit (CTB). Simulations of the likely impact of the Working Tax Credit (WTC) suggests that it may provide only a modest incentive for workless couples with children to enter employment and little or no incentive for workless couples without children.

One feature of WTC is that, while it provides a good incentive for one member of a workless couple to enter employment, there is much less incentive for the other partner to enter paid work. Reduced incentives may also have led to some withdrawals from employment amongst couples where both partners previously worked. The evidence suggests that the reduction in the number of workless couples may have been partly achieved by increasing the number of couple households in which only one partner is working. This approach may have replaced ‘work poor’ couples with ‘working poor’ couples.

Key messages from the review

- **Workless couples are very diverse**, and **so policy makers** face an important trade off between dealing with the complexity of the workless couples customer group, and maintaining a simple and effective policy regime.
- **The issues surrounding workless couples are complex** in terms of household forms, intra-household decision-making and barriers to employment.
- **Households and couples are dynamic** as are the issues relating to becoming worklessness and leaving worklessness.
- **Getting the ‘economics’ right may not be sufficient:** social, cultural and perceptual issues have an important part to play in developing policy for workless couples.
- **There remains a paucity of (relevant) evidence specifically relating to workless couples** and so a need remains to draw on evidence about individuals.
- **Policy for workless couples needs to think longer-term:** if people formerly in workless couples are not only to enter but remain in work, issues of job quality and workforce development need to be addressed.

1 Introduction

1.1 Background to the review

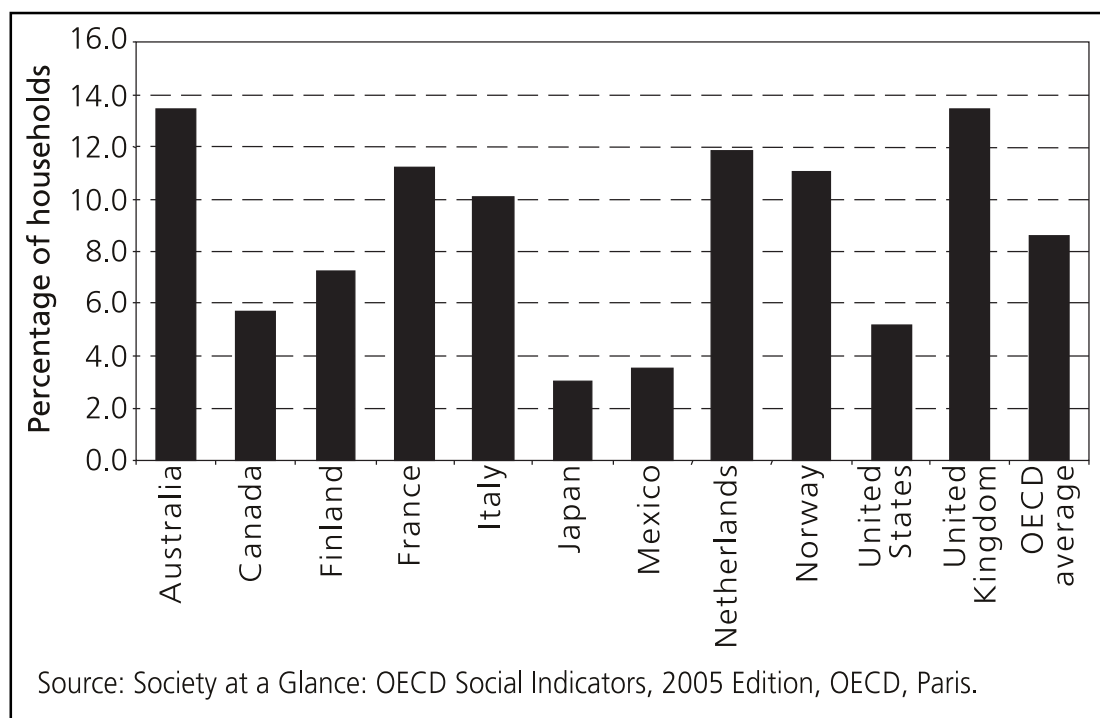
By 1997, the proportion of households in the UK that contained no working adult had reached almost 20 per cent. This represented a dramatic rise over the situation just 20 years earlier. A large element of this increase can be attributed to a growth in the number of single adult households (both with, and without, children) resulting from increasingly early exits from the parental home and more frequent separations amongst couple households. Nonetheless, much of the growth in workless households was attributable, not to demographic trends relating to household formation, but to a redistribution of work (a polarisation) across households (Gregg and Wadsworth, 2003).

The reasons for worklessness amongst couple households are varied and have changed over time. During the 1980s it was much more common for households to be workless because of unemployment (around 44 per cent of workless couples contained at least one unemployed person). For further information on trends in workless households, see Section 2.2. Since then, inactivity has become the predominant reason for worklessness (in 2002, only 25 per cent of workless couples contained an unemployed person). While unemployment is the single most common reason for men being in workless couples (between a third and a half), economic inactivity amongst men has increased sharply in recent years (Faggio and Nickell, 2003). Inactivity is more prevalent amongst women than amongst men (Dorsett, 2001). Evidence from the Labour Force Survey (LFS) has indicated that inactivity is a relatively stable state for members of workless couples with few who were inactive leaving that state within the 15-month time horizon of the LFS. Indeed, the LFS provides evidence of a process of reversion to inactivity with members of couples who were unemployed more likely to become inactive than they were to enter employment. Dorsett found that the characteristics of individuals in workless couples are very similar and concluded that these couples represented a hard-to-reach group sharing similar barriers to work. More significantly, a later study of labour market transitions amongst workless couples indicated that exits from worklessness were more common in the early stages of the spell, emphasising the

need for early interventions to help workless individuals into work and indicating the entrenched nature of long-term worklessness (Bonjour and Dorsett, 2002).

The phenomenon of workless households is not unique to the UK (see Callister [2001] for an account of workless households in New Zealand and Dawkins, Gregg and Scutella [2001] for a similar analysis of workless households in Australia). Nonetheless, the proportion of such households in the UK remains high by European standards as can be seen from Figure 1.1. Only Australia comes close to the UK proportion of 13.5 per cent in 1999 while in countries such as Canada and the United States the proportion of workless households is comparatively low. Figure 1.1 suggests that not only is it necessary to ask why some households are workless but it is necessary to also ask why there are more of such households in the UK, proportionately, than in other industrialised economies.

Figure 1.1 Workless households in 1999: an international comparison



Since 1997, a range of policies and initiatives have been introduced, intended to encourage people in workless households to seek employment (for instance, the various New Deal programmes, joint claims for JSA) and to encourage them to remain in employment if successful in obtaining work (for instance, Working Tax Credit (WTC), Child Tax Credit (CTC) and the National Minimum Wage (NMW)). This is discussed in greater detail in later sections of this report. New Deal for Partners (NDP) was introduced in 1999 and targeted on the dependent partners of JSA claimants. It was extended in 2001 to partners of Incapacity Benefit (IB), Income Support (IS), Severe Disablement Allowance (SDA) and Invalid Care Allowance (now Carer's Allowance (CA)). The take up of NDP by partners was low and this restricted

the evaluation of the programme to qualitative evidence. The available evidence relating to NDP pathfinders and the national programme provides some grounds for believing that NDP had a positive effect on the job seeking behaviour of both household members and some impact in terms of positive outcomes (Stone, 2000). Despite such positive impacts on participants, the overall impact of NDP on the eligible population was very small because take up was so low.

Joint Claims for JSA was introduced in March 2001 and was intended to encourage job search and entry to work amongst young, workless couples (without dependent children). Initially, Joint Claims were restricted to couples where both were over 18 years of age and at least one partner was aged 25 or under. Eligibility was later extended (in October 2002) to unemployed couples where one, or both, partners were aged 45 or under. Early evaluation of Joint Claims indicated that this target group was, in fact, smaller than initially thought and membership of the target group often transitory, as eligibility changed due to the arrival of children and re-partnering (Bonjour, Dorsett and Knight, 2001). Nonetheless, some positive impacts have been noted, especially on female partners (Bonjour, Dorsett, Knight and Lissenburgh, 2002) although Joint Claims appeared most effective for those who were already motivated to find work (Bewley, Dorsett and Thomas, 2005).

These policies (along with others), operating in an expanding jobs market, have been credited with bringing about the reduction in the number of workless households of around 400,000 between 1998 and 2002 (Gregg and Wadsworth, 2003). Much of this reduction has been concentrated on workless households with children. The proportion of single parent households that were workless fell from 60 per cent in 1996 to 49 per cent in 2002; while that of single adult households only fell from 35 per cent to 30 per cent over the same period. The proportion of workless households is generally smaller amongst couple households but decreased most where couples had children (from nine per cent to six per cent) and least where couples had no children (from 11 per cent to nine per cent). It would appear that workless couples, especially those without children, have benefited least from recent policy initiatives.

This report presents the results of a review of evidence relating to workless couples with a view to identifying key messages and lessons for policy development. The intention is that the review will highlight current levels of understanding of the client group, identify evidence of good practice and policy impacts and raise issues for the future.

1.2 Aim and objectives

The aim of the review was to undertake a systematic examination of the evidence base relating to couples in workless households, both in the UK and other countries², in order to provide a more complete understanding of research in this

² Where comparable with the UK.

area. The focus was on couple households within which neither individual was working and at least one individual was of working age. The main purpose of the review was to identify, collate and synthesise relevant research and evaluation evidence and identify key messages that could inform future policy and (where necessary) research.

The review addressed three main research questions. These were as follows.

- How does the incidence of worklessness vary according to the personal characteristics of household members and their location in the labour market?
- What are the processes that lead to, and keep households in the state of worklessness and what are the barriers that prevent entry to work from workless households? What are the dynamics of worklessness? How do factors leading to worklessness interact with one another and with the economic and social environment within which workless households are located?
- What role has social policy played in the formation of workless households (for instance through the impact of benefits on incentives) and in encouraging and engagement with paid work (through mainstream provision of employment services, New Deal and Joint Claims, and recent fiscal reform including Tax Credits).

1.3 Method

The central task of the review was to collate and synthesise the evidence relating to workless couple households and partners of benefit claimants. The review embraced theoretical literature on household decision-making and labour supply, descriptive material relating to the incidence of worklessness and evidence from the evaluation of policies and initiatives. Evidence was sought from the widest possible range of sources. These included:

- a web-search for relevant literature (including evidence from outside the UK);
- a search of central Government reports (from the Department for Work and Pensions (DWP), Social Exclusion Unit (this is part of the Cabinet Office) and other relevant departments) covering both published material such as departmental research series and unpublished material in the form of departmental working papers and in-house technical reports; and
- a search of key journals (mainly those with a policy orientation).

Searches were conducted using a large number of different databases and archives using key words and phrases (such as 'workless households', 'benefit claimants' and 'labour market participation'), initially on their own but subsequently in combination and in conjunction with related words and phrases (such as 'couples', 'partners' and so forth) in order to narrow down the search. Initial searches produced a vast number of 'hits' and attempts to narrow the search proved difficult. The term 'partners', for instance, was too general a term because of its business connotations while 'partners of benefit claimants' provided almost no matches. Consequently,

the final selection of evidence involved a considerable degree of professional judgement and discretion. Further details of the methods used in the review are provided in the Appendix.

Five principal themes were used in the review. These were:

- the labour market context for partners, concentrating on the past 20 years with a particular emphasis on pre- and post-1997;
- a review of household labour market participation decisions. This dimension provided a theoretical framework to inform other aspects of the review;
- the characteristics of partners, including:
 - personal and family characteristics;
 - skills/qualifications;
 - benefit and employment history;
 - area/geography;
 - social, cultural and religious issues;
- routes to employment, looking at:
 - triggers of worklessness;
 - barriers to work;
 - bridges to work; and
- the relationship between worklessness, welfare systems and social policy.

1.4 Definitional issues

This review focuses on evidence relating to workless couple households and the partners of benefit claimants as defined by the DWP. A workless couple refers to a man and woman who are married or living as married where neither individual is working and at least one is of working age. Workless couple households may, but not necessarily, contain dependent children.

In this review, couple households are treated as if they are a single benefit unit. Strictly this is incorrect as some couple households contain additional adults who are benefit units in their own right and who might be expected to impact on household participation decisions. The review largely ignores this distinction, mainly because the evidence base also largely ignores the distinction. It is recognised, nonetheless, that the difference between benefit unit and household could be important in some instances.

1.5 Structure of the report

The structure of the report follows the themes set out above. After an introduction to the review, Chapter 2 looks in greater detail at the labour market context within which workless households are situated. Chapter 3 reviews a number of theoretical frameworks from which to view workless households. This is followed in Chapter 4 by a detailed examination of the processes leading to and maintaining worklessness and the ways in which workless couples might be helped back into work. Chapter 5 reviews the relationship between workless couples and the tax and benefit system. The review concludes in Chapter 6 by setting out the key findings and key messages derived from the review of evidence.

2 Historical and policy context

2.1 The evolution of households: an introduction to household dynamics

'Change and complexity have increasingly come to characterise family life and household formation in recent decades'

(Social Exclusion Unit, 2004a, 120)

This section is intended to provide an introduction to household dynamics, as a precursor to more detailed consideration of workless households, and more specifically that subset of working households who are workless couples, on whom this review is focused. Two key trends are identified that have implications for policy in respect of workless households/couples: (1) the trend towards greater diversity in household types; and (2) the trend towards greater dynamism in household structures.

A household is defined as a single person or group of people living at the same address and having that address as their only or main residence while, either sharing one main meal a day or sharing the living accommodation or both. In spring 2004, there were an estimated 24.7 million households in the UK. This represents an increase of about a third since 1971 (Roberts, 2003). 18.7 million of these households were of working age (i.e. they included at least one person of working age.³) About a third (34 per cent) were married or cohabiting couple households without dependent children and 29 per cent were couple households with dependent children. The key driver of the increase in numbers of households over the last 30 years or so has been the increase in the proportion of one-person households, reflecting an increasing trend for working-age people, particularly men, to live on their own.

³ 16-64 years for males and 16-59 years for females.

Changes in household composition and dynamics are driven by changes in demography and living arrangements. Hence, while the ageing of the population has implications for household composition, changes in living arrangements have had even more impact on household structures. The family has become more fluid. Of particular significance for a policy concerned with workless couples are the increase in cohabitation, the later age of marriage, the increase in divorce, the decline of the nuclear family and the trend towards more complex household structures (often including step-relationships and children living in more than one household) following household dissolution (Haskey, 1995; Lewis and Kiernan, 1996). As a result, commitments may extend across households, through links of dissolved marriages, reconstituted families and non-resident partners (Williams, 2004), and this is likely to have implications for working preferences, reservation wages, etc.

It is salient to note that cohabiting couples represent a particularly dynamic household type, yet are rarely identified separately from married couples in available statistics. In an analysis of couple families in Great Britain using data from the 2001 Families and Children Study (FACS), Marsh and Perry (2003) note that cohabitees are typically younger than married couples (for example, 72 per cent of married mothers were aged over 35 compared to only 39 per cent of mothers who were cohabiting) and are also more likely to have left school at 16 years of age or younger.⁴ This suggests that those who are likely to be more vulnerable to worklessness are found disproportionately in an especially fluid household type. Moreover, Kasparova *et al.* (2003) indicate that periods without work can have serious consequences for couple family stability, as indicated by the fact that couples who had no earner in 1999 were more prone to breakdown (20 per cent) than dual-earner couples (10 per cent) and single male earner couples (11 per cent). In turn, family change can have implications for future work prospects. The extent of dynamism in household forms is illustrated by Marsh and Perry's (2003) analysis of data from the FACS panel for the period 1999 to 2001, showing that of a sample of low/moderate income couples in 1999, 11 per cent had become lone parents in 2001, and of a sample of lone parents in 1999, 15 per cent had become couples in 2001. A further two per cent of each had changed status and changed back during the period. Together, this evidence from FACS data analysis indicates that while household types are a 'moving target', workless couple households, and especially cohabitees, are likely to be especially fluid. This conclusion is corroborated by earlier analyses of Social Change and Economic Life (SCELI) work history data by Lampard (1994) which show that post-marital unemployment caused a significant number of marital dissolutions which would otherwise have not occurred at all, or which would have occurred at a later date.

⁴ Note that over time, the tendency for qualifications to be certified has increased. Hence, young people are more likely to have formal qualifications than older people are.

Yeandle (2003b) contends that the evolution of household structures (notably the trend towards more widespread divorce), together with labour market restructuring, has tended to disturb a previously neater 'fit' between age and life/family stage characteristic of the 'male breadwinner model',⁵ characterised by youthful entry to the labour market without parental responsibilities, followed by a parental stage of twenty years or more. Men sought security to enable them to support wife and children in an independent household, prior to a post-parental stage associated with planning for departure from the labour force at, or near, statutory retirement age. The complexity of household dynamics is such that it is more difficult than previously to identify 'standardised life stages'⁶ upon which policy interventions can be predicated. This suggests that policy initiatives need to be sensitive to different contexts in which individuals and couples find themselves.

2.2 Why look at workless couple households?

Having outlined the complexity and dynamism of household structures, this section considers the rationale for a focus on workless couple households. After outlining in broad terms, the differential impact of labour market restructuring across people and places over the last quarter century or so, a brief summary of the trend towards a more uneven distribution of work between households is outlined, as a precursor to an overview of the key characteristics of workless households. It is noted that workless couples comprise only a subset of workless households, and are not separately identified in many published sources. Moreover, the diversity of workless couples, as well as of workless households more generally, is highlighted, such that it may be contended that 'workless couples' is a chaotic concept, and so a difficult target for policy intervention.

2.2.1 The uneven impact of labour market restructuring

Labour market restructuring over the last quarter century has brought about important changes in the distribution of work (IER, 2004; SEU, 2004a; LSC, 2004a). In sectoral terms, there has been an absolute loss of jobs in manufacturing and primary industries and an increase in employment in services. These sectoral changes had an impact on the occupational structure of employment, alongside changes in occupational profiles within industries. The key occupational trends are the shake-out of jobs in manual occupations (with large decreases in employment in skilled manual and elementary occupations) and the professionalisation of the workforce, although there has also been a growth in employment in personal service and sales occupations. Changes in demand and supply have impacted upon the qualifications and skills profile of the workforce, with an increase in demand for,

⁵ See Chapter 3 for more details.

⁶ 'Standardised life stages' are leaving compulsory education at a standard age, an apprenticeship associated with single status, leaving the parental home on marriage, family formation, etc.

and supply of, higher level skills, and a decline in need for 'physical skills'. 'Skills needs' surveys point to the need for 'softer' generic skills, alongside technical and other job-specific skills (LSC, 2004b). Importantly from the perspective of the distribution of work within couples, there have been changes in the gender and employment profile status of the workforce, with a marked increase in women (especially mothers) in employment, and an increase in part-time employment, while men have borne the brunt of employment losses. Although national trends have been felt in all regions and local areas, there have been differential spatial impacts, reflected in spatial variations in job loss and employment growth. In broad terms, southern regions have witnessed more favourable employment trends than northern regions, and there has been an urban-rural shift in employment (as well as population).

Although the employment rate amongst working age people is relatively high, the distribution of employment across individuals with different characteristics and amongst households is uneven. From the late 1970s to the mid-1990s, labour market inactivity increased particularly amongst some sub-groups of the population, such as men over 50 years of age, lone parents, those who are disabled or who have health problems, and those with low skills or no skills. In general, changes in patterns of labour market participation at individual level have resulted in a shift towards more work in fewer households, and, hence, a polarisation between 'work rich' and 'work poor' (or workless) households (Gregg and Wadsworth, 1996, 1999, 2003). Gregg and Wadsworth (1999) estimate that the changing nature of work – specifically the loss of full-time jobs and the increase in part-time openings – is one important factor in the increase in workless households, as the full-time jobs that have been lost were disproportionately taken by those now in workless households, while new part-time employment opportunities have been filled disproportionately by those in working households.

2.2.2 Trends in the distribution of work amongst households

The Office for National Statistics (ONS) releases statistics derived from the Labour Force Survey (LFS) on *Work and Worklessness among Households* on a regular basis. At the time of writing, the most up-to-date information relates to the autumn 2004 LFS (ONS, 2005). A 'working age workless household' is defined as one that includes at least one person of working age where no individual aged 16 years or over is in employment. Note that a household may comprise a single person, or a group of people at the same address, hence, 'workless couples' is a subset of all workless households.

Data from the spring and autumn quarters⁷ of the LFS over the period from spring 1992 to autumn 2004⁸ (see Figure 2.1) shows that the number of working age workless households in the UK rose from 3.03 million (17.4 per cent of all working

⁷ Data for the autumn quarter are available from autumn 1995 only.

⁸ This is the period for which quarterly LFS data are available.

age households) in spring 1992 to peak at 3.44 million (19.1 per cent of working age households) in spring 1996, before declining to 2.96 million (15.8 per cent of working age households) in autumn 2004 (see Figure 2.2). Over the period from spring 1992 to autumn 2004, the number of households in which all adults aged over 16 years were working increased from 8.78 million (50.4 per cent of the total) to 10.73 million (57.4 per cent of the total), while the number of households containing both working and workless members changed from 5.62 million (32.2 per cent of the total) to 5.01 million (26.8 per cent of the total) – although this masks relative stability in numbers and proportions for much of the period and an upward trend in recent years.

