LPWFI and review meetings administrative data analyses and qualitative evidence

Final report

Genevieve Knight
Andrew Thomas

Policy Studies Institute and Insite Research and Consulting

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Genevieve Knight and Andrew Thomas

A report of research carried out by the Policy Studies Institute and Insite Research and Consulting on behalf of the Department for Work and Pensions

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Abbreviations

ADF	Adviser Discretion Fund
BA	Benefits Agency
CPM	Childcare Partnership Manager
CTB	Council Tax Benefit
CTC	Child Tax Credit
DWP	Department for Work and Pensions
ES	Employment Service
FC	Family Credit
GMS database	Generalised Matching Service database
HB	Housing Benefit
IB	Incapacity Benefit
IS	Income Support
ISCS	Income Support Computer System
IWBC	In Work Benefit Calculation
JSA	Jobseeker's Allowance
LPPA	Lone Parent Personal Adviser
LPWFI	Lone Parent Work Focused Interview
MIDAS	Matching Intelligence Data Analysis Services
NCS	National Childcare Strategy
NDED	New Deal Evaluation Database

NDLP	New Deal for Lone Parents
PA	Personal Adviser
QWFI	Quarterly Work Focused Interviews
TTWA	Travel To Work Area
WBLA	Work Based Learning for Adults
WFI	Work Focused Interview
WFTC	Working Families' Tax Credit
WTC	Working Tax Credit

Glossary

Counterfactual	Term used in non-experimental analysis of programme impacts to represent the equivalent of the control in an experiment. The control and counterfactual terms are used to describe the outcome of not undergoing treatment.
Endogenous	A term arising from econometric analysis, in which the value of one independent variable is correlated with the error term (dependent on the value of the error term).
Heterogeneous	Differs across groups (opposite of homogeneous, identical across groups).
Impacts	The estimated effect of a programme on an outcome, e.g. employment, relative to what would have occurred in the absence of the programme.
Income Support	Income Support is a non-contributory, income-assessed benefit available to people who are not required to work.

New Deal Evaluation Database	New Deal Evaluation Database maintained by DWP's Analytical Services Division. This Evaluation Database also incorporates data from other sources: data on claimant unemployment extracted from the Joint Unemployment and Vacancies Operating System (JUVOS) maintained by the Office for National Statistics, which is the primary source of published statistics on claimant unemployment; data from the Work Based Learning for Adults (WBLA) Database maintained by the DWP, and data on age of youngest child of lone parents from the ISCS system again maintained by the DWP.
Non-experimental methods	Similar to quasi-experimental, a term that is used in earlier literature. The underlying ideal is the experiment where both an experimental group and a control group are randomly selected from prospective participants. Hence, quasi or non-experimental methods attempt to find a satisfactory surrogate for the randomly selected control group.
Outcomes	Social and economic factors liable to be affected by a social programme such as LPWFI which analysts will often treat as dependent variables.

Summary

Lone Parent Work Focused Interviews and review meetings

This is the final report in a programme of research which examined the effects of the Lone Parent Work Focused Interviews (LPWFI). LPWFI for lone parents claiming Income Support (IS) were introduced nationally on 30 April 2001. The system provided a Work Focused Interview (WFI) with a Personal Adviser (PA) that was compulsory for eligible lone parents. It was also designed to encourage participation in New Deal for Lone Parents (NDLP), which remained voluntary.

The system of mandatory LPWFI was extended to groups of lone parents over time. Interviews were rolled out gradually depending on the age of the youngest child. For new/repeat claimants, these were:

- April 2001: those with youngest child aged five years and three months to 15 years;
- April 2002: those with youngest child aged three years or above;
- April 2003: all new and repeat claimants.

For stock claimants, the groups were from:

- April 2001: those with youngest child aged 13–15 years and nine months;
- April 2002: those with youngest child aged nine–12;
- April 2003: those with youngest child aged five–eight;
- April 2004: those with youngest child aged 0–five years and three months, so that all IS lone parent claimants were eligible.

After the first LPWFI, if the customer remained claiming, then a review meeting would take place. Annual reviews started in May 2002 for eligible new/repeat lone parents who had entered the LPWFI system between April 2001– April 2002. Annual reviews also started at this time for the stock of lone parents who became eligible on 30 April 2001. Reviews at six months started in October 2002 for all eligible new/repeats who had entered the LPWFI system after April 2002, and then subsequent annual reviews followed these.

This report examines several aspects of the LPWFI programme. Firstly, analysis of lone parents affected by the LPWFI extension in April 2003, both qualitative research and also evaluation using administrative data. Finally, evaluation of the impacts on IS terminations of the system of review meetings using administrative data.

The 2003 extension of LPWFI

In 2003, the LPWFI were made mandatory for new IS lone parent claimants, whose youngest child was less than three years.

The qualitative research undertook 40 in-depth face-to-face interviews with lone parents and 25 with Lone Parent Personal Advisers (LPPA), and the direct observation of ten LPWFI taking place between LPPA and lone parents with a youngest child aged between 0 and three years of age.

In the research with lone parent participants from LPWFI, the average age of the youngest child was less than one year at the time the lone parents participated in their initial LPWFI. More than with other lone parents interviewed for earlier stages of LPWFI, the age of the youngest child/children was seen as the key factor determining attitudes and expectations regarding work. It was also seen as their primary constraint regarding work. A high proportion of the lone parents had previously been in full-time work, and described the circumstances which meant that job ended and caused them to claim IS (apart from their relationship breakdown). These reasons were mostly related to caring for very young children – breakdown of childcare arrangements, poor child health, inability to find a viable work-family balance of working hours for very young children, and unwillingness of employers to be flexible regarding working hours. Most expressed the strong expectation and intention to return to work when their youngest child could go to nursery or to school. Current attitudes to work had a very short-term perspective, however, and their recent partnership breakdown contributed to uncertainty and disruption in planning for work and childcare. The attendance at the LPWFI was accepted by those who attended as part of the claimant process. The Jobcentre environment made the attendance difficult, however, as there were few or no facilities for children.

The research with PAs showed that they did not treat this newly eligible group differently to other lone parents who came in for LPWFI. Mostly, they did not have any advance information, such as the age of the youngest child, that might have identified these lone parents from others. The advisers' perceptions of the needs of parents with very young children meant they expected childcare issues to feature more prominently than with other lone parents. Parents of babies up to three or six months, or even up to 12 months, were expected to want and need to be at home with their child, especially due to the child's age and the recent relationship breakdown. Initial meetings were kept very short, with emphasis on preparation for future employment, since a review meeting was scheduled for every six months, with information about work usually postponed until later meetings. Training which had flexible hours was put forward in the LPWFI in several cases.

The six month review meeting was perceived as worthwhile by both lone parents and advisers, with an In Work Benefit Calculation (IWBC) carried out in most cases. The IWBC, where delivered, had been seen as instrumental in the decision to apply for jobs or consider working earlier than previously planned. However, those lone parents who intended to return to work when their youngest child could go to nursery or to school (still quite some time in the future) found the review meeting was less influential.

The main barrier to work was found to be childcare, although in some cases interrupted education, health problems, disability and caring responsibilities for relatives or children with illness or disability were problematic. However, there was also the widespread feeling that for lone parents the illness of the child(ren), required undivided attention, even if relatively minor. The greatest dissatisfaction with LPWFI and review meetings support arose where there were insufficient solutions for childcare problems. For this group with very young children, information about childcare was valued most highly, including lists of local childcare providers.

Childcare for very young children was also a central factor in decisions about when it would be possible to work. Most preferred informal family care, and then for formal care preferred nurseries over childminders – except that high costs were often prohibitive. Key problems with childcare were inflexibility with hours and payments for sessions (contrary to the extreme flexibility in hours required by employers), the additional costs of 'irregular' hours (but which were required by employers), and the very high costs for younger children (especially if weighed against training or voluntary work/work experience). Added complications arose when more than one child required childcare – both for logistics related to finding care for children of differing ages, and the associated costs then rising far above minimum wage levels.

Most parents remained claiming IS, although training had been undertaken by several, which in some cases led directly into jobs. Some had returned to working with their previous employer after what they described as 'an extended period of maternity leave'. Some had started work and returned to claiming, and cited the reasons as the costs and rigidity of childcare provision.

The administrative data analyses formally evaluated the net impact on IS exits, of the 2003 LPWFI extension for eligible lone parents. The results were estimated for the cohort of entrants between June and October. The evaluation used Before-After and Difference-in-Differences methods to estimate the impact of the LPWFI system as a whole on all those eligible, whether or not they actively participated. Using these methods, the average impact of the LPWFI 2003 extension incorporates the Working Tax Credit (WTC)/Child Tax Credit (CTC) effects, which were also introduced in April 2003. The average impact on IS terminations for eligible lone parents was estimated to be between 1.5 and two percentage points in size between three and six months after claim start.

The 2003 LPWFI extension was found to have a positive impact on IS terminations. In interpreting the impact of an evaluation for a welfare-to-work programme, the underlying rate of exit, or turnover, is a relevant consideration. If the base rate of turnover is low, then even a small absolute impact may be considered a worthwhile gain in practical terms – and this is the case for LPWFI. At six months after claim start, for the years immediately prior to the 2003 LPWFI extension, the rate of exit of this group of eligible lone parents was between 19 to 22 per cent. Accordingly, the LPWFI impact of 1.5 to two percentage points relative to the base exit rate amounted to a reasonable increase. However, in interpreting these figures, it should be borne in mind that entering employment is not the only reason why a lone parent terminates an IS claim. The claim may also be terminated because of re-partnering, or changing to another benefit that precludes an IS claim. Additionally, the impact is for those eligible, and not all those eligible take part in the LPWFI system.

Review meetings

The introduction review meeting was for those 2001 entrants and current claimants that were part of the group initially eligible for LPWFI. They received annual reviews. All other groups that were eligible for subsequent LPWFI extensions were to have initial six month reviews. Of the first groups that are available to analysis, the new/repeat claimants who became eligible for LPWFI in 2002 allow analysis of six month review meetings. After the first six month review, subsequent annual reviews followed.

The question explored in these analyses is whether the annual review combined with LPWFI had an impact on IS exits, and if so what the increment to the impact of LPWFI was due to the annual review meeting. The calculation of the increment requires a number of assumptions about the period, and also the additivity of the impacts, and so conclusions about the estimate size are inherently less precise.

New/repeat claimants eligible during 2001 had a youngest child aged between 5.25 and 15.75 years. For eligible new/repeat claimants in 2001, there was a statistically significant and measurable combined LPWFI and annual review meeting impact, between four and 18 months, of between one and 1.75 percentage points in size. The impact of the initial LPWFI could be expected to occur within the first 12 months after claim start. Hence, the impact of the annual review should be represented between 12 and 18 months. For new/repeat claimants in 2001, a positive combined impact of the LPWFI and annual review meeting was found between 12 and 18 months after claim start, of 1.5 to 1.75 percentage points. The increment is then estimated to be 0.3 percentage points above the LPWFI impact. Allowing for the extremes, where one impact is zero, then the annual review could also be zero percentage points, or up to 1.75 percentage points. The most plausible estimate, which conforms with earlier estimates of a zero impact of the initial LPWFI for this group, attributes the increment due to eligibility for the first annual review as at most 1.75 percentage points within 18 months.

Current claimants eligible during 2001 had a youngest child aged between 13 and 15.75 years. For the stock of current claimants eligible during 2001 for annual review meetings, a positive impact of between 1.4 to 1.8 percentage points was found for the combined LPWFI and first annual review meeting eligibility. The most plausible estimate assumes that the impact of LPWFI was positive and lasted until 15 months, at which point it was 0.9 percentage points, (which conforms with earlier estimates for this group of the impact of the initial LPWFI being around one percentage point at up to 12 months after April 2001), then the positive increment from the first annual review meeting is 0.5 percentage points. These estimates account for delays of seven-nine months to the implementation of LPWFI for the 2001 stock.

New/repeat claimants eligible during 2002 had a youngest child aged between three and 5.25 years. For the 2002 LPWFI cohort, the average impact of the combined LPWFI and the first six month review is estimated as being 1.4 to 1.5 percentage points. The increment due to the six month review could then be between 1.2 and 1.5 percentage points impact on IS terminations. The lower estimate of 1.2 percentage points increment due to the six month review allows for a small impact of 0.2 percentage points for LPWFI, and anticipation effects from the next Review Meeting at 18 months. The upper estimate of 1.5 percentage points increment due to the first six month review assumes a zero estimate for LPWFI over the first five months, which is the most plausible as it conforms with earlier estimates for the impact of LPWFI for this group, and also no anticipation effects from the next review meeting at 18 months.

1 Introduction

The Lone Parent Work Focused Interview (LPWFI) system provides a mandatory work-focused interview (WFI) with a Personal Adviser (PA) to help and encourage as many lone parents as possible to participate in the voluntary New Deal for Lone Parents (NDLP) programme and take up paid employment.

This is the final report in a programme of research which examined the effects of the LPWFI.

This report examines several aspects of the LPWFI programme. These include analysis of:

- lone parents affected by the LPWFI extension in April 2003. This study consists of both administrative data analysis and also qualitative research;
- the system of review meetings introduced for LPWFI.

This research is one part of a wider national programme to evaluate the delivery and impact of WFI for lone parents. Other parts of the evaluation which have reported earlier are:

- Qualitative: Qualitative interviews with staff involved in the management, administration and delivery of LPWFI in five selected districts in England, Scotland and Wales. Observations of LPWFI in these districts with follow-up qualitative interviews with both the customers and PAs involved. Qualitative interviews with lone parent participants of LPWFI, covering a range of subgroups. Thomas, A. and Griffiths, R. (2002).
- A national quantitative survey of lone parent participants in LPWFI, from among both 'stock' and 'new/repeat' claimants. Coleman, N., Rousseau, N., Kennedy, L. (2002); Coleman, N., Rousseau, N., Laycock, M. (2003).
- Administrative data analyses of the impact on benefit exit. Knight and White (2003), Knight and Lissenburgh (2004), Knight and Lissenburgh (2005).

The earlier findings from these research strands were combined into a LPWFI Evaluation Integrated Report published in 2004, Thomas and Griffiths, (2004).

1.1 Lone Parent Work Focused Interviews and review meetings

1.1.1 Policy background: increasing lone parents' labour market participation

Lone parents have been one of the main groups addressed within the Government's Welfare to Work strategy. The Government has set a target to raise the proportion of lone parents in work to 70 per cent by 2010. The importance of this policy relates to the Government's associated target to eliminate child poverty by 2020. Most couples with children are in work, so the largest group of those out of work amongst households with dependent children is among lone parent families[1].

As a result, a key objective for the Department for Work and Pensions (DWP) is to promote work as the best form of welfare for people of working age (Public Service Agreement, DWP). With this in mind, it is the aim of the DWP to encourage more lone parents to actively seek work and thereby increase the employment rate of lone parents.

1.1.2 Lone Parent Work Focused Interviews

LPWFI for lone parents claiming Income Support (IS) were introduced nationally on 30 April 2001. The system provided a WFI with a PA that was compulsory for eligible lone parents. It was also designed to encourage participation in NDLP, which remained voluntary.

The system of mandatory LPWFI was extended to groups of lone parents over time. Interviews were rolled out gradually depending on the age of the youngest child. For new/repeat claimants**,** these were:

- April 2001: those with youngest child aged five years and three months to 15 years;
- April 2002: those with youngest child aged three years or above;
- April 2003: all new and repeat claimants.

For stock claimants, the groups were:

- From April 2001: those with youngest child aged 13–15 years and nine months;
- From April 2002: those with youngest child aged nine–12;
- From April 2003: those with youngest child aged five–eight;
- From April 2004: those with youngest child aged 0–five years and three months, so that all IS lone parent claimants were eligible.

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[1] There are more than 777,000 lone parents either not working or working less than 16 hours a week. This compares to about 300,000 out-of-work couples (Marsh and Perry 2003).

1.1.3 Review meetings

In addition to the extension to coverage, review meetings were started as a follow-up for those eligible for LPWFI. After the first LPWFI, if the customer remained claiming, then a review meeting would take place. The introduction of review meetings was staggered:

- Annual reviews started in May 2002 for those eligible new/repeats who had entered the LPWFI system between April 2001– April 2002. Annual reviews also started at this time for the stock of claimants who became eligible on 30 April 2001.
- Reviews at six months started in October 2002 for all eligible new/repeats who had entered the LPWFI system after April 2002, and then subsequent annual reviews followed these.

Hence, since April 2002 new/repeat claimants of IS who remain on benefit are required to attend a review meeting after six months, and then again six months after that and annually thereafter.

LPWFI are essentially an appointed meeting with a PA. The PA can use the meeting to provide awareness about the opportunities and the support available to lone parents.[2]

The stated aim of the mandatory LPWFI is to facilitate a movement into paid employment by encouraging the lone parent to seek work and supporting the job search process, and/or encourage them to take up training opportunities aimed at improving their chances of moving into paid employment. In particular, LPWFI has the additional objective of encouraging participation in NDLP. Although participation in the LPWFI is compulsory, it is not compulsory for lone parents to seek work or join NDLP. Eventually via LPWFI, all lone parents making a claim for, or receiving, IS will be given information about NDLP and an opportunity to participate.

1.2 New Deal for Lone Parents

NDLP was launched in eight areas as a prototype in July and August 1997, introduced nationally for new and repeat claimants in April 1998, and extended to all existing lone parents on IS in October 1998. It was, and continues to be, a voluntary programme, and all lone parents on IS whose youngest child is under 16 are eligible to join. There is no need to wait for an invitation: by contacting a Lone Parent PA (LPPA), an eligible person can join at any time. An interview with a PA is a key delivery mechanism for NDLP. The PA develops a package of advice and support. An individually tailored package of advice and support designed to facilitate a move into employment could include:

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[2] Mandatory Quarterly Work Focused Interviews (QWFIs) for those with youngest child aged at least 14 commenced from October 2005.

- providing job search support to customers who are job ready;
- helping lone parents to identify their skills and develop confidence;
- identifying and providing access to education and training opportunities;
- improving awareness of benefits;
- providing practical support and information on finding childcare;
- providing 'better off' calculations and assisting with benefit claims;
- liaising with employers and other agencies offering in-work support.

Although all lone parents on IS with a youngest child aged less than 16 are now eligible, NDLP was initially targeted on those whose youngest child was at least five years three months. After May 2000, targeting was extended to include lone parents on IS whose youngest child was at least three years old. From November 2001, NDLP eligibility was extended to lone parents not working and lone parents working less than 16 hours a week[3].

1.3 Overview of the sections

Each chapter of this report is quite different in content. The report essentially compiles the final analyses for LPWFI into a single report, including the final qualitative findings as well as the administrative data evaluation of impacts for several parts of the system of LPWFI and review meetings. As a result, each section ends with a summary and conclusion.

The qualitative findings for the LPWFI extension to new/repeat claimants with youngest child less than three years are found in Chapter 2. The method is first introduced, followed by a description of the customer characteristics, and then the findings on customer reactions to LPWFI, the advisers' approach to this client group, perceived barriers to work, and outcomes since the LPWFI. Some information about review meetings is also included where this arose.

The final sections represent evaluations of the impacts using administrative data. Chapter 3 gives the evaluation of the impact on IS exits for the LPWFI extension in 2003 to new/repeat claims with youngest child aged less than three years. Chapter 4 formally evaluates the impacts of review meetings – in Section 4.2 annual reviews for the 2001 cohort are analysed separately for new/repeats and then for the stock of current claimants in Section 4.3; then the six month reviews for the 2002 cohort are analysed in Section 4.4.

These sections may appear to be quite complicated material; however, the presentation is quite simple in each section. Chapter 4 is necessarily more extensive due to the wider remit.

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[3] More detailed information on NDLP can be found on the New Deal website www.newdeal.gov.uk and in Evans *et al.* (2002) and Evans *et al.* (2003).

The methods used in both Chapter 3 and 4 are introduced in Section 3.2. In Chapter 3 and in Section 4.2, 4.3 and 4.4 there is a similar format, with the data and analysis design initially covered. Then, to ensure estimates are sound, the research investigated potential difficulties that could affect the evaluation, the characteristics and exit behaviour, and pre-programme tests of baselines. Finally, the impact estimates are reported together with discussion of their reliability, scope and limitations.

2 The 2003 extension of LPWFI: qualitative findings

In 2003, the Lone Parents Work Focused Interviews (LPWFI) were made mandatory for new Income Support (IS) lone parent claimants, whose youngest child was less than three years.

This qualitative analysis concentrates on the attitudes, perceptions and aspects of behaviour of this sub-group (lone parents with very young children aged 0-three years). These appeared to be specifically related to having very young children, and differences were found between this group and other lone parents (with older children) who have participated in LPWFI. The analysis investigates whether these were unique findings or due to questions of a different emphasis.

The primary research objectives of the qualitative evaluation of mandatory LPWFI for lone parents has been:

- to assess the effectiveness of the delivery of LPWFI to lone parents in achieving policy aims;
- to assess the impact LPWFI are having on lone parents in regard to their attitudes, experiences and perceptions, and to explore how these are affecting the way they respond and behave.

The research with this particular sub-group of lone parents with very young children (aged 0 but less than three years) set itself the following more specific objectives:

- to establish whether this particular group of lone parents have significantly different needs to be met by LPWFI compared to other groups of lone parents (with older children);
- to explore whether their particular circumstances mean that they perceive and react to LPWFI differently from other lone parents;
- to investigate whether their experience of LPWFI is different from others' experience in any significant way, and whether, as a result, the outcomes that they achieve from them are different.

2.1 Methodology

The qualitative research methodology entailed in-depth face-to-face interviews with lone parents and with Lone Parent Personal Advisers (LPPA), and the observation of LPWFI taking place between LPPA and lone parents with a youngest child aged between 0 and three years of age.

A total of 40 interviews were conducted with lone parents, with children in this age range, across five different districts in England, Scotland and Wales. Across the same five districts, interviews were conducted with 25 LPPA who had carried out LPWFI with this customer group. The same areas of questioning were explored with this group of lone parents as with other lone parents in previous stages of the evaluation. Advisers were questioned specifically about lone parent customers with very young children.

Direct observations were also made of ten meetings between lone parents and Advisers as they took place. Two of the meetings observed were of six month review meetings rather than initial LPWFI. The observations were followed up in each case with short interviews with both parties.

All interviews, observed meetings and follow up interviews, were tape recorded and transcribed for analysis, which was undertaken using MAXqda – a dedicated qualitative analysis software package specifically for use with transcriptions and other written data sources.

2.2 Customer characteristics

2.2.1 Sample profile

A total of 40 interviews were carried out with lone parents. The great majority of lone parents in the database had only one child. There was a degree of purposive sampling to include a number with two or more children. While not a **representative** sample, therefore, it sets the context for the findings which follow.

All respondents were female and all had participated in an LPWFI on making a new or repeat IS claim. A large number were claiming on the birth of their first baby, and had thus only recently become parents, let alone **lone** parents. On average those interviewed were in their mid-twenties, although purposive sampling for lone parents with more than one child will have raised this average age slightly. Respondents included some mothers as young as 19 (and two of the observed meetings were with 19 year olds).

Of those interviewed: 21 had only a single child (though two were pregnant again at the time of the research); ten had two children; and nine had more than two children. The average age of the youngest child was less than one year at the time the lone parents participated in their initial LPWFI.

2.2.2 Main group differences

The main elements underlying the differences found between this group of lone parent customers and other groups were the linked factors of their own age and that of their youngest child. More than with other lone parents, the age of their children was seen as the key factor determining attitudes and expectations regarding work and as the primary constraint that they had to deal with.

Two other factors may also have affected their experience of participation in LPWFI. As the last group to which the initiative was extended, these lone parents had their LPWFI more than two years after they were first introduced, in April 2001. They were thus participating in a delivery system that had had plenty of time to settle in, and talking to Advisers with extensive prior experience of the lone parent customer group as a whole and of delivering LPWFI to best effect. Because this group did not become eligible for LPWFI until April 2003, they were also the only group who were all subject from the start to six monthly review.

2.2.3 Reasons for making an IS claim

As among other groups of lone parents, many of the respondents gave as the main reason for having made their IS claim the fact that they had become lone parents on the breakdown of their relationship with a partner. Health problems were the next most frequently cited reason given for having made a benefit claim. With lone parents in this group the health problems mentioned were frequently linked to pregnancy and to childbirth itself.

Even in cases where there was no specifically reported health problem, several of the lone parents interviewed spoke about not feeling ready to return to work as soon as they had originally intended. Periods of planned maternity leave from employment were extended by some to give them more time to recover and sort out their lives as parents, others had simply postponed the time when they would start to search for new jobs.

Reflecting the high proportion of lone parents in this group who had previously been in work, there were many who described the circumstances of making their IS claim in terms of an inability to continue in the job that they were previously engaged in. Typically, the circumstances described were seen as being less personal choices over which they had control, and more as contingent factors that had forced them to leave work and claim benefit. All the lone parents who gave as the main reason for their claim the inability to continue in their previous job, described circumstances which were directly related to the fact that they had very young children. Circumstances mentioned included:

- the breakdown of childcare arrangements;
- problems with their child's health;
- the inability to find a viable work-family balance of hours.

In many of these cases an overriding factor was seen as being an unwillingness on the part of employers to be as flexible regarding working hours as the lone parents felt was necessary and appropriate for those with very young children.

2.2.4 Job readiness

Almost all the lone parents in this group who were interviewed had worked previously, most of them either immediately prior to making their IS claim or in the recent past. The two respondents who had no work experience at all were both from ethnic minority backgrounds (Bangladeshi) and had previously relied solely on a husband's income. Most of those with experience of working had been in full-time jobs (roughly twice as many as had been in part-time employment).

In terms of qualifications, the majority had gained some GCSEs from school, and more than a third of them also had a vocational qualification of some kind. Several had gained vocational qualifications since their LPWFI and as a result of advice and support they had received from their Adviser. A number had started training in the past but had not finished the course or gained a qualification from it.

Most of the lone parents expressed the strong expectation and intention to return to work in the relatively near future. However, the great majority were not immediately 'job ready' but had set their sights on returning to work at a time when their youngest child could go to a nursery or to full-time school. Typical responses to being asked about their plans and intentions for returning to work included:

> *I would go back to work but they're too young…*
>
> *Definitely not before he's a year old.*
>
> *Maybe – once he's in nursery…but I'm thinking more of when he's in full-time school.*
>
> *Once she's at school I think I would go full-time.*

Working before children could be in full-time school was widely perceived as much more problematic, though a small number expressed the strong intention to try to make it happen.

2.2.5 Attitudes to working

Overall, the lone parents with very young children expressed views about working that closely matched the perceptions of them held by Advisers. LPPAs typically saw this group as being well motivated, receptive to suggestions about training and work preparation, but with the perception that starting work would need to wait until children reached a critical age in relation to nursery/school.

All the lone parents interviewed held an expectation that they would work at some point. Nobody expressed the view that work was inappropriate for them, or that they had chosen to look after their children indefinitely rather than work. As with other groups of lone parents, there were several who described their felt need to get away from constantly looking after children and to establish an independent social life for themselves. Work was seen as the key route to achieving this.

Rather more noticeably than with other groups, lone parents with babies and young children appeared to be closely focused upon the short-term rather than on longer term considerations such as ‘careers’. Many had very short-term horizons, saying, for example, that they would wait until the end of the Christmas school holidays before looking for work. There was a clear feeling for many of them that it was difficult to do more than think week by week or month by month, and that while their child was very young it was a question of ‘making do’. Contributing to this was a perception of how uncertain, changeable and prone to disruption were other aspects of their lives, and how this could impact upon any plans for working. As one woman described the interaction between her relationship and her need/ability to work in the period leading up to her LPWFI:

> *I was working…and then we sort of broke up so I left work, got back together again and I went back to work…and then we split up again so I left work and I didn’t work after that.*

Many Advisers recognised that the short-term view of this customer group posed a threat, especially to any attempts at engaging with issues of employment sustainability. A number of Advisers were therefore making conscious efforts to challenge the horizons of these lone parents (especially the younger ones). One way in which they were doing this was by going to greater than usual lengths to encourage interest in training and the take up of short courses.

2.3 Customer reactions to LPWFI

The reactions of customers in this group to having to attend an LPWFI were broadly similar to the reactions of other new and repeat claimant lone parents. The LPWFI was accepted as a routine and understandable part of the process of making an IS claim, with no perception that it was in any way inappropriate on the grounds of the age of their youngest child, even among those with babies under six months old.

The opportunity to explore future options for work was widely seen as having been valuable. While there was some initial nervousness about the LPWFI, and what might subsequently be required of them, all described being quickly put at their ease by the Adviser. Lone parents generally had very positive things to say about the Advisers they had seen. In particular their understanding approach was appreciated, along with the specific information they were able to impart about returning to work.

There was a widespread assumption among customers that it would not be possible to work within the first three to six months after giving birth. This assumption was shared by Advisers who reported frequently needing to reassure lone parents on this matter, and being more than happy to do so.

Attending an LPWFI was only perceived as inappropriate by those lone parents who saw their IS claim as being very 'short-term' and who either had a job to which they were intending to return quite soon, or who had other definite plans in place for employment in the near future. Even among lone parents initially in this situation, however, there were cases where work plans had changed or fallen through and customers had ended up appreciating the support they received from an Adviser via an LPWFI.

A small number of lone parents commented on their dislike of the general Jobcentre environment as a place to bring 'toddlers'. At some offices it appeared that there were still very few, if any, play facilities for young children, and lone parents found it difficult to relax during their interview. In more than one office the Advisers had themselves provided facilities such as crayons and colouring books, as they recognised that helping the lone parent to relax at the LPWFI could make a considerable difference to what could be achieved.

When comparing this group of lone parents to other groups, Advisers were divided as to whether having very young children affected their likelihood of attending an LPWFI appointment. A number of Advisers felt that the prospect of having to take young children to an interview was putting some lone parents off and making them more likely to fail to attend. Others felt that lone parents were more likely to turn up for an LPWFI appointment if they had very young children, because it was easier to bring them with them than it was with older children.

2.4 Advisers' approach to LPWFI for those with children aged 0-three

2.4.1 Advisers' view of the customer group

Advisers appear not to consciously treat lone parents with children aged under three years as a separate or distinct group, and their approach is broadly similar to the approach adopted towards LPWFI with other lone parents. The small numbers being seen – typically less than one per week – are perhaps part of the reason for this, as is the fact that in most districts Advisers do not routinely get information on the age of the youngest child prior to carrying out an LPWFI. Lone parents in this group, therefore, are not usually identified to Advisers as having very young children in advance of their interview. It is down to the Adviser to respond to this factor in their circumstances when it becomes apparent during the LPWFI.

> *It very much depends on each client – everyone's different and I don't think we can pre-judge by 'group'…*

While there was an expectation that most parents of very young children would not want to work immediately, it was widely acknowledged that there were always exceptions 'to prove the rule'.

> *We do get people with very small children that do want to go back to work immediately – some…their children three or four months old and they're desperate to go to work.*

Although Advisers do not see these lone parents as constituting a uniform and distinct group, therefore, they do nevertheless tend to deal with them in particular ways in the course of responding to their perceived needs. Perception of their needs is strongly influenced by the presence of very young children. For example, all Advisers said that they expected childcare issues to figure more prominently for lone parents with 0–three year olds than for other lone parents.

2.4.2 The typical approach

Some Advisers were unsure of the appropriateness of carrying out mandatory LPWFI for lone parents with children aged 0–three, and most were readily willing to accept the young age of a child as a sufficient and acceptable reason for a parent not to wish to work.

Parents of babies up to three months were expected both to want and to need to be at home with their child. In some (but not all) districts it was reported that there was an automatic deferral process in place if the child was not over 12 weeks old. Overall, Advisers had seen lone parents with children of all ages; the youngest child reported being less than four weeks old. A pregnant woman arriving for a six month review meeting only eight days before her due date was exceptional and attributed to an administrative error.

The typical approach to LPWFI with this group of lone parents was thus for relatively short meetings and an emphasis on preparation for future employment. Initial LPWFI were reported to be quite brief, ranging among those lone parents interviewed from five minutes to 45 minutes, with the majority at the shorter end of the scale and lasting less than 20 minutes.

All the lone parents with a youngest child under three years have been subject to a six month review interview from the date when they first became eligible for LPWFI in April 2003. With these automatic six month reviews available to them, Advisers have frequently seen their best option to be to keep initial meetings very short. In many cases Advisers said that at the initial interview they were happy to postpone detailed information about returning to work, and the help available to do that, until the six month review meeting, effectively deferring the full LPWFI until the later date.

The two main reasons put forward for making such '***de facto*** *deferrals*' were (1) that a lone parent was too upset by recent events, such as a marriage breakdown, to be able to make any progress in an LPWFI at that time, and/or (2) that the youngest child was so young that both the mother and the Adviser deemed it an inappropriate time to be discussing or considering work.

The first of these reasons is familiar in relation to other lone parent flow customers attending an LPWFI because of a new or repeat claim.

I mean it was like I was trying to bombard her with information because there's so much information, but I don't think within the next three months that she'll think about working because she's got five little ones, she's just gone through a break-up and she just wants…So I think right now, if she comes back tomorrow, my aim is to make sure that she's getting the amount of money that she's entitled to and that she can cope – you know, gaining her confidence that way. But no I don't think she would be interested in work within the next three months.

In addition to concerns about whether a lone parent in a distressed state would be able to take in and retain information, Advisers also described situations where they felt that discussion of such subjects as childcare and family support could make matters worse. In the follow up to one observed meeting, for example, an Adviser explained that the reason she had not gone into any detail about work was because with the lone parent so upset (crying in the interview) she had not wanted to enter discussion about childcare, or whether her mother or other family members were available to help with this, for fear that if they were not it would add to the customers evident sense of abandonment and isolation following the recent break up with her husband.

