



Making the grade: How government investment in further education can benefit single parents and the state

1. Executive Summary

The vast majority of non-working single parents want to return to work, earn their own money and be less reliant on benefits. However, a lack of qualifications can hold single parents back from fulfilling their potential; curtailing their ability to find employment, limiting their earning capability, and reducing opportunities for progression.

Single parents are disproportionately lower qualified than other groups, and of those in employment (60 per cent), over two-thirds enter the lowest paid occupations. This has a significant impact on their ability to earn enough to keep themselves and their children out of poverty. A third of single parents working part-time are living in poverty, as are almost a fifth of single parents working full-time.¹ These families are living on £264 per week or less.² Better paid work is out of reach for many single parents; occupations that attract higher salaries require intermediate or higher level qualifications, and don't routinely offer the flexibility single parents need in order to dovetail work with their caring responsibilities.

The benefits to the wider economy of a better educated workforce are well established. Investment in skills is associated with increased employment rates and higher levels of productivity. Improvements in qualification levels have raised GDP levels by £30-£50 billion over the last decade.

This report examines the role of further education in relation to single parent employment. It investigates the impact of qualification levels on pay, job security and duration of unemployment. The analysis, undertaken by the Centre for Economic and Social Inclusion (CESI), uses data from the Labour Force Survey and the minimum income calculator produced by Loughborough University to develop a cost benefit model.

¹ *Households Below Average Income (HBAI) 1994/95-2011/12*, Table 4.5db. Department for Work and Pensions, 2013.

² *Ibid.* £264 per week is the low income threshold after housing costs for a single parent with two children aged between 5 and 14.

The model shows that single parents with a level 3 qualification:

- Have longer periods of sustained employment
- Spend less time on out-of-work benefits
- Command better wages
- Are more likely to secure increased working hours.

The financial gains to single parents from skilling up are considerable. The illustrative case studies in section 5 show the degree to which single parents could increase their earning power by attaining further qualifications.

Hannah from Merthyr Tydfil earns

over twice as much as a level 3 qualified nurse than she would in a job with an average level 2 wage in Wales;

£16.94 per hour
compared with **£7.22** per hour

Georgia from Manchester earns

£12.32 an hour after gaining her level 3 bookkeeping qualification, as opposed to

£7.97 on an average level 2 wage

Ian from Brent earns

£19 an hour

after qualifying as a speech and language therapist, compared with

£9 an hour on an average level 2 wage in Brent

Jackie from Birmingham gains a

level 3 qualification in marketing and sales, and her earnings increase by

£23 per hour

We also look at the potential gains to the state over a seven year period if the government provided fully-funded opportunities for single parents – whether unemployed or working part-time – to achieve their first level 3 qualification.

The analysis looks at single parents who are over the age of 24, in receipt of universal credit, with two primary school-aged children and a highest qualification at level 2 – referred to as the target group.

It compares two groups: single parents with a level 2 qualification working at 16 or 20 hours a week on an average level 2 wage, and single parents who gain a level 3 qualification and subsequently move into employment of 16 or 20 hours a week on an average level 3 salary.

The findings show that the government could be losing out financially by not providing fully-funded opportunities for single parents to gain a level 3 qualification. If we extend our analysis of the target group to all single parents with a highest qualification at level 2, the Exchequer could potentially gain up to the following in relation to unemployed single parents:⁴

- **£670 million** over seven years when supporting unemployed single parents to complete a one-year level 3 course and they move into work of 20 hours a week on an average level 3 salary; or
- **£350 million** over seven years when supporting unemployed single parents to complete a two-year level 3 BTEC course and they move into work of 20 hours a week on an average level 3 salary.

With respect to employed single parents already working part-time,⁵ the Exchequer could gain up to:

- **£122 million** over seven years when supporting employed single parents working part-time to complete a one-year level 3 course and they move into work of 20 hours a week on an average level 3 salary.

The potential gains to the government are substantial. However, welfare-to-work policies underpinning benefit conditionality discourage unemployed single parents from pursuing further education. Government-funded courses for jobseekers predominately focus on addressing basic skills gaps and job search techniques, with a view to moving claimants into work as quickly as possible. Job-seeking single parents who want to improve their qualifications are no longer entitled to fee remissions for their first level 3 course. Instead, they are required to self-fund or take out a further education loan to improve their skills. Previously available fee remissions allowed single parents to gain a qualification without incurring additional debt prior to moving into work. However, poverty and the risk of further indebtedness will undoubtedly be a barrier to many single parents contemplating a return to education, despite the longer-term benefits associated with skills acquisition.

More action is needed to improve the qualification levels of single parents and take a longer-term approach to supporting single parents into sustainable employment. The current trajectory of welfare reform stifles their job prospects and limits the potential financial gains to the government.

Gingerbread recommends the following actions for government:

- Adopt an “invest to save” model in the adult skills budget and provide fully-funded opportunities for single parents to attain their first level 3 qualification, prior to their return to the labour market and for those already in work
- Jobcentre Plus and Work Programme providers must undertake early assessment of the need for skills training; this should include the need for intermediate vocational training, not just basic skills and employability
- Recalibrate the Jobcentre Plus performance management and accountability framework to include sustainable job outcomes rather than relying on benefit off-flows to measure performance
- Increase investment in universal credit to improve the work incentives for single parents to genuinely make work pay as they seek to increase their hours and earnings
- Jobcentre Plus and Work Programme providers should guarantee that single parents who have started their first level 3 qualification will be allowed to complete their course
- Jobcentre Plus and Work Programme providers should guarantee to fully fund childcare costs for single parents undertaking their first level 3 qualification.

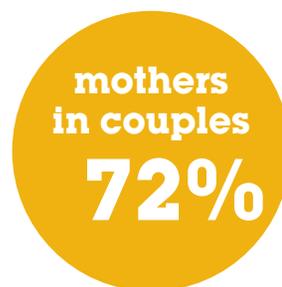
⁴ Based on 86,267 unemployed single parents. Labour Force Survey, 4-quarter average.

⁵ Based on 12,867 single parents working 16-20 hours. Labour Force Survey, 4-quarter average.

2: Introduction

Single parents are highly motivated to work, and most do. Over half (60 per cent) of single parents are in employment⁶ and 84 per cent of non-working single mothers would like to be in a paid job, become self-employed or go to college/study.⁷ The employment rate for single parents has grown considerably over the last 17 years, from 45 per cent in 1996 to 60 per cent in 2013. However, it persistently lags behind the employment rate of mothers in couples (72 per cent)⁸ and that of single parents in other European countries (the average rate across the EU is 71 per cent).⁹ The reasons for this are complex but commonly include: the high costs of childcare, poor work incentives and a lack of family-friendly jobs.

The employment rate in 2013



Poverty is a persistent feature in many single parent families. Children in single parent families are twice as likely to grow up in poverty as children in couple families.¹⁰ Paid employment can make a significant difference to household income, but for a substantial minority of single parents work is not yet a guaranteed route out of poverty.

Single parent households in poverty

17%

31%

Where the single parent is working full-time

Where the single parent is working part-time¹¹

As the sole carers of their children, the option of working more hours to increase household income is not always practicable or financially worthwhile for single parents. Paying for extra childcare, for example, can eat into a significant proportion of additional earnings, and single parents facing very high marginal effective tax rates¹² can find themselves paying to work more hours. To escape poverty and become less reliant on benefits, the key is to find work that is better paid.