Figure 2.1 Economic activity status of persons in workless households, 1992-2004

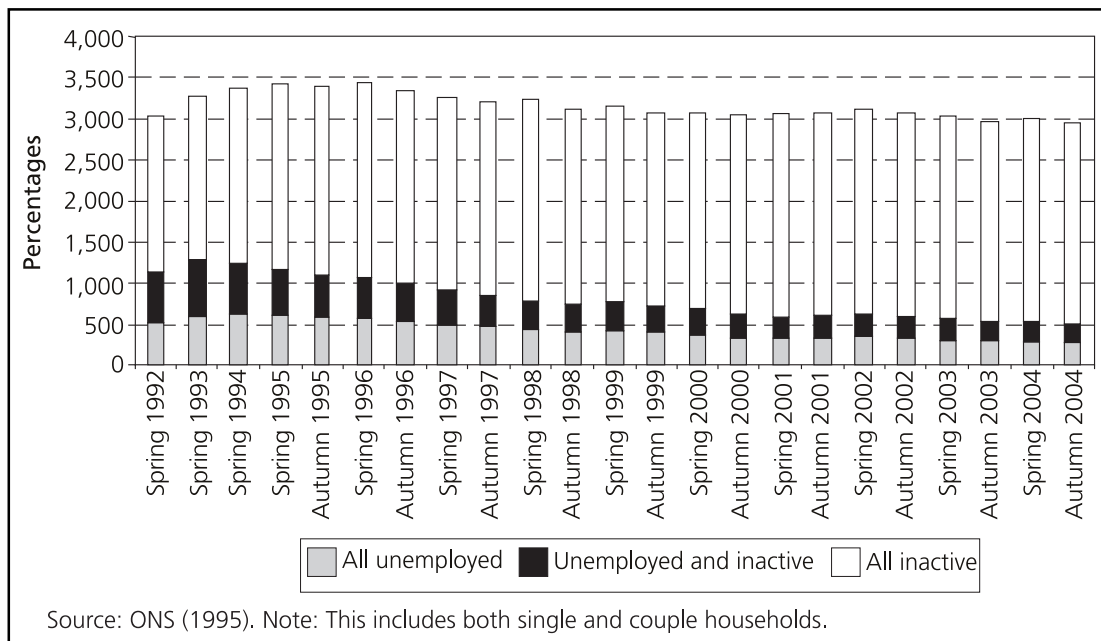
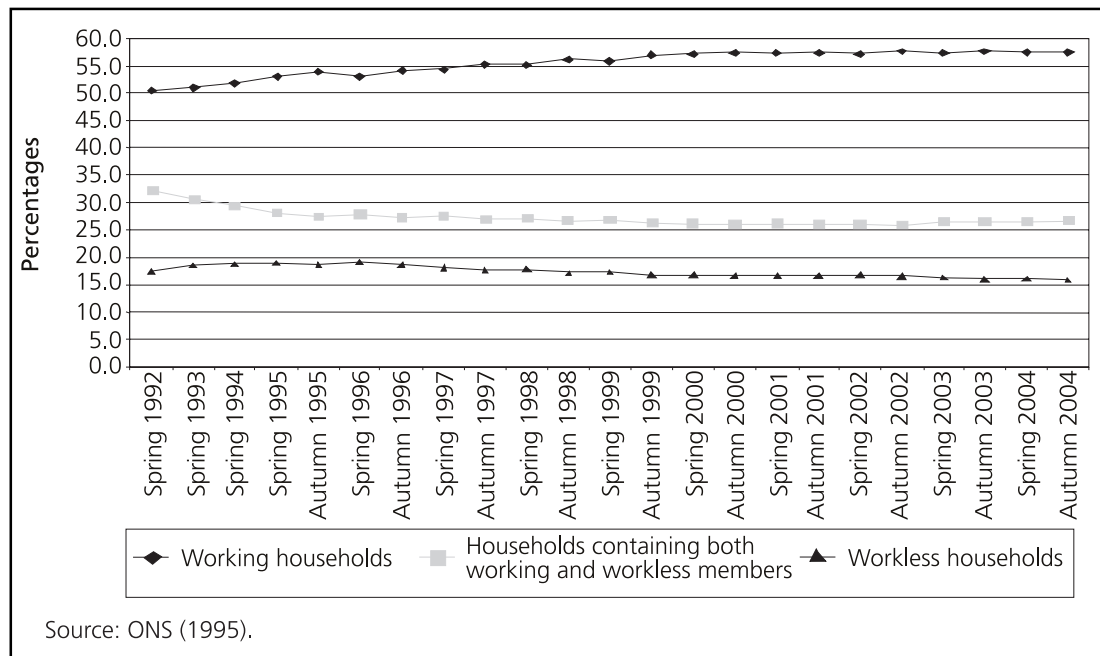


Figure 2.2 Profile of working age households by combined economic activity status of members, 1992-2004



2.2.3 Key characteristics of workless households

Using LFS data, the characteristics of workless households may be examined across a number of dimensions. Several of these are considered here in turn, including economic position, type of household, geography, housing tenure, ethnic group, age, qualification level and disability. In particular, it is shown that those people aged between 50 and state pension age, the long-term disabled and those with no qualifications are more likely to live in a workless household than other working-age people (Walling, 2004). The tendency for, and implications of, assortative mating in couple households is also highlighted.

Within the category 'working age workless households', a simple distinction is made in ONS published statistics by **economic position** between households where all adults are unemployed, those containing both unemployed and inactive adults, and those where all adults are inactive. The third category ('all inactive') has always comprised the largest proportion (see Figure 2.1), accounting for 10.9 per cent of all working age households in spring 1992, 12.6 per cent in autumn 1995 and 13.1 per cent in autumn 2004. The proportion of households containing both unemployed and inactive adults has declined from 3.5 per cent of all households in spring 1992 to 2.8 per cent in autumn 1995 and 1.2 per cent in autumn 2004, while the proportion of all working age households where all adults were unemployed declined from 3.2 per cent in autumn 1995 to 1.5 per cent in autumn 2004. Hence, the downward trend in workless households in recent years has been driven by a reduction in unemployment rather than economic inactivity. Walling (2004, page 438) suggests that these economically inactive households are of particular interest because since no adult in these households is seeking and available for work, they

may be 'less ready or able to move out of a workless state than are households containing unemployed people' (i.e. they may be 'harder to help'). Analyses of labour market transitions of workless couples by Bonjour and Dorsett (2002) endorse this conclusion.

On the **type of household** dimension, three broad categories of workless households are distinguished in the published ONS statistics: 'one person households' (outside the scope of this review), 'households with dependent children' (within which a subset 'couples with dependent children' (of relevance to this review) are distinguished), and 'other household types' (workless couples (without dependent children) are a subset of this third category, but are not distinguished in the published statistics). Statistics over the period from autumn 1995 to autumn 2004 show a marked decline in the number of workless couples⁹ with dependent children from 0.46 million to 0.25 million, and a much less pronounced decline in the number of 'other household types' from 1.12 million to 1.01 million. However, using LFS data, it is possible to define more precisely 'workless couples': for example, using spring 2004 LFS data, Walling estimates that there were 0.70 million couple households without dependent children in the UK, accounting for 23 per cent of all workless households. There were 279,000 couple households with dependent children, accounting for nine per cent of workless households. Hence, the majority of workless couple households do not have dependent children. This is important from a policy perspective, since it suggests that in contrast to policy interventions directed at lone parents, childcare policies will be of relevance to only a minority of workless couples. Workless couples without dependent children comprise those who have never had children, those who have not had children yet, and those whose children are no longer dependent (but who may, or may not, be living at home). In the case of households containing older dependent children, it is salient to note that the transition of a child from 'dependent' to 'non-dependent' can have important financial implications for a couple. Workless couple households with dependent children account for just over a quarter of all workless households with dependent children (Walling, 2004). Arrowsmith (2004) presents detailed analyses of data from the Spring 2003 LFS.

For working age couple households the employment rate¹⁰ in spring 2004 was 86.9 per cent.¹¹ For working age couple households with dependent children, the employment rate was higher (91.4 per cent) than for working age couple households without dependent children (83.3 per cent). Amongst non-employed working age couple households, there are likely to be some who regard themselves as retired (see Chapter 4 for further details), so underlining the fact that workless couples are likely to be hard to help. For working age lone parents the analogous employment rate was 54.3 per cent.

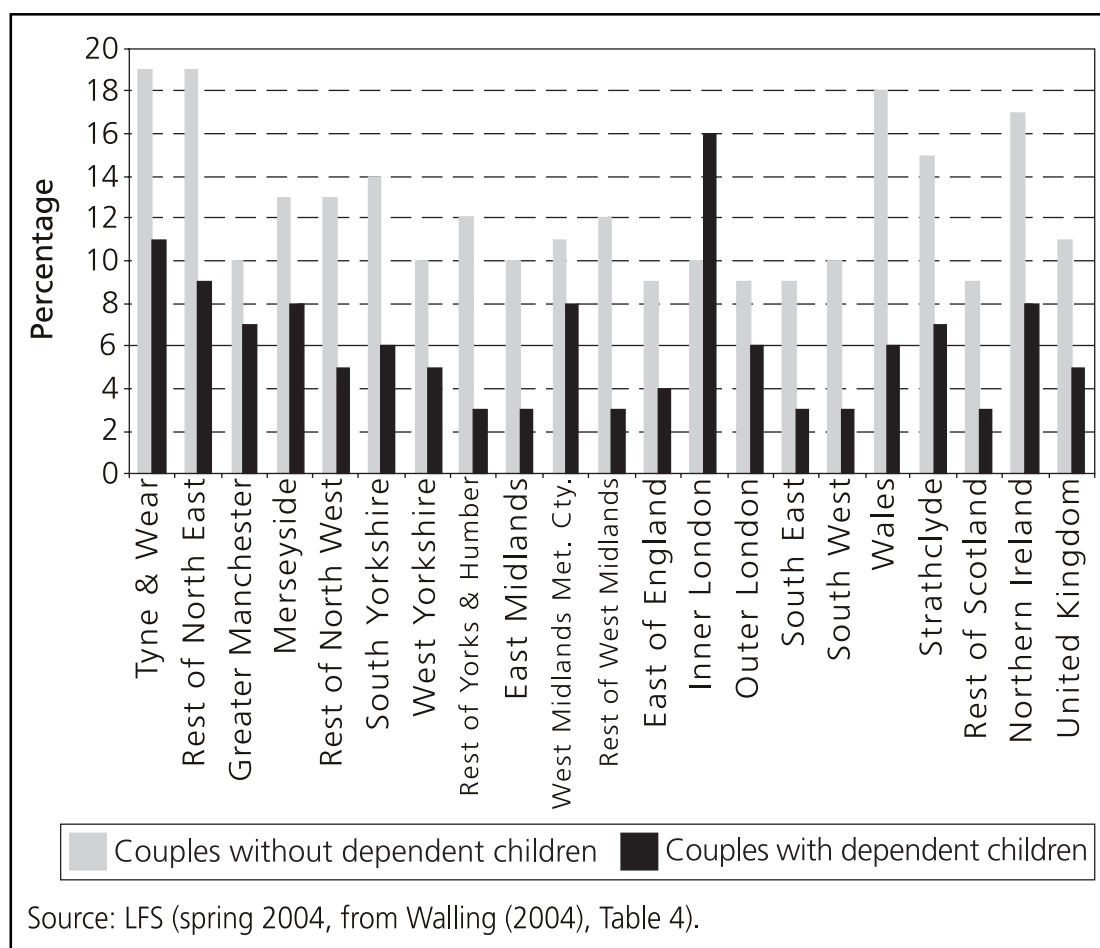
⁹ The concern here is with households/couples where at least one partner is of working age.

¹⁰ Defined as one or both partners in the couple being in employment.

¹¹ Data are taken from the Labour Force Survey.

There are **geographical variations** in the proportions of workless households, reflecting both geographical variations in household size and composition and labour market conditions. At regional level, the most up-to-date data at the time of writing shows that the proportion of working age households that are workless ranges from 11-12 per cent in the South East and the East of England to 20 per cent in London (rising to over 25 per cent in Inner London), 21 per cent in Northern Ireland and 22 per cent in the North East (ONS, 2005). Figure 2.3 provides a more detailed disaggregation by type of household and sub-region.

Figure 2.3 Rates of worklessness among couple households, spring 2004



Such analysis (Walling, 2004) shows that for couples without dependent children, worklessness rates vary from highs of 19 per cent in the North East, 18 per cent in Wales and 17 per cent in Northern Ireland, compared with a UK average of 11 per cent, to lows of nine per cent in the South East, East of England, Outer London and the rest of Scotland.¹² For couples with dependent children, worklessness rates are lower, ranging from 16 per cent in Inner London and 11 per cent in Tyne & Wear, to three per cent in the South East, South West, East Midlands, Rest of Scotland, Rest of the West Midlands¹³ and Rest of Yorkshire & Humberside,¹⁴ compared with five per cent across the UK (Figure 2.3). Inner London emerges as distinctive in that it is the only sub-region identified with a higher worklessness rate for couples with dependent children than for those without dependent children.

It is possible that the age and ethnic group structure of the population are playing a role here, and the fact that the area outside London with the next highest proportion of the population from ethnic minority groups (i.e. the West Midlands Metropolitan County) has a smaller than average differential in worklessness rates between couples without and couples with dependent children, lends support to this conjecture.

Analyses by Arrowsmith (2004) based on the Family Resources Survey, display a similar regional pattern. The sample size of the LFS is not sufficiently large to enable estimation of proportions of workless households at the local area level. However, it is clear from analyses of 2001 Census data that there are much more marked geographical variations in household types at local (and micro) area level (Dorling and Thomas, 2004).

An analysis of all workless households by **housing tenure** using spring 2004 LFS data shows that 51 per cent live in social rented accommodation, 14 per cent in privately rented accommodation and 34 per cent in owner-occupied accommodation (Walling, 2004). Given the age profile of workless couples compared with lone parents, it is likely that the proportion of workless couples in owner-occupation is somewhat higher than this. Nevertheless, there are marked variations in the worklessness rate by tenure: 47 per cent of households in social rented accommodation are workless, compared with 21 per cent in the private rented sector and eight per cent in owner-occupation. Analyses by Arrowsmith (2004) of the housing tenure of workless couples with one partner claiming and the other not working or claiming also highlights the importance of the social rented sector. She also shows that couples with one partner claiming Incapacity Benefit (IB) have a higher proportion of home owners than other benefit types; this is likely to be related to age.

¹² 'Rest of Scotland' is defined as Scotland, excluding Strathclyde.

¹³ Outwith the West Midlands Metropolitan County.

¹⁴ Outwith West Yorkshire and South Yorkshire.

There are marked differences in labour market opportunity by **ethnic group**, particularly in the case of females (Strategy Unit, 2003; Mason, 2003) and by **religion**¹⁵ (Brown, 2000). Analyses by ethnic group¹⁶ based on autumn 2005 LFS data, show that the rate of worklessness for households is highest for the Black African group (35.2 per cent), followed by Other (31 per cent) and Pakistani/Bangladeshi (29 per cent). The reasons for labour market disadvantage for these groups are varied, including concentration in deprived neighbourhoods, where there are high proportions of workless households and where job horizons are often narrow (Strategy Unit, 2003). Lowest rates of worklessness for households are evident for Indian (11.9 per cent), Chinese (14.4 per cent) and White (15.3 per cent) groups. 27.2 per cent of Black African people of working age, 23.2 per cent of those from Other ethnic groups and 22.6 per cent of Pakistani/Bangladeshi working age adults live in workless households, compared with 9.5 per cent of working age people from the Indian group and 11 per cent from the White group. A breakdown of workless households by household type is not published, but analyses of family structure indicate that couple households, and larger families, are more prevalent amongst South Asian groups than amongst Black groups (Owen, 2003).¹⁷

The likelihood of living in a workless household varies by **age** – as would be expected given variations in employment rates by age.¹⁸ Eighteen per cent of people aged between 50 and pensionable age live in a workless household, and 16 per cent live in an economically inactive household – indicating that older people in workless households tend not to be actively searching for work. By contrast, nine per cent of people aged 35-49 years are in workless households according to the spring 2004 LFS (Walling, 2004).

There are marked differences in worklessness by **qualification** level. Analyses of spring 2004 LFS data show that 28 per cent of working-age people with no qualification live in a workless household, and 36 per cent of all people in workless households have no qualifications. This contrasts with five per cent of those with a degree or equivalent living in a workless household, comprising seven per cent of all working-age people in workless households (Walling, 2004). While there is a strong association between no/poor qualifications and workless households, it is salient to note that most people with no qualifications are in work.

¹⁵ After controlling for other factors, Sikhs and Indian Muslims are twice as likely to be unemployed as Hindus; and Pakistani Muslims are more than three times as likely as Hindus to be unemployed.

¹⁶ Based on the household reference person.

¹⁷ The implication is that at least part of the high rates of worklessness amongst Black households is explained by the greater prevalence of lone parents in this group.

¹⁸ Employment rates tend to be lower at the at each end of the working age spectrum than in the middle; (although the precise patterns for men and women differ in detail).

Disabled people are more likely to be unemployed or economically inactive than the non-disabled, and are also more likely to live in a workless household. In spring 2004, 31 per cent of working-age people with long-term disabilities lived in a workless household, compared with only seven per cent of those who were not disabled. Overall, 51 per cent of people living in workless households had long-term disabilities, but there are variations by type of household: 22 per cent of those living in workless couple households without dependent children, and 14 per cent of those living in workless couples with dependent children were disabled (Walling, 2004).

As noted above, in many published data sources, workless couples are not separately distinguishable. Hence, for a detailed insight into the circumstances of **workless couples**, and to reveal differences between workless couples with different family circumstances, it is necessary to undertake specific analyses; (Arrowsmith (2004) presents such detailed analyses of workless couples using spring 2003 LFS data, supplemented by information from the Family Resources Survey).¹⁹ One of the most obvious and important dimensions of variation in experience amongst workless couples is the presence/absence of dependent children, which in turn is associated with age.²⁰ The diversity in circumstances of workless couples is apparent from Table 2.1, which shows that in most ways, (the exception being the greater importance of 'long-term sickness/disability') those couples with dependent children display greater similarities in their profile with lone parents with dependent children than with couples without dependent children. Moreover, people in workless couples display a greater variety of reasons for inactivity than lone parents in workless households, suggesting that they may be a more complex target for policy intervention.

¹⁹ This evidence review is intended to complement the Arrowsmith (2004) study, and so for further details on the characteristics and circumstances of workless couples, the reader is referred to that study.

²⁰ Workless couples with children tend to be younger than workless couples without children and similar in age to all couples with children. However, workless couples without children tend to be older than couples without children in the population as a whole (Arrowsmith, 2004).

Table 2.1 Reasons for economic inactivity for economically inactive working age people living in workless households by reason for inactivity and household type, UK, spring 2004, not seasonally adjusted

	<i>Per cent</i>			
Reason for inactivity	Couples without dependent children	Couples with dependent children	Lone parents with dependent children	All household types
Long-term sick/disabled	42	31	13	39
Looking after family/home	13	42	60	26
Student	4	12	17	12
Retired	29	2	0	11
Other reason	12	13	10	13
Total	100	100	100	100

Source: from Walling (2004), Table 9 – certain household categories only.

To date, much of the policy directed at workless households has been focused on lone parents. The objective of reducing child poverty has been an important issue here. This objective is also one reason for increasing policy interest in partners/workless couples. Moreover, in order to reduce concentrations of worklessness in deprived areas that can create a culture of worklessness and harm the life chances of children brought up in such areas, it is important to tackle issues of worklessness in couple, as well as in one parent, households. A policy of tackling worklessness amongst partners/couple households also has the potential to meet a broader array of policy objectives, such as reducing adult dependence, contributing to the extension of working life and alleviation of pensioner poverty, and enhancing the structural flexibility of the labour market by increasing the supply of labour.

A final, and very important, key feature that policy directed at workless couples has to take account of is **assortative mating** – i.e. the tendency for individuals in couples to share similarities in age, ethnic group, qualifications and other attributes (Dorsett, 2001; Bonjour and Dorsett, 2002). This tendency is long-established and has seen little change over time (Gregg and Wadsworth, 1994). It is not unique to the UK, but rather is apparent in other countries too (Del Boca *et al.*, 2000). Hence, while a tendency for assortative mating might mean that both partners in a workless couple may suffer labour market disadvantage due to a lack of qualifications, likewise spouses and partners may derive benefit from each other's education, and through access to greater support, guidance and motivation, they may enjoy a more remunerative career (Brynon, 2001). This suggests that assortative mating is likely to be a key factor in polarisation in household circumstances. Indeed, Dorsett (2001) suggests that assortative mating (for example, the tendency for both partners in a couple to have no qualifications) at the time of partnership formation, is of greater importance in understanding labour market disadvantage than is the influence of one partner's subsequent economic status on that of the other.

2.3 Workless couples in the broader policy context

This section provides an introduction to the broad thrust of policy in which specific policies directed at workless couples (outlined in Section 2.4) are located. The centrality of combating worklessness in policies addressing poverty and social exclusion is highlighted, within the context of a broader suite of policies in other domains which reflect the fact that issues relating to worklessness are multi-faceted and inter-linked (as highlighted in Chapter 4).

'Work for those who can' has been identified by New Labour as the key to addressing poverty and social exclusion. McKnight (2004) identifies five elements of Government policy designed to meet the challenge of 'employment opportunity for all':

- The first is a framework for macroeconomic stability; (this is not really of further concern here – except to say that policy 'successes' to date need to be judged in the light of a favourable economic context).
- The second element is policies to promote a flexible and adaptable labour market, underpinned by minimum standards. The National Minimum Wage (NMW) is of relevance here, as are policies relating to working hours, and maternity and paternity leave.
- The third element concerns the creation of skilled and adaptable people. Given the fact that those with no qualifications are disproportionately likely to find themselves in workless households (as outlined in Section 2.2), policies concerned with the promotion of lifelong learning to improve skills and training policies are of relevance here.
- The fourth element, and one of fundamental importance for this review, is policies which encourage people to move from welfare to work. Key features of relevance are the variety of New Deals aimed at individuals in different target groups (and here it is relevant to note that eligibility for specific New Deals will vary amongst individuals within workless couples), the use of personal advisers and the trend to greater flexibility and discretionary features in delivery – underscored in the strapline '*local solutions meeting individual needs*' in Building on New Deal (BoND) (2004). Again, these features are of particular relevance in this context given the complexity of workless couples outlined earlier in this section. In the context of encouraging people to move from welfare to work, it has been recognised that some clients/customers are 'harder to help' than others, and with the passage of time 'harder-to-help' form a larger proportion of the total. Given the concentration of workless couples in economic inactivity, as opposed to unemployment, this recognition is a pertinent feature for this review.
- The fifth element, which is also of fundamental importance for this review, is a tax and benefits system that is aimed at 'making work pay' encompassing policies that are designed to make work pay during the transition to work (Bennett and Millar, 2005) those that aim to improve the workings of the benefits system, and the use of tax credits to encourage entry to low paid jobs (for more specific details see Section 2.4).

Rake (2001) suggests that, together, the fourth and fifth elements of employment policy identified (i.e. 'welfare to work' and 'making work pay') have resulted in the creation of a new contract for welfare based on the 'citizen worker'. Yet she contends that this 'new thinking' has resulted in some uneasy compromises when inserted into the inherited welfare system, and uses the example of New Deal for Partners of the Unemployed (NDPU)²¹ to illustrate the point:

The NDPU is available to partners of the unemployed where there has been a Jobseeker's Allowance (JSA) claim for the couple for more than six months (i.e. 'work poor households'). The operation of JSA means that jobseeker status is assigned to one partner (usually the man), who receives the benefit payment, while the other partner is treated as a dependant. Thus, even though entitlement to NDPU advice and support is individualised, eligibility to participate in NDPU is not gained by virtue of the individual's own status, but via the partner's status as unemployed. NDPU therefore simultaneously treats partners as having an independent relationship to the labour market and being a dependant within their own families.

