

*Evaluating the February 1999*  
**Domestic Purposes Benefit**  
  
and  
  
**Widows Benefit**  
  
**Reforms:**  
  
**Summary of key findings**

February 2002

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# Executive Summary

This paper reports on the findings of the evaluation and monitoring strategy that focused on policy reforms for Domestic Purposes Benefit (DPB) and Widows Benefit (WB) recipients, effective from 1 February 1999. Increased participation in employment was the primary means by which the reform objectives were to be achieved.

The reforms involved changes to reciprocal obligations, facilitative assistance, abatement rules, financial incentives and childcare subsidies.<sup>1</sup> The reforms had the following objectives:

- increase beneficiary participation in the labour market (aiming for sustained employment and increased income)
- reduce long-term benefit receipt
- reduce the number of children raised in long-term benefit-dependent families
- reduce fiscal costs over time.

The evaluation and monitoring strategy, as requested by Government, was established at the end of 1998 to evaluate the effect of the reforms on sole parents and their families. Information collected from a number of interrelated projects in the strategy has been used to assess the impact of the policy reforms and to improve policy and delivery over time. The Department of Labour (DOL) and the Ministry of Social Development (MSD)<sup>2</sup> were jointly responsible for the evaluation and monitoring strategy.

## Context

The evaluation and monitoring strategy took place at a time when:

- there were other policy changes affecting DPB and WB recipients (e.g. Family Tax Credits, Benefit Fraud Campaign, the introduction of the Community Wage)
- there was considerable disruption to the agency responsible for delivering benefits and services to DPB and WB recipients. The creation of the Department of Work and Income (DWI) on 1 October 1998 brought together the former New Zealand Employment Service, the Income Support Service and the Community Employment Group
- the unemployment rate was falling steadily (as employment growth has been stronger than labour force growth)
- the long-term trend of increased female labour force participation continued. Over the past two years, female full-time employment growth has been stronger than that of males, while male part-time employment growth has been higher than that of females.

<sup>1</sup> Refer to Table 1 in the main body of the report for information on each aspect of the reform package.

<sup>2</sup> The Ministry of Social Policy and the Department of Work and Income were separate agencies at the beginning of the evaluation and monitoring strategy in October 1998, but on 1 October 2001 they merged to become the Ministry of Social Development.

## Findings

### 1. The DPB and WB populations

Eighty percent of DPB recipients were aged between 20 and 40. The majority (85%) only had responsibility for one or two dependent children.

#### *Decline in numbers of DPB and WB recipients*

There has been a steady decrease in numbers receiving the DPB and WB. For DPB recipients the trend has been evident since January 1998, and for WB recipients, since February 1999. By April 2001, there were 105,099 DPB recipients (a decline from 113,319 in January 1998) and 9,018 WB recipients (a decline from a peak of 9,492 in February 1999).

#### *Māori over-represented amongst DPB and WB recipients*

While Māori appear to be over-represented amongst DPB (33%) and WB (20%) recipients in relation to their proportion of the New Zealand adult population (13%) it should be noted that these figures do not take into account the very different age-structure and fertility and mortality patterns of the Māori population.<sup>3</sup> Pacific peoples, to a lesser extent, also appear to be over-represented amongst both DPB (8%) and WB (7%) recipients compared with the percentage found in the New Zealand adult population (5%). However, they also have a younger population and higher fertility rates than the New Zealand population as a whole.

#### *DPB and WB recipients were distinct groups*

The distinctness of the DPB and WB populations raises questions about the appropriateness of subjecting the two groups to the same policies. For example:

- the DPB population was considerably larger than the WB population
- the average age of DPB recipients was 32 compared with an average age of 52 for WB recipients
- almost all DPB recipients (96%) had at least one dependent child compared with only 27% of WB recipients. Most DPB recipients (87%) had a youngest child aged under 14. Consequently, slightly under half of all DPB recipients (45%) compared with almost all WB recipients (95%) were subject to either a full-time or a part-time work-test
- few DPB recipients (8%) had their reciprocal obligation waived compared with 53% of WB recipients, mainly on the basis of age (55+)
- WB recipients were more likely to have been in receipt of a benefit for five or more years whereas DPB recipients were relatively evenly spread across the duration bands.

Different strategies and policies may, therefore, be required to meet the needs of WB recipients, especially those close to retirement age.

<sup>3</sup> In particular, the Māori population is much younger than the non-Māori population and Māori women in the younger age groups have much higher fertility rates than non-Māori women.

### *DPB and WB recipients highly work motivated*

The research found that the DPB and WB recipient population had a high level of previous work history and was generally highly work motivated. Between 20% and 30% declared earnings whilst in receipt of the benefit over the period of evaluation.<sup>4</sup> The evaluation and monitoring strategy research also found that DPB and WB recipients were likely to move into work if they found suitable employment. The qualitative outcomes study indicated that sole parents tended to become DPB recipients only as a last resort.

## **2. Application of the reciprocal obligation rules and assistance to sole parents**

A key finding of the evaluation was that several aspects of the DPB and WB reforms were inconsistently administered. For policies of this nature to be administered as intended, the evaluation suggests the following needs to occur:

- the context in which the policy will be implemented must be considered (e.g. existing workloads of Case Managers, other changes affecting the delivery agency)
- the policy must be operationally feasible and able to be clearly translated from the policy agencies through the operational agency and on to the benefit recipient
- sufficient time and resources must be allowed to implement new programmes and policies
- the changes affecting benefit recipients must be clearly communicated through a variety of sources so that recipients are aware of the changes and how they are affected.

The evaluation work showed the 1999 reforms were hindered by a number of factors including the complexity of the policy, major organisational reforms occurring within the agency responsible for the rollout of the changes, restricted and difficult time frames, and varied application of delivery of the changes. As a result it is difficult to confidently attribute outcomes to specific policy changes.

More specifically with regard to the reciprocal obligations:

- several of the evaluation projects found that awareness of the reforms was greatest among sole parent beneficiaries subject to the requirement to find full-time work, those who had been on the benefit for longer, and Pakeha/Other respondents. This suggests the methods of informing recipients of their work-test obligations were less effective for some groups. It was noted that letters were not an effective means of communicating with all clients, especially Māori and Pacific clients.

<sup>4</sup> Administrative data, which included declared earnings, was collected over the period from June 1996 to April 2001.

- Case Managers interviewed said they put most emphasis on working with the full-time work-tested group. Case Managers said that they spent minimal time discussing work preparation options with clients in the non work-tested group<sup>5</sup> unless the client specifically requested training or employment assistance. Some sole parent beneficiaries in the qualitative outcomes study reported either never having had an annual planning interview or that the interview was very brief. The survey of sole parents who left the benefit for employment found that sole parents in the non-work-tested group were least likely to be aware of what the reforms had required of them. The process evaluation stated that high caseloads (e.g. 220 - 280 clients)<sup>6</sup> and the fact no employment outcome is required from the non-work-tested group contributed to staff rationalising the time they spent with clients in this way.

The evaluation also found inconsistent application of many of the assistance measures introduced to assist sole parents to enter and remain in employment. There was low awareness amongst some staff interviewed of many of the assistance measures introduced to assist sole parents to enter and remain in employment.

- The evaluation findings suggest that sole parents were not always aware of the assistance they may be eligible for or entitled to when they leave the benefit.<sup>7</sup> Interviews with Case Managers along with DPB and WB recipients revealed that recipients were not informed of the measures in a consistent manner by Case Managers. Rather than explain the full range of available assistance measures (including the benefit reform package of measures) most Case Managers interviewed proffer the information they feel is relevant to the client and place the onus on clients to make contact with them should they encounter any difficulties.
- Considerable implementation issues meant that the Out of School Care and Recreation (OSCAR) subsidy<sup>8</sup>, OSCAR Development Assistance (OSCAR DA)<sup>9</sup> did not operate as intended.<sup>10</sup> As a consequence, access to and supply of childcare did not expand to the level anticipated. There were a number of reasons for this, including difficulties with computer payment systems, implementation occurring within a period of major restructuring for DWI, lack of staff training, problems with recruitment of providers and contracting of services, and deficiencies in funding (e.g. funding was not sufficient for the OSCAR subsidy).

<sup>5</sup> They were required to meet with their Case Manager annually to discuss steps to prepare them for work.

<sup>6</sup> DWI Head Office reported that Case Managers each had 195 cases on average as at August 2001. Interviews with Case Managers for the DPB/WB evaluation and monitoring strategy were conducted in July 2001.

<sup>7</sup> As part of the reforms a range of measures was implemented to provide financial incentives or address disincentives for sole parents to enter employment (refer to Table 1 in the main body of the report). Sole parents also became eligible for the full range of employment programmes and assistance available to other job seekers.

<sup>8</sup> The OSCAR subsidy increased assistance for before and after school as well as holiday care for low-income parents/ caregivers with eligible children. Refer to Table 1 in the main body of the report.

<sup>9</sup> Development assistance funding (\$3.15 million) was to be invested over a two-year period from 1 February 1999 to generate a sustained and accessible set of OSCAR providers and services in disadvantaged communities.

<sup>10</sup> DWI reported it has put considerable effort into resolving these issues since the OSCAR subsidy and OSCAR DA were introduced.

- The Post Placement Support (PPS) Pilot<sup>11</sup> did not operate as intended owing to a range of factors. For example:
  - insufficient resources to provide the PPS service
  - difficulties with identifying clients who met the eligibility criteria to participate in PPS and in making contact with clients to invite them to participate in PPS
  - difficulties with encouraging people who were no longer clients of DWI to remain in contact in order to receive PPS.

The inconsistent administration of assistance measures, leading to their uneven usage and availability to sole parents, is likely to have reduced their effectiveness in mediating barriers to sole parents entering and sustaining employment.

### **3. Outcomes for sole parents and their families following the February 1999 reforms**

*There was an increase in the number of sole parents moving off the benefit following the February 1999 changes*

Overall, an analysis of administrative data shows that the proportion of sole parents being off the benefit after February 1999 increased. The size of the increase was greatest for those with a youngest child aged 14 or over at entry. However, the increase in non-receipt was also pronounced for those with younger children not targeted by the full-time work-test (i.e. those subject to the part-time work-test or no work-test). The reforms may have had a signalling effect, which led to wider than expected changes in full-time employment propensities. General improvements in employment conditions and other policy changes (e.g. changes in abatement rates) may have caused some of the shift. It is not possible to isolate with certainty the respective impacts of the 1999 reforms and these wider changes (Ball and Wilson, 2000).

This finding from the administrative data analysis was consistent with the results from the survey of sole parents who left the benefit for employment, which indicated that sole parents with a youngest child aged 14 or over were most likely to report the reforms had had some impact. It was also consistent with the finding that staff placed greater emphasis on the full-time work-tested groups.

DWI administrative data indicates that since 1996, involvement in part-time work increased from approximately one-quarter to one-third amongst DPB recipients with a youngest child aged 7 - 13 and 14+ years. There does not, however, appear to have been a significant increase in part-time employment participation directly attributable to the February 1999 changes.

<sup>11</sup> PPS was a pilot programme designed to support sole parents who had left the benefit to remain in employment.



*Most of those who moved into employment and off the benefit reported that they were better off financially, even though in some cases those gains took time to accrue*

The survey of sole parents who left the benefit for employment<sup>12</sup> found that half of all respondents currently in employment (51%) receive an average weekly income of between \$301 and \$500 after tax and after repayments of student loans and DWI advances. The survey revealed there were no significant differences in income earned by ethnicity of the respondent.

It should be noted, however, that:

- some who moved off the benefit and into employment were still on low-incomes. Just over a third of respondents (34%) in the survey of sole parents who left the benefit for employment stated that they were currently receiving some form of financial support from DWI<sup>13</sup>
- the financial benefits of part-time employment appear limited. Those who moved into part-time work tended to have lower average hourly rates of pay than those who moved into full-time work. Part-time workers noted that the start-up and ongoing costs of work, as well as loss of income owing to debt or abatements made part-time work only of marginal financial value.

There appear to be two key factors affecting the extent to which sole parents gain financially from moving into work. These were:

- the costs of entering employment. Childcare was a key cost for sole parents in employment
- the level of debt sole parents incurred prior to employment. In the survey of sole parents who left the benefit for employment, 18% stated that more than 25% of their income after tax and DWI repayments was currently used for other types of debt repayment (e.g. credit cards and bank loans, but excluding mortgages and child maintenance). Māori were more likely to report higher levels of debt. Of concern was the finding that there was little awareness amongst staff interviewed of the 91-day debt freeze once sole parents exit the benefit.

*Sole parents' movement into employment and off the benefit did appear to be beneficial for many children and families, but their circumstances were fragile and their resources to deal with changes were limited*

In the survey of sole parents who moved off the benefit and into employment, 60% of respondents reported that the overall effect on their families of their obtaining paid work was positive or very positive, with only 4% describing the overall effect as negative or very negative.

However, those in employment, especially those in full-time employment, were continually seeking to manage the tension and requirements of home and employment, and recognised that the costs of paid work may exceed the benefits. Their circumstances were fragile and their resources to deal with changes (e.g. failure in childcare, health issues, job changes) in these circumstances were limited. Concern that their children's emotional, social and educational well-being was suffering along with insufficient income to care for their children were key reasons why people applied for, stayed on, and returned to the benefit.

<sup>12</sup> Most respondents in the survey of sole parents who left the benefit for employment (86%) were working more than 30 hours per week - that is, in full-time employment.

<sup>13</sup> Non-beneficiary assistance such as Accommodation Supplement and Disability Allowance are targeted at low-income earners.

#### **4. There were significant barriers that worked against sole parents entering and retaining employment**

Sole parents entering employment faced many of the same issues as other job seekers (e.g. availability of employment, low skills and qualifications, limited or poor previous work experience, length of time on the benefit). Moreover, like many parents in paid work, they were also more affected than two-parent families by the number, age and health of their children, access to childcare and the availability of employment that provides sufficient income and allows them to meet their childcare obligations. Sole parents, however, are unique in that they face these issues alone.

##### *Sole parents had difficulty accessing childcare that was accessible, affordable and of a high quality*

Access to childcare was cited as a crucial factor in sole parents' decision to enter and stay in employment, education or training. Access to, and affordability of, childcare were repeatedly cited as primary issues impacting on the sustainability of paid employment for those with a youngest child under 14. Childcare was also an issue for some sole parents with older children who felt that even at 14 or older, their children required adult supervision.

The OSCAR subsidy to parents and the development assistance to OSCAR providers were established to increase access to, and the availability of before, after school and holiday care to low-income parents. These initiatives have had limited success. The take-up of the OSCAR subsidy during the first year of operation was considerably lower than that envisaged, mainly owing to implementation issues. However, OSCAR services were considered valuable to those who used them:

- over a third of the parent respondents to the OSCAR parent survey reported that they did not use OSCAR services prior to taking up the OSCAR subsidy
- OSCAR does appear to be associated with increased participation in employment and education and training (e.g. participants were able to extend their hours)
- the OSCAR subsidy does increase affordability of childcare although affordability still remains a problem.

Those OSCAR providers receiving Development Assistance (DA) had considerable difficulties establishing an adequate and stable funding base for their OSCAR services. However, it must be recognised that those barriers to viability were not restricted to DA providers. This has implications for the future viability of childcare providers in low-income areas in particular.

The results of the evaluation indicate there is value for the Government in investing in and supporting childcare to assist sole parents to enter and remain in employment. There is a need to address issues such as the affordability of services and the sustainability of providers in low-income areas, whether through existing programmes or alternative options.

##### *There were issues with the nature of employment available to, and obtained by sole parents, e.g. flexibility of working hours, lack of certainty, casualisation*

Sole parents were more likely to move into employment if they found suitable employment. Suitable employment for sole parents appears to be employment that provides hours that allow them to manage their family responsibilities, covers additional costs associated with employment and provides medium- to long-term certainty.

Unlike those in full-time work, those in part-time work tended to retain their DPB and WB. As a consequence, they were less concerned with the risk that entry to paid employment might affect a sustained income. Certainty of income was particularly important to sole parents because of their childcare responsibilities and often limited or non-existent income from other sources (e.g. child support).

The survey of sole parents who left the benefit for employment found that:

- approximately a quarter of respondents were working non-standard hours (e.g. shift work(14%), evening or night work (9%), working on-call (4%). While comparisons are difficult, the involvement of sole parents in evening work appears to be higher than that of the total New Zealand working population (1%). This raises questions about work availability of sustainable employment for sole parents
- just under a quarter of respondents were in casual or temporary jobs. This has implications for DPB and WB recipients moving on and off the benefit (e.g. ease of return to benefit when work ceases). As mentioned earlier, certainty of income was particularly important for sole parents
- the availability of suitable employment was important in enabling sole parents to enter employment and to stay in employment.

## **5. Factors that assist in mediating the barriers that work against sole parents entering and retaining employment**

### *Post-school qualifications helped to move people beyond low-paid work, which was often unsustainable*

Low-paid work can create financial disincentives or outweigh the benefits of employment. The results from the evaluations indicated those with no qualifications or only secondary school qualifications were more likely to be earning low-incomes.

There were indications that in terms of finding employment, certain types of education and training were more useful than other types. In the survey of those who left the benefit for employment, 51% had a certificate or diploma (e.g. polytechnic), teaching qualification, or a university degree.<sup>14</sup> More than half of all respondents had undertaken some form of work-related education or training prior to coming off the DPB, with courses provided through technical institutes and polytechnics being most popular, followed by university-based courses. Most survey respondents who undertook education and training prior to coming off the DPB stated it helped them get a job or a better job than they otherwise would have. Teachers' College training, university courses and Training Opportunity Provider (TOPs) training were considered most useful in these respects.

The main barrier to sole parents participating in education and training was the cost of courses, along with transportation and childcare. Some had taken out student loans but many were fearful of getting into debt as they were concerned future earnings would not cover repayments.

<sup>14</sup> In interpreting these results, it is important to note that no reference period was given to respondents within which they had to have completed their training prior to coming off the DPB - for example, a respondent who had been on the DPB for 15 years could have completed their training and education 14 years prior to moving into work.

### *Assistance measures introduced under the reforms could mediate some of the barriers to entering and retaining employment*

Under the reforms measures were introduced which were intended to provide financial incentives, or address disincentives, for sole parents to work (e.g. increased assistance during the initial transition to work; changes to the Child Support Act to allow access to the payment record of non-custodial parents; and increased child-care assistance). Sole parent beneficiaries also became eligible for the full range of employment programmes and assistance available to other job seekers.

The number of sole parents participating in DWI employment programmes did increase, albeit from a small base. However, the inconsistent administration of the measures (reported by Case Managers and experienced by sole parents interviewed) meant that sole parents often did not know about or had difficulty accessing the range of new assistance measures envisaged in the policy. It also meant that we cannot assess how successful the measures could be in mediating the barriers to sole parents entering and staying in employment.

