

# How Effective Are Work Search Requirements? Evidence from a UK Reform Targeting Single Parents

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## 1. Research questions and motivation

Many countries require out-of-work benefit claimants to prove that they are seeking work, reducing the utility of being on out-of-work benefits.

Existing (large) literature studying such 'conditionality' reforms is limited in two dimensions: (1) almost entirely focused on *outflows* from benefits – ignoring the 'deterrent' effect of reducing *inflows* to benefits, and therefore understating the total impact; (2) almost entirely focused on impacts on employment and benefit receipt – but could affect other key economic & non-economic outcomes.

We provide a more **comprehensive** evaluation of work search requirements than available to date by answering two research questions:

- How do work search requirements affect wider outcomes such as mental health, switching to disability benefits, hours worked, earnings & tax – and with what implications for the efficacy of these policies in correcting for the fiscal externalities of out-of-work benefits?
- What is the 'deterrent' effect of work search requirements on inflows to benefits – and thus the total impact on these outcomes?

## 2. Policy reform

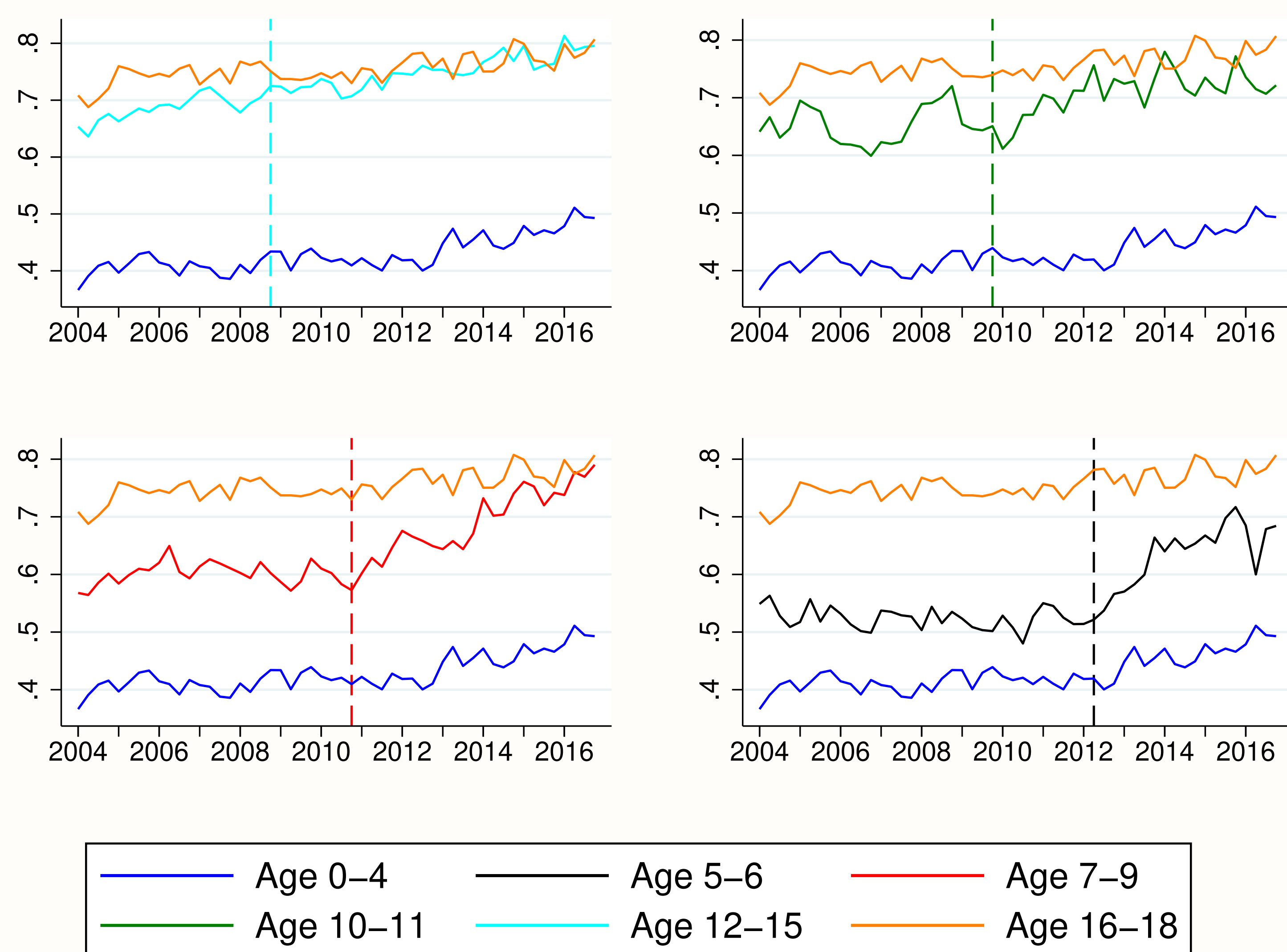
Prior to 2008, single parents in the UK could get an out-of-work benefit without having to prove they were searching for work until their youngest child turned 16.

