



# Trends in parental employment in London

Declan Gaffney and Hannah Aldridge

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## Background

Between 2010 and 2013, the number of children in London living in families where no adult was working fell by around 100,000 or about 25%<sup>1</sup>. This is a very rapid change, all the more so in the light of London's reputation as suffering from an intractable problem of child poverty- although that reputation may survive for the time being, as there is little evidence to date that the fall in household worklessness has translated into lower poverty once housing costs are taken into account.

How has this fall in worklessness in London come about? There are two obvious lines of explanation, which are not mutually exclusive. One-we can call it the 'positive' hypothesis- is simply that employment has increased among households which were previously subject to high risks of worklessness. The other – which we can think of as 'negative' or at best neutral - is that the fall is largely a matter of locational change, that families with higher risks of worklessness have moved out of London, or have moved out more than other families, shifting the population balance toward groups with higher chances of employment, with no effect on worklessness at super-regional level.

Both positive and negative hypotheses can draw on the fact that there have been extensive changes to the benefit system over recent years, some of which can be expected to have had particular impacts in London. Housing benefit for private sector tenants has been cut back to support only the bottom 30% of local rents; a 'benefit cap' directed at larger families in private rented accommodation in expensive areas has been imposed. Both of these changes will have had more effect on tenants in London: as was their intention, given that any plan to reduce private sector housing benefit expenditure will almost inevitably be directed at the most expensive areas. At the same time, worksearch conditionality has been imposed on single parents with younger and younger children. Although this measure was not introduced with London in mind, the impacts will be stronger in the capital due to the population age structure (London has proportionally more children in younger age bands and fewer in older age bands).

Benefit changes are not of course the only factors that might affect worklessness in London, either through the employment or location routes. It has long been recognised that much of the parental employment difference between London and other parts of the UK is due to lower rates of part-time working among mothers<sup>2</sup>: the

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<sup>1</sup> Based on the number of children (estimated) in benefit units receiving out of work benefits (JSA, IS or IB/ESA) according to the Work and Pensions Longitudinal Study.

<sup>2</sup> Gaffney D. 'Trends in child poverty and parental employment in London' in Bell K. (ed.) *We can work it out: parental employment in London* (CPAG 2012)

long labour market downturn from 2008 was marked by an increase in part-time jobs as hours were cut back- perhaps this development, however disadvantageous for others, allowed more mothers to take up employment? On the location side, the freezing of the housing market in response to the credit crunch will have had an impact on London's population, as socially selective migration flows tied to owner-occupation are an important contributor to the capital's population balance<sup>3</sup>. Typically, outward flows are tilted towards young couple families with better employment chances: if these families find themselves for a time unable to finance outward moves by selling their London property, the percentage of children in workless households in London may fall through a 'denominator' effect without any change in numbers. If younger couples with higher qualifications 'crowd in' to the private rented sector because they can't get on the housing ladder, they may 'crowd out' more disadvantaged families.

The aim of this note is to look at the evidence towards these various explanations of the dramatic fall in worklessness in London. We should state from the start that the data sources we use – we draw on both surveys and administrative data- do not fully answer our questions. However they do make some hypotheses more likely than others: to summarise

- It is in our view unlikely that location plays a major role in explaining the numerical fall in worklessness among households with dependent children in London. The effect of housing benefit changes has primarily been on location decisions within the capital. There is no evidence of change in the balance between single parent and couple families, as would be expected if there were large scale locational changes.
- Measuring from 2008 (thus before the main employment impact of the recession) to 2014, the main contribution to falling worklessness among households with children has come from single parents. There has been no change in the employment rate for mothers or fathers in couples. However, the percentage of couple households which are completely without employment has fallen, suggesting that employment is less concentrated in dual-earner households.
- The employment rate for single parents in London is now very close to the national rate, while the employment rate for mothers in couples remains far below the national rate.

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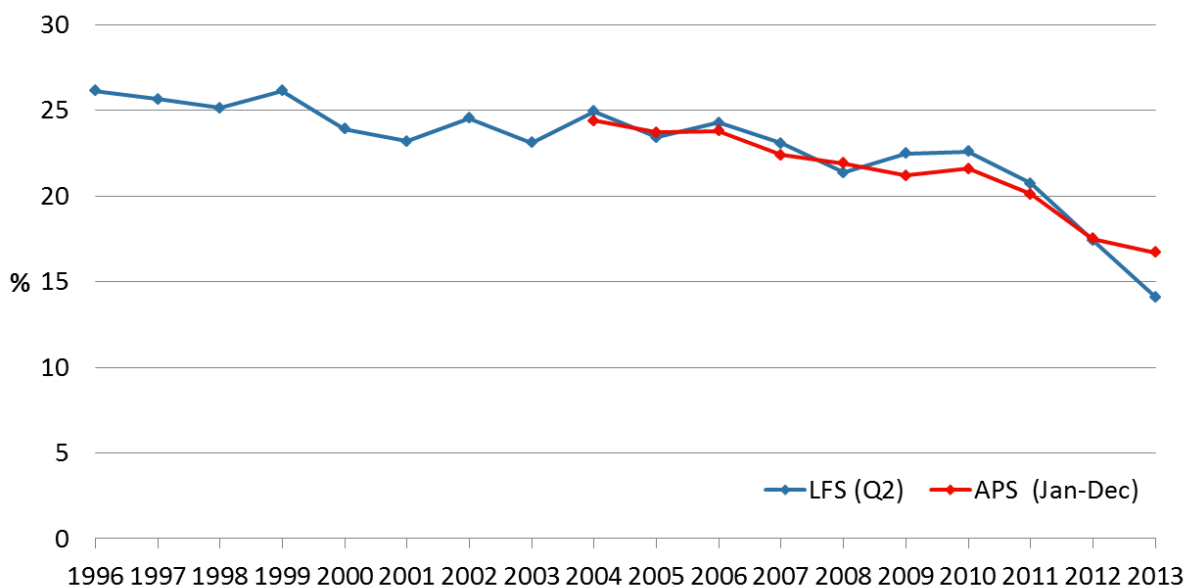
<sup>3</sup> Buck N. Gordon I. Hall P. Harloe M. Kleinman M. *Working capital: life and labour in contemporary London* (London 2002)