The second reason is specifically related to this particular group of lone parents with very young children.

Because she's got a tiny baby and I really don't think that right now she would do those [work related] *things. I don't think she'd be interested – if I were to say to her there's a training course she could go on, I really don't think she'd be thinking about doing it at the moment.*

She'll come back in six months time [for a review meeting] *and at that time I can possibly* [engage her in thinking about work] – *it will be six months nearer her child going to nursery then.*

2.4.3 An emphasis on preparation

Even in cases where a full LPWFI was being conducted at the initial meeting, Advisers said that with this group of lone parents (and also to an extent with those with a youngest child aged three to five years) they most frequently focused discussion on preparation for work in the future rather than on trying to persuade customers to think about working immediately. Several Advisers said that they emphasised training when talking to lone parents with very young children ('young mums'), and that there was considerable interest shown in this by customers in this group. A perceived increase in the availability of training with very flexible hours, that could be fitted around looking after children, was mentioned by more than one Adviser as being particularly helpful in allowing them to respond to this interest.

Also widely mentioned by Advisers was the fact that part-time work was often not a financially attractive or viable option for lone parents. They would, therefore, look at training in the short-term with a view to starting work full-time at an appropriate point in the future such as when the youngest child entered school.

2.4.4 Six month reviews

More than a quarter of the lone parents with children aged 0–three years who were interviewed had already had their six month review meeting by that time. It was therefore possible to ask these customers both about their initial LPWFI and their review.

Although several felt that their basic circumstances had not changed enough in the six months between their LPWFI and their review meeting to make the second interview worthwhile, most of them found their review meeting both more work focused and more useful to them than their initial LPWFI.

The carrying out of an in work benefit calculation (IWBC) was seen as a key part of the LPWFI process by both Advisers and customers (as was also the case with other groups of lone parents). Advisers said that they carried out such a calculation at almost all review meetings. They thought that an IWBC at a review meeting was generally more effective than at an initial LPWFI because by that time all the necessary information could be collected together. This was confirmed by those lone parents interviewed who had had a review meeting, and more than one said that it was either instrumental in making them apply for jobs or had persuaded them that they would return to work earlier than they were previously planning to do.

There were, however, a number of lone parents with a child under three who felt that they needed to wait longer than six months before looking for work. The reason given was that they had already calculated or decided that the optimum time to be returning to work was when their child went to nursery or to full-time school. For many, these target points still appeared to be a long way off in the future, even after six months had elapsed.

2.5 Barriers to working for lone parents with children aged 0–three years

2.5.1 Interrupted education

Advisers perceived a significant proportion of lone parents with children aged 0–three years to have education and training needs that needed addressing. Several Advisers were concerned that there was a group of lone parents, made up of the youngest mothers, whose primary need appeared to be to re-engage with an education which had been interrupted by pregnancy and childbirth. There was a degree of frustration evident among these Advisers that there was little or nothing they could do in this regard, though creative use of training resources and opportunities was in some cases seen as a possible way forward.

2.5.2 Health problems and disability

As among lone parents with older children, there were several customers with very young children who faced barriers to working as a result of physical or mental health problems. However, they made up a relatively small proportion of those interviewed. Health problems perceived to limit the possible scale and scope of work that could be undertaken included physical problems related to pregnancy and childbirth, conditions such as severe asthma, and mild mental illness such as depression.

2.5.3 Care responsibilities

A greater number of the lone parents in this group perceived their main barrier to working to be their caring responsibilities. Of those facing such a barrier roughly half were caring for a sick or frail relative and half for a child with a specific illness or disability or with some form of behavioural problem. Even among those lone parents who were not currently limited by the need to provide additional care for a disabled or sick child, there was a widespread feeling expressed that with children in their early years there was always the prospect that an illness could arise which, even when relatively minor in nature, would require their immediate and undivided attention.

2.5.4 Childcare

For the overwhelming majority of lone parents in this group the barriers to working that they perceived themselves to be facing related to problems of caring for their very young children. Indeed, several made it clear that this was the main issue that they faced and sought help over, and that finding a job was something that they were relatively confident that they could manage on their own. The greatest source of dissatisfaction with initial LPWFI and review meetings was where lone parents felt that their childcare problems had not been dealt with adequately. As one mother forcefully put it when asked how she felt about the support she had been given:

> *Poorly…because the main* [problem] *was childcare; it wasn't finding a job. Finding a job would be easy enough to do, but it's the childcare side of it I find really difficult.*

Lone parents with children aged under three years were more specific than lone parents with older children that it was information **about childcare** that they most valued from their meetings with Advisers. Most saw such information as the key benefit, or one of the key benefits, that they had derived from their LPWFI. Several made special mention of the availability of lists of local childcare providers, and how useful they had found them. This may well reflect the early impact in some areas of the appointment of Childcare Partnership Managers (CPMs) to help support Advisers in this field.

Many of the lone parents in this group had very high expectations of help from Advisers in addressing barriers posed by childcare. In some instances these expectations could be described as unrealistic. Clearly several had initially thought that the Adviser was going to be able to arrange everything for them, from finding a provider to arranging a place and even finding the funds to pay for it, and expressed disappointment when it became clear that this was not the case. A number also said that they would have liked the Adviser to recommend a provider to them off a list, but that Advisers were (understandably) unable to do this.

Having to think about childcare for very young children seemed to be determinate of most parents' view of how likely they were to work, and when, over the next few years. In particular, many shared the view that there were a number of crucial stages of opportunity tied to childcare availability. Most importantly these were seen as the points at which their youngest child would reach an age where they would first be accepted by a childcare provider, and later when they could enter nursery half time, and subsequently full-time. The outline timetable that these key points laid out appeared to provide both lone parents and Advisers with a useful framework against which to prepare and to plan activities.

Expressed preferences for different types of childcare reflected the same general preferences of other lone parents. Mothers invariably looked first to members of close family to look after their children, and only if this was not an option would they consider other informal and formal arrangements. Most said that they would prefer not to use childminders, but were positive about nurseries which they valued for the additional learning and social development benefits which they felt they provided to children. With nurseries, however, the high cost of provision was seen as a major issue.

In addition to general concerns about the suitability and cost of childcare, lone parents raised the following specific problems as being of concern to them:

- the rigidity of much childcare provision, in terms of hours and sessions and the requirement to pay for booked 'slots' whether or not they ended up being needed;
- the difficult match between this rigidity of provision and the often extreme flexibility demanded by employers;
- the fact that the irregular hours involved in many jobs meant that parents incurred extra costs on top of basic childcare costs – for example, having to pay for additional expensive childcare in the evenings;
- the limitations that the cost of childcare places on opportunities to gain experience through voluntary working and on the possibilities for undertaking training courses;
- the higher prices charged by many nurseries for places for younger children compared to older children.

These types of difficulty were clearly added to in those instances where lone parents had to think about childcare for several children at the same time. Problems described included those arising simply from the added numbers involved through to those caused by the different needs and the different provision available for children of different ages. Problems included the:

- additional costs of childcare for more than one child quickly reducing the margin of benefit to be gained from working – in the words of one Adviser: *'We can get it* [the cost of childcare] *down to £3.50 an hour, but…if they've got two children they're going to be paying out more in childcare than they're earning* [if on the minimum wage]';
- difficulty in finding a provider that could cater for the varied needs of children where the eldest and youngest are several years apart in age: *'a lot of childminders won't take all of my kids because of their ages* [ranging from three months to nine years] *they just can't handle that'*;
- logistical difficulties of fitting together half-day childcare for one child with out of school hours childcare for another.

2.6 Outcomes since LPWFI

2.6.1 Movements and changes

The lone parents with children aged 0–three years were interviewed at a point in time approximately six months after their initial LPWFI. Most were still claiming IS and said that their circumstances had not changed significantly in this period, although they still planned to start work at some time in the future. One lone parent mother had left IS because she was reunited with her partner.

2.6.2 Training

A relatively large number had started a training course within the time since their LPWFI. This reflected the perception of Advisers that training was both in demand from this group of lone parents and that it was a practical and positive course of action that they could encourage people to take to be better prepared for starting work when their childcare commitments allowed them to.

Almost all those undertaking training courses attributed this in large part to the help and information they had received at their LPWFI. There was a strong sense of purpose to the training being undertaken, with courses seen as leading to better future work prospects.

2.6.3 Work

A number of lone parents had successfully entered work since their LPWFI. They were over-represented in the sample of interviews by virtue of purposive sampling for work outcomes.

Of those who had started work, approximately equal numbers were working part-time (less than 30 hours per week) as were working full-time (30 hours or more). Several of those who had entered work had done so through specific on the job training placements designed to lead to employment with the training employer. This type of arrangement was much favoured by Advisers and perceived to be very successful.

Among those lone parents who were now working was a relatively large number who had gone back to work with their previous employer. In many of these instances they reported that they had originally intended to return to work after taking Maternity Leave but that their circumstances had changed and led to a prolongation of the period off work (and the need to make a claim for IS). The circumstances described as leading to extended periods off work ('maternity leave plus') ranged from birth complications and health breakdowns through to separations from a partner that coincided with pregnancy or with the birth of a child.

2.6.4 Sustainability

There was some evidence that perhaps those with children aged under three years were finding it harder to sustain jobs than other lone parents. In spite of the relatively short period of time that had elapsed since their LPWFI, several lone parents had started work and subsequently had to leave again within a few weeks.

Some of the lone parents who had found themselves in this position attributed having to leave their jobs to financial problems caused by the costs of childcare on returning to work. Run-on support had apparently not been able to offset these costs sufficiently, and there was no evidence of Adviser Discretion Fund (ADF) money being used to pay for childcare during the first few weeks of employment.

Others who had left work again attributed it primarily to the fact that, with a baby or very young child, they were less able than they had been before to respond to changing demands from employers regarding their working hours. The inflexibility of many childcare providers was seen as a major contributor to this difficulty. Advisers recognised this problem but felt there was little they could do to help in this regard:

> *A lot of employers want a lot of flexibility* [from staff] *but if you need childcare then you have to book specific days or half days…*

Some of those who had recently left a job also felt that their employers had been unsympathetic to the real problems that can arise when young children are sick. Several reported being asked a lot of questions at job interviews about their childcare arrangements, and saw this as evidence that some employers view a mother's priority for her young children (for example, when they are sick) as a potential employment problem.

2.7 Conclusions

While lone parents with children aged 0–three years share many of the characteristics and attitudes of other lone parents, there are some differences that appear to be specific to them as a group. These differences relate both to the attributes of the lone parents, the age of their children and to the response they receive from Advisers, even though Advisers do not consciously see them or treat them as a distinct 'group'.

There is a high degree of expectation and willingness to work among lone parents in this group, but the anticipated timing of a return to work is strongly affected in most cases by the immediate priority felt to be owed to their young children. The widespread expectation exists of making a return to work when a youngest child reaches such an age that they can enter nursery. Throughout the first three years of their child's life there is a tendency for lone parents to view employment on a very short-term basis. Advisers recognise this and see a major part of their job with lone parents of very young children to be to extend this short-term focus and, through LPWFI (and New Deal for Lone Parents (NDLP)), to help customers plan and prepare for employment in the longer term.

Advisers generally assume that it will be inappropriate for most lone parents to start working while their youngest child is less than 12 months old. It is also recognised that for many lone parents the point at which work is seen as a real concrete possibility is when a child reaches nursery age.

The response to these circumstances by Advisers has been to adopt a particular approach to delivering LPWFI to lone parents with very young children. Initial meetings tend to be short, and much of the more specifically work focused information dissemination and discussion about employment support is effectively postponed to the six month review. The timing of the six month review meeting – that much closer to a child being able to enter nursery – is seen as more conducive of constructive engagement about work opportunities. There is a distinct emphasis from Advisers with this group of lone parents on training and preparation for work in the future.

Health problems and caring responsibilities present barriers to some lone parents in this group, though perhaps to a slightly lesser degree than to other lone parents. Interrupted education is perceived to create a special need for young single parents in this group.

Childcare related issues make up the overwhelming majority of perceived barriers for lone parents with very young children, and receiving good information about childcare support and available providers was identified by most lone parents as the key benefit derived from their LPWFI. Childcare issues that were seen as particularly problematic for this group included:

- the rigidity of childcare provision compared to employer needs and demands;
- the higher cost of provision for very young children;
- the irregular hours required in many jobs leading to higher childcare costs;
- the limit that the cost of childcare places on opportunities for training or voluntary work;
- the prohibitive cost of childcare for more than one child;
- the added logistical problems attached to managing childcare for children of different ages and different needs.

Outcomes from LPWFI (and review meetings) with this group of lone parents, after approximately six months, appeared to reflect the approach adopted by Advisers to meet their particular circumstances. Most remained on IS and felt their circumstances at that time to have changed very little. A considerable number had embarked upon training courses with the help of Advisers, and some of these had successfully led straight into jobs with the providing employer. A number of lone parents in this group had returned to working with their old employer after an extended period of 'maternity leave'.

Several had started work but since left again, suggesting that lone parents with very young children may have greater difficulty than other lone parents in sustaining employment. Reasons given for having to leave employment again included the cost of childcare and the rigidity of childcare provision compared to the demands for flexibility from employers.

3 The 2003 extension of LPWFI: administrative data evaluation findings

3.1 Introduction

In this chapter, the impact on Income Support (IS) exits of the extension of Lone Parent Work Focused Interviews (LPWFI) to new/repeat claims with youngest child aged up to three years is formally evaluated using administrative data.

3.1.1 Policy context

In evaluating a welfare-to-work or labour market programme, it is essential to take account of other policy developments which may affect the results. As explained further in subsequent sections, this is particularly important with the evaluation method that is applied in this study. Many of the policies presented may affect the analysis period, particularly the baseline.

Benefit system changes

The changes to the benefit system itself should not be ignored. An important change relevant for lone parents is the increase in IS and associated benefits for families with children. These increases were above the level of inflation. A rise in the rate of benefit on October 1999 and again in April 2000 for those claiming IS, income related Jobseeker's Allowance (JSA), Housing Benefit (HB) and Council Tax Benefit (CTB) for families with children under 11 years meant that the rewards for low wage part-time work fell slightly for these groups, Brewer *et al.*, (2003).

NDLP enhancements

Section 1.1 referred to New Deal for Lone Parents (NDLP), the importance of which is obvious, since LPWFI are designed to increase take-up of NDLP, while NDLP provides one of the main channels through which participants in LPWFI are assisted.

As a result of these close connections, it is difficult to separate the impact of LPWFI from parallel changes in NDLP. It is also important to note that another report will present findings on the impact of LPWFI in the context of NDLP[4].

NDLP preceded the introduction of LPWFI, but (as outlined above) was enhanced in a number of respects at the same time that LPWFI commenced as a national system. Wherever in the following sections reference is made to the effect or impact of LPWFI, it should be understood that this includes the enhancements to NDLP as an integral part of the LPWFI programme.

Tax Credit changes

The successor tax credit to Working Families' Tax Credit (WFTC), the Working Tax Credit (WTC) and Child Tax Credit (CTC) were introduced in April 2003 and may affect estimates of the impact of the 2003 LPWFI extension, as discussed further in subsequent sections. These tax credits are described in Appendix C.

WFTC was a key policy development affecting lone parents. WFTC was introduced slightly more than eighteen months in advance of the introduction of LPWFI from 5 October 1999 when WFTC replaced Family Credit (FC). In June 2000 there was an increase in child rates available on WFTC (See Knight and Lissenburgh 2005, Appendix 3 Table A3.3). WFTC was fully phased in by April 2000, with claims in the intermediate period after October 1999 a mixture of WFTC and FC[5] recipients. WFTC can change participation in employment by changing the financial incentives for working for different types of households with children. This may affect comparisons over time, depending on the selection of time-periods involved in the comparisons. This issue is further analysed in Sections 3.3.2 and 3.4.2. A broad discussion of the WFTC and effects can be found in Knight and Lissenburgh 2005.

WFTC is of benefit to all qualifying[6] lone parents who work more than 16 hours per week[7], and so there is interaction between the WFTC and LPWFI, as well as NDLP policy enhancements. A full description of WFTC, and its relative generosity compared to FC is in Appendix 3 and Table A3.3 lists the various components of WFTC.

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4 As part of the project 'Secondary analyses of New Deal for Lone Parents'.

5 Those with FC awards up to 30 September 1999 and still current at the reference date.

6 Those with income above the limits will not qualify.

7 The Childcare Tax Credit component of WTC may be particularly attractive for those with young children. Note that parents with higher earnings may not qualify.

Maternity and parental leave changes

Another area with some potential implications for lone parents is maternity provision[8]. These are particularly relevant to the large proportion of lone parents entering IS on the birth of a child. The provisions were modified in the Maternity and Parental Leave Regulations 1999, the Maternity and Parental Leave (Amendment) Regulations 2001 and the Welfare Reform and Pensions Act 1999. The 2001 Budget also announced increases in the amount and period of Maternity Pay, effective from 2003. These changes are not discussed in more detail, since a straightforward method of avoiding any possibly confounding influence from them has been implemented in the analyses. Essentially, those new/repeat claimants with youngest child less than 12 months old are excluded from analyses.

Jobcentre Plus rollout

Delivery of the LPWFI initiative is increasingly affected by the national implementation of Jobcentre Plus. Jobcentre Plus extends Work Focused Interviews (WFI) to other groups of benefit claimants and places emphasis on priority groups and programmes including lone parents, people from ethnic minority groups, the most disadvantaged in the labour market and those on New Deal. Initially, there were 56 Jobcentre Plus Pathfinder offices offering fully integrated work and benefit services, but a further 225 fully integrated Jobcentre Plus offices were planned to open between October 2002 and April 2003, the majority of which were completed by April 2003. Full integration of all Employment Service (ES) and Benefits Agency (BA) local offices will take several years, during which time services will continue to be provided in social security offices and Jobcentres as was the case during this research. The timing of the rollout of Jobcentre Plus is relevant to the LPWFI analysis because in areas where Jobcentre Plus conversion has taken place, the comparison group of lone parents could also receive WFI. This is slightly complicated by the fact that they would need to sign off and start a new IS claim to enter a Jobcentre Plus WFI. While it was decided to exclude the few Pathfinder areas, the October 2002–April 2003 rollout of Jobcentre Plus affects more than a quarter of the country, making exclusion of affected offices infeasible. Instead, a more complex system of exclusions was applied, so that all new claimants in potentially affected postcode areas are dropped after their Jobcentre Plus rollout date[9].

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[8] Another programme, The National Childcare Strategy (NCS), was introduced in 1998, with the aim of ensuring affordable childcare provision for children less than 14 in every neighbourhood. This introduction is earlier than the data analysed here, and so should not affect comparisons in the analysis.

[9] Jobcentre Plus rollout is more difficult to identify as it takes place by postcode area, not Jobcentre district or office. To identify these, analysis of the Jobcentre Plus data was carried out by DWP, and monthly frequencies of starts within postcode areas produced. Where the frequency within postcode area became greater than ten, this was deemed a rollout of Jobcentre Plus, and the month this occurred was set as the roll-out date for that postcode area. This was then mapped onto the IS data, and all claims within the postcode area with a start date after the Jobcentre Plus roll-out were excluded from analysis.

Pilots affecting the eligible or comparison groups

In addition to these aspects of national provision, several pilot programmes which potentially affected lone parents were operating in selected areas shortly before or overlapping with the introduction of LPWFI. The most relevant to LPWFI over the period of this analysis were the ONE pilots (which were also based on WFIs, for lone parent entrants to IS as well as for entrants to Incapacity Benefit (IB) and to JSA); Pathfinder pilots for the LPWFI themselves; and the Pathfinders for the integrated services of Jobcentre Plus. To simplify the task of the administrative data analysis, it was decided to exclude these pilot areas. This results in a reduction of about 15 per cent of the total sample. Since administrative data are being used, the sample sizes are sufficiently large for this not to be a problem. Northern Ireland has also been excluded, so the data generally gives coverage of information that represents 'standard' LPWFI implementation in Great Britain.

3.2 Evaluation methodology

In this evaluation, the aim is to estimate the net impact of the 2003 extension of LPWFI system on eligible lone parents. The central question the evaluation seeks to answer is:

> *What difference did the introduction in 2003 of LPWFI make to outcomes for these lone parents with youngest child aged up to two years, which would not otherwise have happened?*

3.2.1 2003 extension of LPWFI: the evaluated groups

The impact of the LPWFI extension has been estimated in this evaluation for the whole group of lone parents eligible for the 2003 LPWFI extension, including those who never actively participated. As such, this is an evaluation of the extension of the LPWFI **system**.

The extension of the programme of LPWFI was applied differently to customers making 'new or repeat claimants' and those current lone parent customers at the introduction date, (the 'stock of claimants'). New/repeat customers are in general those who initiate a fresh claim during some reference period. The analyses reported here were only conducted for new/repeat lone parents eligible from April 2003[10].

The eligible group of new/repeat claimants for this evaluation consisted of those IS claims which were initiated after the commencement of the LPWFI system extension on 1 April 2003. These constituted an eligible new/repeat lone parent customer in the LPWFI system if:

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[10] No analysis was planned for the stock for the 2003 extension, for several reasons, including the complex nature of the definition of the stock group remaining eligible at this stage of the LPWFI rollout.

- their youngest child was aged between one and less than three years, at the start of the claim;
- and in addition they had no partner at the start of the claim[11].

The particular analysis group forms only **the additional part** of those new/repeat lone parent IS claimants who were eligible from 1 April 2003, as those with a youngest child older than three years became eligible during the earlier stages of the LPWFI rollout. Those with a youngest child aged less than one were excluded from the analysis to reduce interaction of LPWFI with maternity rights legislation. Supporting evidence for their exclusion comes from the qualitative evidence reported in Chapter 2, where it is reported that advisers generally assume that it would be inappropriate for lone parents to start working while their youngest child is less than 12 months old.

Of all such new/repeat lone parent IS claimants, we examined the cohort of entrants with IS claims commencing June to October 2003, covering five months. The entrant cohort had to be curtailed at October to enable a follow-up period of six months to April due to the LPWFI review meetings coming into operation at this point. This curtailment limits the cohort and follow-up period. Reviews at six months started in October 2002 for all eligible new/repeats who had entered the LPWFI system after April 2002. This limits the follow-up period to six months for this evaluation, as after six months the impact estimated would reflect the combined impact of the review and initial LPWFI. Accordingly, the analysis used **cohorts** of entrants in 1999 and 2003, matching the cohorts by month so as to eliminate some potential problems of seasonality. The cohort used covered the months June–October.

3.2.2 2003 extension of LPWFI: design of the analysis

The design of this 2003 LPWFI extension evaluation differs somewhat from that used for earlier LPWFI roll-outs. Mainly this design difference arises from the lack of suitable, clear comparison groups for this roll-out. The earlier analyses took advantage of the stages of delayed introduction to those lone parents with younger children. Hence, for the initial LPWFI introduction in 2001, to those with new/repeat claims with a youngest child older than five years and three months, a closely comparable group of lone parents was available for comparisons – amongst those lone parents with a youngest child aged less than five years and three months, who were not yet eligible for LPWFI. Then for the 2002 LPWFI extension, to those lone parents with a youngest child aged three years or more, those with a youngest child less than three years could be used as comparisons for a period of six months, as these claimants were not yet eligible for LPWFI. The comparison groups, enabled Difference-in-Differences analysis to be carried out (a brief description of this

[11] This definition excludes those who flow onto the IS for some other reason, and then subsequently become lone parents with a change of circumstance.

method follows in Section 3.2.4). However, for the 2003 LPWFI extension, all lone parent new/repeat IS claimants became eligible for LPWFI. Hence, no closely similar comparison group exists.

As a result, a key part of the analysis consists of **Before-After comparisons**. In the 'before and after' method[12], the outcomes for participants after the introduction of the programme or service are compared with outcomes for a similarly defined group in a baseline period before the programme or service started. The difference between the two outcomes is taken as the estimate of the effect of the programme or service.

However, since Before-After analyses can be much less reliable than Difference-in-Differences techniques, **some Difference-in-Differences analysis** was attempted with comparison groups that might provide a useful reference. The 'Difference-in-Differences' method can be understood as an extension of the 'before and after' method of evaluation. The comparison group explored for the Difference-in-Differences analysis was the group of lone parents claiming IS that were new/repeat claimants with a youngest child aged 16 and three months to 18 years. However, an important caveat to this analysis rests in the validity of the comparison group, which is discussed further in Section 3.2.4.

The **comparison group** available in the IS lone parent dataset consists of those new/repeat claimants with a youngest child aged 16 and three months to 18 years. This group has not been included in the LPWFI extensions. Individuals can only continue to claim for IS once their child turns 16 if they are eligible for IS for a reason other than being a lone parent (and this may include disability or other caring responsibilities). This group is possibly relatively stable over time, but it is likely that they will not be affected by the same labour market changes that would impact on LPs with children under 16 as given their nature (greater proportions with disability or caring responsibilities) and so they are likely to have low off-flow rates and may be distinctly harder to help. It is not clear if this precludes them from being used but we need to check the evidence of the validity of this group and think carefully of what the results actually mean.

Table 3.1 shows the key groups used for the impact analyses. For the **Before-After** estimates, only groups one and three are used, while for the Difference-in-Differences analysis, all of groups one to four are used. These two methods are further described in Sections 3.2.3 and 3.2.4.

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[12] This is known more technically as the 'fixed effects method'.

Table 3.1 2003 extension of LPWFI: summary of groups used in the impact analyses

New/repeat claimants	Before 30 April 2001 LPWFI pseudo-eligible	Before 30 April 2001 Comparisons	2003 LPWFI extension LPWFI eligible	2003 LPWFI extension Comparisons
Groups used in the analysis	1 'Before' sample of pseudo-eligible	2 'Before' sample of non-eligible	3 'After' sample of eligible	4 'After' sample of non-eligible
Year	1999	1999	2003	2003
Dates	June–October entrants	June–October entrants	June–October entrants	June–October entrants

2003 extension of LPWFI: analysis period and coverage

The analysis draws upon data from the period May 1999 to December 2004, inclusive. This is the longest period available in the administrative data source for IS claims. As noted earlier, claimants in ONE areas, LPWFI Pathfinder areas, and Jobcentre Plus Pathfinder areas and integrated offices, have been excluded from the analysis. The analysis also excluded Northern Ireland, an area which is not administered by Jobcentre Plus.

Outcomes

The outcome of interest to the national Welfare-to-Work strategy would be the employment of lone parents. However, the administrative data available for this evaluation did not include information on employment for those terminating an IS claim. The evaluation used an outcome that is indirectly related to employment, terminating an IS claim.

The outcome measure used was whether the IS claim had terminated by a given time. The shorthand label used for this outcome is 'exit IS'. This was evaluated at monthly intervals from the start of the claim, i.e. at one, two, three, four months and so on. However, the data did not allow analysis of the interval of the first month, as too few exits took place in any four of the eligible or comparison groups, with at most one per cent of any group exiting. Each exit period included any exits which took place after shorter times, for instance exits by two months include exits by one month.

Seasonality

The general issue of 'seasonality' arises with any method of over-time analysis. In the case of the 'Difference-in-Differences' method, seasonality is not a problem if it affects the participant groups and the comparison groups to the same extent, since in that case seasonal effects cancel out. But seasonality becomes a problem if it affects the groups differently.

Aspects of seasonality are important to consider for both the Before-After estimates, and the Difference-in-Differences estimates. In the case of LPWFI, for example, eligibility is determined by the age of the youngest child, and those with children of different ages may be more or less affected by the start of school or nursery terms and by school/nursery holiday periods.

There is a further aspect to seasonality that should be borne in mind, and that is that the impact itself may vary seasonally. This does not affect the Difference-in-Differences measure. This remains valid for the cohort that is observed – but caution is needed in generalising from this cohort to the impacts that might be experienced by individuals at other times of the year. However, this can be more important for the length of the period over which the Difference-in-Differences is constructed – impacts assessed over periods less than one year can vary seasonally.[13]

3.2.3 Before-After estimate

A particular strength of the 'before and after' estimate is that it is unaffected by characteristics of the participant group which are unchanging over time, since these 'cancel out'. Because of this feature, one does not need much information about the participant characteristics provided that it is reasonable to assume that they change very little over the period considered. This is usually a reasonable assumption if the 'before' and 'after' samples have been drawn in precisely the same way, and the time-gap is short. Additionally, any changes in observed characteristics can be adjusted statistically. However, the 'before and after' estimator has a severe drawback: it can be biased by other changes in circumstances that could have affected outcomes over the period in question. With labour market programmes, other types of change are often – indeed, usually – taking place in parallel with the programme being evaluated. In particular, economic and labour market conditions are continually changing, and these changes are often rapid, affecting the ease or difficulty of finding a job from month to month. In addition, there are a number of policy changes affecting the employment of lone parents, as described in Section 3.1.1.

3.2.4 The Difference-in-Differences method

The 'Difference-in-Differences' method seeks to overcome this drawback of the 'before and after' method. It does so by adding to the evaluation a further parallel group that is **not** involved in the new programme or service – the comparison group. Since this group is chosen so that it is not affected by the programme or service, any change in its outcomes over time can (usually) be attributed to changes in general economic or labour market conditions. The difference in outcomes over time for this non-participating group is therefore used to estimate the effect of these background changes. A key assumption of 'Difference-in-Differences' associated with this is that

[13] Seasonality of the impact may affect the new/repeat Difference-in-Differences impacts which are assessed over the June–October months.

the changes are assumed to act similarly on both the participant and comparison groups. When the comparison group difference is subtracted from the 'before and after' estimate for the participating group, this provides an estimate of the impact which is adjusted for changes in background conditions. The 'Difference-in-Differences' estimator also retains the same advantages of the 'before and after' estimator in providing estimates that are unaffected by characteristics of the groups provided that these do not change over time.

Appendix A explains more formally how the information from the different groups is combined to produce the net impact estimate.

Validity of the estimate: Difference-in-Differences assumptions

As already noted the 'Difference-in-Differences' method requires a number of assumptions which must be satisfied if the results it produces are to be trustworthy. These assumptions are of three main types.

1. The changes in background conditions are assumed to affect the participant groups and the non-participant groups to the same extent. If they are affected to an appreciably different extent, then the 'Difference-in-Differences' method is invalid. An example where the assumption is problematic is when the participants are located in different areas from the non-participants, since there could be regional or local variations in economic or labour market conditions. More generally, this assumption is most likely to be satisfied when the participant and the non-participant groups are broadly similar. For instance, comparisons between different groups of lone parents should be less problematic than comparisons between lone parents and parents who are married or have partners. This is because the latter group on average has a higher employment rate, more employment experience, and higher family income – all features that could affect the response to changing economic conditions. This issue can be tested directly in an ideal situation, however the ability to do so here is limited (see Section 4.1 later for results of the tests and further discussion).

2. It is assumed that, at the particular periods over which the comparisons are being made, there are no **other** policy changes taking place which affect the participant group differently from the non-participating group. The assumption is satisfied if the other policy changes affect both the participant and comparison groups similarly. In Sections 1.1 and 1.2, reference was made to several policy changes that were taking place around the same time as LPWFI, including WFTC. It is necessary to consider, and if possible test, how far these developments may impinge on the evaluation. This assumption also affects the **Before-After** estimate.

3. It is assumed that the composition of the samples does not change over the period of the comparisons in such a way as to affect the differences, either within or between the participant and non-participant groups. If extensive information on the characteristics of the groups is available for analysis, then any changes in composition can be statistically controlled. But it is important to remember that the only changes which can be controlled for are in changes to observed characteristics (hence changes to unobserved characteristics remain problematic). If information, as in the present case, is relatively sparse, then one must rely on background knowledge of the groups supported by examination of those characteristics on which information is available over time.

Steps to ensure the validity of the Difference-in-Differences estimates

The comparability of the samples is further explored through descriptive analysis, which is summarised in Section 3.3. The descriptive analysis was also used to assess whether relative shifts in the composition of the samples were likely to influence the impact analysis. This addresses assumption (c) outlined in Section 3.2.4.

The issue of 'interference' with the impact analysis from other policy changes, notably the introduction of WFTC, is addressed by statistical analysis of the pre-programme period. The inclusion of those with young babies may also bring a possible differential effect of maternity rights legislation changes during the period[14]. This analysis, which addresses assumptions (1) and (2) outlined in Section 3.2.4, is presented in Section 3.4.3, and will not be discussed further at this point. However, WTC changes occur during the analysis period itself, when the 2003 extension occurred, so this change may also affect estimates. The WFTC was superseded by two tax credits, CTC and WTC, from April 2003. WTC could affect estimates because the policy change occurs during the same time period and for the same groups, so impact estimates would include the effects of both WTC and LPWFI.

The seasonality issue discussed in Section 3.2.4 is also addressed, although the method for dealing with it, which was to align the dates of the 'before' and 'after' groups in each analysis, should be apparent from Section 3.2.2 and Table 3.1.

3.2.5 The data

Data on both IS claims as lone parents and separate data concerning LPWFI and NDLP were necessary to meet the evaluation objectives of the analysis. Several administrative datasets were linked to construct the data. A basic description of the IS dataset is presented here for key aspects that must be considered, with further

[14] In earlier impact analyses those with young babies of less than one year were excluded from the analysis; however this affected the comparison group, whereas here it affects the LPWFI eligible group.

details about the LPWFI and NDLP participation data found in earlier reports such as Knight and Lissenburgh (2005) and Knight and Lissenburgh (2004).

