

# Resolution Foundation

## REPORT

### Employing new tactics

*The changing distribution of work across British households*

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# Contents

**Executive Summary.....3**

*Section 1*

**Introduction .....8**

*Section 2*

**The changing distribution of work across household types .....11**

*Section 3*

**Disability and worklessness .....23**

*Section 4*

**Conclusion .....32**

**Annex A: The definition of disability used in this report.....33**

## Executive Summary

Worklessness – the instance where no one in a household is in employment – has long been a preoccupation for politicians in all parties. Today reducing worklessness is at the heart of both the Welfare Reform and Work Bill – where a measure of children in workless households will in part replace income poverty measures – and the design of Universal Credit – where financial incentives have been designed to encourage at least one person in a household into work.

Yet while the rhetoric has remained constant the scale of the problem has changed dramatically. Although one-in-five children lived in a workless household in 1996, today the figure is one-in-nine – a 40 per cent reduction.

Crucially the shape of the problem has altered too. That is because the reductions in worklessness have been concentrated among certain groups – single parents in particular have stood out – with much slower progress made for others.

As a result worklessness is now primarily an issue of disability. The problem is therefore both smaller than it was but also more complex. In this report we set out the detail of this evolution and point towards how this changed challenge can now be tackled.

### **The proportion of workless households has fallen to a 30 year low, reversing the trends of the late-1980s and early-1990s**

Inevitably, discussion of employment tends to focus on individuals. But this means that an understanding of how work – and the income that it brings – is shared across different types of households can be lost. During the 1980s and early-1990s employment became increasingly polarised in society, with greater concentrations of workless single or couple households and dual earner couples, a trend that persisted across business cycles.

This polarisation underpinned high rates of income poverty, particularly among children – 3.4 million children were in poverty by 1996-97 and one-in-five children lived in a workless household. It also created a significant burden on the Exchequer because workless households tend to have much greater



dependence on benefits. By the early-1990s between 16 and 17 per cent of working age population families were in receipt of out-of-work benefits.

In the last two decades the picture has changed dramatically, with the proportion of workless households in 2015 reaching a 30 year low – falling from 20.5 per cent in 1996 to 15.4 per cent in 2015. Understanding what has driven that fall requires an understanding of just where the gains have been made.

### **The improvements in household worklessness have been impressive, but they are even more so given this has been achieved against the headwinds of demographic change**

Over the last 30 years coupling has occurred later and has more frequently broken down. Since 1996 the proportion of single households has increased by a tenth. Clearly this rise in the number of households per head of population requires a greater number of jobs to prevent the workless households rate from rising.

Digging beneath the trends shows that compositional changes in the population towards more single households, who are more likely to be workless, have been outweighed by improvements in the chances of people finding work. Demographic change makes the fall in worklessness over the last 20 years all the more impressive.

### **Worklessness within households with children has fallen the fastest, particularly for single parents**

The fall in worklessness has been fastest among households with children – only 11.7 per cent of children now live in a workless household compared to 19.7 per cent in 1996 – representing nothing short of an employment revolution among parents. And single parents have fared particularly well:

- » The proportion of workless single households without children has fallen by a tenth (from 30.8 per cent in 1996 to 27.5 per cent in 2015), compared to a fall of two-fifths for single parent households (from 49.1 per cent in 1996 to 31.1 per cent in 2015).
- » The proportion of workless couple households without children has fallen by around a quarter (from 15.8 per cent in 1996 to 12.2 per cent in 2015), compared to a fall of two-fifths for couple parent households (from 6.7 per cent in 1996 to 4.1 per cent in 2015).

## Over half of all workless households now contain at least one adult with a disability

While worklessness appears to have fallen across the board – and has moved to levels lower than recorded before the downturn – some groups have recorded improvements that are more modest. As a result the composition of workless households has changed in a profound way with households containing a disabled adult now representing the **majority** of all workless households (assigning to group by characteristics in the following order):

- » Over half (54 per cent) contain at least one disabled adult;
- » Just over one in ten (11 per cent) are single parent households (without disability), of which 64 per cent have at least one child under the age of 5;
- » Less than one in thirty (3 per cent) are couple parents (without disability);
- » Almost a third (32 per cent) are households without children (of which almost half are aged 55 plus and report themselves to have retired early).

## Nearly half of all children living in a workless household have a disabled parent

Children living in workless households are now almost as likely to be from disabled households than not (largely reflecting the greater performance among non-disabled parents than a worsening of the situation for disabled people). Very few, just under 10 per cent, of children from workless households live with non-disabled couple parents. Of those single parents not in work the majority have either a disability and/or a child of pre-school age.

## Successive policy measures have supported parental employment gains

Improvements in levels of parental employment over the period have been reflected in reductions in the number of households in which nobody works, with successive 'push' and 'pull' policy measures appearing to help reverse this previous tendency towards an unequal share of employment across households. Key measures included the introduction of the tax credit system which improved incentives to enter work, particularly for parents, and support with childcare costs; improved maternal and then parental leave rights

guaranteeing mothers a place at work to return to; and a mix of increased benefit conditions and support with finding and preparing for work – particularly for single parents.

### **Interventions for disabled people have been less effective despite falls in worklessness**

Despite some falls in worklessness for disabled households, policy interventions for disabled people and households appears to have been far less successful than for parents over the last two decades. Although the employment gap between individuals with a disability and those without narrowed by ten percentage points between 1998 and 2009, in 2015<sup>[1]</sup> it is still 33 percentage points wide (46 per cent to 79 per cent) – almost half of the non-disabled rate. There is still catching up to do.

Unlike broader gains in employment the increase in working among the disabled has not been evenly distributed across different household types. Worklessness has fallen most among couples where only one partner is disabled. Although the workless rate has fallen among households – single and couples – where all adults are disabled, the fall has been slower and largely reflects an improvement in the aggregate level of employment. Work within households with a disabled member remains strongly concentrated between dual earner and non-earner families. With disabled people being more likely to work if they have a working partner and particularly high workless rates among single disabled people.

### **Where worklessness has fallen government policy should consolidate gains and focus on improving earnings outcomes**

Further reductions in worklessness will require a new approach but one that builds on what has worked in the past. As the government sharpens its focus on full employment it is vital that it understands the incidence of work across household types and takes this into account when formulating appropriate and effective policy intervention.

Policy interventions that have succeeded in the past should be maintained to ensure the current gains are not lost. Perhaps worryingly, despite signs that UC is helping to support more people into work than the current

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[1] Successive breaks in the Labour Force Survey definition of disability mean we are unable to make direct comparisons over time after 2009. More detail can be found in the main body of the report.

JSA regime, the weakening of financial incentives in Universal Credit following the Summer Budget and Autumn Statement could start to reverse some of the employment gains achieved to date and make progression far tougher.

For single parents further progress is likely to be more difficult given the vast improvements already made and the fact that remaining cases of worklessness are concentrated among mothers of pre-school aged children, or where the parent is disabled. Starting job search far earlier in parenthood could be tricky, especially without more extensive provision of affordable childcare at all pre-school ages. However, there is scope for improvement across regions given the variation in employment.<sup>[2]</sup> Finding better paid and better quality work is also likely to be important.

More widely, the poverty challenge of the early-1990s – reducing the number of workless households – has been significantly addressed, now the focus is on in-work poverty. In this context, and given the progress made to boost employment to date, the government should have at least as strong a focus on improving the earnings of parents already in work as it does on moving them into work.

### **But there is a clear need for a new approach to supporting disabled people into work**

For disabled people the challenge is very different. Little progress has been made in comparison to the effective mix of financial, regulatory and practical support that has been developed over the last two decades for parents. It is welcome that the government are aiming to halve the disability employment gap. However, a rethink is required to more fundamentally reassess both the offer from the state and the role of employers in supporting people to move into work and helping them remain in work. The experience of single parents in particular offers some direction and we consider possible solutions in forthcoming papers from the Resolution Foundation's ongoing full employment project.

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[2] P Gregg & M Whittaker (2015) *Completing the job: The pursuit of full employment*, Resolution Foundation

## Section 1

# Introduction

During the 1980s and early 1990s, employment became increasingly concentrated in dual earner households. Society thus become polarised into dual earning and no-one earning households (workless<sup>[3]</sup> households – one-in-five working age households were workless in 1996.

Exploration of worklessness at that time showed that a person in work was increasingly likely to live with a partner who was also in work, while those out of work were increasingly likely to be either single or live with a partner who did not work. Employment and the income that it brings became concentrated among certain couple households.<sup>[4]</sup>

The change in the distribution of work within households coincided with a longer term demographic trend, which continues to persist, in which couples form later and break down more frequently. The result is that more adults live alone rather than in a couple. This matters, because a greater number of people living alone increases the number of households in the country, meaning the economy needs more employment to keep at least one person in each household in work.

By 1996 one-in-five children was growing up in a workless household. For both adults and children this was a doubling from the situation in the late-1970s, despite the proportion of the population in employment having cycled but not changed radically over the period. The distribution of work across households had shifted.

The absence of work in families, especially families with children, was a major source of poverty. This helped fuel the very high levels of child poverty recorded in the UK at the time – with around three in every ten children living in poor households (the highest in the EU at the time). This of course created a moral imperative for action but also a financial one: most workless households rely on government benefits for financial support, and out-of-work benefits have generally provided an income below the poverty line.

In the face of such high proportions of children growing up in workless and poor households a raft of reforms were introduced by successive governments. These were designed to make work more financially rewarding, help with childcare costs and improve employment transitions via the introduction of welfare to work initiatives that covered both job search support and conditionality.

The policy focus on worklessness remains as strong as ever today. The government is currently legislating to replace income poverty targets with a measure of the number of children in workless households through the Welfare Reform and Work Bill, and Universal Credit – its major reform of the current welfare system – is designed to improve the incentive for at least one person in a family to be in work.

[3] We follow the definition used by the ONS, namely, households containing at least one adult aged 16 to 64 in which no-one is in work. Households consisting of only full-time students aged under 25 are excluded.

[4] See Gregg P & Wadsworth J, (2001) "Everything You Ever Wanted to Know about Measuring Worklessness and Polarization at the Household Level but Were Afraid to Ask," *Oxford Bulletin of Economics and Statistics*, University of Oxford, vol. 63(0), pages 777-806, Special I ; Gregg P & Wadsworth J (2008) "Two sides to every story: measuring polarization and inequality in the distribution of work," *Journal of the Royal Statistical Society Series A*, Royal Statistical Society, vol. 171(4), pages 857-875.