- Both full-time and part-time employment has risen for single parents since 2008, but part-time employment has risen much more than full-time (from 20% to 28%). There has been no change in either part-time or full-time employment for mothers in couples.
- There has been only a modest and far from unprecedented increase in the part-time share in employment in London since 2008, and not on a scale to make a major difference to parental employment. There have also been no major changes in the occupational structure of part-time employment. The increase in part-time employment for single parents is therefore unlikely to reflect changes in labour demand.
- Greater engagement of Jobcentre Plus with single parents in London, dating back to 2008, and the progressive introduction of worksearch conditionality are the most likely explanations for rising employment among households with children.

## Assessing the scale of the change

There is little question that there has been a remarkable fall in the percentage of children in workless households in London over recent years. The actual scale of change is less certain, because the two main data sources, the Labour Force Survey and the Annual Population Survey, give results for 2013 that would be hard to reconcile. The difference at Greater London level is shown in Chart 1. On both series, there is a decline in the percentage in workless households from about the middle of the last decade which accelerates from 2010. However the LFS shows a fall of some 8.5 percentage points between 2010 and 2013, an extraordinarily rapid change: on the APS data, the fall is a still-impressive but less startling 4.9 percentage points.

**Chart 1: Children in workless households, London 1996-2013, LFS and APS estimates**

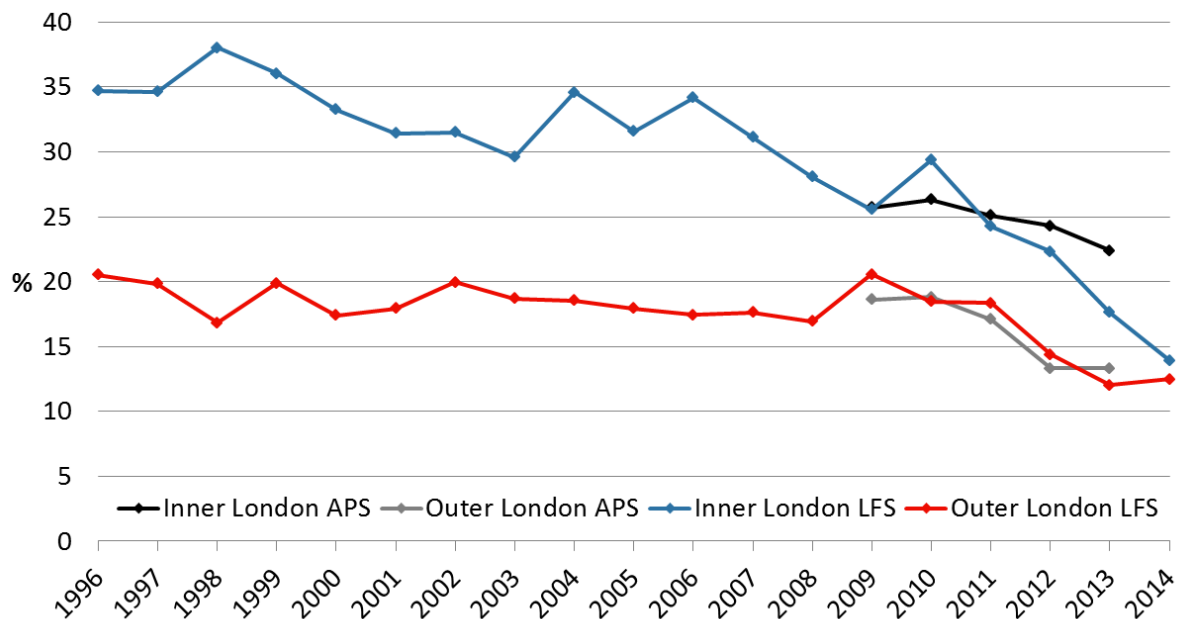


Sources: Annual Population Survey (Nomis); ONS Working and workless households 2014

These apparent inconsistencies would be less serious if they were confined to the Greater London level. We should expect more volatility in the LFS series as in contrast to the APS it is quarterly rather than annual (the LFS household data is produced only in two quarters: there are no annual figures) as well as having a much smaller sample size for London. However when we look at Inner London, the difference in trends is too big for comfort. Chart 2 shows the LFS and APS results for Inner and Outer London from 2009, including the most recent (second quarter 2014) LFS estimates. If the LFS data is to be believed, the percentage of children in workless households in Inner London is now 13.9%, statistically indistinguishable from the national level. If this really has happened, there has been revolution in

employment among households with children in Inner London. The annualised APS data on the other hand suggests a much more modest fall in Inner London with the percentage about 10 percentage points higher than at national level. Note however that the APS and LFS trends are very similar for Outer London.