What is clear is that the multiplicity of policy measures in place has a variety of goals. In this context, it is salient to note that while some measures designed to 'make work pay' are targeted on individuals, others are targeted on households (Bennett and Millar, 2005). There are clear tensions between the trend towards 'individualisation' and growing emphasis on the couple/household as a policy focus (Bennett, 2002). Similarly, as highlighted in subsequent sections of this report, in the light of the 'complexity' of individual, household and local circumstances, there has been a move towards increased emphasis on 'discretion' and 'flexibility' in the implementation of policy. Yet, as highlighted in Chapter 4, those who are workless, or especially vulnerable to worklessness, value the security and stability of the benefits system. This indicates that there is a further tension between 'complexity' and 'simplicity'.

In addition to the employment-related policy measures outlined above, there is a whole suite of other policy initiatives of relevance to the experiences of workless couples. For example, combating worklessness is a key element in many area regeneration programmes. Such programmes are of significance not only in addressing barriers to work (see Section 4.2 for further details) but also because of scope for policy innovation. Other policy initiatives have been concerned to address health inequalities, and these are of relevance given the prevalence of the citing of health and disability issues as barriers to work amongst workless couples. Policies to enhance liveability and to reduce crime may be of less direct relevance, but nevertheless, they impact on the lives and well-being of workless couples.

²¹ NDPU subsequently became New Deal for Partners (NDP) – see Section 2.4 for further details.

2.4 Specific policies directed at workless couples and partners

It would be untrue to say that policy in regard to workless couples in the UK has been entirely conditioned by the notion of 'the male bread-winner' view of the household in which men are the primary wage earners and women either undertake domestic work or provide care in the home, or else take paid work in a secondary capacity. Nonetheless, until relatively recently, partners of benefit claimants (often assumed implicitly to be women) were largely ignored from the policy point of view. More recently, growing concern about the number of workless households in the UK has prompted Government to introduce a number of new initiatives aimed specifically at workless couples and the partners of benefit claimants. Despite this, vestiges of the traditional view still persist, with policy often not yet affording equal and independent status to partners but, instead, seeing partners as appendages of the benefit claimant.

2.4.1 New Deal for Partners

The NDPU was introduced in April 1999 and targeted the dependent partners of people claiming JSA. The programme was renamed the NDP in 2001 when eligibility for the programme was extended to cover the partners of non-JSA benefit recipients (Income Support (IS), IB, Invalid Care Allowance (ICA) and Severe Disablement Allowance (SDA)). After the introduction of the Joint Claims procedure in 2001, couples without dependent children were required to jointly meet JSA availability for work rules and so were no longer eligible for NDP (see below).

NDP is targeted at the dependent partners of benefit claimants rather than the claimant themselves. NDP is a voluntary programme aimed at any couples claiming a non-JSA benefit, together with couples claiming JSA who have dependent children, along with older couples who do not have dependent children.²² The programme begins with an invitation to partners to participate and meet a Personal Adviser. At this initial interview Personal Advisers provide a range of information and advice including 'better off calculations' designed to highlight situations in which partners would see a financial benefit from entry to work. Personal Advisers will provide further interviews as deemed appropriate. During these interviews Advisers can refer partners to a range of mainstream Jobcentre Plus services, including Job Matching, Programme Centres for job search help, Work Trials, Travel to Interview Scheme and the Job Introduction Scheme. Partners with disabilities can access a number of specialist services via their Adviser. Some financial support for childcare while training, and towards travel costs to interviews, is also available. Since July 2001, Advisers can also access the Adviser Discretion Fund that provides flexible, and sometimes innovative, forms of financial support to assist clients enter employment. NDP clients can also be referred to Work Based Learning for Adults.

²² JSA claimant couples with no dependent children, one of whom was born after October 1957, must make a Joint Claim, and are not eligible for NDP.

As with most voluntary programmes, take up of the programme has been low and participants-biased towards partners who are already highly motivated, have positive views about work and are most work ready (Thomas and Saunders, 2002). Non-JSA clients appeared more cautious about NDP than JSA clients, not least because the use of terms such as 'Work Focused Interview' raised fears of being pushed into work (Sirett and Johnson, 2002). Nonetheless, the evaluation of NDP has indicated a widespread support for access to services and help in seeking work. Evaluation of NDP (all qualitative in nature) has found that the programme managed to achieve many of its aims, both in terms of positive outcomes (such as entry to full-time or part-time jobs or entry to a training place) as well as measures of progress towards job readiness and job entry (such as increased confidence, accelerated work-focused plans and improved job search).

NDP was significantly enhanced in April 2004 and it is hoped that the enhancements will address the issues highlighted above. In particular, Work Focused Interviews for Partners (WFIP) are expected to increase the take up of NDP (see Section 2.4.2).

2.4.2 Joint Claims

Legislation was introduced in March 2001 to change the rules relating to JSA for some couples. Previously, a claimant and their dependent partner received an increased level of JSA but only one (the claimant) was required to satisfy JSA rules on job search and availability for work. Under the revised legislation, both members of the couple were now required to seek, and be available for, work. The new Joint Claims procedure applied to couples without dependent children and who were aged 18 or more and where one or more partner was age 25 or less. Eligibility was later extended (in March 2002) to include couples where one or both partners were aged 45 or less²³. The effect of the introduction of Joint Claims was to make available the full range of employment services to both partners with the aim of bringing partners of the unemployed closer to the labour market and encouraging entry to work. No such requirement was made of couples with dependent children (who would be eligible for NDP if they wished to participate).

The Joint Claims client group tend to lack qualifications and experience health problems of one sort or another. Women were more likely to lack qualifications and previous work experience than men. Ethnic minority couples were most likely to have no qualifications at all and also lacked literacy or numeracy skills. The client group also exhibited a considerable amount of 'turnover' with many couples leaving the target group as the result of the break up of relationships or the birth of children (Bonjour, Dorsett and Knight, 2001; Bewley and Dorsett, 2004).

There is both quantitative and qualitative evaluation evidence that Joint Claims enhanced the prospects of participating couples entering work. Bonjour *et al.* (2002) found that Joint Claims had encouraged additional exits from JSA, particularly

²³ Born on or before 28 October 1957.

through the influence on female partners. Bell (2002) also noted an acceleration of employment prospects amongst Joint Claimants and confirmed that the impact of Joint Claims was greatest amongst previously dependent partners (the great majority of whom were women). Bewley and Dorsett (2004) found that a quarter of couples in the age range 27-35 (and a fifth of those aged 36-45) had at least one partner working more than 30 hours in the week of the survey interview. While the majority of clients were seeking to work more than 30 hours per week, men were more likely than women to realise that aim.

Reviewing all of the Joint Claims evidence, Bewley, Dorsett and Thomas (2005) concluded that Joint Claims slightly increased the chances of exiting JSA. This impact varied considerably across the customer group. Newly eligible couples were more likely to exit JSA than couples already eligible for Joint Claims when the procedure was introduced. The latter group had a longer spell of unemployment than the former group and could, thus, be expected to have been harder to help. The impact on exits from JSA also appeared to be concentrated amongst the most motivated and job-ready clients while little effect was noted amongst the majority of 'ambivalent' couples. Job entry prospects may even have diminished amongst the least well motivated clients with negative attitudes to the Joint Claims procedure. Finally, older couples who became eligible for Joint Claims in 2002 were more likely to enter work than the younger couples at whom the initiative was originally aimed. Older couples with more established relationships appeared more inclined to operate as a couple when it came to decisions about labour market participation and job search (Bewley, Dorsett and Thomas, 2005).

As with most interventions, Personal Advisers play a crucial role in achieving positive employment outcomes. Their ability to do so was greater when dealing with issues affecting the individual but less so when dealing with barriers to work that operated jointly on couples at the household level (such as benefit disincentives). Although most interviews were conducted jointly with both partners, women often reported that issues relating to the couple as a whole were left untouched (Bewley, Dorsett and Thomas, 2005). Bewley and Dorsett (2004) also found that men were more likely than women to be referred to training or education places despite being more likely to hold qualifications in the first place. Whether this was appropriate is difficult to say.

2.4.3 Work Focused Interviews for Partners

From April 2003, partners of benefit claimants have been required to attend a WFIP if the claimant has been continuously entitled to a specified benefit for at least 26 weeks and an increase in benefit is payable for the partner at that time. The benefits covered by WFIP are:

- JSA (income-based);
- IS;
- IB; and
- SDA.

The aim of the interview is to encourage partners to take steps towards labour market participation. Interviews concentrate upon job potential and provide partners with access to a wide range of support, advice and information on in-work benefits and services. The aim of WFIP is to discuss potential jobs or increases in hours (if the partner is already in work), develop their skills and qualities and identify any barriers to work. Although mandatory, partners are only required to attend one interview and any action thereafter is on a voluntary basis. The most likely positive outcome of a WFIP is expected to be a referral to NDP.

WFIP represents an extension of a process of 'tightening up' first seen in respect of non-JSA benefit claimants. Lone parents, for instance, have been required to attend a Work Focused Interview for some time. WFIPs simply extend the principle of a compulsory first interview to partners.

2.5 Introduction to key themes

Having provided an introduction to household formation/dynamics, workless households/couples and the policy context, this final sub-section is concerned with identifying four key themes that emerge and re-emerge in this review of workless couples.

The first, and arguably the most important, theme is **diversity**. Already in this section the diversity of workless households and of workless couples has been highlighted. Amongst the sub-groups identified are those with dependent children (who may be further subdivided into different categories) and those without dependent children, with the latter sub-group encompassing those yet to have children, those with non-dependent children living in the parental home, and those with non-dependent children who have left the parental home. The brief introduction to the broad policy context has also highlighted the diverse range of policy initiatives that have been put in place, and the diversity of domains that are of relevance in combating worklessness. In subsequent sections, the diversity of decision-making models and of triggers and barriers to worklessness is outlined.

A second theme is **mobility and immobility**. The dynamism of households and of policy initiatives has already been made apparent. Yet many of the problems remain entrenched – for individuals within households, at household level, and in the broader context in which the household is located.

A third theme is **optimality and sub-optimality**. Subsequent sections highlight the importance of subjective factors (i.e. perceptions) in informing decisions and courses of action. Many decisions are made on the basis of partial information, ignorance and uncertainty. Therefore, decisions and behaviour may not appear as 'rational'/'optimal' as they would have been had all available information been taken into account. Sub-optimality also raises the question of the extent to which couples employ the conscious, long-term decision making implied by the term 'strategy'. Such rationality is often difficult to discern in household and family behaviour, and there are often elements of conflict and uncertainty (Blaikie, 2001). Evidence from the evaluation of WFIPs of benefit customers found that behaviour

aimed at protecting relationships, as well as the self-esteem of both partners, was to underlie many attitudes to working (Insite Research and Consulting, 2005)²⁴.

A fourth theme concerns the extent of **constraints on choice** (sometimes referred to in academic debates as '*structure and agency*'). Some individuals/households find themselves in certain circumstances through choice (i.e. agency). The emphasis of policy on 'rights and responsibilities' implied in 'welfare to work' programmes prioritises 'agency'. Conversely, circumstances may be dictated by structural factors, i.e. a lack of choice. It is salient to note that in the case of some workless couples at risk, choices are often more limited than for working couples – as exemplified by a 'lack of choice' in employment/retirement decisions in later working life, and, more generally, for those with poor skills and those made redundant (Hirsch, 2003).

²⁴ Forthcoming.

3 Perspectives on workless couples and partners

3.1 Introduction

Access to work is a vital aspect of life in a capitalist market economy. The sale of labour by households not only provides the means for survival but the nature of the job undertaken also provides an indicator of the social status of the household. Households unable to access work face a bleak future unless able to access some other source of income. In some cases such income will come from wealth, such as investments, a pension or inherited wealth. For those without significant other income, the state provides a 'safety net' in the form of welfare or social security payments and benefits. Evidence of the growth of the workless household (in which no adult is in employment) in the UK was discussed in earlier sections of this review. In order to appreciate the factors that might lie behind the growth of workless households, and in particular, the growth of workless couple households, and to identify some of the policy responses to it, the decisions and choices made by households about labour market participation (or non-participation) need to be considered.

The decision about whether to participate in paid work, or not, is just one aspect of the more general theory of labour supply. An examination of perspectives on labour supply may, thus, provide a framework for a better understanding of:

- why some people become workless, remain workless or leave worklessness;
- the factors leading to an increase in the number of workless households; and,
- the appropriate policy responses to workless households.

Issues raised in this section concerning the characteristics of workless couple households and the processes leading to worklessness amongst couples are taken up in greater detail in Chapter 4. The role of the tax and benefit system in creating and reinforcing worklessness amongst couple households is considered in more detail in Chapter 5.

3.2 Household labour supply decisions

The theory of labour supply has been comprehensively reviewed by Killingsworth (1983) and, more recently, by Killingsworth and Heckman (1999), Pencavel (1999) and Blundell and MaCurdy (1999). Labour supply decisions are made by households who 'own' labour resources (their time). Households must make choices between alternate uses of time. The most simple of approaches represents time as divided between, first, money income-generating activities (paid work) and, second, all other uses of time (non-work or 'leisure'). Since the total amount of time available to the household is finite (fixed) the work/non-work dichotomy implies that households must make choices between different combinations of work (income) and 'leisure'. In conventional economic models these decisions are guided by the self-interested principle of maximising satisfaction (or utility). Both income and leisure are desirable ends but each is likely to exhibit diminishing marginal utility.²⁵ The nature of work itself is less clear. To some extent, and for some people, work may be a positive experience, but it is likely that additional work after some point will yield negative satisfaction.

3.2.1 A simple model of labour supply

The simplest models of household labour supply start by considering a single person household with no source of income other than from work (Bosworth *et al.*, 1996). In this situation non-participation is unlikely as some minimum level of income will be required to survive. The need for some minimum level of income will force people to participate in the labour market. For people facing a very low wage rate, the amount of labour supplied will be determined by the number of hours necessary to generate the minimum income and this may well involve long hours of work. While this may describe the situation in some third world economies (and arguably for some unskilled and low wage occupations in the UK), most individuals are considered to have a degree of choice about the hours of work they supply. That choice is made in the light of their income opportunities (the product of the wage rate and hours worked) and the individual's preferences for income and leisure. If **free to choose**, the individual will 'trade off' leisure against work/income until some best (optimal) combination of work and leisure is established. This will be where the value of additional income just equals the value of the leisure time foregone to generate that income.

This model of individual labour supply, simple though it may be, does generate a number of important conclusions. First, it can be demonstrated that any increase in non-labour income will affect the work-leisure trade-off in such a way that it will tend to reduce the amount of labour supplied (this is referred to as the negative

²⁵ This refers to the notion that the value placed on additional income or additional leisure varies according to the quantities currently enjoyed and additions are valued less as more is consumed.

income effect). Unlike the impact of non-labour income, the effect of a change in the wage rate cannot be determined unambiguously from theory. Changes in wage rates have two opposing effects. First, as the wage increases the opportunity cost of not working increases and this will tend to raise the hours worked. This is referred to as the 'substitution effect' and is brought about in response to the changing relative price of income and leisure. Counteracting this positive substitution of work/income for leisure will be a negative effect resulting from the additional income generated (since at any given hours of work, income is now greater and additional income always tends to reduce hours worked).

3.2.2 Some extensions to the simple model

The simple model outlined above has been developed in a number of ways to make the model more realistic. First, there may be limitations on individual choice about the hours worked. Employers may set fixed hours of work while legislation may limit the maximum hours worked. Individuals must choose outcomes that approximate but do not coincide with their optimal outcomes. For instance, if weekly hours were rigidly fixed at 40, some individuals will work these hours but prefer to work more. Others would prefer to work less. Individual choice may still be possible by selecting the right employers (given differences in normal hours), opting for part-time work, holding more than one job, working overtime, absenteeism, variation in effort, and in periodic entry and re-entry to the labour force.

In the simple model, there is a simple linear relationship between hours worked and income (the wage multiplied by the hours worked). In fact, the earning opportunities (or income constraint) facing an individual may be quite complicated and different at different hours of work. The wage rate that matters to individuals is the real disposable wage and this will reflect the effect of income tax regimes, income-related benefits, overtime rates and so on. For instance, small amounts of earnings are normally free of income tax but as income passes some critical threshold, income tax will be deducted. This reduces the real disposable wage rate at higher hours of work.

A further complication for modelling labour supply is that there are more uses of time than implied by the work-leisure dichotomy. Even a simple three-fold distinction between paid work (yielding income but negative utility), unpaid work (yielding no monetary income but providing some household service of value) and pure leisure (yielding positive utility but no income) dramatically affects the model. An increase in wages, for instance, may raise both the amount of paid work and leisure at the expense of unpaid work (now performed by other people or purchased from the market).

3.2.3 Multi-person households

The most significant development of the simple model of labour supply is to recognise that many households contain two or more potential workers, e.g. married couples, people with partners and households with adult 'children'. One

approach to this issue is to analyse the household as if it were a single decision-maker (the so-called unitary model) but this has the disadvantage that it does not allow much to be said about intra-household welfare and misses the key feature of such households, namely that each partner has their own dynamic but their decisions are interdependent.

Alternative approaches which recognise the interdependence of household decisions and outcomes tend to be grouped together under the term 'collective models' of household labour supply (see Apps and Rees, 1996, 1997; Blundell *et al.*, 2001). Interdependency arises because the welfare of one member may be a factor in determining the welfare of others in the household, while the wage income of one household partner is the non-labour income of the other (and vice versa). Interdependence may also be created by the impact of the tax and benefit regime as well as the different wage rates and employment opportunities faced by couples. Where hours of work are constrained to fixed amounts, the burden of paid work may be forced upon one or other individual within a household rather than each working the (smaller) amount each would prefer. This suggests an economic basis for a domestic division of labour in which the distribution of paid work, unpaid work (domestic production) and leisure will reflect the preferences for different types of activity, the relative earning potential of household members and the costs of domestic production of household services relative to the market provision of such services. Such a domestic division of labour is likely to vary over the life course as preferences for domestic production (particularly child care) alter (see the seminal work of Becker [1981, 1996]).

Household labour supply responses to changed economic or labour market circumstances are, thus, likely to be complex. While an increase in non-wage household income will reduce the total hours of work supplied by the household, this might occur through a general reduction in work by each household member or, alternatively, through an increase in hours from one (the highest earning partner) in conjunction with a withdrawal from the labour force by the other. Changes in wages also produce equally complex outcomes. A wage increase for one partner might produce a positive substitution effect for them but producing a negative income effect on the other. For instance, an increase in women's wages might increase a married woman's hours of work or participation while at the same time reducing her husband's labour supply through reductions in hours (say, less overtime) or even his withdrawal from the labour market (e.g. by early retirement). This suggests a set of cross-elasticities linking the wage and income of one partner to the behaviour of the other²⁶.

²⁶ Elasticity is a term that refers to the responsiveness of one thing to another (e.g. the wage elasticity of labour supply refers to the responsiveness of hours worked to changes in the wage rate). The term cross-elasticity labour supply refers to the responsiveness of the labour supply of one partner to changes in the wage of the other partner.

3.3 Household decisions and worklessness

The issue of polarisation of households into 'work rich' and 'work poor' (highlighted in previous sections) raises the critical question of why some couple households contain no working adult while others contain only working adults. In simple probabilistic terms, couples should be less likely to be workless than single person households (other things being equal), as workless couples needs to suffer the double jeopardy of both partners being out of work. The phenomenon of workless couple households (and its increased incidence in recent years) raises the issue of whether the risks of partners might be interdependent, so that if one partner is out of work, the risk of the other being so is increased. One feature of much of the early literature on household labour supply was a debate about two competing hypotheses about household interdependency: the '*added worker*' and the '*discouraged worker*' effects of unemployment. The former argued that a reduction in household living standards caused by male unemployment would lead to an increase in female participation in an attempt to maintain household income. Thus, when one partner was out of work, the probability of the other also being out of work was diminished. The discouraged worker effect, on the other hand, maintained that when one partner was unemployed, the likelihood of participation by other household members was reduced because they were discouraged from seeking work because (based on the experience of their partner) the perceived chances of finding work were low. This debate was conducted in respect of married women, reflecting the prevailing norm at that time of regarding men as primary 'bread-winners' and their wives as secondary workers with a looser attachment to the work force.

The debate about the added worker and discouraged worker effects provides a foretaste of more recent debate about workless couples. Empirical evidence from the 1970s and 1980s quite clearly showed that the discouraged worker effect dominated. In other words, if one partner was unemployed the likelihood that their partner would be working decreased. Time series analysis (Corry and Roberts, 1970, 1974; Berg and Dalton, 1977) consistently estimated negative elasticities for female labour force participation with respect to male unemployment (as male unemployment increased, female labour market participation decreased). Later cross-sectional studies (Greenhalgh, 1977; McNabb, 1977) confirmed these findings. Elias (1980) and Molho and Elias (1984) found that the negative relationship remained even after controlling for wage effects, household income and family structure. The negative effect appeared greatest where there were children in the household. The recent evidence of this positive association of risks of being out of work was discussed in earlier sections of this review (see Section 2.2).

3.3.1 Household decisions and choice

What light does the theory of household labour supply shed on the reasons for workless households? First, each household member faces some individual risk of being out of work, reflecting their personal characteristics, skill and educational attainment, work history and local labour market conditions. The risk of a household

being workless at any time is less than the risk facing each individual since both partners need to be out of work simultaneously for this to be the case. Nonetheless, some households will be at high risk because the individual risk facing each partner is very high. The difference between work rich and work poor households might simply be a matter of heterogeneity, that is, the characteristics of people in workless households are different from those of people in work rich households. Such differences in household composition might be random but there is evidence that people often partner others with similar characteristics (i.e. 'assortative mating' – as highlighted in Section 2). Low-skill households are particularly at risk of becoming workless because the demand for unskilled and semi-skilled occupations is falling sharply and such occupations command only low wages. This not only increases the individual risk of becoming unemployed but also means that the incentive to seek work is low since out of work benefits will be high relative to the income that could be earned in work.

Some researchers have attributed most of the driving force behind the growth of workless households to the demise of unskilled work and increasing worklessness amongst men. Nickell (2004) argues that a significant weakening of the low-skill labour market has increased the risk of not being in work for low skilled men. Those men suffering a disability or long-term sickness were most at risk in this declining market, hence the major rise in men claiming Incapacity Benefit (IB) rather than Jobseeker's Allowance (JSA). This decline in male activity rates is then reinforced by low activity rates amongst partners of unemployed men. This could reflect the low skill characteristics of the partners of low skill men. In an early study using data on individual households, Davies *et al.* (1994) sought to separate the impact of heterogeneity amongst married women from any pure cross-couple state dependence effect of a husband's unemployment on their wife's labour market participation.²⁷ They concluded that while part of the reason for the high risk of non-working amongst married women with unemployed partners was attributable to their individual characteristics, a significant proportion of the difference was a pure cross-couple effect.