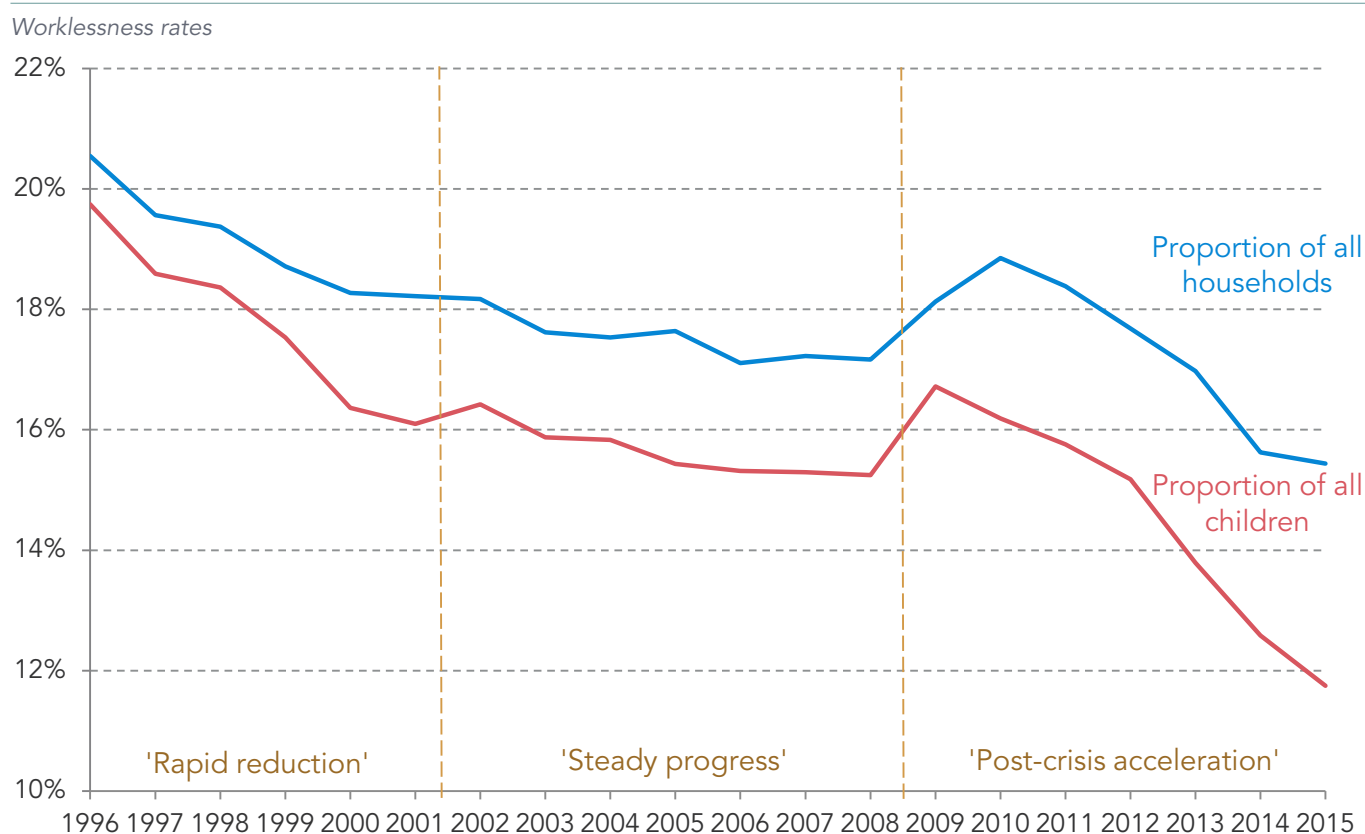


Yet in terms of numbers, today's workless landscape looks very different to the one prevailing in the mid-1990s. By 2015, with the employment rate for people aged 18 to 69 at an all-time high of 71.2 per cent, the proportion of workless households had fallen to a thirty year low of 15.4 per cent. This impressive turnaround is a product of both structural changes in the labour market and deliberate policy choices designed to boost overall employment levels.

Figure 1 plots the change in the proportion of workless households and the number of children<sup>[5]</sup> living in such households since 1996, it shows:

- » The proportion of households where nobody works has fallen significantly from 20.5 per cent in 1996 to 15.4 per cent in 2015 – a reduction of a quarter;
- » The proportion of children in such households has fallen in a similar manner, but faster, dropping from 19.8 per cent in 1996 to 11.7 per cent in 2015 – a reduction of over a third.

**Figure 1: The long-term fall in workless working age households, 1996 to 2015**



Source: ONS, Labour Force Survey household level datasets, Q2 1996 to Q2 2015

Going beyond the headline there are three quite clear and distinct periods to the change in both the proportion of workless households and the proportion of children living in them:

- » First, there is the 'rapid reduction' phase from 1996 to the early-2000s. To a large extent this mirrors the growing employment rate at the time, implying a straight feed through to the reduction in worklessness.

<sup>[5]</sup> Defined as children under the age of 16

- » Secondly, the period to 2008 can be characterised as one of ‘steady progress’. The rate continues to improve, but at a slower pace. Gains continued to be made even as employment growth slowed as levels approached historic highs.
- » Finally, the financial crisis of 2008 produced a spike in worklessness that reversed the gains of the 2000s, but a subsequently rapid employment recovery helped to re-establish the long-term downwards trend. We refer to this period as being one of ‘post-crisis acceleration’.

Taking the period as a whole these are astounding changes over a relatively short period of time especially among families with children. The shift is even more surprising given that it marks a straight reversal of the trend of the previous decades.

With such large reductions in worklessness over the last two decades – particularly among households with children it is clear that the scale and nature of the worklessness challenge has changed in profound ways over the last 20 years. In this report we assess the role and relative importance of household structures, levels of employment and government policy initiatives in driving this change, specifically:

- » In Section 2 we consider how worklessness has changed across different types of households taking into account the presence of children and determine where worklessness still remains a significant issue;
- » In Section 3 we focus on the particular impact of disability on household worklessness, looking at where reductions in worklessness have occurred and how this may contrast with the experience of parents.
- » In Section 4 we offer some conclusions and highlight the areas for future policy to focus on to further reduce the number of workless households and move closer to full employment.

## Section 2

# The changing distribution of work across household types

*The proportion of households in which nobody works has fallen significantly since the high point of 1996. The decline in worklessness has been faster among households with children – and among single parents in particular. These falls go beyond what may be expected given the aggregate level of employment and therefore also reflect a shift towards a more even distribution of available work. In turn, to some extent, these improvements reflect the introduction of various policy measures specifically focused on boosting parental employment.*

*In this section we explore changes in the proportion of workless households – across couples and singles, and among those with and without children – and the role that policy has played. We consider the extent to which changes in the workless rate have been driven by overall movements in employment and the extent to which they have stemmed from movements in the composition of households. We also assess the distribution of work across different household types.*

### Household worklessness has fallen despite a headwind of demographic change

The steady improvement in household worklessness has been achieved despite a growing trend towards solo living in the UK. It is intuitive that single adult households are more likely to be workless than couples – the extra adult increases the likelihood of at least one earner in the household. Therefore more single adult households should – all else equal – result in more workless households.

Nearly 1.3 million extra single adult households have been added since 1996 – an increase of more than a fifth. This shift reflects both people staying single longer before forming a couple and the increased incidence of separation later in life: people are simply spending a smaller portion of their lives living with a partner. Figure 2 overleaf details this shift in relative terms.

*Single parents continue to represent less than a tenth of all households, despite their population share increasing by a similar proportion as other singles.*

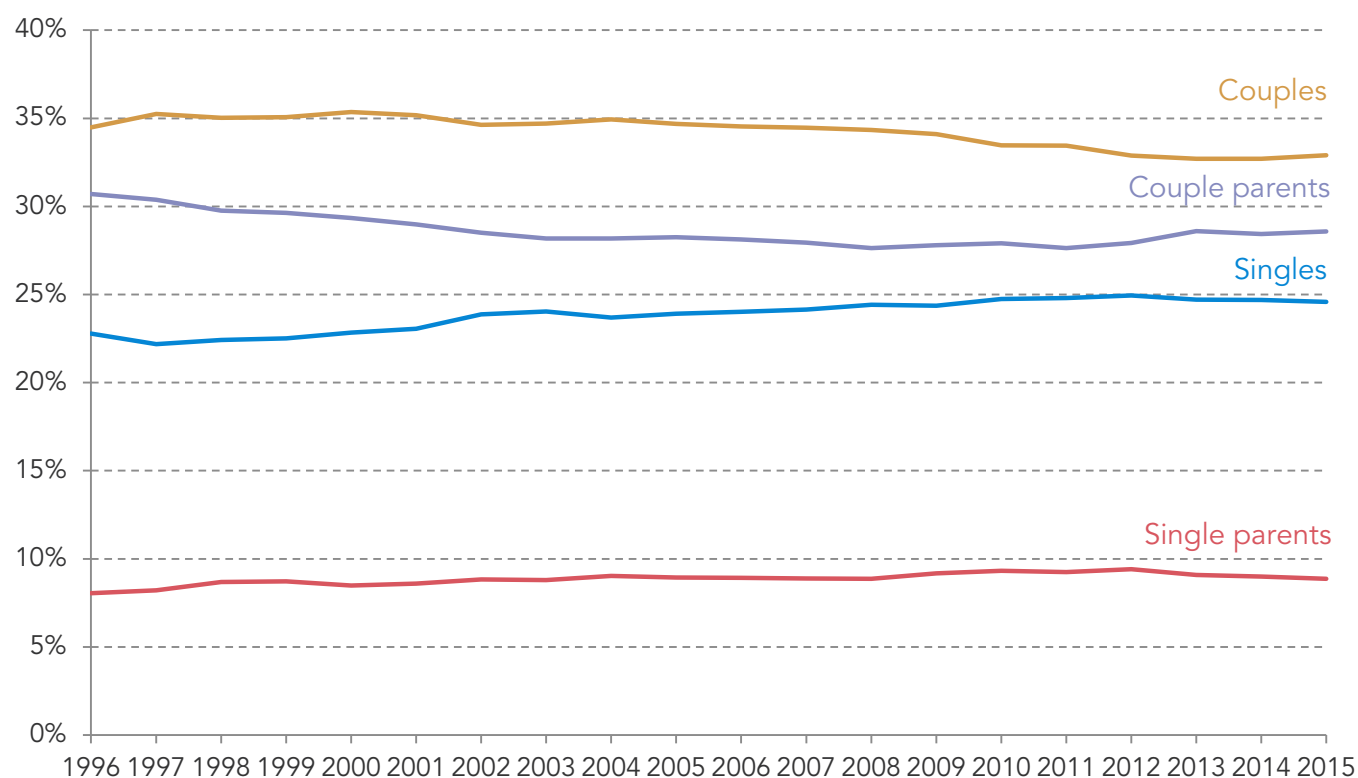
The proportion of single households – both those with and without children – has risen by almost a tenth over the period. The increase in the population of single households largely reflects a growing number of households containing a single adult aged 40 and over. Single parents continue to represent less than a tenth of all households, despite their population share increasing by a similar proportion as other singles.

The proportion of households containing couple parents fell relatively quickly in the late-1990s, but the decline in the proportion of couples has been slightly faster among those without children over the period as a whole.

Interestingly, there has been a fall in the proportion of single parents and a rise in the proportion of couples in the last two years. It is too early to tell whether this is a new trend however.