Access to better paid jobs is dependent on experience and skills. For 1.3 million¹³ single parents, a lack of qualifications can pose a significant barrier to a job with better earnings. However, the conditions attached to unemployment benefits deter claimants from pursuing further education qualifications to improve their job prospects. The introduction of further education loans for adult learners has precipitated the withdrawal of fee remissions for jobseekers taking their first level 3 course.

⁶ ONS (2013) Working and Workless Households, ONS Statistical Bulletin.

⁷ Park, A. et al (2010) British Social Attitudes.

⁸ ONS (2013) Working and Workless Households, ONS Statistical Bulletin.

⁹ OECD (2011) *Doing better for families*.

¹⁰ *Households Below Average Income (HBAI) 1994/95-2011/12*. London: Department for Work and Pensions, 2013.

¹¹ *Households Below Average Income (HBAI) 1994/95-2011/12*, Table 4.5db. Department for Work and Pensions, 2013.

¹² Marginal effective tax rates measure by how much the tax and benefit system discourages increases in hours worked or efforts to seek a better paid job.

¹³ Total number of single parents with no qualifications, below level 2 or level 2 qualifications. LFS 4 quarter average.

Loans remove the need for potential learners to pay upfront course fees, and whilst this will be beneficial for some, research conducted by the Department for Business, Innovation and Skills (BIS) shows that further education providers – and the general public – are concerned that the introduction of loans will act as a barrier to learning for disadvantaged groups.¹⁴

Single parents face a hostile labour market. Funded opportunities for single parents to study for further qualifications - to improve their chances of finding better paid, sustainable employment - are scarce. Lack of opportunity to attain further qualifications not only leaves single parents heavily reliant on in-work financial support to top up low wages when they do find a job, it also limits the amount of revenue from income tax and national insurance contributions that the Exchequer receives. Research concludes that raising the skill level of the working population improves wage returns and contributes to higher levels of employment and increased productivity.¹⁵ Vocational qualifications have been found to give the greatest returns once an individual reaches level 3 or above.¹⁶

Table 1 – Qualification levels up to level 3¹⁷

Qualification Level	Examples of award
Entry	Entry level certificates Functional skills at entry level Skills for life entry level
Level 1	GCSE grades D-G Foundation diploma Functional skills at level 1
Level 2	GCSE grades A*-C NVQ at level 2 BTEC awards, certificates and diplomas at level 2 Higher diploma
Level 3	AS/A-level International Baccalaureate NVQ at level 3 BTEC awards, certificates and diplomas at level 3 Advanced and progression diploma

The structure of the report

This report¹⁸ investigates the potential gains¹⁹ to the state over a seven year period²⁰ if the government were to provide funded opportunities²¹ for single parents to attain a first level 3 qualification. It shows the costs and benefits to the state, the financial impact on single parents and the effect on the wider economy. It also examines the potential financial gains to single parents who have fully-funded opportunities to gain level 3 qualifications in in-demand occupations.

¹⁴ BIS (2014) *Tracking the impact of 24+ advanced learning loans*. BIS research paper number 159. London: Department for Business, Innovation and Skills.

¹⁵ Garrett, R., Campbell, M. & Mason, G. (2010) *The value of skills: an evidence review*. London: UK commission on employment and skills.

¹⁶ Ibid.

¹⁷ See: <http://ofqual.gov.uk/qualifications-and-assessments/qualification-frameworks/levels-of-qualifications/>.

¹⁸ Based on an unpublished report: Vaid, L. (2014) *What are the costs and benefits of supporting single parents to gain level 3 qualifications prior to returning to employment*. London: Centre for Economic and Social Inclusion.

¹⁹ Gains relate to increase in revenue from income tax and national insurance contributions and the reduction in universal credit payments. This is set against the costs of training.

²⁰ As recommended by the *Treasury Green Book*, we have applied the social discount rate of 3.5 per cent to the final loss/gain figures taking into account the seven years looking forward.

²¹ The scenario we have modelled assumes the government pays tuition fees and training costs, for example examination fees and course materials; and that childcare costs associated with the training are paid in full as an entitlement.

The analysis looks at single parents over the age of 24 in receipt of universal credit²² with two primary school-aged children and a highest qualification at level 2.²³ It compares single parents with a level 2 qualification²⁴ working at 16 or 20 hours a week on an average level 2 wage with single parents who gain a level 3 qualification in year one²⁵ or a BTEC level 3 qualification in years one and two of a seven year period and subsequently move into employment of 16 or 20 hours a week on an average level 3 salary. For the purposes of this analysis, we assume that all single parents with a level 3 qualification move into a job with an average level 3 salary.

We also assume that skills acquisition as an adult has the same effect as skills gained in youth. In particular, we assume that employers give the same credibility to qualifications gained as an adult as they do to those gained in youth.

Our overall aim is to examine the role of further education and training with respect to single parent employment. First, we take a look at the current situation, with a focus on how single parents are faring in the labour market: their qualification levels, the type of employment they enter, and the hours they work. Wider structural changes to the labour market have also affected the job prospects of single parents, with fewer intermediate roles available and lower paid work often offering greater flexibility than better paid, more secure jobs. We summarise the policies that have shaped the delivery of back-to-work support to date, and how these have affected the ability of single parents to access further education and training.

Second, we examine the costs and benefits to the government of investing in funded opportunities for single parents to attain level 3 qualifications. We explore how gains can be maximised and to what extent these align with the work incentives in universal credit. We also look at the potential gains for individual single parents and what impact this might have on their work choices. However, we fully recognise that intervention to address the supply of skilled workers is only a part of the picture relating to single parent employment in the context of the wider economy. Equal weight needs to be given to exploring what policies are needed to promote more demand for skills from employers. This is beyond the remit of this report, but nevertheless is vital to shape the longer-term thinking on a renewed industrial strategy for the UK.

Finally, we identify what needs to change so that the government can benefit from a highly motivated workforce of single parents; single parents who want to earn their own money, reduce their reliance on benefits and be a positive role model for their children. This requires a culture change across all forms of employment support provision, shifting away from a work-first approach designed to move single parents off out-of-work benefits in the shortest time possible, to a more strategic and sophisticated method of engagement that takes a longer-term approach to the costs and potential benefits of skilling up single parent jobskeepers. What our findings show is that the state has much to gain from increasing access to funded opportunities for further education and training. The government needs to act to ensure that both single parent families and the Exchequer maximise the financial gains from their paid employment.

²² Universal credit payments have been calculated using the minimum income standards calculator produced by Loughborough University. The minimum income calculator uses 2013-14 rates as announced in the autumn statement in 2012.

²³ Labour Force Survey: 16 quarters combined, weighted to the national population. In this group 11,683 of single parents are in part-time work, 283 are in full-time work and 3,309 are unemployed.

²⁴ A level 2 qualification is equivalent to GCSE A* - C.

²⁵ The analysis is based on the average cost of a one year diploma of £895. The cost of diplomas can vary considerably depending on the subject and whether these relate to in-demand occupations. For example, the cost can rise to £2,000 for some accountancy and professional teaching courses.