3.3.2 Worklessness and the benefit system

A prime suspect for the cause of cross-couple effects leading to household worklessness is the operation of the benefit system. Out of work benefits clearly have a role to play in explaining how an individual can remain out of work and the theory of labour supply suggests that the higher the level of out of work benefits then the greater the likelihood (other things being equal) that an individual will choose not to work. This effect is greatest where the individual only has the potential for low earnings in the labour market. In so far as benefit rules allow, it would be

²⁷ Cross-couple state dependence refers to a situation in which the 'state' of one partner (working, unemployed, etc.) has an impact on the 'state' of the other partner.

rational for low-skilled couples not to actively participate in the job market if their income replacement level is high enough. This effect is likely to be reinforced by a particular feature of the UK welfare system, namely the means testing of benefits based on household (not individual) income.

In a study of 12 countries (including the major EU countries, the USA and the UK), Dex *et al.* (1995) found that where unemployment regimes involved a wholly independent benefit, the wives of unemployed men in receipt of unemployment benefit did not appear to exhibit any effect on their labour market participation. Where benefit regimes take account of the wife's earnings (or household income as a whole) then there was a significant negative effect on the wife's labour force participation. They concluded that while labour market conditions played a part in explaining the differences in the activity rates of partners of the unemployed, there was no support for the view that the characteristics of women married to unemployed men wholly explained their lower participation rate. Cullen and Gruber (2000) found very large impacts on female labour supply in the United States as a consequence of Unemployment Insurance (UI) payments to their unemployed husbands. They estimated that without UI, the total hours of work supplied by women married to unemployed men would increase by 30 per cent. Despite these additional hours of paid work by wives, the additional earnings would replace only a small proportion (around 13 per cent) of the household income lost when their husbands became unemployed. The labour supply response of wives was greater when the loss of husband's job was unexpected and where the household contained small children. Recent evidence relating to the UK (Doris, 1999a, Doris 1999b, McGinnity, 2002) also noted the strong disincentive effects of means tested benefit on partners' employment.

In recent years, policy has sought to offset the disincentive effect of the out of work benefit regime by introducing in-work benefits. These are work contingent benefits paid to people taking jobs (usually at low wages). In-work benefits 'make work pay' in the sense that they raise the real income of people entering low paid jobs. While such in-work benefits clearly make work more attractive at the point of entry to the labour market (particularly in respect of low paid jobs), they are not without their own particular form of disincentive effects. First, in order to target the benefits on low-paid workers, in-work benefits are phased out as income increases. Thus, people receiving such benefits face a high marginal rate of tax²⁸ or, alternately, if the benefit 'taper' is slow, large numbers of wage earners are covered by the benefit at high cost to the Exchequer. This may discourage people in low paid jobs from seeking to improve their earnings through longer hours or by changing jobs. Second, other benefits in the UK have been subject to means testing based on household (not individual) income. Thus, when a person is encouraged to enter employment by an in-work benefit, the resultant increase in income (their wage plus

²⁸ The marginal rate of tax is the proportion of any increase in income that is deducted as tax.

the in-work benefit) may result in the loss of other, means tested benefits. Thus, while in-work benefits potentially increase the incentive to enter work, their impact on workless couples may be quite complicated and may not always be as intended. These issues are considered further in Chapter 5.

3.3.3 Voluntary or enforced worklessness?

Household labour supply theory suggests that households will have a degree of choice, albeit not unconstrained and possibly enforced, about whether or not individual members enter paid work, and if so, when. The services that households require can often be purchased on the market or produced domestically and the choices made reflect prevailing relative costs, preferences and technical feasibility. Many domestic tasks (bread making for instance) have moved out of the home into the market while other domestic chores have been greatly reduced by the development of domestic appliances. These changes have both facilitated and required greater labour market participation from couples (mainly in the form of increased participation of women) and largely explain the increasing activity rates of women in recent decades. For some couples, joint participation is the sensible choice given their respective earnings power relative to the costs of purchasing services. For others, where they have a strong preference for undertaking domestic tasks themselves, or where potential wages are insufficient to allow the purchase of market produced services, the rational choice will be for one or even both partners not to work.

Activities such as childcare and other forms of care are important and expensive domestic services. Of course, some individuals are unable to work in any circumstance, for instance where they are incapable of working because of major disability or long-term sickness and there is a potential link between the sickness or disability of one partner and the non-participation of the other who provides care. Nonetheless, while many couples in this situation may feel their decision not to seek employment is enforced by their circumstances, it remains a choice conditioned by their preferences (e.g. a sense of duty, dislike of alternative sources of care, etc.), alternate sources of income (notably benefits) and earnings opportunities while in work. Many high earners purchase 'care' in the market (minders, nurses, residential care, etc) but this may not be an economic choice open to low earners.

Nickell (2004) points to the fact that the recent decline in unskilled male employment in the UK has impacted mostly on the number of men claiming benefits for disabilities and long-term sickness. This highlights the fact that few situations are absolute and that given a demand by employers and the right conditions of employment, many people with a disability are capable of some form of work. Often where a household member is not seeking work on the grounds of disability, and/or a partner on the grounds of providing care, such decisions are likely to have been reinforced by economic and labour market factors.

3.3.4 Retirement from the labour market

One distinct group of workless couple households consists of those where at least one partner has retired (where both are above state pension age, they are not the concern of this review). Such couples may have accumulated wealth or have access to pension income and may choose to withdraw from the labour force. For other couples, 'retirement' may be the culmination of a progressive decline in their ability to obtain or retain work (perhaps because of an incapacity for work or the obsolescence of skills) leading to an eventual withdrawal from the labour force. Barham (2002) suggests that this division is particularly in evidence amongst inactive men aged 50-64 who tended to be, either, voluntarily retired from professional occupations or else moved into inactivity via prolonged spells of unemployment and long-term sickness or disability. In a survey of men and women aged 50-69 conducted in 2002, Humphrey *et al.* (2003) found that 41 per cent of the 50-69 age group considered themselves fully retired. Full retirement was not restricted to men and women at or above the State Retirement Pension (SRP) age. For instance, 20 per cent of men, and 27 per cent of women, aged 55-59 reported that they were fully retired. Humphrey *et al.* (2003) also found that around 50 per cent of men, and 40 per cent of women, who retired before the SRP age felt they had been forced into retirement.

There are substantial gaps in the evidence relating to retirement decisions by households (Taylor *et al.*, 2000). It is generally recognised that there is a strong relationship between the working status of respondents living in couple households and that of their partner. Early research by Henretta and O'Rand (1983) focused on patterns of retirement, such as 'wife first', 'joint retirement' and 'husband first' while more recent studies focused on the joint determinants of retirement decisions. Gustman and Steinmeier (1994) found that a wife's decision to retire had a significant positive impact on the propensity of her husband to retire (but not the other way around). Baker (1999) found that the propensity of males to retire is higher when their partner is eligible for a supplementary (i.e. a higher) pension. Hernaes and Strom (2000), looking at Norwegian data, found that taxing early retirement pensions as if they were wage income had the effect of inducing a substantial decline in retirements and a shift towards full-time employment in males, while females tended to reduce their labour supply a little. Humphrey *et al.* (2003) found that around 70 per cent of 50-69 year olds who reported that they were retired also reported their partner as retired. Johnson and Faveault (2001) confirmed the positive relationship between retirement decisions of partners but also found that partners were less likely to retire if their partner had left the labour market for health reasons.

3.4 Social and cultural perspectives

A key feature of economic perspectives on household labour supply is a rational cost-benefit appraisal of all the competing opportunities before households. These opportunities include paid work, unpaid work and non-work. Tasks within the household are then allocated on the basis of comparative advantage and negotiation between household members. While there is nothing in the model that necessitates the view that households are organised around a male bread-winner, it is easy to rationalise such a view of the world given the generally lower potential lifetime earnings of women, their biological role and gendered expectations of men and women's roles within the household. Much of the post-war literature on activity rates has focused on married women since it was believed, correctly, that it was this group who varied their participation in paid work in response to changing economic and labour market conditions. More recently, the increasing participation of women in the labour market has tended to shift the emphasis of the model away from a 'primary worker husband, secondary worker wife' perspective to one that emphasises the complexity of household negotiations about the respective contributions of partners to paid work and household production, mediated by factors such as paid childcare and market provided convenience goods and services. While such trading between partners, and an economic appraisal of opportunities, clearly takes place in some households some of the time, the approach has been criticised for not addressing central issues of gendered power within the household and not taking account of socially negotiated moral understandings and relational commitments (Duncan, *et al.*, 2003). Alternative perspectives include 'individualisation of gender relations (Beck, 1992) and moral negotiation (Finch and Mason, 1993).

Theories of the individualisation of women see female labour market participation as a means to free up and empower women's role in households. From this perspective participation in paid work is an important element in establishing an identity as separate from a partner. Hakim (2000) argues, on the basis of empirical data, that women tend to opt for one of three lifestyle preferences: home centred (around 20 per cent), work centred (around 20 per cent) and adaptive (around 60 per cent). Household decisions concerning work then reflect these preferences with an appropriate balance being sought between domestic activities and paid work. Partial support for Hakim's view is provided by an international study of 'women returners' (Doorewaard *et al.*, 2004) using data from 15 EU countries and Norway). This study found the work orientations of men and women substantially different, with men more 'money oriented' than women. Nonetheless, the work orientation of individual women depended critically on the personal, financial and family constraints they faced. Younger women, and those facing financial difficulties, were more inclined to return to work for money reasons while older women and those with higher levels of education were more 'job oriented'.

'Moral negotiation' sees family ties and moral responsibilities as central to household decisions. This perspective sees people creating a persona that has certain characteristics and competencies. Individuals negotiate with others to establish

these reputations which bring with them moral rules and imperatives. For instance, Duncan *et al.* (2003) conducted interviews with mothers in couple relationships and observed what they described as 'gendered moral rationalities' amongst women. These rationalities structured the women's identities and how they saw their responsibilities to their children. In terms of paid work, women could present themselves as primarily a mother, primarily a worker or a mother/worker integral. The study found little difference in rationalities of couple mothers and lone mothers (surveyed for an earlier study (Duncan and Edwards, 1999)) but found ethnicity to provide a major divide in gendered rationalities (reflecting different cultural and social norms). White working class women living in the north of England tended to place themselves in the 'primarily mother' category while African-Caribbean women living in Inner London were much more likely to see themselves as both mother and worker. While this sounds somewhat similar to Hakim's 'lifestyle preferences' it is different since Hakim's preferences relate to individual choices of lifestyles. Gendered moral rationalities come from outside the individual and are social, and individuals have to negotiate their identity in a particular social context. The key inference of this theoretical perspective is that the role and expectations of household members are likely to be quite varied and reflect different social and cultural norms and values. In these circumstances, the response of one couple household to changing labour market conditions or to Government policy may differ markedly from others even though the superficial economic circumstances of each household appear the same.

4 Dynamics of worklessness

4.1 Introduction

This section is concerned with exploring dynamics of worklessness for couples. A study of dynamics is crucial for understanding the processes of movement into and out of worklessness. However, at the outset it should be noted that there is a paucity of evidence specifically on workless couples, the review by Arrowsmith (2004) being a key exception, as are the Family and Children Survey (FACS) analyses, encompassing an important sub-group including some workless couples. The FACS analyses of 'non-working families' cover those working one to 15 hours per week, as well as those who are not working (Kasparova *et al.*, 2003; Dorsett and Kasparova, 2004). With the exception of key studies such as these, much of the evidence base on dynamics of worklessness relates to individual factors associated with worklessness, rather than on couples *per se*. In this section, reference is made to these individual factors, as well as to what evidence there is on couples, since individual factors will inevitably impinge on the circumstances of couples. Moreover, many of these factors apply whether or not the individual in question is part of a workless couple.

Often the evidence relates to specific individual characteristics considered independently, rather than in terms of the cumulative effects of individual characteristics. However, an exception is a study of a nine-year sequence of Labour Force Survey (LFS) data by Berthoud (2003), providing an insight into how individual characteristics of disadvantage can shape labour market prospects. He identifies six sub-groups at high risk of non-employment: (1) men and women without partners (especially lone parents); (2) disabled people; (3) those with low qualifications and skills; (4) those in their 50s; (5) those living in areas of weak labour demand; and (6) members of certain ethnic minority groups. Only four per cent of individuals with **none** of these disadvantages were non-employed. The average figure for the population as a whole was 17 per cent. The more disadvantages, the greater the risk of non-employment. More than 90 per cent of people with **all six** disadvantages were non-employed. Nearly one in ten adults had characteristics that increased their risks of non-employment to over 50 per cent. Berthoud concluded that poor labour market prospects can be explained largely in terms of the additive effects of specific disadvantages. However, some exceptions were identifiable: for example, older

Pakistanis and Bangladeshis with low qualifications and skills have an even higher risk of non-employment (82 per cent) than might have been expected from adding up the influences of these three characteristics (71 per cent).

This section considers in turn the 'triggers' associated with becoming workless (Section 4.2), the 'barriers' to work associated with remaining workless (Section 4.3) and the 'bridges' to work associated with leaving worklessness (Section 4.4). These 'triggers', 'barriers' and 'bridges' are often linked, although at the outset it should be noted that triggered worklessness need not necessarily be a barrier to regaining employment. Despite the fact that the majority of the evidence presented concerns individuals, wherever possible, reference is made to interactions within couples and the process of joint decision making.

4.2 Becoming workless – triggers

4.2.1 Introduction

This section is concerned with identifying factors and exploring processes associated with becoming workless. It is found that **no single factor** provides an explanation for workless couples as a group, or often for a single individual within a workless couple. This highlights the importance of looking (where possible) not only at 'principal'/'main' reasons for joblessness, but also at other contributory reasons and contextual household, socio-cultural and labour market circumstances in order to obtain the full picture. It is also apparent that in keeping with the theme of 'diversity' outlined in Section 2.5, workless individuals/couples comprise a number of sub-categories which are conceptually and empirically distinct, with 'different' triggers accounting for worklessness in different mixes for each sub-category. Moreover, it is possible that different 'triggers' may operate for otherwise similar individuals/couples in different areas. The 'structure and agency' (i.e. constraints on choice) theme is also of relevance to the consideration of 'triggers'. While in some instances, labour market detachment may be a gradual and complex process over which an individual has little personal influence (Yeandle, 2003a), in other instances becoming workless may be a voluntary decision made at the behest of the individual. Some people may become workless on leaving compulsory education or post-compulsory training having never entered paid work. For some individuals this might be a conscious decision, while for others such an outcome may be involuntary – perhaps reflecting a lack of available jobs.

Much of the evidence on 'triggers' relates to males who are long-term unemployed or inactive. It is with reference to such males, that the general points outlined above are exemplified by Beatty and Fothergill's identification of five sub-categories of the 'detached male workforce'²⁹ outlined in Figure 4.1. The pen portraits in Figure 4.1

²⁹ Based on local surveys (together comprising over 1,700 interviews and 87 in-depth interviews) of males aged 25-64 who had been inactive for most of the last six months in seven localities chosen to cover a range of urban and rural areas, and regional and local labour market circumstances.

illustrate the different characteristics (which in turn have implications for 'barriers' and 'bridges' to subsequent employment) of each sub-group. There is considerable resonance here with an earlier study by White (1983) of the long-term unemployed, indicating that the main routes into worklessness for formerly stable workers were early retirement, redundancy and leaving employment for reasons of ill-health.

The remainder of this sub-section presents selected evidence on specific 'triggers' to worklessness: redundancy, retirement and ill-health.³⁰ An understanding of the 'triggers' to worklessness is of relevance for policy interventions for at least two main reasons. In the first instance, it might help inform understanding of possible ways of preventing worklessness occurring in the first place. Once worklessness has occurred, it is likely that the way in which people become workless has an impact on their subsequent attitudes and behaviour in relation to seeking work.

Figure 4.1 Pen portraits of five groups illustrating the diversity of the detached male workforce

1. **Self-described long-term sick and disabled** (largest single sub-group)
 - predominantly older (40 per cent are aged over 55 years);
 - tend to be married, but only a minority have dependent children;
 - strongly working class;
 - over half live in social rented accommodation;
 - often have a long period of detachment (five years plus) after long periods of stable employment;
 - ill-health or injury was 'trigger' to ending employment in only half of all cases;
 - more than a third lost their last job as a result of compulsory redundancy;
 - half say they would like a full-time job although few look for work, and this declines over time;
 - nearly all now see ill-health as an obstacle to returning to work;
 - the sub-group is heavily dependent on benefits (particularly Incapacity Benefit (IB)), though nearly a third receive a pension.
2. **Long-term unemployed** (second largest group)
 - more evenly spread across age range than sub-group 1;
 - more likely to be single than sub-group 1;

³⁰ It should be noted that not all 'triggers' are covered individually here.

Figure 4.1 Continued

- more likely to have dependent children than sub-group 1;
 - have lower levels of skills and training than sub-group 1;
 - have more spasmodic work experience than sub-group 1;
 - compulsory redundancy is the main reason for their last job coming to an end;
 - heavily dependent on Jobseeker's Allowance (JSA);
 - overwhelming majority are looking for work.
3. **Early retired** (third largest group)
- on average more affluent than the sick or long-term unemployed;
 - more comprehensively detached from the labour market than sub-groups 1 and 2;
 - few have dependent children living at home;
 - most are married;
 - better qualified than sub-groups 1 and 2;
 - more than half own their home outright;
 - often previously worked for one employer, but job ended through voluntary redundancy or retirement;
 - 90 per cent do not want full-time work, though a larger minority did initially seek it;
 - less reliant on benefits than sub-groups 1 and 2, although a quarter claim IB.
4. **Part-time workers** (relatively small group)
- half aged over 55 years;
 - part-time working as an adjunct to early retirement, although a third say they would like to work full-time.
5. **Full-time carer** (small group with much in common with sub-group 1)
- spread across all age bands;
 - generally poorly qualified (hence vulnerable to unemployment);
 - heavily dependent on benefits; but they are likely to have left last job voluntarily.

Source: based on Beatty and Fothergill (2003, 105-6).

4.2.2 Voluntary and involuntary worklessness

At the outset it is important to consider the distinction between 'voluntary' and 'forced' (i.e. involuntary) worklessness (referred to in the introductory paragraph). While in two of the sub-categories identified in Figure 4.1 (the early retired and full-time carers), the decision to quit work was generally (but not always³¹) voluntary, in the majority of cases detachment can be said to have been 'forced upon them' through compulsory redundancy as a result of workplace restructuring and closure. The fact that economic restructuring has had differential sectoral, occupational (with those in less skilled occupations being more likely to experience involuntary job separation [see, for instance, Norris, 1978]) and spatial impacts goes some way to accounting for sub-group and geographical variations in joblessness, and highlights the importance of a personalised and local focus in explaining labour market change and behaviour of those out of work.

Beatty and Fothergill (2003) suggest that many (but not all (e.g. the early retired)) of the detached male workforce might still have been working had appropriate jobs been available (a point alluded to in Section 3.3), but with the passage of time, many have become reconciled to their non-employed fate. The fact that large concentrations of unemployment, hidden unemployment and inactivity are evident in some local areas that suffered a mass shake-out of jobs in recessions some years ago, suggests that at least part of the problem of workless couples may be likened to a 'cohort effect', with higher than average levels of non-employment persisting over time. However, there is concern about a lack of employed role models for children growing up in households and neighbourhoods characterised by concentrated worklessness, which could impact on the likelihood of children ending up in work

4.2.3 Retirement

Turning to **retirement**, the concern here is with early retirement of individuals of working age. The majority of the 'retired' sub-category of workless individuals/couples comprise people aged 50 years and over. However, amongst 'the over 50s'³² there are distinctive sub-groups, and the extent to which retirement is a purely voluntary (as opposed to a 'forced' decision in the context of minimal choice) is a clear dimension of variation here, with associated class distinctions³³ (Beatty and Fothergill, 2003).

³¹ In a study of informal care giving amongst people aged 50 years and over (Mooney *et al.*, 2002), it was found that many carers felt that they did not have a choice about becoming a carer.

³² Often identified as a distinctive sub-group for study.

³³ Beatty and Fothergill distinguish between on the one hand a 'middle class world' populated mostly by white-collar early retirees, who mainly left their jobs voluntarily and who rely little on benefits, with, on the other, a 'working class world' populated by manual workers who fell out of work because of redundancy or ill-health, and who are now effectively 'retired'.

To the extent that older people do have choices, it is clear their decision-making is based on a complex array of factors. Research suggests that key influences in decision-making are people's domestic circumstances and obligations and how positive they feel about their jobs, with financial circumstances playing an important, but often subsidiary, role. The overall health situation of workers and their partners play, a particularly frequent part in such decisions. In reviewing a body of research on the 'over 50s', Hirsch (2003) emphasises the complexity of modern pathways out of work and factors that influence them, and suggests that simple financial sticks and carrots are unlikely, on their own, to change retirement behaviour greatly. Reiterating the importance of class distinctions, it is clear that workers in professional and managerial jobs tend to enjoy greater choice and control over how they leave the workforce than those in less privileged occupations. Yet financial factors tend not to be the primary focus driving decisions about leaving work. While a high proportion of men and women aged over 50 years care for other adults, this does not typically lead them to give up work (Glendinning, 1992; Parker, 1990), although in the case of women, it is more likely to be associated with a reduction in hours of work than is the case for men (Madden and Walker, 1999). Rather, health and family considerations, together with attitudes to work, combine to create aspirations about when to retire. Financial factors, however, can be a key constraint determining when it is possible to do so.

Hence, not only are retirement decisions complex, especially in the context of a couple household, but so too are decisions about timing. Evidence from the USA (O'Rand and Farkas, 2002)³⁴ suggests that as women remain attached to the labour market for longer periods of their lives and they bring market resources such as pensions to the couple's retirement decision, they introduce new contingencies to the process and variability in job exits. The evidence suggests that couples are most likely to coordinate their retirement timing to be as simultaneous as possible (see also the discussion in Section 3.3).

4.2.4 Ill-health

Ill-health is identified in Figure 4.1 as a trigger in labour market detachment for several of the sub-categories identified. Although ill-health and injury were cited as the main causes of job loss for only a quarter of the detached male workforce overall in the Beatty and Fothergill (2003) analysis, in 39 per cent of cases it was cited as a factor. Seventy-three per cent describing themselves as long-term sick cited ill-health as a factor, but 27 per cent in this category did not cite ill-health as a reason for leaving their last job. From a policy perspective, ill-health and disability are important both as a cause and a consequence of income poverty and disadvantage (Vegeris

³⁴ Using proportional hazards models based on data from the Mature Women sample of the National Longitudinal Surveys between 1989 and 1998 to track the effects of family, pension, health insurance and changes in spousal health statuses on joint, and sequential, retirement patterns.

and Perry, 2003): poor health lowers people's ability to get and retain paid jobs while not being able to hold down a job leads to fewer resources for a healthy lifestyle and also impacts on mental well-being through a number of mechanisms. Bellaby and Bellaby (1999) suggest that high levels of unemployment generate ill-health that leads to more irregular employment and more frequent early exit from the labour market. Hirsch (2003) shows that lower socio-economic groups are more likely than those in higher socio-economic groups to experience health problems in older working age, and suggests that these are a major cause of detachment from the labour market.