**Figure 2: The changing household composition of the UK, 1996 to 2015**

Proportion of households



Source: ONS, Labour Force Survey Household datasets, Q2, 1996 to 2015

## Parent households, particular single parents, have recorded the greatest falls in worklessness

These demographic headwinds make the overall decline in worklessness all the more impressive, with the implication being that improvements in the workless rates must have been higher than the headline suggests within some household types at least.

Figure 3 shows that the workless rate has fallen for all household types since 1996, but that these changes are most marked among parents. Households are split between couples and singles and whether they have children or not. Interestingly, single adult households experienced a significant rise in worklessness following the downturn (though still ended the period with lower worklessness than in 1996), but other household types were relatively insulated from its effects.

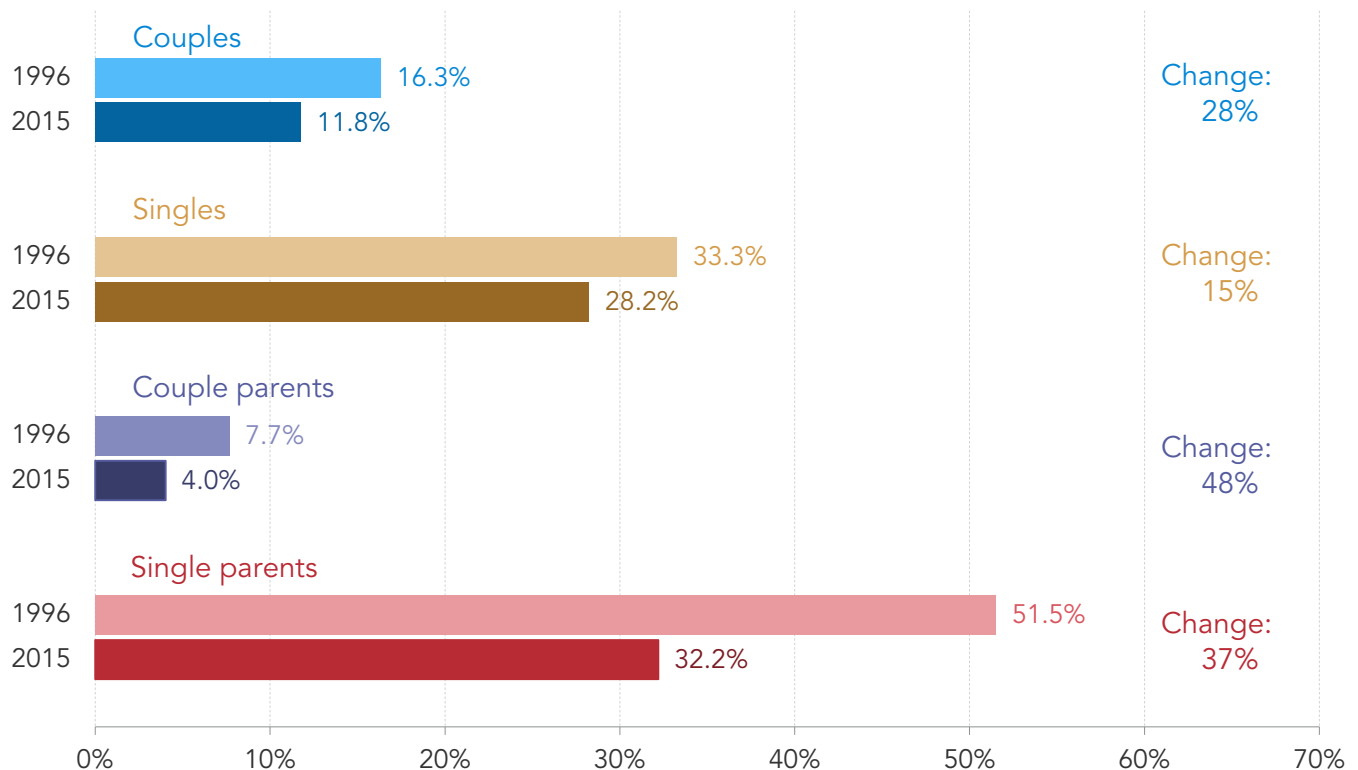
**Figure 3: The fall in worklessness by household composition, UK 1996 to 2015***Proportion of workless households within each group**Source: ONS, Labour Force Survey Household datasets, Q2, 1996 to 2015*

Figure 3 shows that:

- » The proportion of workless couple households (without children) has fallen by over a quarter (from 15.8 per cent in 1996 to 12.2 per cent in 2015), compared to a fall of two-fifths for couple parent households (from 6.7 per cent in 1996 to 4.1 per cent in 2015);
- » The proportion of workless single households has fallen by a tenth (from 30.8 per cent in 1996 to 27.5 per cent in 2015), compared to a fall of two-fifths for single parent households (from 49.1 per cent in 1996 to 31.1 per cent in 2015).

We take this analysis one step further below.

## Improved employment chances have more than offset the winds of demographic change

We can formally measure the extent to which changes in the composition of the household population or changes in the employment chances of each household type have contributed to the overall fall in worklessness with a shift-share analysis. This allows us to quantify the contribution to the aggregate fall in worklessness from:

- » The **change in the workless rate** – that is the contribution coming from reduced worklessness within household groups
- » The **change in the share of population** – that is the contribution coming from a change in the prevalence of different household types within the overall population



The results, summarised in Table 1, show that changes in the workless rate within all household types would, in isolation, have reduced the overall proportion of workless households by 5.7 percentage points. In contrast, shifts in the composition of the household population would have *increased* the overall proportion of workless households by 0.8 percentage points – with more single and single parent households in the population. The two effects pull in opposite directions, but the improvements in the employment chances within each household type have more than offset the impacts of demographic change.

**Table 1: Shift-share analysis of the change in the proportion of workless households, 1996 to 2015**

|                            | Couples | Singles | Couple Parents | Single Parents | Total |
|----------------------------|---------|---------|----------------|----------------|-------|
| Contribution from:         |         |         |                |                |       |
| Change in workless rate    | -1.6%   | -1.2%   | -1.1%          | -1.7%          | -5.7% |
| Change in population share | -0.2%   | 0.7%    | -0.1%          | 0.4%           | 0.8%  |
| Both (Household type)      | -1.8%   | -0.6%   | -1.2%          | -1.3%          | -4.9% |

Source: ONS, Labour Force Survey household level datasets, Q2 1996 to Q2 2015

Perhaps surprisingly, couples without children made the greatest single contribution to the fall in the overall proportion of workless households, accounting for over a third (36 per cent) of the reduction. This is due to them both representing the largest household group in the population (35 per cent) and having a strong improvement in their employment chances.

*Despite their obvious relationship, it's interesting to note that falling worklessness and rising employment have not always moved together. In the 1980s and early-1990s employment cycled – falling and then rising again.*

The contribution of single parents – a quarter of the reduction – is impressive. Not only do they account for less than 10 per cent of all households but their increasing representation in the household population acted as a drag on aggregate worklessness – which was more than offset by their improved workless rate.

These findings confirm the diagnosis made when considering broader trends – that there has been a significant reduction in the extent of worklessness at the household level, all the more remarkable given a demographic

shift towards more single households. Below we consider whether particular household types have 'outperformed' in relation to overall employment growth and the extent to which the polarisation of work across households has eased.

### Single parent employment has outperformed the average

As noted, the proportion of workless household has fallen since 1996. This has coincided with general increases in employment. Undoubtedly the latter has helped drive the former, but the *distribution* of jobs across different types of households also matters. If a majority of the new jobs were flowing to people whose partners already worked then the workless household rate would change relatively little. To that end, it is worth comparing the individual employment change within household rates.

The comparison is simple when focusing on one-adult households – any change in worklessness can be directly compared with individual employment levels. As Figure 3 showed, between 1996

and 2015 the workless rate fell by 37 per cent among single parents and by 15 per cent among singles without children. These figures compare with an 18 per cent reduction in the proportion of adults not in work over the same period. It would appear therefore that employment gains have been particularly strongly felt among single parent households: that is, more of the new jobs generated in this time have been accounted for by such households.

*Much of the worklessness  
that remains for parents  
and non-parents is  
associated with disability.*

It is difficult to make a similar comparison for couple households because the chances of there being somebody in the household in work are generally higher (because there are twice as many adults). To make a valid comparison the composition of households must be taken into account. Following the approach of Gregg and Wadsworth we produce a measure of the 'excess'

(see Box 1 for more detail) which accounts for both changes in the aggregate employment level and the fact that couples have a greater chance of having at least one person in work.

On this measure we find that workless 'excess' among single parents has fallen, in line with the basic comparison set out above. For couple households – with and without children – this measure of 'excess' has remained broadly stable, falling by 2 percentage points since 1996. Because the 'excess' accounts for changes in aggregate employment, a fall in the rate shows that the fall in household worklessness outstrips that which would follow from aggregate employment gains. Couples have performed better than the overall growth in employment, but not to the extent that single parents have.

## Work has become more evenly shared across households

Despite their obvious relationship, it's interesting to note that falling worklessness and rising employment have not always moved together. In the 1980s and early-1990s employment cycled – falling and then rising again. But the distribution of jobs – specifically the concentration of work within couple households – meant that society polarised between dual earning and no earning households.

This led to high levels of worklessness with 1.25 million more households with no earner than could be attributed to general shifts in employment.<sup>[6]</sup> These trends have reversed over the last two decades, with the measure of the workless 'excess' confirming that employment gains have been shared more evenly across household types (see Box 2.1 overleaf).

However, it is also clear that a substantial level of worklessness remains. Accounting for the likelihood that, given the underlying employment rate, a household has at least one person in work suggests that worklessness is mostly an issue for single parents with young children (despite substantial falls in worklessness overall) and non-parent households. As discussed in the next section, much of the worklessness that remains for parents and non-parents is associated with disability.

But clear strides have been made on parental employment over the past two decades, which was the primary policy focus in this period. In the remainder of this section we first consider how this has effected the number of children living in workless households – expected to be a key government metric in determining 'Life Chances' – and then the role that policy changes may have played in this transformation.

[6] Gregg P & Wadsworth J, (2001) "Everything You Ever Wanted to Know about Measuring Worklessness and Polarization at the Household Level but Were Afraid to Ask," *Oxford Bulletin of Economics and Statistics*, University of Oxford, vol. 63(0), pages 777-806, Special I

## i Box 2.1: 'Excess' worklessness

The concept of 'excess' worklessness was developed in research by Gregg and Wadsworth.\* The metric was designed to capture the extent to which society had become polarised into households of dual earners and households of no earners.

The 'excess' is the gap between the *actual* proportion of households in which nobody works and the *expected* proportion if all work were distributed evenly across households in a given year. This adjusts the workless household rate for the level, and any changes, in employment in the economy and also household structure. It thus captures the extent to which work is concentrated between dual and no earner households. If the excess is zero – that is, there is no gap – then work is distributed evenly.

To calculate the *expected* proportion, an even distribution of employment is assumed across all individuals, using the employment rate to determine the probability of an individual working. For example, if the employment rate is 75 per cent, the chance a single household is workless is 25 per cent (1-75%). For a couple it will be 6.25 per cent (25%\*25%) because 'worklessness' is avoided if either person is in work. By taking into account the aggregate employment level in each period, a fall in the 'excess' will also indicate that a particular household group has outperformed overall changes in employment.