Assistance measures provided by DWI need to be effectively communicated to frontline staff and to recipients, adequately resourced (including resourcing delivery) and consistently applied in order to be effective in mediating barriers to employment for sole parents.

## **Conclusions and Implications**

The evaluation and monitoring strategy found that sole parents were generally highly motivated to enter and stay in employment when that employment was suitable. There was also evidence to suggest that reforms have helped create the expectation that, where possible, sole parents should be in employment once their child/ren is/are over the age of six.

Those who did move into employment and off the benefit were more likely to report that they were better off financially, even though in some cases those advantages took time to accrue.

Economic conditions impact on the availability of employment for sole parent job seekers. However, the findings suggest a number of implications for policies affecting sole parents' entry to, and retention of, employment.

- For the successful implementation and ongoing operation of future policy initiatives affecting DPB and WB recipients there should be:
  - a strong focus on the operational feasibility of new policy when it is being developed
  - policy that must be able to be clearly translated from the policy agencies through the operational agency to DPB and WB recipients
  - sufficient resourcing to enable full and stable implementation and ongoing operation.
- For facilitation of entry to employment, key areas to consider are:
  - access to childcare that is affordable and available at the times and locations required by sole parents
  - sole parents acquiring post-school education and training, as this assists them to move beyond low-paid jobs that are often not sustainable. This implies a continued need to encourage sole parents to participate in education and training. However, there is also a need to better understand what type

of education and training is most important in assisting sole parents into employment

- practices that are tailored to meet the needs of Māori and Pacific peoples
- developing a better understanding of the availability of employment regionally along with the extent to which there is a mismatch between the jobs available and sole parent job seekers.
- For the retention of employment by sole parents, key areas to consider are:
  - childcare (as mentioned above)
  - access to transitional financial support for sole parents on moving into employment
  - access to ongoing support from DWI (e.g. supplementary benefits, other types of grants) to assist sole parents to maintain stability of income
  - clear communication to sole parents of their entitlements, and between agencies providing support to sole parents in employment (e.g. Inland Revenue and DWI) to assist in reducing the level of debt some sole parents face.
- The evaluation indicated there might be some negative effects for children of sole parents moving into employment. Further information is required on the extent to which:
  - concerns about the welfare of children aged 14+ are preventing sole parents from moving into employment
  - children under 14 years are being left at home alone while sole parents are in employment.

# 1 Introduction to reforms - their objectives and evaluation

This paper reports on the findings of the evaluation and monitoring strategy focused on the reforms to the Domestic Purposes Benefit (DPB)<sup>15</sup> and Widows Benefit (WB).<sup>16</sup> The reforms came into effect from 1 February 1999 and the evaluation and monitoring strategy was established at the end of 1998 to evaluate them. The reforms involved changes to reciprocal obligations, facilitative assistance, abatement rules, financial incentives and childcare subsidies. The Department of Labour (DOL) and the Ministry of Social Development (MSD)<sup>17</sup> were jointly responsible for the strategy.

The remainder of this report is structured as follows:

- section 1 outlines the objectives of the DPB and WB reforms and the related evaluation and monitoring strategy
- section 2 provides a description of the DPB and WB populations
- section 3 examines the implementation of the reciprocal obligation rules and assistance to sole parents
- section 4 examines entry to and retention of, employment by sole parents
- section 5 explores the impact of the reciprocal obligation rules and facilitative measures on sole parents
- section 6 briefly presents the conclusions and implications of the evaluation.

## 1.1 Objectives of the DPB and WB reforms and the evaluation and monitoring strategy

In 1998, Government agreed to a package of policy changes for those receiving the DPB and WB which was to become effective from 1 February 1999. These policy changes had the following objectives:

- increased beneficiary participation in the labour market (aiming for sustained employment and increased income)
- reduced long-term benefit dependence
- reduced number of children raised in long-term benefit-dependent families

<sup>15</sup> The DPB is an income-tested benefit payable to sole parents. It can also be paid to those providing full-time care for a sick or infirm person (“carers”) and older single women without dependent children (“women alone”). This paper only examines sole parent recipients of the benefit. The DPB was introduced in 1973. The rationale for providing statutory income support was the recognition that the loss or absence of a husband’s support, or generally in the case of sole fathers the absence of someone to care for their children, placed sole parent families at risk of poverty (Goodger, 1998). The aim of the DPB policy was to provide an adequate level of income that would enable parents to provide full-time care for their children.

<sup>16</sup> The initial widows’ benefit was introduced in 1911. There have been a number of changes to policies affecting widows over the years. Refer to Table 2 and Appendix 1.

<sup>17</sup> The Ministry of Social Policy and the Department of Work and Income were separate agencies over most of the evaluation and monitoring strategy, but on 1 October 2001 they merged to become the Ministry of Social Development.

- reduction in fiscal costs over time.<sup>18</sup>

The reform package consists of several different elements, namely changes to reciprocal obligations, facilitative assistance, financial incentives and childcare subsidies (Table 1).

<b>Table 1 Summary of the DPB and WB reform package</b>	
<b>Changes</b>	<b>Description</b>
1. changes to reciprocal obligation rules	<ul style="list-style-type: none"> <li>• set up an expectation of a return to work by having ( when the youngest child is aged 0 - 5) an annual work preparation interview, involvement in one employment preparation activity when the child is 5 - 6, a test for part-time work when the child is 7 - 13 and a full-time work-test when the child is 14 and over or if there are no children.</li> </ul>
2. alignment of abatement <sup>19</sup> and work-testing rules	<ul style="list-style-type: none"> <li>• those eligible for the full-time work-test will now also face the full-time abatement regime.</li> </ul>
3. increased funding for facilitative measures	<ul style="list-style-type: none"> <li>• to a) cope with increased demand<sup>20</sup> for existing support (e.g. case management and job search assistance), and b) for new initiatives (e.g. a post-placement support pilot, and enhanced assisted job search measures)</li> </ul>
4. measures which provide financial incentives, or address disincentives, for sole parents to work	<ul style="list-style-type: none"> <li>• during the initial transition to work: access to an employment transition grant (to cover any loss of income owing to lack of paid sick leave during the first 6 months) and a 91-day period (after cancellation/suspension of benefit) where debt repayment is frozen</li> <li>• changes to the Child Support Act to allow access to the payment record of non-custodial parents (alerting custodial parents to the potential amount they could receive directly once off benefit)</li> <li>• increased childcare assistance to low-income parents/caregivers with eligible children for up to 20 hours per week during the school term and up to 30 hours per week during school holidays. This assistance was through a cash subsidy of between \$0.70 and \$1.80 per hour for children aged 5 - 13 attending an approved out-of-school care (OSCAR) programme.<sup>21</sup> Accompanying the childcare subsidy was the establishment of development assistance funding (\$3.15 million) to be invested over a two-year period from 1 February 1999 to generate a sustained and accessible set of OSCAR providers and services in disadvantaged communities. This is referred to as OSCAR Development Assistance (OSCAR DA).</li> </ul>

These changes were consistent with the general direction of changes to welfare policy in the 1990s.<sup>22</sup> Throughout the 1990s, changes to welfare policy were designed to reduce the level of long-term benefit dependency through making employment more attractive to DPB and WB recipients, while retaining an incentive for those with a higher earning capacity to move off the benefit entirely (e.g. Family Tax Credits, the Benefit Fraud Campaign).<sup>23</sup>

<sup>18</sup> It was not possible to examine long-term impacts or changes in costs to the Government over time. Refer to Appendix 2.

<sup>19</sup> Abatement is the reduction of the amount of money that a benefit client receives in their core benefit when they are earning additional income.

<sup>20</sup> The new reciprocal obligations are anticipated to increase the job seeker register by approximately 16%.

<sup>21</sup> The subsidy rate varied depending on the principal caregiver's before-tax income and the number of children they had. Caregivers could only get the OSCAR subsidy when they were in paid employment; or had been directed by DWI to attend an organised activity; or were attending employment-related training; or were undertaking study at a tertiary institution or secondary school.

<sup>22</sup> These changes included a dual abatement regime (effective 1 July 1996) and a reciprocal obligations policy (effective 1 April 1997).

<sup>23</sup> Refer to Appendix 1 for further information on other changes that are likely to have impacted on sole parent beneficiaries (e.g. tax changes, Family Support changes).

Table 2 briefly outlines the history of policy changes affecting the DPB and WB populations and the evaluation timeline from October 1995 up to October 2001.

<b>Table 2 Chronology of changes affecting sole parent beneficiaries and the evaluation timeline - October 1995 to October 2001</b>	
<b>Date</b>	<b>Policy change</b>
Oct 1995	Government's response to the Employment Task Force (ETF) was announced Compass programme was extended nation-wide
Apr 1996	National rollout of customised service and activity agreements began
May 1996	Government's response to the ETF was passed into law
Jun 1996	Beginning point for collection of administrative data for the evaluation and monitoring strategy
Jul 1996	Dual abatement regime took effect (refer to Appendix 1 for more information)
Apr 1997 - Apr 1998	ETF reciprocal obligations rolled out (refer to Appendix 1 for more information)
Aug 1997	The Compass programme was put in place nationally and the number of places available began to be increased to 16,000
Apr-Jun 1998	Income Support ran an advertising campaign targeting benefit fraud
May 1998	DPB Review changes were announced as part of the Budget and passed into law soon after
Oct 1998	<b>DPB and WB evaluation and monitoring strategy began</b>
Oct 1998	Department of Work and Income was formed Changes to the Training Incentive Allowance were announced The introduction of the Community Wage - with explicit work-test obligations and sanctions for benefit recipients (including DPB and WB recipients with school-age children) also came into effect on 1 Oct 1998
Jan 1999	Changes to the Training Incentive Allowance came into effect
Feb 1999	DPB Review changes took effect. Further changes to reciprocal obligations began to be rolled out
Feb 1999 - Feb 2000	The trial payment of the OSCAR subsidies to consumers, rather than providers, took place over the 1-year period (1 February 1999 - 1 February 2000)
Jul 1999	PPS pilot commenced in 4 regions: South Auckland, Hawkes Bay, Wellington and Christchurch
Nov 1999	Following the national election the Government changed to a Labour-led coalition
Apr - May 2000	Qualitative outcomes fieldwork
June 2000	Government directed officials to review the employment-related obligations of DPB and WB recipients and of spouses of beneficiaries
Jun - Jul 2000	PPS qualitative interviews with participants and providers
Oct - Dec 2000	OSCAR qualitative interviews with providers and parents
Jan - Feb 2001	OSCAR provider survey
Feb 2001	Survey was undertaken of sole parents who left the benefit in the 8 months prior to Feb 2001
Feb - May 2001	OSCAR parent survey
Apr - May 2001	Qualitative outcomes fieldwork
Apr 2001	End point for collection of monitoring data for the evaluation
Jul 2001	Evaluation of the implementation of the reciprocal obligations and facilitative measures undertaken
Oct 2001	The findings of the DPB and WB evaluation and monitoring strategy are reported



## *Evaluation and monitoring strategy objectives*

Information collected in this evaluation and monitoring strategy has been used to assess the impact or otherwise of the policy reforms (particularly against the intended policy outcomes) and to improve policy and service delivery over time. DoL and MSD were jointly responsible for the strategy.

The objectives of the evaluation and monitoring strategy were to describe any operational problems that have arisen and/or improvements that have been made during the implementation of the benefit reforms and to assess:

- the impacts of the DPB and WB reforms on outcomes for DPB and WB recipients
- the take-up of, and outcomes for, assistance measures and other incentives to DPB and WB recipients
- the outcomes and impacts of DPB and WB reforms for children in sole parent beneficiary families
- the extent to which the implementation of the reforms met policy and legislative requirements
- the appropriateness of the menu of assistance available for DPB and WB recipients
- beneficiaries' perceptions and experiences of the different elements of the DPB and WB reforms
- the impact of the DPB and WB reforms on costs to Government over time<sup>24</sup>
- how well the intended policy objectives have been met (as an overarching objective).

In developing the evaluation objectives, a number of key assumptions were made about the underlying reasons for carrying out the DPB and WB reforms. The following were assumed to underpin the Government's expectation that DPB and WB recipients move into paid work:

- the principle that work is a desirable social and financial good with important positive benefits for individuals and families, including improved life outcomes for children when sole parents and their families are no longer reliant on a benefit
- concerns about the numbers of sole parents and children dependent on the DPB and WB
- concerns about the increasing cost of benefit provision and the incentive effects of the benefit system.

There were also assumptions about the benefits to DPB and WB recipients of moving into paid work. The key assumption was that participation in paid work ultimately underpins economic independence and has positive effects for individuals and families. Some benefits include increased income, reduced risk of social isolation and exclusion, improved levels of confidence and self-esteem, improved living standards and improved life outcomes for children. The corollary to this is that living in a low-income family for an extended period of time increases the risk of negative outcomes for children.

There are conflicting views on the degree to which income level influences outcomes, and what constitutes a low-income.<sup>25</sup> However, even the most conservative research findings show that a relationship between income and child outcomes exists to some degree.

<sup>24</sup> Refer to Appendix 2 - Limitations of the evaluation and monitoring strategy.

<sup>25</sup> Some studies suggest that more than half the disadvantage experienced by children in sole parent families is the result of their living on a low-income (e.g. see McLanahan and Sendefur, 1994). At the other end of the scale, there is research that indicates that while income is the major influence on outcomes for children up to the point where basic material needs are met, beyond that point other factors become more important (e.g. see Mayer, 1997).

Other assumptions that influenced policies put in place were:

- that the policy of work-testing DPB and WB recipients and the altered abatement regime would create an expectation that income support was transitional and that DPB and WB recipients would move into paid work when children reached school age. (A policy that allowed some sole parent beneficiaries to be exempted from the work-test requirements was recognition that not all sole parents would be able to move into work once their youngest child reached a certain age)
- that suitable paid work is available for many DPB and WB recipients, and that most are capable of undertaking some paid employment
- that work expectations and obligations should be linked to an individual's capacity to work. Related to this idea was the assumption that the sole parent beneficiary population is diverse, facing different types of barriers to gaining paid employment (e.g. childcare, qualifications, recent work experience and regional labour market conditions). Based on this assumption, several approaches were made available to assist DPB and WB recipients into employment.

### *Linkages with DPB and WB policy development in 2000/01*

In 2000, further policy review work was initiated on the employment-related obligations of recipients of DPB and WB and of spouses of beneficiaries. Interim findings from the present evaluation and monitoring strategy were a source of information for this policy review.

## **1.2 Methodology**

This report presents the key findings from a number of interrelated projects which were undertaken for the evaluation and monitoring strategy. A description of these projects is provided in Appendix 2. The projects include:

- a short-term qualitative outcomes study
- a national survey of sole parents who left the benefit for employment
- a limited evaluation of the Post Placement Support (PPS) pilot<sup>26</sup>
- evaluations of the OSCAR subsidy and OSCAR DA<sup>27</sup>
- a limited evaluation of the implementation of the DPB and WB reforms
- an analysis of Department of Work and Income (DWI) administrative data.

<sup>26</sup> PPS was designed to support sole parents who had left the benefit to remain in employment. An evaluation of the outcomes of PPS was not completed in time to be included in this report. Information on PPS in this report relies on qualitative interviews undertaken with some PPS participants and PPS providers.

<sup>27</sup> Refer to Appendix 2 for a description of the evaluations and Table 1 (page 16) for a description of the OSCAR subsidy and OSCAR DA.

A mixed method approach was used in the evaluation. This approach provided both the detail and the dynamics of situations for DPB and WB recipients. Information was collected on the broader population of DPB and WB recipients with dependent children as well as on their experience of specific programmes. A 'sole parent' in receipt of the DPB or WB is defined as being a parent of a child under 18 who lives with them, and a client who is not living with the other parent or a partner, and a client who is 18 or over (or 16 - 17 if they were legally married).<sup>28</sup>

The interrelated projects reported on findings for respondents using the following key variables.

- **Ethnicity:** The sub-groups were Māori, Pakeha/Other, and Pacific Peoples. It is important to note that in the primary research, Other refers to Pakeha and all other respondents not identifying as Māori or Pacific peoples. However, the analysis of administrative data distinguishes between Pakeha and all other respondents not identifying as Māori or Pacific peoples. The latter group is referred to as Other.
- **The age of the youngest dependent child:** There were three sub-groups based on the age of the youngest child: 0 - 6 years, 7 - 13 years, and 14 years and over. These groups were the same as those used to define the reciprocal obligations of DPB and WB recipients (see Table 1). Sometimes the work-test categories were used to describe the sub-groups instead of age of youngest child (e.g. 'the full-time work-tested group' instead of 'youngest child aged 14 years and over').
- **Benefit type:** A distinction was made between DPB and WB recipients. The findings for WB recipients have been reported on separately and not to the same level of detail as the findings for DPB recipients. This approach was taken because:
  - WB recipients make up only a small proportion of the sole parent beneficiary population
  - the WB recipient population is very different from the DPB recipient population<sup>29</sup>
  - the findings on the WB recipient population were primarily derived from administrative data and from a small number of interviews undertaken as part of the qualitative outcomes research.

### **1.2.1 Attribution of outcomes**

The evaluation and monitoring strategy was commissioned to report on the outcomes for sole parents following the 1999 reforms. While the report provides detail on observed outcomes for sole parents, it is limited in the degree to which these outcomes can be attributed directly to reform changes. Inconsistent implementation of aspects of the reforms significantly limited the ability to causally link observed outcomes with the reforms since it was not possible to know precisely what was being tested by the evaluation (refer to Section 3 ). The ability to attribute outcomes to the reforms was also confounded by:

- the impacts of other interventions such as the Benefit Fraud Campaign
- the relatively short period of time that DPB and WB recipients had been exposed to the new regime<sup>30</sup>
- ongoing changes in the economy and the employment outlook.

<sup>28</sup> DPB and WB recipients providing full-time care for a sick or infirm person ("carers") and older single women without dependent children ("women alone") were excluded from the evaluation.

<sup>29</sup> Refer to section 2 Description of the DPB and WB recipient populations.