Further evidence of the links and feedback loops between (ill-)health and (non-)employment is available from the panel element of the FACS (Vegeris and Perry, 2003), which allows analysis of health following from particular changes in family circumstances. Families who entered work showed clear signs of improved health among family members and, conversely, families who left full-time work reported health decline. The panel analyses confirmed that there appears to be an association between work participation and positive changes in the physical well-being of household members, although it could not be established whether participating in work enhances physical and mental well-being³⁵ or whether enhanced physical well-being leads to greater participation in work.³⁶

4.2.5 Overview

Hence, the evidence on 'triggers' to worklessness highlights the **complexity** and **multiplicity** of factors influencing how individuals and households become workless. Factors such as local labour market demand, poor skills, ill-health, age and caring responsibilities all have an influence, but these 'ingredients' come together in different ways for different people in different areas.

4.3 Remaining workless – barriers

4.3.1 Introduction

This sub-section considers why individuals/couples remain workless. An early study by Gregg and Wadsworth (1994) based on LFS data from 1979 to 1993, highlighted the importance of 'remaining workless' as a crucial factor in the rise in the number of workless households. They concluded that declining access to work rather than increased risk of job loss explains most of the rising stock of households with no adults in employment. The proportion of non-employed two-adult households still non-employed one year later rose from 40 per cent in 1975 to 76 per cent in 1993.

³⁵ For instance, by leading to greater self-esteem, social contact, higher income, etc.

³⁶ For example, through a diminishment of caring responsibilities for other household members, enhanced capacity to hold down a job, etc.

In 1993, a jobless individual in a working household had twice the probability of obtaining a job than an otherwise identical counterpart in a jobless household – between the late 1970s and 1993, the entry rate into employment of a jobless individual from a household with another member already in work grew from 16 per cent to 24 per cent, whereas in contrast, the probability of a member of a workless household finding a job one year later fell from 25 per cent to around 12 per cent.

4.3.2 'Barriers' – utility of the concept

Whilst 'barriers' is a helpful term in highlighting/identifying some of the relevant issues that make it difficult for individuals/couples to exit worklessness, it is recognised that there is a danger of 'compartmentalising' issues in a way that may not reflect the complexity or dynamism of reality. Moreover, for anyone citing a single 'barrier', or a combination of 'barriers' to entering work, there will be others with identical barriers who are in employment. However, for the purposes of this report, in the absence of any generally accepted alternative, use is made of the term 'barriers'.

For some sub-groups of workless individuals/couples (for example, those who have taken voluntary early retirement), the term 'barrier' may be irrelevant because they do not want or seek work. Indeed, Arrowsmith (2004) shows that around seven in ten non-working non-claiming partners of benefit recipients with dependent children do not want to work, and for those without dependent children this rises to eight in ten.³⁷ Her analysis of primary reasons³⁸ for not looking for work amongst inactive individuals in workless households demonstrates the sheer 'variety' of reasons, although sickness/disability emerges as being of particular importance amongst men, as does caring for home/family for women. The most important combinations of primary reasons amongst couples are: (1) man does not work because of sickness/disability and women does not work because of family/home caring responsibilities (27 per cent of cases); (2) both partners do not work because of a sickness or disability (15 per cent of cases); (3) the man is unemployed and actively seeking work and the woman has family/home caring responsibilities (ten per cent of cases); (4) both partners are retired/do not need work (nine per cent of cases) – hence this group may not be conducive to policy intervention; and (5) the woman has sickness/disability and the man has family/home caring responsibilities (six per cent of cases).

For those who would like or are seeking work, the range of questions that a jobseeker is likely to ask themselves about a possible employment opportunity provides an insight into the range of barriers faced: Is it in an accessible location? Is

³⁷ It is salient to note here that those without dependent children are frequently older couples who may have sickness/disability issues, caring responsibilities, etc.

³⁸ It should be noted that in many instances there will be other reasons influencing decisions, as well as those that have been identified as 'primary'.

it the sort of work I can do? Have I got the right skills, qualifications and experience? Are the hours of work acceptable? Is it compatible with my other (home-based/caring) commitments? Is the pay acceptable? What are the long-term prospects? As Fothergill and Macmillan (2003) point out, many jobs fall at one or more hurdles. Moreover, not only does the jobseeker have to clear all of these hurdles, but, also they have to satisfactorily answer the questions asked by an employer: Is the person qualified? Would they fit in? When selecting from amongst workless candidates, employers typically will choose from the front of the 'queue of unemployed' (i.e. those who are most 'job-ready' with good qualifications, with recent (relevant) work experience and of prime working age). Hence, while there is a lot of churning and movement at the front of the 'queue' (Fothergill and Macmillan, 2003), there is little at the back amongst the less advantaged who, with weaker work histories and poorer skills, tend to have less negotiating power in the labour market (Hirsch, 2003).

The questions posed by individuals and employers outlined above highlight the fact that there may be multiple barriers to employment. Like the layers of an onion, not all of these barriers may be visible initially, but may only become evident when one barrier is overcome to reveal another layer. These multiple barriers may exist at individual, household, neighbourhood or local labour market level, in any combination. As outlined in the introduction to Chapter 4, Berthoud's (2003) analysis at the individual level analysis suggests that two or more individual factors have an additive effect. We may speculate that two or more individuals in a couple sharing attributes associated with prolonged worklessness are likely to face at least an 'additive' effect in terms of the barriers faced, but we cannot be certain on the basis of available evidence. As Arrowsmith (2004) shows, there are often multiple barriers within a family unit. For example, for non-working non-claiming partners of benefit customers without children, 15 per cent have health problems alone, but a further 35 per cent have health problems and caring responsibilities, four per cent have health problems and no qualifications and a further three per cent have caring responsibilities, long-term health problems and no qualifications. Likewise, 30 per cent of partners with children have no qualifications and caring responsibilities. Hence, the theme of 'complexity' is again evident here, and this poses a key challenge for policy intervention.

4.3.3 The importance of perceptions

Before considering some of the specific barriers to employment faced by workless individuals/couples in more detail, it is important to acknowledge that barriers may be '**perceived**' as well as 'real'. As Green *et al.* (2005) point out, decisions and actions are based upon information that has come through a perceptual filter, influenced by a range of factors relating to both individual characteristics and aspects of the local social context. Hence, perceived opportunities are a subset of all objective opportunities, conditioned by social constructs and area perceptions. This same point is also highlighted in research by McQuaid and Lindsay (2002, 624) which found that perceptions that there were few jobs available in the local labour

market ‘...contributed to the restrictive job-search strategies adopted by some long-term unemployed people’. The message is that whatever the objective reality, perceptions matter because they influence behaviour. Hence, policy needs to be concerned with understanding and countering perceptions. For example, in-work benefit calculations should have a role to play in illustrating the difference between perceptions and reality, with regards to financial disincentives to work.

The majority of recent policy initiatives concerned with combating worklessness (outlined in Sections 2.3 and 2.4, and described in more detail in Chapter 5), are concerned with addressing supply-side issues. However, case study evidence shows that a real (or perceived³⁹) **deficit in ‘suitable’ (especially full-time, well-paid and relatively secure) jobs** is a crucial barrier to work. In some areas, lack of demand constrains the effectiveness of efforts to secure work for more disadvantaged jobseekers, since the state of local demand for labour and spatial access to job opportunities is a key factor influencing the duration of unemployment (Rogers, 1997) and chances for returning to work (as highlighted in Section 4.3). There is a large and growing literature on spatial and skills mismatch. Based upon research in Glasgow, Houston (2005) concludes that spatial mismatch and skills mismatch may be mutually reinforcing for lower-paid and lower-skilled workers dependent on public transport, who tend to be very tied, physically and emotionally, to their local neighbourhood, which results in restricted job search. Likewise, from US evidence it is apparent that those who have poorer skills and who are more constrained in the housing market face greatest spatial restrictions on job search and travel to work (Immergluck, 1998).

4.3.4 Transport and accessibility

Indeed, **transport and accessibility issues** have recently received increasing attention as a barrier to employment, as indicated by the Social Extension Unit (SEU) report on transport and social exclusion (SEU, 2003) and the advent of ‘accessibility planning’. In quantitative research on the labour market effects of Joint Claims for JSA, the difficulty of finding suitable work and transport difficulties were cited as barriers (Bonjour *et al.*, 2002). Arrowsmith (2004) reports evidence from the Family Resources Survey 2001/02 showing that just over 50 per cent of non-working partners of benefit claimants do not have access to a car. More generally, evidence from the National Travel Survey shows that in all age groups, more men than women are full car driving licence holders (ONS/DfT, 2004), indicating that women are more reliant on public transport than men. There is rich evidence from the US on transport barriers to work – particularly for women (and especially for lone parents). Evidence from the UK (DETR, 2000) and the USA (e.g. McGuckin and Murakami (1995),

³⁹ Note that while a ‘real’ deficit in jobs is a demand-side issue, a perceived deficit in jobs (where no such deficit exists in reality) is a supply-side issue. On the supply side, work focused interviews and job search training are amongst the policy measures adopted to counter perceptions of a deficit of jobs.

Blumenberg (2000)) indicates that for women, in particular, 'trip chaining'⁴⁰ often needs to be taken into account because of caring and household responsibilities alongside the issue of access to a job. Gaffron *et al.* (2001) also highlight fears of crime and personal safety that are additional considerations for women in deprived areas. Other US studies (e.g. Ong (1996)) have highlighted the importance of transport availability (and specifically private transport) in access to work. The issue of access to private transport also has a resonance in the UK given the trend towards a more spatially and temporally extensive distribution of jobs (Meadows, 2001; Green and Shuttleworth, 2004). Transport is likely to be a particular problem in rural areas. In a study of two contrasting labour markets in the East of England, Monk *et al.* (1999) showed that there was a limited range of opportunities to match against individual requirements in terms of location, skills and working hours. Difficulties of getting between home and work and the costs of working (sometimes including childcare as well as transport), were all barriers to finding suitable employment. Employers' behaviour and attitudes reinforced transport difficulties as a barrier to finding work in rural areas, since some thought that people who had to travel long distances or depended on public transport were unreliable.

4.3.5 Lack of qualifications and poor skills

While transport and accessibility issues have been the subject of more recent policy concern, **poor skills and a lack of qualifications** have long been recognised as a barrier to leaving worklessness and obtaining employment, and a raft of measures to encourage education and training have been put in place (as outlined in Section 2.3). The Policy Action Team report on skills refers to a range of evidence linking poor skills and lack of qualifications to worklessness. Turning specifically to couples, in quantitative research on the labour market effects of Joint Claims for JSA (Bonjour *et al.*, 2002), for both men and women, lack of qualifications was cited as a key barrier to work. Qualitative research with JSA Joint Claimants (Fielding and Bell, 2002) found a lack of qualifications, skills and work experience to be a barrier to work for some people, yet few people were planning to retrain or go back to college.⁴¹ A lack of work experience and/or qualifications could also compound a lack of confidence due to time spent out of the labour market (Thomas and Saunders, 2002).

The salience of **weaker work histories**, and especially of **long spells of unemployment**, on remaining unemployed also receives endorsement from other studies (Dex and McCulloch, 1997; Hasluck, 1999). Moreover, within a workless couple there may be a 'crossover' of stresses and strains associated with facing such barriers to employment from one partner to another (Westman and Etzion, 1995). Arrowsmith (2004) shows that the length of time one partner has been out of work

⁴⁰ 'Trip chaining' is defined as stopping at multiple destinations on the way to or from work.

⁴¹ Analyses of the National Adult Learning Survey (NALS) also point to relatively low levels of interest in learning amongst individuals with poor skills.

is correlated with the length of time that the other partner has been out of work. Given the evidence suggesting that the longer an individual/couple has been out of work, the more difficult it is to get back, the scale of the barrier posed by the duration of worklessness is illustrated by the fact that 59 per cent of individuals in workless couples have not worked in the last five years or have never worked, and this proportion is higher in workless couples without dependent children.

4.3.6 Ill-health

In Section 4.1, **ill-health** was cited as an important 'trigger' to worklessness (especially for men). It also emerges as an important barrier to work, with the FACS yielding a rich source of information on this topic. In an analysis of reasons for not looking for work, it was found that the most important barrier for both respondents and partners in couples was their own ill-health or the illness of a family member. Kasparova *et al.* (2003) report that 73 per cent of partners (men) in non-working families gave ill-health as their main reason for not looking for work. Respondents in such families are less likely to be able to depend on the partner to share in domestic chores. Eighteen per cent of respondents in non-working couples and 42 per cent of partners in those couples reported that their health was 'not good' (Arrowsmith, 2004). Those with 'not good' health were more likely to be 'not looking for work' than 'looking for work'. Hence, poor health restricts non-working families' chances of entering work. Vegeris and Perry (2003) found that the rate of having a health problem that restricted work participation was more than five times higher for partners in non-working couple families compared to those members of the cohort who were working. Also based on FACS data, Marsh and Perry (2003) found that low morale was strongly connected to poor health and experience of hardship: there were huge differences in morale between those who were fit and free of hardship compared with those who were ill and suffering severe hardship. Hence, the evidence points to ill-health as a strong barrier to employment, with strong links to job search behaviour, general morale and poverty. More generally, it is salient to note that poor health is a more important barrier to employment for some sub-groups than for others. For instance, Indian and Chinese people have similar levels of self-reported health to White people, before accounting for the effects of social class, but people from Pakistani and Bangladeshi communities are one and a half times more likely to suffer ill-health, and Caribbean people a third more likely (Social Exclusion Unit, 2000).

4.3.7 Age

Issues such as lack of qualifications and ill-health are related to **age**. As noted in the discussion of 'triggers' to worklessness in Section 4.1, there is a substantial body of research evidence on labour market participation and experience of those aged 50 years and over. Individuals in this age group face two types of barriers to employment: (1) those likely to be directly related to age; and (2) those not directly related to age (but likely to be experienced by any individuals at a disadvantage in the labour market, regardless of age). Barriers in the first category include health

problems (which increase with age), caring responsibilities, outdated work experience and lack of some skills relevant to labour market demands, attitudes linked to former job status, lack of confidence in the ability to find work, personal attitudes about age (some older people may see themselves as winding down prior to retirement) and employer attitudes towards employing older people. Barriers in the second category include financial barriers (including both benefit disincentives and transitional financial problems facing those moving from non-employment to employment), unwillingness to reduce reservation wages,⁴² personal barriers, multiple barriers and local labour market conditions. Some of these barriers may be compounded by being in a couple household (see Figure 4.2 at the end of Section 4.2). These barriers pose a range of challenges and complexities facing policy initiatives designed to encourage non-working individuals/couples in the older working age groups into employment. Indeed, the complexities of the barriers to employment faced by some older people was such that generic evidence from the ONE evaluation revealed that customers felt advisers did not always have the skills to address complex benefit issues or to explore how their personal circumstances might affect their ability to find work (Osgood *et al.*, 2002).

Moss and Arrowsmith (2003) identify four areas of policy support for customers aged 50 plus to address barriers, encompassing a range of spheres on the supply-side: (1) Jobcentre support to help customers move closer to the labour market; (2) training, to improve work-related and 'soft' skills (including self-confidence); on the demand-side; (3) work with employers to overcome age discrimination; and in terms of facilitating job entry; and (4) financial incentives to ensure that 'work pays'. However, interviews with recipients of Employment Credit⁴³ found that a substantial minority felt demeaned by low wages and relatively unskilled work (Atkinson *et al.*, 2003), but their strong work ethic was key in their decision to enter and retain employment after the Credit ended. It might also be noted (in the context of attempts to raise productivity and up-skill the workforce, at the same time as raising employment rates) that evidence from the ND50plus (Moss and Arrowsmith, 2003) suggests that customers were tending to move mostly into unskilled and low paid service and manual jobs, despite the fact that their work histories suggest that many were previously in higher skilled or better paid work. This trend is at odds with concerns about promoting employment quality and tackling the low skills equilibrium (Wilson, Hogarth *et al.*, 2003).

⁴² The New Deal 50 plus (ND50plus) evaluation found that one of the most decisive factors affecting whether customers got a job or not under the programme was their willingness to reduce their reservation wage in order to take up a job (Atkinson, 2001). However, unwillingness to reduce reservation wages is not a factor unique to older people.

⁴³ Employment Credit was provided a job entry subsidy to the individual older worker, rather than to the employer. It was replaced in April 2003 by Working Tax Credit (WTC).

4.3.8 Financial issues and the benefits system

Financial circumstances might operate as a barrier to employment, and in terms of financial incentives in place to enter employment, the **complexity of the benefits system** is a crucial factor here. As indicated above, some workless couples (including some of those who have voluntarily retired early) may have adequate income to meet their needs and may be economically independent of the benefits system. However, those individuals and couples with weaker financial resources are more likely to become dependent on benefits when losing a job. Benefit provision for people of working age outside the labour market is complex, and the different benefits to which individuals and families are entitled are based on different traditions of funding and entitlement (Alcock, 2003). As Arrowsmith (2004) points out, couples are heterogeneous and have different circumstances and preferences, such that there is no obvious benchmark for measuring financial gain associated with employment entry. For some workless individuals/couples dependent on benefits, circumstances might be such that there are 'real' disincentives to entering employment, due to increased costs of being in work, and loss of entitlement to benefits. What is clear is that a reliance on benefits offers a 'safety net' of certainty, which leaves financial uncertainty in its wake if withdrawn.

The Policy Action Team on Jobs (DfEE, 1999) found evidence of reluctance to take-up work due to lack of information about the financial implications of in-work benefits, concerns about disruption and uncertainty of the transition to work (including the need for re-assessment of entitlements and additional costs incurred associated with entry to work (such as for transport, clothing etc)). Moreover, there were concerns that it would be difficult to re-establish entitlement to benefits if a job collapsed after a short period. Hence, people may find getting another permanent job or taking on temporary or part-time work more financially risky than remaining on benefits (Hirsch, 2003). They may worry about managing to cope financially, and have concerns about what might happen if the job does not work out.⁴⁴ Millar and Ridge (2002) show that some families are reluctant to claim in-work benefits and this is partly due to difficulties and delays experienced in payments, but also to negative attitudes. The significance of these issues was highlighted by the House of Commons Education and Employment Committee (2000) in their report on 'Employability and Jobs': *'For many, the financial risks of leaving benefits for work are a very real barrier to employment'* (para: 53).

So whatever the suite of in-work incentives, benefit run-ons and non-employment related benefits that are in place and individuals/couples are eligible for, what matters in understanding behaviour is not just the 'real' operation of the benefits system, but also its 'perceived' operation. As pointed out in the Summary of Harries and Woodfield's (2002) study of 'Easing the Transition to Work': *'Analysis of people's accounts of the transition clearly demonstrated that perceptual obstacles*

⁴⁴ This suggests that those who take a job may be less risk averse and/or more committed to participating in formal employment than those who do not do so.

to employment were as much a hurdle to people considering a move as were tangible financial barriers. At the point of considering a move into work people's perceptions of what might occur can be as potent, if not more, than any actual calculation of income and expenditure.' Hence, while in-work benefit calculations can play an important role in countering erroneous perceptions about the financial viability of working, they may not alone be sufficient to persuade some individuals of the merits of taking up a specific job. It is also salient to note that the sheer complexity of the tax and benefit system is such that it is very difficult to know precisely by how much someone may be better off in work.⁴⁵

4.3.9 Caring responsibilities

For many workless couples, caring responsibilities have to be set alongside other factors associated with entering employment: individuals' decisions about care and work are taken in the context of wider relational and personal circumstances. Moreover, caring responsibilities are very varied and encompass a wide range of activities – in terms of the nature of those activities, and intensity and time involved. Hence, issues likely to be taken into account when considering the plausibility of work for those with caring responsibilities include: the relationship to the person cared for; whether care takes place inside or outside the household; whether the individual is the primary carer; the cost and availability of alternative care provision; hours involved in caring and their predictability; the carer's previous work history and other barriers to work. Those caring for 20 hours or more per week are particularly likely to have other characteristics which are known to be related to reduced labour market participation – such as lack of educational qualifications and presence of dependent children (Perry, forthcoming).

Often there is a preference for care to be provided oneself, and this preference is a factor that has to be factored into individual and household decision-making. It is salient to note that individuals in such couples are likely to care, and to care more, than single people or people in working couples (Perry, forthcoming). Carers UK (2001) point to a hierarchy of expectation in terms of who provides care, with spouses at the top of the hierarchy. Kasparova *et al.* (2003) cite the desire to avoid spending too much time away from their children as a key reason given by 43 per cent of respondents in non-working households for not looking for work. Care considerations associated with ill-health were also cited as reasons for not looking for work: two per cent of respondents cited family member's illness and 11 per cent cited child's illness/disability. Indeed, those with caring responsibilities for sick or disabled children or adults often face a problem of lack of available care.

Lack of available and affordable **childcare** is a significant barrier to employment for parents with young children, particularly mothers (House of Commons, 2003; Strategy Unit, 2003) and in disadvantaged areas (DfES, 2001). Hence, for those

⁴⁵ It is often the case that a person will not know how much they earn until they get their first pay packet.

workless couples with young children, childcare may be one of the barriers to employment. While a good deal of recent attention has been focused on childcare issues for lone parents, childcare is likely to be as much an issue for couple mothers, especially in the context of adherence to traditional gender roles. Woodland *et al.* (2002) found that 23 per cent of all non-working mothers cited lack of free or cheap childcare as a reason for not working while 63 per cent said they would prefer to go out to work if they had access to good quality, convenient, reliable and affordable childcare. Nearly a half (47 per cent) of parents thought there were not enough childcare places in their locality.

When considering childcare as a barrier to employment, and policies to facilitate childcare provision, it is important to take account of differences in formal/informal childcare preferences (Kasparova *et al.*, 2003). Higher-income families are more likely to use formal childcare for either pre-school or school-age children than are lower-income families. While families with higher incomes are better able to afford the costs of formal childcare arrangements than are lower-income families, there is also evidence that some middle class mothers value child development through formal provision (Vincent and Ball, 2001). However, surveys conducted in the late 1990s on mother's attitudes to childcare (Bryson *et al.*, 1999; La Valle *et al.*, 2000), underscore the dominant reliance placed on informal childcare. Informal childcare, usually by family members (including partners and grandparents) is valued because of a need to trust the carer, and also because of importance placed upon affection for the child and a wish for a carer to look after the child in the same way as the mother/parent (Land, 2002). However, in some couple households, a woman may be unwilling to let her partner look after the children.