The main administrative data on lone parent IS claims were extracted from the Generalised Matching Service (GMS) database. GMS data is used as a substitute for direct access to the Income Support Computer System (ISCS), which is not available[15].

The IS administrative database consists of individuals' claim details, with one or more claims per individual. The sample, therefore, contains more than one claimant spell for some customers. These are counted as separate observations for the new/ repeat. However, most of the individuals in the sample made only one claim during the period being analysed.

The structure of the IS data resulted from repeated scans of the administrative database at fixed intervals after the first scan on 15 May 1999. Subsequent scans took place (with a few exceptions) at fortnightly intervals. This interval means that very short-term claims are not all present as they might start and end within the interval.

The data available for this evaluation offered a number of important opportunities or strengths.

- The data were representative of the whole claimant group to which LPWFI applied over the May 1999 – May 2004 period.
- There were large numbers of observations for each analysis, typically in the region of 40,000, and there was no loss of precision from clustered sampling or other design effects usually introduced by sample survey designs.
- These features meant that relatively small impacts could be estimated with a higher degree of precision than is possible from survey data[16].
- Furthermore, the administrative data sources, which are used for the payment of benefits, are likely to be more accurate than data collected through survey interviews. In particular, the recall of dates by individuals in surveys tends to introduce large errors and gaps in information. Compared to the typical survey, the administrative data puts one in a better position to compare exit-times from claiming IS at various periods before and after the introduction of LPWFI.

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[15] GMS brings together all of the MIDAS data extracts that have been received, holding only one record for each benefit claim (with the latest or final position), with a history of the changes to the benefit record held separately. The source data were held by the Department for Work and Pensions (DWP) and constructed for the evaluation from the IS database by ORC. An extract was made so that the data covered all customers who had ever been recorded as claiming IS as a lone parent on or since 15 May 1999.

[16] Note that administrative register data is also subject to measurement error, although it does not have sampling error.

- Another advantage of the administrative data is that one can determine with reasonable confidence whether individuals did or did not take part in LPWFI or in NDLP. In survey interviews true non-participation is hard to separate from forgetting and from individuals' confusions about the names of different programmes or services.

Identifying lone parents

A lone parent claim is recognised when the IS database record for a claim flags the individual as not having a partner, and provides the date of birth of the youngest child. Where either of these items is missing, the IS record was classified as not being a lone parent claim. This definition was the same as that used within the DWP in working with the database.

Identifying the end of the claim

The end date of a lone parent IS claim in the administrative data is subject to some measurement error. Because of the way the database is constructed from approximately fortnightly snapshots, a claim is known to have terminated when it is present in one scan but absent in the next. The end date is not known exactly; it is only known that it lies between the two scan dates. For analytical purposes, an end date is imputed as a random date uniformly distributed over the interval between scans.

Identifying new/repeat claims

We identified as the new/repeat cases only those new cases that were lone parents at the start of their claim for IS. Any new claim for IS which then later changed their details to indicate a lone parent was excluded from the new/repeat analysis[17]. However, subsequent information indicates that these cases may not receive an LPWFI. To understand the difference in these cases, take for example a claim starting in April 2003, not as a lone parent, which changed in August 2003 to a lone parent claim with a youngest child aged two. This claim would not be included in the stock groups of the rollout, because it was not current on 30 April 2001; but nor may it be included in the new/repeat group because it was not a lone parent claim when the IS claim started [hence they would not be identified as a new lone parent at their IS claim registration and so gain access to a LPWFI]. These customers would have been picked up in later scans for stock[18]. Accordingly, they are excluded from the new/repeat analysis. However, it should be noted that this group may not be accessing LPWFI.

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[17] In earlier analysis for the interim report (Knight and White, 2003), these cases were included, as at the time it was thought that the registration of their change of circumstances would flag their eligibility for LPWFI.

[18] However, it is planned by the DWP that from April 2004, those making a change of circumstances to a lone parent claim for IS would be called in for a lone parent WFI.

3.3 2003 extension of LPWFI: claimant characteristics

This section presents information on the size of the groups eligible for LPWFI, their rate of turnover, characteristics of new/repeat and stock claimants, and participation in the LPWFI system. These characteristics are of importance in interpreting the impact analysis results that follow.

3.3.1 2003 extension of LPWFI: magnitude

The figures in Table 3.2 show the size of the lone parent IS claimant population reflected in this dataset analysed in the evaluation. Table 3.2 gives the total number of new/repeat lone parent IS claimants with youngest child less than 16 years, in each month for the period of the database, with the exclusions applied which are used for the analysis.[19] The total number of claims are shown to be falling over time. Part of this will be due to the roll-out of Jobcentre Plus which leads to increasing number of new/repeat claimants being excluded after October 2002 (see Section 1.2 for a description of Jobcentre Plus). This is an indication that over time, the groups analysed by this LPWFI evaluation become increasingly idiosyncratic, in respect to the intended full integration of Jobcentre Plus.

Table 3.3 shows the sub-sample numbers available for the analysis of the new/repeat claimants in the three new/repeat cohorts. The sub-sample definitions used for analysis are explained earlier in Section 3.2.2 and Table 3.1. To recall the 'before/after' groups of the Difference-in-Differences analysis, the before/after format is carried through. In total 41,931 observations were available in the four sub-samples of eligible and comparison groups for analysis using the June-October cohort of entrants.

[19] Most of the new/repeats analysis excludes those claims where the youngest child is less than 12 months. Amongst new/repeat lone parents, babies account for the greatest number of registrations at any particular year of youngest child's age with 3,000-4,000 new/repeat claims each month (two to three times as many as for those where the youngest child is one for example), and the equivalent table is shown in Appendix B Table B.2 where babies are excluded.

Table 3.2 2003 extension of LPWFI: total new/repeat lone parent IS claimants in each month[20]

	1999	2000	2001	2002	2003	2004
January	-	24,716	25,627	22,259	19,333	16,422
February	-	21,334	19,669	18,063	15,354	12,992
March	-	22,839	21,891	19,724	20,567	15,780
April	-	20,331	20,110	20,903	19,983	11,974
May	-	23,576	20,790	20,513	14,720	11,232
June	26,159	23,831	22,235	20,062	16,300	13,770
July	26,408	23,962	22,200	21,954	15,697	
August	25,021	22,790	20,352	19,286	13,434	
September	26,389	22,364	19,434	20,738	14,618	
October	23,058	23,141	20,448	19,950	13,549	
November	21,737	21,103	18,109	16,789	12,517	
December	15,608	15,211	12,988	12,019	10,774	

All new and repeat IS lone parent claimants for youngest child less than 16 years. Data excludes: Northern Ireland, Jobcentre Plus Pathfinder, LPWFI Pathfinder and ONE areas, Jobcentre Plus roll-out.

Table 3.3 2003 extension of LPWFI new/repeat claimants: overall number of analysis claimants

	June–October cohort	
Number of claimants	**LPWFI meetings eligible**	**Comparisons**
Before 30 April 2001		
1,999	24,762	2,056
2003 LPWFI extension		
2,003	13,513	1,600

Data excludes: Northern Ireland, Jobcentre Plus Pathfinder, LPWFI Pathfinder and ONE areas, Jobcentre Plus roll-out. Note: LPWFI eligible group is IS lone parent claimants with youngest child aged less than three years and at least 12 months; Comparisons are those with youngest child aged more than 16.25 years and less than 19 years.

[20] Note – The figures shown in this table correspond to those shown in the current data set used for analysis. Comparison with the similar table in the earlier report Knight and Lissenburgh (2005) shows slightly different numbers: the two reports are based on differently dated extracts and reflect the same definition of dataset but despite this, there are differences. Numerous checks have confirmed that the data operations performed for the PSI analysis are identical, and differences appear to be due to changes over time to the data algorithms conducted by ORC and DWP in defining the extracts.

In Table 3.3, the LPWFI eligible group is clearly much greater in size than the potential comparison group. The great size of this group is because amongst new/repeat claimants, those with young children make up the greatest share of new claims. Table 3.4 shows the breakdown of the LPWFI eligible groups by the age of the youngest child.

Table 3.4 2003 extension of LPWFI new/repeat claimants: breakdown of LPWFI eligible analysis claimants

	June–October cohort	
	LPWFI meetings eligible	LPWFI meetings eligible
Number of claimants	Youngest child aged one only	Youngest child aged two only
Before 30 April 2001		
1999	13,655	11,107
2003 LPWFI extension		
2003	7,517	5,996

3.3.2 2003 extension of LPWFI: exits from IS

In interpreting the impact of an evaluation for a welfare-to-work programme, the underlying rate of exit, or turnover, is a relevant consideration. If the base rate of turnover is low, then even a small absolute impact may be considered a worthwhile gain in practical terms. However, in interpreting these figures, it should be borne in mind that entering employment is not the only reason why a lone parent terminates an IS claim. The claim may also be terminated because of re-partnering, or changing to another benefit that precludes an IS claim.

Table 3.5 shows the cumulative exit rates for cohorts of new/repeat claimants drawn from the months of June to October inclusive in 1999 and 2003. At the end of six months, between one in four to slightly more than one in five of the entrants had exited, a considerably lower rate than observed for unemployed (JSA) claimants[21]. The turnover rate for new/repeat claimants was averaging about four per cent per month over the six-month period, although less than one per cent per month in the first month.

A useful insight into the formulation of the impact estimates using the methods as described in Section 3.2 can be gained from the calculations in the third and fourth columns, which reflect a simple calculation of the Before-After estimate and the Difference-in-Differences estimate. These estimates can be used as a simplistic guide, as they simply compare the exit rates, and do not allow for other variables,

[21] Note that because of the fortnightly scan process underlying the data, exits within the first month after claim start will be understated.

which are accounted for in modelling. The different direction for the change in exit rates for LPWFI eligible groups is apparent, as the LPWFI eligible appear to have increasing exits, while the comparisons have falling exits. This differential change may affect the Difference-in-Differences analysis, and this topic is returned to in discussion in later sections.

Notably, for consideration of the comparison group quality, the off-flow rate appears quite similar to that of the eligible group for the period two-six months after claim start.

Table 3.5 2003 extension of LPWFI: new/repeat claimants: exit rate for lone parent IS claims

Exits up to	Lone parent with claim start	1999	2003	Difference calculation, Before-After (LPWFI)	Difference in Difference calculation
June-October cohort		% exiting cumulative			
Two months	LPWFI	5.2	5.1	-0.1	
	comparisons	6.8	4.8	-2.0	1.9
Three months	LPWFI	9.8	10.3	0.5	
	comparisons	12.0	9.0	-3.0	3.5
Four months	LPWFI	14.5	16.0	1.5	
	comparisons	17.5	15.0	-2.5	4.0
Five months	LPWFI	18.8	20.2	1.4	
	comparisons	23.1	18.3	-4.8	6.2
Six months	LPWFI	22.2	24.0	1.8	
	comparisons	27.7	23.3	-4.4	6.2

Data excludes: Northern Ireland, Jobcentre Plus Pathfinder, LPWFI Pathfinder and ONE areas, Jobcentre Plus roll-out. Note – the negative sign in column 3 indicates a fall in exit rates between years.

The consideration of the LPWFI extension in 2003 and the comparison group which never becomes eligible for LPWFI allows for some additional years that might serve as baseline, whereas earlier analyses did not have such alternatives available. For further insight into the changes in exit rates for the potential comparison group and the 2003 LPWFI eligible group, Table 3.6 and Figure 3.1 both show the exit rate each year between 1999 and 2003 (Note: the scale for each chart is different). The charts in Figure 3.1 help make the change over time in the exit rates clearer – each chart shows the exit rate for LPWFI and comparisons over time, for a number of months after claim start, up to six months. After 1999, the exit rates fall, then rise, and then fall again slightly between 2001 and 2002. These changes to the growth of the exit rate (the change between years) are shown in Table 3.7. If the year 1999 was used as the baseline, as shown in Figure 2, the exit rates for the LPWFI eligible and the comparisons diverge between 1999 and 2003, as the LPWFI rise while the comparisons fall, and cross, with LPWFI eligible exit rates rising to a level above that of the comparisons (Note: scale for each chart is different). This pattern of growth for the LPWFI and comparisons between 1999 and 2003 is made clearer by considering the difference calculation in column 3 of Table 3.5, where a negative sign indicates a fall. This indicates divergent growth for the LPWFI relative to the comparisons, using the 1999 baseline. If the year 2002 was used as the baseline, the last two points in the charts in Figure 3.1 show that the exit rates for the LPWFI eligible and the comparisons both rise, and cross, with LPWFI eligible exit rates rising to a level above that of the comparisons. Column 4 Table 3.7 shows the growth pattern between 2002 and 2003 for both the LPWFI eligible and comparisons, for exits to six months. Given these patterns, 2002 appears to be a simpler baseline to use which is not compromised by divergent growth, however as it occurs immediately prior to the LPWFI extension under examination, no further formal baseline tests can be conducted, see Section 3.4.2.1 for the baseline tests.

Table 3.6 2003 extension of LPWFI new/repeat claimants: exit rate for lone parent IS claims

Exits up to June–October cohort	Lone parent with claim start	1999	2000	2001	2002	2003
		% exiting cumulative				
Two months	LPWFI	5.2	3.0	3.2	3.0	5.1
	comparisons	6.8	3.6	3.9	2.3	4.8
Three months	LPWFI	9.8	6.9	7.6	7.2	10.3
	comparisons	12.0	8.4	8.1	7.3	9.0
Four months	LPWFI	14.5	11.4	12.5	12.0	16.0
	comparisons	17.5	13.6	13.6	11.9	15.0
Five months	LPWFI	18.8	15.6	16.9	16.0	20.2
	comparisons	23.1	17.9	17.9	16.8	18.3
Six months	LPWFI	22.2	19.1	20.5	19.6	24.0
	comparisons	27.7	21.2	21.6	20.6	23.3

Data excludes: Northern Ireland, Jobcentre Plus Pathfinder, LPWFI Pathfinder and ONE areas, Jobcentre Plus roll-out.

Table 3.7 2003 extension of LPWFI new/repeat claimants: growth over time in exit rate for lone parent IS claims analysis groups

Exits up to June–October cohort	Lone parent with claim start	1999-2000	2000-2001	2001-2002	2002-2003
		% exiting cumulative			
Two months	LPWFI	-2.2	0.2	-0.2	2.1
	comparisons	-3.2	0.3	-1.6	2.5
Three months	LPWFI	-2.9	0.7	-0.4	3.1
	comparisons	-3.6	-0.3	-0.8	1.7
Four months	LPWFI	-3.1	1.1	-0.5	4
	comparisons	-3.9	0	-1.7	3.1
Five months	LPWFI	-3.2	1.3	-0.9	4.2
	comparisons	-5.2	0	-1.1	1.5
Six months	LPWFI	-3.1	1.4	-0.9	4.4
	comparisons	-6.5	0.4	-1	2.7

Data excludes: Northern Ireland, Jobcentre Plus Pathfinder, LPWFI Pathfinder and ONE areas, Jobcentre Plus roll-out. Note – negative sign indicates a fall in exit rates between years.

3.3.3 2003 extension of LPWFI: characteristics

This sub-section provides information about characteristics of the new/repeat claimants in the analysis groups.

Table 3.8 shows the sex of claimants. Those groups eligible for LPWFI contained higher proportions of men. This was because lone fathers can have responsibility for older children, but this is less likely for very young children. If lone parents with babies under age one had been included for analysis, the proportion of men in the comparison groups would have fallen still lower, and that of women would have risen. For the evaluation method, the most important finding is that the proportions of men and women in the sub-samples changed very little across these years, and so no potential difficulties are posed for the Difference-in-Differences analysis (see Section 3.2.4 regarding the issue of changing composition).

Figure 3.1 2003 extension of LPWFI: set of charts showing cumulative percentage exiting over time, for the LPWFI eligible and comparisons, (see also Table 3.6)

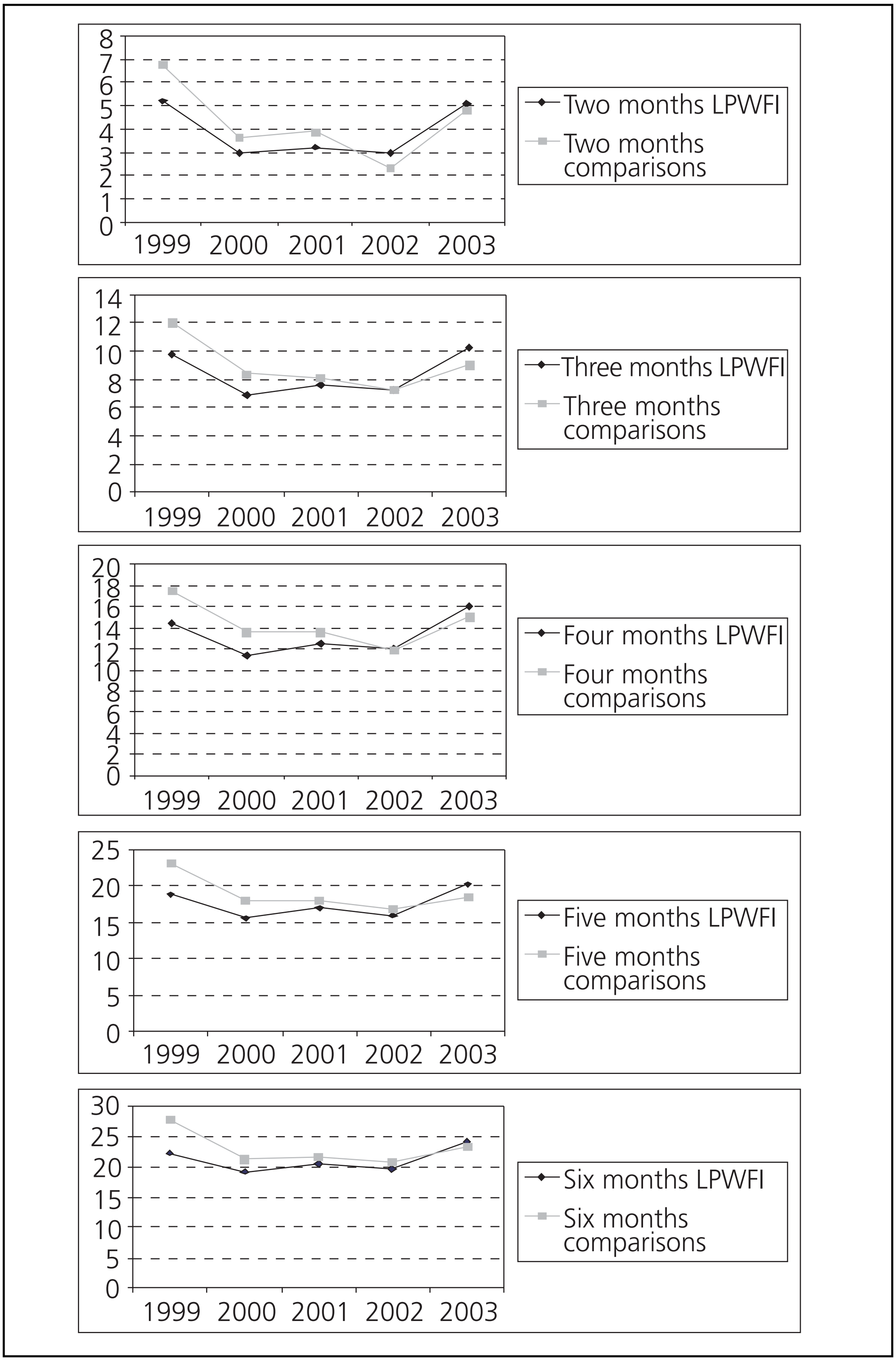

Figure 3.2 2003 extension of LPWFI: set of charts of cumulative percentage exiting over time, for 1999 and 2003

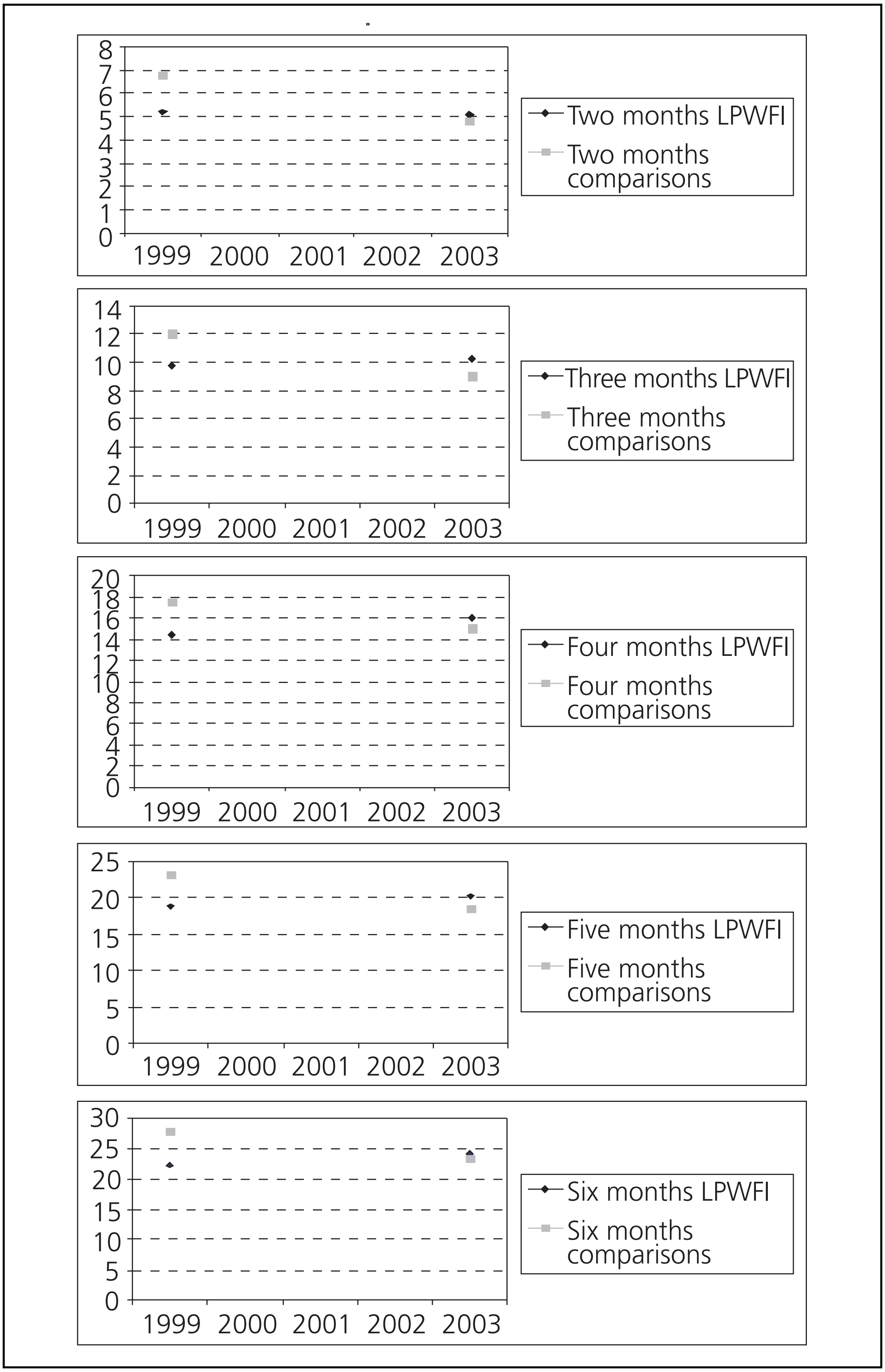

Table 3.8 2003 extension of LPWFI: new/repeat claimants: sex of claimant

June–October cohort	LPWFI eligible	Comparisons
1999		
Female	95.0	84.7
Male	5.0	15.3
2003		
Female	95.2	85.9
Male	4.8	14.1

Data excludes: Northern Ireland, Jobcentre Plus Pathfinder, LPWFI Pathfinder and ONE areas, Jobcentre Plus roll-out.

Table 3.9 2003 extension of LPWFI: new/repeat claimants: age of claimant at claim start date

June–October cohort	LPWFI eligible	Comparisons
1999		
16 – 24	39.4	1.0
25 – 29	29.9	0.4
30 – 34	19.2	2.9
35 – 39	8.5	15.6
40 – 44	2.4	27.4
45 – 49	0.4	28.0
50 or more	0.2	24.7
2003		
16 – 24	44.7	1.0
25 – 29	24.5	0.4
30 – 34	17.4	2.3
35 – 39	9.6	16.6
40 – 44	2.9	29.3
45 – 49	0.6	25.0
50 or more	0.3	25.5

Data excludes: Northern Ireland, Jobcentre Plus Pathfinder, LPWFI Pathfinder and ONE areas, Jobcentre Plus roll-out.

The eligible and comparison groups used for the analysis differed in the distribution of parents' own ages, which is naturally connected to the ages of the children. Table 3.9 shows the age of claimants while Table 3.10 shows the age of the youngest child. As in the case of the gender composition, there was very little change in the relative age distributions across the years. The proportions by each youngest child's age-group diminish with each succeeding year of the youngest child's age. This means that exits from IS progressively outweigh entries to IS as the age of the youngest child increases. Once more, the proportions in the various groups, by age of youngest child, changed little across the years of lone parent inflow.

Table 3.10 2003 extension of LPWFI new/repeat claimants: age of youngest child at claim start date

June–October cohort Age of youngest child	LPWFI eligible	Age of youngest child	Comparisons
1999		**1999**	
1	56.1		
2	43.9		
		16	50.2
		17	39.1
		18	10.7
2003		**2003**	
1	55.6		
2	44.4		
		16	52.0
		17	37.3
		18	10.7

Data excludes: Northern Ireland, Jobcentre Plus Pathfinder, LPWFI Pathfinder and ONE areas, Jobcentre Plus roll-out.

Table 3.11 shows the claimant's number of dependent children. This reveals a perhaps unexpected fact, namely that the (comparison) new/repeat claimants had on average fewer dependent children than the eligible group. Those in the comparison groups, who had children aged 16 years three months to 18 years, were more likely to have only one child than those eligible for the LWFI extension, whose children were younger. These proportions were fairly stable between 1999 and 2003; however amongst the eligible one noticeable change was that the proportion with one child rose while the share with two or three children fell slightly. There was no shift in the same direction for the comparison group. Statistical controls for this and other characteristics can be included to control for changes so that they do not affect the evaluation methodology.

Table 3.11 2003 extension of LPWFI new/repeat claimants: number of children for claimant

June–October cohort	LPWFI eligible	Comparisons
1999		
1	44.8	95.7
2	30.4	4.1
3	15.7	0.2
4	6.3	
5 or more	2.8	
2003		
1	49.3	94.3
2	28.8	5.7
3	13.5	0.1
4	5.7	
5 or more	2.7	

Data excludes: Northern Ireland, Jobcentre Plus Pathfinder, LPWFI Pathfinder and ONE areas, Jobcentre Plus roll-out.

The share of new/repeat lone parent IS claimants which also had an IS Disability Premium claim are shown in Table 3.12. It should be noted that this could be for the claimant or a child of the claimant, but it was not possible to identify this using the information in the database. The proportion of comparison claimants with IS Disability Premium was higher amongst comparisons than for those eligible for LPWFI in the extension. This most likely reflects a compositional difference for the comparison group for those with IS Disability Premium claims. Individuals can only continue to claim for IS once their child turns 16 if they are eligible for IS for a reason other than being a lone parent (and this may include disability or other caring responsibilities). The share of the comparison group with IS Disability Premium rises in 2003, and this generally reflects growth since 1999 that mostly occurred between 2001 and 2002, with the share 52.4 in 2000, 53.5 in 2001, and 57.2 in 2002. This may reflect a fall in the share of lone parents with children over 16 claiming amongst those without disability or other caring responsibilities as a result of the April 2001 introduction of LPWFI applying more attention to changes to claim status, a type of shake-out effect. Amongst the eligible group the share is stable over time. As already noted, statistical controls for this and other characteristics can be included in the analysis to control for changes so that they do not affect the evaluation methodology.

Table 3.12 2003 extension of LPWFI new/repeat claimants: claimant of IS Disability Premium

June–October cohort	LPWFI eligible	Comparisons
1999		
None	95.3	53.2
IS Disability Premium	4.7	46.8
2003		
None	95.6	43.9
IS Disability Premium	4.5	56.1

Data excludes: Northern Ireland, Jobcentre Plus Pathfinder, LPWFI Pathfinder and ONE areas, Jobcentre Plus roll-out. The IS Disability Premium could be for the claimant or a child.

Table 3.13 2003 extension of LPWFI new/repeat claimants: Government Office Region

June–October cohort	LPWFI eligible	Comparisons
1999		
Northeast	6.2	6.3
Northwest	13.1	16.9
Yorkshire and Humber	9.0	7.5
East Midlands	7.3	6.4
West Midlands	8.7	8.7
East of England	7.5	6.6
London	13.6	19.4
Southeast	11.8	7.6
Southwest	7.6	7.0
Wales	5.8	5.6
Scotland	8.6	7.3
Missing	0.9	0.8
2003		
Northeast	5.5	4.7
Northwest	11.4	12.7
Yorkshire and Humber	9.2	7.3
East Midlands	5.7	3.9
West Midlands	11.7	11.4
East of England	5.7	4.8
London	14.0	24.1
Southeast	11.8	9.4
Southwest	7.3	5.9
Wales	6.4	6.9
Scotland	9.7	8.4
Missing	1.7	0.6

Data excludes: Northern Ireland, Jobcentre Plus Pathfinder, LPWFI Pathfinder and ONE areas, Jobcentre Plus roll-out. Where missing, the administrative data was missing the Government Office Region.

The geographical distribution of lone parents in the various new/repeat sub-samples is shown in Table 3.13 with the classification of Government Office Regions used for this purpose. The regions containing the largest numbers of lone parents were the London, followed by Northwest, and Southeast. The regional distribution of those eligible for the LPWFI extension, and the comparisons, was similar. For the eligible group, this was generally stable over time, however, for the comparisons, the concentrations changed in the Northwest and London, with a fall in the Northwest and a rise in London.

The administrative database contains travel-to-work area (TTWA) codes, to which unemployment rates can be attached[22]. To compare the samples, the TTWA unemployment rates from 1999 were grouped into four bands, as shown in Table 3.14. There has recently been less variation in local unemployment rates than was common a decade ago, and this is reflected in the table, with very few lone parents in areas with nine per cent or more unemployment. The TTWA unemployment rate was quite similar for the eligible and comparison groups; however there were slightly higher shares of lone parents in the eligible groups in the TTWA with less than six per cent unemployment. Between 1999 and 2003, there was little change in the distribution.

Table 3.14 2003 extension of LPWFI new/repeat claimants: TTWA unemployment rate in April 1999

June–October cohort	LPWFI eligible	Comparisons
1999		
0 to three per cent	18.8	14.6
More than three to six per cent	55.0	59.3
More than six to nine per cent	23.7	23.8
More than nine to 12 per cent	1.5	1.5
Missing	0.9	0.8
2003		
0 to three per cent	19.0	14.1
More than three to six per cent	54.9	59.5
More than six to nine per cent	22.4	23.6
More than nine to 12 per cent	2.1	2.3
Missing	1.7	0.6

Data excludes: Northern Ireland, Jobcentre Plus Pathfinder, LPWFI Pathfinder and ONE areas, Jobcentre Plus roll-out. The TTWA unemployment rate for April 1999 is matched on from the NOMIS (www.nomisweb.co.uk) for the JUVOS claimant count. Where missing, the TTWA was missing.

[22] The unemployment rate data were obtained from the Nomisweb service at the University of Durham.

Overall, the descriptive analysis shows that some characteristics were subject to some change over the period. Changes occurred for number of dependent children amongst the eligible, and claiming IS disability premium, and location amongst the comparisons. The implication for the impact analysis to be presented in Section 3.4 is that statistical controls for the characteristics considered above will be included in all analyses.

3.3.4 2003 extension of LPWFI: participation in LPWFI

Under the LPWFI system, new/repeat claimants for lone parent IS, once identified as meeting the eligibility criteria, were immediately informed that they were required to participate in a LPWFI as a condition of being able to proceed with the processing of their benefit claim. An appointment could be arranged immediately, or appointment options could be discussed later via telephone or letter. So as not to delay processing of benefits, there was a requirement that the meetings be set up within four days of the claim date[23].

The combined dataset from the linked IS and LPWFI information was used to produce estimates of participation in LPWFI. The most basic measure of participation was used for this purpose, namely whether a start date for entry to the LPWFI system was recorded for the individual. Entry into the LPWFI system could mean any recorded date for LPWFI attendance, deferral or waiver. Entry to the LPWFI system is then **not** indicative of only LPWFI **attendance**[24]. In considering entry to the LPWFI system, it should be recalled that the LPWFI are mandatory.

For the LPWFI extension, amongst the eligible new/repeat claimants in the June-October cohort, 74 per cent overall were found to have entered the LPWFI system. This is very similar to the proportion found for those new/repeats eligible during the 2001 introduction of LPWFI and the 2002 extension.

3.4 2003 extension of LPWFI: estimated impact

This section considers the impact of the 2003 LPWFI extension on new/repeat claimants. The analyses sought to answer the following question: *Was there a significantly different change in outcome, for the two groups defined by age of youngest child, between the initial year when LPWFI was being introduced, and the subsequent year*?

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[23] The claim date is counted as day zero, and the LPWFI should be booked within the next three days.

[24] Note that in the context of this report 'attending' is used to also imply active participation beyond attendance *per se*, for example, answering questions during the interview.

The average impact estimates shown are from Before-After and Difference-in-Differences models where the control variables included were gender, age of claimant, age squared, number of children, whether had received IS Disability Premium, government office region, and travel to work area unemployment rate in April 1999. The impact was then estimated using the information from the model. Further details of the statistical implementation of the Difference-in-Differences method are shown in Appendix 1 of the earlier report, Knight and Lissenburgh (2005).