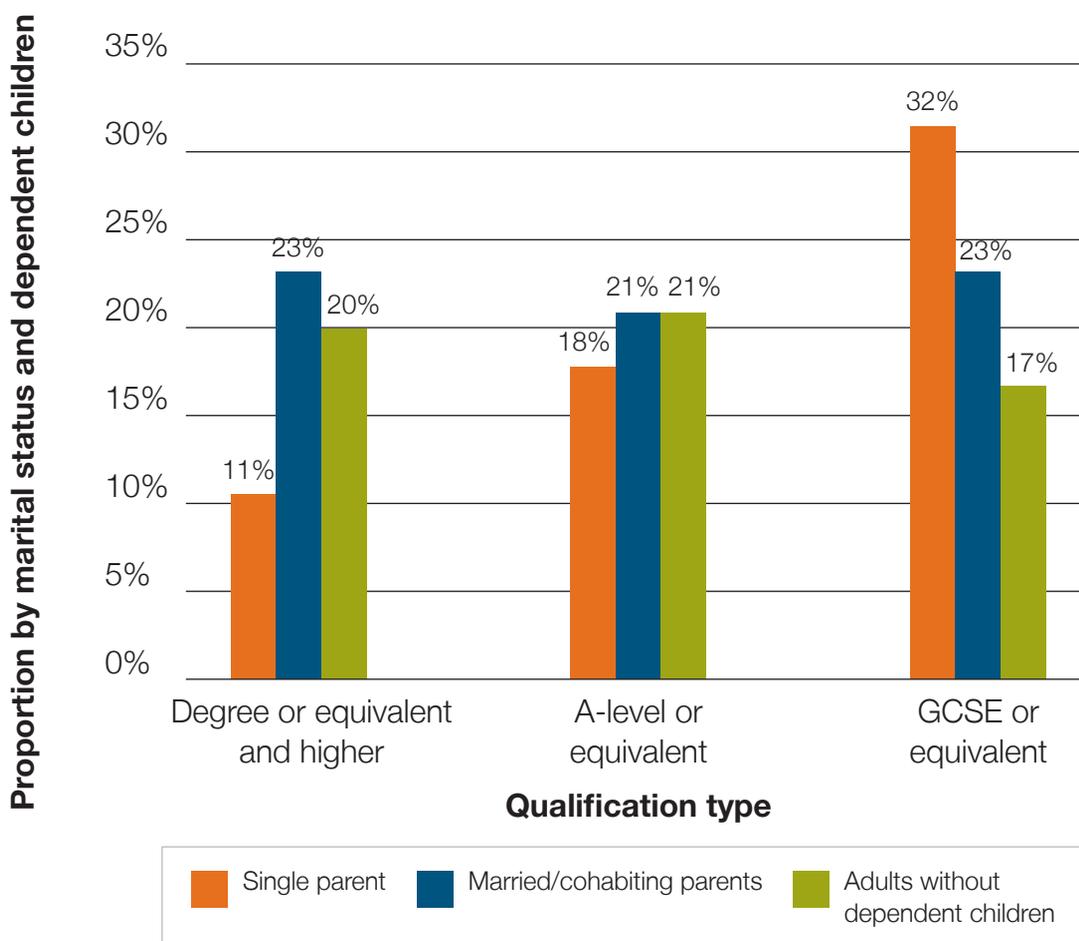
3: A snapshot of the UK labour market

As the sole carers for their children and the only breadwinners in their household, single parents tread a careful path trying to strike the right balance between work and family life. Individual choice and aspiration can be helped or hindered by levels of educational attainment, labour market trends, social security policies and the costs of goods and services, such as childcare and housing.

Qualification levels and working patterns

Single parents are disproportionately lower qualified than other groups. A third (32 per cent) of single parents only have GCSE or equivalent level qualifications,²⁶ compared to less than a quarter (23 per cent) of couple parents and less than a fifth (17 per cent) of people without dependent children. Only 11 per cent of single parents have a degree level qualification or higher, compared with 23 per cent of couple parents and 20 per cent of people with no dependent children.²⁷

Figure 1 – Qualification by family type. Highest level of qualification by marital status and the presence of dependent children



Source: ONS (2009) Social Trends 39

²⁶ This equates to a level 2 qualification, see table 1: Qualifications up to level 3.

²⁷ ONS (2009) *Social Trends 39*, Chapter three.

Over two-thirds (68 per cent) of single parents enter the three lowest paid occupational groups, which tend to be the least secure, lowest skilled jobs, with very limited opportunities for progression.²⁸

For example:

27%

of single parents enter elementary occupations, roles which require little or no formal training, such as cleaning or catering work

22%

of single parents take roles in personal service occupations, such as childminding or care work²⁹

19%

of single parents enter sales and customer service posts

Of those single parents entering work, nearly a quarter (22 per cent) will move out of employment within 12 months. This rate of churn suggests that single parents struggle to find work that is compatible with their caring responsibilities.

Conversely, skills acquisition has a direct relationship with an individual's earning prospects. Intermediate and higher level qualifications are also a gateway to greater wage progression once in employment. Single parents with a level 3 qualification are more likely to work longer hours, with 52 per cent in jobs of 30 or more hours a week compared with 40 per cent of single parents with level 2 qualifications.

The bigger picture: labour market trends and skills policy

Structural changes in the labour market have compounded the problems faced by single parents navigating the world of work.

For over a decade the labour market has become increasingly polarised, with growth occurring in both very high and very low skilled jobs alongside a substantial reduction in the number of intermediate roles available.³⁰ This hollowing out of the labour market has been partially attributed to rapid technological change. Advances in technology have spurred on the creation of more highly skilled roles, but at the lower end of the labour market technology has also led to the displacement of workers and the de-skilling of jobs.³¹

Demand trends have also led to different occupational structures and skills profiles.³² For example, the rise of the technology industries offers highly skilled roles with excellent career trajectories, while at the opposite end of the labour market the expansion of the personal service sector has generated an

²⁸ Newis, P (2012) *It's off to work we go? Moving from income support to jobseeker's allowance for single parents with a child aged five*. London: Gingerbread.

²⁹ Ibid.

³⁰ Vignoles, A. (2012) *Up-skilling the middle: How skills policy can help ensure that low to middle income households share in future economic growth*. London: Resolution Foundation.

³¹ Ibid.

³² Ibid.

increased supply of low skilled jobs. In low pay occupational groups there is a weak demand for skills from employers, who tend to pursue low skill, low productivity business strategies.³³ Workers in these sectors have fewer opportunities to increase their productivity levels and benefit less from qualification acquisition as a result.

The 2008-10 recession appears to have accelerated these changes, with large job losses in routine manual and non-manual occupations.³⁴ This has exacerbated the squeeze on mid-level, intermediate jobs and the disappearance of linear career ladders, which workers have traditionally relied on to support in-work progression and upward earnings mobility. In the early stages of the recovery, growth was visible both at the top and bottom ends of the labour market. However, those with fewer qualifications have continued to lose out as skilled workers formerly employed in intermediate roles are bumped down the labour market, increasing competition for lower skilled jobs. Evidence suggests that, as a result, workers in low pay occupational groups are getting stuck at the bottom of the earnings distribution.³⁵ The discussion and development of policies that could promote the creation of intermediate level jobs is beyond the remit of this report, but it is clear that a renewed industrial strategy for the UK is a vital building block in achieving good quality, better paid work for all adults of working age. In the meantime, skilling up single parents is the best way to equip them to compete for the level 3 jobs that are available. These intermediate roles provide better opportunities for progression than jobs that require fewer qualifications.