Figure 4 shows the overall 'excess' at 7.2 per cent in 1996. This is a measure of the uneven distribution of employment across households. By 2015 it had fallen to 4.9 per cent, a fall of a third. The overall change was driven by differing experiences across household types:

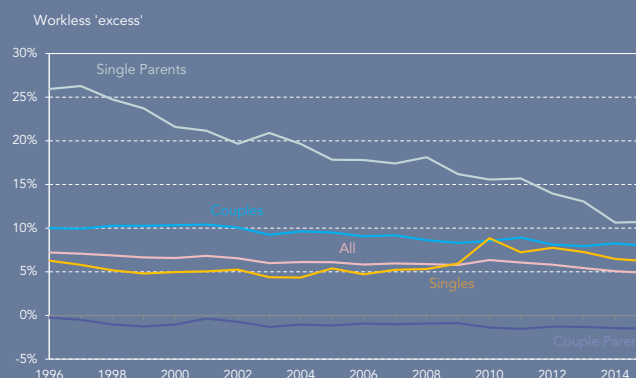
- » Single parents experienced a significant fall in their 'excess' over the period, from 26 per cent to 11 per cent, with the post-2008 downturn appearing to have little effect on the downward trend.
- » For singles, the 'excess' remained stable until spiking in the immediate post-crisis period – which suggests they were particularly prone to unemployment in the

downturn. Their 'excess' still has a little way to go to return to the pre-crisis rate of around 5 per cent. We will explore the role of disability in generating this 'excess' later in the note.

- » The 'excess' for couples without children has fallen by around a fifth over the period but remains at around 8 per cent. Couples with children have a slight *negative* 'excess', reflecting the fact that worklessness in the group is lower than would be predicted by an even distribution of individual employment across households. This is driven by the very high employment rate of fathers.

\* Gregg P & Wadsworth J, (2001) "Everything You Ever Wanted to Know about Measuring Worklessness and Polarization at the Household Level but Were Afraid to Ask," Oxford Bulletin of Economics and Statistics, University of Oxford, vol. 63(0), pages 777-806, Special I

Figure B1: The changing workless 'excess' across different household types



Notes: The 'excess' is the gap between the actual proportion of households in which nobody works and the expected proportion if all work were distributed evenly across households in a given year. It captures the extent to which work is concentrated between dual and no earner households. If the excess is zero – that is, there is no gap – then work is distributed evenly.

Source: ONS, Labour Force Survey household level datasets, Q2 1996 to Q2 2015

## Children in workless households

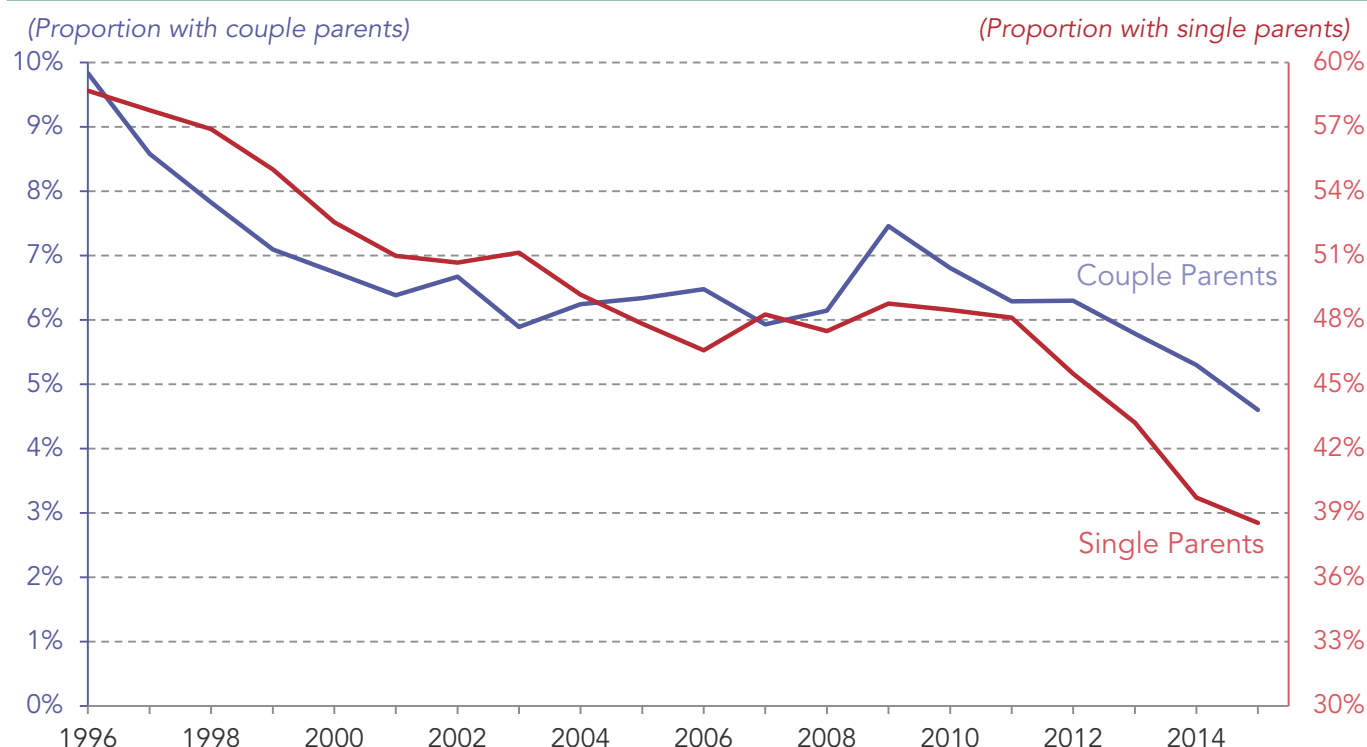
Here we consider the extent to which the change in the number of children living in workless households is due to either the changing population of children (dependents under the age of 19) or the employment chances of their parents.

As parental employment has improved over the last two decades (particularly among single parent households) so the number of children in workless households has reduced, falling from

19.7 per cent in 1996 to 11.7 per cent in 2015 – a drop of 40 per cent (see Figure 1 and Figure 4):

- » For children living in couple households, the proportion who are in workless households has reduced from 9.8 per cent in 1996 to 4.6 per cent in 2015 – a drop of over half.
- » The proportion of children living with single parents who are in workless households has fallen from 58.7 per cent in 1996 to 38.5 per cent in 2015 – a drop of over a third.

Figure 4: The proportion of children living in a workless household by household type



Source: ONS, Labour Force Survey Household datasets, Q2, 1996 to 201

For couple parents, the proportion of children in workless households has fallen broadly in line with the overall fall in the proportion of workless households with children. For single parents the proportion of children has fallen slightly *slower* than the household rate, suggesting that for some within this group work status is affected by having a higher number of children. This could reflect a range of issues, such as the potentially high cost of childcare or additional time spent out of the labour market. However, it does not appear to be the case that large family sizes are driving the remaining worklessness among households with children.

It is important to recognise that over three-quarters of children (9.2 million) live in couple households. Therefore, shifts in worklessness within this group will have a greater effect on the overall number than would shifts among workless single parent households. Yet, of those children living in workless households, two-thirds are from single parent households.

Despite a small increase in the proportion of children living in single parent households of around 5 per cent since 1996, the number of children in a workless household is at a record low. As we explore below, this reflects the fact that the significant improvement in parental employment across all household types has more than offset the shift toward more single parents.

## The role of policy in boosting parental employment and reducing worklessness

High levels of worklessness and child poverty in the mid-1990s provoked significant attention across the political spectrum. Addressing these issues was a major policy objective of the incoming Labour government of 1997 and worklessness has continued to be a core theme under both the 2010 coalition and the current government. Indeed the current government is seeking

to legislate for the replacement of existing income poverty measures with a suite of measures that include the number of children in workless households.<sup>[7]</sup> At the same time government is committing to report on progress towards 'full employment' over this parliament. Both have implications for workless households and future policy intervention.

*Parental leave can now be shared with a partner and the right to request a flexible working pattern was introduced in 2014*

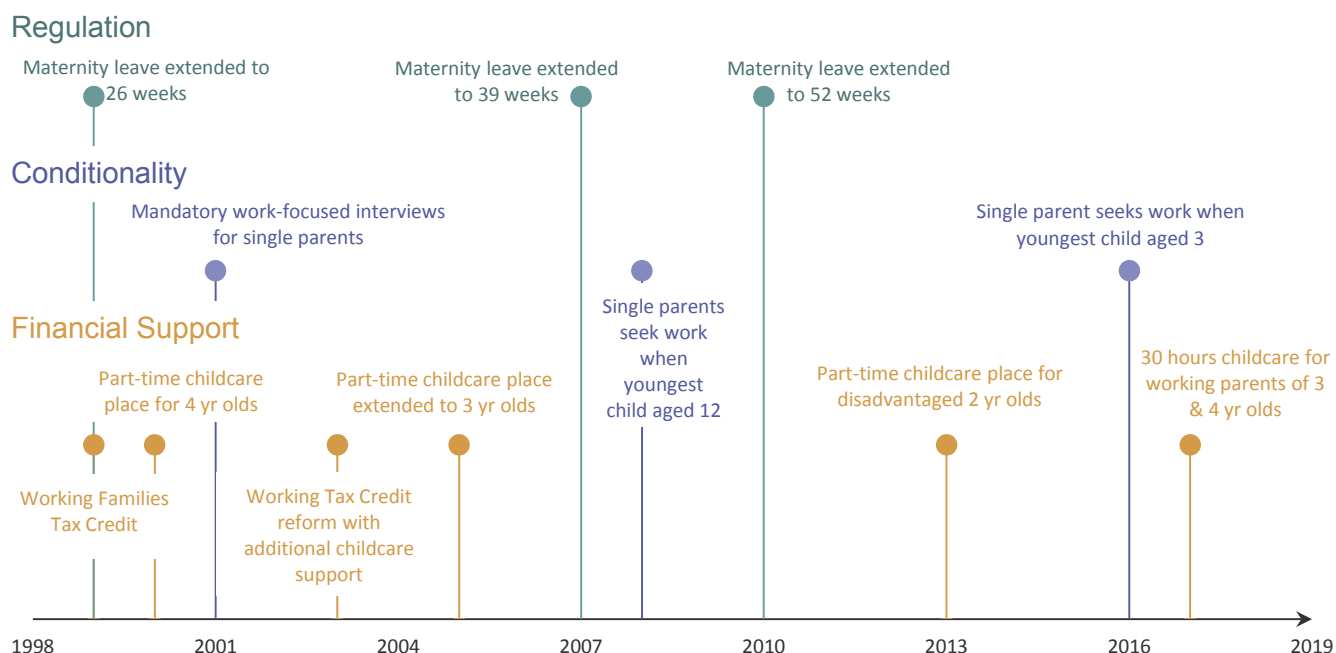
Figure 5 overleaf sets out the key policy changes to government policy aimed at improving parental employment introduced since the late 1990s. Reforms have taken three main forms, developing over time:

- » **Financial support** – the introduction of tax credits from 1999 significantly improved the financial return from starting work (by allowing parents to retain access to support even after entering work) building on the system of Family Credit introduced in the 1980s. Childcare provision has also been expanded through 'free' childcare places for two to four year olds and additional cash support through the tax credit system (continued in Universal Credit).
- » **Conditionality** – From 2001, the government gradually ramped up the job-seeking behaviour required of single parents. Initially recipients had to attend a 'work-focused interview' at the Jobcentre when their youngest child turned 12. A requirement for 'job-seeking activity' was added from 2008 and single parents must now seek work when their youngest child reaches age 5 (falling to age 3 in 2016 under Universal Credit). This gradual expansion of conditionality has occurred alongside the expansion of additional forms of support to help single parents find work.
- » **Regulation** – requirements on employers to support mothers at work have been increased. The most obvious example relates to the extension of maternity leave periods so that today a new mum can take up to 52 weeks of maternity leave (with a minimum of 26 weeks paid) and is guaranteed a return to the workplace. Parental leave can now be shared with a partner and the right to request a flexible working pattern was introduced in 2014.