In these analyses, the outcome measure used is whether the IS claim is terminated (i.e. whether an exit has taken place). This is because the data provide no direct information on an alternative status to claiming IS: what is observed is only whether the claim spell continues or not. Accordingly, a negative effect (as shown in the 'coefficient' columns of the table) means that exits had fallen for the 'pseudo-eligible' group relative to the comparison group, while a positive effect means that their exits had increased relative to the comparison group. In other words, a positive value indicates LPWFI having the desired effect; a negative value indicates an opposite effect to that intended. The t statistic indicates the statistical significance[25] of the coefficient – only those values marked with an asterisk are statistically significant however.

3.4.1 Before-After estimate

The estimated average impact of LPWFI on exits from IS for the June to October cohort are shown in Table 3.15, where 1999 is used as the baseline. Table 3.15 presents for each number of months after claim start the estimated impact, as well as the statistical significance. It was not possible to estimate the impact at one month after claim start for IS terminations because too few cases were observed to exit, with less than one per cent exiting in any group. A positive impact indicates that in 2003, those eligible for LPWFI had higher exits from IS than comparisons not eligible for LPWFI.

The results for the 1999 baseline indicate that the impact was very small or zero at two months and not statistically significant, however rising in size to half a percentage point and then continuing to rise, with up to nearly two percentage points at six months, all with statistical significance.

[25] All t tests are two tailed.

Table 3.15 2003 extension of LPWFI new/repeat claimants: *Before-After* LPWFI extension average impact on exits from IS claim, 1999 baseline

June–October cohort	Months after claim start				
1999 baseline	**2**	**3**	**4**	**5**	**6**
Average impact percentage points	-0.10	0.50	1.50	1.40	1.80
t statistic	-0.56	1.61*	3.80**	3.32**	4.09**
Observations	46,561				

Base: 1999. Data excludes: Northern Ireland, Jobcentre Plus Pathfinder, LPWFI Pathfinder and ONE areas, Jobcentre Plus roll-out. The t statistics are marked with * for statistical significance at ten per cent, ** for statistical significance at five per cent.

Table 3.16 2003 extension of LPWFI new/repeat claimants: *Before-After* LPWFI extension average impact on exits from IS claim, 2002 baseline

June–October cohort	Months after claim start				
2002 Baseline	**2**	**3**	**4**	**5**	**6**
Average impact percentage points	2.0	3.1	3.7	3.9	4.2
t statistic	9.30	9.72	9.62	8.99	9.00
Observations	32,082				

Base: 2002. Data excludes: Northern Ireland, Jobcentre Plus Pathfinder, LPWFI Pathfinder and ONE areas, Jobcentre Plus roll-out. The t statistics are marked with * for statistical significance at ten per cent, ** for statistical significance at five per cent.

Table 3.16 shows the results of the Before-After estimator if 2002 was used as the baseline. This 2002 baseline shows large impacts[26], and the analysis is adversely affected by the fact that the exit rates show that the year 2002 was a low point for exit levels for the LPWFI group which had fallen since 1999, possibly due to changes in other policies in the intervening years, and which reflect the fact that exits recovered from these lower levels between 2002 and 2003 growing strongly for both the LPWFI, but also for comparison groups (see the last two points in the charts of Figure 3.1, Section 3.3.2). Section 3.2.3 discussed the potential bias in the Before-After estimator resulting from this type of issue (see also the more extensive discussion about exit rate changes in Section 3.3.2 earlier). Accordingly these results for the Before-After estimator do not provide a robust estimate of the impact. However, the Difference-in-Differences estimate may yield more evidence about the impact of the LPWFI 2003 extension.

[26] Relative to the size of impacts found for all other analyses.

3.4.2 Difference-in-Differences estimate

Validity of the estimate: Difference-in-Differences assumptions

In this section we test for changes in outcomes that might be produced by WFTC in the period before the introduction of LPWFI. This can also be seen as a more general test of whether the baseline period used for Difference-in-Differences is itself a stable one[27]. If the comparisons between groups produce unstable results in the baseline period, then any subsequent estimates that use the baseline may be unreliable. Ideally, there would be a long time series of data for the analysis groups, which would enable a good choice of baseline and also a better examination of how closely the groups compare, however lack of pre-1999 data and seasonality give restrictions.

It was possible to perform some baseline tests. (See also the discussion about exit rate changes in the pre-programme period in Section 3.3.2 earlier.) The tests use similar methods to those used for the main impact analysis, but are confined to the pre-programme period. Hence the tests used the Difference-in-Differences method, but the comparisons are limited to cohorts of new/repeat claimants beginning their claims in 1999 and 2000. All outcomes also took place in the period before LPWFI commenced. Essentially, the test applies the same methods over a period when no change should have taken place. The groups of entrants were defined as in the LPWFI period, that is, a ‘pseudo-eligible’ group consisting of those with youngest child aged between one and two and a comparison group consisting of those with youngest child between 16.25 and 18 years. The statistical controls included were the same as for the impact analyses. The cohort of June-October entrants was considered, as for the main impact analyses. Note that WFTC was introduced in October 1999, so the cohort in 1999 was largely before the introduction point. Between October 1999-April 2000, claims were a mixture of WFTC and FC[28] recipients. The child credit rate in WFTC also increased from June 2000 (see Table A3.3 Appendix 3 in Knight and Lissenburgh 2005). These aspects slightly complicate interpretation of the pre-test.

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[27] This approach was suggested as a general way of testing the Difference-in-Differences method by Heckman and Hotz (1989).

[28] Those with FC awards up to 30 September 1999 and still current at the reference date.

Table 3.17 2003 extension of LPWFI baseline tests of IS exits for new/repeat claimants, 1999-2000

The coefficients are for the interaction between entry year and age group of youngest child.

1999 compared to 2000	June–October cohort	
Outcome measure	**Coefficient**	**t statistic[a]**
Exit IS two month	0.006	1.02
Exit IS three month	0.001	0.15
Exit IS four month	-0.001	0.12
Exit IS five month	0.009	0.78
Exit IS six month	0.020	1.61
N for analyses	50,974	

Data excludes: Northern Ireland, Jobcentre Plus Pathfinder, LPWFI Pathfinder and ONE areas, Jobcentre Plus roll-out. Notes: a = Absolute values. A negative effect (as shown in the 'coefficient' columns of the table) means that exits fell for the 'pseudo-eligible' group relative to the comparison group, while a positive effect means that their exits rose relative to the comparison group. t statistics with * for statistical significance at ten per cent, ** for statistical significance at five per cent.

Table 3.17 shows the results of the baseline test for new/repeat claimants, where the coefficients are for the interaction between entry year and age group of youngest child, and for the pre-programme test to be passed the coefficients should not be statistically significant or large in size. The results are that the pre-programme test is passed. For exits six months after claim start, the coefficients are just below the cut-off for statistically significance at ten per cent, which indicate there may have been divergence between the eligible and comparison groups that affects the baseline at this point, however the test is passed for all periods to six months at the level of ten per cent statistical significance. However, there are other intervening years before the 2003 LPWFI extension, and so the baseline tests need to assess the baseline across these years as well.

A further pre-programme test is possible, due to the introduction of the programme occurring in 2003. Table 3.18 shows the results of the baseline test comparing 1999 to 2001. Here the results are mixed, with statistically significant coefficients for exits at five and six months, which are also quite large in size. Section 3.3 Table 3.12 presented evidence that changes to the composition in the comparison group make-up of IS Disability Allowance claims reflects growth since 1999 that mostly occurred between 2001 and 2002. This evidence of a shake-out change to the comparison groups is consistent with the baseline estimates presented here indicating changes that occur in 2001. These results indicate the baseline is not fully stable in the intermediate period between 1999 and 2003 for this comparison group. This means that using the Difference-in-Differences results without adjustment would result in a biased estimate of the impact. In other words, the results without adjustment are invalid because the required assumption of a stable baseline is not met[29].

Table 3.18 2003 extension of LPWFI baseline tests of IS exits for new/repeat claimants, 1999-2001

The coefficients are for the interaction between entry year and age group of youngest child.

1999 compared to 2000	June–October cohort	
Outcome measure	**Coefficient**	**t statistic[a]**
Exit IS two month	0.005	0.74
Exit IS three month	0.010	1.11
Exit IS four month	0.009	0.83
Exit IS five month	0.021	1.66*
Exit IS six month	0.028	2.16**
N for analyses	47,968	

Data excludes: Northern Ireland, Jobcentre Plus Pathfinder, LPWFI Pathfinder and ONE areas, Jobcentre Plus roll-out. Notes: a = Absolute values. A negative effect (as shown in the 'coefficient' columns of the table) means that exits fell for the 'pseudo-eligible' group relative to the comparison group, while a positive effect means that their exits rose relative to the comparison group. t statistics with * for statistical significance at ten per cent, ** for statistical significance at five per cent.

Another alternative assumption is that rather than adjust, one might change the baseline to a later year prior to 2003, which was found to provide a stable baseline. This would be valid if the changes observed between earlier years were maintained to be a step change. Note however that earlier reported analyses used the 1999 baseline, and so the basis for comparison of these results would be lessened. Table 3.19 gives the results of baseline tests considering the pre-programme years of 2000 and 2001 (2002 cannot be tested as the nature of the test requires two years of pre-programme data). The year 1999 has already been considered. For the year 2000, although to 2001 the test is passed, there is a statistically significant coefficient at two and four months after claim start for 2000 against 2002. For the baseline of 2001, to 2002 there is a statistically significant coefficient at two months. Hence, for Difference-in-Differences using this comparison group and these baselines, adjustment would be necessary. As pointed out earlier, the year 2002 cannot be tested in this way, however earlier discussions in section 3.3.3 indicate that analysis of exit rate patterns for the LPWFI and comparisons show that 2002 would serve as a baseline which did not require adjustment since it is not affected by divergent growth.

[29] Because of this, to avoid confusion, they are not presented.

Table 3.19 2003 extension of LPWFI: further baseline tests of IS exits for new/repeat claimants

The coefficients are for the interaction between entry year and age group of youngest child

	1999 baseline				2000 baseline				2001 baseline	
	1999 compared to 2000		1999 compared to 2001		2000 compared to 2001		2000 compared to 2002		2001 compared to 2002	
Outcome measure	**coefficient**	**t statistic[a]**	**coefficient**	**t statistic[a]**	**coefficient**	**t statistic[a]**	**coefficient**	**t statistic[a]**	**t statistic[a]**	**t statistic[a]**
Exit IS two month	0.006	1.02	0.005	0.74	-0.002	-0.32	0.012	2.17**	0.013	2.34**
Exit IS three month	0.001	0.15	0.010	1.11	0.009	1.07	0.010	1.27	0.001	0.11
Exit IS four month	-0.001	0.12	0.009	0.83	0.010	0.96	0.017	1.72*	0.007	0.69
Exit IS five month	0.009	0.78	0.021	1.66*	0.010	0.89	0.006	0.52	-0.005	0.38
Exit IS six month	0.020	1.61	0.029	2.16**	0.007	0.58	0.000	0.01	-0.007	-0.56
N for analyses	50,974		47,968		45,306		44,805		41,799	

Data excludes: Northern Ireland, Jobcentre Plus Pathfinder, LPWFI Pathfinder and ONE areas, Jobcentre Plus roll-out. Notes: a = Absolute values. A negative effect (as shown in the 'coefficient' columns of the table) means that exits fell for the 'pseudo-eligible' group relative to the comparison group, while a positive effect means that their exits rose relative to the comparison group. t statistics with * for statistical significance at ten per cent, ** for statistical significance at five per cent.

Difference-in-Differences estimate

Table 3.20 presents the Difference-in-Differences impact without this adjustment for the pre-programme test results. The estimates are large in size, indicating an impact of between two and five percentage points, and statistically significant at exits from three to six months after claiming IS. Note that as stated earlier, the pre-programme tests indicate that the unadjusted results using the 1999 baseline are invalid particularly for exits at months five and six after claim start – however, the results of the baseline test indicate that the impacts for months two to four are not affected by the baseline difficulties, and hence can be considered valid impact estimates.

Table 3.20 2003 extension of LPWFI new/repeat claimants: LPWFI extension average impact on exits from IS claim – *unadjusted Difference-in-Differences method*, 1999 baseline, 16.25-18 years youngest child as comparisons

June–October cohort	Months after claim start				
1999 baseline	2	3	4	5	6
Average impact percentage points	1.2	2.2	2.2	4.8	3.8
t statistic	1.45	2.08**	1.76**	2.97**	2.61**
Observations	41,931				

Base: 1999. Data excludes: Northern Ireland, Jobcentre Plus Pathfinder, LPWFI Pathfinder and ONE areas, Jobcentre Plus roll-out. The t statistics are marked with * for statistical significance at ten per cent, ** for statistical significance at five per cent.

Table 3.21 2003 extension of LPWFI new/repeat claimants: *unadjusted Difference-in-Differences* LPWFI extension average impact on exits from IS claim, 2002 baseline, 16.25-18 years youngest child as comparisons

June–October cohort	Months after claim start				
2002 baseline	2	3	4	5	6
Average impact percentage points	-0.51	1.19	0.66	2.45	1.65
t statistic	-0.76	1.23	0.55	1.84*	1.16
Observations	32,762				

Base: 2000. Data excludes: Northern Ireland, Jobcentre Plus Pathfinder, LPWFI Pathfinder and ONE areas, Jobcentre Plus roll-out. The t statistics are marked with * for statistical significance at ten per cent, ** for statistical significance at five per cent.

Adjusted Difference-in-Differences impact

As suggested in Section 3.4.2.2, in this sub-section the Difference-in-Differences results for the 1999 baseline have been adjusted to take account of the pre-programme baseline test results.

Heckman and Hotz (1989) suggested using a random growth model as a modification to the standard Difference-in-Differences framework. Under the assumption of divergent growth, which was suggested by the direction of exits shown in Section 3.3.2, a model that allows for unequally spaced intervals was used. This results from a combined model with the three periods 1999, 2000 and 2003. Additionally, this model incorporates the scalar measures for the number of months separating the time periods (12, 24 and the overall period of 36), a common time trend and a differential time trend with monthly growth parameters. The impact estimate is then the coefficient for the interaction of the **LPWFI treatment** dummy with the **LPWFI period** dummy but must undergo scalar adjustment before interpretation.

Table 3.22 reflects the estimated impact assuming there was sustained divergent growth for the eligible and comparison groups. Adopting this assumption gives extremely small impact estimates, close to zero in size, with no statistical significance.

Table 3.22 2003 extension of LPWFI new/repeat claimants: average impact on exits from IS claim *random growth adjusted Difference-in-Differences*, 16.25-18 years youngest child as comparisons

June–October cohort	Months after claim start				
1999 baseline	**2**	**3**	**4**	**5**	**6**
Adjusted average impact percentage points	-0.04	0.05	0.08	0.05	-0.04
t statistic	-0.57	0.56	0.93	0.72	0.06
Observations	41,931				

Base: 1999. Data excludes: Northern Ireland, Jobcentre Plus Pathfinder, LPWFI Pathfinder and ONE areas, Jobcentre Plus roll-out. The t statistics are marked with * for statistical significance at ten per cent, ** for statistical significance at five per cent.

3.5 2003 extension of LPWFI: summary and conclusions

3.5.1 The estimated impact of LPWFI 2003 extension on IS terminations

Table 3.23 summarises the impacts measured using the Before-After and Difference-in-Differences methods, as described in Section 3.4. The impacts included in the table for assessment, are only those where the validity of the method has passed the requirements of the tests applied to the baseline and comparison groups in Sections 3.3 and 3.4. These estimates come from estimations that include Before-After regression, Difference-in-Differences regression, and adjusted Difference-in-Differences all using the 1999 baseline, and also include Difference-in-Differences estimates using the 2002 baseline. For the underlying compilation of estimates detailing method see Appendix C Table C.1.

These combined results are interpreted to support the conclusions about the impact new/repeat claimants in the 2003 LPWFI extension. It should be noted that all results relate to estimates for the June-October 2003 cohort of entrants, due to limitations on the follow-up period for analysis, as described in Section 3.2. It is not possible to test, however it is assumed that these results can be generalised to the 2003 LPWFI extension population. The analysis reflects the effects upon the group of claimants to which the 2003 LPWFI extension was newly applied to, and not those groups which were eligible for LPWFI as a result of earlier rollouts.

Table 3.23 shows for each month after the claim start up to six months[30], the average impact in percentage points upon IS terminations. Overall, considering all the estimates (the full range of estimates is shown in the first row of Table 3.23) the average impact of the LPWFI 2003 extension upon IS terminations to six months was at most 2.5 percentage points, observed at five months after claim start, but the range of estimates extended to zero at all time points. The last three rows of Table 3.23 take account of the statistical significance of the estimates, estimates with levels of significance between ten, five and one per cent are shown[31]. Estimates for impact of LPWFI 2003 on IS terminations at two months after claim start are never statistically significant at these levels. At the ten per cent level of significance, estimates of impacts on IS terminations over the three-six month follow-up period range in size from 0.5 to 2.5 percentage points. Some of these remain significant at the five per cent level of significance. However, at the one per cent level of significance (in the row shown shaded in Table 3.23) at each month after claim start, one impact estimate remains statistically significant. These estimates indicate that the average impact of the LPWFI extension on IS exits was: at three months after claim start, 2.2 percentage points, at four months 1.5 percentage points, at five months 1.4 percentage points and at six months 1.8 percentage points.

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30 Recall that the limit of six months is imposed by the review meetings at six months, see Section 3.2.

31 The significance level reflects the level of error allowed in testing the hypothesis against the null hypothesis that the coefficient (which in this case is also the impact estimate) true value is zero. A commonly adopted level of significance is five per cent. A ten per cent level accommodates more error, as it fixes the probability of making a type 1 error (rejecting a true null hypothesis) to ten per cent, while the one per cent level of significance reduces this probability.

Table 3.23 Summary of measured impacts of LPWFI 2003 extension on IS terminations

	Months after claim start				
June–October cohort	**2**	**3**	**4**	**5**	**6**
Range in size of average impact percentage points	-0.5 to 1.2	0.05 to 2.2	0.08 to 2.2	0.05 to 2.5	-0.04 to 1.8
Statistical significance at ten per cent level of significance	None	For estimates 0.5 and 2.2	For estimates 1.5 and 2.2	For estimates 1.4 and 2.5	For estimates 1.8
Statistical significance at five per cent level of significance	None	For estimates 2.2	For estimates 1.5 and 2.2	For estimates 1.4	For estimates 1.8
Statistical significance at one per cent level of significance	None	For estimates 2.2	For estimates 1.5 and 2.2	For estimates 1.4	For estimates 1.8

Note: These estimates come from estimations that include Before-After regression, Difference-in-Differences regression, and adjusted Difference-in-Differences all using the 1999 baseline, and also include Difference-in-Differences estimates using the 2002 baseline. For the complete compilation of estimates detailing method see Appendix C Table C.1.

3.5.2 Reliability of the analytical method, scope and limitations

It should be recalled that limitations to the analysis follow-up period mean that these impact estimates are for the very short-term, up to six months after claim start. Additionally, those with youngest child aged less than one were excluded from analysis.

The comparison group available in 2003 amongst the remaining lone parents not eligible for LPWFI was those new/repeat claimants with youngest child aged 16 and three months to 18 years. The comparison group quality is relevant to the validity of Difference-in-Differences analysis. In Section 3.3, the available evidence concerning change in characteristics of the various groups was examined. These checks examine the Difference-in-Differences underlying assumption that the comparison group is appropriate and valid: there are no differential changes in composition that could affect the relative outcomes of the groups, or if there are, they can be statistically controlled. This involves assuming, unavoidably, that any relative changes in unobservable characteristics are sufficiently small to have no material effect on the results of the analysis. There was indication of some change in particular characteristics from the period before LPWFI to the period after. Although the range of characteristics considered was small, they were all important from the viewpoint of individuals' labour market behaviour and prospects. In any case, these characteristics were incorporated and controlled in the statistical analyses which produce the impact estimates.

Whether the groups are likely to differ in their responsiveness to changing background conditions is a matter to which the characteristics of the groups are also relevant for the Difference-in-Differences method. Fundamentally, our comparisons are made between groups all of whom are lone parents and all of whom are claiming the same benefit. The more similarly the evaluation groups are defined then the lower the chance for differences in responsiveness. Another important factor that makes the evaluation groups likely to respond similarly to labour market conditions is that the great majority are women, thus reducing variation in response due to gender difference. Nonetheless, there are potentially important differences between the eligible and non-eligible groups, in the age of the youngest child and in their own ages. The assumption of equal responsiveness to labour market conditions appears reasonable, since high and increasing proportions of mothers, with children at all ages, now take part in employment (McRae, 1997, Callender, Millward, Lissenburgh and Forth, 1997). However, this is also checked with examination of the pre-programme exit pattern in Section 3.3.2 and the pre-programme tests, in Section 3.4.2.

The potential problem of seasonality was reduced by ensuring that analyses referred to the same time periods for the various groups being compared. This was implemented in all the impact analyses. For the new/repeat claimants, comparable entry cohorts are constructed for each year. Discussion and details of the definitions are found in Section 3.2.2 and Table 3.1.

The final assumption to be considered is that comparisons are unaffected by other policy changes which take place in parallel. One type of development which could interact with LPWFI is maternity rights legislation. However, by excluding from the new/repeat eligible groups those lone parents with a baby under one year old, this potential issue was largely eliminated.

The policy change of greatest relevance to lone parents during the pre-programme period, took place in October 1999, when FC was replaced by WFTC[32]. The implications of this change have been briefly reviewed in Section 1.2. Although WFTC was introduced well in advance of LPWFI, it is possible that any influence on lone parents' labour market behaviour was progressive, and took place over the baseline periods available in the data. In that case, in making over-time comparisons, there would be a risk of attributing improved outcomes for the lone parent group to LPWFI when part or all of the gains were actually due to WFTC. Of course, WFTC is of benefit to all lone parents, and provided that the different groups of lone parents respond in the same way over time, then the validity of the Difference-in-Differences method is unaffected. What would be of concern would be if certain aspects of WFTC influenced one group more than others. Such differential effects of WFTC need not always result in an over-estimate of the impact of LPWFI; however, this may

32 WFTC was fully phased in by April 2000, with claims in the intermediate period after October 1999 a mixture of WFTC and FC recipients.

be the case here. In particular, the child credit and childcare support could be of greater financial importance to those with younger children, and the value of child credits increased in June 2000, and for childcare support components, the value was increased in June 2001 (see Table A3.3 Appendix 3 Knight and Lissenburgh 2005)[33]. If so, it would be the eligible groups who could be more positively affected by WFTC and the impact of LPWFI would then be over-estimated in the Difference-in-Differences method. Such an effect could be compounded if awards of WFTC were particularly likely to exhaust the entitlement to IS of families with younger children.

One way of assessing this type of issue is to test for changes in outcomes that might be produced by WFTC in the period before the introduction of LPWFI. This can also be seen as a more general test of whether the baseline period used for differences-in-differences is itself a stable one[34]. If the comparisons between groups produce unstable results in the baseline period, then any subsequent estimates that use the baseline may be unreliable. Ideally, there would be a long time series of data for the analysis groups, which would enable a good choice of baseline and also a better examination of how closely the groups compare; however lack of pre-1999 data and seasonality give restrictions. Analyses were carried out of the exit rate over time in Section 3.3.2 and the pre-programme baseline tests in 3.4.2. It was possible to perform some baseline tests, but not at all for the base year of 2002.

Baseline tests indicated that the analysis, both Before-After and Difference-in-Differences[35], of the 2003 LPWFI extension new/repeat claimants cohort may be affected by policy changes such as WFTC prior to the LPWFI introduction. Different ways of dealing with the possible impact of policy changes such as WFTC gave fairly consistent results.

Finally, consideration needs to be given to the tax credit changes that were introduced in 2003 during the same period of the LPWFI extension – CTC and WTC replaced WFTC from April 2003. It is not possible using these methods to separate the impact of these tax credit changes on the lone parents from the impact of the LPWFI 2003 extension. As such, it should be accepted that the impact estimates incorporate the combined impact of these changes together with the LPWFI 2003 extension.

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[33] There may also be effects due to the difficulty of finding childcare for children over 11 years.

[34] This approach was suggested as a general way of testing the Difference-in-Differences method by Heckman and Hotz (1989).

[35] Because both methods rely on the baseline period to calculate the impact, but note that only the analysis of the pre-programme period changes to exit rates for the eligible group is important to Before-After analysis, since it does not involve the use of a comparison group to resolve background economic changes.

3.5.3 2003 extension of LPWFI: conclusions

These results compare favourably with those found for the introduction of LPWFI for those new/repeat claimants with youngest child aged five years and three months or more, and the LPWFI 2002 extension to those with youngest child aged three years to five years three months (see Knight and Lissenburgh (2004) and Knight and Lissenburgh (2005)). For these earlier LPWFI, the analyses found there was no evidence that the LPWFI extension had a statistically significant impact greater than zero on exiting IS shortly after entering the claim. Baseline tests indicated that the new/repeat claimants cohort may be affected by policy changes such as WFTC prior to the LPWFI introduction. The baseline tests indicated similar issues for the analysis of the LPWFI 2003 extension. Accounting for the issues raised by the tests of the baseline and comparison group validity produced estimates that were fairly similar and reconcilable. In addition, it is necessary to accept that the impact estimates would also reflect any impact of the CTC and WTC. This may expand the impact size. The 2003 analysis was considered to be more hindered, as the comparison group is perceived to be less desirable since less is known about this group and their make-up. Under examination, some characteristics were clearly different between this comparison group and that of the LPWFI 2003 eligible group[36], however, these observable characteristics were controlled for (unobservable differences that are unrelated to these could not be controlled for). The Before-After estimates may be biased by other changes in circumstances that could have affected outcomes for lone parents over the analysis time period; however, some baseline checks were carried out. One distinction between this Difference-in-Differences analysis for the 2003 LPWFI extension, and that of the earlier LPWFI, is that the comparison group here has no announced forthcoming rollout of LPWFI. If there were announcement effects on the behaviour of the comparison groups used for these earlier analyses, such that their IS terminations were raised before the LPWFI introduction to their group, then this may have biased the impact estimate downwards. However, against this, these analyses used the 1999 baseline, and it is unlikely that this was affected.

The results for the 2003 LPWFI extension reflect a stage in the development of the system that may not be representative of subsequent operation, or of earlier operation as reflected by the earlier LPWFI evaluations. They also show the system in operation over only part of a year, while lone parents, because of their childcare responsibilities and the timing of school and nursery terms, and because of seasonality in the part-time and temporary job market sectors[37], may have variable access to employment across the year. Entry or access to NDLP may also differ across the months of the year, and so the results may be specific to the analysis period.

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[36] Also, some changes may have occurred due to a shake-out resulting from the 2001 examination of claimants, related to the 2001 introduction of LPWFI.

[37] See Marsh *et al.* (1997) regarding seasonality of lone parent employment opportunities.

The scope of the analysis was determined in part by the availability of administrative data, and in part by the occurrence of further changes to the LPWFI system. The most general limitation of the evaluation, is that outcomes are confined to movements off IS, but do not include entry to employment[38]. In addition to this, if as a result of LPWFI a person moved into only part-time work of less than sixteen hours per week, as they could continue to claim IS, this change would not be picked up in the analysis of IS exits[39]. The sensitivity of the evaluation is thus limited to picking up impacts of LPWFI that lead to termination of the IS claim. Re-partnering is an example of an exit from a lone parent IS claim which may not involve employment (in addition, only some re-partnering will lead to an IS claim exit, for example, a change of circumstances from a lone parent to general IS claim will not result in IS claim exit).

An issue for both new/repeat and stock claimants was that, even though in principle LPWFI are compulsory, only a proportion of those who were eligible for LPWFI are recorded as taking part[40]. The proportion taking part is also discussed further in Section 3.3.4. It would be of interest to estimate the impact of actually taking part in LPWFI, but to do so one would need detailed information on the factors or reasons distinguishing eligible participants from eligible non-participants, and this level of detail was not available in the administrative database. Also, interaction with NDLP participation needs to be accounted for. Further analyses are being conducted which examine the impact of participation in LPWFI and NDLP, which will report in 2006[41]. It is possible to adjust the impacts found to account for the proportion entering the LPWFI system, as suggested by Bloom (1984), by dividing the impact estimate by the proportion entering the LPWFI system. To this extent, the LPWFI impacts described in this report represent lower bound estimates. Additionally, if a Bloom adjustment were applied, an assumption is required that the selection process into LPWFI participation is random, as if the selection is not random then it cannot be assumed that the similar size impact could be attained for the proportion not participating in LPWFI. Thus, the evaluation focuses mainly on the impact of

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[38] Estimating the impact on employment would have necessitated collecting survey data, and with the expected size of the overall impact being small, the required sample size would have been far larger than is feasible.

[39] Note that movements into work of any hours would contribute to the 70 per cent employment target for lone parents. The NDLP aim is 'to encourage lone parents to improve their prospects and living standards by taking up and increasing paid work, and to improve their job readiness to increase their employment opportunities', Evans *et al.* 2003: 1.

[40] Taking part in the LPWFI system includes attending, deferring or waiving a meeting, not just attendance of a LPWFI. Note that in the context of this report 'attending' is used to also imply active participation beyond attendance *per se*, for example answering questions during the interview.

[41] The project 'Secondary analyses of New Deal for Lone Parents/Work Focused Interview Datasets'.

eligibility for LPWFI, rather than on active participation in LPWFI. In other words, it considers the impact of the LPWFI system as a whole on all those eligible, whether or not they actively participated.

As such, the evidence overall suggests that, subject to the scope and limitations of the analysis, the average impact of the LPWFI 2003 extension (and the WTC and CTC introduction) on IS terminations was between zero and two percentage points in size, but was most likely between 1.5 and two percentage points in size at between three and six months after claim start.

4 Review meetings: administrative data evaluation findings

In addition to Lone Parent Work Focused Interviews (LPWFI) extension to coverage, review meetings were introduced as a follow-up to continue the pattern of support begun with the LPWFI.

The first rollout for review meetings was for those 2001 entrants and current claimants that were part of the group initially eligible for LPWFI. They received annual reviews.

All other groups that were eligible for LPWFI were to have six month reviews. Of the first groups that are available to analysis, the new/repeat claimants who became eligible for LPWFI in 2002 allow analysis of six month review meetings. After the first six month review, subsequent annual reviews followed.

In this chapter, the impact on Income Support (IS) exits of the review meetings is formally evaluated. Firstly, in Section 4.1, the evaluation groups and design are discussed. The methods applied in this evaluation are the same as those used in Chapter 3, and they are not repeated here, but do reference those earlier explanations. Annual review meetings are addressed in two parts, starting with Section 4.2, where the impacts on IS exits of annual review meetings for new/repeat claims from the 2001 cohort are evaluated. Section 4.3 examines the impact on IS exits of annual review meetings for stock of current claimants from the 2001 cohort. Six month review meetings, which began in October 2002 for all eligible new/ repeats who started their claim after April 2002, are examined the Section 4.4 for the 2002 LPWFI cohort. Section 4.5 concludes the evaluation of review meetings.

4.1 The evaluation groups for review meetings

The review meetings introduction was staggered, and the groups defined are shown below.

From April 2002:

New/repeat lone parent IS claimants with claim start dates between 30 April 2001 and 1 April 2002 with youngest child aged 5.25 – 15.75 years had annual reviews.

Those who were current claimants on 30 April 2001 with youngest child aged 12 – 15.75 years had annual reviews.

New/repeat lone parent IS claimants with claim start dates after1 April 2002 with youngest child aged three – 5.25 years had six month reviews, followed by annual reviews.

Six month review meetings operated in a similar fashion to annual review meetings. annual reviews and six-month review meetings are effectively an additional meeting of LPWFI for those that remain claiming IS as a lone parent. However for those that remain claiming IS as lone parents, they would continue as a series of meetings providing support and contact with a Personal Adviser (PA) at regular intervals over the life of the claim.

The earlier evaluations examined the impact the initial LPWFI for those eligible (Knight and White 2003, Knight and Lissenburgh 2004, 2005). For the impact of review meetings, in effect we are interested in looking at the impact of the same programme, but from the period of the review meeting (at six months, or at 12 months and beyond). The interesting questions explored here are:

Did the review meeting combined with LPWFI have an impact on IS exits?

And, if so, what increment is there?

4.1.1 Selecting the comparison group for analysis

Table 4.1 shows key points relating to the selection of the comparison groups for the Annual Reviews analysis.

Columns 1 and 2 of Table 4.1 show the ages of the youngest child of the LPWFI eligible group considered and for the **comparison group**. For new/repeats, the first analysis definition (a) considers using the full eligible LPWFI group, however this was not carried out as the potential comparisons with youngest child aged one – two years were viewed as not reasonably comparable to this broad range of age of youngest child. Analysis 1 considers the same definitions except restricting the LPWFI eligible group to make it more comparable. Analysis 2 allows for a different comparison group, those with youngest child aged 16.25 to 18 years while restricting the LPWFI group to those with youngest child aged in the upper half of the eligible age range. This group of comparisons have not had LPWFI rolled out, but are more complex as a comparison group – they were used as a comparison group for Difference-in-Differences analysis earlier in Chapter 3 and the unique aspects of this group were discussed there in detail. For the stock analysis, analyses one to three consider three different comparison groups, which allow differing follow-up periods. These are further discussed below.