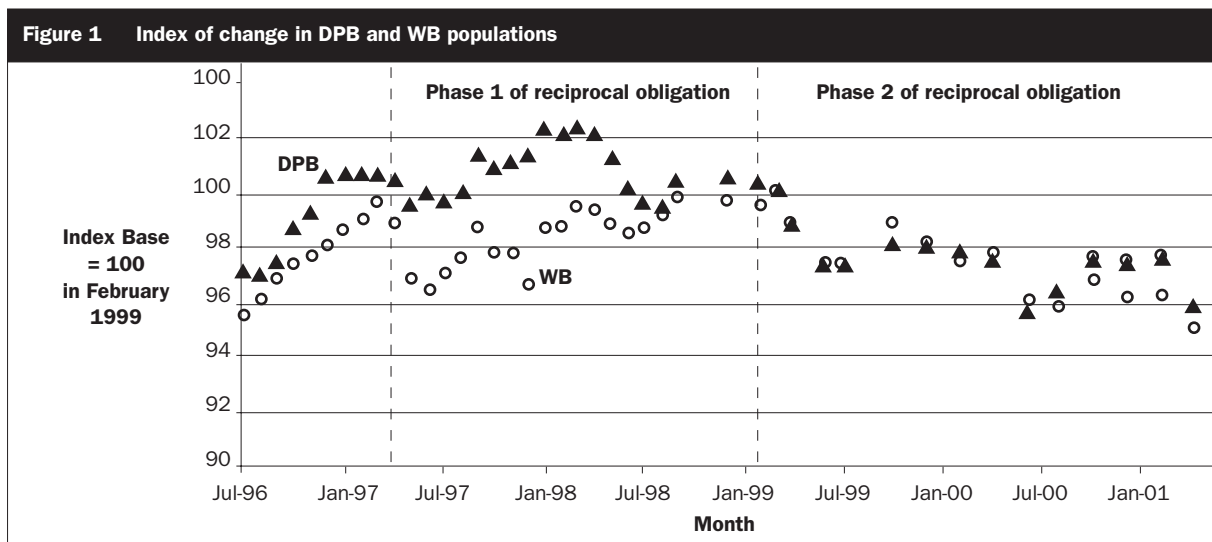
<sup>30</sup> See Appendix 1 for further detail of other policy changes occurring around the time of the DPB and WB reforms.

## 2 Description of the DPB and WB recipient populations

The characteristics of the DPB and WB populations are examined separately. This section relies mainly on administrative data covering the period from June 1996 to April 2001. A description of the DPB and WB populations is included because there are some commonly held beliefs about sole parent beneficiaries that were found to be untrue (e.g. that sole parents are young and have many children).

### 2.1 The DPB population

The DPB recipient population has declined since January 1998. By April 2001, there were 105,099 DPB recipients (a decline from a peak of 113,319 in 1998) (Figure 1).



Phase 1: part-time work and training requirements for recipients with children aged 14 years and older and annual interview for those with youngest child between 7 and 13.

Phase 2: full-time work and training requirements for recipients with children aged 14 years and older and part-time work and training requirements for those with youngest child between 7 and 13. Recipients with a child under seven attend an annual interview.

Base: 100 February 1999 - 110,712 DPB and 9,492 WB

SOURCE: DWI administrative data, 2001

Demographically, DPB recipients<sup>31</sup> were most likely to:

- be female (92%)
- be aged between 20 and 40 years (79%) with an average age of 32 years
- live in Auckland South, Auckland North or the Bay of Plenty
- have at least one dependent child (97%). Of these, the majority (85%) had responsibility for one or two children. In 87% of cases the youngest dependent child was under the age of 14.

Māori appear to be over-represented amongst DPB (33%) and WB (20%) recipients with respect to their proportion of the New Zealand adult population (13%). However, these figures do not take into account the different age-structure and fertility and mortality patterns of the Māori population compared with the non-Māori population.

The duration<sup>32</sup> profile of the DPB recipient population was evenly spread across the duration bands. However, the proportion of DPB recipients who have been on the benefit for five years or more has fallen since the latter half of 1996, compared with those who have been on the benefit for shorter periods of time.

Less than half of all DPB recipients (45%) were subject to either a full- or a part-time work-test.<sup>33</sup> This was because 55% of DPB recipients with dependent children had a youngest child aged under seven years and were therefore not subject to a work-test. Of DPB recipients subject to a work-test, a small proportion (8%) had this waived<sup>34</sup> for reasons such as having a younger child in care or with special needs, being pregnant or being sick or invalid.

The evaluation found that the DPB population had a high previous work history and was generally highly work motivated once they considered that their family circumstances, including childcare arrangements, allowed them to meet the demands of employment.<sup>35</sup> The qualitative outcomes study indicated that sole parents tended to become DPB recipients only as a last resort. While it was true that most of those who took up the DPB or WB no longer had partners, the circumstances that actually precipitated their application for a benefit often included one, or a combination, of:

- an acute or chronic cash crisis after living off savings, insurance, other family members or low-paid work
- loss of paid employment and redundancy
- exit from or inability to take up paid work because of childcare obligations
- exit from or inability to take up paid employment because of illness.

<sup>31</sup> This data covers the period from June 1996 to April 2001.

<sup>32</sup> Duration is measured at the end of each month that the person is on the benefit, and does not represent information on recipients' time on the benefit at exit.

<sup>33</sup> That is, subject to some level of obligation to participate in employment/training based on the age of their youngest dependent child.

<sup>34</sup> Waivers are either full exemption from reciprocal obligations or deferral to be reviewed at a later date.

<sup>35</sup> These findings come from the evaluation and are supported by other national and international research (e.g. Colmar Brunton, 1995; Edin and Lein, 1997; Harris, 1993; Harris, 1996; Levine et al, 1993; Moffitt, 1988; Olicker, 1995).

## 2.2 The WB population

The WB population was considerably smaller than the DPB population - 9,018 in April 2001 compared with 105,099 DPB recipients at the same time (Figure 1). The WB population fell slightly between February 1999 and April 2001 (from 9,492 to 9,018). WB recipients were most likely to:

- be over the age of 50 (86%)
- have no dependent children - only around a quarter (27%) of WB recipients had any dependent children and of these, the majority (81%) had responsibility for one or two children
- live in Auckland South, the Bay of Plenty and Canterbury
- receive assistance for considerable periods of time - 40% spent five or more years on the WB
- exit to the Transitional Retirement Benefit or Superannuation.

With regard to ethnicity<sup>36</sup>, the pattern among WB recipients was similar to that among DPB recipients. The distribution of WB recipients by ethnicity across the DWI regions was similar to that of the DPB population.

Almost all (95%) of WB recipients were subject to either a full- or a part-time work-test<sup>37</sup> as at the year to April 2001. However, a large proportion of liable WB recipients (52.7%) had their reciprocal obligation waived, mainly on the basis of age (55+).

## 2.3 Implications arising from findings about the DPB and WB populations

The difference between WB and DPB recipients raises questions about the appropriateness of subjecting the two groups to the same policies. Under the reforms implemented in February 1999, DPB and WB recipients were subject to the same regime of reciprocal obligations and assistance measures. However, as DWI administrative data indicates, the DPB and WB recipient populations were very different in terms of age of recipients, number and age of dependent children, and numbers who had their work-test obligations waived. WB recipients tended to be older (e.g. over 50) and have fewer and older dependent children. Approximately half of WB recipients had their work-test obligations waived. Many moved from the WB onto the Transitional Retirement Benefit or Superannuation. Different strategies and policies may be required to meet the needs of WB recipients, especially older recipients who are close to retirement age.

<sup>36</sup> The high proportion of uncoded ethnicities constrains the extent to which comparisons can be made between ethnic groups. For example, a very high percentage of recipients with benefit durations greater than five years are not coded (55% in WB). If the uncoded recipients are representative of those who have been coded, then the proportion of Māori in this duration band will be higher.

<sup>37</sup> That is, subject to some level of obligation to participate in employment/training based on the age of their youngest dependent child.

# 3 Application of the reciprocal obligation rules and assistance to DPB and WB recipients

A key finding of the evaluation was that several aspects of the DPB and WB reforms were inconsistently administered. The evaluation work showed the 1999 reforms were hindered by a number of factors including the complexity of the policy, major organisational changes occurring within the agency responsible for the rollout of the changes, restricted and difficult time frames, and varied application of delivery of the reforms. A number of other policy changes were also being implemented (e.g. changes to the Training Incentive Allowance and Community Wage - refer to Table 2 earlier). As a result it is difficult to confidently attribute outcomes to specific DPB and WB reform policy changes.

The following sections describe the implementation of the reciprocal obligation rules and assistance to sole parents.

## 3.1 Application of the reciprocal obligation rules

### *Awareness of the reciprocal obligations*

There appears to be a high level of awareness amongst DWI Case Managers of the assumptions underpinning the reciprocal obligations and the work-test process as evidenced by Case Managers' detailed and consistent responses.

Case Managers reported that at the time of applying for the DPB and WB, applicants were made aware of the work-test process and their obligations to actively seek paid employment and/or undertake some form of training that may lead to paid employment. Case Managers reported that the annual renewal letter was the main method of advising DPB and WB recipients about their work-test obligations.<sup>38</sup> Case Managers may also discuss these obligations if they meet with DPB and WB recipients to talk about other matters.

Letters did not appear to have been an effective means of communicating with all clients. The qualitative outcomes study found that for some Pacific respondents language problems meant that they largely ignored letters. Pacific participants were more likely to report that they were unaware of the nature of the requirements.<sup>39</sup> Māori respondents also found the letters they received difficult to understand and apply to their particular circumstances.

<sup>38</sup> DWI Head Office reported that at the time of initial implementation, existing recipients were transitioned to the new work-test obligations at their renewal. Ongoing advice is received by DPB and WB recipients dependent on their work-test obligations. For example, non-work-tested recipients receive a yearly request to attend a mandatory interview.

<sup>39</sup> The Ministry of Pacific Island Affairs notes that this is consistent with the findings of a Pacific caucus held at the National Association for OSCAR National Conference, 31 August - 2 September 2001, Alexandra Park, Auckland.

DPB recipients' awareness of the reforms was variable and appeared to be related to the following factors:

- *age of youngest child*: Awareness of the reforms was greatest among those subject to the requirement to find full-time work and least amongst those with the youngest child under seven years of age who have minimal compliance requirements. Those with a youngest child under seven years were required to attend an annual planning meeting with their Case Manager. Awareness was generally greatest amongst the full-time work-tested group because Case Managers tended to focus more effort on this group as the compliance requirement was the greatest. Consequently the perceived impact of the reforms was highest for this group of recipients also
- *length of time on the benefit*: Those who had been on the benefit for less than two years were less likely to be aware of the reciprocal obligations based on the age of the youngest child than those with a longer-term relationship with DWI
- *Māori or Pacific peoples*: Māori participants in particular, but also Pacific participants, were more likely to report that they were unaware of the nature of the requirements and assistance measures available.

### **3.1.2 Application of the requirements by age of youngest child**

Clients with a youngest child under seven years old were required to attend an annual planning interview in preparation for when they would be required to seek part-time work. Case Managers said, however, that they spent minimal time discussing work preparation options with clients in the non-work-tested group unless the client specifically requested training or employment assistance. Their reasoning was that there was no requirement for DPB and WB recipients, in this category, to actively seek paid employment. As a consequence, some respondents in this non-work-tested group felt they had either no or very brief contact with Case Managers, which they found frustrating. Some participants had raised expectations regarding both the obligations they had to work and the assistance they would get from DWI to find employment under the benefit reforms. Respondents became confused by a lack of contact, particularly as few realised that they might have been exempted from the reform requirements.

The qualitative outcomes research indicated that in general, while there was support for the requirement to attend annual planning meetings with a Case Manager if their child was under seven years, sole parents who had attended a planning meeting had mixed views on the interview's effectiveness.

Case Managers reported there were insufficient suitable jobs available for those clients subject to the part-time work-test. Childcare was also seen as a barrier for this group to take up part-time employment. Where Case Managers perceived that clients had major barriers to seeking part-time work and training, they were reluctant to apply the sanctions of the work-test.<sup>40</sup> Instead, their preference was to work with clients to help them to overcome those barriers.

<sup>40</sup> DWI Head Office stated that sanctions are only applicable where there is not a good and sufficient reason for the client not meeting their work-test requirements. Barriers would in most cases be considered a good and sufficient reason.



Case Managers generally put most emphasis on allocating time to the full-time work-test group. Reasons for this included that Case Managers considered this group to have the fewest barriers to work and were therefore easier to move into employment, in comparison with those with younger children. It was therefore this group that Case Managers expected to be actively involved in job search activities. Case Managers believed the major barrier to successful employment uptake for this group was the lack of available employment.

### **3.1.3 Exemption from the work-test**

DPB and WB recipients were generally exempted from the work-test for the following reasons: sickness (parents or children); home schooling; caring for family members with disability or special needs; and if clients were over 55 years, the most common reason for exempting WB recipients. The qualitative outcomes research found that few respondents realised that they might have been exempted from the reform requirements or that an exemptions policy might mitigate what they saw as a blanket requirement with regard to looking for work, especially full-time work. Approximately 55% of DPB recipients with dependent children were not subject to either a full- or a part-time work-test.

### **3.1.4 Sanctions, suspensions and cancellations**

If a client fails without a good and sufficient reason to comply with their work-test obligations their benefit may be reduced or stopped. Before a sanction is imposed, staff are required to review what was expected of the client and to ensure it is still reasonable to require the client to undertake that activity. The sanction imposed depends on how often the client has failed to comply with their obligations in the previous 12 months while on the current benefit. While rarely enforced, those interviewed were positive about having the sanctioning option as it gave them more ability to persuade those recipients who were not taking action to actively look for paid employment or at training options.

Prior to the DPB and WB recipient's annual renewal date, the system generates an appointment letter and loads a possible benefit suspension date. Case Managers reported that the threat of suspension usually encouraged the recipient to make contact with their Case Manager. In a small number of cases, Case Managers reported that it was not until the benefit was suspended that clients were motivated to make contact with their Case Manager.

There were provisions to cancel benefits if DPB and WB recipients failed to meet the requirements of the work-test process. However, all of the Case Managers interviewed as part of this evaluation said that cancellation provisions were rarely, if ever, enforced by them, because of their concern regarding the impact that the loss of income would have on the family.

DWI Head Office informed Case Managers of the policy as part of the agency's implementation and training strategy on the reforms.

## **3.2 Administration of changes to assistance measures**

The 1999 DPB and WB reforms introduced a range of measures to provide financial incentives or address disincentives for sole parents to enter employment (e.g. 91-day debt relief, OSCAR, PPS). Sole parent beneficiaries also became eligible for the full range of employment programmes and assistance available to other job seekers (see section 4.3 ).

The qualitative outcomes study and the survey of sole parents who left the benefit for employment reported that many respondents were unaware or unsure of what assistance or subsidies they were eligible for. There was considerable variation in what participants knew and understood of the reforms. The qualitative outcomes study found that very few respondents reported receiving any practical help from DWI. There was a widespread view amongst respondents that while they were attempting to keep up their 'end of the bargain' - that is looking after their children well, improving their skills and taking up employment where it was available - they were not receiving the degree of assistance they were potentially eligible for from DWI.

In the survey of DPB recipients who had left the benefit for employment, most were aware of the childcare subsidy for pre-school children. However, their awareness of the Employment Transition Grant (renamed the Work Start Grant) and the OSCAR subsidies was more limited. Awareness of these two subsidies appears to be related to length of time in receipt of a benefit - the greater the time receiving a benefit, the more aware the respondent was of assistance and subsidies available to them.

Case Managers interviewed were of the view that sole parent beneficiaries received information on the assistance available to them. While Case Managers interviewed considered their awareness of the measures to address financial barriers to employment associated with the DPB and WB reforms was relatively high, there were exceptions to this (e.g. the Employment Transition Grant and to a lesser extent the option to freeze benefit debt repayments). Case Managers were generally not aware that the measures had been designed as a 'package' to assist clients into employment.

Case Managers interviewed commented that they almost always discussed the childcare, OSCAR availability, the OSCAR subsidies and child support payments with clients as part of the normal case management process because of the need to work out their financial position. However, interviews with Case Managers along with DPB and WB recipients revealed that recipients were not informed of the measures in a consistent manner by Case Managers within, or across, service centres.

Some Case Managers interviewed said the exit interview was the time that they tended to inform clients about the range of available assistance from DWI and Inland Revenue to facilitate re-entry to the workforce. However, there was evidence that not all clients leaving the benefit for employment had an exit interview. As a result they may not have received this information. This in turn raises questions about the timeliness of the advice.

Rather than explain the full range of available measures, most staff proffer the information they feel is relevant to the client and place the onus on clients to make contact with them should they encounter any difficulties. This was viewed as a pragmatic response to overcome time constraints and the sheer volume of information, which made it difficult for staff to cover in a single interview.

### **3.2.1 Constraints on the delivery of measures**

From the perspective of Case Managers, time was the main constraint affecting their delivery of assistance measures to DPB and WB recipients. Case Managers considered their high caseloads to be the primary reason for this, with Case Managers reporting caseloads of between 280 and 220 clients.<sup>41</sup>

<sup>41</sup> DWI Head Office reported that as at August 2001, the average caseload per Case Manager is 195.

DPB participants in the evaluation identified several aspects of DWI service that they perceived reduced the effectiveness that any assistance measures might have. These included:

- high turnover of Case Managers
- a perception Case Managers lacked understanding of labour market conditions and education or training opportunities
- errors in advice regarding abatements, earnings and taxation which led to debt problems for sole parents
- uncertainty about the rules surrounding their entitlements under the reforms and a perception that they received insufficient information about the range of assistance available to them
- difficulties reporting earned income, particularly where weekly earnings and hours varied.

### **3.2.2 Application of particular interventions**

#### *OSCAR (Out of School Care and Recreation)*

There were problems with the administration of the OSCAR subsidy and OSCAR DA<sup>42</sup> that impacted on DWI staff, parents and OSCAR providers.

When the administrative system for OSCAR went live, it did not initially perform as intended and this resulted in significant processing errors. Some parents who accessed the subsidy encountered problems such as delays in application processing, payment errors, overpayments and underpayments. The implementation of the subsidy was affected by major organisational changes to the delivery agency responsible for the rollout of the changes, restricted and difficult time frames and varied application of the changes. As a result of the systems issues, staff shied away from the subsidy and did not promote it to parents.

The OSCAR DA initiative attempted to increase the supply of childcare services, particularly in low-income areas. However, few viable OSCAR providers were established because:

- recruitment of organisations into the OSCAR DA programme was problematic<sup>43</sup>
- the contracting of services and expectations of these new agencies were poorly specified and development support inconsistent
- of deficiencies in the OSCAR subsidy. OSCAR providers found that the OSCAR subsidy did not protect them from parental debt. Nor did it necessarily allow them to set fees at a viable level - particularly in low-income areas.

<sup>42</sup> Refer to Table 1 Summary of the DPB and WB reform package (page 16) for a description of the OSCAR subsidy and OSCAR DA.