Between 2008 and 2012, the age threshold was reduced, over four stages, to 5. The policy did not change the financial value of the benefit or availability of wider active labour market support (e.g. training).

Creates four natural treatment groups who were treated at different times depending on the age of their youngest child. Two groups of single parents are unaffected: those with a youngest child aged 16-18 (always subject to work search requirements) and those with one aged 0-4 (never subject).

Figure 1 shows the employment rates of the different treatment groups (and when search requirements were imposed) and the two unaffected groups over time.

Figure 1: Quarterly employment rates for single mothers by age of youngest child, 2006-2014



Note: The two control groups (age 0-4 and age 16-18) are shown in every panel. Each panel then also shows one treatment group. The vertical dashed lines indicate the implementation of work search requirements for the treatment group in question.

## 3. Data and empirical approach

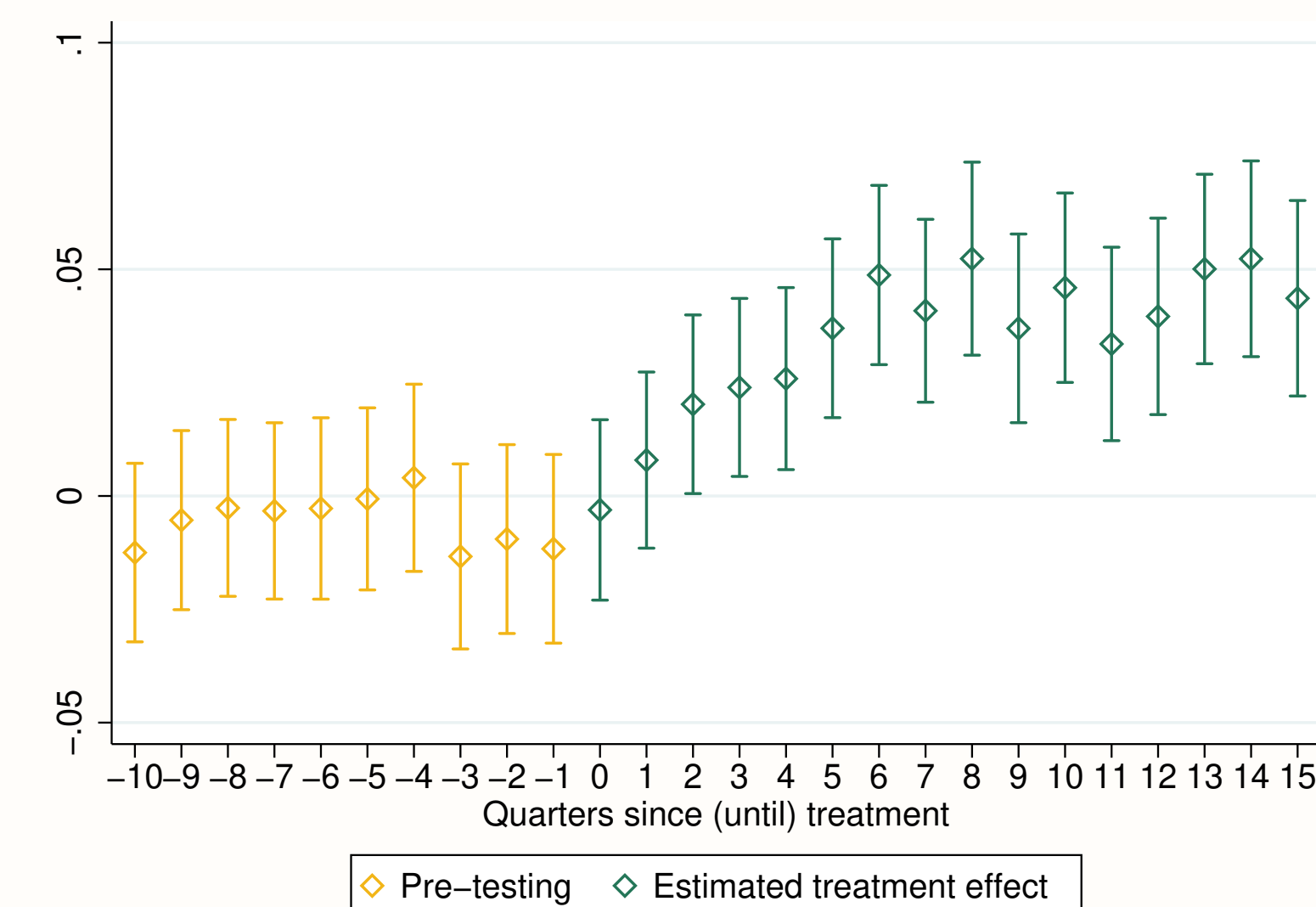
**Data:** Three representative household survey datasets. Mainly Labour Force Survey, a quarterly rotating panel of 75,000 adults per quarter, measuring key labour outcomes. Also use Family Resources Survey and the UK Household Longitudinal Study to examine tax paid, benefit receipt, and mental health. We treat the data as repeated cross-section, except for studying flows. Compared to administrative data, using survey data lets us examine the whole population and therefore inflows, as well as look at wider outcomes.