An important aspect for selection, is that the **follow-up period** allows enough months for the impact of the initial LPWFI, and then more months for the review meeting impact to occur. This is considered in columns 3 and 4 of Table 4.1. Also, the review meeting date is set to occur 12 months after the initial LPWFI; however, the LPWFI participation data is not used for this analysis, only the IS benefit claims data which allows for a greater population. Hence the information about the average time to the initial LPWFI is used to set feasible time periods for the analysis. At least 18 months is considered to be the minimum feasible period for new/repeat analysis – this can be counted from the claim start date, since on average the new/repeat initial LPWFI took place within a few days of the claim start date[42]. For the stock, there are further issues around the necessary follow-up period required. These are discussed in more detail in Section 4.3 where the stock analysis is undertaken. Analyses (a) and (b) for the stock annual reviews were not carried out as for (a) the comparisons were considered likely to be too different to those in the eligible group for valid comparisons, and for (b) the nine month delay to stock LPWFI participation means that there is not sufficient time in the 18 months follow-up period for the annual review meeting to occur (see discussion in Section 4.3).

Table 4.2 shows the analysis groups considered for the evaluation of six month review meetings. The only lone parent comparison group available which allows the necessary follow-up period of more than six months is those with youngest child aged 16.25-18 years. The analysis in Section 4.4 further considers which baseline to use, of the years 1999 and 2000.

[42] These participation data are sourced from the forthcoming report Secondary analyses of New Deal for Lone Parents/Work Focused Interview Datasets – NDLP and LPWFI impacts in 2001.

Table 4.1 Analysis groups for annual reviews 2001 cohort

Analysis	Youngest child aged: LPWFI eligible group	Youngest child aged: Comparisons	Follow-up period	Follow-up restriction	Comments
Annual reviews, new/repeats 2001					
a	5.25 – 15.75	1 – 2	18 months	April 2003 0–3 rollout affects comparisons	Less comparable as those with youngest child older than eight may be very different to the LPWFI eligible.
1	5.25 – 8	1 – 2	18 months	April 2003 0–3 rollout affects comparisons	
2	8 – 15	16.25 – 18		For comparisons, none – as no LPWFI for these cases. But for LPWFI, maximum 23 months for before period to 2001 LPWFI rollout affects cases.	Minimum 16.25 years to allow for administrative lag; Are they those with a child still in FTED? Are they more disabled? Any changes from WFTC or Education Maintenance Allowance for them?
Annual reviews, stock 2001					
a	12 – 15.75	1 – 4	30 months	April 2004 0–4 rollout affects comparisons	Longer follow-up period, but less comparable groups as those with youngest child older than eight may be very different to those with youngest child less than four. The comparisons are likely to be those with very short claims.

Continued

Table 4.1 Continued

Analysis	Youngest child aged: LPWFI eligible group	Youngest child aged: Comparisons	Follow-up period	Follow-up restriction	Comments
b	12 – 15.75	5 – 8	18 months	April 2003 5–8 rollout affects comparisons	Delay in stock LPWFI implementation affects follow-up period.
1	12 – 15.75	16.25 – 18		For comparisons, none – as no LPWFI for these cases. But for LPWFI, maximum 23 months for before period to 2001 LPWFI rollout affects cases.	Issues as mentioned above for new/repeat analysis.

Table 4.2 Analysis groups for six month Reviews 2002 cohort

Analysis	Youngest child aged: LPWFI eligible group	Youngest child aged: Comparisons	Follow-up period	Follow-up restriction	Comments
Six month reviews, new/repeats 2002					
a	3 – 5.25	1 – 2	Six months	April 2003 0–3 rollout affects comparisons	Not long enough follow-up to allow for the six month review.
1	3 – 5.25	16.25 – 18		For comparisons, none – as no LPWFI for these cases. But for LPWFI, maximum 23 months for before period to 2001 LPWFI rollout affects cases.	Minimum 16.25 years to allow for administrative lag; Are they those with a child still in FTED? Are they more disabled? Any changes from WFTC or Education Maintenance Allowance for them?

4.2 Annual review meetings for new/repeat claimants in 2001

Only the effects on IS exits of annual reviews for new/repeat claimants in 2001 is analysed here; discussion of the stock analysis is shown in subsequent sections. From April 2002, new/repeat lone parent IS claimants with claim start dates between 30 April 2001 and 1 April 2002 with youngest child aged 5.25 – 15.75 years had annual reviews.

4.2.1 Annual reviews 2001 new/repeat claimants: analysis groups

This evaluation of review meetings applies Difference-in-Differences techniques, which have already been described in Section 3.2.4.

Table 4.3 shows the groups used to analyse the annual review meetings on new/repeat claimants in 2001. Part 1 of Table 4.1 above shows the analytical definitions considered. Two analyses are carried out for the new/repeats 2001 cohort – the definitions in analyses 1 and 2, as shown in Table 4.1.

Table 4.3 Annual reviews 2001 new/repeat claimants: summary of groups used in the impact analyses

	Before 30 April 2001		2003 LPWFI	
New/repeat claimants	**LPWFI pseudo-eligible**	**Comparisons**	**LPWFI eligible**	**Comparisons**
Groups used in the analysis	1 'Before' sample of pseudo-eligible	2 'Before' sample of non-eligible	3 'After' sample of eligible	4 'After' sample of non-eligible
Year	1999	1999	2001	2001
Dates	June–October entrants	June–October entrants	June–October entrants	June–October entrants

4.2.2 Annual reviews 2001 new/repeat claimants: claimant characteristics and turnover

Claimant characteristics and exits are now considered for the two new/repeat analyses frameworks which were described in Section 4.2.1.

Annual reviews 2001 new/repeat claimants: magnitude and turnover

Table 4.4 shows the size of the analytical groups considered. It is apparent that the size of the comparison group for the definition of **analysis 2** is small (around 2,000 cases) relative to that of the LPWFI eligible group[43], at less than one tenth the scale of the LPWFI group. For **analysis 1**, the groups are roughly equivalent in size.

Exit rates for the analytical groups are shown in Table 4.5. All groups LPWFI and comparisons increase in exits at roughly similar rates in 1999, and also in 2001. The pattern of increase over the follow-up period is shown more clearly in Figure 4.1. The first chart in Figure 4.1 shows the exits over 18 months after claim start for the groups in **analysis 1**. The patterns are very similar and almost overlapping, both LPWFI and comparisons showing slightly lower exit rates in 2001 than in 1999 but similar rates of change. In the second chart, the groups using analysis 2 definitions, the pattern is slightly more disparate: while the LPWFI again follow similar growth and are almost the same in 2001 as in 1999 (the lines overlap almost directly); for the comparisons there is a larger fall in exit rates, and the pattern of growth of the exit rate over time differs both between 1999 and 2001, and for the comparisons in 1999, relative to that of the LPWFI.

Figure 4.2 explores the Analysis 2 exit rates in 1999 in more detail. An additional LPWFI analysis group was considered and is shown in this chart, where the LPWFI was restricted to those with youngest child aged 12–14, to check if this group might improve the comparability of the LPWFI group. Table 4.2 shows that up until about ten months after claim start, the exit rate for comparisons was increasing at a greater rate than that of the LPWFI, so that while starting at similar or slightly lower exit levels, the path of exits for the comparisons crossed that of the LPWFI groups to a higher level of exit. After this point, the rate of growth in exit for comparisons fell, so that again the path of the exit rate for comparisons crossed that of the LPWFI, to a similar level to that of the LPWFI (using the full LPWFI definition from analysis 2), or a slightly lower level (than that of the LPWFI restricted to those with youngest child aged 12–14). Hence the behaviour of the comparisons in **analysis 2** seems to differ from that of the LPWFI eligible in the baseline period. Additionally, the behaviour of the comparisons also differs between 1999 and 2001, as the pattern of growth for comparisons in 2001 is far more similar to that of LPWFI but at a lower level of exit, indicating that the pattern of behaviour may have changed over the analysis period. This makes the definitions of **analysis 2** to be less useful and less valid for the Difference-in-Differences analysis. Hence, although analysis of other characteristics is presented, the analysis 2 definitions are not used for impact analysis of annual reviews for the 2001 new/repeat cohort.

[43] The possibility of limiting this LPWFI group further to those aged 12–14 years produced groups in 1999 of 9,645 cases, and 8,440 cases in 2001. However, all the characteristics were roughly similar to those of the full group considered here, and the results of analysis were equivalent.

Table 4.4 Annual reviews 2001 new/repeat claimants: overall number of analysis claimants

	June–October cohort	
Number of claimants	**LPWFI meetings eligible**	**Comparisons**
Before 30 April 2001		
Analysis 1		
1999	23,033	24,762
2001	18,368	19,050
2001 LPWFI		
Analysis 2		
1999	27,832	2,056
2001	23,430	2,100

Data excludes: Northern Ireland, Jobcentre Plus Pathfinder, LPWFI Pathfinder and ONE areas, Jobcentre Plus roll-out. Note: Analysis 1: LPWFI eligible group of IS lone parent claimants with youngest child aged between 5.25 years and eight years; Comparisons are those with youngest child aged one or two years. Analysis 2: LPWFI eligible group of IS lone parent claimants with youngest child aged between 5.25 years and eight years; Comparisons are those with youngest child aged one or two years.

Table 4.5 Annual reviews 2001 new/repeat claimants: exit rates for the analysis groups

	% exiting cumulative			
Exits up to Months	**1999 LPWFI**	**1999 comparisons**	**2001 LPWFI**	**2001 comparisons**
Analysis 1				
2	6.0	5.2	3.8	3.2
3	11.5	9.8	9.2	7.6
4	16.6	14.5	15.6	12.5
5	21.4	18.8	20.9	16.9
6	25.3	22.2	24.8	20.5
7	28.4	25.3	28.0	23.7
8	32.0	28.9	31.2	26.8
9	35.1	31.8	34.2	29.7
10	37.7	34.5	36.8	32.3
11	40.1	36.9	39.0	34.6
12	42.2	39.2	41.2	36.8
13	44.5	41.3	43.5	39.1
14	46.5	43.4	45.9	41.3
15	48.3	45.2	47.9	43.2
16	50.0	46.9	49.7	45.2
17	51.6	48.6	51.3	46.8
18	53.0	49.9	52.7	48.2

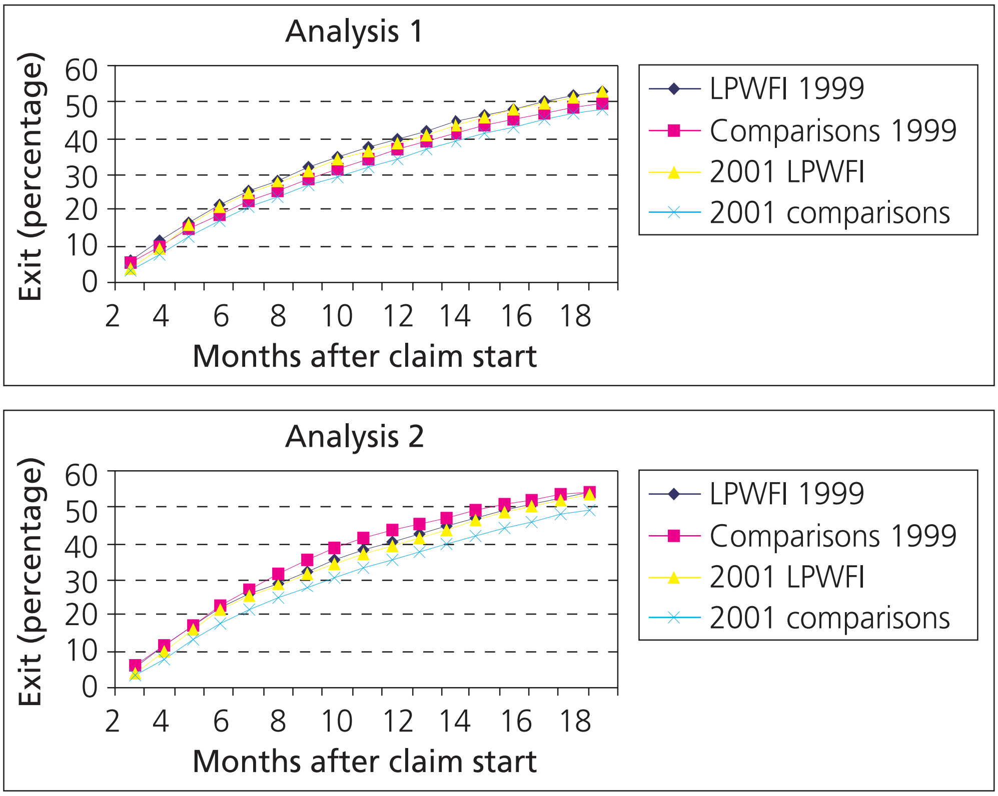
Continued

Table 4.5 Continued

Exits up to Months	% exiting cumulative 1999 LPWFI	1999 comparisons	2001 LPWFI	2001 comparisons
Analysis 2				
2	6.3	6.8	4.2	3.9
3	12.0	12.0	10.2	8.1
4	17.5	17.5	16.6	13.6
5	22.3	23.1	21.7	17.9
6	26.1	27.7	25.8	21.6
7	29.2	32.1	29.0	25.3
8	32.8	36.1	32.2	28.4
9	35.9	39.3	35.2	31.0
10	38.6	41.9	37.8	33.6
11	41.1	43.9	40.0	36.2
12	43.3	46.0	42.1	38.4
13	45.4	47.7	44.5	40.6
14	47.6	49.8	46.8	42.8
15	49.7	51.4	48.9	45.0
16	51.5	52.6	50.9	46.6
17	53.2	53.8	52.6	48.3
18	54.7	54.4	54.1	49.7

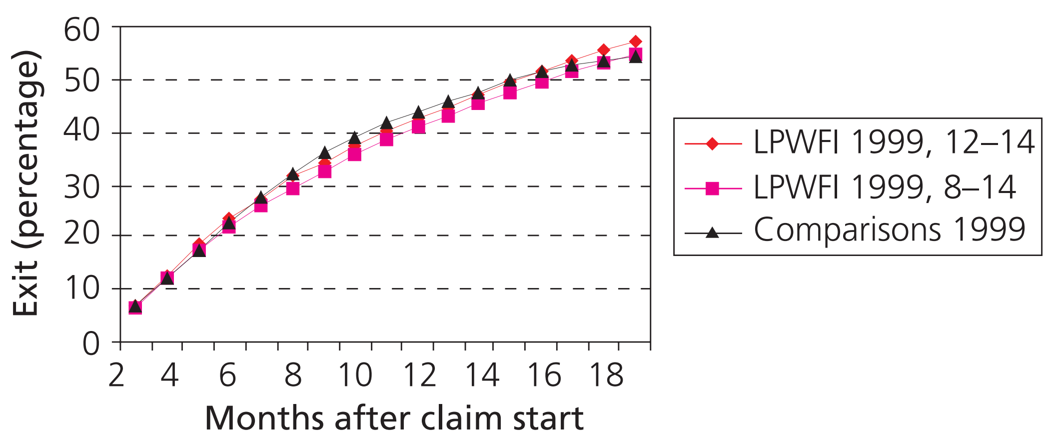
Data excludes: Northern Ireland, Jobcentre Plus Pathfinder, LPWFI Pathfinder and ONE areas, Jobcentre Plus roll-out. Note: Analysis 1: LPWFI eligible group of IS lone parent claimants with youngest child aged between 5.25 years and eight years; Comparisons are those with youngest child aged one or two years. Analysis 2: LPWFI eligible group of IS lone parent claimants with youngest child aged between 5.25 years and eight years; Comparisons are those with youngest child aged one or two years.

Figure 4.1 Annual reviews 2001 new/repeat claimants: charts comparing exits for analyses



Note: Analysis 1: LPWFI eligible group of IS lone parent claimants with youngest child aged between 5.25 years and eight years; Comparisons are those with youngest child aged one or two years. Analysis 2: LPWFI eligible group of IS lone parent claimants with youngest child aged between 5.25 years and eight years; Comparisons are those with youngest child aged one or two years.

Figure 4.2 Annual reviews 2001 new/repeat claimants: charts comparing exits for analysis 2 groups in 1999



Annual Reviews 2001 new/repeat claimants: characteristics

For the evaluation method, the characteristics over time are important, to examine the issue of changing composition (See Section 3.2.4). Statistical controls for characteristics can be included to control for changes so that they do not affect the evaluation method.

Personal characteristics of the LPWFI and comparison groups amongst the new/repeat claimants are shown in Table 4.6, for the definitions set out for **analysis 1**. Generally, the characteristics of the LPWFI eligible and comparison groups are stable over time. There are some exceptions for age of the claimant and number of children however the changes observed for these are slight. For the LPWFI eligible group there was some aging over time between 1999 and 2001, the share of claimants within the age groups 35–44 grew and the share aged 30–34 fell. For the comparison group, the profile of claimants with children aged one-two years became more youthful between 1999 and 2001, with a greater share aged 16–24 and fewer aged 25–29; at the same time, the share with one child increased.

Personal characteristics for LPWFI and comparison groups amongst the new/repeat claimants of **analysis 2** definitions are shown in Table 4.7. There were some shifts in the characteristics of the comparison group, however the characteristics of the LPWFI eligible group remained generally stable between 1999 and 2001, with only a slight shift towards older claimants 40 or older and fewer aged 25–34. Amongst the comparisons, most changes were slight: the share of male claimants rose slightly; the age of the claimant also shifted slightly with fewer aged 30–34 and 45–49, but more aged 50 or over and 35–44; alongside the shifts in age, the age of the youngest child rose with fewer aged 17 and more aged 18 and the number of children rose slightly from one to two. However, there was a large change in the share claiming the IS disability premium – this shift amongst the comparison group aged 16.25–18 years is thought to mainly reflect tidying of the IS claimant rolls when LPWFI were introduced and has been discussed earlier in Section 3.3.3 (where the main analysis was using the year 2003, however, the change in this characteristic over time was explored in depth).

Table 4.6 Annual reviews 2001 new/repeat claimants: analysis 1, personal characteristics for claimant

	1999		2001	
Column % (of 100) for each characteristic	**LPWFI eligible**	**Comparisons**	**LPWFI eligible**	**Comparisons**
Male	8.8	5.0	9.4	5.2
Age				
16-24	4.6	39.4	4.7	41.5
25-29	24.4	29.9	22.3	27.0
30-34	33.5	19.2	31.8	19.0

Continued

Table 4.6 Continued

Column % (of 100) for each characteristic	1999 LPWFI eligible	1999 Comparisons	2001 LPWFI eligible	2001 Comparisons
35-39	23.1	8.5	24.7	9.0
40-44	9.8	2.4	11.6	2.8
45-49	3.4	0.4	3.6	0.5
50 or more	1.2	0.2	1.2	0.2
Age of youngest child				
1		55.1		53.9
2		44.9		46.1
5	23.4		22.7	
6	28.0		27.7	
7	25.7		26.2	
8	22.9		23.4	
Number of children				
1	39.2	44.8	40.2	46.8
2	36.6	30.5	36.0	29.8
3	17.2	15.7	17.0	14.6
4	5.4	6.3	5.2	5.8
5 or more	1.7	2.7	1.6	3.0
IS Disability Premium	7.7	4.8	8.4	5.1

Data excludes: Northern Ireland, Jobcentre Plus Pathfinder, LPWFI Pathfinder and ONE areas, Jobcentre Plus roll-out. Note: Analysis 1: LPWFI eligible group of IS lone parent claimants with youngest child aged between 5.25 years and eight years; Comparisons are those with youngest child aged one or two years. Analysis 2: LPWFI eligible group of IS lone parent claimants with youngest child aged between 5.25 years and eight years; Comparisons are those with youngest child aged one or two years.

Table 4.7 Annual reviews 2001 new/repeat claimants: analysis 2, personal characteristics for claimant

%	1999 LPWFI eligible	1999 Comparisons	2001 LPWFI eligible	2001 Comparisons
Male	15.3	15.3	15.6	16.4
16-24	0.8	1.0	0.8	0.9
25-29	7.9	0.4	7.1	0.6
30-34	25.2	2.9	23.9	1.8
35-39	31.3	15.6	31.4	17.6
40-44	20.2	27.4	21.3	28.5
45-49	9.6	28.0	10.1	24.0
50 or more	5.1	24.7	5.5	26.6

Continued

Table 4.7 Continued

	1999		2001	
%	LPWFI eligible	Comparisons	LPWFI eligible	Comparisons
8	19.0		18.4	
9	16.8		16.8	
10	15.1		15.1	
11	14.5		13.8	
12	12.5		12.9	
13	11.6		11.9	
14	10.5		11.2	
16		53.5		53.3
17		35.2		34.3
18		11.3		12.4
1	51.8	95.7	52.5	94.6
2	34.8	4.1	34.2	5.1
3	10.6	0.2	10.7	0.1
4	2.4		2.2	0.1
5 or more	0.4		0.4	
Claimant of IS Disability Premium	12.7	46.8	13.5	53.3

Data excludes: Northern Ireland, Jobcentre Plus Pathfinder, LPWFI Pathfinder and ONE areas, Jobcentre Plus roll-out.

Table 4.8 shows the area characteristics of claimants as defined in **analysis 1**. There was some small change between 1999 and 2001 in the location of the claimants: there were falls for the share located in the Northeast (comparisons) and Northwest (LPWFI). However, for the LPWFI group this was accompanied by a shift with a rise in the share in London, while for comparisons no particular area gained substantially.

Analysis 2 location characteristics are shown in Table 4.9. There were some changes to the location of comparisons: in 2001 there were fewer located in the Northwest, with slight increases in the share located in the West Midlands, Southeast and Wales. There was no large change to the pattern of location for LPWFI eligible claimants. The change to the local unemployment rate reflected was slight, with slightly more LPWFI in 2001 located in areas that had 0–three per cent unemployment in 1999, while for comparisons this share fell and the share in areas that had six–nine per cent unemployment in 1999 rose.

Table 4.8 Annual reviews 2001 new/repeat claimants: analysis 1, area characteristics for claimant

	1999		2001	
	LPWFI eligible	Comparisons	LPWFI eligible	Comparisons
Government Office Region				
Northeast	5.7	6.2	5.7	5.4
Northwest	15.5	13.1	13.7	12.7
Yorkshire and Humber	9.0	9.0	8.3	8.7
East Midlands	6.9	7.3	6.5	7.0
West Midlands	8.8	8.7	8.8	9.3
East of England	6.9	7.5	7.0	7.7
London	13.6	13.6	14.6	14.1
Southeast	10.4	11.8	11.0	12.3
Southwest	7.5	7.6	8.0	7.9
Wales	5.5	5.8	5.8	5.6
Scotland	10.2	8.6	9.7	8.2
Missing	1.0	0.9	0.9	1.0
TTWA unemployment rate in April 1999				
0 to three per cent	17.3	18.8	18.3	19.2
More than three to six per cent	55.1	55.0	55.7	56.0
More than six to nine per cent	24.8	23.7	23.5	22.1
More than nine to 12 per cent	1.7	1.5	1.7	1.6
Missing	1.0	0.9	0.9	1.0

Data excludes: Northern Ireland, Jobcentre Plus Pathfinder, LPWFI Pathfinder and ONE areas, Jobcentre Plus roll-out. Note: Analysis 1: LPWFI eligible group of IS lone parent claimants with youngest child aged between 5.25 years and eight years; Comparisons are those with youngest child aged one or two years. Analysis 2: LPWFI eligible group of IS lone parent claimants with youngest child aged between 5.25 years and 8 years; Comparisons are those with youngest child aged one or two years.

Table 4.9 Annual reviews 2001 new/repeat claimants: analysis 2, area characteristics for claimant

	1999		2001	
	LPWFI eligible	Comparisons	LPWFI eligible	Comparisons
Government Office Region				
Northeast	6.1	6.3	5.7	5.9
Northwest	14.5	16.9	15.1	14.7
Yorkshire and Humber	8.7	7.5	8.5	7.6
East Midlands	6.6	6.4	6.2	5.7

Continued

Table 4.9 Continued

	1999		2001	
	LPWFI eligible	Comparisons	LPWFI eligible	Comparisons
West Midlands	8.6	8.7	8.8	9.4
East of England	6.4	6.6	6.6	6.0
London	14.1	19.4	13.9	20.0
Southeast	10.2	7.6	10.5	9.24
Southwest	7.5	7.0	7.8	7.0
Wales	5.8	5.6	6.0	7.1
Scotland	10.6	7.3	10.1	7.2
Missing	1.1	0.8	0.8	0.3
TTWA unemployment rate in April 1999				
0 to three per cent	16.3	14.6	17.3	13.1
More than three to six per cent	55.4	59.3	55.5	58.9
More than six to nine per cent	25.4	23.8	24.7	26.5
More than nine to 12 per cent	1.8	1.5	1.8	1.3
Missing	1.1	0.8	0.8	0.3

Data excludes: Northern Ireland, Jobcentre Plus Pathfinder, LPWFI Pathfinder and ONE areas, Jobcentre Plus roll-out. Note: Analysis 1: LPWFI eligible group of IS lone parent claimants with youngest child aged between 5.25 years and eight years; Comparisons are those with youngest child aged one or two years. Analysis 2: LPWFI eligible group of IS lone parent claimants with youngest child aged between 5.25 years and eight years; Comparisons are those with youngest child aged one or two years.

The changes to characteristics are mostly slight, but indicate that statistical controls should be included to control for changes so that they do not affect the evaluation method. However, the analysis of exits found that the comparison group for **analysis 2** did not support valid application of the Difference-in-Differences methods, and so after the final check of the baseline period in Section 4.2.3, impact analyses are presented for **analysis 1** definitions only.

4.2.3 Annual reviews 2001 new/repeat claimants: impact on IS exits

Annual reviews 2001 new/repeat claimants: validity of the estimate: Difference-in-Differences assumptions

As for Section 3.4.2, this section considers the baseline test for changes in outcomes in the period before the introduction of LPWFI. As discussed further in Section 3.4.2, this test applies the Difference-in-Differences technique to the pre-programme period and if the comparisons between groups produce unstable results in the baseline period, then any subsequent estimates that use the baseline may be unreliable.

Table 4.10 shows the results of the baseline test for both **analysis 1 and 2** definitions. For the pre-programme test to be passed the coefficients should not be statistically significant or large in size. The results are that the pre-programme test is passed for analysis 1, and the test is passed for all periods to six months at the level of ten per cent statistical significance. However, for **analysis 2** at six months after claim start the coefficient is statistically significant. This conforms with the discussion in Section 4.2.2 about the behaviour of the comparison group exits for **analysis 2** not satisfying the requirements of the Difference-in-Differences assumptions. Analysis 2 definitions are not considered for impact analysis.

Table 4.10 Annual reviews 2001 new/repeat claimants: baseline tests of IS exits, 1999-2000, analysis 1 and analysis 2

The coefficients are for the interaction between entry year and age group of youngest child.

1999 compared to 2000	June–October cohort	
Outcome measure	**coefficient**	**t statistic[a]**
Analysis 1		
Exit IS two month	-0.004	1.37
Exit IS three month	-0.003	0.66
Exit IS four month	0.005	1.10
Exit IS five month	0.006	1.11
Exit IS six month	0.004	0.75
N for analyses	90,118	
Analysis 2		
Exit IS two month	0.003	0.46
Exit IS three month	-0.001	0.06
Exit IS four month	0.002	0.18
Exit IS five month	0.014	1.10
Exit IS six month	0.025	1.94*
N for analyses	58,392	

Data excludes: Northern Ireland, Jobcentre Plus Pathfinder, LPWFI Pathfinder and ONE areas, Jobcentre Plus roll-out.

Note 1: a = Absolute values. A negative effect (as shown in the 'coefficient' columns of the table) means that exits fell for the 'pseudo-eligible' group relative to the comparison group, while a positive effect means that their exits rose relative to the comparison group. t statistics with * for statistical significance at ten per cent, ** for statistical significance at five per cent.

Note 2: Analysis 1: LPWFI eligible group of IS lone parent claimants with youngest child aged between 5.25 years and eight years; Comparisons are those with youngest child aged one or two years. Analysis 2: LPWFI eligible group of IS lone parent claimants with youngest child aged between 5.25 years and eight years; Comparisons are those with youngest child aged one or two years.

Annual reviews 2001 new/repeat claimants: impact estimates

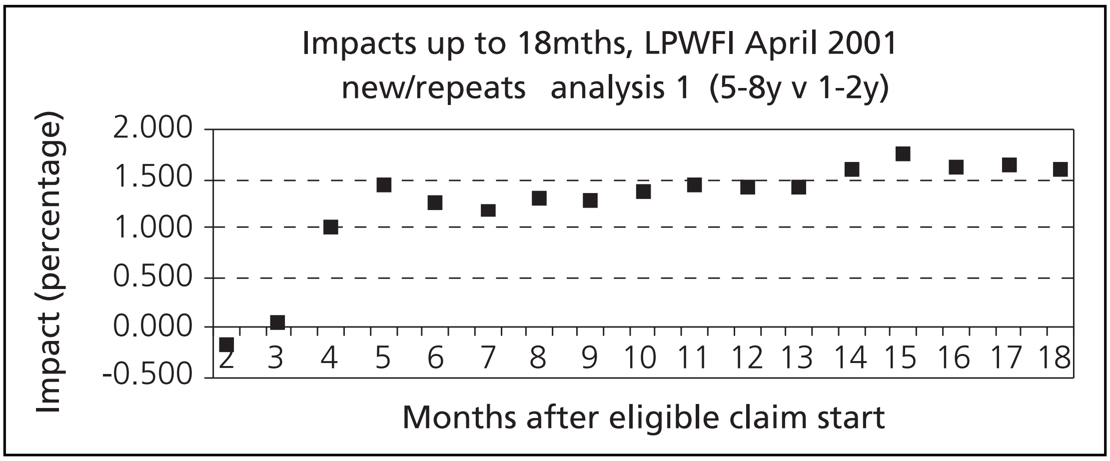
In Section 4.1, it was stated that the question explored here is whether the annual review combined with LPWFI had an impact on IS exits, and if so what increment to the impact of LPWFI did the annual review meeting give?

A priori, one might expect an intervention such as mandatory LPWFI or review meeting to have a fairly immediate effect to the extent that a strongly 'work-focused' message from the interview might deter false or borderline claims, and may have an anticipatory effect. Alternatively, the encouragement and support from the meeting may gently shift claimants towards working, and so act over a few months after the meeting, or beforehand if acting as an anticipatory deterrent. However, one shortcoming of the admin database is that very short-term impacts may not be observable – the time to scan the data (two weeks) means these may be missed.

The impact of the initial LPWFI could be expected to occur within the first 12 months after claim start. Hence, in the follow-up period available to analysis, the impact of the annual review combined with the impact of the initial LPWFI, should be represented in the Difference-in-Differences impacts between 12 and 18 months. If there is some impact from the annual review meeting which occurs before 12 months, perhaps due to claimants leaving IS early because of anticipation of the review meeting at 12 months, then the impacts to 12 months may also reflect the combined LPWFI and annual review meeting effect, although this might be expected to occur in the final months closely leading up to the 12 months point.

Figure 4.3 shows the estimated Difference-in-Differences impacts measured over 18 months after claim start for the 2001 new/repeat cohort. Visually in the chart, if the annual review had the incremental impact as described and raised exits, it would be expected that this chart might show a pattern where there was an increase in the impact measured between 12-18 months (or between eight–18 months if there were some anticipation effects). It can be seen that the impact on IS exits first becomes positive, and around one percentage points in size, at four months after claim start – and for this period, the estimates are not statistically significant. From five months to 18 months, the estimates are all statistically significant. At five months after claim start, the impact on IS exits rises to 1.5 percentage points. In the period six–eight month, it falls off slightly in size but remains between one and 1.5 percentage points. From eight–12 months after claim start, it remains between one and 1.5 percentage points, but approaches 1.5 percentage points. It remains fairly stable at about 1.5 percentage points until 14 months, when it starts to rise to peak at 15 months after claim start with 1.75 percentage points. It then falls off slightly but remains between 1.5 and 1.75 percentage points. The estimates underlying the chart are shown in Table 4.11.

Figure 4.3 Annual reviews 2001 new/repeat claimants: LPWFI 2001 average impact on exits from IS claim, youngest child aged one-two as comparisons



Annual reviews 2001 new/repeat claimants: summary and conclusions, and limitations of the methods

The range of impacts considered in Table 4.11, indicate that for this analysis there was a statistically significant and measurable combined LPWFI and annual review meeting impact, between four and 18 months, of between one and 1.75 percentage points in size.

Table 4.12 considers the size of the LPWFI impact and the combined annual review and LPWFI impact for a range of periods. This considers the possible increment that annual review meetings may have had above an LPWFI impact. Such a calculation requires a number of assumptions about the period, and also the additivity of the impacts[44]. Accordingly, the estimates should be considered as suggestive only. Three periods are considered for the LPWFI to take effect – up to eight months (allows for anticipation of the review meeting to affect behaviour), up to 11 months (recall that the initial meeting usually occurred within a few days of claim start – this allows for review meetings to occur exactly 12 months after claim start, with no allowance for late meetings), and up to 12 months (allows for the meetings to be slightly less precise in their dating). Only statistically significant impacts are included. The average LPWFI impact on IS exits is found to be about 1.2 to 1.3 percentage points[45] for these three periods considered, with the annual review raising this impact by 0.3 percentage points.

[44] If the impacts of the LPWFI and the review meeting are additive, then subtracting the estimate of the LPWFI impact from the combined impact of LPWFI and annual review meetings should provide the incremental impact of the review meeting.