<sup>43</sup> The evaluation of OSCAR DA found that in the first year of DA funding it was clear that the recruitment process was rushed. This led to a lack of collaboration and consultation between the Community Employment Group (then part of DWI) and NAOSCAR (National Association of OSCAR) in identifying organisations with potential to establish or extend OSCAR services in certain communities. As a consequence, a number of providers were drawn in to OSCAR provision that possibly only had a marginal chance of sustainable OSCAR delivery after the two years of funding.

### *Post Placement Support (PPS)*

The Post Placement Support (PPS) had implementation issues that meant it did not operate as intended. PPS was designed to support sole parents who had left the benefit to remain in employment. However, PPS was constrained by a lack of resources available to fund the PPS service and by the tight time frame in which it was required to be operational. In addition there were difficulties with identifying clients who met the eligibility criteria to participate in PPS and inviting them to participate in PPS. Another issue was encouraging people who were no longer clients of DWI to remain in contact in order to receive PPS. These issues make it difficult to assess the impact of PPS on clients remaining in paid work.

### *Training Incentive Allowance (TIA) and Family Assistance*

While not specifically part of the 1999 DPB and WB reform package, TIA and relationships with Inland Revenue regarding Family Assistance were frequently cited by DPB recipients as extremely difficult. TIA was reported by some staff and sole parents interviewed as being administered in an inconsistent way. The main concern centred on the difficulty faced by Case Managers in determining what constituted suitable training covered by the TIA. Case Managers interviewed described the TIA policy as too discretionary which resulted in inconsistent application by staff, to the point where variations were occurring within a service centre.

Communication between DWI and Inland Revenue over Family Assistance was also considered ineffective and detrimental for recipients moving off the DPB. Staff commented that Inland Revenue plays a critical role in delivering assistance to low-income families and DPB/WB recipients and that financial assistance needs to be received by clients as soon as possible to facilitate their transition to work and to contribute to improved employment retention outcomes. Staff stated that some clients found working between the two agencies frustrating and stressful. Of particular concern was the length of time taken by Inland Revenue to process assistance applications. Staff felt that the Inland Revenue processes did not appear to take account of the particular needs of this client group, who tended to have minimal financial reserves and consequently needed to make immediate application for Family Assistance. In some instances, DPB/WB recipients had to wait six to eight weeks before Family Assistance claims were processed.

## **3.3 Implications for the future administration of policies for DPB and WB recipients**

There were a number of issues raised in the evaluation and monitoring strategy regarding the implementation and ongoing operation of assistance measures.

- Case Managers interviewed said they put most emphasis on working with the full-time work-tested group. Case Managers interviewed said that they spent minimal time discussing work preparation options with clients in the non-work-tested group<sup>44</sup> unless the client specifically requested training or employment assistance. Some sole parent beneficiaries in the qualitative outcomes study reported

<sup>44</sup> They were required to meet with their Case Manager annually to discuss steps to prepare them for work.

either never having had an annual planning interview or that the interview was very brief. The survey of sole parents who left the benefit for employment found that the sole parents in the non-work-tested group were least likely to be aware of what the reforms had required of them. The process evaluation stated that high caseloads (e.g. 220 - 280 clients)<sup>45</sup> and the fact no employment outcome is required from the non-work-tested group contributed to staff rationalising the time they spent with clients in this way. Consideration may need to be given to the extent to which incentives for Case Managers fit with policy directives.

- Some Case Managers were reluctant to apply the sanctions to DPB or WB recipients who failed their work-test requirements because of the negative impacts they perceived the move would have on the clients' child/ren. This highlights the difficulties of administering policies where there may be some reluctance amongst frontline staff. Ongoing monitoring and evaluation needs to occur to assess and improve administration along the way. In addition, consideration could be given to how operational staff can feed into the development of new policy initiatives.
- It appears that Case Managers' knowledge and application of the measures introduced under the reforms to assist recipients' entry to and retention of employment varied considerably.
- The findings on implementation provide some steps forward for improving the operationalisation of policy. Key areas that require further consideration include:
  - examination of the operational feasibility of policy options when they are being developed
  - consistent translation of policy intent and clear implementation strategies to Case Managers. This will ensure equity of access to assistance measures by clients through the consistent application of measures between Case Managers and across service centres
  - logical and well defined dissemination strategies for clients on applicable measures/entitlements available to them
  - manageable Case Manager workloads so that policy can be implemented as intended
  - sufficient resources and time to implement new programmes and policies.
- The evaluations of both OSCAR and PPS showed that implementation of these initiatives was problematic. Issues arising from these evaluations were mentioned above but also include the following:
  - the requirements on operational staff arising from new policies need to be simple. Current work loads facing frontline staff mean that complex policy options or operational guidelines are unlikely to be adhered to and as a result the policy will not operate as intended
  - where comprehensive changes to administrative systems are required, they need sufficient funding and time to be thoroughly tested before the policy comes into effect. This did not happen with the OSCAR payment system, creating significant problems for all parties involved
  - changes in policy affecting DPB and WB recipients need to be well publicised through a variety of sources so those recipients are aware of the changes and of how they are affected.

<sup>45</sup> DWI Head Office reported that Case Managers each had on average 195 cases, as at August 2001. Interviews with Case Managers for the DPB/WB evaluation and monitoring strategy were conducted in July 2001.

# 4 Entry to, and retention of, employment

## 4.1 Entry to employment

This section examines the dynamics of sole parents' entry to employment, including:

- job search activities and attitudes to work
- the suitability and availability of employment
- training and education
- factors associated with sole parents' entry to employment.

### 4.1.1 Sole parents' job search activities and attitudes to work

The job search behaviour of sole parents reflected expected patterns in the general population. Most job search success occurred independently of DWI help. Techniques included: contacting friends, neighbours, acquaintances in employment; 'cold calling'; newspaper advertisements and other media, including the Internet. For Māori, seeking employment opportunities through social networks was identified as a particularly important job search technique.

More important than the job search technique employed by sole parents were the conditions surrounding sole parents' ability to take on work. Once again the availability of childcare, the skills and qualifications of the sole parent and levels of local labour market demand were considered crucial factors in successfully entering employment.

There was evidence to suggest that DPB recipients, particularly those with a youngest child aged 14 and over, found the work-test increased their work search behaviour. However, DPB and WB participants, as a general rule, were highly motivated to gain employment where they considered their family circumstances gave them the freedom to do so appropriately. For this group of participants, the desire for paid work was consistent with their long histories of work experience prior to taking up the DPB or WB. The majority of participants within all of the evaluation and monitoring strategy projects had prior work experience.

### 4.1.2 Suitability and availability of employment

#### *Suitability of employment*

The findings suggest that suitable employment for sole parents appears to be that which:

- provided hours which allowed participants to manage their family responsibilities
- covered additional costs associated with employment and childcare
- provided medium to long-term certainty of income.

There were a number of characteristics that appeared to make some work unsuitable. These characteristics often interacted to make the work available unattractive, risky and/or inaccessible. These characteristics included:

- high levels of casualisation
- temporary or uncertain tenure
- vulnerability to redundancy
- exploitative (e.g. no payment<sup>46</sup>)
- low pay rates, especially when combined with high costs of entering and retaining employment
- discriminatory on the basis of race, sole parent status or appearance and style.

The first four characteristics listed above affect the certainty of income available to sole parents. Certainty of income was particularly important to sole parents because of their childcare responsibilities and often limited or non-existent income from other sources (e.g. a partner).

The qualitative outcomes study raised a cautionary note regarding the types of work participants take on when they are feeling pressured to exit the benefit as a consequence of the work-test. There was some evidence to suggest that the work-test encouraged some individuals to accept positions that were not sustainable and/or would reduce the well-being of the family (i.e. reduced family income, no accessible childcare, and increased numbers of children home alone).

### *Availability of employment*

It was very difficult to accurately measure the availability of employment for sole parents by age of youngest child. However some information was available on the availability of employment generally by region and ethnicity.

One measure of availability is the employment intentions of firms. Over the period of the evaluation (1998 - 2001), firms' employment intentions varied across the regions.

Another measure of job availability is the number of job vacancies printed in newspapers. The ANZ Job Ads series measures the number of job advertisements in seven newspapers around the country. Job ads have increased significantly over the period of the evaluation, rising strongly in 1999, remaining fairly steady in 2000, and increasing solidly in the first half of 2001. ANZ Job Ad growth has varied across the regions, with the strongest growth coming from Hawkes Bay, Otago and Christchurch, and low growth occurring in Auckland and Waikato. Some caution is required in interpreting this data, as high levels of job ads may reflect high levels of skill shortages (when vacancies may need to be advertised multiple times), especially for the more rural regions (for example, Hawkes Bay and Otago).

<sup>46</sup> In the research there were some instances of people working for no pay in the belief they would eventually be offered paid employment.

Some Māori respondents in the qualitative outcomes study indicated that suitable employment was not available where they lived. DWI administrative data indicates that 62% of Māori DPB recipients live in Northland, Auckland South, Waikato, the Bay of Plenty and the East Coast. These areas were characterised by above-average unemployment rates, with Northland, Bay of Plenty and Gisborne/Hawkes Bay regions currently having the highest unemployment rates of the 12 main regions. Northland, Bay of Plenty and Gisborne/Hawkes Bay also have the highest rates of jobless<sup>47</sup> people in the country. Household Labour Force Statistics (HLFS) data suggests that, compared with other regions, in these regions more jobs were available in industries which have traditionally tended to employ men. These five regions were heavily reliant on agriculture, horticulture, primary processing and forestry.<sup>48</sup> These industries have a higher concentration of men than women:

- 66% of those employed in agriculture, forestry and fishing and 70% of those employed in manufacturing were men<sup>49</sup>
- men were more likely to work in these sectors: 10% of men work in agriculture, forestry and fishing compared with 7% of women, and 20% of men work in manufacturing, compared with 11% of women.

The opposite was the case for regions with employment patterns based more on services (for example, Auckland Central, Wellington). Of people employed in health and community services 82% were female, 73% employed in education were female, and 63% employed in accommodation, cafes and restaurants were female. The other main sectors for women in terms of employment were wholesale and retail trade and manufacturing.

#### **4.1.3 Training and education**

A large number of participants in several of the evaluation projects reported they had participated in education and training. In the survey of sole parents who left the benefit for employment, 55% had undertaken education and training prior to leaving the benefit.<sup>50</sup> Courses provided through technical institutes and polytechnics were most popular (52%), followed by university-based courses (18%). The OSCAR parent survey found that 40% of beneficiaries in receipt of the OSCAR subsidy were involved in education and training. Within the qualitative outcome study there was an increased uptake of education and training throughout the year of the study. The qualitative outcome study and the evaluation of PPS indicated that it was common for sole parents to use their time on the benefit to gain further qualifications. Some sole parents continued with education and training once they entered employment. The survey of sole parents who left the benefit for employment found that 23% were currently undertaking education and training.

<sup>47</sup> The jobless refers to those out of work, and either actively seeking or available for work.

<sup>48</sup> Auckland South is not very reliant on agriculture, horticulture and forestry, but is the most reliant on manufacturing of any main region.

<sup>49</sup> The data in this paragraph refers to the two years to June 2001.

<sup>50</sup> In interpreting these results, it is important to note that no reference period was given to respondents within which they had to have completed their training prior to coming off the DPB. For example, a respondent who had been on the DPB for 15 years could have completed their training and education 14 years prior to moving into work.



The survey found a greater proportion of Māori undertook training prior (64%) and after (30%) entering employment than Other (53% and 21%) and Pacific participants (39% and 20%). A greater proportion of survey respondents with a youngest child aged 7 - 13 years undertook training prior (62%) and after (28%) entering employment than respondents with a youngest child aged under seven (46% and 20%) and 14 years and over (55% and 18%).

Respondents in the survey of sole parents who left the benefit for employment and the qualitative outcomes study reported that participating in education and training had contributed to individuals finding employment and widened the choice of employment available. The survey of those who had left the benefit for employment reported that 72% of respondents who undertook training or education prior to coming off the DPB believed it helped to get a job or get a better job. This was perceived to be owing to education and training increasing the respondents' knowledge and skills, providing qualifications for a CV, and increasing their confidence. This was consistent with the literature (Harris, 1993; Levine et al, 1993; Rochford, 1993; Choat, 1998). The results from the evaluations indicated those with no qualifications or only school qualifications were more likely to be earning low-incomes.

There were indications that certain types of education and training were more useful than other types in terms of finding employment. Teachers' College training, university courses and Training Opportunity Programme (TOPs) training were considered most useful in these respects. Participant experience in the present study also alluded to frustrations with participating in a series of miscellaneous training courses which sole parents did not consider were getting them closer to employment. The survey indicated that those with university qualifications were most likely to be earning over \$501 per week.

There were a number of barriers identified to sole parents participating in education and training. The financial burden on sole parents in training was pronounced. This burden included the additional expenses associated with gaining employment (i.e. travel to training and childcare provision), but in the short term training and education did not bring in new revenue as employment is expected to do. Some had taken out student loans but many were fearful of doing this. As the sole income earners they were concerned about the risk that immediate expenditure would not be compensated in the medium to long term.

Participants articulated their need for financial assistance. The TIA exists for the purpose of assisting sole parents into training and education.<sup>51</sup> However, difficulties accessing the TIA were cited, as well as inconsistent application of entitlement between Case Managers.

<sup>51</sup> From 1 January 2000 all people who qualify for the TIA were entitled to receive up to a maximum of \$3,000 per year to cover fees, course costs, childcare and transport. Between 1 January 1999 and 1 January 2000 those entitled to the TIA were required to fund 40% of their course fees and course costs either through a student loan or privately.

Childcare requirements also posed a barrier to some sole parents participating in education and training. These requirements included:

- fitting study and course attendance in with children’s school hours
- availability of suitable and affordable childcare
- loss of time with children owing to study requirements.

Participants across a number of the evaluations also identified difficulties with access to educational institutions owing to:

- distance from educational institutions
- lack of transport, and/or
- lack of access to accredited providers and courses that attract funding assistance.

**4.1.4 Factors affecting entry to employment**

There were a number of factors that appeared to be associated with facilitating or limiting entry to employment (Table 3). Most factors, with the exception of those related to children and childcare, affect all beneficiaries seeking employment. Sole parents often faced a number of the limitations at the same time.

<b>Table 3 Factors affecting entry to employment</b>	
<b>Factors positively associated with entry to employment</b>	<b>Factors associated with limited entry to employment</b>
<ul style="list-style-type: none"> <li>• having fewer and older dependent children</li> <li>• having healthy children</li> <li>• having access to childcare</li> <li>• availability of suitable work</li> <li>• being an older sole parent</li> <li>• appropriate skills and qualifications</li> <li>• previous employment</li> <li>• a shorter length of time on the benefit (refer also to Section 5 )</li> <li>• a combination of positive internal characteristics (e.g. self-confidence, strong desire to get off the benefit and to set an example for their children)</li> </ul>	<ul style="list-style-type: none"> <li>• concerns about the health and well-being of their children</li> <li>• difficulties arranging childcare</li> <li>• low availability of suitable employment</li> <li>• perceived discrimination</li> <li>• poor educational qualifications and/or skills</li> <li>• low levels of labour market attachment</li> <li>• unfavourable abatement rates</li> <li>• lack of confidence/fear of the unknown</li> </ul>

From the perspective of staff interviewed, childcare issues and the availability of suitable employment and low hourly pay rates had the most significant impact on whether DPB/WB recipients took up and/or remained in paid employment.

Some Māori respondents in the qualitative outcomes study reported that their entry to employment was limited by a low availability of secure, permanent work in the areas where they lived. This is supported by the finding (pg 32) that Māori are concentrated in areas of low employment. As stated earlier it is difficult to accurately determine the availability of employment, however some New Zealand literature

indicates that the perception by people that there are limited jobs available is often enough to be a barrier to seeking work actively (Fletcher, 1999; Levine et al, 1993). Other factors that appeared to limit Māori entry to employment include: low previous connection with the labour market; lower likelihood of having formal qualifications; poor and unstable housing situations; and concerns about safety of their children if they enter employment. Having strong family support to assist with childcare appears to ease entry to employment for Māori.

The qualitative outcomes study found that Pacific participants exhibited a much closer involvement in paid labour prior to DPB or WB take-up. Pacific participants voiced a reluctance to go onto the DPB or WB, possibly because it limited their ability to contribute financially to their wider family, community and church. They had strong aspirations to return to the labour market but found re-entry difficult, mentioning the following barriers<sup>52</sup>:

- perceived racial discrimination in the labour force
- being too old
- lack of qualifications and previous work experience (some felt this limited them to unskilled jobs)
- caring responsibilities for other family members
- health problems.

However, ethnicity appears not to be the main reason why some respondents found it easier to enter employment. While some Other participants appeared to find it easier than Māori and Pacific peoples to enter paid work, this was confined to those Other participants with ongoing work experience or who had acquired tertiary qualifications. Like Māori and Pacific participants, Other participants also experienced difficulties in relation to getting trapped in a round of casual or temporary jobs and found it difficult to gain entry to higher paying, more secure jobs.

#### **4.1.5 Implications - entry to employment**

The findings raised the following implications:

- DPB recipients were generally found to be a highly work-motivated group. Enhancement of the key conditions outlined in this report for gaining and retaining employment should be considered:
  - childcare availability and cost
  - gaining further education and training
  - labour market demand
  - labour market flexibility with family circumstances.
- sole parents will often move into employment if they consider the work suitable. Suitable work for sole parents appears to be that which would provide hours that allowed participants to manage their family responsibilities, cover additional costs associated with employment and provide medium to long-term certainty. This raises two key issues:

<sup>52</sup> The Ministry of Pacific Island Affairs notes that this is consistent with the past consultations it has undertaken with Pacific Island peoples.

- the employment needs to have some certainty of tenure and hours along with adequate pay rates
- sole parents need greater access to childcare that is available where and when they need it, and is affordable and safe.
- the geographical location of sole parents appeared to be related to the range of suitable employment opportunities available to them. Māori DPB recipients in particular appeared to be more heavily concentrated in areas with industries traditionally dominated by men. This is an issue as most sole parents are women. The variation in available employment opportunities between regions suggests sole parents may require access to employment assistance and education and training that are tailored to the types of employment available to them where they live
- the findings on education and training outcomes strongly reinforced the importance of investing in sole parents gaining post-school qualifications, as these are more likely to move sole parents into employment and/or extend their employment opportunities. Based on the findings, key components of Government's investment in education and training could include:
  - financial assistance for sole parents with fees and other course costs such as childcare and travel (adequacy of current assistance measures such as TIA and childcare subsidies). A review may be needed to address these factors<sup>53</sup>
  - consistent administration of TIA by Case Managers
  - the development and support of more childcare facilities, catering to training/education hours of attendance
  - further research to better understand the types of education and training that are most likely to lead to sustainable employment for sole parents.
- some key factors affecting sole parents' entry to employment are common to other groups of job seekers (age, skills and qualifications, previous experience, length of time on the benefit). However, sole parents' entry to employment was also affected by the number, age and health of their children, access to childcare and the availability of employment that provided sufficient income and allowed them to meet their childcare obligations. Areas where the Government could play a role in improving entry to employment for sole parents include:
  - assisting to ensure suitable childcare is available to sole parents entering employment
  - examining the extent to which abatement rates limit entry to employment
  - assisting sole parents to improve their skills and educational qualifications to enable them to move beyond low-wage employment.