**Empirical approach:** Using the four groups affected at different times as treatment groups, and the two never-treated groups as control groups, we apply staggered difference-in-difference, using the robust estimator from Borusyak et al. (2021).

## 4. Results

Figure 2 shows that the impact on employment levels off at around 4.5ppts (on a base of 63%).

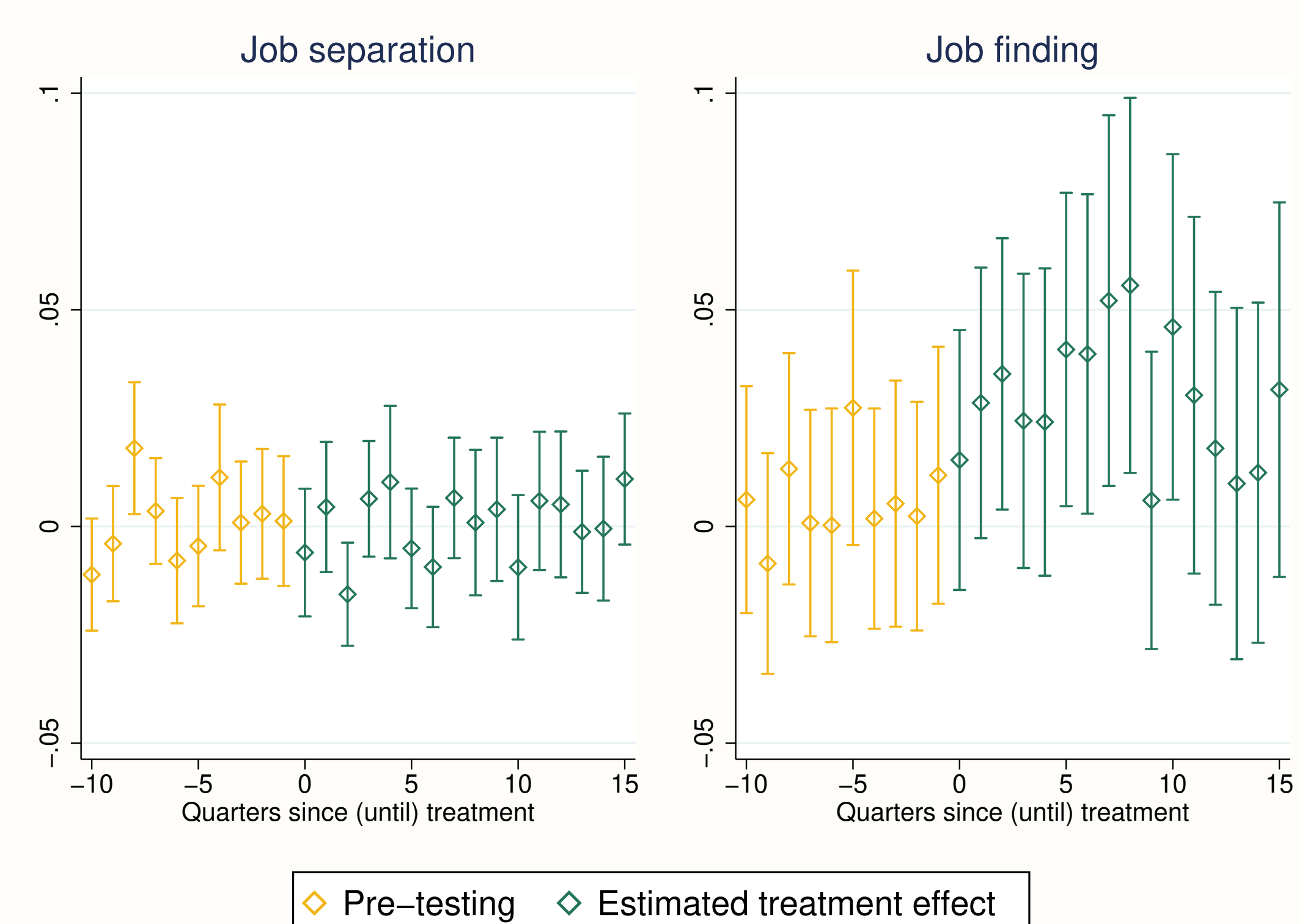
Figure 2: Impact of work search requirements on employment



Note: Sample is comprised of single mothers with a dependent child aged 0-18.

Driven by an increase in job finding (Figure 3) – almost no deterrent effect (job separation).