**Chart 2: Children in workless households, Inner and Outer London, 1996-2014**

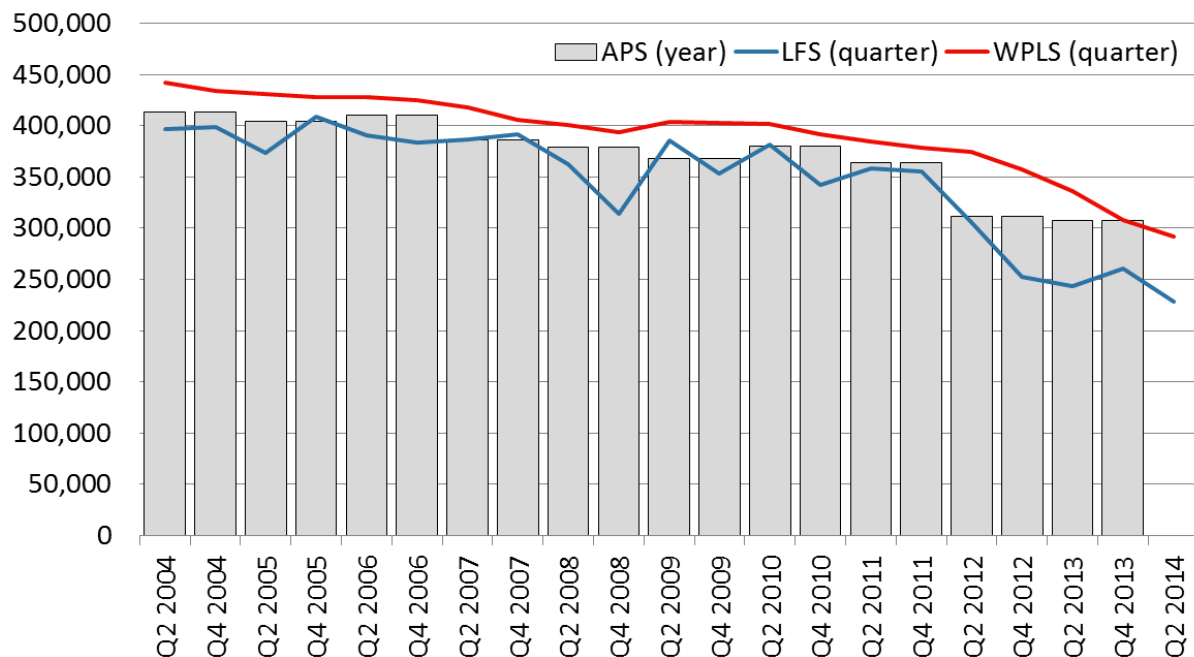


Sources: Annual Population Survey (Nomis); ONS Working and workless households 2014

Which is closer to the true picture? Data from the benefit system suggests that the LFS numbers are too low. We compare an approximation<sup>4</sup> of the number of children in families receiving out of work benefits (Income Support, JSA or IB/ESA) from the Work and Pensions Longitudinal Study (WPLS). This is not the same concept as children in workless households (not all families live as separate households, so we should generally expect more children in the WPLS series), but as can be seen in chart 3, the LFS figures have tracked the WPLS figures fairly closely since 2004, except for a period beginning in the last quarter of 2011. This also applies to the annual APS figures, but to a lesser extent.

<sup>4</sup> We multiply the number of claimant benefit units by the number of children: for units with four or more children (the highest band in the Nomis tables) we multiply by four i.e. we do not attempt to adjust for the small number of claimant units with five or more children. Comparison with the Single Housing Benefit Extract, which has an additional band of five or more children, shows that this makes little difference to numbers.

**Chart 3: Number of children in workless households (APS and LFS) and in out-of-work benefit units (WPLS), London**



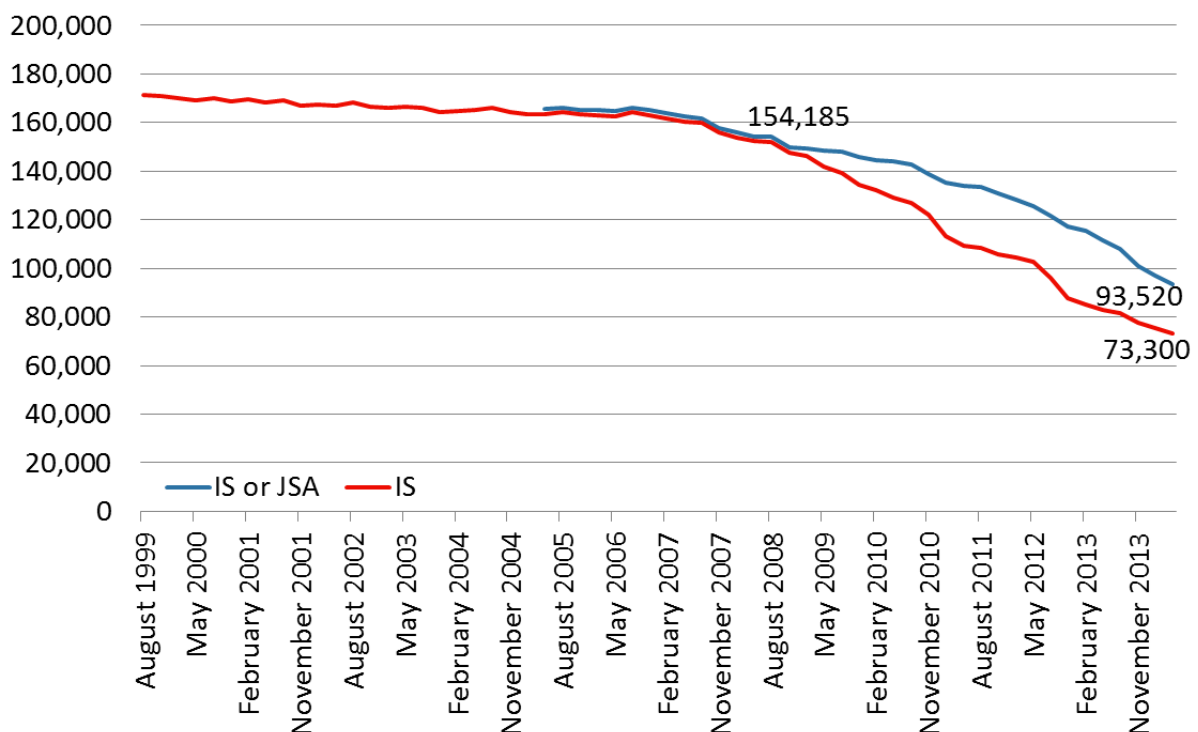
Sources: Annual Population Survey (Nomis); ONS Working and workless households 2014; Work and Pensions Longitudinal Study (Nomis)