## 4.2 Outcomes for sole parents following the 1999 DPB and WB reforms

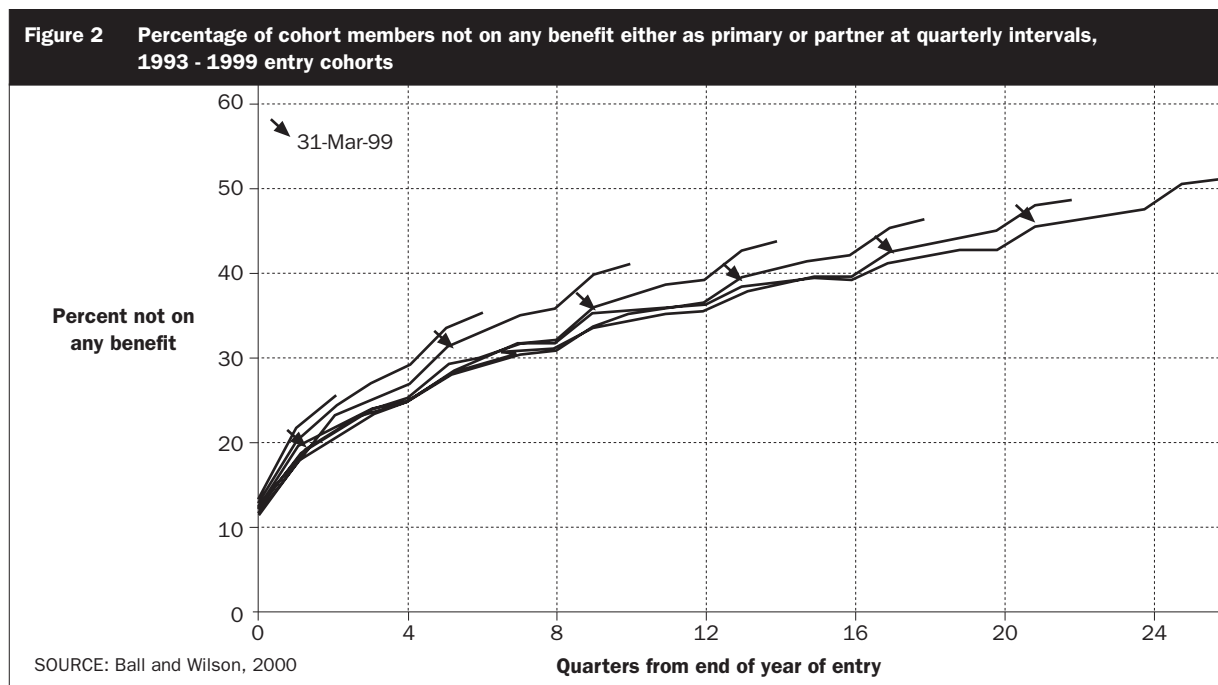
The outcomes section will detail types of employment and earnings gained by DPB and WB recipients when they exited from the DPB following the 1999 reforms.

<sup>53</sup> The TIA was being reviewed at the time this report was written.

### 4.2.1 Exits to full-time and part-time employment

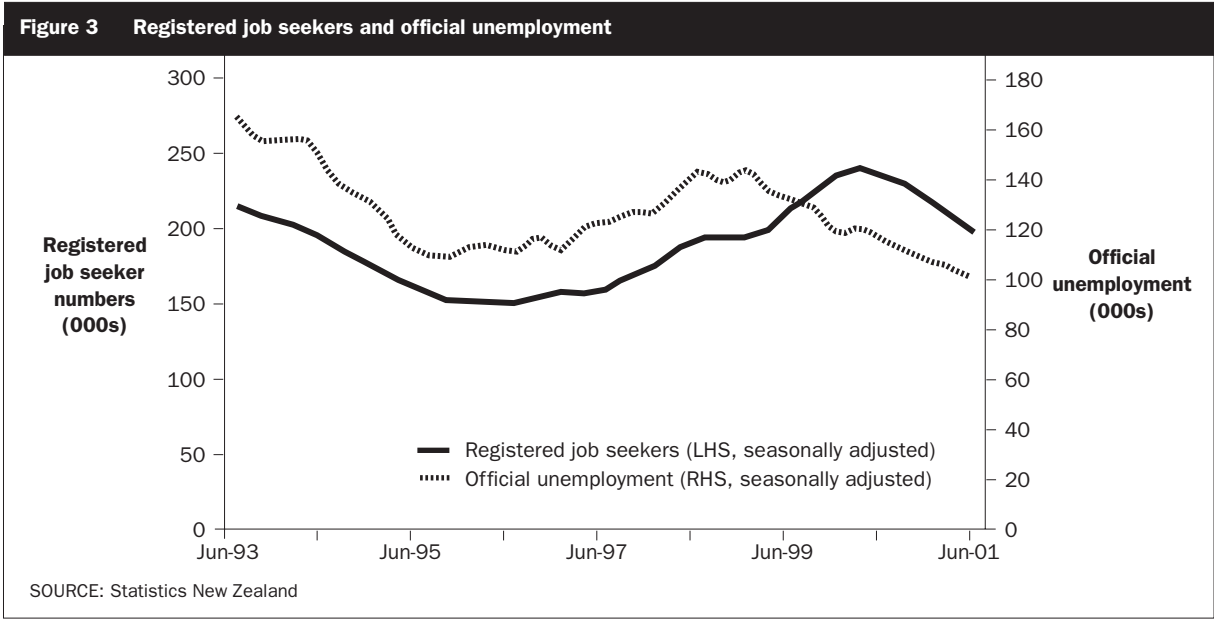
DWI administrative data (for the period June 1996 to April 2001) indicates that there has been a steady decline in the total number of people receiving the DPB since January 1998 (Figure 1, earlier).

Time series analysis administrative data indicates that exit rates for DPB recipients, particularly those with a youngest child aged 14 or over, did increase following the 1999 reforms. A cohort analysis of the chances of successive cohorts of DPB entrants being completely off benefit (which captured possible effects on both exit and re-entry rates) showed a marked increase following the introduction of the reforms. Figure 2 from the analysis shows that prior to the reforms, successive cohorts of entrants generally tracked one another closely, with the probability of being completely off benefit slowly increasing with increasing time from entry. This occurred in spite of quite marked changes in employment conditions (Ball and Wilson, 2000).



The unemployment rate has fallen steadily in recent years (as employment growth has been stronger than labour force growth), falling from 7% of the labour force in the June 1999 quarter to 5% in the June 2001 quarter. It is now equal to the rate recorded in the June 1988 quarter, and has not been lower since the March 1988 quarter when it was 5%.

As Figure 3 shows, the number of registered job seekers has fallen steadily since the March 2000 quarter, after rising since the middle of 1996. The recent improvement in these numbers supports the recent fall in official unemployment. However, the two measures diverge in 1999 for two reasons. Firstly, the work-test procedures led to increasing numbers of some beneficiary groups moving onto the register. These beneficiaries included DPB and WB recipients, and spouses of beneficiaries. Secondly, there were operational and procedural changes that increased the number of DPB recipients on the register.<sup>54</sup>

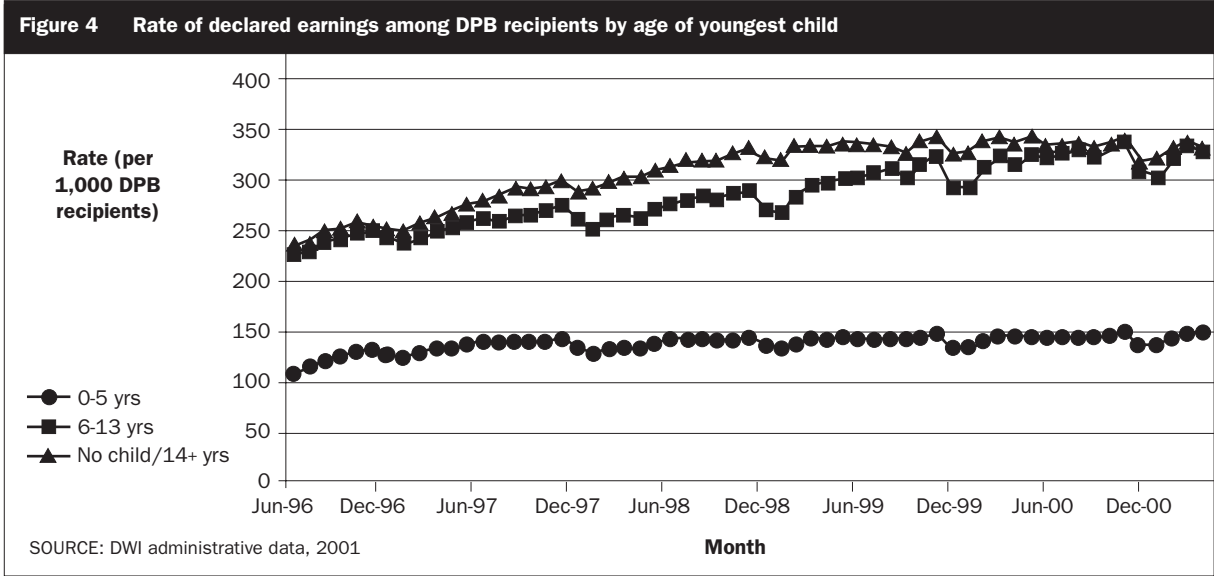


Overall, Ball and Wilson (2000) found the average probability of being off benefit at 30 June of the year following their entry to benefit (quarter 2) was three percentage points higher for entry cohorts passing this point after February 1999 (25% compared with 22% for preceding cohorts), an increase of 14%. The size of the increase was greatest for those with a youngest child aged 14 or over at entry (38% compared with 33% for preceding cohorts, an increase of 17%). This was consistent with the expected policy impacts. However, the increase in non-receipt was also pronounced for those with younger children not targeted by the full-time work-test. The reforms may have had a signalling effect, which led to wider changes in full-time employment propensities than expected. Alternatively, general improvements in employment conditions and other policy changes may have caused some of the shift. It was not possible to isolate with certainty the respective impacts of the 1999 reforms and these wider changes (Ball and Wilson, 2000).

<sup>54</sup> The move towards complete integration of employment and income services over the year improved the accessibility of employment services to a wide range of beneficiaries, including those who were non-work-tested. The impact of this change was reinforced by the move to use DWI's employment database as the primary case management tool, and by centres' desire to meet internal targets. These changes contributed to a rise in non-work-tested beneficiaries enrolling on the register. In addition, changes to lapsings procedures in 1998 contributed to a rise in the register over 1999. The changes reflected operational policy changes in 1998 designed to maintain customer enrolments and reduce the administrative burden of frequent lapses followed by re-enrolments.

The analysis found no increase in declared earnings around the time of the reforms. It was not clear whether this means that the part-time work-test had no impact on part-time employment rates, or whether the increased rates of movement off benefit masked any increase in part-time employment that occurred. If those who already participated in part-time employment were more likely than those who did not to move off benefit following the February 1999 changes, compositional shifts could explain the absence of a more marked increase in earnings propensities for those remaining on benefit (Ball and Wilson, 2000).

Alternatively, there may not have been a marked increase in part-time employment following the February 1999 changes because sole parent beneficiaries who could were already participating in part-time employment (Figure 4). DWI administrative data indicates that participation in part-time employment has increased since 1996. However, participation rates have been relatively stable since 1996 for those with a youngest child under seven, and since 1998 for those with a youngest child aged over 14. Participation rates for those with a youngest child aged 7 - 13 years have been increasing over the past five years.



Trends in DPB recipient exit rates were consistent with recent upward trends in employment growth and labour force participation by women. HLFs data indicates that employment growth since June 1999 has primarily been in full-time jobs (more than 30 hours a week). While part-time employment increased by only 0.2% (1,000 people) between June 1999 and June 2001, full-time employment grew by 6% (74,000 people). However, part-time employment has picked up more recently, rising 3% in the year to June 2001 compared with a 3% rise for full-time employment. Over the past two years, female full-time employment growth has been stronger than that of males, while male part-time employment growth has been higher than that of females.

The labour force participation rate (that is, the proportion of the working age population in the labour force) was steady in 1999, fell in mid-2000, but increased in late 2000 and early 2001. The participation rate in the June 2001 quarter was 66%, the highest rate since the September 1996 quarter. This was driven by a rising female participation rate, from 58% in the June 1999 quarter to 59% in the June

2001 quarter, as male participation rose by only 0.2 percentage points. This continues a long-term trend of rising female and falling male labour force participation.

For exits into employment Māori and Pacific DPB recipients had consistently lower rates than Pakeha and Other.<sup>55</sup> However, over time all groups experienced very similar relative increases in earnings and employment exits over the period. This was consistent with HLFS data. Employment growth for Māori has been very strong over the past two years, rising 20% since June 1999, and the Māori unemployment rate has fallen significantly. However, more recent results suggest that there has been some slowing in the rate of improvement, and significant disparities between Māori and non-Māori remain.

#### **4.2.2 Relationship between part-time and full-time work**

The differences between those not in paid work, those in part-time work and those in full-time work should not be overstated. There was considerable fluidity and fragility in the labour force position of participants. A linear pathway from DPB and WB receipt and non-labour force participation to part-time work, progressing finally to full-time work, does not necessarily exist.

Being in full-time work did not always indicate that full-time work was likely to be ongoing. Although some of the participants in full-time work were in long-term stable positions, participants in full-time work were also in casualised or temporary seasonal employment. The research indicated that some sole parents moved back onto the benefit after having left it for employment.

Unlike those in full-time work, those in part-time work tended to retain their benefit. As a consequence, they were less concerned with the risk that entry to paid employment might pose to a sustained income.

Full-time work became worthwhile when a participant:

- found employment which was both certain and flexible to fit in with childcare responsibilities
- could access affordable, flexible and trusted<sup>56</sup> childcare, often provided by family
- was able to enter higher paid work (e.g. professional, managerial and technical occupations).

It appears the decision to enter full-time employment was not clear-cut for many sole parents and was a matter of weighing up the benefits of earning more money against the potential negative impacts on children and families (refer to Section 4.4).

#### **4.2.3 Type of employment obtained by sole parents**

There was considerable variation in the types of employment obtained by sole parents according to the age of the youngest child and ethnicity. However it does appear that sole parents with a youngest child aged over 14 years, Māori sole parents and Pacific sole parents were more likely to obtain employment that was characterised by less certainty of tenure and non-standard hours.

<sup>55</sup> Other refers to all DPB recipients not identifying themselves as Māori, Pacific Peoples or Pakeha.

<sup>56</sup> The sense of trust was important as an objective measure of quality for participants when arranging childcare. The heavy reliance on family for childcare reflects this. It is important to note, however, that the reliance on family for childcare may also reflect the low cost and flexibility of using family.



### *Number of jobs*

Most sole parents who left the benefit for employment had one job. Only 10% of respondents in the survey of sole parents who left the benefit for employment were working concurrently in two or more jobs. Those in multiple jobs were particularly likely to be older respondents and respondents with a youngest child aged 14+ years.

### *Occupation*

Compared with the total working population, sole parents who left the benefit for employment were more likely to be working in the following occupations: clerks, technicians/associate professionals, service and sales workers, and plant and machine operators and assemblers. Sole parents who had left the benefit for employment were strongly under-represented compared with the total working population among legislators/managers and less so among professionals and those in elementary occupations.<sup>57</sup>

### *Tenure of employment*

Most (78%) respondents in the survey of sole parents who left the benefit for employment obtained permanent employment. Being in permanent employment was associated with having a youngest child under 14 years, being Pakeha or Other<sup>58</sup>, being under 30 years old, and having been on the benefit for a short period of time. Respondents living in Auckland Central (94%), Auckland North (88%) and Waikato (87%) were more likely to have permanent positions than those living in Canterbury (74%), Central (73%), Southland (72%) and on the East Coast (70%). This may be owing to the nature of the work available and the types of skills sole parents have (refer to section 4.1.2, Suitability and availability of employment).

Just under a quarter of survey respondents were in casual or temporary employment. Those with the youngest child aged 14+ years were more likely to be employed on short-term contracts of an uncertain length (7%) compared with respondents whose children were aged under seven years (2%) and 7 - 13 years (4%). Participants in the qualitative outcomes study who had entered or remained in low-paid, unskilled, casual or temporary jobs over the last year had often undertaken similar occupations prior to going onto the DPB/WB. It was common for them to go from one casual job to another. This raises concerns about the employment decisions being made by sole parents with older children and the degree to which the full-time work-test impacted on these decisions.

In the survey of sole parents who left the benefit for employment, Māori and Pacific peoples were more likely than Other respondents in the survey to be employed on short-term contracts of an uncertain length. Māori respondents were more likely to be employed on short-term contracts of a fixed length compared with Other respondents. There was no significant variation by ethnicity in terms of current seasonal jobs held by respondents. However in terms of previous jobs held by respondents, Māori respondents were more likely to have been in seasonal work (13%) compared with Other respondents (2%). The PPS evaluation also pointed towards a higher involvement by Māori in seasonal employment.

<sup>57</sup> Elementary occupations include cleaner, caretaker, courier/deliverer, hotel porter, refuse collector, packer, builder's labourer and street cleaner.

<sup>58</sup> Other respondents were more likely to have permanent employment (80% of jobs) than Māori respondents (71% of jobs held).

### *Time of day work was undertaken*

The survey of sole parents who left the benefit for employment found that approximately a quarter of respondents were working non-standard hours (e.g. shift work (14%), evening or night work (9%), working on-call (4%)).

Research undertaken by Callister and Dixon (2001) indicated that very few New Zealanders worked solely during evenings or nights (on weekdays, only 1% of working days conformed to this type of employment). They found that three-quarters of all working time fell into the core period defined as 8am to 6pm, Monday to Friday. However, far more than 25% of workers undertook some work outside the core period in a typical week. More than 40% of the diary days completed by employed people on the weekend contained some paid work, implying a high level of involvement in weekend work. Focusing now on weekdays, the Time Use Survey data suggested that more than 60% of working days from Monday to Friday involved some work outside the core period. Most of that was done on the boundaries of the core: if the window of 'daylight hours' is extended to cover 6am until 7pm, the majority (71%) of working days is accounted for. The remaining 29% mostly involved a combination of work during daylight hours and work after 7pm.