[7] As well as the number of children in 'never-worked' households and the educational attainment gap for disadvantaged children at age 16.

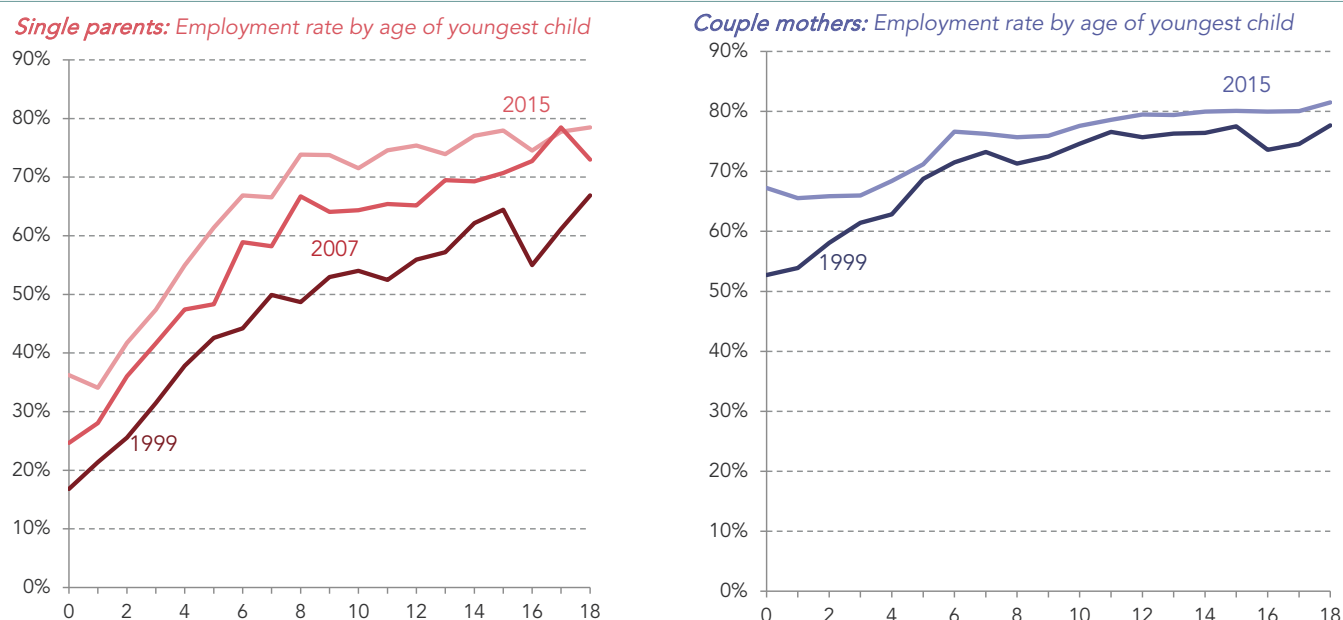


Figure 5: Key policy interventions to support parental employment



If we consider changes to maternal employment over the period, it becomes clear that key improvements have coincided with particular policy changes – the most obvious being the major tax credit investments of 1999 and 2003 and the introduction of single parent job search conditions.

Figure 6: Employment rates for parents by age of youngest child, 1996-99 to 2013-15



Source: ONS, Labour Force Survey household level datasets, Q2 1996-99, Q2 2005-07 and Q2 2013-15

Figure 6 sets out parental employment rates by age of youngest child in the three years to 1999 and 2015 for couple mothers. For single parents (women and men)<sup>[8]</sup> we additionally show the

[8] Men are included in the single parent group, but in 2015 represented only 10 per cent of the total population

three years to 2007, in order to consider the potential effect of work requirements from 2008.<sup>[9]</sup>

The first thing to note is that – unlike among fathers (where employment rates are steady at around 90 per cent) – maternal employment increases as the age of their youngest child rises.

Considering mothers in couples:

- » In 2015 around two-thirds of mothers from couples were in employment when their child was under the age of five, rising to 79 per cent once their youngest child reached the age of eleven.
- » Employment gains since 1999 have been focused on those with younger children, in particular under five, where the free half-day places for four, then three year olds is likely to be important.<sup>[10]</sup>
- » There has been a significant increase in employment in the first year of a youngest child's life – increasing from 53 per cent in 1999 to 67 per cent in 2015. This improvement is likely due to a number of factors including improved maternity rights and increased government support with childcare costs over the period.

Turning to single parents a much stronger link between the age of youngest child and the employment rate is apparent, though employment rates are now much closer to those recorded by mothers in couples once the youngest child is at primary school than was the case in 1999. More specifically:

- » In 2015 around two-fifths of single parents with a youngest child under the age of five were in employment, increasing to 77 per cent when their youngest child reached the age of 14. As with coupled mothers this pattern relates to when a child attends school, but the employment rate post-birth starts at a considerably lower point and takes two extra years to reach a similar level of close to 80 per cent.
- » Single parent employment has improved significantly over the period whatever the age of the youngest child, with the greatest improvements coming at ages five to ten (or primary school age). Compared to 1999, the single parent employment rate when a child is of pre-school age is on average 16 percentage points higher in 2015; at age five to ten the employment rate is on average 20 percentage points higher; and it is 17 percentage points higher on average at age eleven plus. In line with previous research,<sup>[11]</sup> the tax credit regime – implemented from 1999 – appears to have had a positive impact on single parent employment, pretty much across the board.
- » Importantly there was significant improvement in employment for single parents, regardless of the age of child, before 2008 – the year in which job search conditionality was introduced. This suggests financial support measures had a significant impact in this period. Since 2008 there has been a notable increase in employment when the youngest child is aged 8 to 14 which may well reflect the introduction of job search conditionality, suggesting it has been more successful in that period when children were at older ages.

The considerable improvements in maternal (and single parent) employment have occurred across a period of time where a broad range of complementary policy interventions to help boost parental employment have been introduced.

[9] Three year averages for the periods 1996 to 1999, 2005 to 2007 and 2013 to 2015 are used to provide a robust sample size

[10] The free places for the most disadvantaged two year olds have only been in place for some parents since 2012 and take-up was initially relatively low, therefore this extension of provision is unlikely to have had a significant effect by 2015 given the sample used.

[11] M Brewer, et al (2005) *Did Working Families' Tax Credit work? The final evaluation of the impact of in-work support on parents' labour supply and take-up behaviour in the UK*

### As the nature of the living standards challenge facing parents evolves, so should policy

The suite of policies built up over the last two decades appear to have been effective at boosting parental employment and provides a clear platform for thinking about the future. But clearly challenges still remain – some of which look quite different to those of the recent past.

For single parents more might be done to boost employment among those with very young children (although it becomes increasingly difficult to find an acceptable balance between work and child-rearing at pre-school ages). The age of youngest child at which a single parent will need to seek work is reducing to three from 2016, with some assistance coming in the form of extending free childcare for a three and four year old to 30 hours a week for a working parent (though this additional provision will not be in place until September 2017). Early research<sup>[12]</sup> findings have shown that Universal Credit has slightly increased the rate at which people enter work. However, cuts to Universal Credit announced at the Summer Budget will weaken the financial incentive for a single parent to start work. With financial incentives providing less of a ‘pull’, it is unclear whether the additional ‘push’ from conditionality will be enough to maintain recent single parent employment gains. The effect of these changes will need to be closely monitored.

Among couple parents there is less scope for making further gains in relation to worklessness, but there is a significant opportunity for boosting overall employment. Converting single earner couples into dual earning families will be a very important tool for boosting their living standards. Child poverty has increasingly been an in-work problem: having one parent in-work is no longer been a guarantee of escaping being poor. Meeting this challenge means moving beyond a narrow focus on worklessness to consider work *adequacy* instead. Again the incentives

created by Universal Credit point in the wrong directions however. Reversing the cuts to work allowances and re-focusing support to improve incentives for second earners would make more sense than persisting with a rigid focus on further reducing the number of workless households (and the number of children in such households).<sup>[13]</sup>

*There has been a substantial shift towards at least one parent in a household working (rather than ever more dual earning households) which has led to a significant fall in the proportion of workless households – particularly among those with children*

Alongside work adequacy, policy should consider *pay* adequacy. The introduction of the National Living Wage from April will have a significant and welcome effect on the pay of eventually around six million workers (by 2020), but it will not be enough to deal with

Britain’s low pay problem on its own. Crucially it will raise challenges for employers too, necessitating a new productivity drive across focused on low wage sectors of the economy.<sup>[14]</sup> A focus on in-work progression through Universal Credit is welcome but it is still too early to understand the full implications of such support, and a too narrow focus on earnings at the minimum wage may lead to a missed opportunity to help people move out of low pay.

[12] DWP (2015) *Estimating the early labour market impacts of Universal Credit: updated analysis*

[13] Finch D (2015) *Making the most of Universal Credit: Final report of the Resolution Foundation review of Universal Credit*, Resolution Foundation

[14] See for example, C D’Arcy & A Corlett (2015) *Taking up the floor: exploring the impact of the National Living Wage on employers*, Resolution Foundation

Improved aggregate employment levels over the period from 1996 have led to an unwinding of the polarisation of society into dual-earning and no-one earning households prevailing in the 1980s and early-1990s. There has been a substantial shift towards at least one parent in a household working (rather than ever more dual earning households) which has led to a significant fall in the proportion of workless households – particularly among those with children. Challenges to improve living standards persist for many working families, necessitating new, in-work focused, policy approaches.

But while worklessness may not be the only show in town anymore it is clear that substantial levels of worklessness remain – beyond what we might expect given the overall level of employment. This suggests that some groups are still not garnering an even share of work.

Beyond single parents with pre-school age children this appears to be concentrated among single and couple households without children. We may expect such households to have few barriers to work in the way that those with children have, but we have not yet considered the role that disability may have on a household's employment prospects. The next chapter investigates the relationship between disability and worklessness.