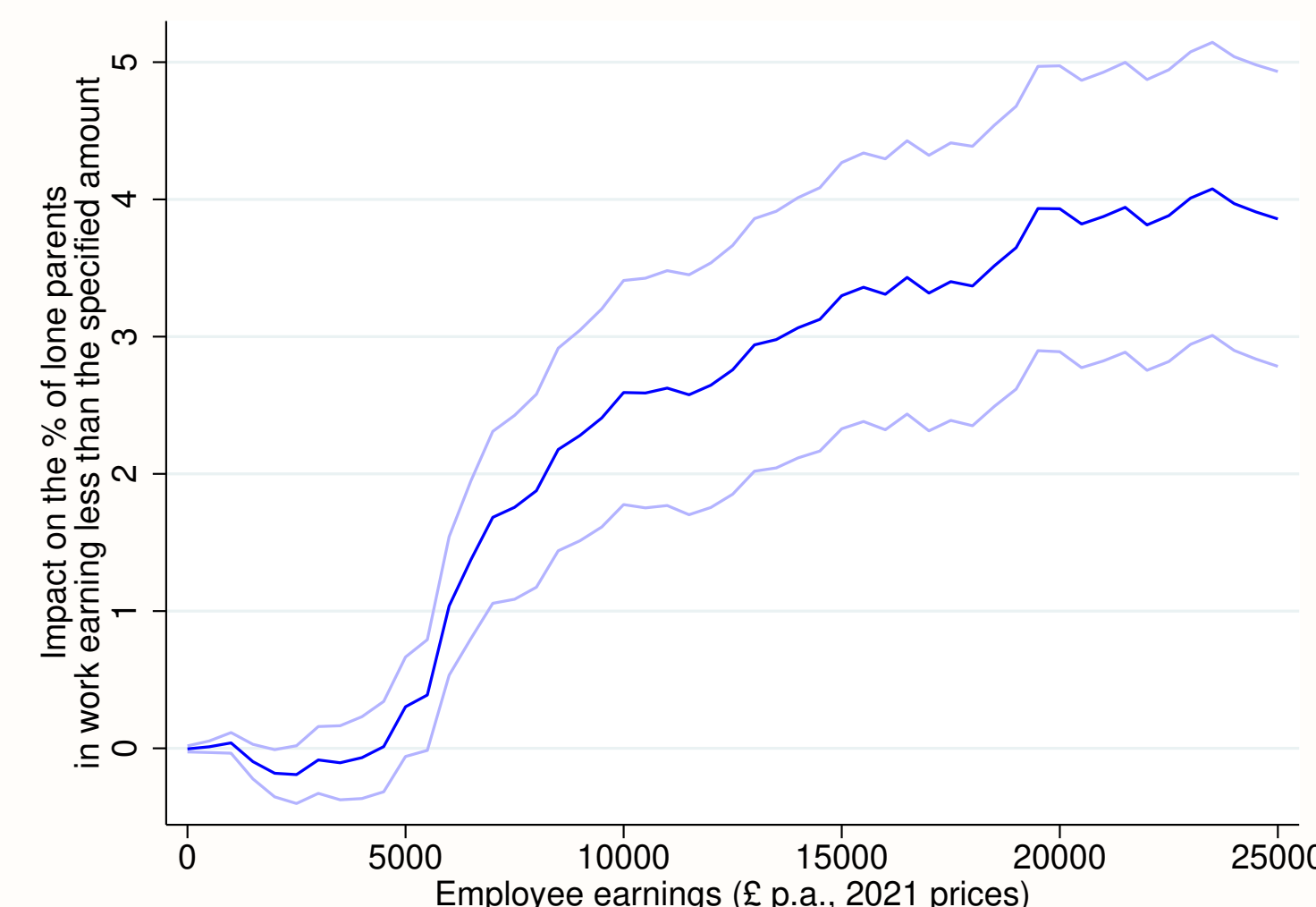
Figure 3: Impact of work search requirements on job separation and job finding rates



Note: Sample is comprised of single mothers with a dependent child aged 0-18; job separation sample includes those with a job, and job finding those without. Impact is on quarterly job finding frequency.