In recent decades skills policy has largely been supply side focused; targeted towards the reform of education and training systems to increase the supply of skills in the UK economy.³⁶ With respect to vocational training, there has been an ongoing process whereby new types of qualifications have been introduced and reforms made to existing provision. Government policies to expand the provision of student loans and increase employer co-funding for training have sought to raise the qualification level of adults. At the same time, they have attempted to rebalance the responsibility for paying for learning away from the government and towards individual learners and employers.

The role of further education in back-to-work provision

For single parents on income replacement or unemployment benefits, their route into work is facilitated by Jobcentre Plus (JCP) and/or the Work Programme.³⁷ The regulations that stipulate their benefit conditionality are rooted in a work-first approach. This approach prioritises moving claimants into work as quickly as possible, with very limited access to education and training through either JCP or the Work Programme. What training there is focuses on short-term practical activities such as writing a CV or acquiring basic skills like IT, numeracy or literacy.³⁸

³³ Ibid.

³⁴ Sissons, P. (2011) *The hourglass and the escalator. Labour market change and mobility*. London: The Work Foundation.

³⁵ Ibid.

³⁶ Ibid.

³⁷ At the time of writing, there are 480,000 single parents on income support and 122,000 on jobseeker's allowance. ONS (2014) *DWP Statistical summary*, March 2014 and DWP (2014) *Lone parents receiving JSA: monthly claimant count*, March 2014

³⁸ Gingerbread (2012) *Make it work for single parents*. London: Gingerbread.

Table 2: All claimants of working age and receiving out-of-work benefits undertaking further education, August 2012 - January 2013 ³⁹

Claimants in receipt of jobseeker’s allowance and employment and support allowance (Work Related Activity Group)					
Level	Total number of referrals	Referred to further education via JCP: Number and percentage of learners		Signposted or self-referrals to further education: Number and percentage of learners	
Level 1	215,000	50,700	24%	164,300	76%
Level 2	65,600	9,400	14%	56,200	86%
Level 3	13,600	400	3%	13,200	97%

The number of JCP referrals to level 3 training is a cause for concern. Far fewer claimants overall are being referred for level 3 training, only 13,600 compared to 215,000 and 65,600 for level 1 and level 2 training respectively. Just three per cent of the total number of referrals for level 3 courses come from JCP, compared with 14 per cent for level 2 training and 24 per cent for level 1.⁴⁰

These figures suggest that only a small proportion of benefit claimants are getting access to level 3 training - which could lead to much improved wage returns - out of which a tiny minority of level 3 referrals are via JCP advisers.⁴¹ The vast majority of claimants are either signposted or self-refer to training.⁴² However, without permission from their advisers, they could be required to leave a further education course in order to take up employment or face a payment sanction if they refuse.

Jobcentre Plus performance is measured by how quickly claimants move off benefits, regardless of the destination. The performance of the Work Programme is measured differently: providers receive an attachment fee when a claimant joins the Work Programme; a further job outcome payment is received when a jobseeker has been in employment for 26 weeks, after which sustainability payments are paid every four weeks for a maximum of 13 payments.⁴³ While this greater emphasis on sustainability is welcome, Work Programme providers still prioritise getting jobseekers into any job, rather than investing in upfront vocational training.

For single parents on jobseeker’s allowance - and to a lesser extent those on income support - embarking on a further education course is solely at the discretion of their JCP or Work Programme adviser. Without an adviser’s consent, single parents risk falling foul of a sanction for failing to adhere to their jobseeking agreement or claimant commitment. Jobseekers are expected to continue to actively seek work whilst training, and if offered a job often have to be prepared to drop out of further education or face a payment sanction.

³⁹ Data from: DWP & BIS (2013) *Further education for benefit claimants. England. 2012/13 in-year (August 2013 - January 2013) provisional figures*. London: Department for Business, Innovation and Skills. See table 7.

⁴⁰ Ibid. See table 7. When comparing full level 2 referrals with full level 3 referrals.

⁴¹ A total of 500,000 unemployed adults in England were referred for further education between August 2012 and January 2013. Headline estimates for the total level of unemployment in England between September and November 2012 were 2 million.

⁴² Claimants are signposted or can self-refer when they are deemed not to have any skills need in relation to job goals.

⁴³ Payments vary according to benefit type. Examples given refer to JSA claimants aged 25 and over.

Universal credit – the new social security scheme that combines six in and out-of-work benefits – operates on a similar basis. Single parents in the work-related activity and full conditionality groups will have to seek permission from their adviser to enrol on a further education course. Advisers will have increased levels of discretion and will be expected to provide personalised and tailored support to claimants; however the emphasis remains on the work-first approach and the short term goal of moving claimants off out-of-work benefits and into employment of any sort as quickly as possible. This approach can undermine the work aspirations of single parents and stifle ambition – effectively preventing them from getting a job that offers better pay, greater security and improved chances of progression.

Paying for further education courses

Government funding for adult education in England is provided by the Skills Funding Agency via the adult skills budget. The most recent skills funding statement announced a 19 per cent (£463 million) reduction in the adult skills budget by 2015-16.⁴⁴ Whilst the cuts are not unexpected, learning providers⁴⁵ fear that support for disadvantaged learners will be squeezed in a context where the numbers of adult participants in education are already in decline. Full government funding for unemployed people aged 24 or over seeking work only focuses on qualification attainment up to and including level 2.⁴⁶

Further education loans for adult learners over the age of 24 were introduced in 2013, and fee remissions for level 3 courses are no longer available.⁴⁷ Loans cover the cost of tuition fees and are paid back when an individual is earning over £21,000.⁴⁸

Loans remove the need to pay upfront fees for level 3 courses. For some, this will be a positive incentive for them to return to education. However, government research⁴⁹ shows that almost two-thirds (63 per cent) of further education providers believe that loans are a barrier to disadvantaged people. This concern is also echoed by just over half of the general public (54 per cent) and almost two-thirds of current learners (63 per cent).

Whilst studying, single parents remain reliant on benefit payments or earned income for their living costs. If single parents require childcare in order to attend college they have to pay for this themselves. Some single parents may be able to access financial help to meet the cost of childcare by applying for discretionary learner support. This is a fund operated by colleges to support students who are experiencing difficulty in meeting the costs associated with learning. Single parents have to qualify for support and their application may be turned down.

Prior to the introduction of loans, single parents may have been eligible for a fee remission. Guidance on this has changed over time, but broadly speaking single parents claiming either an income replacement or unemployment benefit used to be able to receive a fee remission for their first level 3 course. This was phased out for single parents on income support in 2011 and is now largely redundant for single parent jobseekers since the establishment of the further education loan scheme.

⁴⁴ Skills Funding Agency (2014) *Skills Funding Statement 2013-2016*. February 2014. London: Department for Business, Innovation and Skills.