## Section 3

# Disability and worklessness

*Following significant increases in parental employment in recent decades, the composition of worklessness has shifted dramatically. Over half of workless households now contain at least one disabled adult. There have been gains in employment among disabled adults over the period, but this has not translated into reductions in worklessness sizeable enough to keep pace with other groups.*

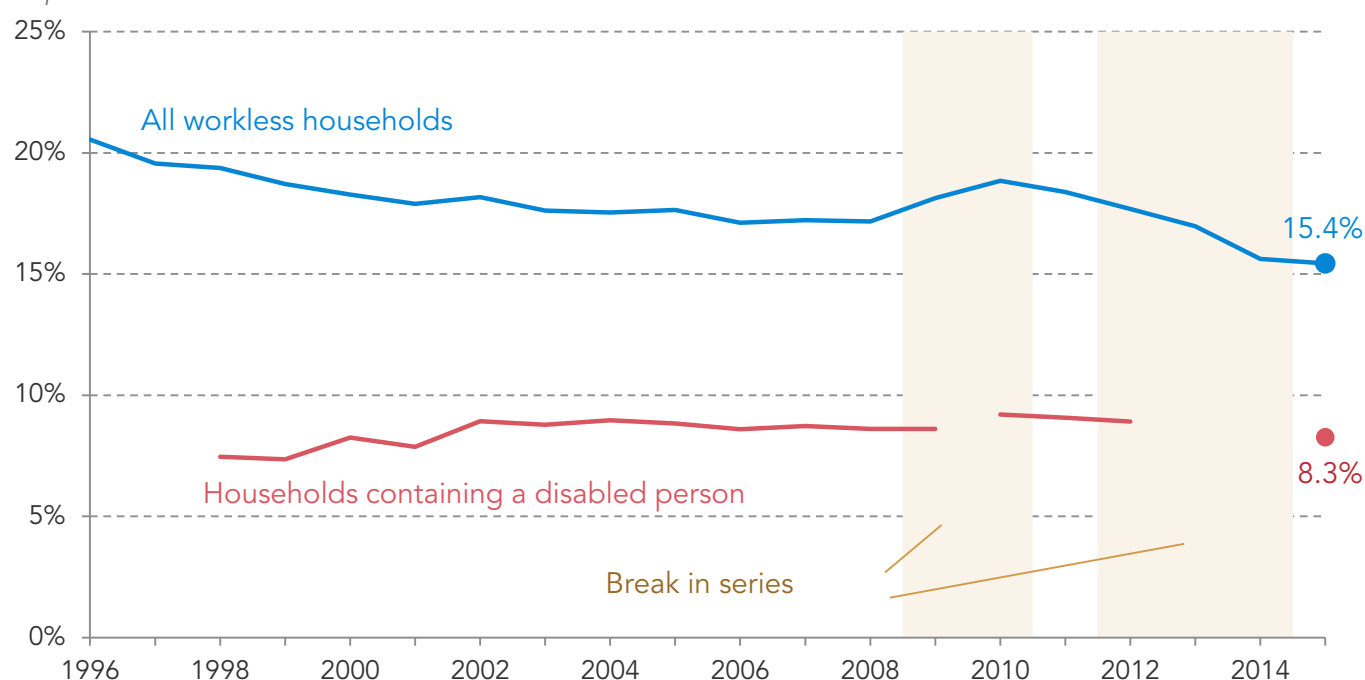
*To further understand this shift in the focus of household worklessness, this section explores the role of disability. We consider changing patterns of work within disabled households and reflect on the extent to which policy measures have supported a fall in worklessness.*

### Workless households are now more likely to be disabled than contain children

As discussed in the previous section, the fall in the overall workless rate over the past two decades has been accompanied by an even greater fall in the proportion of workless households containing children. As opposed to the position in 1996 where there were high levels of worklessness among households with children, Figure 7 shows that workless households are now more likely to

**Figure 7: Change in the proportion of workless households by presence of disability**

Proportion of workless households



Source: ONS, Labour Force Survey household level datasets, Q2 1996-99, Q2 2005-07 and Q2 2013-15



contain a disabled adult (see Annex A for the definition of disability used) than not, accounting for 54 per cent of all workless households.<sup>[15]</sup>

As might be expected with high workless rates, a substantially higher proportion of people living in households with a disabled person are in poverty – 22 per cent of working-age adults live in poor families with at least one disabled member, compared to 12 per cent of individuals living in families with no disabled member.<sup>[16]</sup>

Similar to the imperative in 1996 for households with children, high rates of worklessness and high levels of poverty among this group suggest the need for policy action yet poverty rates have remained broadly stable in the past two decades.

### Worklessness in disabled households has improved in line with disabled employment

In part the higher level of worklessness reflects the generally lower employment rate for disabled individuals. There was a 33 percentage point gap between the employment rates for individuals with and without a disability in 2015. This gap narrowed by 10 percentage points between 1998 and 2008, with the disabled employment rate increasing by a fifth over the period.

In total there are approximately 5.7 million households where at least one person is of working age and disabled (under the GSS definition), containing 7.1 million disabled adults in the UK in April 2015. In the clear majority of cases a disabled household contains only one adult with a disability, with 35 per cent of disabled households being single and only 13 per cent couples where both adults are disabled.

Below we assess the extent to which worklessness has improved for disabled households and whether these changes have been driven by a changing composition or improved employment chances. We also consider how far improvements in employment have been shared across disabled household types, the role of policy intervention and the interaction with households with children.

### Despite employment growth, rates of worklessness remain high in disabled households

To explore the household pattern of worklessness and disability, households are separated into five main groups.<sup>[17]</sup> Figure 8 shows that:

- » **Single disabled households** have the highest rates of worklessness at 59 per cent in 2015, though there was a fall of almost a tenth (6 percentage points) between 1998 and 2009.
- » Worklessness in **couple households where both members are disabled** is also relatively high at 42 per cent, though there was a similar fall of a tenth (4 percentage points) between 1998 and 2009.
- » The **workless rate for couples where one member is disabled** has fallen to 16 per cent, slightly below that for all households. There has been a significant reduction in worklessness of a third between 1998 and 2009.

[15] Throughout this analysis we use the GSS definition of disability to describe current levels of disabled employment. When considering historical trends we use the DDA definition of disability. The definition of disability in the Labour Force Survey alters in 2010 and 2013 making comparisons difficult across this period. In Figure 7 we compare the proportion of households with someone aged 16 to 64 in which an adult is disabled.

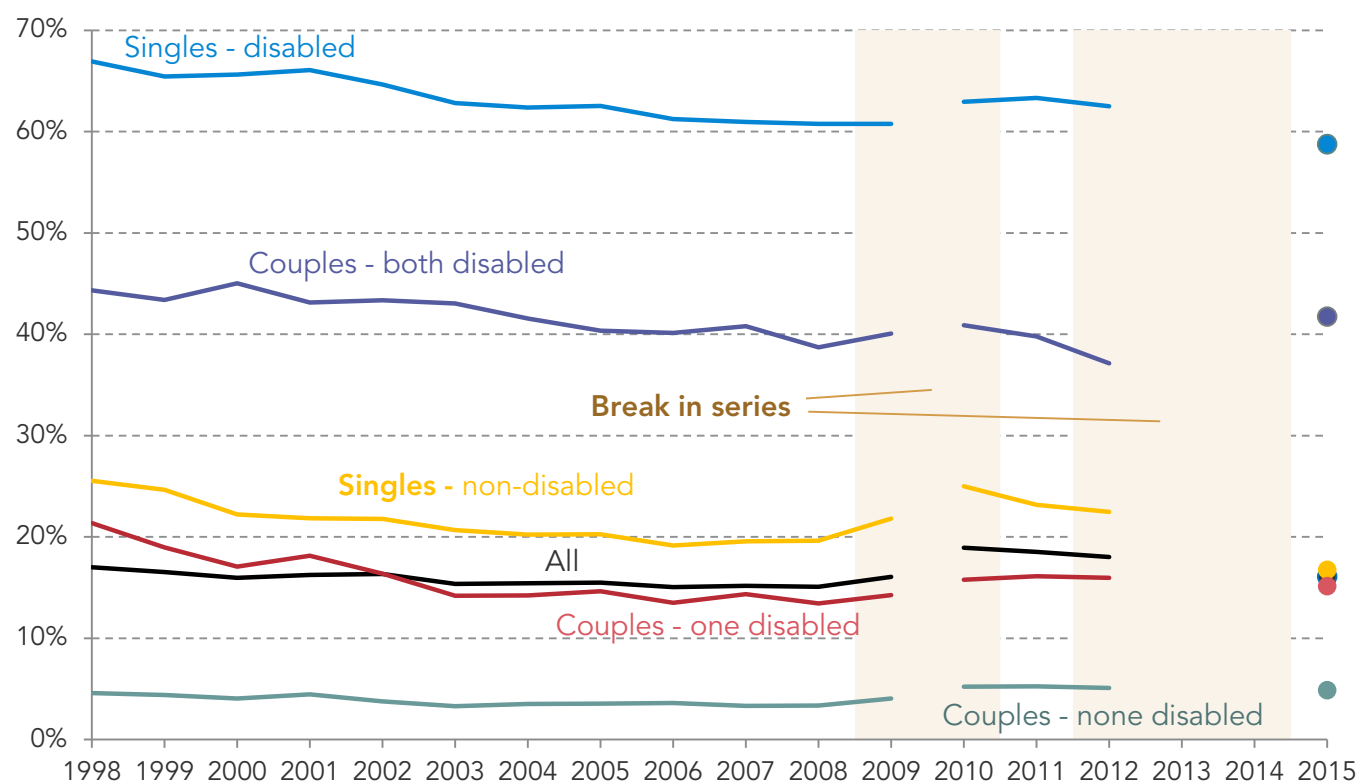
[16] Shale J, et al, (2015) *Households Below Average Income 2013-14*, DWP

[17] The figures in the pre-2010 period are not directly comparable with previous analysis as we use a working age definition for households to arrive at the longest consistent time series possible. Households are also restricted to the head and partner (where applicable) in the first family unit to show how work is distributed within family units. Post-2009 we return to an ages 16 to 64 restriction on the population so that the data for the latest, 2015, period is directly comparable with the overall rate.

- » Among **couples with no disabled member** the workless rate is low, at less than 5 per cent, and has fallen slightly in absolute terms. However, the reduction from 4.6 per cent to 3.4 per cent between 1998 and 2008 still represents a fall of a quarter.
- » Perhaps surprisingly **non-disabled singles** have had a workless rate of over 20 per cent across the majority of the period – almost a third higher than the overall rate – though this gap appears to have all but closed in the most recent data. This historic gap appears high given that single parents would comprise only a small proportion of all non-disabled single households. In part it reflects lower employment rates for over-55s, a significant proportion of whom are ‘retired’. Under-25s play less of a role at the households level because they are more likely to live in larger households (still with their parents for example) in which somebody works.