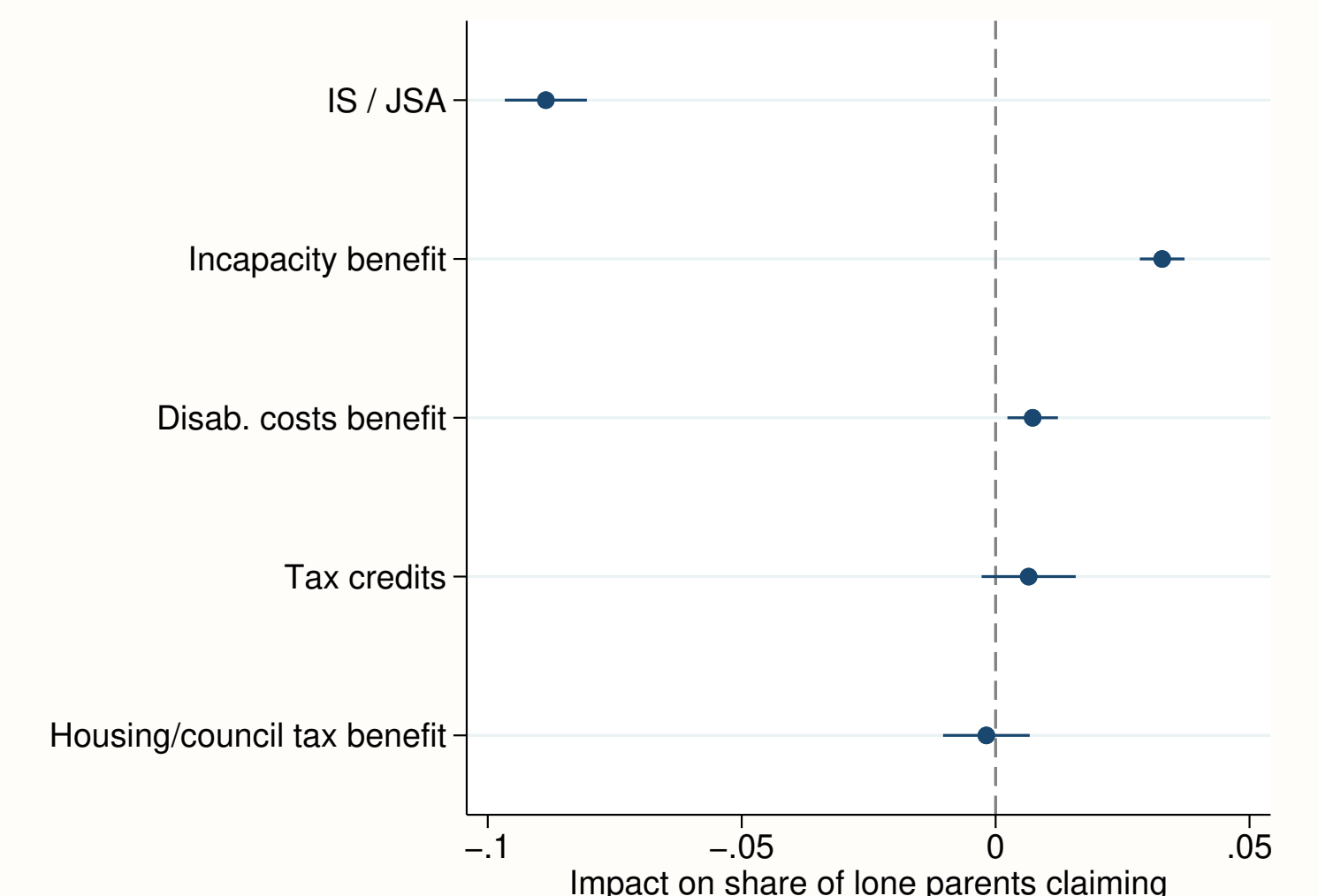
Figure 4 examines the distribution (CDF) of earnings among new jobs. The vast majority were low paid (<£20k p.a.; 40th percentile of all workers), partly as 93% were part-time. Figure 5 shows that while claims of the benefit on which requirements were imposed (IS/JSA) fell substantially, that was partly offset by increases in – more expensive – incapacity & disability benefits.

Figure 4: Impact of work search requirements on CDF of employee earnings



Note: Impact on CDF of non-zero employee earnings, 6-15 quarters after treatment. Effect of the policy on earnings from self-employment is smaller than in Figure 2).

Figure 5: Impact of work search requirements on share claiming different benefits



Note: Average impact 6-15 quarters after treatment. IS/JSA is the alternative for disabled people, without requirements. Other benefits can be claimed simultaneously with IS/JSA or incapacity benefit.

We use the same DiD approach to study tax payments and net fiscal contribution. With the new jobs being part-time and low earning, we find that tax payments did not rise much, and (in-work) benefit receipt remained high. Combined with substitution to more expensive disability benefits, the total effect is **almost zero fiscal saving for the government**.

Despite the fact that it removed an option for single parents, we do not find evidence of negative effects on mental health or reported life satisfaction.

## 5. Conclusion

The 'deterrent' effect of search requirements on inflows to benefits seems small – good news for the existing literature. But the wider effects show that focusing on employment alone misses a key part of the story. Even with large employment effects, in our setting the kinds of jobs obtained & benefit substitution means there was no fiscal externality correction – suggesting a worsening in welfare terms.