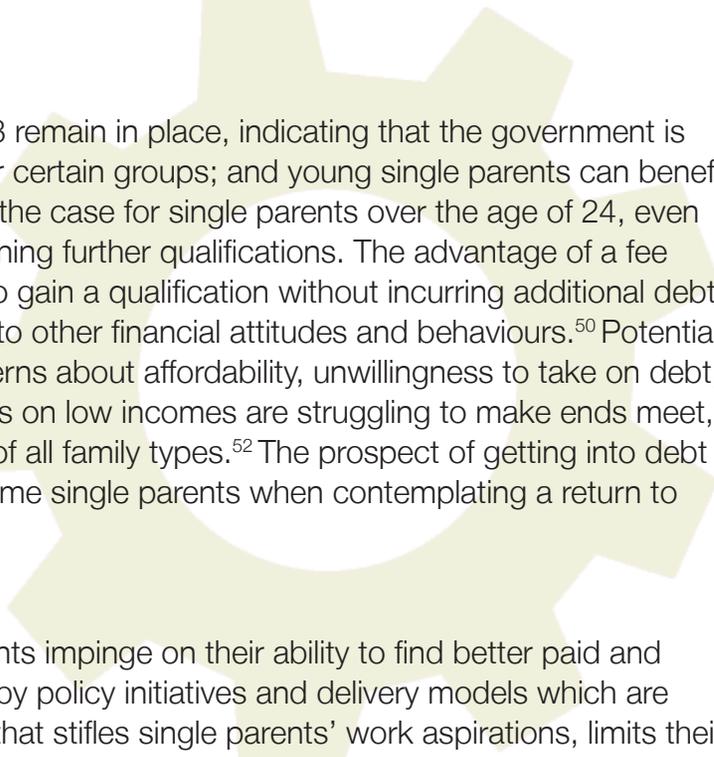
⁴⁵ See: <http://www.niace.org.uk/blog/?p=2084>.

⁴⁶ See: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/278529/bis-14-p172a-skills-funding-statement-2013-2016.pdf.

⁴⁷ Young adults aged 19 to 23 can still receive full funding to attain their first full level 3 qualification. For those aged 24 and over, in exceptional circumstances financial help may be available from the flexible support fund at the discretion of a JCP adviser. However, this is highly unlikely given that the vast majority of learners will be eligible for a loan.

⁴⁸ Annual earned income before tax.

⁴⁹ BIS (2014) *Tracking the impact of 24+ advanced learning loans*. BIS research paper number 159. London: Department for Business, Innovation and Skills.



Fee remissions for young people aged 19 – 23 remain in place, indicating that the government is prepared to fully-fund training opportunities for certain groups; and young single parents can benefit from this provision. However, this is no longer the case for single parents over the age of 24, even though this group has much to gain from attaining further qualifications. The advantage of a fee remission was that it allowed a single parent to gain a qualification without incurring additional debt. The decision to take out a 24+ loan is related to other financial attitudes and behaviours.⁵⁰ Potential learners reluctant to take out a loan cite concerns about affordability, unwillingness to take on debt, and worries over interest rates.⁵¹ Single parents on low incomes are struggling to make ends meet, and are already most likely to have debts out of all family types.⁵² The prospect of getting into debt to pay for a course may well be a barrier to some single parents when contemplating a return to education.

Summary

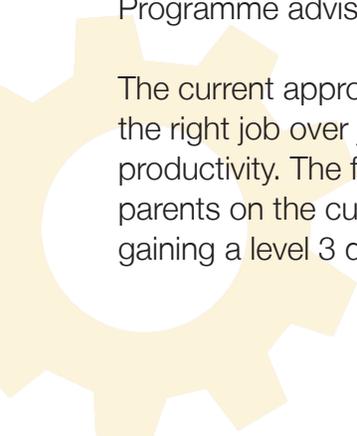
Low levels of qualifications among single parents impinge on their ability to find better paid and sustainable employment. This is exacerbated by policy initiatives and delivery models which are rooted in a work-first paradigm; an approach that stifles single parents' work aspirations, limits their earning potential and leaves them heavily reliant on in-work benefits.

In this respect, universal credit will maintain the status quo. Work incentives in universal credit are weighted towards single parents working fewer than 16 hours. Its current design constrains the financial gains to be made from working more hours or moving into better paid work.⁵³

As sole carers of their children, single parents can struggle to find employment that fits with their caring responsibilities. The flexibility they need comes at a price; low paid, short-hour jobs with little or no chance of progression, and the possibility of working for more hours often stymied by a lack of affordable and available childcare.

The collective impact of education attainment levels, structural barriers to work and the design of the benefits system impedes the ability of single parents to work themselves out of poverty.

Whilst loans may offer an affordable means of paying for a level 3 course, for many this will be an insuperable financial hurdle. Moreover, an unswerving adherence to the work-first approach means that unemployed single parents may not have the opportunity to undertake a course – despite the availability of a loan – because they are unable to obtain permission from their JCP or Work Programme adviser.



The current approach adopted by JCP is blinkered to the positive impacts of single parents securing the right job over just any job: the likelihood of better pay, improved job sustainability and increased productivity. The focus of this report is on improving access to further education and training for single parents on the cusp of the labour market. In the next section, we look at the potential advantages of gaining a level 3 qualification in relation to earnings, employment duration and time spent out of work.

⁵⁰ Ibid.

⁵¹ Ibid.

⁵² Rabindrakumar, S. (2013) *Paying the price. Single parents in the age of austerity*. London: Gingerbread.

⁵³ Brewer, M. & DeAgostini, P. (2013) *Credit crunched: Single parents, universal credit and the struggle to make work pay*. London: Gingerbread. Available at: <http://www.gingerbread.org.uk/content/1933/Credit-crunched>.

4: The impacts of gaining a level 3 qualification

There is little doubt that a better educated workforce reaps rewards for the economy. Improvements in qualification levels over the previous decade have raised GDP levels by £30-£50 billion.⁵⁴ Investment in skills is associated with increased employment rates and higher levels of productivity. The benefits of education to individuals are also well established. The possession and acquisition of skills has a direct relationship with an individual's earning prospects, likelihood of gaining employment, and job security.⁵⁵

Based on qualification levels, how are single parents faring in the labour market? To what degree does holding an intermediate level qualification lead to better earnings, increase the likelihood of being in employment, and reduce the amount of time spent out of work? Below we look at the impact of qualification levels on the working patterns of single parents over the age of 24 with two primary school-aged children using data from the Labour Force Survey.

The effect on earnings

For single parents with a level 2 qualification the average hourly wage is £8.89, compared with £9.85 per hour for those with a level 3 qualification – an increase of 11 per cent. If working 30 hours a week, the difference over a year is £1,500.