**Figure 8: Workless household trends accounting for disability**

Proportion within household type that are workless



Source: ONS, Labour Force Survey household level datasets, Q2 1996-99, Q2 2005-07 and Q2 2013-15

After 2009 it is harder to interpret changes in the workless rate for disabled households due to breaks in the series. However, the latest data would suggest that there may have been some further reduction in the workless rate in recent years – though disabled singles and couples where both are disabled continue to record much higher workless rates.

Repeating the shift-share analysis undertaken in Section 2 can shed some light on the changes that occurred in the years 1998 to 2009, and the extent to which the fall in the workless rate is due to a changing composition of households or improvements in the employment chances of different household types. Table 2 shows that:

- » Improved employment chances within each household type reduced worklessness in all groups (that is the workless rate fell for each of the five household types). These ‘within group’ effects were most pronounced among non-disabled singles and couples where one member is disabled.
- » Overall worklessness declined by 1.9 percentage point in this period, somewhat less than the 4.9 percentage point improvement recorded between 1996 and 2015. Of this, 3.8 percentage points resulted from overall improvements in worklessness within the five household type groups set out above, with disabled households contributing 1.7 percentage points.
- » Compositional factors – change in population shares across the different groups – produced a 1.9 percentage point drag on worklessness. Virtually all of this drag could be accounted for by an increase in the proportion of disabled households over the period, driven by a rise in the number of single disabled households. Within non-disabled households the increased proportion of single households offset gains from the share of couple households.
- » Overall strong ‘within group’ effects and relatively small compositional changes mean couples with one disabled adult contributed 0.9 percentage points to the overall reduction in worklessness between 1998 and 2009. However, an increase in the proportion of single disabled adults combined with modest employment gains acted to increase worklessness by 0.8 percentage points. Couples with two disabled adults also raised the aggregate rate (by 0.3 percentage points).

**Table 2: Shift-share analysis of change in proportion of workless households by disability, 1998 to 2008**

|                            | Couples -<br>one<br>disabled | Couples -<br>both<br>disabled | Singles -<br>disabled | Sub-total | Couples -<br>none<br>disabled | Singles -<br>not<br>disabled | Sub-total | Total |
|----------------------------|------------------------------|-------------------------------|-----------------------|-----------|-------------------------------|------------------------------|-----------|-------|
| Contribution from:         |                              |                               |                       |           |                               |                              |           |       |
| Change in workless rate    | -1.1%                        | -0.2%                         | -0.5%                 | -1.7%     | -0.6%                         | -1.5%                        | -2.1%     | -3.8% |
| Change in population share | 0.2%                         | 0.5%                          | 1.3%                  | 1.9%      | -0.2%                         | 0.1%                         | -0.1%     | 1.9%  |
| Both (Household type)      | -0.9%                        | 0.3%                          | 0.8%                  | 0.2%      | -0.8%                         | -1.4%                        | -2.2%     | -1.9% |

Source: ONS, Labour Force Survey household level datasets, Q2 1996 to Q2 2015

In summary, the shift-share analysis shows that an overall improvement in employment within disabled households has been offset by demographic headwinds, driven primarily by a rise in the number of single disabled households. Households in which all adults are disabled – both singles and couples – have overall increased the workless rate, despite the overall disabled employment rate rising.

Increased employment prospects have been more marked within couples where one adult is not disabled. It would appear that work – despite an overall fall in the workless rate and unlike in non-disabled households – has remained concentrated within couples, leaving singles with a high workless rate.

### Work in disabled households remains concentrated in dual earner households

Comparing the fall in worklessness for single disabled households to changes in the disabled employment rate between 1998 and 2009 shows that the absolute fall in the proportion of single disabled households broadly tracked the rise in employment. Worklessness fell by 12 percentage points compared to a 14 per cent fall in the proportion of all disabled individuals not in work.

As in the previous section a similar comparison cannot easily be made for couples because with two people in a household the chances of somebody being in work should be increased. In a household where one member of the couple is disabled and the other is not there is also the issue of differing employment rates of the non-disabled and disabled members.

To get around these problems, we return to our measure of workless ‘excess’ (see Box 3.1). Accounting for changes in aggregate employment and the greater chance of a couple having at least one person in work, it shows how couples have performed in relation to changes in the aggregate employment level:

- » For couples where both members are disabled this shows that between 1998 and 2009 the 'excess' remained broadly stable suggesting little improvement beyond the aggregate disabled employment rate.
- » For couples where one member is disabled there was a significant improvement in the 'excess' suggesting that these households performed far better than the overall improvement in employment in the period.

Comparisons in the post-2009 period are hard to make due to breaks in the data series. However, the latest data suggests that some improvements may have been made in recent years but that worklessness remains higher in households with a disabled adult – in particular for single disabled households and in couples where both are disabled. Indeed, when taking into account the average chance of at least one person being in work disabled couples are outperformed by singles.

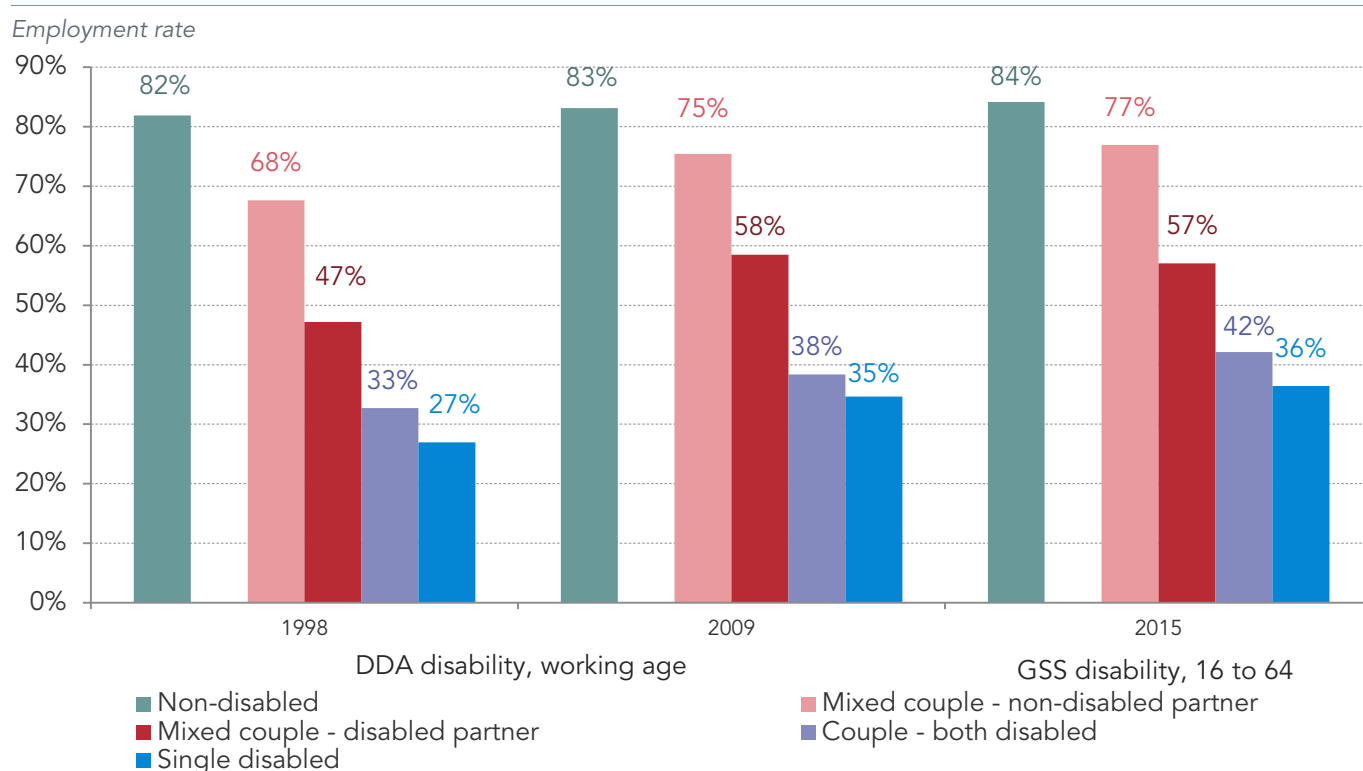
Overall, it is clear that the improvement in the disabled employment rate has not led to a substantial reduction in worklessness for all disabled households – although it has improved in couples with one disabled person. To an extent work remains concentrated within dual earning households, in direct contrast to non-disabled households.

It may be expected that in a couple where one partner is disabled the non-disabled person is boosting the household workless rate, but it would seem that disabled people are also more likely to work if their partner works. To understand this further we next look at individual employment patterns within disabled households and how these have changed over time.

### Having a partner increases a disabled person's chances of employment

As Figure 9 shows, the employment rate of the disabled members of households varies significantly according to household type. In 2015 the employment rate among single disabled people was 36 per cent, and among disabled people with disabled partners it was around 42 per cent. A

Figure 9: Employment rates for individuals in different disabled household types, 2015



Source: ONS, Labour Force Survey household level datasets, Q2 1996-99, Q2 2005-07 and Q2 2013-15

much higher 57 per cent of disabled people living with a non-disabled partner are working.

Figure 9 shows that:

- » Disabled people with a non-disabled partner are more likely to work than all other disabled individuals, and there has been a significant improvement in their rate of employment. Between 1998 and 2009 (using consistent data) their employment rate increased by 11 percentage points from 47 per cent to 58 per cent.
- » In 1998 non-disabled partners of a disabled person were far less likely to work than other non-disabled people. This gap narrowed sharply after 1998. We might speculate that this is linked to the advent of tax credits which made working more financially rewarding.
- » There has been a slower improvement for couples where both are disabled – their employment rate increased from 33 per cent to 38 per cent between 1998 and 2009.
- » Single disabled households have experienced reasonable improvements from 27 per cent to 35 per cent over the same period. But, because the starting point for this group was so low, they continue to have the lowest employment rates of any of the groups detailed here.

### i Box 3.1: Workless 'excess' for disabled households

We return to a measure of the workless 'excess' to understand how improvements in the disabled employment rate have been shared across disabled households. It also allows us to assess the rate of worklessness when accounting for the lower employment rate for disabled individuals. To do so we undertake a rather different counterfactual exercise than the one used in the previous chapter.

Here, when determining the expected share of employment within disabled households the average probability of working for disabled people (the disabled employment rate) is used for disabled individuals; conversely, for non-disabled individuals the comparison is against the non-disabled employment rate.

Figure B3.1 provides the workless 'excess' across household types taking into account disability:

Even when accounting for the lower employment rate of disabled people, households where all members are disabled have a high level of 'excess' – suggesting that work among the disabled is polarised into dual earner and no earner households.