Duncan (2003) notes that people (and specifically partnered mothers in this instance) take decisions about how parenting might be combined with paid work, and what sort of paid and unpaid work, and what sort of childcare is appropriate, with reference to moral and socially negotiated views about what behaviour is right and proper (as discussed in Section 3.4). In some instances, the promotion of good parenting and the promotion of employability are perceived to be in conflict. Although childcare choices are likely to be influenced by levels of childcare provision, more fundamentally they result from a complex moral process in assessing children's needs, the mother's needs, and the interrelationship between the needs of both. Since there are variations in traditions of partnering and parenting by both social class, ethnic group⁴⁶ and geography (Duncan and Smith, 2002; Strategy Unit, 2003; Meadows and Garbers, 2004; Williams, 2004),⁴⁷ it follows that childcare policy needs to be supportive and flexible, rather than prescriptive and uniform (Duncan, 2003).

⁴⁶ Black women are more likely to use formal childcare provision than South Asian women, who, as a group, tend to have larger families (as outlined in Chapter 2).

⁴⁷ The National Evaluation of Sure Start found that sometimes these differences in values are reflected in the view of local programme staff.

4.3.10 Networks

In addition to individual and household factors that may act as barriers to employment, the way in which individuals and households relate to, and can access, resources (i.e. derive social capital) from wider **networks** may retard (through negative role models, inculcation of localised outlooks and a lowering of aspirations) or facilitate (through access to a wider range of contacts and enhancing potential connections to a wider range of opportunities), attempts to overcome barriers to employment. The scale (i.e. number of contacts involved), the composition (i.e. the characteristics of individuals involved), the structure (in particular the extent to which a network is 'open' or 'closed', and whether relationships within the network are 'strong' or 'weak') are all likely to be key factors (Stone *et al.*, 2003; Reingold, 1999). There is a strong and growing literature relating to the importance of social relationships and contacts in determining success in the labour market. In terms of facilitating access to job opportunities, Granovetter (1995) points to the importance of a multiplicity of weak ties (i.e. 'bridging' social capital), rather than fewer stronger ties (i.e. 'bonding' social capital). This is especially so when employers resort to use of informal recruitment methods (Monk *et al.*, 1999; Holzer, 1987). Indeed, Dickens (1999) argues that 'network failure' is one important factor in problems faced by people in deprived neighbourhoods, where concentrations of the non-employed and those at risk of non-employment in poor jobs are likely to suffer an attrition of information networks offering access to employment (Gordon, 1999; Meadows, 2001).

4.3.11 Understanding geographical concentrations of worklessness

The SEU (2004) report on *Jobs and Enterprise in Deprived Areas* suggests that concentrations of worklessness⁴⁸ happen for different reasons in different places. However, the report identifies three main explanations: The first is changes in the nature and location of jobs (as rehearsed in Chapter 2). The second is the impact of housing market 'sorting' processes such that those who are most disadvantaged become grouped together. The third is 'area effects'. The SEU (2004) report contends that once people live in an area with many people out of work, their chances of finding work can be reduced simply because of where they live. This can arise because of either 'place effects' arising from characteristics of a place such as its location, poor infrastructure, lack of transport, competition for limited job/training opportunities or variation in the quality of local services, or 'people effects' – relating to the damaging effect of living with many other workless people, for example, limited information about jobs (as highlighted above) and area-based discrimination by some employers. Gordon (2003, 77) refers to this latter process as 'spatial hysteresis', and emphasises the role of 'micro-social' processes operating at the household/family level as part of a system providing '*...a very powerful set of, largely*

⁴⁸ This report is concerned with worklessness in aggregate, and not specifically with workless couples.

social, forces tending to reproduce concentrations of unemployment within areas where they may originally have emerged for quite other reasons – presenting more complex challenges for policies to reverse the process, suggesting a need for holistic strategies to address worklessness in deprived areas. This might explain why in local areas that suffered large scale redundancies in years gone by with the restructuring of the industrial base, relatively high levels of non-employment persist. Indeed, analyses by Clark (2003), exploring unemployment as a 'social norm' shows the unemployed's well-being to be positively correlated with reference group unemployment (at the regional, partner or household level).

These findings suggest a psychological explanation of both unemployment polarisation and hysteresis⁴⁹, and point to a need to understand more about the interrelationship between unemployment, housing, local social networks and attitudes towards work and society (Fieldhouse, 1999). However, controversy remains about the importance of 'neighbourhood effects' and how they operate in creating barriers to work. In a recent review, Durlauf (2004) finds that quasi-experimental work provides little evidence of neighbourhood effects, while the bulk of observational studies do find evidence, highlighting the importance of social interactions (as outlined above) – especially, role model effects and peer group influences. On the basis of survey data from a comparative study of deprived and socially mixed neighbourhoods in Glasgow and Edinburgh, Atkinson and Kintrea (2001) find that the data provides evidence that supports the area effects thesis, in particular in relation to area reputation and employment, and conclude that living in areas of geographically concentrated poverty creates additional problems for residents. Buck (2001) also finds some evidence for neighbourhood effects on social exclusion.

4.3.12 Overview

This section has outlined a wide range of potential barriers to employment that help to explain why individuals/couples may remain workless. Most of the barriers to work are relevant to individual workless people generally (whether or not they are part of a workless couple). Others are more specific to workless couples (e.g. 'traditional' views of household responsibilities) or are more pronounced/ different for them (e.g. financial incentives, caring responsibilities). However, it should be noted that being 'different' can sometimes be a positive factor and sometimes be a negative factor, according to workless couple circumstances.

Figure 4.2 summarises the main barriers identified, and highlights their particular relevance to couple households (as appropriate). The obstacles to getting back to work involve a mixture of demand- and supply-side factors. For workless couples, the complex interweaving of barriers to returning to work including desire to work, a lack of (good) jobs, financial considerations, perceptions of risk, lack of transport,

⁴⁹ Here hysteresis relates to a situation in which a range of negative factors come together in a quantity such that production of any positive outcomes is delayed.

poor skills, weak work histories, ill-health, age, caring responsibilities, poor networks and detrimental place-based effects suggest a need for policies that are 'tailored to fit' a diverse array of circumstances.

Figure 4.2 Barriers to work faced by workless people and their specific relevance to workless couples

Barrier	Description	Relevance to couple households
<i>Lack of qualifications and work experience</i>	An individual may lack up-to-date training, lack skills that match current labour demand (particularly in areas of significant structural change)	A lack of qualifications presents no greater barrier for a person in a couple than for a similar individual not in a couple, but 'assortative mating' means that in a couple both partners are likely to have similar qualification levels
<i>Health problems</i>	Individual barriers include physical impairments and long-term health problems, as well as mental and emotional health problems	Individuals in couples may be impacted by a partner's poor health – this may pose an additional barrier to employment
<i>Caring responsibilities</i>	Caring for a range of dependants – including older or younger relatives (both inside and outside the household) may make it difficult to find work, especially since many (particularly women) only want to	Individuals in couples are more likely to care, and to care more, than those not in couple households
<i>Attitudes</i>	Attitudes to employment – for example, unrealistic attachments to former job status, lack of job 'focus' Attitudes about caring	It is possible that individuals in couple households may display stronger/more traditional gender stereotypes than those not in couple households

Continued

Figure 4.2 Continued

Barrier	Description	Relevance to couple households
<i>Lack of confidence in the ability to find work</i>	Poor motivation, confidence and self-esteem is a barrier in gaining employment	Those in couple households are likely to be influenced (positively or negatively) by their partner's confidence in their ability to find work
<i>Personal attitudes about age</i>	Some individuals in the older working age groups may see themselves as winding down to retirement, and so may be less interested in finding work	Individuals in couple households tend to synchronise retirement decisions, and therefore partner's attitudes about age are likely to have an influence (which can be positive or negative) on seeking work/work entry
<i>Employer attitudes</i>	Towards older people Towards people with a discontinuous work history Towards people who are long-term unemployed/non-employed	No direct evidence on belonging to a couple household making any difference, but it is possible that employers would be reluctant to take on individuals from workless couple households because of a perceived lack of 'work culture' (at household level)
<i>Financial barriers – benefit disincentives</i>	Arise from relatively low wages many people are likely to secure: the smaller the wage gap between benefit and work, the less likely customers were to see the advantages of moving from the security of benefits into the relative insecurity of work	For an individual in a couple household financial barriers to work are complicated by partner's circumstances (which influence household income)

Continued

Figure 4.2 Continued

Barrier	Description	Relevance to couple households
<i>Transitional financial problems</i>	Uncertainty associated with moving from benefits to work	In a workless couple household the uncertainty has implications for the partner as well as for the individual contemplating a return to work
<i>Unwillingness to reduce reservation wage</i>	Unwillingness to contemplate a reduction in the reservation wage reduces the number of potential job opportunities available, and so is a barrier to employment	In a workless couple household willingness to reduce the reservation wage is likely to be influenced (at least to some extent) by the impact on overall household income
<i>Personal barriers</i>	Including alcohol or drug dependency (either past or present), history of offending, literacy or numeracy difficulties, transport difficulties – including issues of cost and time, and issues with public transport	Personal barriers faced are unlikely to be experienced differently by individuals in couple households from those in non-couple households

Continued

Figure 4.2 Continued

Barrier	Description	Relevance to couple households
<i>Local labour market conditions</i>	Local labour market conditions and the availability of suitable jobs (i.e. jobs which individuals are both willing and able to take) – changes in the economy, leading to a ‘cultural mismatch’ between the types of jobs wanted and the types of jobs available acts as a barrier to work; especially in the case of unemployed men not wanting to take part-time low paid service sector jobs	Labour market barriers faced are unlikely to be experienced differently by individuals in couple households from those in non-couple households – although it is possible that gender stereotyping of jobs might be more of an issue (and more of a barrier to work for those in couple households), so reducing the range of jobs deemed acceptable
<i>Multiple barriers</i>	Some people face multiple barriers: the key overlaps in barriers being age, low levels of skills/ qualifications, sickness and disability, and caring responsibilities	In the context of a couple household the interplay of multiple barriers faced may be more complex than in a non couple household

4.4 Leaving worklessness – bridges

‘There are differences between places, and differences in individual biographies and work histories. These all contribute to an uneven, differentiated and complex labour market.’

(Fothergill and Macmillan, 2003, 247)

In the previous sections, the ‘triggers’ to worklessness and the ‘barriers’ to labour market entry have been discussed. The complexity of individual and household circumstances has been highlighted. Moreover, it has been pointed out that the initial trigger which leads to labour market exit is often different from the factors preventing labour market re-entry (Yeandle, 2003a). Some barriers may be relatively easily addressed, while others may never be overcome; yet, as noted by Moss and Arrowsmith (2003), people need help and support to return to work in spite of barriers – perhaps by bypassing them rather than going over them. Individual and

household decisions about entering work involve both employment-related factors and other (i.e. non-employment-related) factors. This implies the need for a 'bottom up' approach to policy which takes account of how people respond to opportunities on a day-to-day basis (Fothergill and Macmillan, 2003), rather than focusing solely on enhancing labour supply or adjusting wage levels to facilitate a matching of supply and demand – although policies concerned with upskilling and with altering financial incentives to work and disincentives to remain non-employed may play a very important role. This sub-section is concerned with reviewing policies designed as 'bridges' for leaving worklessness, and, where possible, to highlight not only 'what works' but also to gain insights into 'why it works'.⁵⁰

One key factor to take into account at the outset in a discussion about leaving worklessness is **whether an individual/couple wants or needs to enter work**. Here it is salient to note that 'looking for work' is the real driver for entering work, while 'wanting work' is a driver for looking for work.⁵¹ Arrowsmith (2004) shows that in the majority of workless couples, at least one partner would like to work. In 62 per cent of workless couples with children, one or more would like to work (in the largest subset (34 per cent of total) the man would like to work but the woman would not, while in the next largest (23 per cent of the total) both would like to work). However, only in 42 per cent of workless couples without children, do one or more partners want to work.

In analyses using FACS data, Kasparova *et al.* (2003) identify three types of non-working couples with children: (1) either or both partners looking for work; (2) neither parent looking for a job immediately but either or both expected to look for one in the future; and (3) neither parent looking for a job and neither knew when they might look or expected to look. The first two sub-groups each accounted for around two in five non-working couples, while the third sub-group accounted for one in five. Those in the third sub-group who were furthest from the labour market were the most clearly distinguished group: they were typically older, and likely to have no qualifications.

Arrowsmith (2004) presents evidence that transitions into work of partners are not independent. Using data from spring 2003, she showed that of 710,000 couples where both partners were of working age one year ago, just over a quarter had one or both partners in employment a year later. She shows that amongst couples with children there is a stronger tendency to move from worklessness to the man only being employed, whereas for couples without children if the couple stops being workless it is likely that both partners find work at around the same time.

⁵⁰ Note that most of the available evidence does not include a focus on couples.

⁵¹ Not all people who 'want work' are 'looking for work' – for example, some may be 'discouraged' from looking for work.

4.4.1 Attitudes

In Chapter 2, reference was made to different expectations about working, which shape labour market behaviour. For example, in an Italian study of the response of the wife's employment to the event of the husband losing his job, Del Boca *et al.* (2000) reveal that families' **attitudes** towards women's work outside the home play an important mediating role. The study uses the employment decisions of parents (mothers and mothers-in-law) as a proxy for the couple's attitudes towards women's work. In the UK, modelling of movements into work also highlights the importance of positive attitudes to work in job entry: Kasparova *et al.*, (2003) showed that couples were more likely to have at least one partner return to work if the respondent had ever worked in the past, and if the respondent expressed a positive attitude towards work. Duncan *et al.* (2003) also highlight how people make decisions not solely on the basis of what is 'rational' from an individual or couple perspective, but with reference to moral and socially negotiated views about what behaviour is right and proper, and this varies between particular social groups, neighbourhoods and welfare states (as outlined in Section 3.4). They contend that Government policies in Britain assume that the male breadwinner model is being replaced by the adult worker model, and that policy should support and promote this change. In theoretical terms, policy amalgamates the individualisation model (describing the preferences and values of individual adults) with new household economics (describing how people operationalise these values). But family life might not follow this trajectory. Indeed, in a discussion of gender, class and welfare state formation in the 21st Century, Thistle (2002) argues that there is an **uneven breakdown** of the gender division of labour, accentuating divisions of race/ethnicity and class. The implication is that different policies are likely to be needed for different sub-groups in different places, because of different decision-making profiles.

This is not to imply, however, that people's attitudes remain 'fixed'. Rather attitudes change over time, as people may bring attitudes in line with behaviour, and vice versa. In a study undertaken in the 1980s (i.e. well before New Labour's introduction of welfare-to-work policies and tax credits) of 40 married or cohabiting couples in Hartlepool, Morris (1987) argued that despite challenges to the 'family wage' through the rise of long-term male unemployment, growing job insecurity, increased economic activity of married women, and the demonstrable importance of their earnings for the household, a wife's role as earner or potential earner continued to be viewed as peripheral. She contended that this was largely to be explained by an interaction between Supplementary Benefit rulings and the part-time nature of much of the demand for women's labour, such that a wife was most likely to take on, or continue in employment where her husband is himself in work or perceived to be only temporarily unemployed. Hence, 'traditional' gender roles and patterns of behaviour, were reinforced by the operation of the benefits system.⁵² However, in a

⁵² It is possible that, in practice the current operation of tax credits, also reinforces 'traditional' gender roles by encouraging only one member of the couple to work (with emphasis usually being placed on the man).

study of decision-making after redundancy in the US Midwest, Holang (1991) revealed no dramatic change in decision making, suggesting a stability which may imply that spousal decision making is established over the course of marriage and is resistant to change, even in the face of hardship.

The growth of active case management in welfare-to-work programmes has promoted the importance of attitudes and attitude change. The success of Personal Advisers may depend a lot on changing attitudes, since non-working households and individuals may feel that they have little to gain financially or otherwise from taking a job, and they may prove difficult to dissuade from reliance on benefits. The presence of children in a household tends to complicate the relationship between attitudes and work, not only because children represent an extra 'variable' in the equation, but because of the intervention of deeper values about what is best for children, and how best a balance can be co-ordinated between hours spent at work and hours spent at home with children, for each individual parent and for the couple. Analyses of FACS data shows that respondents in couples (nearly all women) were almost equally divided about staying at home with their children and going out to work (Kasparova *et al.*, 2003).

In any assessment of the role of attitudes to work as a factor in transitions out of worklessness, it is important to consider the attitudes of employers to the non-employed (and to older people and to people from particular population sub-groups), as well as the attitudes of the non-employed to work. Case studies have revealed evidence of employers' reluctance to interview and/or employ (long-term) unemployed people (Brown *et al.*, 2001; Adams *et al.* [2002]). Other studies provide a somewhat more positive picture: Atkinson *et al.* (1996), Hirst *et al.* (2002) and Atkinson and Williams (2003) indicate that although most employers do not see unemployment per se as a barrier to recruitment, they do express concerns about the motivation, attitudes and skills of the long-term unemployed. Likewise, Hogarth *et al.* (2003) found that employers were implicitly seeking to recruit people who were already employed but would not discriminate against someone just because they were unemployed. However, a feeling that unemployed people did not possess the required skills and attributes; concerns over why the unemployed person had lost their job; and a preference for a continuous employment record, tended to militate against the employment of unemployed people. However, a review of evidence from the New Deal evaluations (Millar, 2000) reveals that employers are especially concerned about employing people with 'other' problems (such as criminal records or mental health problems). Employers may also display some reluctance to employ people from particular sub-groups – possibly as a result of negative and/or outdated stereotypes, as revealed in research from Oldham on Pakistani and Bangladeshi women (Dale, 2002).

4.4.2 Benefits

In Section 4.2 some real and perceived financial disincentives to entering work were highlighted. There is clear evidence that the benefits system operates as a constraint on the willingness of some of the unemployed and inactive to take-up work perceived as low paid and insecure. Research by Smith (2000) in south London revealed that the potential loss of Housing Benefit (HB) was a significant factor influencing people's attitude towards low-paid, insecure work. A study by McKay (2003) showed that those receiving HB were less likely than average to have moved into work, both compared with other tenants and those in other housing tenures. Specifically in relation to workless couples, a comparative analysis of labour force participation amongst the wives of unemployed men in Britain and West Germany found that whereas in West Germany when a man becomes unemployed his wife is more likely to enter employment than when he was employed, in Britain when a man becomes unemployed, his wife is less likely to enter employment, especially part-time employment (McGinnity, 2002). This effect was attributed, at least in part, to the disincentive effect of means-tested benefits in the UK. Amongst the over 50s, Hirsch (2003) found that those with low skills are often little/no worse off in retirement than in work.

As highlighted in Section 2.3, and reiterated above, one key policy initiative introduced to help bridge the entry of the non-employed into work is in-work benefits (i.e. tax credits). Information from a study concerned with tracking the lives of 200 families in four of the most disadvantaged urban areas in the country⁵³ reveals that while new tax credits might have had a real impact in encouraging families to take up employment, there would possibly be even higher take-up of work if people felt that they could rely on the system; instead, they highlighted administrative problems with the system (Power and Wilmot, 2004). Other evidence reveals that the early stage of the transition from non-employment into work brings about a range of new expenditure and often unpredictable levels of income, leading to financial pressures (Harries and Woodfield, 2002). People's experiences of the transitional period into work demonstrate a great deal of variation, reflecting the complex interplay of factors which affect the impact of the transition from benefit receipt into work of heterogeneous workless individuals and couples. This suggests a need for flexibility in support provided to individuals and couples, while uniformity of benefit rules and simplicity in design are important tools in effective promotion of transitional support packages.

4.4.3 Employment: quality and quantity issues

A number of commentators have questioned the long-term implications of the primary focus of New Deal programmes on supply-side measures to increase participation in the labour market rather than enhancing the quality of employment by changing the conditions under which participation takes place. For example,

⁵³ Two in East London and two in Yorkshire.

Rake (2002) suggests that the New Deal programmes operate with the underlying principle that employment should be considered as a first option, with training or retraining offered where this fails. She contends that this emphasis on insertion into the labour market rather than the quality of employment or the longer-term prospects of workers may be mistaken, given the structure of the current labour market. Growth in some parts of the service sector, associated with the availability of part-time and casual employment, means that for many the real barriers to labour market opportunity may not be present at the point of entry into the labour market, but rather at their mobility and prospects once there. For women, in particular, she suggests that there is a high risk of getting caught in low-skilled part-time work without prospects for promotion or employer provided training. Likewise, Taylor *et al.* (2004) in a study of low incomes and deprivation over time as part of the SEU 'Dynamics of Deprivation' series, while showing that employment status has a strong effect on deprivation, and so endorsing the view that 'work is the best route out of poverty', also make clear that it is well-paid work, clear of the in-work benefits/tax credits line, which really makes a difference. This highlights the importance of a concern with quality of employment (raised above with respect to the low skills equilibrium) and with workforce development initiatives to enhance opportunities for advancement once in employment. The gender pay gap and the greater prevalence of part-time working (associated with limited opportunities for training) amongst women than men are pertinent issues here.

Another thrust of the critique of New Deal policies has focused on a failure to give adequate attention to the implications of weak labour demand in the major northern metropolitan and industrial areas (Turok and Webster, 1998; Peck, 1999; Theodore and Peck, 1999; Martin *et al.*, 2003). These arguments received some support from the House of Commons Education and Employment Committee (House of Commons, 2000), which acknowledged the significance of weak labour demand in some areas and called for a stronger emphasis on policies to increase the demand for labour in high unemployment areas. This implies a need for policies to be sensitive to local labour market context.

In a similar vein, in a study of over 500 households in various neighbourhoods in a relatively affluent southern city and a poorer northern area in the UK, Williams (2001) reveals that one is 'better-off' living in a jobless household in the northern city than the southern city in terms of one's ability to get tasks completed – implying that there are spatial variations in experience of living in a jobless household. He also finds that 'work pays' in the southern city more than in the northern city, and goes on to call for more comprehensive data on regional variations in costs of living for jobless and wage-earning households, and for a fuller analysis of the regional impacts of national welfare-to-work policies, as well as whether these need to be regionally differentiated in order to become more effective.

4.4.4 Policy issues in a holistic context

More generally, there may be scope for understanding more fully what strategies workless households may be adopting currently, in order to survive, and how paid employment may be built into such strategies. The 'sustainable livelihoods framework'⁵⁴ - in which key elements, factors and relationships that affect the lives of poor communities, and the various feedback loops between them, are identified – could provide a useful conceptual structure here.

As highlighted in Section 2.3, a range of policy measures are in place to address problems of worklessness and to provide a bridge into work. It is not only the role that policy levers play individually, but how they come together in unison (or discord) with each other and with external factors, that influences success in building a bridge to work. For example, Kasparova *et al.* (2003) attribute an increase in labour market participation by mothers to an improved labour market, increased rates of in-work support and additional support for childcare, and increased opportunities for children to enter full-time education between three and four years of age.