There are two sources of uncertainty in survey based numerical estimates: on the one hand, random sample variation can lead to misestimation of the percentage of households which are workless, or children living in those households; on the other, grossing up the sample to get population level numerical estimates introduces a further level of uncertainty: grossing factors are subject to frequent revision as national and regional population estimates are updated. The WPLS figures, which are based on 100% of claims rather than a sample, are more reliable than the survey data, even if they do not represent exactly the same thing. The impression from the WPLS data is of a smoother decline in numbers of children in workless households rather than the sudden acceleration of the decline in 2012 suggested by the LFS data. APS sample sizes are considerably larger than those for the LFS, and as can be seen are less inconsistent with the benefits data<sup>5</sup>.

<sup>5</sup> Divergence between the household based LFS and APS and the benefit unit based WPLS may suggest that changes in household structure are playing a role: that more families with children are living as part of larger units (e.g. single parents living with grandparents). We have not attempted to analyse this possibility any further, and suspect that sample sizes may be too small to give robust results. It should be noted that the numbers of 'concealed families' in London, both single parents and couples, identified in the 2011 Census was very low (26,000).

The great majority of workless household with children in London are single parent households (about 75%). From 2008, the age of youngest child at which single parents are expected to be looking for work has been progressively reduced to five and parents have been moved from Income Support to Jobseeker's Allowance. Combining the numbers of single parents receiving either of these benefits Chart 4 gives an indication of the number of workless single parent families. From 1999 to 2007 there was little change in overall numbers: since 2008, there has been a rapid reduction from 154,000 to 94,000.

**Chart 4: Single parents in receipt of income support (1999-2014) and income support or JSA (2005-2014), London**



Sources: Work and Pensions Longitudinal Study (Nomis); ONS Experimental statistics: lone parents on Jobseeker's Allowance

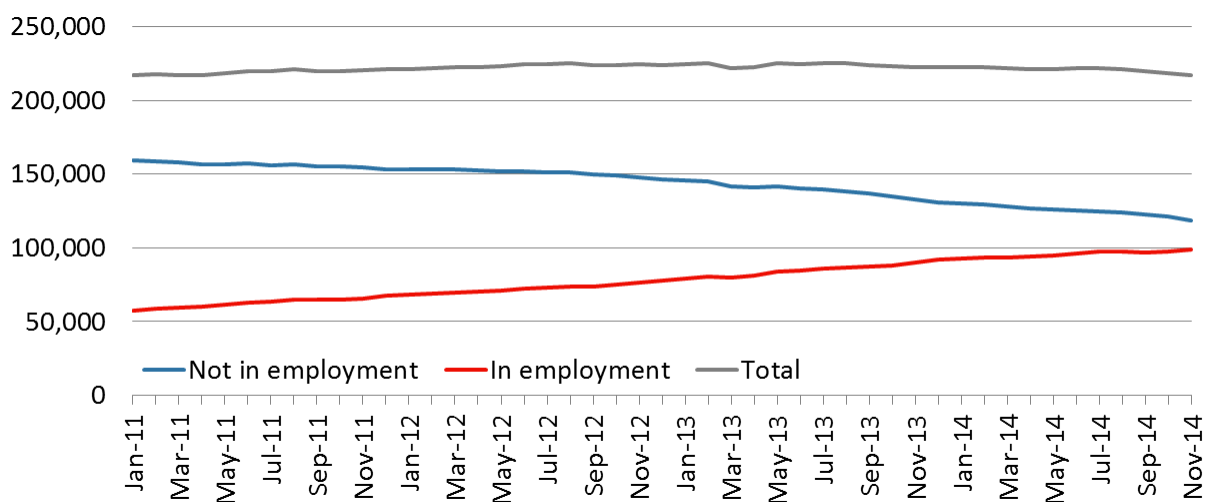
A reduction in worklessness among households with children in London could be due either to increased employment or to population movement, if domestic or international migration flows reduce the share of families with higher risks of worklessness. This could happen as a result of out-migration of the higher risk families, as was widely predicted to occur in response to housing benefit changes since 2010. In that case, and in the case where there is an increase in employment, both the number and percentage of workless families would reduce. (Alternatively, if there was a reduction in the outflow of families with lower risks of worklessness, as could happen with a downturn in the owner-occupied housing market, worklessness among families with children might fall in percentage but not numerical terms.)



While it is clear that there has been a numerical fall, there is a question as to the extent to which this represents a genuine increase in employment as opposed to population change. Unfortunately, the main data sources do not allow a definitive answer, mainly because estimates of the underlying populations are subject to wide margins of error. Thus while LFS data indicates that the numerical fall in worklessness for single parents in London from 2010 to 2013 is composed in roughly equal measure of increased employment and reduced overall numbers of single parents, the uncertainty around each year's figures makes estimated changes even more uncertain.

In the absence of reliable data on the number of single parent and couple households in London, we can only use indirect evidence. Housing benefit data shows very little change in the numbers of single parent claimants from January 2011, the first month for which this data is available for London. But there has been a very large shift away from out of work claims towards in-work claims Chart 5. We cannot assume that this shift simply represents single parents moving into employment: part of the change may well be to do with single parents who were already working needing to claim in-work housing benefit in response to falling earnings and rising rents. Nonetheless the stability of the overall numbers encourages some scepticism about the idea of large-scale flows of single parents out of London- it would be quite a coincidence if the numbers of previously working single parents needing to claim housing benefit just matched the number of workless single parents leaving London.