The survey of sole parents who left the benefit for employment revealed some patterns with regard to who is more likely to be working non-standard hours. Those working in the evening or into the night were more likely to:

- be Pacific peoples (18%, compared with Other (7%) and Māori (10%)<sup>59</sup> respondents)
- have three or more dependent children
- have no qualifications (14%) compared with those with school qualifications (8%), a certificate or diploma (7%), or a university qualification (4%)
- be working part-time<sup>60</sup> (12%) compared with respondents working full-time (5%)
- be working as trade workers (19%), plant/machinery operators (13%), and service/sales workers (10%) compared with those employed as clerks (5%) and professionals (4%).

These results were consistent with research conducted by Callister and Dixon (2001). They found that workers in the plant and machine operators and elementary occupational groups (and, related to this, Māori and Pacific workers) have higher than average rates of participation in night work.

The survey of sole parents who left the benefit for employment revealed that those involved in shift work were more likely to be employed as plant/machinery operators (22%), service/sales workers (22%) and professionals (21%) compared with respondents working as clerks (5%), trade workers (3%) and agricultural workers (no respondents).

<sup>59</sup> Pacific peoples were significantly more likely than Other respondents to work during the evening. While they were also more likely to work during the evening than Māori this relationship was not significant.

<sup>60</sup> As many part-time jobs have insufficient hours/rates of pay for sole parents to live on without the benefit, the part-time workers in the survey of those who left the benefit for employment will not be representative of all part-time workers.

Survey respondents employed in a casual, “on-call” position were more likely to be working part-time (8%) than respondents working full-time (1%). “On-call” employees were also more likely to be living in the Central region (12%) than almost all other respondents, most particularly those living in Auckland North, Auckland Central, Waikato and Wellington (1%).

### *Hours worked by sole parents in employment*

In the survey of sole parents who left the benefit for employment, most worked between 30 and 50 hours per week. More than four in five survey respondents (86%) were in paid employment for 30 hours a week or more. The hours worked by respondents in part-time employment in the qualitative outcomes study varied but the majority worked between 8 and 15 hours weekly. In the survey of sole parents who left the benefit for employment, respondents who were working part-time were likely to be working between 20 and 30 hours per week. In the survey of sole parents who left the benefit for employment, there were no significant differences in the number of hours worked when correlated with the age of the youngest child.

There were no significant differences in the distribution of survey respondents working part-time and full-time by ethnicity. However, Pacific peoples were more likely to be working between 40 and 49 hours per week (59%) than Other respondents (44%).

There were a number of key factors affecting the hours worked by sole parents. These include the following:

- highly casualised employment was associated with uncertain hours
- sole parents employed on low pay rates needed to work longer hours to offset the costs of working
- where sole parents were working outside normal hours, it was particularly difficult for them to extend their hours because of childcare commitments and difficulties with arranging childcare (both formal and informal)
- where time taken to travel to and from work was considerable, sole parents faced difficulties extending hours, especially if combined with any of the above factors.

## **4.2.4 Earnings from employment**

This section examines sole parents’ earnings after they have moved into employment and the factors affecting earnings. It also reports on how sole parents perceive their financial situation after entering employment and the extent to which they believe they have benefited financially from being in employment.

### *Earnings for sole parents in employment*

DWI administrative data indicates there was a small increase in the amount of earnings<sup>61</sup> declared by both the DPB and WB recipient populations over the period. For declared earnings, Māori and Pacific DPB recipients had consistently lower rates than Pakeha and Other. However, over the period all four

<sup>61</sup> For benefit abatement purposes recipients are required to declare all additional income received. The earnings presented here are only for those gained through employment.

groups experienced very similar relative increases in earnings and employment exits. Several sources of data indicate that those who moved into part-time work tended to have lower average hourly rates of pay than those who moved into full-time work.

The survey of sole parents who left the benefit for employment found that half of all respondents currently in employment (51%) receive an average weekly income of between \$301 and \$500 after tax and after repayments of student loans and DWI advances. The survey revealed there were no significant differences in income earned by ethnicity of the respondent.

Survey respondents with their youngest child under seven years of age were more likely to be earning between \$501 and \$700 (17%) than those with their youngest child aged between 7 and 13 years (9%). However, the median income interval for all three groups<sup>62</sup> was \$301 to \$500 per week. This reflects the approximate mid-point of weekly incomes of the total New Zealand working population.

When compared with the amounts received by sole parent beneficiaries with no income from paid work, those in paid work and off the benefit appear to be financially better off. As at 1 April 2001 the rates for DPB sole parents with no income from paid work were:

- sole parent one child \$221.37 (net), \$266.34 (gross)
- sole parent two or more children \$241.51 (net), \$291.83 (gross).

However, it is important to remember that many sole parents undertake paid work while in receipt of the benefit. Currently a dual abatement regime is applied to the beneficiary's earnings based on the age of the youngest child. Those with work-test exemptions, or with a youngest child aged 14 years or less, have a part-time abatement regime. Those whose youngest child is over 14 years have a full-time abatement regime. Table 4 describes this dual abatement regime. Refer to Appendix 1 for further information on abatement rate changes.

<b>Table 4 Abatement rates applying to DPB and WB from 1 February 1999</b>		
<b>Income level (\$ per week)</b>	<b>Full-time regime Main benefit abatement</b>	<b>Part-time regime Main benefit abatement</b>
\$0 - 80	0%	0%
\$81 - 180	70%	30%
\$181 or over	70%	70%

<sup>62</sup> Respondents with their youngest child under seven years of age, respondents with their youngest child aged between 6 and 13 years, respondents with their youngest child 14+.

### *Financial support received from DWI*

Among those sole parents who were in low-wage employment, many continued to receive income support from DWI. Just over a third of respondents (34%) in the survey of sole parents who left the benefit for employment stated that they were currently receiving some form of financial support from DWI. This support was most likely to take the form of the Accommodation Supplement (70%). Respondents with their youngest child under seven years of age (39%) or aged between 7 and 13 (33%) were more likely to be receiving some form of financial support than those with the youngest child 14 years of age or over (23%).

Other respondents in the survey were more likely to be receiving some kind of support (35%) compared with Pacific peoples (22%). The qualitative outcomes study offers some explanation for this finding. It found that Māori and Pacific respondents had less knowledge of the reforms and available assistance compared with Other respondents. However the study also indicated that most respondents, irrespective of ethnicity, were concerned that they had not been provided with sufficient information on their entitlements.

### *Factors affecting earnings*

There were several factors that appeared to affect earnings, including:

- educational attainment - those with higher educational qualifications were more likely to obtain higher paying jobs
- occupation - those employed in professional occupations were more likely to benefit financially from full-time work
- gender - female sole parents were likely to earn less per week than male sole parents
- length of time on the benefit - there was some evidence to suggest that those who were on the benefit for longer periods of time were more likely to be on lower incomes
- length of time in the workforce - this appears to positively affect earnings
- location - it appears that sole parents in highly urbanised locations may be more likely to earn more than those in rural/provincial locations
- full-time or part-time status - those who have moved into part-time work tend to have lower average hourly rates of pay than those who have moved into full-time work
- take-up of entitlements from DWI and Inland Revenue - some sole parents did not take up their entitlements.

All but the last two factors affect the type of employment DPB and WB recipients were able to obtain which in turn affected earnings. This research reinforces previous research undertaken on factors affecting the type of employment benefit recipients obtain.

### *Perceptions of financial situation*

For respondents in the qualitative outcomes study, financial benefits from participating in part-time employment were viewed as being relatively muted compared with full-time employment. Part-time workers noted that the start-up and ongoing costs of work as well as loss of income owing to debt or abatements made part-time work only of marginal financial value.

Participants in the survey of sole parents who left the benefit for employment tended to report they were financially better off after obtaining work (64%). Survey respondents were *significantly* more likely to describe themselves as a lot better off financially as a result of moving into work if they:

- were employed full-time (32%) compared with those working part-time (15%)
- were Māori (34%) compared with Other respondents (25%)
- lived in Auckland South (47%). Respondents in Northland (34%), the Waikato (32%) and Taranaki (37%) also described themselves as financially a lot better off
- had a university qualification (39%) compared with those who had a certificate or diploma or no qualifications (28%) or school qualifications only (24%)
- had received the benefit for less than two years (39%) compared with all other respondents (26%)
- had been working for between five and nine years (32%) and 10 and 14 years (31%) compared with those working for fewer than five years (22%)
- were employed as trade workers (39%), plant/machinery operators (37%) and professionals (32%) compared with those working as service workers (21%).

It was not clear why Māori and those living in South Auckland were more likely to report they were a lot better off once they moved into employment. However it may reflect the comparatively worse financial situation of these respondents prior to moving off the benefit, making any increase in income more noticeable. In addition for Māori, it may reflect lower childcare costs brought about by the higher use of family for childcare.

Sixteen percent of survey respondents stated they were worse off after moving into employment. Survey respondents were significantly more likely to describe themselves as a lot worse off financially as a result of moving into work if they:

- had a youngest child aged between 7 and 13 (6%) and 14+ years (7%) compared with respondents with the youngest child under seven years of age (2%)
- were aged between 30 and 39 years (5%), 40 and 49 years (6%) and 50+ years (10%) compared with those aged under 30 years (2%)
- had been in receipt of a benefit for between 10 and 19 years (7%) compared with those who had received a benefit for fewer than two years (1%)
- lived in Northland (11%) compared with those living in Southland (2%) and the Waikato (1%)
- were employed as service and sales workers (9%), compared with 2% of clerks and professionals
- were employed part-time only (9%) compared with those working full-time (3%).

Other respondents were more likely than Māori and Pacific peoples to describe their financial situation as being about the same as or a little worse than being on the DPB.

The qualitative outcomes study generally reported improvements in income amongst participants who were off the benefit. However, this study also noted that the:

- financial benefits of full-time paid work take some time to accrue and be felt
- movement into work requires a cluster of positive circumstances to make it financially worthwhile (e.g. employment which was both certain and flexible to fit in with childcare responsibilities; affordable, flexible and trusted childcare, often provided by family; work which was not low-paid).

### *Factors affecting the extent to which sole parents benefit financially from the income derived from employment*

There appear to be two key factors affecting the extent to which sole parents benefit financially from moving into work. These factors are the costs of entering employment and the level of debt sole parents have incurred prior to employment.

Childcare was a key cost for sole parents in employment. They also faced similar costs to other employees who had previously been in receipt of a benefit, including transport to and from employment, obtaining work clothes and in some cases providing equipment for work.

Debt appears to be a significant issue for a sizeable minority of sole parents. In the survey of sole parents who left the benefit for employment, 18% stated that more than 25% of their income after tax and DWI repayments was currently used for other types of debt repayment (e.g. credit cards and bank loans, but excluding mortgages and child maintenance). Six percent had debt repayments that absorbed more than 50% of their income after tax and DWI repayments. The median amount of debt repayment was in the range of 6% to 10% of income after tax and DWI repayments.

The survey revealed that sole parents with a youngest child under 14 years of age had higher median levels of other debt after tax and DWI repayments (6% - 10%) than those with a youngest child over 14 years of age (1% - 5%). Survey respondents with a youngest child under seven years of age were more likely to have a higher income of between \$501 and \$700 per week (11%) after tax, DWI repayments and other debt repayment than all other respondents (5%). One possible explanation for this finding is that sole parents with pre-school children face higher childcare costs and therefore require higher-paying jobs to sustain a move off the benefit. Childcare costs for children under five years were higher owing to the longer amounts of time they were required to spend in care compared with school age children who only require care outside school hours. However, the median income interval for all groups by age of youngest child remains at \$301 to \$500 per week after tax, DWI repayments and other debt repayment.

Māori respondents had a higher level of other debt repayment (e.g. credit cards and bank loans, but excluding mortgages and child maintenance). Fourteen percent of Māori respondents were using 21% - 30% of their income for other debt repayment, compared with 9% of Other respondents. As a proportion of their income after tax and DWI repayments, the median level of debt for Māori and Pacific peoples was between 6% and 10% compared with between 1% and 5% for Other respondents. Debt appears to have a greater effect on the income available to Māori respondents. After tax, DWI repayments and other debt repayments, the median income interval for Māori was \$201 - \$300 per week, while income for Pacific peoples and Other respondents was \$301 - \$500.

The PPS evaluation and the qualitative outcomes evaluation suggest the following as reasons for sole parents getting into debt:

- borrowing money while on the DPB to cover costs
- costs of employment making significant inroads into any income earned (e.g. childcare, transport to and from work)
- not being able to cover the costs of a child's illness, or one's own illness in terms of lost pay, extra childcare costs and costs of treating the illness
- not knowing about or accessing cover for unpaid sick leave or childcare from DWI

- not receiving financial entitlements from Inland Revenue or overpayments from Inland Revenue for family support after taking up part-time work. In addition, Case Managers interviewed raised concerns about the length of time taken by Inland Revenue to process assistance applications. Staff felt that the Inland Revenue processes did not appear to take account of the particular needs of this client group who tended to have minimal financial reserves and consequently needed to make immediate application for Family Assistance. In some instances, DPB and WB recipients had to wait six to eight weeks before Family Assistance claims were processed.

#### **4.2.5 Implications arising from the findings on outcomes for DPB and WB recipients**

The findings on outcomes experienced by sole parents and their families following the DPB and WB reforms implemented in February 1999 have raised the following implications:

- while there was evidence to suggest that exits did increase following the 1999 reforms, the implementation of the reforms was performed to a variable degree, the effect being tested was not clear (refer section 1.2.1 Attribution of outcomes). It is likely that knowledge of the changes had a stronger effect than actual implementation (refer Section 3 )
- Māori and Pacific people's exit rates from the DPB, while increased, were consistently below those of Others and Pakeha. This raises questions about the effective tailoring of reforms for Māori and Pacific recipients. The types of assistance Māori and Pacific peoples receive to move into employment should be examined
- the significant minority of sole parents involved in work outside standard hours and/or non-permanent work raises questions about work availability. Those with a youngest child aged over 14 years seemed more likely to be involved in work outside standard hours and/or non-permanent work. There was also some suggestion in the qualitative study that some participants felt pressured to take on any type of full-time work for fear of having sanctions applied to them
- the significant minority of sole parents involved in non-permanent work also has implications for the process by which DPB and WB recipients move on and off the benefit. As mentioned earlier, certainty of income was particularly important for sole parents
- sole parents' movement into employment was not necessarily a straightforward path from no employment to part-time employment to being off the benefit and in full-time employment. This has implications for the development of policy based on assumptions about sole parent beneficiaries' movement into employment, and for the type of assistance available to sole parents
- the availability of suitable childcare was raised as an issue on numerous occasions in most of the evaluations. Without access to safe, affordable childcare at the times it was required, sole parents were constrained in their ability to:
  - enter employment or take on more hours
  - sustain employment
  - participate in education and training.

Childcare was a particular issue for those working non-standard or variable hours. This raises questions about the availability of suitable childcare and the government's role in providing that care

- the majority of those who moved off the benefit into employment reported that they were financially better off as a result of the move. However, the financial benefits of employment can take some time to accrue. This raises a number of implications:



- sole parents' participation in paid employment is likely to lead to improvements in the financial circumstances of sole parent families, as long as the employment is sustainable
- financial support to sole parents when they first move off the benefit and into employment is important.
- debt can significantly undermine the financial status of sole parents who move into employment. Māori and Pacific participants have higher median levels of debt and lower median levels of income. In some cases, sole parents suggested they got into debt because of miscalculations in DWI or Inland Revenue entitlements. This raises questions as to what information is provided to sole parents by Inland Revenue and DWI, how these agencies calculate entitlements and the process for calculating entitlements (e.g. reporting unexpected weekend work in time for inclusion in calculations)
- It is well documented that obtaining post-school qualifications is positively associated with higher earnings. This raises implications regarding:
  - the importance of assisting sole parents to access further education
  - the need to better understand the type of education and training that makes a difference.

### **4.3 Sustainability and retention of employment**

Gaining full-time employment did not necessarily mean retaining full-time employment for DPB recipients. Just over 50% of DPB recipients, from the 1993 cohort of those entering the DPB who moved off the benefit and into employment, returned to the benefit within two and a half years. Analysis of the cohort indicated that the age of children appeared to be an important factor in influencing long-term or repeated benefit receipt. Having a youngest child aged under seven years substantially increased the probability of a long total duration on the benefit.

The present evaluation and monitoring strategy sought to identify key factors that assist sole parents to stay in both part-time and full-time employment and the barriers that hinder retention of employment.

Flexible and appropriate labour market opportunity was a key factor assisting sole parents' retention of employment. Sole parents with school-aged children require employment which they can easily get to, and which allows them to work within school hours. Additionally, employment hours need to be flexible so that they can care for their children when sick, and for some, in school holidays where holiday programmes are not accessible or affordable.

Other factors associated with sole parents staying in employment, particularly full-time, were:

- a belief they were financially better off
- a belief that that employment was having an overall positive effect on their family (refer to Section 4.4 )
- having heightened self-esteem from the move to employment
- having interesting and rewarding employment.

One of the most significant barriers for sole parents' retention of employment (part-time and full-time) was childcare. The affordability of and access to childcare were cited repeatedly as primary issues impacting on the sustainability of paid employment for those with youngest children under age 14. Childcare was also an issue for sole parents with older children, but was most prohibitive for the younger age groups owing to their age and the legal requirement for children under the age of 14 not to be left unsupervised.

Low wages were a further barrier, and particularly crucial for those moving into full-time employment and off the benefit. There were often significant additional expenses in taking on work, which were, for many, not offset by an improved income. This was compounded by the requirement to pay off debt when leaving the DPB and WB. Low-paid employment was generally not sustainable in the long term for sole parents.

Many of the Māori and Pacific people in the qualitative outcomes study had particular difficulties sustaining employment. For Māori, this was associated with the casualised nature of the work available, but also owing to a range of other pressures including poor and uncertain housing, anxiety about the safety and security of their children, and in some cases apparent alienation from and a lack of connection to paid employment norms and activities. For Pacific peoples, anxieties revolved around care of their children and in some cases care of other family members.

#### **4.3.1 Implications for sustainability of employment**

The evaluation and monitoring strategy explored factors affecting the retention and sustainability of employment. The findings raised the following implications:

- the evaluation and monitoring strategy research supports the need for sole parents to be assisted to establish themselves in employment in a sustainable way. Sustainable employment was that which provided hours that allowed sole parents to manage their family responsibilities, covered additional costs associated with employment (e.g. childcare, transport) and provided medium to long term certainty of income. The impact of moving on and off the benefit was discussed within this evaluation, and numeric evidence, which outlines the extent of this movement, has been included. Areas on which the Government could focus to improve employment retention may include:
  - letting sole parents know about their entitlements and assistance measures before difficulties arise and then supporting access to those entitlements/assistance (including measures designed to assist sole parents in the transition from the DPB to employment; access to Community Services Cards; assistance from Inland Revenue)
  - the development and support of more childcare facilities, catering to a diversity of working hours
  - further research to better understand the types of education and training that are most likely to lead to sustainable employment for sole parents.