Figure 2 – Hourly wage by qualification level for single parents



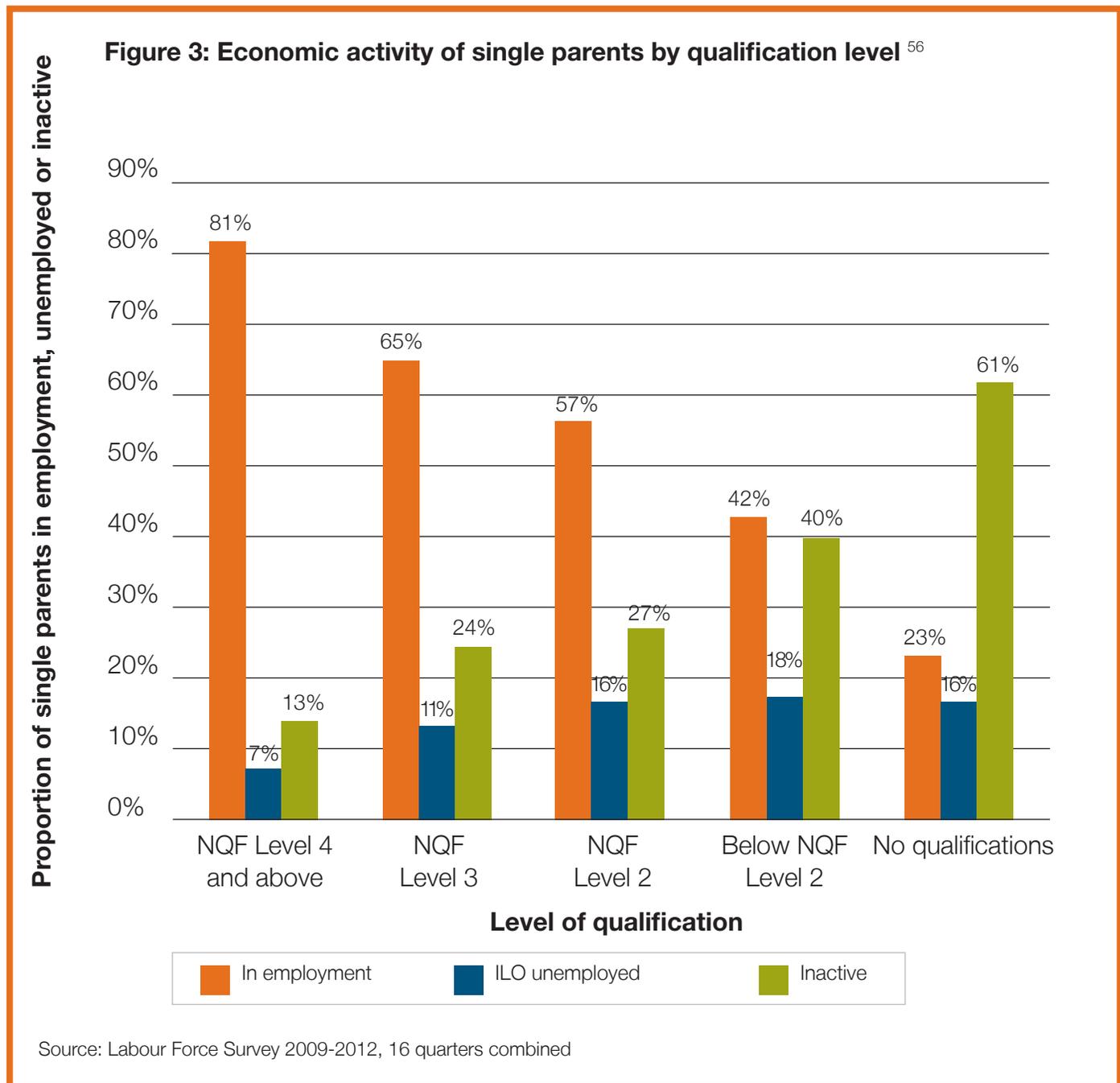
Source: Labour Force Survey 2009-2012, 16 quarters combined

⁵⁴ BIS (2011) *Measuring the economic impact of further education*. London: Department for Business, Innovation and Skills.

⁵⁵ Garrett, R., Campbell, M. & Mason, G. (2010) *The value of skills: an evidence review*. London: UK Commission on Employment and Skills.

The effect on employment rates

There is a strong correlation between the level of qualification held by a single parent and their economic activity (see figure 3). Almost two-thirds (65 per cent) of single parents with a level 3 qualification are in employment, compared with 57 per cent of those with a level 2 qualification. Single parents with a level 3 qualification are also less likely to be unemployed than those with a level 2 qualification or no qualifications – 11 per cent compared with 16 per cent and 18 per cent respectively. This shows that single parents with qualifications of level 3 or above are better able to compete for jobs and are much less likely to be unemployed.



⁵⁶ Sample size 100,000 achieved by combing 16 quarters of data from the Labour Force Survey. The ILO definition of unemployment covers people who are: out of work, want a job, have actively sought work in the previous four weeks and are available to start work within the next fortnight; or out of work and have accepted a job that they are waiting to start in the next fortnight.

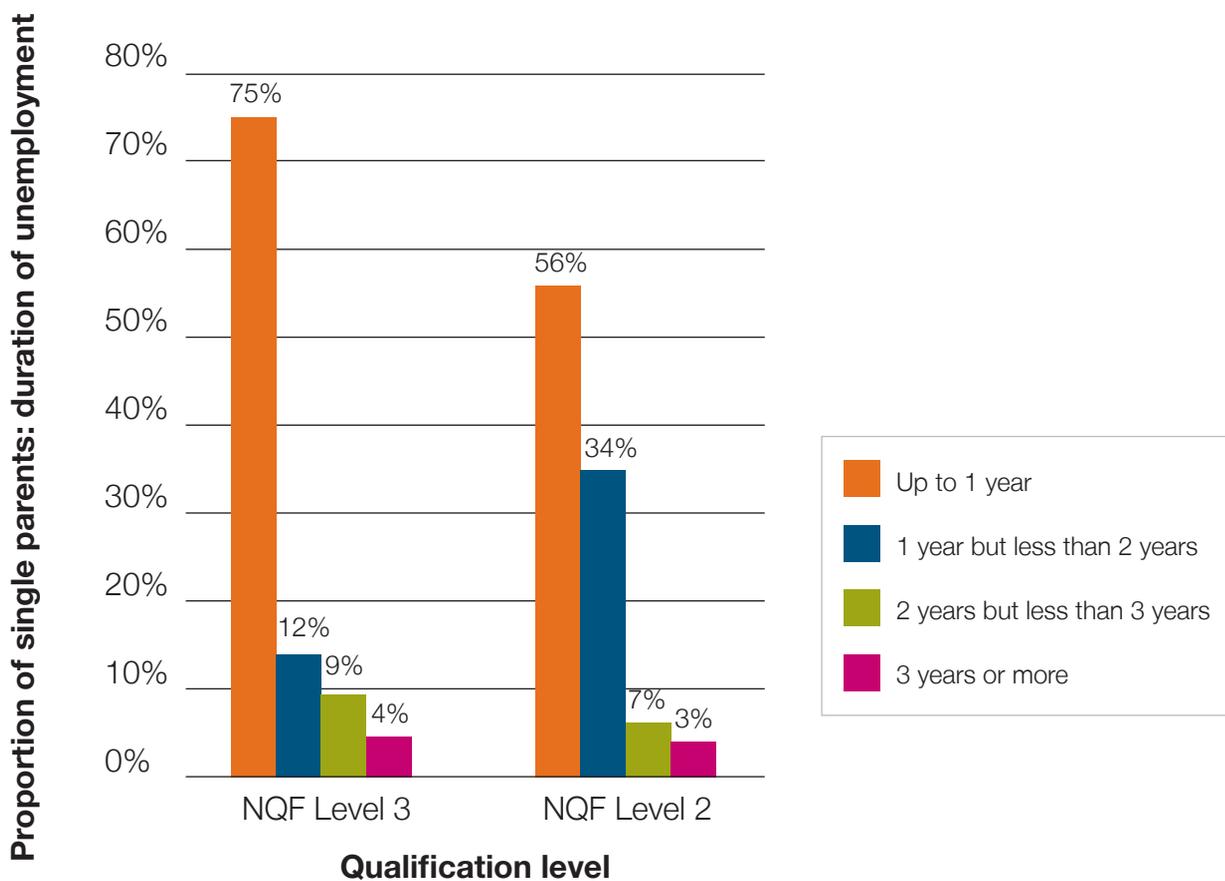
The effect on job security

Data⁵⁷ relating to duration of employment shows a similar trend; single parents with a level 3 qualification are more likely to have experienced sustained periods of employment. Just over half of single parents with a level 3 qualification remain with the same employer for more than two years; 52 per cent compared with 44 per cent of single parents whose highest qualification is at level 2.