4.4.5 Conclusions

The evidence presented in previous sub-sections underscores time and again that workless couples are not really a single group: they are united by worklessness, but by little else. They vary in terms of age, skills, work histories, attitudes, access to local jobs, etc. For example, on the basis of FACS analyses, Dorsett and Kasparova (2004) identify three broad types of low-moderate income couples.⁵⁵ The first type comprises older couple with one older child who were claiming health-related benefits. The second type included couples with good health who were in their thirties, had young children, some qualifications and a positive attitude to work. Characteristics of the third type are poorly educated young couples, often from a minority ethnic group, with three or more children and no access to a car. The variation in workless couples suggests a need for flexible policies, rather than a blanket approach. The majority of them are inactive, and so detached from the labour market, and since inactivity tends to be a very stable state, the scale of the policy challenge is huge (Dorsett, 2001). Conversely, trends in household formation and dissolution point in the direction of increased dynamism, and policies need to adjust to this instability. Dorsett (2001) contends that policies are more likely to be effective if they take specific account of the characteristics of their target population and calls for a better understanding of the inter-relationship of partners' employment

⁵⁴ The basic concept underlying the sustainable livelihoods framework is that the quality and sustainability of livelihoods depend on the strategies communities develop to manage their 'capital assets', which are, by and large, under their control, within an environmental and institutional context, over which they may have little control. (For further details see http://www.livelihoods.org/info/info_guidancesheets.html).

⁵⁵ Note that the FACS analyses cover couples with children only.

statuses to help predict the effect of employment policies. Yet this evidence review has revealed a relative paucity of information specifically on workless couples, despite the fact that more studies focusing on couples and families has been undertaken in recent years.

Policy evaluations indicate that Personal Adviser support is popular and effective (Moss and Arrowsmith, 2003; Hasluck, 2002), although Atkinson (2001) indicates that there is not necessarily a statistical correlation between case loading and the likelihood of securing employment. In a review of the initial evaluations of New Deal, the Personal Adviser role is identified as being 'pivotal': it emphasises 'sensitivity' to context. Such 'sensitivity' to context is also identified as a central element in the success of local schemes to combat worklessness. Sanderson *et al.* (1999) suggest that the effectiveness of local action, especially for those experiencing the greatest disadvantage in the labour market, is enhanced by the capacity of schemes to develop integrated packages of 'active' measures to the circumstances and needs of individuals, including advice, guidance and help with job search in an 'action planning' framework. They conclude that the value of local schemes lies in their capacity to 'get to grips' in detailed and specific terms with the 'micro-processes' which operate in local labour markets to exclude people from work. Here 'localisation' and 'individualisation' are identified as key features in policy success.

Finally, the key messages from the evidence on dynamics of worklessness presented in Chapter 4 are as follows:

- Workless couples are a 'moving target' and so 'barriers' and 'bridges' to work may move too.
- Barriers are not always overcome before people return to work – some people in employment face the same barriers.
- For those more distant from the labour market and/or with a greater complexity of problems, the greater the relevance of 'flexibility' in policy approaches.
- For some workless couples (e.g. the 'economically independent') policies for encouraging a return to work might not be viable.
- Employment 'quality' issues should not be neglected in attempts to raise employment rates.
- It is perhaps useful to identify different distinct sub-groups of workless couples (although there will be overlaps between them) for purposes of targeting different mixes of policy ingredients.
- The complexity of individual circumstances suggests a need for 'personalisation' of policy approach – a need for 'person' and 'context' sensitivity in policy (in which 'household' is part of that context).

5 Policy, workless couples and partners

5.1 Introduction

Worklessness has become a central concern for social policy (as highlighted in Section 2.3). There are a number of reasons for this, including concerns about the social exclusion of those without paid work, the link between worklessness and poverty (especially child poverty) and, not least, the cost to the State of welfare payments to workless people and households. It is widely recognised that not having a job leads to deprivations that exceed the simple lack of a market income (Hasluck and Green, 2004).

The welfare system appears to occupy a central, but contradictory position in considerations of workless households. On the one hand, the welfare system and recent reforms to it have been important instruments in Government policy to reduce the number of workless people and households. At the same time, there is a considerable volume of evidence that implicates the welfare system in the creation and maintenance of workless households. Some elements of the welfare system provide incentives to remain workless while others provide incentives to seek and enter work. This section examines some of the recent evidence relating to welfare and worklessness together with other policies designed to encourage and sustain employment.

Immediately after its election in 1997, the new Labour Government began to implement its 'Welfare to Work' strategy. The aim of this strategy was to encourage and facilitate entry into work and, in the longer-term, to reduce dependency on welfare benefits. The strategy involved, first, a series of labour market interventions under the New Deal and other initiatives and, second, a fundamental review of the tax and benefit system. The former was intended to help non-working people into jobs and to increase their long-term employability while the aim of the second was to increase the incentive to work and 'make work pay'.

There are a wide range of initiatives that are intended, directly or indirectly, to increase the incentive for people on benefit to obtain employment by 'making work pay'. Bennett and Millar (2005) identify at least 13 major policy initiatives and reforms since 1997 designed to help ease the transition to work and at least 24 policy initiatives and reforms designed to raise the income of individual low paid workers or families on low incomes with someone in paid work. Such policies, designed to make 'work pay', can, for convenience, be grouped into five broad types or approaches. These are:

- major programmes of employment services, such as New Deal;
- policy to encourage and inform;
- policy to ease the transition from non employment to paid work;
- tax and benefit reforms; and
- the introduction and revision of a National Minimum Wage.

These are considered below.

5.2 Supporting job search and the transition from welfare to work

5.2.1 New Deal programmes

The New Deal has been delivered by means of a number of different programmes, each aimed at a different target group. The main New Deal programmes are:⁵⁶

- New Deal for Young People (NDYP);
- New Deal 25 Plus (ND25plus);
- New Deal for Lone Parents (NDLP);
- New Deal 50 Plus (ND50plus);
- New Deal for Disabled People (NDDP).

While sharing the common goals of New Deal, these programmes have been quite distinct in terms of their objectives, the basis on which participation takes place and the range and type of provision available. While this remains the case, there is evidence that the different New Deal programmes have been converging in terms of their structure and provision (Hasluck, 2000a). The culmination of this convergence is embodied in the Building on New Deal (BoND) strategy being developed by the Department for Work and Pensions and Jobcentre Plus (DWP, 2004).

⁵⁶ There are a number of other New Deal programmes operating alongside the main programmes mentioned here. In addition, it should be noted that several of the New Deal programmes, most notably ND25plus, have gone through several evolutions since they were first launched.

Workless couples will be eligible as individuals to participate in one or other of the New Deal programmes. Eligibility depends mainly upon the benefit being claimed, claim duration and age although other criteria may also apply in some cases. In the case of people claiming Jobseeker's Allowance (JSA), participation in a New Deal programme is mandatory. In terms of workless households, NDLP is particularly important but lies outside the scope of this review. All other New Deal programmes (NDYP, ND25plus, ND50plus and NDDP) potentially offer support and services to members of workless couples. It is important to note, however, that it is normally only the claimant who is eligible for the programme and not their partner. There are two exceptions to this general rule. First, New Deal for Partners (NDP) which is targeted on the dependent partner of a benefit claimant but in which participation is voluntary. The second exception relates to workless couples with no dependent children and who are claiming JSA. They are not eligible for NDP and must go through the Joint Claim procedure that requires both partners to meet JSA rules, undertake various activities including work-focused interviews and offer the full range of Jobcentre Plus services to the couple.

New Deal programmes have been extensively researched and evaluated at both the individual and macro levels. Summaries of the findings from early evaluations can be found in Hasluck (2000a), Hasluck (2000b), Hasluck (2000c) and Hasluck (2002), while a summary across all New Deal programmes is contained in DWP (2004). Despite this wealth of evaluation evidence, little, if any, looks specifically at the impact of New Deal on workless couples and the focus is almost exclusively on the impact of the initiative upon individuals. Where New Deal has, exceptionally, been targeted on couples through NDP, the impact appears small, mainly because the take up of NDP has been very low. Access to New Deal programmes is facilitated by the Joint Claims procedure. Evaluation of Joint Claims suggests some positive outcomes on job search and job entry. Section 2.4 (above) considered the evidence relating to Joint Claims, NDP and Work Focused Interviews for Partners (WFIPs) and that section should be referred to for a more detailed discussion of the impact of these interventions.

5.2.2 Supporting the transition to work

One of the major barriers to entering paid work is the transition period from non-employment on benefits to paid work. There are costs associated with the transition. Some of these costs are real and monetary (such as loss of some benefits or the cost of work clothes or tools) while others are subjective (such as the uncertainty about the security of future employment income and benefit status). The availability of support during the transition may just tip the balance in favour of work for some job seekers.

The practices and procedures of many initiatives are predicated on the belief that clients do not always fully understand the returns from working. There may be a culture of benefit dependence in which those on benefit believe that they are financially better off claiming benefits than working. This perception will be correct

in some instances, but not all. In-work Benefit Calculations ('better-off calculations') are routinely provided to claimants during early interviews with Personal Advisers in order to demonstrate the gains from employment when all relevant information (including in-work benefits) are taken into account. There is evidence that 'back to work' calculations had a significant impact on NDLP clients (Hales, *et al*, 2000). Initial qualitative evidence relating to NDP suggests that such calculations can be useful for people taking part in WFIP or going onto NDP.

Other initiatives have sought to reduce the cost of the transition from benefit to work. Even if better off in work, a benefit recipient may still be deterred from entering work by the costs associated with leaving benefit. These costs arise because:

- earnings are usually paid '*in arrears*', so creating a (one-off) gap in income;
- it may be some time before in-work benefits become established;
- benefit recipients often have no savings to '*cushion*' them, even for a few days;
- some living costs are on-going, such as rent and utility bills;
- work itself involves start-up costs, such as clothing, tools, travel and childcare costs;
- initial take-home earnings may be reduced if an emergency tax code has to be applied;
- starting work may reduce entitlement to other benefits.

Harries and Woodfield (2002) found that the need for transitional support was greatest amongst benefit recipients with dependent children or other dependents, those with substantial accumulated debt, those with regular housing costs (mortgage or private rent) and those with few informal networks to access financial support to help them through the transition. Several initiatives have been introduced to address this problem. These include:

- the Job Grant;
- Housing Benefit Run On (HBRO);
- Council Tax Benefit Run On (CTBRO);
- Mortgage Interest Run On (MIRO);
- Lone Parent Run On (LPRO);
- ND50plus credit;
- Adviser Discretion Fund (ADF).

Such benefit 'run ons' help address one of the major concerns of people leaving benefit for work, namely uncertainty about their income (especially during the initial months of work).

Job Grant was introduced in April 2001 and provided a grant of £100 for clients who have made a continuous claim for Income Support (IS), JSA, Incapacity Benefit (IB) and Severe Disablement Allowance (SDA) for 52 weeks or more. This was extended to £250 for claimants with children in 2003. Claimants must be moving into work of at least 16 hours per week and expect their employment to last for at least five weeks. HBRO was first introduced in April 1996. Recipients receive Housing Benefit (HB) for four weeks after they leave benefits to start work. To qualify for a run-on, a claimant must leave benefit to start work after being on IS or JSA for at least 26 weeks and the work must be expected to last at least five weeks. Eligibility conditions for CTBRO are the same as those for HBRO. The ADF was introduced in April 2001 to enable payments (up to £300) to be made to New Deal participants to help overcome specific barriers to searching or securing employment. Since 2002 a number of other types of benefit recipient have also become eligible for support from the ADF. A key feature of ADF was that decisions about funding rest with Personal Advisers. This was intended to provide a flexible means of addressing barriers to job search or entry to work (where a small amount of money can help) and to allow a better match between the support provided and the needs of the client. ADF payments have averaged around £100 per person, although in some cases larger payments have been made and it is permissible in some cases to exceed the £300 ceiling. ADF is most commonly used to help with the purchase of work clothing, tools and equipment, travel or transport costs and (in the case of lone parents) up-front childcare costs (ECOTEC, 2004).

Qualitative evaluation of transitional support has demonstrated that perceptions can be as much of a barrier to employment as were tangible financial barriers (Harries and Woodfield, 2002). The evidence highlighted the importance of publicity around transition packages and the critical role of advisers in promoting these measures. Low levels of awareness lessened the potential for a widespread incentive effect. In terms of the actual financial experience of transition, the provision of financial assistance had made a dramatic difference for some people's ability to cope with a return to work. Nonetheless, others indicated that the scale of transitional support had been insufficient to prevent them incurring new or greater household debt. A number of factors accounted for the reduced effect of transition measures and these included:

- poor administration and problems with payments (especially in relation to the timing of receipt of the job grant and problems with automatic 'run-ons');
- payments not amounting to enough to overcome additional expenditure (specifically relating to childcare and travel costs);
- 'run-ons', in particular, were identified as critical in ensuring financial stability during the transitional period.

Staff in key agencies delivering transitional support were clear that a successful package of measures relied upon effective publicity and administration. In particular, staff were concerned by the number of competing transitional benefits, all of which

required different forms of administration and had different eligibility requirements. The complexity of transitional benefits currently available had the following impacts:

- confusion about who was eligible for what measures;
- reduced promotion of measures for fear of misdirection;
- ineffective delivery of elements of the package due to confusion about eligibility or lack of awareness.

A simplified set of eligibility criteria and co-ordinated administrative systems relating to the easement package were, therefore, seen as critical to effective transitional support.

Evaluation of ADF has pointed to high levels of job entry amongst clients who have received support from ADF (ECOTEC 2003a). It is difficult to establish how much of these job entries were attributable to ADF, first because ADF is usually part of a larger package of support and, second, because ADF funding is likely to go to people who are most job ready but face some minor barrier.

5.3 The tax and benefit system

The relative financial reward from employment compared to income from benefits (the replacement ratio) is affected by taxes on earnings and the level of benefits when out of work. In principle, it is possible to consider taxes and benefits separately. With the recent introduction of tax credits paid to eligible people in work through the Inland Revenue, the distinction between taxes and benefits has become blurred and for that reason they should be treated together.

In terms of social policy and the tax and benefits system, recent Government policy has had two principal aims (Brewer and Shephard, 2004). These were to:

- make work pay by increasing the return from work relative to the income that can be derived from benefits while out of work; and
- reduce the incidence of child poverty.

While linked, some aspects of these two aims are inconsistent with one another. Government policy is firmly of the view that entry to work is the best means of reducing poverty, hence the emphasis on making work pay. However, concerns about child poverty have led to efforts to raise the incomes of households containing children, whether or not such households are working. Consequently, out of work benefits have increased significantly for people (including couples) with children. To some extent this has offset the additional work incentives sought from recent fiscal reforms.

5.3.1 Benefit reforms

In 2002/03, around £120 billion was spent on social security benefits in Great Britain. Over 30 million people (over half the population) were in receipt of income from at least one social security benefit (HM Treasury). The range of benefits on offer is considerable. In a recent review of the UK benefit system, the Institute for Fiscal Studies (IFS) identified 30 specific benefits and related tax credits of relevance to working age adults (Leicester and Shaw, 2003). Excluding benefits specifically for older people, benefits can be classified into six broad types (with key benefits indicated under each):

- benefits for families with children:
 - Child Benefit (ChB);
 - Child Tax Credit (CTC);
 - Statutory Maternity Pay, Statutory Paternity Pay and Statutory Adoption Pay;
- benefits for unemployed people:
 - JSA
- benefits for people on low incomes:
 - Working Tax Credit (WTC);
 - IS;
 - HB;
 - Council Tax Benefit (CTB);
- benefits for sick and disabled people:
 - IB;
 - Attendance Allowance (AA);
 - Disability Living Allowance (DLA);
 - SDA;
 - Carer's Allowance (CA);
 - Industrial Injuries Disablement Allowance (IIDA);
- benefits for the bereaved:
 - Widows Benefit (WB) and Bereavement Benefit (BB);
 - Industrial Death Benefit (IDB).

However, few of these benefits are exclusive to people of working age (for instance, many people on IS are people above retirement age). IFS estimated that benefits received by people of working age (16-59/64) accounted for around 26 per cent of social security expenditure (with ten per cent received by people with disabilities, 15 per cent by children and 49 per cent by people over working age).

The most significant benefit initiative since 1997 that might impact upon workless couples is the introduction of tax credits. This in-work support has the effect of increasing the incomes of households conditional upon household members being in employment and is intended both to provide a greater incentive for members of workless households to enter employment and to raise low household incomes. WTC and CTC replaced Working Families' Tax Credit (WFTC) and Disabled Persons' Tax Credit (DPTC) in April 2003. Prior to that, WFTC replaced Family Credit (FC) in October 1999 and in the same month, the DPTC replaced the Disability Working Allowance.

Families with children and workers with a disability are eligible for WTC provided that at least one adult works 16 or more hours per week. People without children are also eligible but must be aged 25 or above and work at least 30 hours per week. WTC consists of a basic payment to those eligible plus a number of additional components, all of which are subject to a means test. There are, for instance, payments to couples, payments for couples jointly working more than 30 hours per week, supplementary payments for people with disability, severe disability and for people over the age of 50 who are returning to work. Payments can also be made to cover an element of childcare costs. In October 2003, around 1.7 million families were receiving WTC of which around 160,000 had no dependent children.

The main benefit for unemployed people is JSA. This benefit was introduced in October 1996 and represented a stricter benefit regime than that operating previously. There are two types of JSA: contributory JSA (payable to those with the necessary National Insurance contributions) and income-based JSA payable to claimants who pass a means test. Where eligible, an unemployed person can receive contribution-based JSA for six months. Thereafter, they become eligible for income-based JSA if they pass the means test. Claimants cannot work more than 16 hours per week while receiving JSA and must be capable of starting work immediately and be taking active steps to find a job.

5.3.2 Taxes on income

There are two main taxes that impact upon earnings: income tax and National Insurance (NI) contributions. Income tax is a complex system in which some, but not all, income is taxed, notably, earnings up to a certain amount (the personal allowance) and particular types of income including many non means-tested benefits. Apart from the routine revision of personal allowances and other minor changes, the income tax regime in the UK has been largely unchanged for many years. There have been small changes in the rates of income tax, notably the introduction of a ten per cent lower band. The most significant innovation has been the introduction of a form of negative income tax in the shape of the new tax credit system; see Adam and Shaw (2003) for a detailed description of the current UK tax regime.

NI contributions are notionally, payments that entitle individuals to certain contributory social security benefits but, in practice, there is little relationship between such

contributions and benefits received. NI contributions are, thus, in effect, simply an additional tax on earned income (although a link remains between NI contributions and entitlement to contributions-based benefits such as JSA). In the past, the NI system has been a source of significant disincentives to enter employment, creating 'tax traps' with a high marginal tax rate affecting people working on low wages and in part-time jobs. Most of these anomalies have been eliminated and the NI system simplified. The most recent changes, such as the alignment of key national insurance thresholds with thresholds in the income tax regime, have virtually eliminated any grounds for distinguishing between national insurance and income tax.

5.3.3 The impact of recent tax and benefit changes

A number of general conclusions can be drawn about recent changes in the tax system and work incentives. First, the real value of the personal allowance has increased in real terms, from £4,329 in 1994/95 to £4,759 in 2002/03 (measured in April 2003 prices). At the same time, the proportion of total tax liability for the top ten per cent of tax payers increased from 48 per cent in 1996-97 to 53 per cent in 2002/03 (Adam and Shaw, 2003). These changes suggest a shift in post-tax income, however marginal, towards the lower paid. While small, this shift provides an incentive to workless couples to enter paid work.

More fundamentally, the basis for taxation has shifted markedly in the last decade from a system providing financial support to married couples to one providing financial support to households with children. This has arisen from the Government's commitment to reduce child poverty. This trend has been substantially reinforced through the introduction of the WTC and CTC and their predecessors. The growth in coverage of the tax credits has been remarkable. By April 2004, around 1.6 million families with children were receiving WTC (Inland Revenue, 2004). A more detailed assessment of tax credits is provided in a later sub-section of this report. Brewer (2003) argues that the reforms will not achieve their stated aims of reducing poverty and increasing work incentives amongst those without children. He argues that:

- those without children who might be entitled to WTC tend not to be in poverty (as currently defined);
- there is no evidence that childless individuals are deterred from working by inadequate financial incentives;
- the WTC is likely to increase work incentives for some but worsen it for others.

The latter point is borne out by evidence relating to the predecessor of WTC, namely WFTC. Brewer *et al.* (2003) estimated the impact of WFTC during the period April 1999 to April 2000 to amount to a net increase in labour supply of around 94,000 people and reduce the number of workless households by a similar amount (95,000). The impact was not uniform, with the largest response to WFTC being by lone mothers whose labour supply was estimated to have increased by almost 70,000 (or 4.6 percentage points). The labour supply of fathers was also estimated to have increased (by just over 30,000, or 0.8 percentage points) but the labour

supply of mothers living in couples was estimated to have actually fallen slightly (by around 6,000 or 0.2 percentage points). Brewer *et al.* (2003) also estimated the net impact of the totality of tax and benefit reforms during the period April 1999 to April 2000 and found a lower increase in labour supply and smaller reduction in workless households. This suggests that the impact of WFTC was partly offset by other fiscal changes during the period.

5.4 The national minimum wage

There is a limit to the extent to which any reform of taxes on earnings can help incentivise workless households since the very lowest paid groups in the workforce pay little or no tax and, thus, see few gains from such reforms. This is not true of tax credits that 'top up' the incomes of people working in low paid jobs (see above and below). An alternative approach to tax credits is to raise the wages of the lowest paid by means of a statutory National Minimum Wage (NMW). The NMW could be used to raise the gap between incomes in work and individual incomes out of work. Moreover, the NMW has the potential to raise the income of both individuals in a couple household and avoids the disincentive effect of household income means-tested tax credits (see below for a discussion of this effect of tax credits). An NMW also has the advantage of passing the direct costs of reducing low incomes from the taxpayer to employers. Against these advantages must be set the risk of increasing unemployment should employers cut jobs in response to any increase in their wage costs.