#### **4.4 Outcomes for children and families after sole parents move into employment**

It was not possible to determine the direct (or even indirect) impacts of the reforms on children and families. Instead the evaluation and monitoring strategy focused on the impact of sole parents moving into full-time employment on their children and their families. The qualitative outcomes study found that sole parents believed that their participation in employment would improve the life chances of their children.

In the evaluation and monitoring strategy there was an assumption that income was an important indicator of well-being for the children and families of sole parents. It was anticipated that increased earnings would come from employment. As indicated earlier, earnings for most sole parents who left the benefit for employment improved compared with their income on the benefit. Three in five re-

spondents (60%) in the survey of sole parents who left the benefit for employment stated that, since moving from the DPB into paid work, the overall effect on their family had been positive or very positive. By contrast, 4% described the impact on their family as negative or very negative.

There were indications that there were only marginal, if any, increases in earnings for those participating in part-time employment. However, the qualitative outcomes study noted that part-time employment was one way in which sole parents were able to deal with their family responsibilities.

Where there had been an increase in family income owing to employment, there appeared to be two main positive effects for families. The first was that the parent was able to provide extras for children, such as holidays. The second was that parents felt they were providing a positive role model for their child/ren. Sole parents also reported that they had improved self-esteem after entering employment and a greater sense of freedom (e.g. less tied to DWI and the requirements associated with receiving a benefit).

However, sole parents in employment, especially those in full-time employment, were continually seeking to manage the tension and requirements of home and work. They also recognised that the costs of paid work may exceed the benefits. They were constantly concerned that the delicate network of support (families, neighbours and employers) that allowed them to continue working could be broken through events largely outside their control (e.g. deterioration in their own, their children's or their supporters' health, or changes in the employment market, or changes in the cost of living). Their circumstances were fragile and their resources to deal with changes in these circumstances were limited.

Leaving younger children in the care of older siblings was frequently reported as an outcome of employment take-up. The qualitative outcomes study found that some sole parents who had moved into employment were leaving children under the age of 14 at home unsupervised, which is illegal. Many participants also feel that the 14+ age group also needed a parent to be there for them or needed adult supervision. Sole parents reported increased levels of fatigue juggling employment with family responsibilities.

The qualitative outcomes study found that, for some participants, moving into employment created additional stress in the family, as the parent was not able to spend as much time with their children. This was especially so for those in full-time employment. Concern that their children's emotional, social and educational well-being was suffering, along with insufficient income to care for their children, were key reasons why people applied for, stayed on, and returned to the benefit.

#### **4.4.1 Implications arising from outcomes for children and families**

The evaluation and monitoring strategy examined outcomes for families and children following the movement of DPB and WB recipients into employment. The findings from this work raised the following implications:

- family circumstances were core to sole parents moving into employment. However their circumstances were fragile and their resources to deal with changes (e.g. failure in childcare, health issues, job changes) in these circumstances were limited. This has implications for the type of assistance available to support sole parents when those circumstances deteriorate or alter
- some sole parents with a youngest child aged 14+ years were concerned about the behaviour of their children if they were in full-time employment or obligated to find full-time employment. However, it was unclear what the size of this problem was. This is something that could be explored in future

research. It has implications for tying work-test obligations to the age of the youngest child

- there was some evidence of older siblings being left to care for younger siblings while their parent was in employment. This raises a number of issues (e.g. safety of care; effect on older children who may be spending long hours undertaking such work; the appropriateness of the sole parent's employment; the availability of childcare). Further exploration of this issue is required to gain an understanding of the extent of the problem.

# 5 Impact of the reciprocal obligations and facilitative measures on sole parent behaviour

## 5.1 Impact of the reciprocal obligations on sole parent behaviour

Some Case Managers interviewed reported noticeable differences in terms of attitude between DPB and WB recipients who had been on a benefit for many years and those recipients who had been in receipt for a short period of time. They believed that recipients who had received a benefit for a short time were more likely to look for paid employment when their youngest child reached the prescribed age set down in the reforms than longer-term recipients were. They also believed that DPB and WB recipients had generally become more aware and accepting of the requirement to look for part-time and eventually full-time paid work over time.

Amongst DPB recipients who had left the benefit for employment, the perceived or reported impact of the reforms is, not surprisingly, closely related to the degree of reciprocal obligations they experienced.

Of respondents in the survey of sole parents who left the benefit for employment who were subject to regular meetings with their Case Manager, more than four in five (83%) stated that this requirement had no effect on how they felt or what they did with respect to finding work. It was unclear how many respondents had actually had a planning meeting with their Case Manager. However, among those required to look for full-time work, only 58% stated that the reforms had no effect on them.

Reported impacts of the policy reforms were wide ranging. Of those in the survey of sole parents who left the benefit for employment and who were required to look for full-time work, 15% stated that this put considerable pressure on them, and 7% mentioned worry and stress. Detrimental impacts were most frequently mentioned by those with more than one child. As a direct result of the policy signal to find full-time work, 10% reported that they had started looking for full-time work, 6% started undertaking work-related training, and 5% moved into part-time work.

Māori respondents with a youngest child under seven were significantly more likely to state that they started undertaking education or training as a result of the policy change (12%) than Other respondents (3%). Māori respondents subject to the part-time work-test were significantly more likely to state that they got part-time work as a result of the policy change (8%) than Other respondents (3%), and more likely to state that the requirement to find part-time work provided them with motivation (3%) than Other respondents (0%).

## 5.2 Impact of facilitative measures on sole parent behaviour

The facilitative measures introduced as part of the DPB and WB reforms included:

- measures which were intended to provide financial incentives, or address disincentives, for sole parents to work. These measures<sup>63</sup> included increased assistance during the initial transition to work; changes to the Child Support Act to allow access to the payment record of non-custodial parents; and increased childcare assistance (e.g. OSCAR). There were new initiatives such as the PPS pilot
- sole parent beneficiaries also became eligible for the full range of employment programmes and assistance available to other job seekers.

### 5.2.1 Outcomes of OSCAR subsidy for parents and providers

Government's policy intent of the OSCAR subsidy was to improve access to childcare for caregivers (e.g. those on a low-income) who otherwise might not be in a position to look for work or enter training by providing assistance to reduce childcare costs.

Government also intended to contribute to the expansion and sustainability of OSCAR services by providing low-income parents with a capacity to pay fees.

#### *Patterns of OSCAR subsidy take-up*

The take-up of the OSCAR subsidy during the first year of operation was considerably lower than envisaged by the Government when it extended childcare payments to cover OSCAR services. According to figures supplied by DWI, only 1,130 parents were reported as receiving the OSCAR subsidy for one or more of their children in May 2000. By February 2001 that number had decreased slightly to 1,093.

The services used by parents who had accessed the OSCAR subsidy at some point between November 2000 and mid-November 2001 ranged widely, with after-school care and holiday care being most in demand.

Despite the low take-up of the OSCAR subsidy, just over a third of the parent respondents to the OSCAR parent survey reported that they did not use OSCAR services prior to taking up the OSCAR subsidy.

#### *OSCAR and employment outcomes*

Taking up the OSCAR subsidy does appear to be associated with an increase in paid employment participation. Only slightly more than half of the respondents reported being in employment prior to receiving the OSCAR subsidy, while three-quarters of the respondents in the OSCAR parent survey reported that they were in employment at the time of the survey.

Beneficiary recipients currently in paid employment were slightly more likely to have entered it at the receipt of an OSCAR subsidy than non-beneficiary recipients currently in employment.

<sup>63</sup> Refer to Appendix 1.

Of the 656 respondents to the OSCAR parent survey who were in employment prior to taking up the OSCAR subsidy, over a quarter (184 respondents) reported that the OSCAR subsidy did allow them to increase their work hours. This association was particularly pronounced among the beneficiary recipients of the OSCAR subsidy.

*OSCAR and training outcomes*

Just over a third of the respondents to the OSCAR parent survey reported that they were in education or training. Involvement in education and training was more pronounced among the beneficiary recipients of the OSCAR subsidy compared with the non-beneficiary recipients of the OSCAR subsidy (Table 5).

Twenty-one of the 70 non-beneficiaries in education or training reported that the OSCAR subsidy allowed them to increase their hours in education or training. Over two-thirds<sup>64</sup> of beneficiaries in education or training reported that the OSCAR subsidy allowed them to increase their hours in education or training.

<b>Table 5 OSCAR parents' benefit status by involvement in education/training (OSCAR parent survey)<sup>65</sup></b>				
<b>Involvement in education/training</b>	<b>OSCAR parent beneficiaries</b>		<b>OSCAR parent non-beneficiaries</b>	
	Parents	% Parents	Parents	% Parents
Yes	374	40	72	24
No	555	60	231	76
Total	929*	100	303**	100

SOURCE: OSCAR subsidy evaluation, 2001

\*3 missing cases \*\*1 missing case.

<sup>64</sup> That is, 248 of the 367 beneficiary respondents to the OSCAR parent survey who were in education or training.

<sup>65</sup> The OSCAR parent survey included all parents registered with DWI in receipt of an OSCAR subsidy at some time between 20 November 2000 and 16 February 2001.

### *Are OSCAR services affordable with the OSCAR subsidy?*

The Oscar parent survey indicated that there was considerable variation in what parents paid for OSCAR services. The maximum subsidy<sup>66</sup> a low-income client with three or more children could receive for school term time OSCAR care was \$37.60 per child and \$69.56 per child for OSCAR school holiday care (per week). Almost 10% of the parents noted that they faced childcare costs for children aged 5 - 14 years not covered by OSCAR (e.g. babysitters in one's own home).

The OSCAR subsidy increased the affordability of OSCAR services. Sixty-two percent of the respondents to the OSCAR parent survey reported that they used an OSCAR service because they could afford it since it was subsidised through the OSCAR subsidy.<sup>67</sup> However, affordability still remains a problem for some parents receiving the subsidy. Parents reported that they could not use OSCAR services to the extent they wished. Almost half of the parents in the OSCAR parent survey reported that cost prevented them using OSCAR more often and 52% of parents reported that they could not use holiday care because of the cost of holiday programmes.

Some parents noted that they had given up work or reduced their work hours because of the cost of childcare and the low level of the subsidy. Other parents took their children with them to work places or to education and training facilities.

Problems accessing the subsidy and the high transaction costs associated with maintaining access, combined with the relatively low level of the subsidy, had prompted some parents to give up the OSCAR subsidy, reduce their use of OSCAR services and, in a minority of cases, actually give up training or employment.

### *Provider viability and service sustainability*

OSCAR providers receiving Development Assistance (DA) reported experiencing considerable difficulties in relation to establishing an adequate and stable funding base. However, it must be recognised that those barriers to viability were not restricted to the DA providers.

Private providers were the most likely to find that parent fees covered their costs. The ability of private providers to cover their service delivery costs by parent fees reflects their lower exposure to low-income parents. Private providers participating in the OSCAR provider survey were least likely to report that they:

- had parents receiving OSCAR subsidies
- were exposed to parental debt.

<sup>66</sup> The subsidy rate per child varied from \$0.70 to \$1.81 depending on the principal caregiver's before-tax income and the number of children they had. The OSCAR subsidy was a new subsidy to be accessed by low-income parents. Unlike the Childcare Subsidy for early childhood care, the OSCAR subsidy could not be accessed unless the caregivers were in paid employment; or had been directed by DWI to attend an organised activity; or were attending employment-related training; or were undertaking study at a tertiary institution or secondary school. Access to the OSCAR subsidy was also restricted to low-income parents with children aged 5 - 13 years attending an approved OSCAR programme for three or more hours weekly.

<sup>67</sup> There is a minimal difference between beneficiary and non-beneficiary recipients of the OSCAR subsidy in this regard. 59% percent of non-beneficiary respondents to the OSCAR parent survey compared with 53% of beneficiary respondents to the OSCAR parent survey reported that they used an OSCAR service because they could afford it since it was subsidised through the OSCAR subsidy.



Unpaid fees by parents were a major problem for many providers and forced some providers to engage debt collectors, with many reporting debts ranging up to \$4,000. Other providers simply found their parents were persistently in arrears of about a fortnight.

It appears that some OSCAR providers quickly excluded parents with fee arrears from further service use. Private providers in particular also reported that unless their market segment was primarily low-income parents, they actively avoided taking on any parents they believed were likely to need a subsidy in order to afford the OSCAR fees.

Providers in predominantly low-income areas also reported that they were concerned about whether they could maintain service delivery over the long term given their limited ability to set fees at levels able to meet their operating costs. Many providers suggested that they cross-subsidised from other services to maintain OSCAR services. The potential for exit by providers means that parents may experience ongoing uncertainty about access to OSCAR services.

### **5.2.2 Outcomes and facilitative measures (e.g. DWI employment programmes and assistance, PPS)**

Under the DPB and WB reforms sole parent beneficiaries also became eligible for the full range of employment programmes and assistance available to other job seekers. It was anticipated that reciprocal obligations would increase the job seeker register by approximately 16%.<sup>68</sup> As Table 6 illustrates, there was an increase in the rate at which DPB recipients participated in job search and other DWI employment programmes from January 1998 through until April 2001. It should be noted that this increase was from a very low base in the year January 1998 - January 1999.

To enable DPB and WB recipients to meet their reciprocal obligations, their access to employment assistance was also improved. The rates of employment participation by period and age of youngest child (Table 7) indicated that the largest increases occurred amongst DPB recipients whose youngest child was between 7 - 13 years. Further, even those with a youngest child under seven saw an increase in programme participation.

<sup>68</sup> DWI estimated that the number of newly work-tested (DPB recipients, widows and spouses of beneficiaries) and shadow beneficiaries rose by up to around 30,000 between the end of March 1999 and the end of February 2000. This increase was much higher than had been expected by the registered unemployment projections. It is suggested that the increase in this group is owing mainly to a shadow or indirect effect of new work-testing policies - these beneficiaries have become registered unemployed in anticipation of work-testing even though they were not required to do so at the time.

**Table 6 DPB participation rate in DWI employment programmes per 1,000 DPB recipients**

DWI employment programmes	Rate per 1000 DPB recipients	
	Jan 1998 - Jan 1999	Feb 1999 - Apr 2001
	Into Work Support	0.19
Information Services	0.17	1.65
Job Search	0.15	3.12
Skills Training	4.18	9.62
Work Confidence	0.82	1.69
Work Experience	3.29	8.16
Paid Employment	1.62	6.56
Total Programme	10.23	30.8

SOURCE: DWI administrative data, 2001

**Table 7 Programme participation rate for DPB and WB recipients by age of youngest child and period**

Age of youngest child	June 1996 - January 1999		February 1999 - April 2001	
	DPB recipients*	WB recipients	DPB recipients	WB recipients
	Under 7	7.7	3.8	22.2
7 - 13	11.8	5.9	51.3	32.2
14+ / no child	22.1	7.7	55.1	16.0

SOURCE: DWI administrative data, 2001

\*Average per month (per 1,000 recipients)

The measures also included new initiatives such as the PPS. PPS was a small pilot service to assist sole parents exiting the DPB to move into employment, by providing them with an ongoing support service to ease the transition. The pilot was implemented by DWI and commenced in July 1999. It was piloted in four regions: South Auckland, Hawkes Bay, Wellington and Christchurch. Services were delivered in each region either by DWI Case Managers or through contracted community providers, or both. These options were provided to determine which model of service delivery was most appropriate for clients. Participation was voluntary and clients were entitled to support for a period of six months.

It was not possible to explore outcomes for participants in the PPS pilot because the implementation and ongoing operation of the pilot were problematic.

### **5.2.3 Implications arising from measures to assist sole parents' retention of employment**

- When the childcare subsidy was extended to cover OSCAR services it had considerably lower take-up than that envisaged during the first year of operation. This was mainly owing to implementation and operational issues. However, OSCAR services were considered valuable to those who used them:
  - over a third of the parent respondents to the OSCAR parent survey reported that they did not use OSCAR services prior to taking up the OSCAR subsidy
  - taking up OSCAR did appear to be associated with increased participation in employment and in education and training (e.g. participants were able to extend their hours)
  - the OSCAR subsidy does increase the affordability of childcare. However, affordability still remained a problem for subsidised parents. This has implications for the supply of formal childcare to low-income sole parents and their use of formal childcare
- Those OSCAR providers receiving OSCAR Development Assistance (DA) had considerable difficulties in relation to establishing an adequate and stable funding base. However, it must be recognised that those barriers to viability were not restricted to the DA providers. This has implications for the future viability of childcare providers in low-income areas in particular and in terms of support available to providers in these areas
- There has been an increase in the rate at which DPB recipients have participated in job search and other DWI employment programmes from January 1998 through until April 2001. However, it should be noted that increase is from a very low base in the year January 1998 - January 1999.

## 6 Conclusions and implications

The evaluation and monitoring strategy found that sole parents were generally highly motivated to enter and stay in employment when they can enter employment that is suitable. There was also evidence to suggest that reforms have helped create the expectation that, where possible, sole parents should be in employment once their child/ren is/are over the age of six.

Those who did move into employment and off the benefit were more likely to report that they were better off financially, even though in some cases those benefits took time to accrue.

Economic conditions will have an impact on the availability of employment for sole parent job seekers. However, the findings suggest a number of implications for policies affecting sole parents entry to, and retention of, employment.

- For the successful implementation and ongoing operation of future policy initiatives affecting DPB and WB recipients, the following should occur:
  - consideration of the operational feasibility of new policy when it is being developed
  - a clear translation of the policy from the policy agencies through the operational agency to DPB and WB recipients
  - sufficient resourcing for full and stable implementation and ongoing operation to occur.
- For facilitation of entry to employment, key areas to consider are:
  - access to childcare that is affordable and available at the times and locations required by sole parents
  - sole parents acquiring post-school education and training as this assists them to move beyond low-paid jobs that are often not sustainable. This implies a continued need to encourage sole parents to participate in education and training. However, there is also a need to better understand what type of education and training is most important in assisting sole parents into employment
  - practices that are tailored to meet the needs of Māori and Pacific peoples
  - developing a better understanding of the availability of employment regionally along with the extent to which there is a mismatch between the jobs available and sole parent job seekers.
- For the retention of employment by sole parents, key areas to consider are:
  - childcare (as mentioned above)
  - access to transitional financial support for sole parents moving into employment
  - access to ongoing support from DWI (e.g. supplementary benefits and other types of grants) to assist sole parents to maintain stability of income
  - clear communication to sole parents of their entitlements, and co-ordination between agencies providing support to sole parents in employment (e.g. Inland Revenue and DWI) to assist in reducing the level of debt some sole parents face.
- The evaluation indicated there might be some negative effects for children of sole parents moving into employment. Further information is required on the extent to which:
  - concerns about the welfare of children aged 14+ were preventing sole parents from moving into employment
  - children under 14 years are being left at home alone while sole parents are in employment.