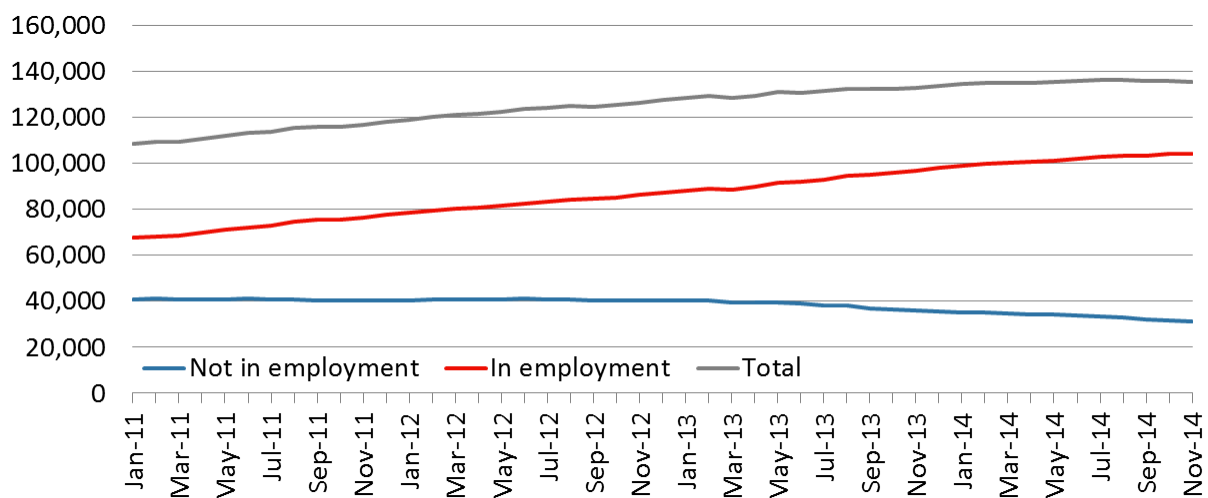
**Chart 5: Single parents in receipt of housing benefit, London Jan 2011-Nov 2014**



Source: Single Housing Benefit Extract (Stat-Xplore)

The picture for couple households Chart 6 is very different, with overall numbers in receipt of housing benefit rising almost entirely because of in-work claims, with very little offsetting reduction in out of work receipt. There are signs of a levelling off of growth in the latest data, although numbers are at unprecedented levels both in London and nationally.

**Chart 6: Couples with dependent children in receipt of housing benefit, London Jan 2011-Nov 2014**



Source: Single Housing Benefit Extract (Stat-Xplore)

One reason to suspect that there has been migration of disadvantaged families out of London is that housing benefit has been cut back. Reducing the limits for eligible private rents from the bottom 50% of local rents to the bottom 30% makes a bigger difference to family incomes in expensive areas like London: in addition while the 'benefit cap' affects a relatively small number of families, those families are concentrated in London. However in their study of the impact of housing benefit changes, Beatty and colleagues found no evidence of a regional displacement of claimants: while there were clear falls in caseloads in central areas of London – hardly surprisingly, as these were areas targeted by the reforms – London as a whole did not seem to be losing households as a result of the changes.

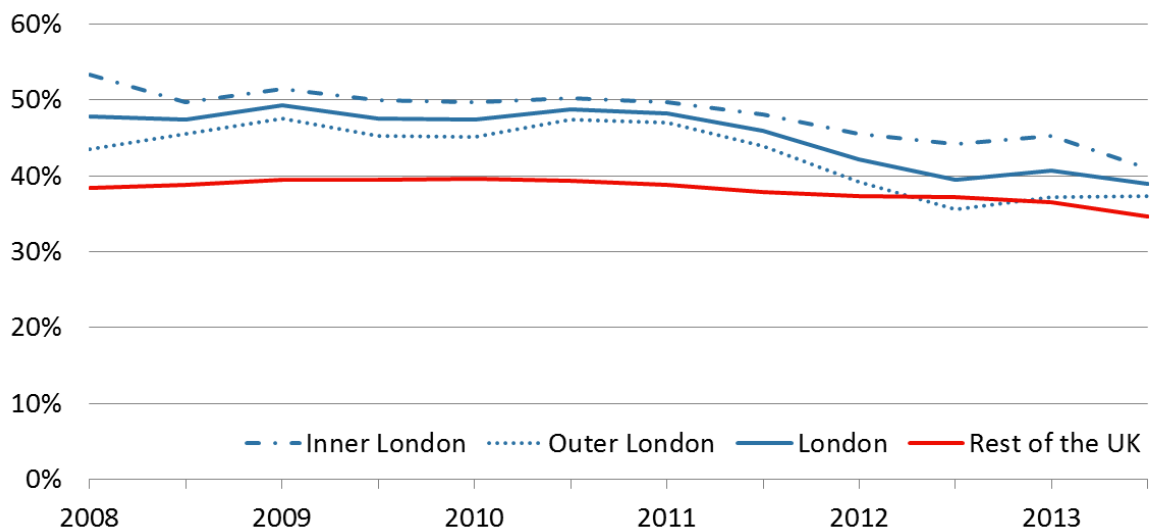
Thus there is little evidence to suggest that population movement plays an important role in the decline of worklessness among households with dependent children in London over recent years. It is quite likely that there are longer term impacts from both domestic and international migration which have had some influence on parental employment through their effect on population composition, but that is a different matter. The fall in worklessness in London seems to be primarily explained by an increase in employment, mainly among single parent families.