The 'excess' remaining broadly stable for households in which all adults are disabled shows that their workless rate has fallen in line with overall employment gains

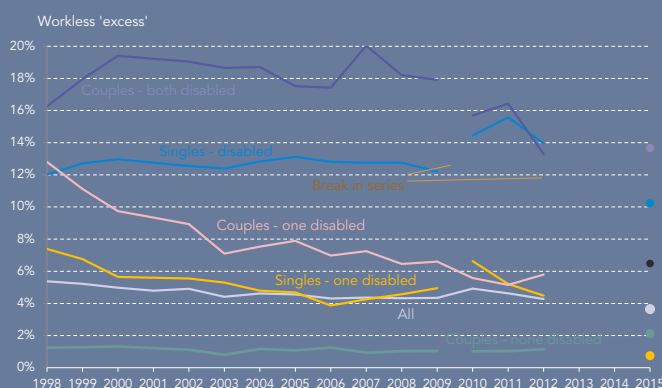
The 'excess' for couples with one disabled partner has fallen significantly reflecting a more even share of

employment across such couples.

Within households without disability the 'excess' has fallen to levels of no greater than 2 per cent by 2015, suggesting that work is shared far more evenly among non-disabled households.

Overall this suggests there are significant work incentive issues where disabled people are far more likely to work if they have a working partner than if they either have no partner or their partner does not work.

Figure B3.1: Workless 'excess' by household type accounting for disability employment chances



Source: ONS, Labour Force Survey household level datasets, Q2 1996 to Q2 2015



- » For individuals from non-disabled households, the employment rate has altered little, rising from 82 per cent to 83 per cent between 1998 and 2009
- » These patterns of employment are broadly similar in 2015 – the latest period for which we have data. However, we cannot make direct comparisons with 2009 due to differing disability and age definitions.

It is possible that the differences in employment across households could be due to differing levels of severity of disability, but there is no obvious reason why this should be the case for singles or those with a partner. Nor is it the case that the reduced worklessness in couple households with one disabled member is solely due to trends among non-disabled partner as may be expected: employment has significantly risen for both members of such couples. The low employment rate of single disabled people who represent a significant portion of the disabled population clearly stands out as a policy priority.

## Policy appears to have been less effective for disabled people than parents

In considering the role that policy has played in relation to employment and worklessness for disabled people we can again split measures into the three broad approaches of financial support, conditionality and regulation:

- » **Financial support** – As already noted the tax credit system provides a boost to income when entering work – particularly for families with children. For disabled families the tax credit system also provides a boost to income when working at least 16 hours a week. Similarly, ESA recipients can, for the first 52 weeks of their claim, work up to 16 hours and earn less than £107 a week with no impact on their benefit income. The introduction of Universal Credit (despite the significant weakening of financial incentives within the system)<sup>[18]</sup> will extend support to those working fewer than 16 hours, a move that might be particularly useful for people currently on ESA for more than a year. Wider financial support is also provided through 'Access to work' which helps with workplace adaptation costs.
- » **Conditionality** – Similar to policies implemented to identify and support single parents into work, Employment and Support Allowance (ESA) in 2008 introduced **conditionality** into the system for the long-term sick and disabled. The Incapacity Benefit system had done little to support this group into work, the intention of ESA was to determine whether an individual could work and then to support those that could work into a suitable role. Additionally those deemed unable to work at a given point in time are re-assessed at a later date to provide support at later date if appropriate. Support in finding and preparing for work has also been available via the work programme.
- » **Regulation** – Statutory sick pay provides a minimum level of income for individuals who become too sick to work. At a maximum it can be paid for 26 weeks, but unlike maternity leave employers have no requirement to guarantee a return to work, particularly where illness prevents an employee from fulfilling the duties of their previous role. However, the situation is complex and employers may be unable to dismiss employees for an extended sick leave period where that leave is related to a disability or the illness falls within the definition of disability.

To an extent these various policy measures appear to have helped boost the disabled employment rate over the period – but with more limited success than has been the case for parents.

The improved financial incentives offered by the tax credit system stand out as a potential cause of the increased employment among non-disabled partners of disabled people. More generally however, the extent to which the tax credit system provides a financial incentive to work may be outweighed by the barrier to work that disability can create. A person may struggle to meet

[18] D Finch (2015) *A Budget for workers? The impact of the Summer Budget on work incentives in Universal Credit*, Resolution Foundation

the 16 hours requirement due to the nature of their disability, or in the case of a couple, caring responsibilities.

The time limited earnings disregard in ESA may not offer an incentive over a long enough duration for people with long-term health issues. While there appears to have been some limited success in moving those placed in the 'Work-related Activity Group' into work, the scheme in general has been dogged by the poor implementation of the test which determines a person's capability to work.<sup>[19]</sup> The equivalent practical support offered to help disabled people into work via the work programme has also been seen as a failure.<sup>[20]</sup>

Finally, unlike statutory maternity pay schemes which guarantee a work role for a returning parent, statutory sick pay and Employment Support Allowance do not have similar guarantees.

While it is difficult to assess which elements have played the most important roles, it would appear that activation policies for disabled people have been relatively ineffective compared to those established for parents. A forthcoming Resolution Foundation report will provide a more detailed consideration of potential policy measures that can better support disabled people into work (and prevent them falling out of work). Future policy measures will need to go beyond a simple assessment of the support into work offered by Jobcentre Plus and fundamentally reconsider the role of the employer and better understand how people transition in and out of the labour market.

### Almost half of children living in a workless household have a disabled parent

In 2015 around 2.8 million children lived with at least one disabled parent, with a quarter (24 per cent) living in a workless household. This contrasts with around 8 per cent of children with non-disabled parents – and only 2 per cent of couple parents who are not disabled. However, children with a disabled parent account for almost half (48 per cent) of all children living in a workless household:

- » There are now virtually no children (around 150,000) living in a workless household with two parents where neither is disabled.
- » The highest rate of worklessness is among children with a disabled single parent – 59 per cent of children with disabled single parents live in a workless household, accounting for a quarter of all children in workless households. This compares to 30 per cent of children with non-disabled single parents – though the majority of these are of pre-school age.
- » Among couple households, 27 per cent of children with two disabled parents live in a workless household, dropping to 10 per cent – similar to those with non-disabled couple parents – where only one parent is disabled.

In the absence of disability, worklessness from the perspective of children is almost exclusively an issue among single parents (mostly with young children), and among single parents disability increases the risk of worklessness to levels above disabled couples. The combination of both factors creates a group who are significantly at risk of being workless and therefore in poverty.

### Further reductions in worklessness will be tough, requiring a new policy focus

Bringing together the various characteristics we have explored shows that of workless households in 2015 (with categories assigned in order given below):

- » Over half (54 per cent) contained at least one disabled adult;
- » Just over one in ten (11 per cent) were single parent households (without a disability), of which 64 per cent had at least one child under the age of 5;

[19] OBR (2015) *Welfare trends report* June 2015

[20] CESI (2015) *Work Programme statistics: Inclusion analysis*, 17 September 2015

- » Fewer than one in thirty (3 per cent) were couple parents (without a disability); and
- » Almost a third (32 per cent) were households without children (of which almost half were aged 55 plus and reported themselves to have retired early).

In essence, the issue of children growing up in workless households now relates primarily to parental disability and single parenthood where the child is very young. For this latter group, worklessness would appear a temporary phenomenon given the higher employment rates for single parents when children are of primary school age.

It is clear that the improved aggregate employment levels recorded since 1996 have led to an unwinding of the polarisation in society between dual earner and no earner households experienced in the 1980s and early 1990s. There has been a substantial shift towards at least one parent working in a household (rather than ever more dual earning households) which has led to a significant fall in the proportion of workless households – particularly those with children.

However, despite this success a substantial ‘excess’ of worklessness remains, and beyond single parents with pre-school age children this appears focused among disabled households – whether they have children or not. Among disabled households, worklessness is not simply a factor of low employment rates but also of how that work is shared across households.

A remaining group falling within the ‘workless’ definition – that is having someone of working age in the household and nobody being in employment – are households where people are aged 55 and over, are not disabled and are not in work. The majority of these report themselves as having retired early but some also have ill health that does not fall within the definition of disability used in this report. It is also not clear the extent to which their retirement has been a purely voluntary decision. Policy measures focused on helping disabled people into work is likely to overlap with this group of households.

With the government committed to reducing the number of workless households and aiming for full employment there is a need for a new approach to supporting disabled people into work to mirror the success experienced with parental employment and help ensure a balanced employment recovery.

## Section 4

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### Conclusion

With dual aims of moving towards ‘full employment’ and reducing the number of children living in workless households (the latter as a replacement for income poverty targets), helping more people into work is clearly on the government’s agenda for this parliament. However, the relatively intuitive poverty and living standards challenge of the late 1990s – to reduce high levels of worklessness and child poverty – has become more nuanced over the last two decades.

As we have shown in this report, worklessness has fallen significantly and the nature of the problem looks very different today. At the same time, having someone in work is no longer a guarantee of escaping poverty. As such, government policy needs to adapt to meet the new challenges of worklessness, while at the same time providing new support for employment and pay adequacy among the working population.

In tackling the in-work poverty problem, a renewed focus on progression – ensuring that employees don’t get trapped in low paid jobs or at the new National Living Wage – will be vital. For couples, supporting more second earners into work will also be key to improving living standards.

In relation to worklessness, it is of course important that the policy successes of the past are maintained. However it is likely to be tougher to make further significant progress among households with children, because the majority of those which remain contain either pre-school age children or at least one adult with a disability. Of the 600,000 workless single parents, two-fifths (43 per cent) are disabled; of the remainder, two-thirds (64 per cent) have at least one child under the age of 5.

Making further in-roads into worklessness will require a shift in policy design in order to better support disabled people into work. Policy to date has had some success at increasing disabled employment, however high workless rates remain. It would appear that the current blend of ‘push’ and ‘pull’ measures for disabled people have simply not been effective. A significant shift in thinking to tackle the barriers faced by disabled people is required. Policy must also reconsider the role of employers and how people who develop health issues are kept in touch with the labour market. Forthcoming Resolution Foundation reports forming part of our full employment project will further explore potential interventions and more effective support.

## Annex A: The definition of disability used in this report

The GSS Harmonised Standards focus on a ‘core’ definition of people whose condition currently limits their activity. In summary the core definition covers people who report:

- » (current) physical or mental health condition(s) or illnesses lasting or expected to last 12 months or more;

and

- » the condition(s) or illness(es) reduce their ability to carry out day-to-day activities.

This differs from the DDA-based definition of disability previously used in the LFS in that it excludes the following groups which are “non-core” under the new Act:

- » people with a progressive condition (specified in the Equality Act as HIV/AIDS, cancer or multiple sclerosis) that does not currently reduce their ability to carry out day-to-day activities;

and

- » people whose activities would be restricted only without medication or treatment.

We have used the DDA definition of disability for the majority of the analysis in this report because it provides the longest consistent definition over time. However, estimates of the current population and employment outcomes use the GSS definition which is available on household datasets in 2015.

# Resolution Foundation

*Resolution Foundation is an independent research and policy organisation. Our goal is to improve the lives of people with low to middle incomes by delivering change in areas where they are currently disadvantaged. We do this by:*

- » *undertaking research and economic analysis to understand the challenges facing people on a low to middle income;*
- » *developing practical and effective policy proposals; and*
- » *engaging with policy makers and stakeholders to influence decision-making and bring about change.*

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