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# Appendix 1

## DPB Policy Changes October 1995 - October 2001

Table 8 details changes that have affected sole parent beneficiaries up to October 2001, as well as the evaluation timetable.

<b>Table 8 Chronology of changes affecting sole parent beneficiaries up to October 2001</b>	
<b>Date</b>	<b>Changes affecting sole parent beneficiaries</b>
1911	Widow's Pension Act
1915	War Pensions Act - a pension for the wives and children of soldiers who had died in WWI
1938	The Social Security Act granted a widow's benefit for the first time to widows whose children were no longer dependent, as well as to widows who had never had children
Nov 1973	The DPB, when introduced in 1973, provided financial assistance for all categories of non-widowed sole mothers, separated or divorced men and widowed sole fathers. Coverage was also extended to older women without children (whose past caring responsibilities reduced their ability to support themselves in paid work), and people providing care to other dependants (who would otherwise be institutionalised). The rationale for providing statutory income support was the recognition that the loss or absence of a husband's support, or generally in the case of sole fathers the absence of someone to care for their children, placed sole parent families at risk of poverty (Goodger, 1998). The aim of the DPB policy was to provide an adequate level of income that would enable parents to provide full-time care for their children
1987	The WB was extended to women whose de facto husbands had died
Apr 1991	The rate of the WB was reduced by 17%, when the majority of benefit rates were adjusted downwards
Oct 1995	Government's response to the Employment Task Force (ETF) was announced Compass programme was extended nation-wide
Apr 1996	National rollout of customised service and activity agreements began
May 1996	Government's response to the ETF was passed into law
Jun 1996	Beginning point for collection of administrative data for the evaluation and monitoring strategy
Jul 1996	Dual abatement regime took effect Independent Family Tax Credit was introduced Rates of Family Support were increased First round of tax cuts took effect Secondary tax rate applying to earnings on top of benefit was reduced
Apr 1997	ETF reciprocal obligations began to be rolled out
Jul 1997	The level of Independent Family Tax Credit was increased Further increases to rates of Family Support took effect
Aug 1997	The Compass programme was put in place nationally and the number of places available began to be increased to 16,000
Jan 1998	Rates of Family Support for dependent children aged 16 - 18 were increased
Apr 1998	The rollout of ETF reciprocal obligations was completed
Apr-Jun 1998	Income Support ran an advertising campaign targeting benefit fraud
May 1998	DPB Review changes were announced as part of the Budget and passed into law soon after
Jul 1998	Further tax cuts took effect
<b>Oct 1998</b>	<b>DPB and WB evaluation and monitoring strategy began</b>

Date	Changes affecting sole parent beneficiaries
Oct 1998	DWI was formed  Changes to the Training Incentive Allowance (TIA) were announced <sup>69</sup>  The introduction of the Community Wage - with explicit work-test obligations and sanctions for benefit recipients (including DPB and WB recipients with school age children) which also came into effect on 1 October 1998
Jan 1999	Changes to the TIA came into effect
Feb 1999	DPB Review changes took effect. Further changes to reciprocal obligations began to be rolled out
Feb + Jun 1999	Inland Revenue ran an advertising campaign to raise awareness of Independent Family Tax Credit and Family Support among low-income working families
Feb 1999 - Feb 2000	The trial payment of the OSCAR subsidies to individuals, rather than providers, took place over the 1-year period (1 February 1999 - 1 February 2000)
Jul 1999	PPS pilot commenced in 4 regions: South Auckland, Hawkes Bay, Wellington and Christchurch
Nov 1999	Following the national election the Government changed to a Labour-led coalition
Apr - May 2000	Qualitative outcomes fieldwork
Jun 2000	Government directed officials to review the employment-related obligations of DPB and WB recipients and of spouses of beneficiaries
Jun - Jul 2000	PPS qualitative interviews with participants and providers
Oct - Dec 2000	OSCAR qualitative interviews with providers and parents
Jan - Feb 2001	OSCAR provider survey
Feb 2001	Survey was undertaken of sole parents who left the benefit in the 8 months prior to Feb 2001
Feb - May 2001	OSCAR parent survey
Apr - May 2001	Qualitative outcomes fieldwork
Apr 2001	End point for collection of monitoring data for the evaluation
Jul 2001	Process evaluation undertaken
<b>Oct 2001</b>	<b>DPB and WB evaluation and monitoring strategy are reported</b>

## Changes to the abatement regime

Table 9 summarises changes to the DPB between 1996 and 1999.

As part of the response to the Employment Task Force (ETF), a new abatement regime which offered greatly improved financial incentives to combine DPB receipt with part-time employment was introduced (Table 9). From 1 July 1996 the income threshold beyond which the main benefit began to abate was increased and the abatement rate that applied for the first \$100 weekly income above this threshold was substantially reduced.

<sup>69</sup> From 1 January 2000 all people who qualify for the TIA were entitled to receive up to a maximum of \$3,000 per year to cover fees, course costs, childcare and transport. Between 1 January 1999 and 1 January 2000 those entitled to the TIA were required to fund 40% of their course fees and course costs either through a student loan or privately.

These improved financial incentives were matched by the introduction of “reciprocal obligations” for some groups of sole parents receiving DPB, with provision for exemption:<sup>70</sup>

- those with a youngest child aged 14 or over became subject to a part-time work or training test
- those with a youngest child aged 7 - 13 who had received the DPB continuously for at least a year were required to attend an annual planning interview.

These requirements were gradually rolled out to existing recipients in the year from April 1997. The work-test applied to new applicants from that date. The aims of the changes were to increase DPB recipients’ participation in part-time employment, and raise awareness of opportunities for education and training, as a means of improving their chances of full-time employment and independence from benefit income in the longer term.

<b>Table 9 DPB policy changes 1996 - 1999</b>	
<b>Date</b>	<b>Reciprocal obligation and abatement rate policy changes</b>
1 July 1996	ETF abatement change
1 April 1997	ETF reciprocal obligations: Youngest child aged 14+ - part-time work-test Youngest child aged 7 - 13 - annual planning interview Youngest child aged 0 - 6 - no change
1 February 1999	DPB Review reciprocal obligations: Youngest child aged 14+ full-time work-test Reversal of abatement change Youngest child aged 6 - 13 - Part-time work-test Youngest child aged 0 - 5 - Annual planning interview

SOURCE: Ball and Wilson, 2000

<b>Table 10 Abatement rates applying to DPB before and after 1996</b>		
Income level (\$ per week)	<b>Abatement rate applying to DPB</b>	
	Before 1 July 1996	From 1 July 1996
\$0 - 60*	0%	0%
\$61 - 80	30%	0%
\$81 - 180	70%	30%
\$181 or over	70%	70%.

\* Before 1 July 1996 the lower income threshold for DPB and other benefit recipients without children was \$50 per week  
SOURCE: Ball and Wilson, 2000

<sup>70</sup> Reciprocal obligations were also introduced for women alone and carers receiving the DPB and some partners of unemployment benefit recipients.



In May 1998, changes flowing from the 1997/98 DPB Review were announced. Key among these were further changes to reciprocal obligations and abatement for sole parents receiving the DPB.<sup>71</sup> From 1 February 1999, reciprocal obligations began to be newly rolled out to some groups and strengthened for others, with provision for deferral:

- the work-test applying to those with a youngest child aged 14 or over was strengthened to require participation in or search for full-time work
- those with a youngest child aged 7 - 13 became subject to a part-time work-test
- those with a youngest child aged under seven who had received the DPB continuously for at least a year were required to attend an annual planning interview
- those with a youngest child aged five could be required to undertake activities in preparation for the part-time work-test.

Those with a youngest child aged 14 or over subject to the new full-time work-test became once again subject to an abatement regime that encouraged full-time rather than part-time work. This entailed an increase in the abatement rate applying to additional income between \$81 and \$180 per week from 30% to 70% (Table 11). This change was rolled out gradually as existing recipients came up for annual renewal and became subject to the full-time work-test, and was applied to new full-time work-tested recipients as they came onto the benefit. In cases where the work-test was deferred, the recipient remained subject to the part-time abatement regime.

<b>Income level (\$ per week)</b>	<b>Full-time regime Main benefit abatement</b>	<b>Part-time regime Main benefit abatement</b>
\$0 - 80	0%	0%
\$81 - 180	70%	30%
\$181 or over	70%	70%

<sup>71</sup> Reciprocal obligations were also strengthened for and/or extended to women alone and carers receiving DPB and partners of recipients of all other working age benefits. The abatement change also applied to women alone receiving the DPB.

# Appendix 2

## Description of the evaluations

<b>Table 12 Description of the evaluations</b>	
<b>Report title</b>	<b>Description</b>
Shorter-term Outcomes Project: Qualitative Outcomes Study	<p>In-depth interviews were conducted with 96 sole parents who were currently or had been in receipt of the DPB. These interviews were repeated 1 year later (retention rate of 64%) to gain longitudinal analysis of their situation over time. The evaluation focused on:</p> <ul style="list-style-type: none"> <li>• employment, education and training outcomes for sole parent beneficiaries</li> <li>• earnings and hours worked by sole parent beneficiaries</li> <li>• links between assistance measures and outcomes achieved by sole parent beneficiaries</li> <li>• shorter term effects of the DPB and WB reforms on the families and children of sole parent beneficiaries.</li> </ul>
Shorter-term Outcomes Survey	<p>A survey with 1,016 sole parents who had received the DPB in the last 12 months, prior to end of Feb 2001; and who had moved into work. The focus of this survey was on:</p> <ul style="list-style-type: none"> <li>• employment, education and training outcomes for sole parent beneficiaries in work</li> <li>• earnings and hours worked by sole parent beneficiaries</li> <li>• perceptions of reform impact on their exit off the DPB</li> <li>• impact of work on family.</li> </ul> <p>The survey was undertaken because there was limited information available on what happens to sole parents once they leave the benefit, particularly with regard to outcomes.</p>
Post Placement Support	<p>The broad objectives of this evaluation were to:</p> <ul style="list-style-type: none"> <li>• assess how PPS can be implemented to achieve the best outcomes for sole-parents who have moved off benefit into employment</li> <li>• identify the costs of the PPS provided in the pilot</li> <li>• assess the extent to which the PPS assisted participants to remain in employment.</li> </ul>
Evaluations of OSCAR Subsidy, OSCAR Development Assistance, CCS and OSCAR Payment Process	<p>The evaluations focused on:</p> <ul style="list-style-type: none"> <li>• the impact of the extension of the childcare subsidy to out-of-school care for 5 - 13 year-olds introduced on 1 February 1999, known as the OSCAR Subsidy</li> <li>• the extent to which \$3.15 million development assistance funding invested over a 2 year period from 1 February 1999 generated a sustained and accessible set of OSCAR providers and services in disadvantaged communities.</li> </ul> <p>There was also an evaluation of the payment process for delivering childcare subsidy (12 month pilot).</p>
Evaluation of the implementation of the DPB-WB Reforms	<p>A process evaluation with DWI Case Managers, specifically focused on implementation and ongoing operation of:</p> <ul style="list-style-type: none"> <li>• changes to the reciprocal obligation rules following the 1998 DPB and WB reforms</li> <li>• measures aimed at assisting or encouraging sole parent DPB and WB recipients to move into and remain in employment following the 1998 DPB and WB reforms.</li> </ul>
Monitoring of DPB and WB Recipient Populations	<p>A report summarising the key trends in the outcomes for recipients of the DPB and WB. The report uses administrative data for the period June 1996 - April 2001.</p>

The DPB and WB reform evaluation and monitoring reports outlined in Table 12 will be released by the end of 2001.

## **Strengths and limitations of the evaluation and monitoring strategy focused on the 1999 DPB and WB reforms**

### **Strengths of the evaluation and monitoring strategy**

The strengths of the methodological approach adopted for this report were as follows.

*Interagency evaluation team:* The team working on the evaluation and monitoring strategy was drawn from members of the evaluation teams in the Ministry of Social Development<sup>72</sup> and the Department of Labour. This allowed for a range of perspectives on all aspects of the evaluations to be debated, strengthening the quality of the evaluations contributing to the strategy.

*External advice and peer review:* An international external evaluation expert<sup>73</sup> was employed to assist the interagency team, drawing out the key themes emerging from the various projects under the evaluation and monitoring strategy and developing ideas on how best to report the data and structure the final report. Dr David Turner<sup>74</sup> was also employed to review the final report.

*Mixed method approach:* Through the mixed method approach a range of data was used to address questions in the evaluation and monitoring strategy. This approach reduces the uncertainty of the findings because, rather than relying on one source of data, findings are supported by a number of sources of data.

*Size of the study:* The DPB and WB evaluation and monitoring strategy was one of the largest pieces of New Zealand research looking at the DPB and WB populations. The strategy has attempted to look comprehensively at the entry to and retention of employment along with the extent to which sole parents were financially better off after entry to employment.

*Longitudinal component:* A strength of the qualitative outcome evaluation was that researchers went back to the same respondents approximately one year after the first interview. This allowed the researchers to examine the extent to which there had been changes in the circumstances of sole parents in employment.

*Use of external researchers:* The evaluation and monitoring strategy used external researchers in a number of the evaluations. This allowed the interagency team to utilise skills and resources that were not available within the agencies. For example, the agencies did not have the resources (e.g. time and people) to conduct a national survey of sole parent beneficiaries who left the benefit for employment.

<sup>72</sup> As of 1 October 2001, the Ministry of Social Policy and the Department of Work and Income became one agency - the Ministry of Social Development.

<sup>73</sup> Lois-Ellen Datta has worked in evaluation at federal level for the US Government for 30 years. She has been the Director of various organisations. For example, she has been the Director of Evaluations for Head Start and the Children's Bureau Research programme; Director of Research on Teaching Learning and Assessment for the US Department of Education; and Director of the US General Accounting Officers Programme Evaluation and Methodology Division in the human services area. As a result she has worked across a broad range of areas in national programmes related to health care, quality housing, employment, public assistance, welfare, tax incentives, immigration and education.

<sup>74</sup> Dr David Turner has worked in evaluation at federal level for the US Government and is currently on leave for a year from his position as the Manager of Research and Evaluation at the Labour Market Policy Group, Department of Labour.

The use of external researchers also provided a degree of impartiality to the research process. While respondents were informed of who the research was being conducted for, steps were taken so the agencies could not identify individual respondents.

***Richness of the data collected from difficult to reach populations:*** There were two aspects to this:

- ***Māori and Pacific peoples:*** Early on the importance of collecting data on Māori and Pacific sole parent beneficiaries and ex-beneficiaries was recognised. All of the evaluations report findings by ethnicity. Specific strategies were employed to ensure that data on Māori and Pacific peoples was collected and analysed. For example:
  - evaluation plans prescribed the collection of data by ethnicity
  - Māori and Pacific populations were over-sampled to ensure there were sufficient respondents to undertake meaningful analysis
  - external researchers were employed with experience in working with Māori and Pacific peoples, especially those on a benefit
  - different recruitment strategies were employed to obtain respondents (e.g. telephone, post, local community-based networks such as churches, social services and iwi networks)
  - in a number of evaluations that used interviews to gather data, Māori and Pacific sole parents were given the option of being interviewed by interviewers from the same ethnic group. In the qualitative outcome study, for example, the ability of interviewers to converse in the language of preference of the interviewee was particularly important with Pacific interviewees (those for whom English was a second language). Interviewees were also given a choice in terms of where the interview took place (e.g. at their home, a local DWI office etc) and, in some instances, how the interview occurred (e.g. telephone, face to face)
- ***Sole parent beneficiaries and ex-beneficiaries:*** Sole parent beneficiaries, as with any marginalised group, can be difficult to gather data from. Potential respondents can be very difficult to find and unwilling to participate in interviews. This was recognised at the outset and efforts were made to employ external researchers with considerable experience in undertaking research with the unemployed and sole parents in particular. This was reflected in the quality of the data collected.

### **Limitations of the evaluation and monitoring strategy**

There were a number of factors (e.g. time scale, funding, available data, ethical considerations) which imposed limitations on the monitoring and evaluation strategy. In some cases these limitations reduced the ability to report on some aspects of the evaluation and monitoring strategy (e.g. outcomes for children and families, longer-term outcomes). The main limitations (listed below) relate to difficulties in isolating the reforms' effect on outcomes, difficulties in assessing long-term impacts (particularly on children), and difficulties in obtaining information on sole parents who exit from the benefit system.

***Inability to measure the impact of each component of the reforms:*** As the components of the DPB reforms (reciprocal obligations, facilitative assistance, financial incentives and childcare subsidies) were all introduced together, and were intended to work as a package, it was not possible to quantify the relative impact that each element had on overall outcomes. However, it was possible to describe the characteristics of, and outcomes for, people who were affected by different elements.

***Inability to measure long-term outcomes for sole parents and their children:*** The DPB benefit reforms were based on the premise that the components of the reforms, in conjunction with a wide range of other factors, will have long-term positive effects on life outcomes for parents and their children. However, there were major difficulties in assessing these long-term outcomes.

Firstly, the timeframe for the evaluation and monitoring strategy was only three years.

Secondly, assessing long-term outcomes for parents was problematic because the primary data source (administrative data) does not fully capture changes in outcomes and experiences (e.g. type of employment, earnings, labour market status) for parents no longer receiving a benefit. Only limited short-term outcomes (0 - 2 years) could be gained through the qualitative outcomes study.

There was no existing survey data to allow a comprehensive assessment of the impact of the DPB reforms on children and families. The most methodologically robust option for assessing long-term outcomes was to undertake a longitudinal survey. However, over the long term it would have been difficult to separate out the impact of the DPB reforms from other factors (e.g. new policies, changes in economic conditions). Longitudinal surveys are also very expensive to undertake.

***Difficulty in attributing outcomes to DPB reforms:*** Refer to section 1.2.1 Attribution of outcomes.

***Inability to measure costs to Government:*** It was not possible to measure the impact of the reforms on costs to Government over time. Over the past two years work has been underway to improve our ability to assess the impact of employment programmes on the costs to Government. However it is very difficult to measure the impact of broad policy changes such as the DPB and WB reforms. Refer to the comments on attribution and the difficulties measuring the impact of components of the reforms.