## Single parents and couples

LFS figures on household employment are subject to the caveats set out above. We also have data on parental employment, which is somewhat less subject to uncertainty.

As noted, single parent employment began to increase in London around the middle of the last decade, lagging the national improvement in employment by several years. The LFS data indicates that since the recession, worklessness remained stable up to 2011 and then reduced sharply.

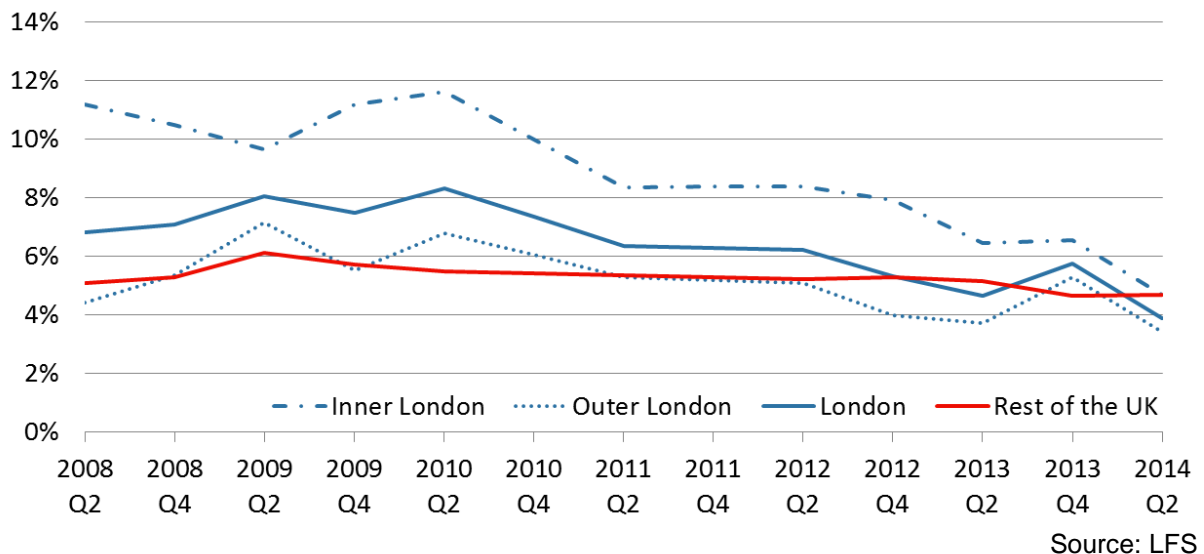
**Chart 7: Worklessness among single parent households in London and the rest of the UK**



Source: LFS

Chart 8 shows the same data for couples: note that the scale is very different as rates of worklessness are so much lower- these changes are not as dramatic as they look. The data indicates that worklessness fell back very quickly after the recession and fell again in 2012: the scale of the change is however subject to the usual caveats.

**Chart 8: Worklessness among couple households with dependent children  
2008 Q2 to 2014 Q2**



The tables below look at individual as opposed to household data on employment. Here the figures are more reliable, partly because there are four quarters of data for each year (the household data only has two). We can see that both part-time and full-time employment has increased for single parents, but that part-time has increased more and now stands at a ratio of .85 to rest of Great Britain compared to a ratio of only .68 in 2008. Full-time employment exceeds the rate in the rest of the UK. Worklessness is 10% higher in London, compared to 27% higher in 2008.

For fathers in couples, perhaps the most surprising finding is that rates of part-time working are some 61% higher than in the rest of the UK. The significance of this should not be exaggerated- we are comparing a part-time rate of 9.4% with one of 5.8%, so this is a small minority. Nonetheless in the context of somewhat higher rates of worklessness for fathers in London, this merits further investigation. Rates of full-time working in London are now back to more or less the pre-recession level.

Finally for mothers in couples there is no change: full-time, part-time and workless rates have changed little over this period, and part-time rates in particular remain strikingly lower than at national level.

**Table 1: Single parent employment rates 2008-2014**

	London			Rest of UK			London/UK		
	No work	FT work	PT work	No work	FT work	PT work	No work	FT work	PT work
<b>2008</b>	54.8	25.4	19.7	43.1	28.1	28.8	1.27	0.91	0.68
<b>2009</b>	53.6	24.6	21.8	42.8	28.1	29.1	1.25	0.88	0.75
<b>2010</b>	54.7	22.5	22.7	43.8	27.1	29.2	1.25	0.83	0.78
<b>2011</b>	54.4	20.7	24.9	43.2	26.4	30.4	1.26	0.78	0.82
<b>2012</b>	50.1	24.5	25.4	42.4	25.9	31.7	1.18	0.95	0.80
<b>2013</b>	44.3	27.6	28.1	41.6	26.9	31.6	1.06	1.03	0.89
<b>2014*</b>	42.5	29.1	28.4	38.7	27.6	33.6	1.10	1.05	0.85

**Table 2: Father in couple with dependent child employment rates 2008-2014**

	London			Rest of UK			London/UK		
	No work	FT work	PT work	No work	FT work	PT work	No work	FT work	PT work
<b>2008</b>	10.6	82.0	7.4	9.2	86.7	4.1	1.16	0.95	1.79
<b>2009</b>	13.0	78.5	8.5	10.8	84.6	4.6	1.20	0.93	1.85
<b>2010</b>	12.3	78.6	9.0	10.4	85.0	4.7	1.19	0.93	1.94
<b>2011</b>	11.9	79.2	8.8	10.4	84.2	5.4	1.15	0.94	1.64
<b>2012</b>	11.3	79.8	9.0	9.7	84.5	5.8	1.16	0.94	1.55
<b>2013</b>	9.2	81.5	9.3	9.7	84.3	6.1	0.95	0.97	1.54
<b>2014*</b>	9.1	81.5	9.4	8.8	85.4	5.8	1.04	0.95	1.61