A statutory NMW was introduced into the UK in April 1999. The NMW was set at £3.60 per hour for adult workers (those aged 22 or above). Since then, the NMW has been revised and from April 2004 has been £4.85 per hour for adult employees. The NMW will increase further (to £5.05) in October 2005 with a further increase to £5.35 in October 2006. In their first annual report, the Low Pay Commission (LPC) estimated that around 1.9 million adult workers were covered by (received a pay rise as the result of) the NMW (LPC, 1999). Subsequent reports from the LPC have revised this estimate down to 1.2 million (LPC, 2003) but Dickens and Manning (2003) have cast doubt even on that figure. They estimate that the coverage of the NMW may amount to no more than about 815,000 adult workers⁵⁷. Looking at the increase in NMW from £4.20 (October 2002) to £4.50 (October 2003), Dickens and Manning (2003) found that it had a measurable impact on the distribution of household incomes, most noticeably in the case of working age households. They estimated that around 25 per cent of households in the bottom two income deciles would have gained from the increase in NMW. The main beneficiaries of such wage

⁵⁷ One possible reason for the fall in number of employees covered by the NMW is that employers have increased pay rates for the lower paid much faster than the average, possibly to avoid the stigma of being minimum wage employers. This would imply an indirect impact on low pay from the NMW.

increases would be women who tend to be paid less than men (Dickens and Manning, 2002). The latter result contradicts earlier findings on the NMW and the gender pay gap (Robinson, 2002), but Dickens and Manning attribute the difference to measurement errors in earlier data. So far, little evidence has emerged at the national level of significant job losses as the result of the NMW (Stewart, 2002: Stewart, 2003). In part this may reflect the lower coverage of the NMW as well as the fact that it was introduced at a time of rising employment (when any impact would take the form of slower employment growth rather than job losses and, thus, be difficult to detect). Overall, the evidence relating to the introduction of the NMW is that it has had a measurable effect on the incomes of low paid working age households without significant costs in terms of job losses.

The NMW should be seen in conjunction with, and as complementing, other policies such as in-work tax credits. Sutherland (2001) concluded that NMW had helped induce more people from workless households into work, particularly in families where WFTC was not payable but also noted that in such cases work entry was only worthwhile if hours of work at the NMW were long enough to secure weekly earnings greater in value than out-of-work benefits. Where households had mortgage interest payments, movement off IS or means-tested JSA was particularly costly (since such interest payments were not covered by any in-work benefit).

5.5 The impact of tax and benefit reforms on workless couples

One method of increasing the incentive for members of workless couple households to seek employment would be to reduce out of work benefits (principally, JSA, IS and IB). To do so, however, would conflict with the aim of Government to reduce poverty amongst the low-income employed and in households containing children. Largely for this reason, successive Governments have, since the 1980s, introduced or piloted in-work benefits of one kind or another. In-work benefits provide some level of financial support to households contingent on being in work.

Family Credit was introduced in 1988 and provided additional household income for families with children where an adult was employed for a minimum number of hours per week. During the mid-1990s, Earnings Top Up, a benefit that extended in-work support to couples without children, was run as a pilot. Both FC and Earnings Top Up were overtaken by the reforms introduced by the incoming Labour Government. In 1999, WFTC was introduced and eventually replaced, in turn, by the WTC in 2003. The introduction of the new tax credits has expanded the number of recipients of in-work benefits in two ways. First, the credits are no longer restricted just to households with children. Second, the levels of support have become more generous with the result that workers higher up the earnings distribution have become eligible for benefits. Blundell (2002) estimated that the number of in-work recipients increased from 250,000 claiming FC in 1988, to over one million in 2000.

In-work benefits are designed to provide an incentive for workless people to enter

paid work. Many workless people face only the prospect of low wages if in a job. Such very low earnings compare unfavourably with their income from out of work benefits (the replacement rate is high). In-work benefits are intended to raise in-work income and, thus, reduce the replacement rate. Unfortunately, in-work benefit schemes rarely operate in a simple manner. First, it is necessary to devise rules for the withdrawal of in-work benefits from higher earners. Usually these rules take the form of a gradual, tapered withdrawal of benefit as income increases. The more gradual the withdrawal, the more earners will be covered by the benefit. A more rapid withdrawal reduces the number of workers covered but increases the marginal rate of income loss as earnings rise. Once earnings levels at which income tax is liable are reached, the combination of in-work benefit withdrawal and income tax may lead to very high implicit marginal tax rate (on occasions in the past these have exceeded 100 per cent). In-work benefits will, thus, always embody something of a compromise between providing an incentive for the non-employed to enter work and providing an incentive for those already in employment to progress up the earnings distribution. Recent reforms to tax credits have tended to reduce the benefit taper, tipping the balance more towards incentives to enter work but expanding the number of potential recipients.

A further complication is that in-work benefits in the UK have always been means-tested, as have many other benefits. In the case of WFTC and WTC, credits are assessed on the basis of household income. The implication of this is that the earnings of one household member will affect (reduce) the in-work benefit of their partner. This provides a potential disincentive to enter or progress in work. Moreover, other benefits are also means-tested on the basis of household income, notably HB and CTB. Any increase in household income from whatever source (earnings or in-work benefit), will lead to a reduction in these and other means-tested benefits.

There have been a number of studies of the impact of recent reforms of in-work benefits in the UK, mainly examining WFTC (the predecessor to WTC). The evidence provides a fairly similar story despite using different methods. All agree that WFTC had a major positive impact upon employment rates of lone parents but much less impact on couples. Brewer *et al.* (2003) concluded that WFTC had reduced the employment of couples (both men and women). Blundell *et al.* (2004a) found no effect on mothers but a reduction in employment of fathers. A similar difference between men and women in couples emerged from Blundell *et al.* (2004b). Only Leigh (2004) reported any increase in employment amongst couples as the result of WFTC. McLaughlin *et al.* (2001) suggest that WFTC had actually resulted in a transfer of income from low-income women to relatively high-income men.

Brewer and Shephard (2004) provide an analysis at household level that sheds light on these more macroeconomic results. Looking at a range of household types, they concluded that recent tax and benefit reforms have resulted in substantial financial gains for couple households with children where one parent works. They also concluded that there was little incentive for a second household member to enter

employment since the financial gains from so doing are small and possibly even negative. In fact, they estimate that as many as half of all couples with children would be worse off under the current tax and benefit regime although many would be better off. Couples without children would see few, if any, gains. Only seven per cent of such couples would see a fall in the replacement rate and over half would be worse off in work⁵⁸. Looking at issues of progression, Brewer and Shephard (2004) found that the increasing generosity of tax credits meant that marginal implicit tax rates in employment had fallen for the very low paid (earning less than £100 per week) but had increased for those earning over £250 per week⁵⁹.

Overall, as far as workless couples are concerned, the evidence from the UK strongly suggests that recent reforms of the tax and benefit system have increased entry to work by one person from a workless couple but discourage further participation by partners. In effect, the number of workless couple households is being reduced by the creation of single worker couple households. Insofar as there is also evidence that the number of working mothers actually declined as the result of the reforms, the effect of the policy appears to have been to spread the burden of worklessness across more households and, some might argue, to disguise the extent of worklessness.

Arguing from a different perspective, Bennett (2002) points to the tensions that exist in current policy. Increasingly policy takes the starting point that everyone who can take paid work should do so (while those who cannot, receive social security). This emphasis on individual responsibility is at odds with the continuing emphasis on the household as the unit for many benefits and policies and the disincentive effects already highlighted. Similar points are made by Bennett and Millar (2005). WTC is assessed on the basis of household income and an entitlement condition relating to hours of work (at least 16 hours per week for families with children and disabled people and at least 30 hours per week for non-disabled single people and childless couples). Thus, while WTC can make work pay for the first partner in a couple who takes paid work, there is a strong disincentive effect for second earners in couples as a consequence of the household income means-testing of WTC.

The point being made by Bennett (2002), however, is not just that perverse

⁵⁸ The replacement rate is the proportion of earned income replaced by benefit income when out of work

⁵⁹ The implicit tax rate refers to the proportion of additional income that is 'lost' through tax and benefit losses. Additional earned income will not only have income tax and NI deducted but will also be associated with some loss of tax credit and other means-tested benefits, leaving a large difference between gross and net additional earnings. In some extreme cases, the implicit tax rate could even exceed 100 per cent, leaving the worker worse off after an earnings increase (although such situations are not common).

outcomes and disincentives occur from household means-testing. Her point is that intra-household relationships are being changed as the result of recent policy developments and tax and benefit reforms, and that those changes are largely being ignored by policy-makers. If the reform of tax and benefits is encouraging one household member to enter employment, how does the household decide which partner that should be? She argues that insufficient attention has been paid to the gender implications of recent welfare reform. This argument has a resonance with the theoretical debate about social and moral identities discussed earlier in Chapter 3. The implications for policy may be that men and women in couples need to be treated as individuals rather than a joint entity. To do otherwise may risk ignoring the conflicts of interest and differing degrees of power that exist within couple households. Having said that, simply extending the coverage of policy to include the partners of benefit claimants is unsatisfactory if the increased obligations placed on partners is not matched by equal status and rights to the claimant. It is worth noting here that approximately 80 per cent of non-working non-claiming partners of benefit claimants are female, reinforcing the point that gender is important in this policy context.

There is nothing inevitable about these outcomes, they are the product of the particular design of current tax credit schemes and the benefit system within which they operate. This is very clear from an earlier paper by Blundell and Hoynes (2003) which contrasts the experience of the UK with that of the USA. The USA has had an Earned Income Tax Credit for many years. Blundell and Hoynes point to the fact that the employment rate of couples in the USA has been increasing since the 1980 but falling in the UK. Their explanation of this difference in experience is that the increasing generosity of tax credits on both sides of the Atlantic has not been matched by a corresponding generosity regarding out of work benefits in the US whereas out of work support to couples with children has increased in step with in-work benefits in the UK. Moreover, in the US, tax credits are not considered as income for the purposes of means-testing other benefits. In the UK, benefits such as Housing Benefit are means-tested on the basis of household income including tax credits. In short, couples in the US get to keep most of their additional in work income, whereas, in the UK, additional in-work income is clawed back in the form of reductions in other benefits.

5.6 'Work poor' to 'working poor'?

Chapter 4 raised the issue of the 'quality' of employment to which workless couples were being encouraged to enter. This important issue has also been raised by several researchers. Singley and Callister (2003), in the context of workless households in New Zealand, observe that many members of workless households lack basic skills and qualifications. They also note that the various measures used to reduce the number of workless households operate mainly by facilitating entry to low productivity and low paid jobs. Sutherland (2001), in the UK context, comments that an escape from poverty can only be secured through entry to work if the NMW combined with

tax credits and other in-work benefits acts as a springboard for something better. Where entry to a job provides a point of entry to the labour market for people previously denied access to paid work, from which they can subsequently access better jobs, this is a desirable outcome. If, however, such jobs do not lead to better jobs or worse still, are not sustainable jobs in the longer-term, then household incomes will not progress. Sutherland (2001) concluded that for most households in receipt of WFTC this was unlikely to be the case. Moreover, the combined impact of the NMW and in-work benefit system was to discourage the partners of previously non-employed people from entering paid work. This being so, policy may have achieved its aim of reducing the number of workless couple households, by converting 'work poor' households into 'working poor' households.

6 Main findings and key messages

6.1 Introduction

This report has presented the results of a review of evidence relating to workless couples. The aim of the review was to undertake a systematic examination of the evidence base relating to couples in workless households, both in the UK and other countries, in order to provide a more complete understanding of research in this area. The intention was that the review will highlight current levels of understanding of the client group, identify evidence of good practice and policy impacts and identify key messages and lessons for the future.

The key findings and messages arising from the review are presented below.

6.2 Key findings

The increasing polarisation of households into 'work rich' and 'work poor' is not unique to the UK but is a phenomena observed in many developed countries, including the USA, Canada, Australia and New Zealand.

By the mid-1990s, around 20 per cent of households contained no working adult. Since then the number of workless households has fallen but the proportionate decline in the number of workless couples has been significantly below that of other household types (notably lone parents).

The majority of workless couples are economically inactive rather than unemployed. Many have some form of disability or work-limiting health problem. Some older workless couples may be economically independent (in receipt of a pension or have other income) and have elected to retire from the labour force. There is also evidence that some individuals/couples face a multiplicity of barriers to work, and that these barriers may be interlinked. This suggests that many workless couples are likely to be a relatively 'hard to help' group.

Household labour supply is a particularly complex area of labour market analysis, mainly because of the interdependence of intra-household decisions and the impact of economic, social and cultural processes upon such decisions. From an economic perspective, theory suggests that low wages in work relative to work benefits (a high replacement rate) taken together with means-tested benefits on the basis of household incomes are likely factors leading to worklessness in a couple household. Household preferences also play a role, although whether such preferences are individually or socially constructed is open to debate.

The risk of a couple becoming workless is less than that of either individual partner, since both would have to be workless at the same time for this to be the case. However, the individual risks of each partner being out of work may be inter-related. The tendency of couples to partner people of a similar social and skill/occupational level (the process of assortative mating), may result in couples where both partners are at a high risk of being out of work (for instance, because they are both low skilled). Individual risk may also be inter-related through the impact of tax and benefit regimes where unemployment or inactivity of one partner impacts negatively on the probability of the other partner being in work.

Workless couples will have benefited from the wide range of programmes and initiatives introduced since 1997 to help those out of work to gain employment (such as the New Deal) even though these were not specifically targeted at workless couples. In some instances, individuals within couples will have been eligible for different programmes. Where initiatives have been targeted on workless couples – New Deal for Partners (NDP), Joint Claims and Work Focused Interviews for Partners (WFIP) – their impact appears positive but modest. Partly this is because, with the exception of Joint Claims, participation is voluntary and take-up low. Even if such policies had a large impact on participants, their impact on the customer population as a whole would be small. In any event, the evidence only supports the conclusion that the impact on participants is mixed and of small scale. In the case of mandatory Joint Claims, the main effect appears to have been to deter claims rather than facilitate greater job entry.

There has been a good deal of change to the tax and benefit regimes in the UK since 1997. These changes have had two important features. First, the changes have been designed to 'make work pay', particularly through the use of in-work benefits such as tax credits. Second, the changes have shifted income in favour of households containing children, in order to reduce child poverty. The second feature to some extent has worked in opposition to the first, since in order to raise the incomes of households with children, out of work benefits have also been increased for those with children.

There is a large body of literature pointing to the disincentive effects of tax and benefit systems in different countries and at different time periods. Many long-standing tax and unemployment 'traps' in the UK have been removed by recent changes to income tax and, particularly, national insurance. The introduction of tax

credits has, however, been associated with new disincentive effects. These arise indirectly because tax credits are regarded as household income for the purposes of assessing entitlement to means tested benefits such as Housing Benefit (HB) and Council Tax Benefit (CTB).

Simulations of the potential impact of Working Tax Credit (WTC) suggests that the tax credit is likely to provide only a modest incentive for workless couples with children to enter employment and little or no incentive for workless couples without children. Moreover the incentives provided by WTC tend to encourage one household member to enter employment but provide much less or even no incentive for participation in paid work by their partner. It is possible that disincentive effects have led to some withdrawals from employment amongst couples where both partners previously worked. If correct, this evidence suggests that a decline in the number of workless couples may have been achieved by increasing the number of couple households in which one member is working. In effect, the reduction in workless couples was achieved by spreading employment slightly more evenly across couple households.

Policy to reduce the incidence of worklessness across couple households seems to have worked by facilitating the entry of one partner to a low paid job. There are disincentives for the couple to increase their total earned income through entry to work by the remaining non-working partner or for the working partner to earn more by changing job or progressing within an existing job (assuming that such progression is even possible). Once one person in a couple has entered work, then the couple may be little better off, or in extreme cases, worse off when the other partner enters work (since the resultant increase in household earnings will result in a reductions in means-tested benefits). Consequently, policy to reduce the number of workless couples runs the risk of replacing 'work poor' couples with 'working poor' couples.

6.3 Key messages

Workless couples are very diverse

- Workless households are a 'chaotic concept'. They are too heterogeneous to be a meaningful single category.
- It might be useful to identify categories of workless couples, but there would still be overlap between such categories.
- In looking at 'triggers' and 'barriers' to employment, it is important to recognise that some workless couples may not want to work.
- Diversity in local labour market demand conditions faced by workless couples may have an impact on outcomes.

The issues surrounding workless couples are complex

- The form of households is becoming more complex.
- Decision-making within households is becoming more complex, with important interactions between economic and socio-cultural factors.
- There are complex barriers to employment, some of which may remain hidden until more obvious barriers are overcome.
- Increasingly, policies are designed to address complexity, for instance 'personalisation', 'flexibility' and 'discretion' in policy approaches and a sensitivity to 'individual', 'household' and 'place' context. The risk is that the resulting suite of initiatives may not all be working in the same direction (for instance recent reforms to tax and benefits) and may lead to confused/mixed messages to workless couples.

Households and couples are dynamic

- Households are inherently dynamic and workless households perhaps even more dynamic.
- The barriers faced by workless couples are also dynamic.
- The triggers leading to worklessness may not be the same as the barriers preventing a return to work.
- Attitudes are dynamic and subject to change.

Perceptions as well as reality are important

- Perceptions matter. People act according to their perceptions (whether or not these accord with reality). Individual/household perceptions matter and so do employer perceptions for entry into work.

Getting the 'economics' right may not be sufficient

- Social, cultural and perceptual issues have an important part to play in developing policy for workless couples.
- Members of workless couples may need relevant role models.

There is a paucity of (relevant) evidence specifically relating to workless couples

- Due to relative lack of evidence on 'interactions' in couples, there is a need to draw on evidence about individuals and use this to inform (tentative) 'conclusions' about couples.
- Where evidence exists, it is often refers to a time period before recent changes were implemented. This raises concerns about the relevance of such evidence to the current policy picture.

- Institutional differences between countries are important. Therefore, the direct relevance or applicability of international evidence to an understanding of the UK context is open to question.

Policy makers need to determine their priorities in relation to workless couples and partners

- Given the diversity of workless couples, it may be more effective to target specific types of workless couple.
- There is an important trade off between dealing with the complexity of the workless couples customer group, and maintaining a simple and effective policy regime.
- Workless couples might be treated more explicitly in existing initiatives rather than through the development of new programmes exclusively for couples and partners. Some simple actions – such as making membership of a workless household a ground for early entry to a New Deal programme – could be all that is necessary to signal the importance of this group and to have an additional effect on couples.
- Current policy encourages one member of a workless couple to enter paid work but discourages a second earner. This may well be an unintended consequence of policy but it appears inequitable and inefficient and may be at odds with other policy aims (such as reducing household poverty).
- Policy needs to take a more explicit account of evolving intra-household relationships and gender roles.

Policy for workless couples needs to think longer-term

- Raising employment rates is a very limited target.
- Therefore, if people formerly in workless couples are to remain in work, issues of job quality and workforce development need to be addressed.

Appendix

Review method

A.1 The scope of the review

The aim of the review was to systematically examine the evidence base relating to couples in workless households, both in the UK and other countries⁶⁰. The review sought to identify, collate and synthesise relevant research and evaluation evidence in order to identify key messages that might inform future policy and research.

In principle, the review could have examined a vast range of issues relating to workless couples and partners of benefit claimants over a long time period. In practice, the scope of the review could be narrowed by focusing on issues that had not already been subject to some form of evidence review and by concentrating on developments in worklessness and policy over the period from around 1990. Nonetheless, some topics covered by earlier reviews were examined afresh where new evidence appeared to have emerged or where the issues covered simply could not be separated from other matters to do with couples, worklessness and social policy.

The evidence review attempted to be systematic and was informed (in part) by the Magenta Book, Chapter 2: Systematic Reviews for Policy Evaluation and its associated annex, 'The Analysts' Checklist for Undertaking a Systematic Review' which provides guidance on best practice in this area⁶¹. The steps identified by the Analysts' Checklist include:

⁶⁰ Where comparable with the UK.

⁶¹ www.policyhub.gov.uk/evalpolicy/magenta/chapter2.asp

- formulating answerable questions;
- searching for relevant studies;
- critically appraising studies;
- extracting data from included studies;
- analysing and presenting findings;
- interpreting findings.
- summarising implications for policy and practice.

A.2 Search strategy

The review searched a variety of sources of evidence. These included electronic sources (such as databases, internet, and electronic libraries), printed material (books, journals and published reports) as well as so-called 'grey' literature (unpublished working papers, conference papers).

The following databases and electronic libraries were examined:

- Applied Social Science Index and Abstracts (ASSIA);
- International Bibliography of the Social Sciences (IBSS On-line);
- Social Science Citation Index;
- Sociological Abstracts (Sociofile);
- Social Science Information Gateway (SOSIG);
- Journal of Economic Literature;
- Public Affairs Information Service (PAIS);
- PolicyFile – Public Policy Research and Analysis;
- System for Information on Grey Literature in Europe (SIGLE);
- Dissertation Abstracts Online;
- Bath Information & Data Services (BIDS) bibliographic service.

Searches of the above databases were supplemented by searches of relevant websites including:

- Joseph Rowntree Foundation Website;
- DfES Centre for Evidence Informed Policy and Practice;
- www.Policyhub.gov.uk;
- DfES, DWP, Jobcentre Plus, Social Exclusion Unit, Strategy Unit;
- Research centres and academic institutions, e.g. PSI, CRSP, NatCen (NCSR), CASE, IES.

The initial search process was intended to generate the maximum number of useful references. Search terms first related to the broad concerns of the review (for instance, 'labour market participation', 'worklessness', 'workless couples', 'partners of benefit recipients'), refined by secondary search criterion (such as 'benefits', 'policy', 'New Deal', 'risk factor').

In the event, searching on key words tended to produce situations of 'feast or famine'. For instance, a Google search using the word 'unemployment' plus 'partners' generated almost 4 million references, while 'unemployment' plus 'partner' plus 'benefits' generated well over 2 million references. The term 'partner' was particularly unhelpful in terms of search results. Used on its own, this word generated vast numbers of references to partnerships in both the legal and business sense and in the political and governance sense, but few references to partners in couples. Even the more specific terms of 'workless' and 'household(s)' generated over 12 thousand references. On the other hand, restricting search to specific phrases such as 'workless household(s)' or 'workless couple(s)' reduced the number of references to small numbers (around 270 references and 140 references, respectively in these two instances). Terms such as 'partners of benefit claimant(s)' provided virtually no 'hits' at all.

Systematic searches of on-line databases and websites using key phrases specific to the issue of workless couples tended to provide, few but often overlapping, results. A small core of references emerged from searches on a frequent basis. Examples of such frequently cited references were McGinnity (2002) and Gregg and Wadsworth (1994, 1996, 1999, 2003). Examination of these core references usually provided further sources of relevant evidence. The main reason that key word or key phrase searches failed initially to pick up such relevant evidence appears to have been the sheer range of topics that impinged upon the topic of workless couples, including matters of labour supply, labour market participation, household formation, household behaviour, taxation, benefits, social policy and so forth. In the light of this, the review subsequently adopted a 'snowball' approach to the search for evidence. On the one hand, references were followed up leading to further references and so on. Second, where it became clear that a particular issue critically impinged on workless couples (for instance, the introduction of tax credits) the systematic search was widened to cover that topic using key words or phrases (such as 'tax credits').

The experience of the review of evidence on workless couples suggests that there are limits to the extent to which an evidence review can be 'systematic', if that term is taken to mean that such a review is driven by automated search using key words and phrases alone. While this may be the case for a very narrowly defined topic or issue, where the matter to be researched is less well defined or where a large range of matters impinge on the topic, then a systematic search may be just the start of the process of evidence review. In that case, the final selection of evidence is likely to involve a considerable degree of informed, professional judgement and discretion.

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