The effect on unemployment

Conversely, qualification levels also have an effect on single parent unemployment. We know that single parents with a level 2 qualification are more likely to be unemployed (see figure 3); they are also more likely to be unemployed for longer periods of time – 44 per cent of single parents with a level 2 qualification have been out of work for over a year, compared with only 25 per cent of single parents with a level 3 qualification (see figure 4).

Figure 4: Duration of unemployment for single parents by qualification level



Source: Labour Force Survey 2009-2012, 16 quarters combined

⁵⁷ Labour Force Survey 2009 – 2012, 16 quarters combined.



Summary

The benefits of gaining further qualifications are clear; single parents with a level 3 qualification have longer periods of sustained employment, can command better wages, and spend less time on out-of-work benefits in comparison with single parents whose highest qualification is at level 2. Increased job security and improved earnings help single parents to minimise debt, cope financially when an unexpected bill arrives and have a little extra money to spend on their children.⁵⁸

There are, of course, associated advantages for the government. Sustained employment on a higher wage will increase the amount of tax revenue that the Exchequer receives and reduce the need for in-work benefit payments. Less time spent claiming out-of-work benefits also reduces the amount the government pays out in social security payments.

The following section looks at the potential monetary gains to the state and the individual if the government provided fully-funded opportunities for single parents to attain a level 3 qualification.

5: The costs and benefits of supporting single parents to gain a level 3 qualification

In this cost benefit analysis, conducted by CESI,⁵⁹ the focus is on single parents over the age of 24 with two primary school-aged children, in receipt of universal credit ⁶⁰ and with a highest qualification at level 2 – referred to here as the target group.⁶¹ We look at the potential gains to the state over a seven year period if the government were to provide fully-funded opportunities for single parents to attain level 3 qualifications. For the purposes of this work, fully-funded is defined as the government covering course fees, additional training costs such as examination fees, and paying the full cost of any necessary childcare as an entitlement, rather than a discretionary payment. The model assumes that once a level 3 qualification has been attained, single parents will move into employment on an average level 3 wage. We have then extended the analysis of the target group to all single parents with a highest qualification at level 2 to provide an estimate of the total gains the government may achieve.⁶²

Vocational qualifications are offered in a wide variety of formats. Many qualifications can be studied on a part-time as well as full-time basis over one or two years. Some awarding bodies and learning providers specify that candidates must already be working in a relevant occupation to fulfil eligibility requirements. Delivery comes in many forms – for example in the classroom, online, via work-based learning or by distance learning. The cost benefit model includes different combinations of training and part-time working patterns to reflect at least some of this diversity. The cost of courses also varies considerably. The average cost of a level 3 course is £850 and we have used this figure to inform our cost benefit model.⁶³

For the purposes of this report, we have assumed that single parents who are unemployed will have received permission from their JCP adviser to participate in learning ⁶⁴ as a form of work preparation, and the relevant easements will apply to their claim. Their universal credit payments are therefore not affected by returning to further education.

In our analysis we focus on the potential gains to the government when single parents in the target group gain their first level 3 qualification and move into work of either 16 or 20 hours at an average level 3 salary, compared with a single parent with a highest qualification at level 2 working 16 hours at an average level 2 salary. The vast majority of this group of single parents currently work 16 hours or less a week. Reasons for this will vary but are most likely to include:

- Caring responsibilities
- The cost and availability of childcare
- The lack of jobs with flexible working patterns
- The degree to which working more hours is financially worthwhile.

⁵⁹ Vaid, L. (2014) *What are the costs and benefits of supporting single parents to gain level 3 qualifications prior to returning to employment*. Unpublished report. London: Centre for Economic and Social Inclusion.

⁶⁰ Universal credit payments based on the 2013-14 rates announced in the autumn statement in 2012. Amounts do not reflect the recent announcement to increase support for childcare costs in universal credit from 70 per cent to 85 per cent for all families from autumn 2016. In light of this announcement, savings in cash terms might change, but the relative gain/loss will remain the same.

⁶¹ This equates to a total of 15,275 single parents. Data from the Labour Force Survey, 16 quarters combined and weighted to the national population. 11,683 single parents working part-time, 3,309 single parents unemployed and 283 single parents in full-time work.

⁶² While not all these single parents will match the circumstances of those used in our analysis, and therefore the actual amounts being paid may vary, the relative gain/loss will remain the same.

⁶³ Vaid, L. (2014) *What are the costs and benefits of supporting single parents to gain level 3 qualifications prior to returning to employment*. London: Centre for Economic and Social Inclusion.

⁶⁴ Universal credit regulations 2013. 99 (5) (a)

However, we also know that single parents are likely to increase their working hours as their children get older. Over a seven year period, the children of single parents in the target group will have started secondary school. It is reasonable to assume, therefore, that single parents during this period may well increase their working hours. In light of this, our model assumes a modest increase in single parents' working hours from 16 to 20 hours a week once they gain a level 3 qualification. It is still possible to work 20 hours per week within a child's normal school hours.

Level 3 training for unemployed single parents

Here we look at single parents⁶⁵ completing one or two-year courses before moving into work at 16 or 20 hours per week at an average level 3 salary of £9.85. Gains are measured against the following baseline: unemployed single parents in the target group progressing into work of 16 hours a week on an average level 2 hourly wage of £8.89.⁶⁶ Over a seven year period we have assumed a total time spent employed of five years and nine months, with periods of unemployment totalling one year and three months.⁶⁷

Table 3 – Level 3 training for unemployed single parents: summary table of potential gains ⁶⁸

Year	Single parents in the target group		
	All start with their highest qualification at level 2		
1	Unemployed	Attains a level 3 qualification	Attains a level 3 qualification
2	Employed – 16 hours a week at an average level 2 salary	Employed – 16 hours a week at an average level 3 salary	Employed – 20 hours a week at an average level 3 salary
3			
4			
5	Employed – 16 hours a week at an average level 2 salary		
6			
7			
UC payments over 7 years:	£115,000	£108,000	£105,000
Tax and NI over 7 years	£0.00	£1,000	£2,700
Total gains over 7 years	All single parents in the target group	£0.3 million	£25.7 million
	All single parents with a highest qualification at level 2	£8.1 million	£670 million

⁶⁵ The Labour Force Survey 16-quarters combined (2009-2012) of ILO unemployed single parents. 3,309 single parents in the target group.

⁶⁶ Baseline cost to the state: £379.7 million over seven years.

⁶⁷ Unemployed in year one and a further three months unemployed in year four.

⁶⁸ Scale up figure based on 86,267 unemployed single parents, the LFS 4-quarter average.

If a single parent undertook a one year level 3 course, and subsequently moved into work of 16 hours a week for the following six years, the state would gain up to £0.3 million over seven years in relation to all single parents in the target group. However, if the same single parent moved into work of 20 hours a week rather than 16 hours, the potential gain to the state increases substantially up to £25.7 million. In the latter example, the government reaches a net gain of £579 per individual in year 3, having recouped what it paid out in student fees and childcare costs in year one through subsequent increased tax and national insurance and reduced universal credit payments. After this point, net gains increase year on year, reaching £7,767 per individual in year seven.