**Table 3: Mother in couple with dependent child employment rates 2008-2014**

	London			Rest of UK			London/UK		
	No work	FT work	PT work	No work	FT work	PT work	No work	FT work	PT work
<b>2008</b>	40.2	32.2	27.6	27.7	30.9	41.4	1.45	1.04	0.67
<b>2009</b>	41.8	29.6	28.6	27.9	31.0	41.1	1.50	0.95	0.70
<b>2010</b>	40.1	31.3	28.5	27.6	30.6	41.8	1.45	1.02	0.68
<b>2011</b>	41.4	30.0	28.5	27.8	31.4	40.8	1.49	0.96	0.70
<b>2012</b>	39.3	30.1	30.6	27.8	31.2	41.0	1.41	0.97	0.75
<b>2013</b>	38.2	32.5	29.3	27.5	32.4	40.0	1.39	1.00	0.73
<b>2014*</b>	39.7	32.2	28.1	27.1	33.4	39.5	1.47	0.96	0.71

Source: LFS. \* 2014 is average for last quarter of 2013 and first 3 of 2014

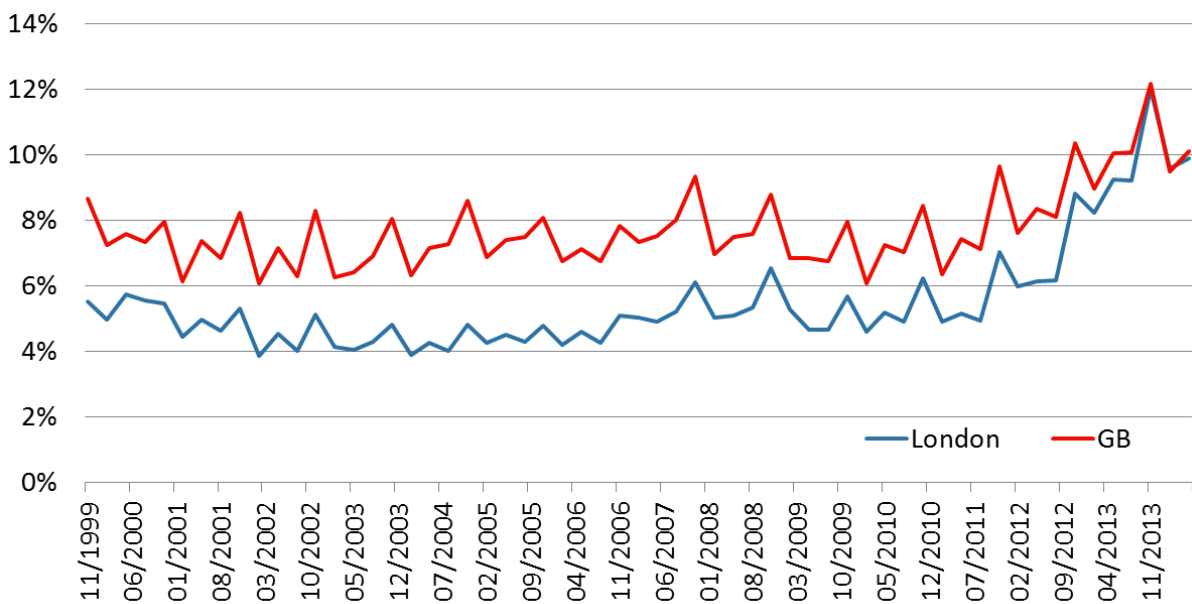
How should we interpret this combination of change and lack of change in parental employment? Clearly the most important development has been in the employment of single parents. Evaluation of the introduction of worksearch conditionality shows that the policy did indeed increase the percentage of single parents in work a year after the move to JSA<sup>6</sup>. These effects would be expected to be more noticeable in London as the average age of youngest children is lower in the capital. However not all the reduction in numbers of workless lone parent households may be due to conditionality alone.

There has also been an increase in the off-flow rate from Income Support for those with youngest children under five who were unaffected by the policy change, suggesting that other factors are also at work. There seems to be a general pattern of convergence between London and the rest of the UK dating from around 2008. One possibility is that Jobcentres in London began engaging more with single parents in advance of them becoming subject to worksearch conditionality, after a long period when their performance targets disincentivised working with single parents<sup>7</sup>.

<sup>6</sup> Institute for Economic and Social Research, University of Essex *Lone parent obligations: an impact assessment* (DWP 2013)