[45] Recall that this is for a difference comparison group and a different LPWFI group to that considered for the analysis in the earlier report (Knight and Lissenburgh 2004) and so it is not expected that the impacts should be identical. For the earlier report, the full LPWFI group with youngest child 5.25 to 15.75 years was considered, and the comparisons were those with youngest child aged three to five years.

Table 4.11 Annual reviews 2001 new/repeat claimants: average impact on exits from IS claim, youngest child aged one-two as comparisons

Months after claim start																
2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
Average impact percentage points																
-0.16	0.06	1.00	1.44	1.27	1.18	1.31	1.30	1.37	1.45	1.42	1.43	1.60	1.76	1.61	1.65	1.61
t statistic																
0.55	0.14	2.04	2.65	2.21	1.95	2.10	2.03	2.10	2.19	2.13	2.12	2.36	2.60	2.38	2.43	2.37
		*	**	**	**	**	**	**	**	**	**	**	**	**	**	**
Observations																
85,213																

Base: 1999. Data excludes: Northern Ireland, Jobcentre Plus Pathfinder, LPWFI Pathfinder and ONE areas, Jobcentre Plus roll-out. The t statistics are marked with * for statistical significance at ten per cent, ** for statistical significance at five per cent. Note: LPWFI eligible group of IS lone parent claimants with youngest child aged between 5.25 years and eight years; Comparisons are those with youngest child aged one or two years.

However, as pointed out, this assumes that it is possible to cleanly separate the impacts in an additive fashion, and that the periods usefully reflect when the impacts occur. It is possible that the short-terms considered, which are limited by the analytical requirements and the programme design, do not allow sufficient time for the annual review meeting to have an impact. Consider the extreme in which case the impact over the whole 18 month period reflects that of the LPWFI, and the annual review has zero incremental impact. The alternative extreme is that the LPWFI has zero impact on IS exits (which is certainly the case for estimates before four months after claim start, and was also the conclusion of the earlier research in Knight and Lissenburgh 2004, where the full 2001 eligible cohort, with youngest child aged 5.25–15.75 years and the comparison group with youngest child aged three–five years was estimated to have zero impact to 12 months after claim start[46]) but the annual review, together with anticipation of it, is reflected in the estimated impact of one to 1.75 percentage points. An announcement effect has not been considered fully (an effect on IS exits from the date of the review meetings system being announced), but may also be part of this.

In addition, although not repeated here, all the limitations discussed for the Before-After method in Section 3.2.3 apply, as well as all the further general limitations to the reliability and scope of this analysis as set out in Sections 3.5.2 and 3.5.3.

Table 4.12 Annual reviews 2001 new/repeat claimants: size of the LPWFI impact and the combined annual review and LPWFI impact for a range of periods

	To eight months		To 11 months		To 12 months	
LPWFI period considered	**LPWFI impact**	**Annual review and initial LPWFI impact**	**LPWFI impact**	**Annual review and initial LPWFI impact**	**LPWFI impact**	**Annual review and initial LPWFI impact**
Period considered for the impact (months after claim start)	4 – 8	9 – 18	4 – 11	12 – 18	4 – 12	13 – 18
Average impact over this period, percentage points	1.2	1.5	1.3	1.6	1.3	1.6
increment	0.3	0.3	0.3			

Only statistically significant impacts included (to ten per cent level of significance). Each figure represents the average of the estimated impacts over the period considered.

[46] Recall that this is for a difference comparison group and a different LPWFI group to that considered for the analysis in the earlier report (Knight and Lissenburgh 2004) – and so it is not clear that the impacts should be identical.

4.3 Annual review meetings for 2001 stock claimants

Those who were current claimants (or stock claimants) on 30 April 2001 with youngest child aged 12–15.75 years had annual reviews.

Analysis of annual reviews for current claimants of LPWFI at 30 April 2001 (or stock claimants) is inhibited by several factors.

The choice of **comparison groups** could be those stock not eligible for LPWFI in 2001 with youngest child aged five–eight years, which could allow up to 18 months of follow-up (further follow-up period is affected by the introduction of the April 2003 LPWFI stock extension to those with youngest child aged five–eight years. See Table 4.1 earlier for a summary of the analyses considered).

However, there was considerable delay in the delivery of stock treatment, so that the period of treatment did not really start soon after 30 April 2001. Instead, for stock cases in 2001, we find considerable delay of the rollout for stock claimants. For example, participants in LPWFI without New Deal for Lone Parents (NDLP) (27,625) attended their LPWFI on average 267 days after 30 April 2001, approximately nine months into eligibility, while participants starting NDLP after the LPWFI (12,112) waited on average 232 days or about seven months before attending their LPWFI[47]. This might be partially due to roll out to those with older children first, however, delays to delivery did occur mainly due to difficulties with the lists supplied to offices identifying stock cases. Subsequently, individuals starting an LPWFI only combination as their second treatment after a first treatment of LPWFI spent on average 385 days claiming IS **between the first and the second (review) LPWFI**. This probably reflected early delays in implementation of the system[48]. However, as it took between seven–nine months before the initial LPWFI was delivered, then it is not possible to observe the annual review effect within the 18 month follow-up period[49].

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[47] Figures sourced from the forthcoming LPWFI/NDLP impact analysis, part of the secondary analyses of NDLP.

[48] As noted in Knight and Lissenburgh 2004 which examines the 2001 LPWFI groups in detail, for stock clients local offices were instructed to give appointments first to the eligible stock claimants whose youngest children were closest to 15 years nine months. All stock claimants would have been sent a letter informing them of the introduction of LPWFI, and advising they would need to attend an LPWFI appointment. Appointment letters were then sent out proposing an appointment time. There were some initial technical problems with the identification lists for stock clients, resulting in some delay in the delivery of LPWFI.

[49] In support of this, Figure C.1 shows impacts for this analysis, and it can be clearly seen that a statistically significant impact occurs between months seven–ten, presumably for LPWFI, and then dies away completely to zero by 18 months.

An alternative comparison group of those stock with youngest child aged one–four years, which allows a follow-up period of 30 months before it is affected by LPWFI introduction for the comparison group, was considered to be problematic as it was likely to be made-up of mostly very short recent claims that occurred shortly before April 2001.

Accordingly, only the stock analysis described as **analysis 1**, as set out in Table 4.1 is examined further for stock claimants.

4.3.1 Annual reviews 2001 *stock* claimants: the stock data definitions and analysis set-up

It is important to realise that the stock analysis is quite different to that of the new/repeat claims analysis.

The data is set-up very differently, due to the difficulty of defining the 'before' and 'after' groups for the stock analysis. In addition, all stock analysis for the 'after' period calculates the impact from the date of introduction of the LPWFI on April 30 2001 (whereas new/repeat analysis used the months after claim start), and all stock analysis for the 'before' period calculates from the date 15 May 1999. The stock data definitions are shown in Table 4.13 and described in full in Appendix B, and replicate the data setup applied for the stock in earlier reports (Knight and Lissenburgh 2004, Knight and Lissenburgh 2005).

Table 4.13 Annual reviews 2001 *stock* claimants: description of the key evaluation groups

	Before 30 April 2001		From and including 30 April 2001	
	LPWFIs pseudo-eligible	**Comparisons**	**LPWFIs eligible**	**Comparisons**
	IS claim as lone parent		**IS claim as lone parent**	
Entrant cohort				
1st Random 50 per cent of those with claim start live on 15 May 1999	Youngest child aged at least 12 years And not older than 15.75 years	Youngest child aged more than 16.25 years And less than 19 years		
Of the 2nd 50 per cent of those with claim start live on 15 May 1999, and random 50 per cent sample of new entrants since then; and all with claim start live on 30 April 2001			Youngest child aged at least 12 years And not older than 15.75 years	Youngest child aged more than 16.25 years And less than 19 years

4.3.2 Annual reviews 2001 *stock* claimants: claimant characteristics and turnover

Claimant characteristics for the 2001 stock analysis groups used to examine annual review meetings are considered here[50].

Annual reviews 2001 stock *claimants: magnitude and turnover*

Table 4.14 shows the size of the stock analytical groups. The comparison group is smaller in scale than the LPWFI eligible group, about one fifth of the size in 1999, and one quarter of the size in 2001. Both groups are larger in size in 2001[51].

Table 4.14 Annual reviews 2001 *stock* claimants: overall number of analysis claimants

Number of claimants	LPWFI meetings eligible	Comparisons
Before 30 April 2001		
1999	53,534	9,871
2001 LPWFI		
2001	58,442	15,619

Data excludes: Northern Ireland, Jobcentre Plus Pathfinder, LPWFI Pathfinder and ONE areas, Jobcentre Plus roll-out. Note: LPWFI eligible group is IS lone parent claimants with youngest child aged less than 15.75 years and at least 12 years; Comparisons are those with youngest child aged more than 16.25 years and less than 19 years.

Exit rates for the analytical groups are shown in Table 4.15, for the maximum follow-up period of 23 months – the limit to follow-up is due to the 'before' period being ended for the LPWFI group at April 2001. The pattern of exits over the follow-up period is shown more clearly for the groups in Figure 4.4. The fairly closely overlapping three paths of the LPWFI (1999 and 2001) and comparisons 1999 are relatively similar in level and overall growth, (however the pattern of growth will be discussed in more detail to follow), for the comparisons it is obvious that in 2001 the behaviour of exits is quite different. The pattern of exits for comparisons in 2001 starts similarly in level and growth to the LPWFI, but at seven months the exit rate drops sharply below that of the LPWFI and then grows at a much lower rate than LPWFI for the rest of the follow-up period.

50 Although the earlier report (Knight and Lissenburgh 2004) gives results for 2001 stock LPWFI impact, it uses a different comparison group.

51 However, because of the exclusions applied (Northern Ireland, Jobcentre Plus Pathfinder, LPWFI Pathfinder and ONE areas, Jobcentre Plus roll-out), this is difficult to assess.

The charts in Figure 4.5 separate the 'before' and 'after' periods, so that the changed patterns can be better seen. In the 'before' period, shown in the first chart, the comparisons have slightly higher exit levels but fairly similar growth up until about five months before April 2001 (i.e. until 17 months follow-up – November 2000), after which the comparisons exit rate falls to a slightly lower level than that of the LPWFI (where the paths cross). It is unclear whether this might be due to anticipation effects for the LPWFI introduction, or reflecting the fall-off in exit rates over time that might be expected for a group with higher levels of disability premium claiming (see Table D.1 for the personal characteristics of all the stock analysis groups).

It is the period after April 2001 for LPWFI and comparisons which is shown in more detail in Figure 4.6 – there is no analytical limit to the follow-up period for the 'after' groups, and the maximum 42 months follow-up allowed by the data is shown. In this chart, a strong effect of LPWFI might be seen in a change to the LPWFI exit rate. As already pointed out, after seven months, the exit paths diverge for the LPWFI and comparisons, and for the comparisons, this path also diverges from that observed for the baseline of 1999 to 23 months (however, the LPWFI path is very similar to the 1999 baseline, although in 2001 the exit rate is slightly above that observed in 1999 until about 14 months (See Figure 4.4, or for a simpler presentation see Figure C.2 in Appendix C)). Accordingly, in 2001 the paths diverge at seven months, but it seems to be due to the change in behaviour of the comparisons (it was not until about seven months after LPWFI introduction, that the stock were observed to participate in LPWFI – see the introductory discussion to Section 4.4 earlier).

There is another interesting change shown in Figure 4.6 at between 29 and 30 months follow-up (August – September 2003), when there is a sudden jump in the level of exits for comparisons (a change of 10.6 per cent between the months) – and for the LPWFI group there is also a large increase (a change of 3.9 per cent between the months), although not as great in scale as that of the comparisons. Whereas it might be expected that the LPWFI group would show change to the exit rate behaviour in the period after 2001, and does show a fairly sharp change at 30 months, the potential comparison group seems to exhibit most change[52].

[52] Careful checking of the analysis shows that there is no error, such as switched groups, however, it cannot be ruled out that the change between months 29 and 30 is due to a 'tidying' of the data, where claims not currently valid were removed or given exit dates.

Table 4.15 Annual reviews 2001 stock claimants: exit rates for the analysis groups

	% exiting cumulative			
Exits up to months	1999 LPWFI	1999 Comparisons	2001 LPWFI	2001 Comparisons
2	2.1	3.4	5.0	4.5
3	5.0	7.7	6.9	6.3
4	6.9	10.7	8.8	8.0
5	9.5	14.8	10.8	10.0
6	11.9	17.1	13.5	12.2
7	14.6	19.3	16.0	13.8
8	16.3	21.0	19.0	15.8
9	18.5	22.9	20.3	16.6
10	20.7	24.9	22.1	17.8
11	22.9	26.7	24.1	19.0
12	24.8	28.2	25.9	20.0
13	26.8	29.7	27.8	21.0
14	28.9	32.5	30.3	22.2
15	31.6	35.1	32.0	23.2
16	33.4	36.1	33.1	23.8
17	35.1	37.7	34.8	24.8
18	37.1	38.7	36.8	25.8
19	38.8	39.5	39.4	27.1
20	39.9	39.9	40.6	27.8
21	41.1	40.7	41.8	28.4
22	43.3	41.7	43.2	29.1
23	44.8	43.4	44.5	29.7

Data excludes: Northern Ireland, Jobcentre Plus Pathfinder, LPWFI Pathfinder and ONE areas, Jobcentre Plus roll-out. Note: LPWFI eligible group is IS lone parent claimants with youngest child aged less than 15.75 years and at least 12 years; Comparisons are those with youngest child aged more than 16.25 years and less than 19 years.

Figure 4.4 Annual reviews 2001 *stock* claimants: exits over time

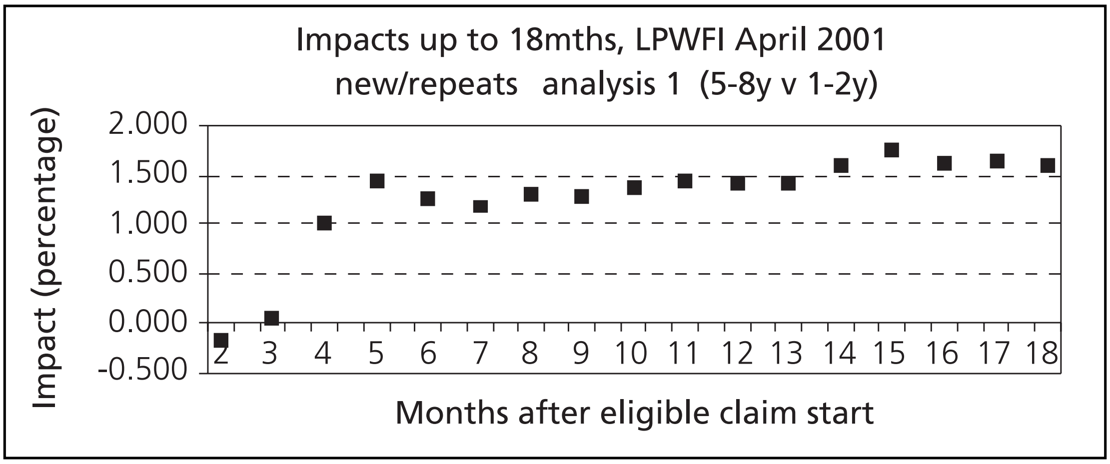


Figure 4.5 Annual reviews 2001 stock claimants: exits 'before' and 'after'

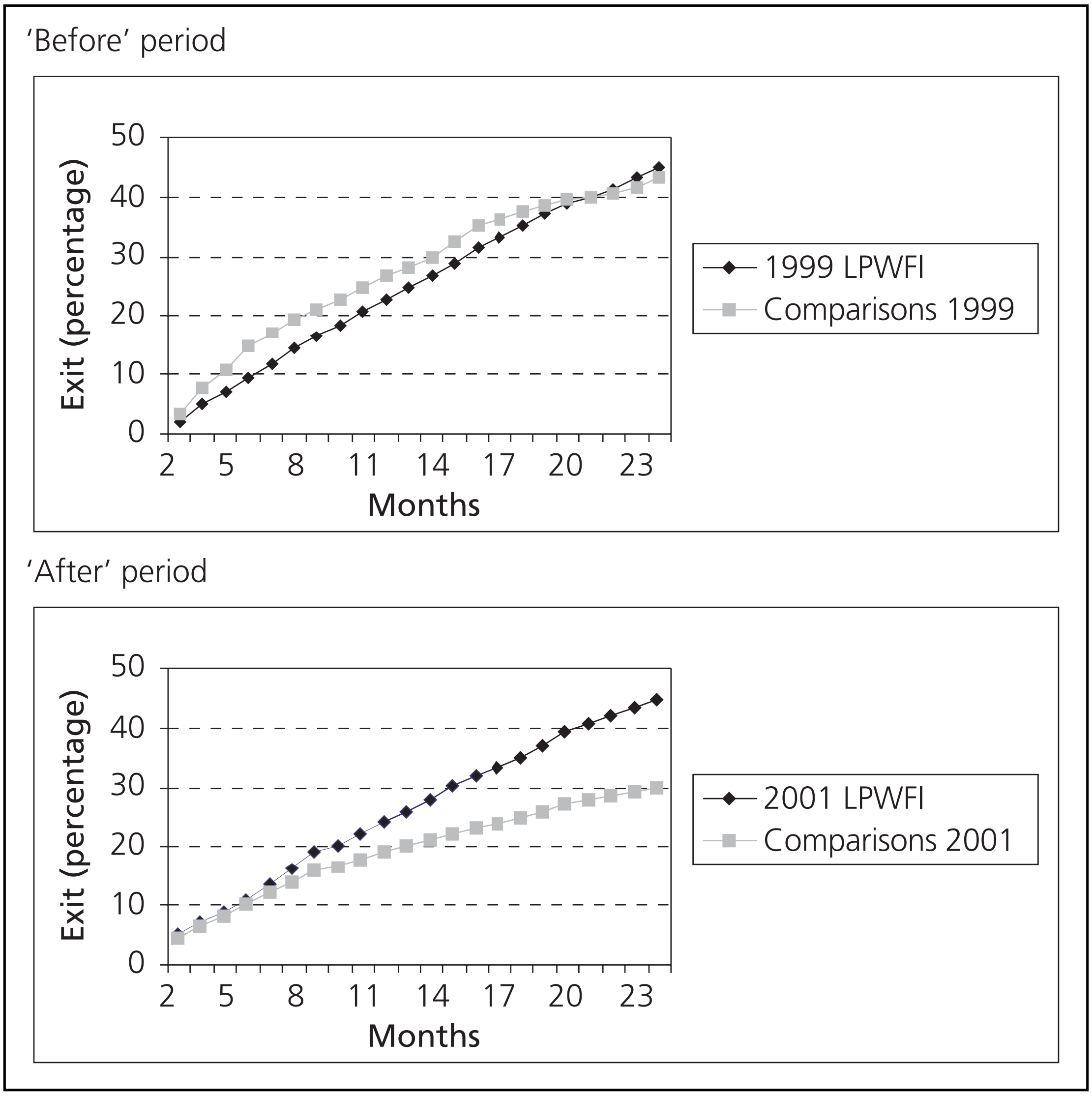
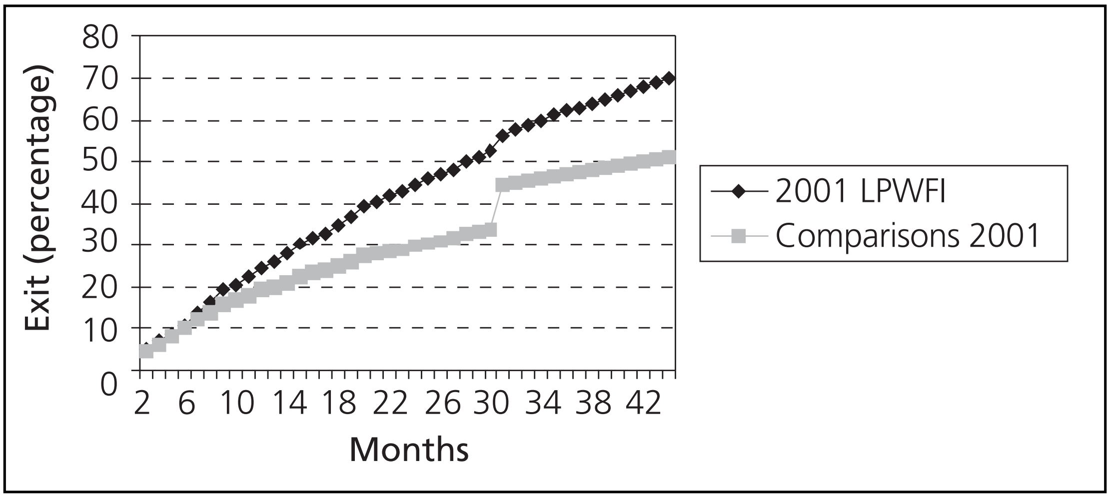


Figure 4.6 Annual reviews 2001 stock claimants: exits after April 2001



Unfortunately, the changes in growth for the comparisons exhibited in the baseline period and discussed above mean that the assumptions needed for valid Difference-in-Differences using the comparison group are not met over the follow-up period required for the stock annual review analysis. As a result, only Before-After analysis is carried out for the estimation of the impact on IS exits of stock annual review. Accordingly, further examination of the characteristics is not presented here, but Tables C.2 and C.3 in Appendix C show the characteristics of the LPWFI and comparison groups that were used in this analysis. It should be noted that it is not possible to conduct baseline tests for the stock, due to the data set-up (See Appendix B for details of this). Statistical controls for characteristics are included in the Before-After analyses which follow, as there are some changes to LPWFI characteristics between 1999 and 2001.

4.3.3 Annual reviews 2001 *stock* claimants: impact estimates

This Section considers the impact of the annual review meeting on stock claimants eligible for LPWFI in 2001. The analyses sought to answer the following questions, as set out in Section 4.1: *Did the annual review combined with LPWFI have an impact on IS exits for the stock eligible for LPWFI in 2001? And, if so, what increment is there?*

The average impact estimates shown are from Before-After models where the control variables included were gender, age of claimant, age squared, number of children, whether had received IS Disability Premium, government office region, and travel to work area unemployment rate in April 1999. The impact was then estimated using the information from the model. Further details of the statistical implementation of the Difference-in-Differences method are shown in Appendix A of the earlier report Knight and Lissenburgh (2005).

In these analyses, the outcome measure used is whether the IS claim is terminated (i.e., whether an exit has taken place). This is because the data provide no direct information on an alternative status to claiming IS: what is observed is only whether the claim spell continues or not. Accordingly, a negative effect (as shown in the 'coefficient' columns of the table) means that exits had fallen for the 'pseudo-eligible' group relative to the comparison group, while a positive effect means that their exits had increased relative to the comparison group. In other words, a positive value indicates LPWFI having the desired effect; a negative value indicates an opposite effect to that intended. The t statistic indicates the statistical significance[53] of the coefficient – only those values marked with an asterisk are statistically significant however.

As discussed in Section 4.3.2, only Before-After analysis is considered appropriate for estimating the impact of stock annual review meetings, since the comparison group considered was not found suitable. Unfortunately, Before-After analysis does

[53] All t tests are two tailed.

not allow more than 23 months as the follow-up period, however this should allow some time for an annual review impact to emerge (see the earlier discussion at the beginning of Section 4.1 regarding the follow-up period required being at least 19 months, due to the delay of the initial LPWFI participation by on average seven-nine months).

Figure 4.7 shows the exits from IS for each month for the 2001 stock claimants, after April 2001 for the 'after' period, and after May 1999 for the before period. The exits of the LPWFI eligible in 2001 are higher than for the 1999 LPWFI eligible until about fourteen months follow-up, after which point they are virtually overlapping. If annual review meetings had changed exit rates for those eligible for LPWFI in 2001, then a kink would be observed in the path, directed upwards to higher exit levels if there was a positive impact on exits. However, in the time period observed this does not appear.

As discussed in Section 4.2.3, the impact of the annual review might be expected in the period 12 months after April 2001. However, due to seven-nine month delays in the actual delivery of the initial LPWFI, the period when the review meeting is expected to occur is then from 19 months – after which the effects might be of the *Annual review combined with LPWFI*. Average percentage point impact estimates for IS terminations, from the Before-After analysis, are shown in Figure 4.8 for the available follow-up period (only statistically significant estimates are included). The scale of the estimates suggest an impact of between one and three percentage points, and on average 1.8 percentage points over the period. This suggests that there was an impact for LPWFI, and that there was an impact on IS exits of the *Annual review combined with LPWFI*. After 19 months, there are still some statistically significant impacts measured; however for the four months in between (from months 15 until 19), there are no statistically significant impacts. It is possible that these impacts reflect the annual review meeting preventing a falling off in the positive impact of the LPWFI. These impacts measured after 19 months indicate an impact of the *Annual review combined with LPWFI* upon IS exits of about 1.4 percentage points.

However, as the discussion in Section 4.3.2 points out, separating the impacts of the annual review and the LPWFI to estimate an increment requires assumptions. Unfortunately, since it seems the annual review recovers a positive impact, but which is at a lower level than the original LPWFI impact, then further estimation of the increment is subject to further assumptions, including the assumption that the impact of the annual review was positive. If this is assumed, it may be that the incremental impact due to the annual review meeting was 1.4 percentage points, as the LPWFI impact had faded in size to zero (this is supported by the estimates which as well as losing statistical significance are close to zero in size). However, other alternatives are possible and depend on assumptions regarding the period to which the LPWFI and annual review meeting apply, as well as the size of the LPWFI impact. If the final point at which the LPWFI impact was statistically significant is taken as the reference (0.9 percentage points at 15 months after) then the positive increment to

IS exits of the 2001 LPWFI stock resulting from the annual review meeting is 0.5 percentage points.

Figure 4.7 Annual reviews 2001 stock claimants: exits 'before' and 'after'

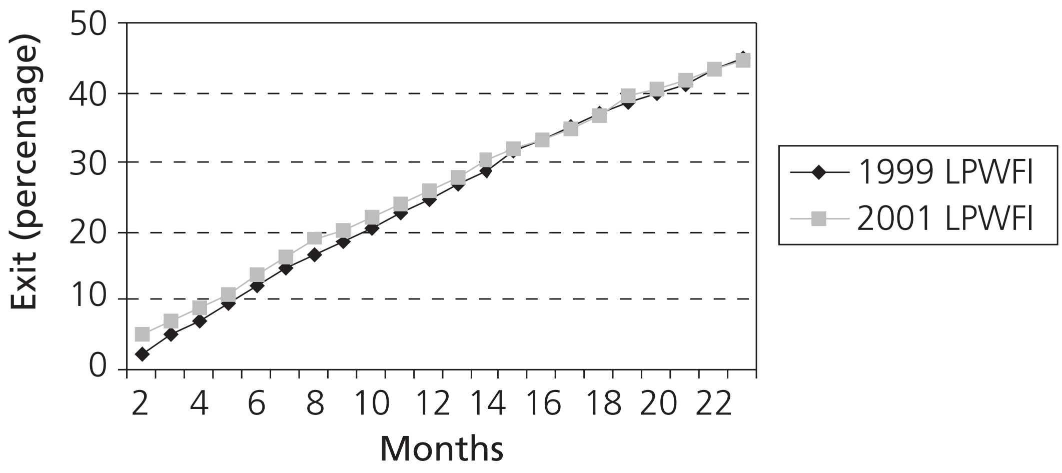
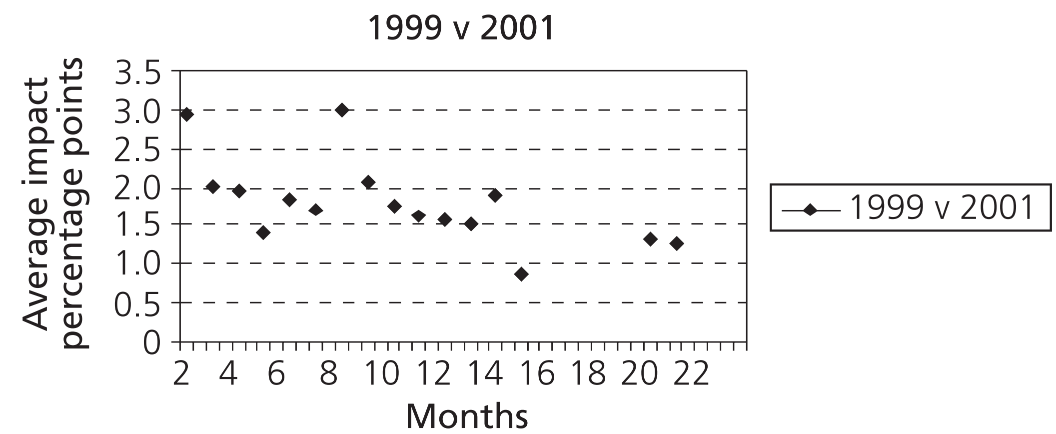


Figure 4.8 Annual reviews 2001 stock claimants: Before-After estimates of impact on IS exits



Note: Only impacts statistically significant to the ten per cent level of significance are presented.

4.3.4 Annual reviews 2001 *stock* claimants: summary and conclusions, and limitations of the methods

These results suggest that for LPWFI stock eligible in 2001 there was a positive impact on IS exits which averaged about 1.8 percentage points, and that there was a positive impact on IS exits of the *Annual review combined with LPWFI* of about 1.4 percentage points. In addition, the estimates suggest that the most plausible assumption about the incremental impact due to annual review meetings, are that the increment was positive and recovered the LPWFI impact which had fallen away to zero at 15 months (about eight months after participation in the LPWFI, given the seven month delay to initial LPWFI participation). Under these assumptions, the inncremental impact on IS exits due to the annual review was 0.5 percentage points, for the LPWFI stock eligible in 2001. However, it should be noted that only very short term impacts (only over four months, if no anticipation effects are allowed for) due to the annual review could be considered, as the follow-up period was curtailed at 23 months, due to the programme design and the period of the data covered. In addition, anticipation or announcement effects are not allowed for in these calculations. Further discussion of the limitations to the impacts estimated can be found in Sections 4.3.3, and in 4.3.2. All the limitations discussed for the Before-After method in Section 3.2.3 apply, as well as all the further general limitations to the reliability and scope of this analysis as set out in Sections 3.5.2 and 3.5.3.

4.4 Six month review meetings for new/repeat claimants in 2002

Apart from the 2001 cohorts who had annual reviews, all other groups that were eligible for LPWFI were to have six month reviews.

The new/repeat claimants who became eligible for LPWFI in 2002 allow analysis of six month review meetings for a follow-up period of 18 to 24 months depending on the comparison group and the baseline period chosen. After the first six month review, subsequent annual reviews followed. New/repeat claimants eligible for LPWFI in the 2002 extension were those with youngest child aged three–5.25 years.

In Section 4.1 Table 4.2, the potential analytical design is put forward and discussed. Table B.3 in Appendix B also has further discussion about the data analysis construction limitations. The comparison group of the lone parents claiming IS with youngest child aged 16.25–18 years might be useful and allow Difference-in-Differences analysis. However, if the characteristics of this group do not support valid Difference-in-Differences analysis, it may be possible to use Before-After methods. Investigations of the behaviour of the comparison group and baseline are first examined.

Table 4.16 Six month reviews 2002 new/repeat claimants: summary of groups used in the impact analyses

	Before 30 April 2001		2002 LPWFI	
New/repeat claimants	LPWFIs pseudo-eligible	Comparisons	LPWFIs eligible	Comparisons
Groups used in the analysis	1 'Before' sample of pseudo-eligible	2 'Before' sample of non-eligible	3 'After' sample of eligible	4 'After' sample of non-eligible
Year	1999 or 2000	1999 or 2000	2002	2002
Dates	June–October entrants	June–October entrants	June–October entrants	June–October entrants
Age of youngest child in years	3-5.25	16.25-18	3-5.25	16.25-18

4.4.1 Six month reviews 2002 new/repeat claimants: claimant characteristics and turnover

Claimant characteristics and exits are now considered for the 2002 new/repeat cohort six-month review analysis groups.

Six month reviews 2002 new/repeat claimants: magnitude and turnover

Table 4.17 shows the size of the analytical groups considered. It is apparent that the size of the comparison group is small (around 2,000 cases) relative to that of the LPWFI eligible group[54], at less than one-tenth the scale of the LPWFI group.

Exit rates for the analytical groups are shown in Table 4.18. All groups LPWFI and comparisons increase in exits at roughly similar rates in 1999, and also in 2002. The pattern of increase over the follow-up period is shown more clearly in Figure 4.9, where each chart shows the exits over 1999 and 2002. In considering the 'before' baseline period of 1999, it can be seen that the exit rates for comparisons is slightly higher than for the LPWFI eligible group, but that for both groups the rate of exit increases over the follow-up period. Over the follow-up period, the difference in rates between the groups grows as the comparisons have a slightly higher rate of increase, but this narrows again somewhat towards the end of 18 months follow-up. In 2002, when the LPWFI eligible group start to have LPWFI and then six month review meetings, both the comparisons and LPWFI group have very similar exit rates, but after seven months (approximately when the first six month review meeting should take place) the comparison group exit rate falls to a level lower than that of

[54] The possibility of limiting this LPWFI group further to those aged 12–14 years produced groups in 1999 of 9,645 cases, and 8,440 cases in 2001. However, all the characteristics were roughly similar to those of the full group considered here, and the results of analysis were equivalent.

the LPWFI, and remains there until about 13 to 14 months when the rates of exit of the LPWFI and comparison group approach similar levels again, and then from this point to 18 months the LPWFI group rate of exit again is higher than that of comparisons and increasing (whereas for the comparisons, the rate of exit is slowing down). For the methods of Difference-in-Differences and Before-After, this comparison group exit behaviour indicates that this may be a useful comparator group. However, the comparisons have a different growth rate, and there are changes to this over the follow-up period during the baseline period of 1999.

