

# BULLETIN

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

This Warwick University Institute for Employment Research (IER) *Bulletin* presents findings from a review of the evidence base relating to couples in workless households, both in the UK and other countries<sup>1</sup>. IER has played a major role in responding to demands from government for evidence on which to base labour market policy, including quantitative evaluation of many major programmes of education, training and related activity, such as the various New Deal programmes. This area of work has also included comparative and collaborative international research on the political economy and impact of labour market policy, especially in relation to work on the European Union. The research presented in the *Bulletin* was funded by the Department for Work and Pensions, and aimed to provide a more complete understanding of research relating to workless couples and the partners of benefit claimants, and to inform future policy and research.

### Introduction: 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. 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 across households (Gregg and Wadsworth, 2003).

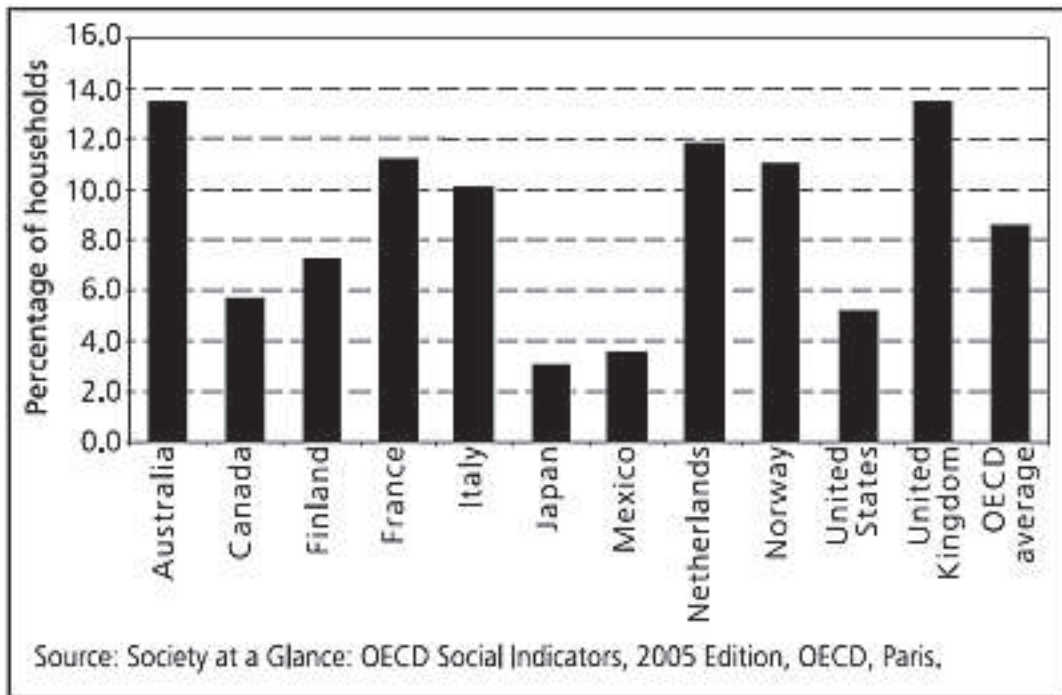
The reasons for worklessness amongst couple households are varied and have changed over time. During the 1980s it was much more common than it is today for households to be workless because of unemployment (around 44 per cent of

workless couples contained at least one unemployed person). 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. Nonetheless, the proportion of such households in the

1. The full report of these research findings, *Workless Couples and Partners of Benefit Claimants: a review of the evidence*, was written by Chris Hasluck and Anne Green, both at IER. The report was published for the Department for Work and Pensions by Corporate Document Services (ISBN 1 84123 851 1. Research Report 262. July 2005) and is available free of charge at:  
[www.dwp.gov.uk/asd/asd5/rports2005-2006/trep262.pdf](http://www.dwp.gov.uk/asd/asd5/rports2005-2006/trep262.pdf).  
A research brief is available at:  
[www.dwp.gov.uk/asd/asd5/summ2005-2006/262summ.pdf](http://www.dwp.gov.uk/asd/asd5/summ2005-2006/262summ.pdf).

**Figure 1 Workless households in 1999: an international comparison**



UK remains high by international standards as can be seen from Figure 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 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.

#### *Policy development*

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 Job Seekers' Allowance - JSA) and to encourage them to remain in employment if successful in obtaining work (for instance, Working Tax Credit, Child Tax Credit and the National Minimum Wage. 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 recipients of Incapacity Benefit, Income Support, Severe Disablement Allowance and Invalid Care Allowance - now Carer's Allowance. 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 repartnering (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 a 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.

The research summarised in this *Bulletin* reviewed the evidence relating to workless couples with a view to identifying key messages and lessons for policy development. The intention was that the review would highlight current levels of understanding of the client group, identify evidence of good practice and policy impacts, and raise issues for the future.

### Aim and scope of the review

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 engagement with paid work (through mainstream provision of employment services, New Deal and Joint Claims, and recent fiscal reform including Tax Credits)?

### Methodology

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, Social Exclusion Unit 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.

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.

### Definitional issues

The review focused on evidence relating to workless couple households and the partners of benefit claimants as defined by the Department for Work and Pensions. 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 the 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 ignored 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.

### 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. Individuals 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 are both low skilled). In addition, individual risk may be interrelated, 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 – NDP 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 and Council Tax Benefit. 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.

#### Conclusion: 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 workless 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.

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