<sup>7</sup> London Child Poverty Commission *Capital gains* (2008) p.46

**Chart 9: Income support off-flow rate: families with child aged <5**

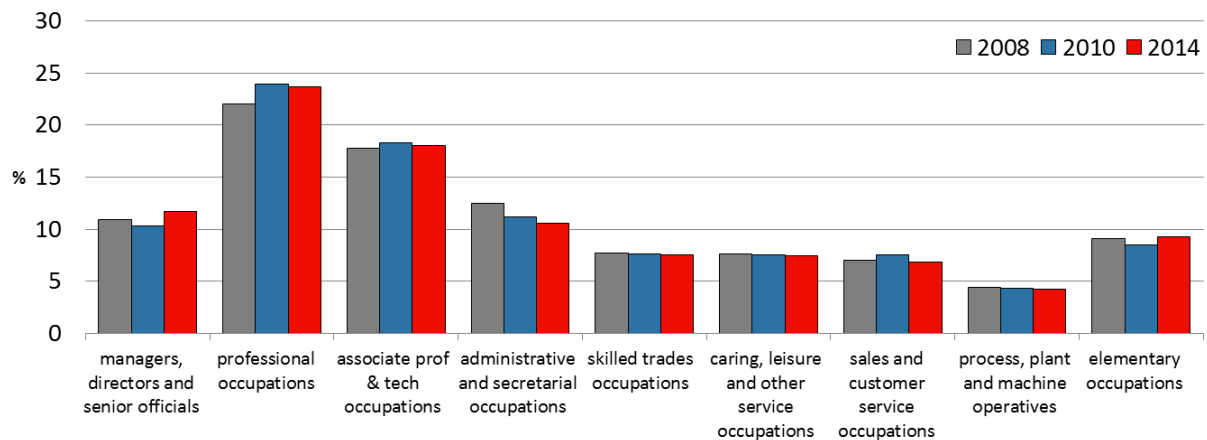


Source: DWP benefit flows [http://tabulation-tool.dwp.gov.uk/flows/flows\\_on/esa/tabtool\\_esa.html](http://tabulation-tool.dwp.gov.uk/flows/flows_on/esa/tabtool_esa.html)

The fact that part-time employment has risen rapidly for single parents in London may indicate that labour market factors have been less important in driving the London/UK difference in employment than was previously suspected. The fact that there has been no change for mothers in couples points in the same direction. However there is some evidence that labour market changes may have made some difference since 2010.

The main story on employment in London since the crash is one of rapid recovery and sustained employment growth, with the composition of employment in terms of types of jobs continuing in its longer term trend towards greater professionalisation and hollowing out of middle skill jobs. The main compositional changes are a rising share of professionals and a falling share of administrative and secretarial posts. The latter, as noted in previous analysis for CPAG, is not good for maternal employment. Otherwise there is little change in the broad pattern of labour demand.

Chart 10: Composition of resident employment, London 2008-2014



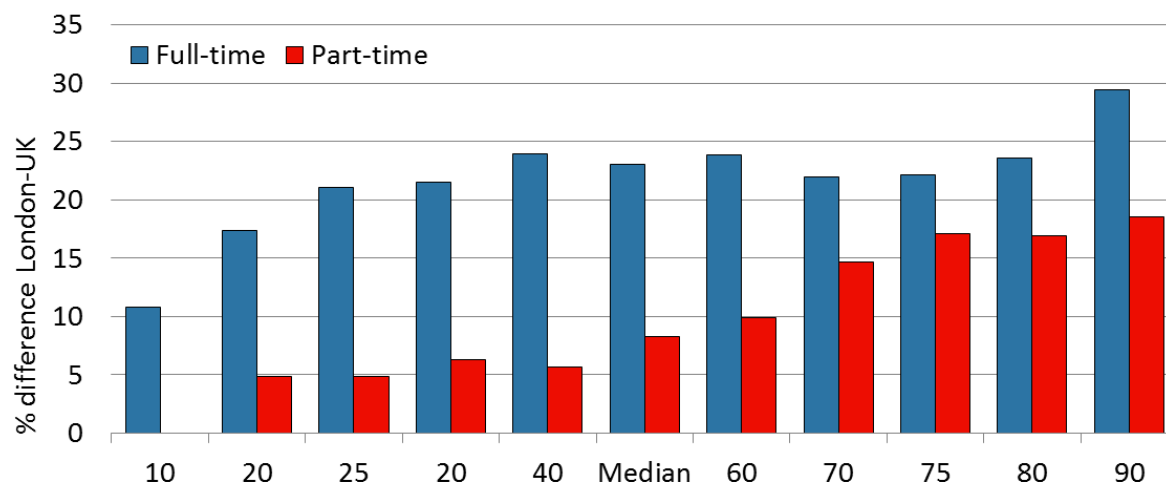
Source: Annual Population Survey

Part-time employment has been important for single parents: if we look at changes in the composition of part-time jobs, the main change is a sharp increase since 2008 in elementary occupations, with a smaller (but statistically significant) increase in part-time work in culture, media and sport. Almost all of the total increase in elementary occupations since 2008 is in part-time employment of women, and this growth is confined to the period since 2010. Certainly if a lot of single parents are moving into part-time elementary jobs, this would help explain the fact that increased employment seems to have had little effect on housing benefit receipt.

It is striking that the lowest paid part-time jobs in London pay no more than in other areas of the UK, in sharp contrast to full-time jobs where even in the bottom 10% of the earnings distribution hourly wages are 10% higher than at national level. Indeed, it is only towards the top third of part-time jobs that the London premium is comparable to that for the lowest paid full-time jobs. To the extent that single parents are moving into part-time jobs with low or even average hourly wages in London, it is not surprising if they continue to need housing benefit.



**Chart 11: The London premium for full-time and part-time resident employment across the earnings distribution, 2014 (hourly pay excluding overtime)**



It remains to be seen whether the fall in worklessness, primarily among single parent households, will translate into a substantial reduction in child poverty. Previous research<sup>8</sup> would suggest this should be the case, as parental employment is the overwhelming driver of the child poverty gap between London and national level. However this research relates to a period when housing benefit rules meant that families with similar incomes (not including housing benefit) in different parts of the country would tend to have similar incomes after housing costs. The housing benefit system no longer ensures this pattern of outcomes: not only does the benefit cap break the link between housing benefit and costs, but restriction of eligible rents to the bottom 30% of the market will leave more tenants with shortfalls in more expensive areas. It is therefore possible that the reduction in child poverty that would be expected from the employment figures taken alone might not fully materialise in London.

<sup>8</sup> Sutherland H, Buck N and Zantomio F *Tackling child poverty in London: implications of demographic and economic change* (London Child Poverty Commission 2007)