Table 4.17 Six month reviews 2002 new/repeat claimants: overall number of analysis claimants

June–October cohort Number of claimants	LPWFI meetings eligible	Comparisons
Before 30 April 2001		
Analysis 1		
1,999	16,897	2,056
2002 LPWFI		
2,002	13,457	2,080

Data excludes: Northern Ireland, Jobcentre Plus Pathfinder, LPWFI Pathfinder and ONE areas, Jobcentre Plus roll-out. Note: Analysis 1: LPWFI eligible group of IS lone parent claimants with youngest child aged between three and 5.25 years; Comparisons are those with youngest child aged 16.25 to 18 years.

Table 4.18 Six month reviews 2002 new/repeat claimants: exit rates for the analysis groups

	% exiting cumulative			
Exits up to months	1999 LPWFI	1999 Comparisons	2002 LPWFI	2002 Comparisons
2	5.45	6.76	2.60	2.26
3	10.15	11.96	7.19	7.16
4	14.84	17.51	13.18	11.88
5	19.07	23.05	17.57	16.78
6	23.03	27.68	21.65	20.63
7	26.22	32.05	25.26	25.05
8	29.72	36.09	28.56	26.88
9	32.84	39.25	31.74	29.81
10	35.53	41.93	34.39	32.50
11	38.11	43.92	36.81	35.14
12	40.28	45.96	39.26	37.84
13	42.51	47.67	41.57	40.43
14	44.95	49.81	43.74	43.17

Continued

Table 4.18 Continued

	% exiting cumulative			
Exits up to months	1999 LPWFI	1999 Comparisons	2002 LPWFI	2002 Comparisons
15	47.06	51.41	45.75	44.95
16	48.85	52.58	48.04	46.78
17	50.83	53.75	49.77	47.93
18	52.42	54.43	51.42	48.85

Data excludes: Northern Ireland, Jobcentre Plus Pathfinder, LPWFI Pathfinder and ONE areas, Jobcentre Plus roll-out. Note: Analysis 1: LPWFI eligible group of IS lone parent claimants with youngest child aged between three and 5.25 years; Comparisons are those with youngest child aged 16.25 to 18 years.

Figure 4.9 Six month reviews 2002 new/repeat claimants: exit rates for the analysis groups

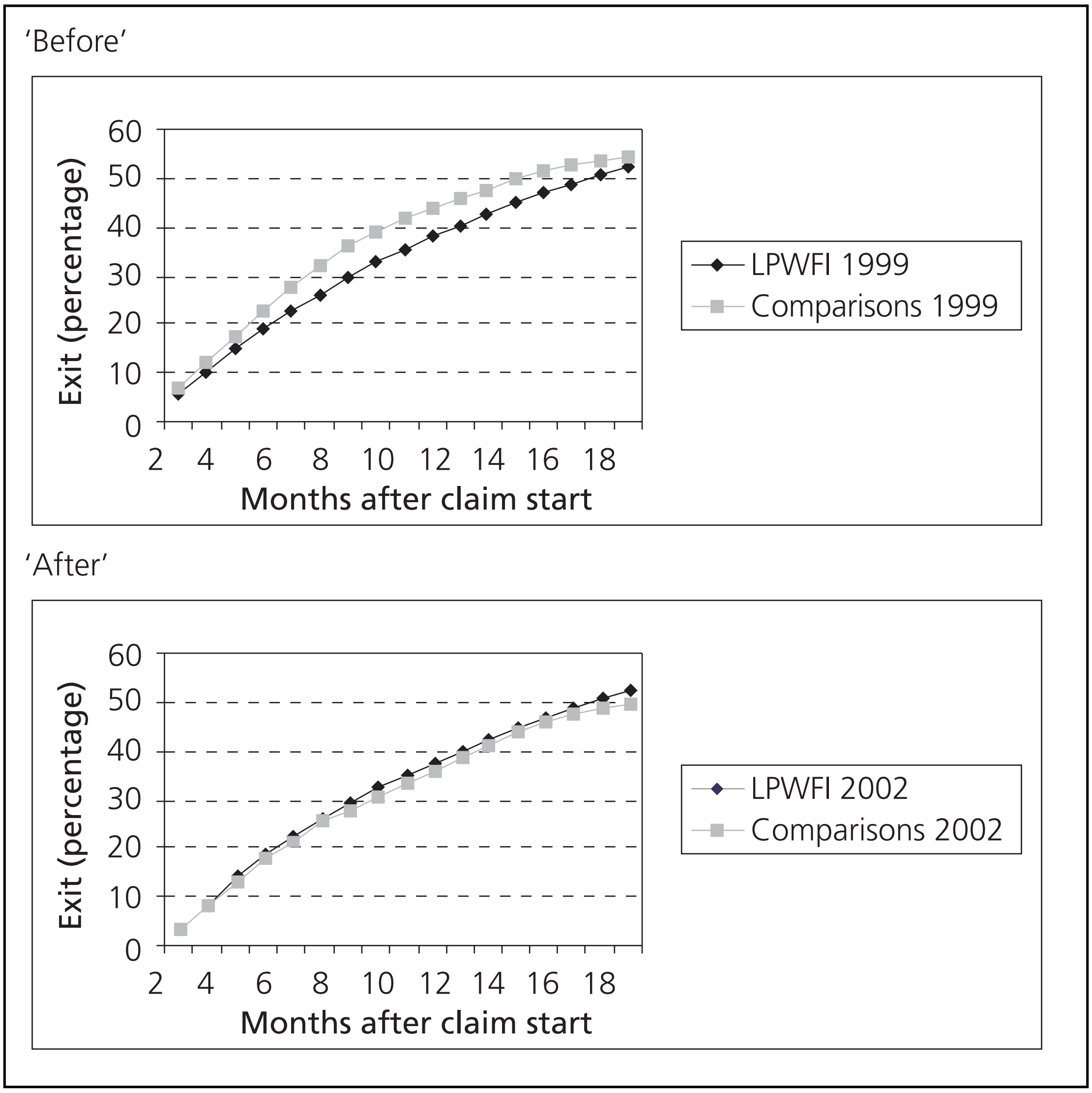
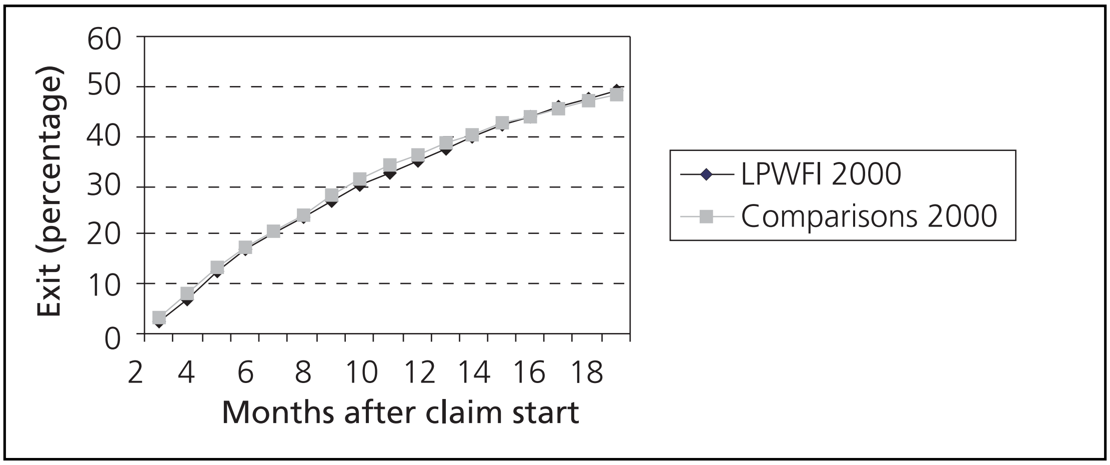


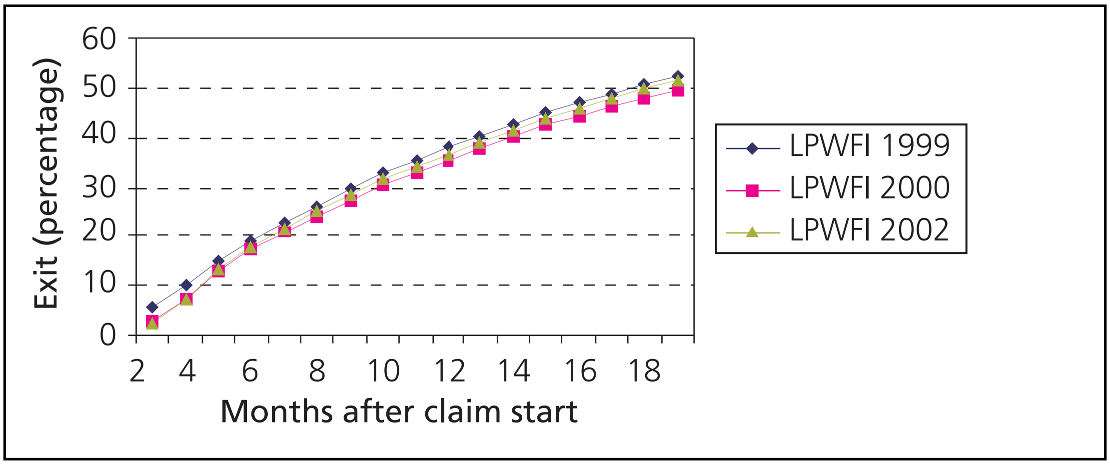
Figure 4.10 New repeat claimants: six month reviews 2002 cohort, exit rates for 2000



In contrast, the baseline period of 2000 is shown in Figure 4.10, where it can be seen that for the follow-up period, the exit rate of the LPWFI eligible and comparison groups is very similar. Accordingly, the use of this baseline is pursued.

Another important aspect of the exit rates is shown below in Figure 4.11. This chart shows the exit rates for the LPWFI group in the years 1999, 2000 (the 'before periods considered) and 2002 (the 'after' period). While the exit rates are all very similar in path and level across the follow-up period, it can be seen that the exit rates for 1999 were always slightly higher than that observed for 2000, and the exit rate for 2002 generally lies between these, above 2000 but below the level of 1999. This indicates that Before-After methods would give generally give negative impacts for the 1999 baseline. Note that the exit rate for 2002 first rises above that of 2000 at around six months follow-up. This would correspond to the likely point at which the six month review would be expected to have some impact on exit rates. It also would suggest that until this point, there was no LPWFI impact. The impact estimates in the next section will provide evidence of whether this was the case.

Figure 4.11 New repeat claimants: six month reviews 2002 cohort, 'Before' and 'After'



Six month reviews 2002 new/repeat claimants: characteristics

For the evaluation method, the characteristics over time are important, to examine the issue of changing composition (See Section 3.2.4). Statistical controls for characteristics can be included to control for changes so that they do not affect the evaluation method.

Personal characteristics of the LPWFI and comparison groups amongst the new/ repeat claimants eligible for six month reviews are shown in Table 4.19. Generally, the characteristics of the LPWFI eligible and comparison groups are stable over time.

There were some shifts in the characteristics of the comparison group, and of the LPWFI eligible group between 1999 and 2002. There was a large change in the share claiming the IS disability premium – this shift amongst the comparison group aged 16.25–18 is thought to mainly reflect tidying of the IS claimant rolls when LPWFI were introduced and has been discussed earlier in Section 3.3.3 (where the main analysis was using the year 2003, however the change in this characteristic over time was explored in depth) and Section 4.3 (where the main analysis year was 2001). Also for the comparison group, the age of the youngest child become more concentrated amongst those aged 17 years, between 1999 and 2002. Amongst the LPWFI eligible, between 1999 and 2002, there was an increase in the share claiming with only one child, and the age of the claimant increased amongst those aged 16–24, and 35–44, but fell amongst those aged 25–34.

Table 4.20 shows the area characteristics of claimants for the analysis groups, for 1999 and 2002. For both comparisons and LPWFI eligible, the regional profile changed. Amongst comparisons, there was an increase in concentration in London, Southeast and Yorkshire and Humber between 1999 and 2002, with falls in the Southwest and Northwest. Amongst the LPWFI eligible, there were gains in the share located in the Southeast and Southwest, and falls in the Northwest, East Midlands, Yorkshire and Humber and Scotland. These shifts were reflected in the changes to the profile of the local unemployment rates.

The changes to characteristics indicate that statistical controls should be included to control for changes so that they do not affect the evaluation method.

Table 4.19 Six month reviews 2002 new/repeat claimants: personal characteristics for claimant

	1999		2002	
%	LPWFI eligible	Comparisons	LPWFI eligible	Comparisons
Male	6.8	15.3	6.4	15.6
16–24	20.5	1.0	23.2	0.9
25–29	32.1	0.4	28.4	0.6
30–34	27.3	2.9	26.0	1.8
35–39	13.8	15.6	14.8	17.6
40–44	4.9	27.4	5.9	28.5
45–49	1.1	28.0	1.2	24.0
50 or more	0.4	24.7	0.5	26.6
3	53.5		52.7	
4	46.5		47.3	
16		53.5		50.2
17		35.2		39.1
18		11.3		10.7
1	39.6	95.7	42.2	94.1
2	33.9	4.1	32.8	5.9
3	17.3	0.2	16.5	0.1
4	6.6		6.2	
5 or more	2.6		2.3	
Claimant of IS Disability Premium	5.4	46.8	5.9	57.2

Data excludes: Northern Ireland, Jobcentre Plus Pathfinder, LPWFI Pathfinder and ONE areas, Jobcentre Plus roll-out.

Table 4.20 Six month reviews 2002 new/repeat claimants: area characteristics for claimant

	1999		2001	
	LPWFI eligible	Comparisons	LPWFI eligible eligible	Comparisons
Government Office Region				
Northeast	6.1	6.3	5.8	5.9
Northwest	13.1	16.9	12.6	15.0
Yorkshire and Humber	9.4	7.5	8.3	8.3
East Midlands	7.3	6.4	6.9	6.9
West Midlands	8.6	8.7	8.7	8.6
East of England	7.1	6.6	7.3	6.2
London	13.7	19.4	14.3	21.2
Southeast	11.2	7.6	12.6	8.3
Southwest	7.7	7.0	8.3	6.1
Wales	5.1	5.6	5.4	6.2
Scotland	9.6	7.3	8.8	7.0
missing	1.1	0.8	1.0	0.5
TTWA unemployment rate in April 1999				
0 to three per cent	18.6	14.6	19.7	13.7
More than three to six per cent	54.6	59.3	54.9	57.9
More than six to nine per cent	24.0	23.8	22.8	26.5
More than nine to 12 per cent	1.7	1.5	1.5	1.4
missing	1.1	0.8	1.0	0.5

Data excludes: Northern Ireland, Jobcentre Plus Pathfinder, LPWFI Pathfinder and ONE areas, Jobcentre Plus roll-out.

4.4.2 Six month reviews 2002 new/repeat claimants: impact on IS exits

Six month reviews 2002 new/repeat claimants: validity of the estimate, Difference-in-Differences assumptions

As for Section 3.4.2, this section considers the baseline test for changes in outcomes in the period before the introduction of LPWFI. As discussed further in Section 3.4.2, this test applies the Difference-in-Differences technique to the pre-programme period. If the comparisons between groups produce unstable results in the baseline period, then any subsequent estimates that use the baseline may be unreliable.

Table 4.21 shows the results of the baseline test. Two baselines are tested, 1999 and 2000, which should both allow sufficient time to April 2002 to allow for a six-month review effect to be observed in the follow-up period. For the baseline of 1999, there are statistically significant changes at five-six months between both the intervening years of 2000 and 2001. This indicates that for the baseline of 1999, adjustments would need to be made to the analysis to account for these changes in the baseline period. However, for the baseline of 2000, this is not the case. Table 4.22 shows the baseline test for the longer period required for the full analysis using the 2000 baseline, and the test is still passed at the ten per cent level of significance.

Table 4.21 Six month reviews 2002 new/repeat claimants: baseline tests

The coefficients are for the interaction between entry year and age group of youngest child

	1999 baseline				2000 baseline	
	1999 compared to 2000		1999 compared to 2001		2000 compared to 2001	
Outcome measure	**Coefficient**	**t statistic[a]**	**Coefficient**	**t statistic[a]**	**Coefficient**	**t statistic[a]**
Exit IS two month	0.003	0.48	0.003	0.48	-0.000	-0.02
Exit IS three month	0.002	0.26	0.010	1.03	0.007	0.86
Exit IS four month	0.010	0.89	0.018	1.58	0.008	0.76
Exit IS five month	0.024	1.92*	0.033	2.58**	0.009	0.73
Exit IS six month	0.029	2.24**	0.038	2.75**	0.008	0.61
N for analyses	36,285		35,307		34,226	

Data excludes: Northern Ireland, Jobcentre Plus Pathfinder, LPWFI Pathfinder and ONE areas, Jobcentre Plus roll-out. Notes: a = Absolute values. A negative effect (as shown in the 'coefficient' columns of the table) means that exits fell for the 'pseudo-eligible' group relative to the comparison group, while a positive effect means that their exits rose relative to the comparison group. t statistics with * for statistical significance at ten per cent, ** for statistical significance at five per cent.

Table 4.22 Six month reviews 2002 new/repeat claimants: further baseline tests

Months after claim start	2000 baseline	
Exist IS	**2000 compared to 2001**	
Outcome measure	**Coefficient**	**t statistic[a]**
2	-0.000	-0.02
3	0.007	0.86
4	0.008	0.76
5	0.009	0.73
6	0.008	0.61
7	0.006	0.45
8	0.020	1.44

Continued

Table 4.22 Continued

Months after claim start Exist IS Outcome measure	2000 baseline 2000 compared to 2001 Coefficient	 t statistic[a]
9	0.022	1.54
10	0.023	1.56
11	0.022	1.47
12	0.022	1.44
13	0.017	1.10
14	0.018	1.18
15	0.011	0.71
16	0.007	0.43
17	0.005	0.31
N for analyses	34,226	

Data excludes: Northern Ireland, Jobcentre Plus Pathfinder, LPWFI Pathfinder and ONE areas, Jobcentre Plus roll-out. Notes: a = Absolute values. A negative effect (as shown in the 'coefficient' columns of the table) means that exits fell for the 'pseudo-eligible' group relative to the comparison group, while a positive effect means that their exits rose relative to the comparison group. t statistics with * for statistical significance at ten per cent, ** for statistical significance at five per cent.

Six month reviews 2002 new/repeat claimants: impact estimates

In Section 4.1, it was stated that the question explored here is *whether the six month review combined with LPWFI had an impact on IS exits, and if so what increment to the impact of LPWFI did the six month review meeting give?*

The impact of the six month review might be expected to occur in the period from six months of claiming. The impact of the initial LPWFI could be expected to occur within the first six months after claim start. Hence, in the follow-up period available to analysis, the impact of the annual review combined with the impact of the initial LPWFI, should be represented in the Difference-in-Differences impacts between six and 18 months.

As discussed for annual review meetings in Section 4.2.3, if there is some impact from the six month review meeting which occurs before six months, perhaps due to claimants leaving IS early because of anticipation of the review meeting at six months, then the impacts to six months may also reflect the combined LPWFI and six month meeting effect, although this might be expected to occur in the final months closely leading up to the six months point. However, the period from two to six months is very short, and if this were the case, there is more likely to be overlap than might be expected for annual review meetings considered earlier.

Table 4.23 shows the estimated Difference-in-Differences impacts on IS exits measured over 17 months after claim start using the 2000 baseline. Only the impact at two months is statistically significant at ten per cent level of significance.

However, the size of the estimate at two months is nearly one percentage point, also at four months slightly more than one percentage point, then drops away in size and between eight and 11 months follow-up the estimate returns to a size of slightly more than one percentage point. This pattern conforms to the type of pattern that might be expected if there were effects of the LPWFI and then for the LPWFI and six month review combined. However, almost all of these estimates are not statistically significant.

Table 4.24 shows the adjusted Difference-in-Differences impacts on IS exits using the 1999 baseline, for the 17 months after claim start. Note that as stated earlier, the pre-programme tests indicate that the unadjusted results using the 1999 baseline are invalid. The results have been adjusted to take account of the pre-programme test results. Heckman and Hotz (1989) suggested using a sustained divergent growth model as a modification to the standard Difference-in-Differences framework. The bias revealed in the pre-programme test is adjusted for, using the methods as described in Appendix A. Here all estimates are about zero in size, except at months six and seven after claim start, where they are a quarter and one-third of a percentage point in size. This pattern conforms to the type of pattern that might be expected if there were no effects of the LPWFI and but then impacts occurred for the LPWFI and six month review combined.

The Difference-in-Differences estimates rely on the comparison group providing a valid reference point. The checks in Section 4.4.1 examined the Difference-in-Differences underlying assumption that the comparison group is appropriate and valid: there are no differential changes in composition that could affect the relative outcomes of the groups, or if there are, they can be statistically controlled. The validity of this has been examined, however it must be recalled that there is a great difference in the age of the youngest child for these lone parents, and this may affect estimates. Also, only a few characteristics are available, and other characteristics which are not observed may be problematic.

However, the Before-After estimates do not rely on the comparison group, but at the same time, they can be biased by other changes in circumstances that could have affected outcomes over the period in question.

Table 4.23 Six month reviews 2002 new/repeat claimants: Difference-in-Differences average impact on exits from IS claim, youngest child aged 16.25–18 as comparisons, *2000 baseline*

Months after claim start															
2	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**14**	**15**	**16**	**17**
Average impact percentage points															
0.90	0.57	1.28	0.12	0.01	-.68	1.66	1.47	1.54	1.17	0.62	-0.29	-0.89	-1.14	-1.00	-0.65
t statistic															
1.68 *	0.68	1.20	0.10	0.01	0.50	1.17	1.01	1.04	0.77	0.41	0.19	0.57	0.73.	0.64	0.42
Observations															
33,409															

Base: 1999. Data excludes: Northern Ireland, Jobcentre Plus Pathfinder, LPWFI Pathfinder and ONE areas, Jobcentre Plus roll-out. The t statistics are marked with * for statistical significance at ten per cent, ** for statistical significance at five per cent. Note: LPWFI eligible group of IS lone parent claimants with youngest child aged between three and 5.25 years; Comparisons are those with youngest child aged 16.25–18 years.

Table 4.24 Six month reviews 2002 new/repeat claimants: *adjusted Difference-in-Differences* average impact on exits from IS claim, youngest child aged 16.25–18 as comparisons, *1999 baseline*

Months after claim start															
2	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**14**	**15**	**16**	**17**
Adjusted Average impact Percentage points															
0	0	0	0.01	0.25	0.33	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
t statistic															
0.06	0.02	0.27	1.46	1.73	2.18	1.16	1.29	1.09	0.88	0.98	1.2	1.2	1.2	1.24	1.06
Observations															
33,409															

Base: 1999. Data excludes: Northern Ireland, Jobcentre Plus Pathfinder, LPWFI Pathfinder and ONE areas, Jobcentre Plus roll-out. The t statistics are marked with * for statistical significance at ten per cent, ** for statistical significance at five per cent. Note: LPWFI eligible group of IS lone parent claimants with youngest child aged between three and 5.25 years; Comparisons are those with youngest child aged 16.25–18 years. Adjusted for divergent growth – see Appendix A.

Figure 4.12 Six month reviews 2002 new/repeat claimants: *Before-After* average impact on exits from IS claim, youngest child aged 16.25–18 as comparisons, *2000 baseline*

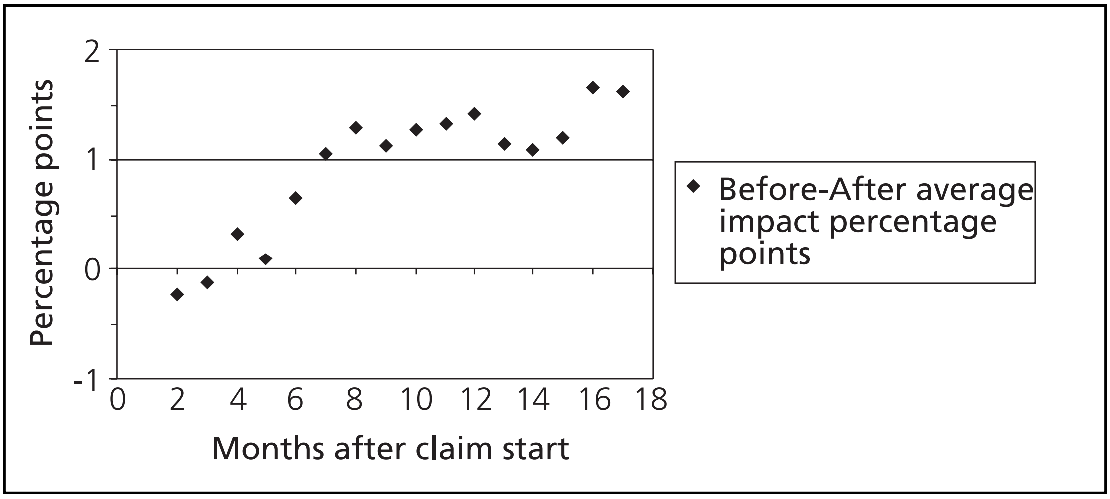


Figure 4.12 shows the estimated Before-After impacts on IS exits using the 2000 baseline. All impacts after month six of follow-up are statistically significant at five per cent level of significance. This pattern shows a fairly steady pattern of growth in size of the impact. This pattern may reflect factors affecting the Before-After method. Alternatively, it may reflect the pattern of increase in impact on IS exits due to the aggregative increments over time resulting from combined effects of the LPWFI, the six months review, and anticipation of the 12 month review that followed it. In support of this, this pattern conforms with earlier estimates for a zero impact of LPWFI over the initial six months follow-up (Knight and Lissenburgh 2005 – the analysis used those with youngest child aged one–two years as comparisons).

Six month reviews 2002 new/repeat claimants: summary and conclusions, and limitations of the methods

These combined results are interpreted to support the conclusions about the impact on the new/repeat claimants in 2002 of LPWFI and six month review meetings. It should be noted that all results relate to estimates for the June–October 2002 cohort of entrants. It is not possible to test, however it is assumed that these results can be generalised to the population to which 2002 LPWFI and six month review meetings apply. The analysis reflects the effects upon the group of claimants to which the 2002 LPWFI extension and six month review meetings was newly applied to, and not those groups which were eligible for LPWFI as a result of earlier rollouts.

Table 4.25 summarises the impacts measured using the Before-After and Difference-in-Differences methods, as described in Section 4.4.2. It also includes estimates from the previously reported analysis covering the first six months of follow-up, shown in Table C.3 Appendix C – where all results accounting for various alternative assumptions, gave similar conclusions of extremely small impact estimates, close to zero in size (Knight and Lissenburgh 2005 – the analysis used those with youngest child aged one–two years as comparisons). The other underlying estimates for Table 4.25, from all methods used are shown in Table C.3. in Appendix C. Table 4.25 shows for each month after the claim start up to 17 months, the average impact in percentage points upon IS terminations. The full range of estimates is shown in the first two columns, with the minimum and maximum size of the point estimate. The following three columns indicate statistically significant impacts tested at the ten, five and one per cent level of significance.

Overall, considering all the estimates (the full range of estimates is shown in the first row of Table 3.23) the average impact of the LPWFI 2002 extension upon IS terminations to six months was at most 1.3 percentage points at four months after claims start but the range of estimates extended to zero at all time points. Taking account of the statistical significance of the estimates, there is an increase in IS exits of nearly one (0.9) percentage point at two months after claim start which is statistically significant at the ten per cent level of significance, but no estimates are statistically significant at the one per cent level of significance.

The range of impacts considered in Table 4.25 that are statistically significant at the one per cent level of significance, indicate that for this analysis there was a statistically significant and measurable combined LPWFI and annual review meeting impact, between two and 17 months, of between 1.3 and 1.7 percentage points in size.

Table 4.25 Six month reviews 2002 new/repeat claimants: summary of impact estimates

Exit IS, months after claim start	Range in size of average impact percentage points		Statistical significance at ten per cent level of significance	Statistical significance at five per cent level of significance	Statistical significance at one per cent level of significance
	Min	Max			
2	-0.4	0.9	0.9	none	none
3	-0.3	0.6	none	none	none
4	-0.3	1.3	none	none	none
5	-0.1	0.1	none	none	none
6	0.0	0.7	0.3	none	none
7	-0.7	1.1	0.3	0.3	none
8	0.0	1.3	1.3	1.3	1.3
9	0.0	1.5	1.1	1.1	none
10	0.0	1.5	1.3	1.3	none
11	0.0	1.3	1.3	1.3	none
12	0.0	1.4	1.4	1.4	1.4
13	-0.3	1.1	1.1	1.1	none
14	-0.9	1.1	1.1	1.1	none

Continued

Table 4.25 Continued

Exit IS, months after claim start	Range in size of average impact percentage points		Statistical significance at ten per cent level of significance	Statistical significance at five per cent level of significance	Statistical significance at one per cent level of significance
	Min	Max			
15	-1.1	1.2	1.2	1.2	none
16	-1.0	1.7	1.7	1.7	1.7
17	-0.7	1.6	1.6	1.6	1.6

Note: These estimates come from estimations that include Before-After regression using the 2000 baseline, Difference-in-Differences regression and adjusted Difference-in-Differences all using the 1999 baseline and using the comparison groups 16.25–18 years as well as one–two years (the first six months follow-up only), and also include Difference-in-Differences estimates using the 2000 baseline. For the complete compilation of estimates detailing method see Appendix C, Table C.1.

Table 4.26 below considers the size of the LPWFI impact and the combined six month review and LPWFI impact for a range of periods. This considers the possible increment that six month review meetings may have had above an LPWFI impact. Such a calculation requires a number of assumptions about the period, and also the additivity of the impacts[55]. Accordingly, the estimates should be considered as suggestive only. The period to five months is considered for the LPWFI to take effect. Then two periods are considered for the six month review – up to 15 months (allows for anticipation of the next review meeting (12 months after the six month review to affect behaviour), and up to 17 months. Only statistically significant impacts are included. In considering the impact of the LPWFI to five months, both the zero estimate (which has arisen most consistently) and also the average estimate from these analyses is allowed for – hence either zero or 0.2 percentage points. The average impact of the combined LPWFI and six month review is estimated as being 1.4 to 1.5 percentage points. The increment due to the six month review could then be between 1.2 and 1.5 percentage points impact on IS terminations. The upper estimate of 1.5 percentage points assumes a zero estimate for LPWFI and no anticipation effects from the next review meeting at 18 months. The lower estimate of 1.2 percentage points allows for a small impact of 0.2 percentage points for LPWFI, and anticipation effects from the next review meeting at 18 months.

[55] If the impacts of the LPWFI and the review meeting are additive, then subtracting the estimate of the LPWFI impact from the combined impact of LPWFI and annual review meetings should provide the incremental impact of the review meeting.

Table 4.26 Six month reviews 2002 new/repeat claimants: size of the LPWFI impact and the combined six month review and LPWFI impact for a range of periods

LPWFI period considered	To five months LPWFI impact	Six month review and initial LPWFI impact	LPWFI impact	Six month review and initial LPWFI impact	LPWFI impact	Six month review and initial LPWFI impact	Six month review and initial LPWFI impact
Period considered for the impact (months after claim start)	2 to 5	6 to 15	2 to 5	6 to 17	2 to 5	6 to 15	6 to 17
Average impact over this period, percentage points	Zero	1.4	Zero	1.5	0.2[1]	1.4	1.5
increment		1.4		1.5		1.2	1.3

[1] An average estimate of 0.2 arises if the single statistically significant estimate of 0.9 at two months is included with zero estimates.

Only statistically significant impacts included (to ten per cent level of significance). Each figure represents the average of the estimated impacts over the period considered.

4.5 Review meetings: summary and conclusions

In this section, the impact on IS exits of the review meetings was formally evaluated. annual review meetings were addressed in two parts, the impacts on IS exits of annual review meetings for new/repeat claims from the 2001 cohort are evaluated, then the impact on IS exits of annual review meetings for stock of current claimants from the 2001 cohort. Six month review meetings, were examined the for the 2002 LPWFI cohort. The impact of the LPWFI extension has been estimated in this evaluation for the whole group eligible for LPWFI and review meetings, including those who never actively participated. As such, this is an *evaluation of the LPWFI and review meetings system*.

The question explored here was whether the review meeting combined with LPWFI had an impact on IS exits, and if so what increment to the impact of LPWFI did the review meeting give? However, as pointed out, this assumes that it is possible to cleanly separate the impacts in an additive fashion, and that the periods usefully reflect when the impacts occur. Within each section where the impacts were addressed, consideration was given to the potential variation that reflects each set of assumptions. The combination of the LPWFI and review meeting process appears to work positively:

- The impacts on IS exits of **annual review meetings for new/repeat claims from the 2001 cohort:** There was found to be a statistically significant and measurable combined LPWFI and annual review meeting impact, between four and 18 months, of between one and 1.75 percentage points in size. The increment due to annual review meetings could be zero, 0.3 or 1.75 percentage points depending on the set of assumptions. The most plausible estimate, which conforms with earlier estimates of a zero impact of the initial LPWFI for this group, attributes the increment due to the annual review meeting as one to 1.75 percentage points.
- The impact on IS exits of **annual review meetings for stock of current claimants from the 2001 cohort:** There was found to be a statistically significant and measurable combined LPWFI and annual review meeting impact, was on average about 1.4 to 1.8 percentage points over the period. The most plausible estimate assumes that the impact of LPWFI was positive and lasted until 15 months, at which point it was 0.9 percentage points, (which conforms with earlier estimates for this group of the impact of the initial LPWFI being around one percentage point at up to 12 months after April 2001), then the positive increment from the annual review meeting is 0.5 percentage points. These estimates account for delays of seven-nine months to the implementation of LPWFI for the 2001 stock.
- The impact on IS exits of **six month review meetings, for the 2002 LPWFI cohort**: The average impact of the combined LPWFI and six month review is estimated as being 1.4 to 1.5 percentage points. The increment due to the six month review could then be between 1.2 and 1.5 percentage points impact on IS terminations. The lower estimate of 1.2 percentage points increment due to the six month review allows for a small impact of 0.2 percentage points for LPWFI, and anticipation effects from the next review meeting at 18 months. The upper estimate of 1.5 percentage points increment due to the six month review assumes a zero estimate for LPWFI over the first 5 months, which is the most plausible as it conforms with earlier estimates for the impact of LPWFI for this group, and also no anticipation effects from the next review meeting at 18 months[56].

4.5.1 This analysis examines the impact of *eligibility* for the LPWFI and review meetings

This analysis examines the impact of **eligibility** for the LPWFI and review meetings. However, a key assumption in interpreting the impact is that most of those eligible for the meeting actually attend it. The impact measured across the eligible population is inevitably smaller than the impact on participants if only a minority of those eligible participate.

[56] The plausibility of anticipation effects is not investigated.

In Knight and Lissenburgh 2005, evidence was presented which indicated that of those eligible, about 74 per cent of new/repeat claimants and 65 per cent of stock claimants entered the LPWFI system, of which a smaller proportion would have attended an initial LPWFI, as some are deferred or waived[57]. Evidence on the attendance of review meetings was not within the scope of this analysis, however can be found in the forthcoming report on secondary analyses of the NDLP, where the interaction of impacts of LPWFI and NDLP for participants are examined.

It is possible to adjust the impacts found to account for the smaller proportion entering the LPWFI system, as suggested by Bloom (1984). Essentially, the adjustment procedure involves dividing the impact estimate by the proportion entering the LPWFI system. This adjustment was not carried out because of uncertainty about the accuracy of administrative records on the proportion of the eligible population who had entered the LPWFI system. Ongoing checks are attempting to reconcile this. As non-attendance of LPWFI clearly occurs to some degree, however, it is reasonable to assume that the impact of LPWFI would be greater if the proportion attending could be raised. To this extent, the LPWFI extension impacts described in this report represent lower bound estimates. Additionally, if a Bloom adjustment were applied, an assumption is required that the selection process into LPWFI participation is random, as if the selection is not random then it cannot be simply assumed that the similar size impact could be attained for the proportion not participating in LPWFI.

4.5.2 Validity of the Difference-in-Differences and Before-After methods

Were the estimates likely to be distorted by ***changes* in the characteristics** of lone parents over time? While considered within the context of the Difference-in-Differences model, this could also affect Before-After models if the profile of the LPWFI eligible group shifted substantially over time. The inclusion of characteristics as statistical controls in the modelling helps deal with this.

Were the estimates likely to be distorted by **changes in the *relative differences* in characteristics** between the groups that were eligible and comparisons for LPWFI? Only Difference-in-Differences is affected by such changes. Difference-in-Differences eliminated any influences on outcomes from differences in observable characteristics that remained stable over time. Where descriptive analysis for these groups indicated that over-time change in characteristics was very slight, and furthermore

[57] An internal check by DWP examined LMS SIR listings (lists of all actions on LMS) for each of a random sample of 100 eligible customers for whom no LPWFI data could be found. All meeting types at or around the time of the eligible lone parent IS claim start and end dates were examined. In all cases, no LPWFI information was found. But in 49 of the 100 cases there was some form of meeting at or around the correct time. This could have been in many forms – either an actual meeting (EO or AO) or in the form a marker (JCP) being set or certain referral types indicating a meeting.

was evenly distributed between the LPWFI and comparison groups, this suggests that the comparability of groups over time was likely to be satisfactory, and consistent with the requirements of the design. The inclusion of characteristics as statistical controls in the modelling helps deal with this.

There were **parallel changes in policy**, discussed in Section 3.1.1, and these may have affected the estimates. The most obvious example was the introduction of Working Families' Tax Credit (WFTC), which might have affected some groups of lone parents more than others. One way of assessing this type of issue is to test for changes in outcomes that might be produced by WFTC in the period before the introduction of LPWFI. This can also be seen as a more general test of whether the baseline period used for Difference-in-Difference is itself a stable one[58]. If the comparisons between groups produce unstable results in the baseline period, then any subsequent estimates that use the baseline may be unreliable. For all new/repeat analyses, pre-programme baseline tests were performed. The pre-programme tests for the baseline, found that there were sometimes changes in this earlier period that might be due to WFTC. Data limitations meant that it was not possible to test the baseline for the stock. Affected new/repeat estimates were adjusted to take account of the baseline impacts found and remove resulting bias, alternative baselines were also considered.

There are potentially important **differences between the eligible and comparison groups**, in the age of the youngest child and in their own ages. Measures have been taken to counteract this. The assumption of equal responsiveness to labour market conditions appears reasonable, since high and increasing proportions of mothers, with children at all ages, now take part in employment (McRae, 1997; Callender, Millward, Lissenburgh and Forth, 1997). However, this is checked with the pre-programme test discussed above. Alternative comparison groups were considered where possible.

4.5.3 Scope and limitations

A particularly important, but difficult, issue is **whether impacts on exit from IS can be interpreted as mainly moves into employment**, or into some other benefit status. It is not possible to investigate this with the current data. The most general limitation of the evaluation, is that outcomes are confined to movements off IS, but do not include entry to employment[59]. The sensitivity of the evaluation is thus limited to picking up impacts of LPWFI that lead to termination of the IS claim. Re-partnering is an example of an exit from a lone parent IS claim which may not

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[58] This approach was suggested as a general way of testing the difference-in-differences method by Heckman and Hotz (1989).

[59] Estimating the impact on employment would have necessitated collecting survey data, and with the expected size of the overall impact being small, the required sample size would have been far larger than is feasible.

involve employment (in addition, only some re-partnering will lead to an IS claim exit, for example a change of circumstances from a lone parent to general IS claim will not result in IS claim exit). However evidence that can inform this finding can be found in the forthcoming report on secondary analyses of the NDLP, which allows for exits to other benefits, and also for employment using evidence from tax records. The outcome measure used is moving off IS, which may mask some employment outcomes from LPWFI. It is possible to work less than 16 hours and remain claiming IS. As such, part-time working due to LPWFI that involved less than 16 hours would not be picked up in this analysis of exits from benefits.

The results reflect a **stage in the development of the system** that may not be representative of subsequent operation. They also show the system in operation over only part of a year, while lone parents, because of their childcare responsibilities and the timing of school and nursery terms, and because of **seasonality** in the part-time and temporary job market sectors[60], may have variable access to employment across the year. Entry or access to NDLP may also differ across the months of the year, and so the results may be specific to the analysis period. Indeed, the impact of LPWFI or Review Meetings may vary seasonally but this is beyond the scope of this analysis, and only an average impact over the analysis period is reported here.

[60] See Marsh *et al.* (1997) regarding seasonality of lone parent employment opportunities.

Appendix A
Detail of method

Constructing the counterfactual

The net impact of a programme or service is defined as the difference between the observed outcome for the participant or eligible group and the outcome **which would have taken place in the absence of the programme or service**. If the symbol Y is used for an outcome, this can be written as

(1) $$Y^{\Delta} = Y^{1} - Y^{0}$$

where the superscript Δ ('delta') indicates the difference in outcome attributable to the programme, 1 indicates the outcome under the programme, and 0 indicates the outcome **for the same people** in the absence of the programme. Whereas Y^{1} is directly observable, Y^{0} has to be estimated indirectly since it is impossible to observe participants being, at the same time, non-participants. The estimation of Y^{0} is often referred to as 'constructing the counterfactual'.

In the case of the Difference-in-Differences method, constructing the counterfactual involves three measurements. One is the 'before' outcome for the equivalent group of people who later become participants or, in the present case, eligible or pseudo-eligible. This can be thought of as the unadjusted counterfactual. The second and third measurements are the outcomes for the non-eligible group, respectively 'before' and 'after' the programme is introduced. The difference between these non-eligible outcomes represents the adjustment which needs to be applied to the counterfactual. The adjusted counterfactual is therefore

(2) $$Y_{e}^{0} + (Y_{c}^{1} - Y_{c}^{0})$$

where the superscripts 1 and 0 mean the same as before, subscript e means the eligible group and subscript c means the comparison (non-eligible) group.

The programme impact is obtained by subtracting the counterfactual term from the gross outcome for the programme or service, as follows:

(3) $$Y^{\Delta} = (Y_e^{\,1} - Y_e^{\,0}) - (Y_c^{\,1} - Y_c^{\,0}).$$

The Difference-in-Differences estimate of the programme's impact can be obtained by estimating each of the four terms separately and then subtracting them as shown in equation (3). If there are other variables in the analysis that are to be controlled (for instance, variables describing sample composition in terms of age, sex, region etc.), then estimating the outcomes separately permits the influence of these control variables to vary in each sub-analysis. Unless the control variables are believed to be particularly important, it is often simpler and more convenient to estimate the net impact term, Y^{Δ}, in a pooled analysis where the calculation is obtained through an interaction effect between period (before or after) and group (eligible or non-eligible). This forces the control variables to have the same influences across the four sub-samples. It is the latter approach which was used in setting up the analyses for this evaluation, since there was no reason to suppose that sample characteristics were changing in important ways over the period of the evaluation (see further details in Section 3).

Practical application of Difference-in-Differences

Application of the Difference-in-Differences estimator uses a regression framework. In this analysis treatment is reflected by eligibility for LPWFI. An equation is estimated which reflects the following construction:

$$Y_{it} = \alpha + \beta_0 X_{it} + \beta_1\,(\textit{LPWFI treatment})_{it} + \beta_2\,(\textit{LPWFI period})_{it} + \beta_3\,(\textit{LPWFI treatment} * \textit{LPWFI period}) + \varepsilon_{it}$$

The dependent variable Y is the outcome of interest. Where the subscript i indicates the individual, t the time period classified as before or after the introduction of LPWFI, X is the vector of observable covariates (gender, age of claimant, number of children, government office region, travel to work area unemployment rate in April 1999), **LPWFI treatment** is the dummy with value of 1 for LPWFI eligibility, **LPWFI period** is the dummy with value of 1 for the time period from 1 April 2002 (after the extension introduction date for LPWFI), ε is the normal error term. The post LPWFI treatment group is identified by the interaction of the **LPWFI treatment** dummy with the **LPWFI period** dummy. The statistical significance and impact estimated are derived from the associated Difference-in-Differences coefficient β_3 . For all analyses, the linear probability model was applied. The impact size was then constructed from the model predictions. Subgroup analysis of impact by the age of youngest child was achieved by coding the eligible group of the **LPWFI treatment** as a categorical variable for each year of age of the youngest child, with the comparison group in the base. Each of the years of age of youngest child then had an interaction term.

Adjustment for pre-programme test

Under the assumption of a step change, as suggested by Heckman and Hotz (1989), the coefficients from the pre-programme test are used to adjust the impact size, and the pre-programme test is subtracted from the impact estimated, within a combined model that incorporates the three periods 1999, 2000 and 2002. Under the assumption of divergent growth, a model that allows for unequally spaced intervals was used. Again this results from a combined model with the three periods 1999, 2000 and 2002. Additionally, this model incorporates the scalar measures for the number of months separating the time periods (12, 24 and the overall period of 36), a common time trend and a differential time trend with monthly growth parameters. The impact estimate is then the coefficient for the interaction of the **LPWFI treatment** dummy with the **LPWFI period** dummy but must undergo scalar adjustment before interpretation.

Appendix B
The data

Generalised Matching Service (GMS) database GMS uses data from MIDAS[61], which provides point-in-time data extracts that were originally obtained for data matching purposes. GMS brings together all of the MIDAS data extracts that have been received, holding only one record for each benefit claim (with the latest or final position), with a history of the changes to the benefit record held separately. The source data were held by the Department for Work and Pensions (DWP) and constructed for the evaluation from the Income Support (IS) database by ORC. An extract was made so that the data covered all customers who had ever been recorded as claiming IS as a lone parent on or since 15 May 1999. Information from two separate files was combined to prepare the analysis data. The Personal Details file gave the most recent record for customers, with one record per customer per benefit per location. The Personal Details History file had one record per changed personal details record. The structure of the data resulted from repeated scans of the administrative database at fixed intervals. The first scan took place on 15 May 1999. Subsequent scans took place (with a few exceptions) at fortnightly intervals. This interval means that very short-term claims are not all present as they might start and end within the interval.

Analysis with the data periods

The IS database was first started in May 1999, so no data exists for spells prior to this, although spells in existence on the date 15 May 1999 are included, and all subsequent lone parent spells observed.

[61] MIDAS stands for Matching Intelligence Data Analysis Services.

2003 LPWFI extension

Table B.1 Data periods 2003 LPWFI extension

	Jan	Feb	Mar	April	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
1999	No	data										
2000												
2001												
2002												
2003						New/repeat entry cohort						
2004												

The bold vertical line in 2001 indicates the 30 April 2001 introduction of LPWFI. The bold vertical line in 2002 indicates the 1 April 2002 LPWFI extension. The bolded line in 2003 indicates the 2003 LPWFI extension which is the focus of this evaluation. The shaded months in 2003 indicate the new/repeat entry cohort examined, and the diagonal crossed months indicate the follow up periods. The bold vertical line in 2003 indicates the six months period LPWFI reviews (which limits the follow up period, because at this point this impact combines both the LPWFI and review meeting impact).

Table B.2 Data periods new/repeat annual reviews 2001 cohort

	Jan	Feb	Mar	April	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
1999	No	data										
2000												
2001						New/repeat entry cohort						
2002												
2003												
2004												

The bold vertical line in 2001 indicates the 30 April 2001 introduction of LPWFI – this is the cohort for whom the annual review meetings are analysed. The bold vertical line in 2002 indicates the 1 April 2002 LPWFI extension. The bolded line in 2003 indicates the 2003 LPWFI extension. The shaded months in 2002 indicate the new/repeat entry cohort examined, and the diagonal crossed months indicate the follow up periods to the 2002 extension, which affects the choice of comparison groups if the follow-up period is to extend further, as is necessary for the analysis of review meetings at 12 months – ideally at least 18 months should be available. The crossed months continue the follow-up period to 12 months. The six months following this, take the follow-up period to the end of 18 months, which is the 2003 roll-out (and hence again the comparison group chosen is limited by this, if the follow-up period was to be longer).

Stock data definitions (2001 annual reviews analysis)

Many ongoing stock claims at 15 May 1999 were continuing on 30 April 2001. To avoid overlap between the various stock sub-samples, the May 1999 samples were drawn from a random one-half of the available claims at that date. The April 2001 samples were then drawn from the remaining one half, if these were still ongoing claims, plus a random one half of those claims which had been initiated between the two dates and had continued through to 30 April 2001. This sampling scheme ensured that all durations of claim were selected with equal probability in the stock samples.

Thus, for **stock claims**, the 'before' groups were taken from claims that were ongoing at 15 May 1999, which was the first scan date for the lone parent administrative database, while the 'after' groups were taken from claims that were ongoing at 30 April 2001. These two dates provided a near match in terms of seasonality.

A fundamental point for the analysis concerned the definition of the start and end of a lone parent IS claim. In the daily functioning of benefit system, the start of an IS claim is the actual date on which the claim became effective. However, as noted earlier, a single IS claim can include several sequential periods in which the grounds of the claim vary (e.g., change of circumstance from lone parent to incapacity to lone parent again). Each of these sub-claims is allocated the same IS claim start date if there is no break in claiming. Since this evaluation is concerned only with *lone parent* IS claims, the IS benefit claim date does not uniquely identify the start of a claim for the evaluation's purposes. However, any sub-claim to or from lone parent status is identifiable through the Personal History dataset. All of these lone parent spells are used for the stock analysis.[62] Thus, a claimant could have started out their IS claim while not a lone parent, but changed to lone parent and so was a lone parent at the reference date 30 April 2001.

In the case of stock claimants, the birth date of the youngest child was subtracted from the reference date (either 15 May 1999 or 30 April 2001, depending on the sample). This should in principle produce the same age as used in the listings of eligible stock claimants provided to local offices. Exits were also calculated from these dates.

[62] The claim start date is not important for the analysis of stock, only that the claim started prior to the reference date.

Table B.3 Data periods new/repeat six month reviews 2002 cohort

	Jan	Feb	Mar	April	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
1999	No	data										
2000												
2001												
2002						New/repeat entry cohort					1	2
2003	3	4	5	6	7	8	9	10	11	12	13	14
2004	15	16	17	18								

The bold vertical line in 2001 indicates the 30 April 2001 introduction of LPWFI. The bold vertical line in 2002 indicates the 1 April 2002 LPWFI extension – this is the cohort for whom the six month review meetings are analysed. The bolded line in 2003 indicates the 2003 LPWFI extension. The shaded months in 2002 indicate the new/repeat entry cohort examined, and the diagonal crossed months indicate the follow up periods to the 2002 extension, which affects the choice of comparison groups if the follow-up period is to extend further, as is necessary for the analysis of review meetings at six months – ideally at least 12 months should be available. The follow-up months are indicated with numbers and continue the follow-up period to 18 months. Another limitation to the follow-up period, is that the baseline also needs 18 months prior to 1 April 2002. For the baseline 1999, this is possible, but for the baseline 2000, the follow-up period is limited to 17 months.

Appendix C
Additional tables

Table C.1 Compilation of results for the 2003 LPWFI extension, by method and baseline, with confidence intervals

June–October cohort	Before-After LPWFI extension average impact on exits from IS claim, 1999 baseline Months after claim start				
1999 baseline	**2**	**3**	**4**	**5**	**6**
Average impact Percentage points	-0.10	0.50	1.50	1.40	1.80
CI max	-0.6	-0.1	0.7	0.6	1.0
CI min	0.3	1.1	2.2	2.2	2.7
t statistic	-0.56	1.61*	3.80**	3.32**	4.09**
Observations	46,561				
	Unadjusted Difference-in-Differences method, 16.25–18 years youngest child as comparisons				
1999 Baseline					
Average impact Percentage points	1.2	2.2	2.2	N.A.	N.A.
CI max	-0.4	0.1	-0.3		
CI min	2.7	4.2	4.6		
t statistic	1.45	2.08**	1.76**		
Observations	41,931				

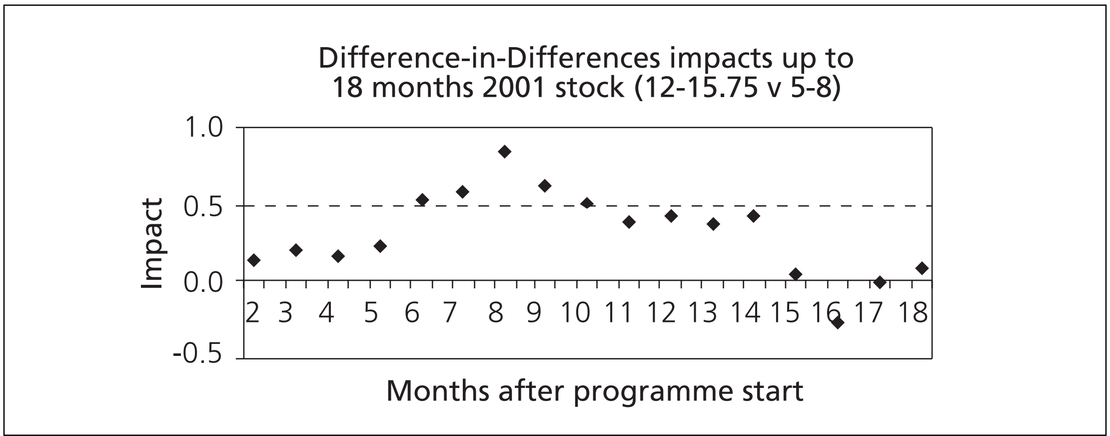
Continued

Table C.1 Continued

June–October cohort	Random growth adjusted difference-in-differences, 16.25–18 years youngest child as comparisons				
1999 Baseline					
Adjusted Average impact Percentage points	-0.04	0.05	0.08	0.05	-0.04
CI max	-0.2	-1.3	-0.1	-0.2	-0.4
CI min	0.1	0.2	0.3	0.2	0.1
t statistic	-0.57	0.56	0.93	0.72	0.06
Observations	41,931				
	Difference-in-Differences 2002 baseline, 16.25–18 years youngest child as comparisons				
2002 Baseline					
Average impact Percentage points	-0.51	1.19	0.66	2.45	1.65
CI max	-1.8	-0.7	-1.7	-0.2	-1.1
CI min	0.8	3.1	3.0	5.1	4.4
t statistic	-0.76	1.23	0.55	1.84*	1.16
Observations	32762				

Data excludes: Northern Ireland, Jobcentre Plus Pathfinder, LPWFI Pathfinder and ONE areas, Jobcentre Plus roll-out. The t statistics are marked with * for statistical significance at ten per cent, ** for statistical significance at five per cent. CI is the five per cent confidence interval around the point estimate, indicating the maximum and minimum for this. N.A. is entered where the baseline test for the Difference-in-Differences estimate was not passed.

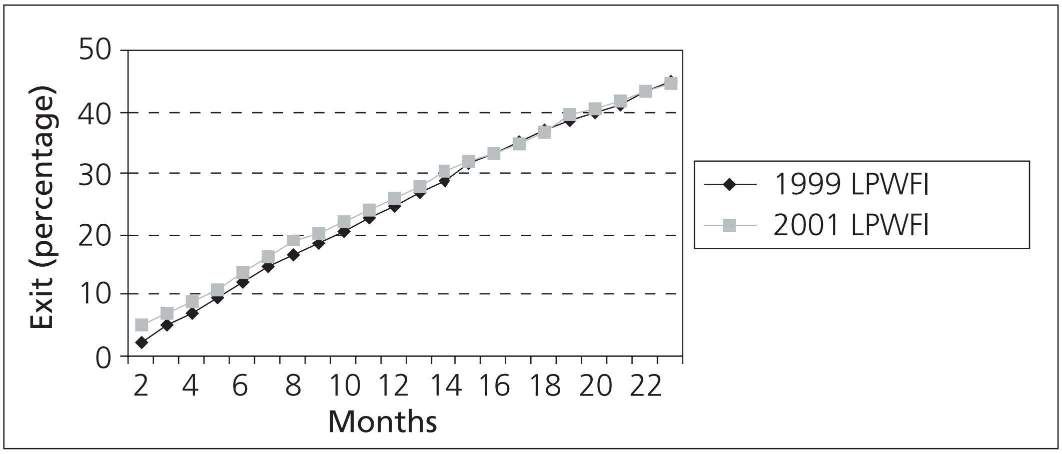
Figure C.1 The impacts estimated for LPWFI 2001 stock using comparisons with youngest child aged five–eight years



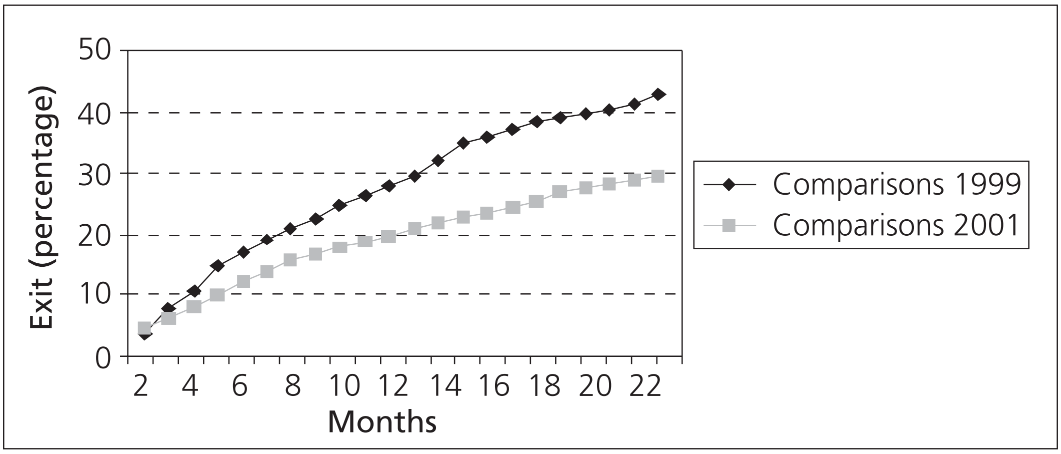
Only estimated impacts between months seven and ten are statistically significant for at least the ten per cent level of significance.

Figure C.2 Stock claimants annual reviews: exits 'before' and 'after'

LPWFI group 'before' and 'after'



Comparison group 'before' and 'after'



Data excludes: Northern Ireland, Jobcentre Plus Pathfinder, LPWFI Pathfinder and ONE areas, Jobcentre Plus roll-out. Note: LPWFI eligible group is IS lone parent claimants with youngest child aged less than 15.75 years and at least 12 years; Comparisons are those with youngest child aged more than 16.25 years and less than 19 years.

Table C.2 Annual review 2001 stock claimants: personal characteristics for claimant

%	1999 LPWFI eligible	Comparisons	2001 LPWFI eligible	Comparisons
Male	14.4	14.9	13.2	15.0
16–24	0.3	0.5	0.2	0.3
25–29	0.8	0.3	0.8	0.6
30–34	12.5	1.6	13.0	1.3
35–39	28.1	13.4	28.5	13.3
40–44	27.1	23.9	26.9	24.4
45–49	16.9	24.3	16.6	23.0
50 or more	14.4	36.1	13.9	36.4
12	29.6		29.6	
13	27.9		27.9	
14	25.3		25.3	
15	17.2		17.2	
16		34.5		34.5
17		37.7		37.7
18		27.8		27.8
1	63.5	92.9	54.0	84.7
2	30.4	6.9	34.4	13.9
3	5.4	0.2	9.6	1.2
4	0.6		1.7	0.1
5 or more	0.1		0.3	
Claimant of IS Disability Premium	24.0	52.5	23.5	64.7

Data excludes: Northern Ireland, Jobcentre Plus Pathfinder, LPWFI Pathfinder and ONE areas, Jobcentre Plus roll-out. Note: LPWFI eligible group is IS lone parent claimants with youngest child aged less than 15.75 years and at least 12 years; Comparisons are those with youngest child aged more than 16.25 years and less than 19 years.

Table C.3 Annual review 2001 *stock claimants*: area characteristics for claimant

	1999 LPWFI eligible	Comparisons	2001 LPWFI eligible	Comparisons
Government Office Region				
Northeast	5.4	5.0	5.2	5.8
Northwest	15.6	16.2	15.4	16.8
Yorkshire and Humber	7.2	6.8	7.2	7.0
East Midlands	5.6	4.6	5.6	5.1
West Midlands	8.1	8.6	8.5	9.1
East of England	6.0	5.6	6.0	5.2
London	19.6	23.8	20.1	20.1
Southeast	9.4	9.3	9.1	7.6
Southwest	6.5	5.1	6.2	5.3
Wales	5.5	6.0	5.7	6.7
Scotland	9.9	7.6	9.8	10.1
missing	1.3	1.6	1.2	1.3
TTWA unemployment rate in April 1999				
0 to three per cent	14.6	14.1	14.4	12.5
More than three to six per cent	57.4	59.0	57.8	57.5
More than six to nine per cent	25.1	24.3	25.2	27.2
More than nine to 12 per cent	1.6	1.0	1.4	1.5
missing	1.3	1.6	1.2	1.3

Data excludes: Northern Ireland, Jobcentre Plus Pathfinder, LPWFI Pathfinder and ONE areas, Jobcentre Plus roll-out. Note: LPWFI eligible group is IS lone parent claimants with youngest child aged less than 15.75 years and at least 12 years; Comparisons are those with youngest child aged more than 16.25 years and less than 19 years.

Table C.4 LPWFI 2002 extension average impact on exits from IS claim

June–October cohort	1999 baseline				
Months after claim start	2	3	4	5	6
Adjusted average impact percentage points	-0.27	-0.29	-0.30	-0.12	0.47
t statistic	0.84	0.47	0.33	0.05	0.58
Observations	75,593				

Base: 1999 Table 4.3, Knight and Lissenburgh 2005.

June–October cohort	Sustained growth assumption				
Adjusted average impact percentage points	0.001	-0.001	-0.004	-0.005	-0.002
t statistic	0.46	-0.34	-1.94*	-1.99**	-0.78
Observations	75,593				

Base: 1999. Table A2.4 Knight and Lissenburgh 2005.

June–October cohort	Using 2000 as baseline				
Adjusted average impact percentage points	-0.26	-0.28	-0.29	-0.12	0.47
t statistic	-1.02	-0.72	-0.59	-0.22	-0.77
Observations	70,962				

Base: 2000. Table A2.5 Knight and Lissenburgh 2005.

June-October cohort	Using 2001 as baseline				
Adjusted average impact percentage points	-0.37	-0.19	-0.13	-0.09	0.25
t statistic	-1.39	-0.47	-0.26	-0.15	0.39
Observations	67,091				

Base: 2001. Table A2.6 Knight and Lissenburgh 2005.

Data excludes: Northern Ireland, Jobcentre Plus, LPWFI Pathfinder and ONE areas. The t statistics are marked with * for statistical significance at ten per cent, ** for statistical significance at five per cent. Note: LPWFI eligible group of IS lone parent claimants with youngest child aged between three and 5.25 years; Comparisons are those with youngest child aged one–two years.

Appendix D
Description of WTC and CTC

The Working Families' Tax Credit (WFTC) was superseded by two tax credits, Child Tax Credit (CTC) and Working Tax Credit (WTC), from April 2003.

CTC is for people who are responsible for at least one child or qualifying young person. CTC is paid direct to the person who is mainly responsible for caring for the child or children in couples, and lone parents receive the payment.

WTC is for people who are employed or self-employed (either on their own or in a partnership), who usually work 16 hours or more a week, are paid for that work, and expect to work for at least four weeks and who are aged 16 or over and responsible for at least one child, or aged 16 or over and disabled or aged 25 or over and usually work at least 30 hours a week. WTC is paid to the person who is working 16 hours or more a week. Couples, if both are working 16 hours or more a week, must choose which one will receive it. You cannot receive WTC if you are not working.

As part of WTC you may qualify for help towards the costs of childcare. If you receive the childcare element of WTC, this will always be paid direct to the person who is mainly responsible for caring for the child or children, alongside payments of CTC.

The amount of tax credits received depends on the claimants' annual income. There is a single claim form covering both CTC and WTC, and entitlement is calculated jointly. Families without children can only receive WTC. Out-of-work families with children can only receive CTC. The maximum award (before tapering) of in-work families with children includes both WTC and CTC. The tapering is deemed to reduce WTC first.

Awards run to the end of the tax year. An annual award is calculated by summing the various elements to which the family is entitled and reducing the resulting maximum award if the family's annual income (see Table C.2) exceeds the first income threshold. The reduction is 37 per cent of the excess over the threshold. Awards of CTC are not, however, reduced below the level of the family element unless the annual income exceeds the second threshold of £50,000. Once the income exceeds the second threshold the award is further reduced by £1 for every £15 of income over the threshold.

Table D.1 CTC and WTC elements and thresholds

Annual rate (£), except where specified	2003-04	2004-05
Child Tax Credit		
Family element	545	545
Family element, baby addition[1]	545	545
Child element[2]	1,445	1,625
Disabled child additional element[3]	2,155	2,215
Severely disabled child additional element[4]	865	890
Working Tax Credit		
Basic element	1,525	1,570
Couples and lone parent element	1,500	1,545
30 hour element[5]	620	640
Disabled worker element	2,040	100
Severely disabled adult element	865	890
50+ return to work payment[6]		
16 but less than 30 hours per week	1,045	1,075
at least 30 hours per week	1,565	1,610
Childcare element		
Maximum eligible costs allowed (£ per week)		
Eligible costs incurred for 1 child	135	135
Eligible costs incurred for 2+ children	200	200
Percentage of eligible costs covered	70%	70%
Common features		
First income threshold[7]	5,060	5,060
First withdrawal rate	37%	37%
Second income threshold[8]	50,000	50,000
Second withdrawal rate	1 in 15	1 in 15
First income threshold for those		
entitled to Child Tax Credit only[9]	13,230	13,480
Income increase disregard	2,500	2,500
Minimum award payable	26	26

1 Payable to families for any period during which they have one or more children aged under one.

2 Payable for each child up to 31 August after their 16th birthday, and for each young person for any period in which they are aged under 19 and in full-time non-advanced education, or under 18 and in their first 20 weeks of registration with the Careers service or Connexions.

3 Payable in addition to the child element for each disabled child.

4 Payable in addition to the disabled child element for each severely disabled child.

5 Payable for any period during which normal hours worked (for a couple, summed over the two partners) is at least 30 per week.

6 Payable for each qualifying adult for the first 12 months following a return to work after 5 April 2003.

7 Income is net of pension contributions, and excludes Child Benefit, Housing Benefit, Council Tax Benefit, maintenance and the first £300 of family income other than from work or benefits. The award is reduced by the excess of income over the first threshold, multiplied by the first withdrawal rate.

8 For those entitled to the CTC, the award is reduced only down to the family element, plus the baby addition where relevant, less the excess of income over the second threshold multiplied by the second withdrawal rate.

9 Those also receiving Income Support, income-based Jobseeker's Allowance or Pension Credit are passported to maximum CTC with no tapering.

Source: Child and Working Tax Credits Quarterly Statistics April 2004, Appendix B: CTC and WTC elements and thresholds
http://www.inlandrevenue.gov.uk/stats/personal-tax-credits/cwtc-quarterly-stats.htm

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