The difference in income tax and national insurance contributions is also quite pronounced. A single parent working 16 hours a week at an average level 2 salary doesn't earn enough to pay any income tax or national insurance. In contrast, a single parent working 20 hours a week at an average level 3 salary pays £457 a year in income tax and national insurance. Over a period of seven years, the state could gain up to an additional £9 million in relation to the target group who are unemployed. In this scenario, universal credit payments decrease by 8.4 per cent. This is in comparison to a 2.8 per cent reduction where single parents move into work of 16 hours after completing a level 3 course. Even if we compare all the single parents in the target group working 20 hours a week on an average level 3 salary with single parents working the same hours but earning an average level 2 salary, the state receives over twice the amount of income tax and national insurance contributions – £9 million as opposed to £3.5 million; an increase of 157 per cent.

The gains to the state are understandably smaller when supporting single parents to attain a level 3 qualification over two years instead of one. However, it is worth noting that the state would still gain up to £13.4 million with respect to the target group if they attained a level 3 qualification over years one and two and moved into work of 20 hours a week over the following five years. The government reaches a net gain in year five of £586 per individual, increasing to a total of £4,000 by year seven.

It is clear from our findings that the state could make considerable gains supporting single parents to attain a level 3 qualification prior to entering employment. The largest gain can be achieved in circumstances where single parents attain a level 3 qualification in year one and move into work of 20 hours a week on an average level 3 salary for the following six years. For the purposes of this analysis, our calculations are based on the target group with average rent and childcare costs. Extending the analysis to all unemployed single parents⁶⁹ with a level 2 qualification – ie those who might potentially benefit from attaining a level 3 qualification – the state could potentially gain up to £670 million over a seven year period.

Level 3 training for single parents in part-time employment

Here we look at potential gains to the state when single parents⁷⁰ combine part-time study over one or two years whilst working 16 hours a week at an average level 2 salary, and subsequently move into employment of 20 hours a week at an average level 3 salary. In the employed scenarios, gains are measured against the following baseline: employed single parents in the target group working 16 hours a week. Over the seven year timeframe, we have assumed a total time spent in employment of six and a half years, with periods of unemployment totalling six months.⁷¹

⁶⁹ Labour Force Survey, 4-quarter average. 86,267 single parents.

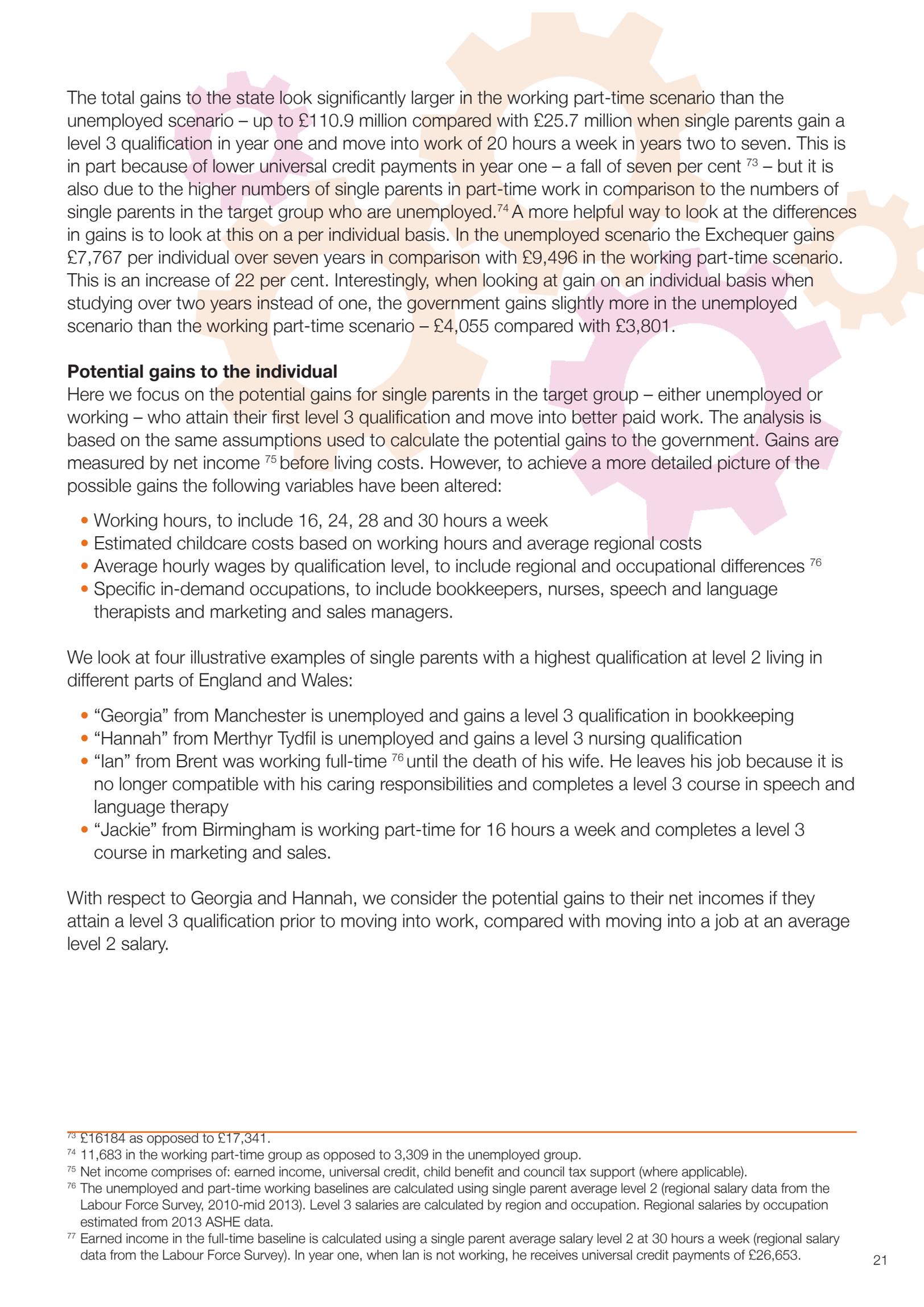
⁷⁰ The Labour Force Survey 16-quarters combined (2009-2012) of employed single parents. 11,683 single parents in the target group.

⁷¹ Baseline cost of £1,330.4 million. Unemployed for three months in years three and six.

Table 4: Level 3 training for single parents in part-time employment: summary table of potential gains ⁷²

Year	Single parents in the target group		
	All start with their highest qualification at level 2		
1	Employed – 16 hours a week at an average level 2 salary	Works 16 hours a week and attains a level 3 qualification	Works 16 hours a week and attains a level 3 qualification
2	Employed – 16 hours a week at an average level 3 salary	Employed – 20 hours a week at an average level 3 salary	Employed – 20 hours a week at an average level 3 salary
3	Unemployed for three months; employed at 16 hours a week at an average level 2 salary for the remaining nine months		
4	Employed - 16 hours a week at an average level 2 salary		
5	Employed - 16 hours a week at an average level 2 salary		
6	Unemployed for three months; employed at 16 hours a week at an average level 2 salary for the remaining nine months		
7	Employed - 16 hours a week at an average level 2 salary		
UC payments over 7 years:	£113,900		
Tax and NI over 7 years	£0.00	£2,700	£2,300
Total gains over 7 years	All single parents in the target group	£110.9 million	£44.4 million
	All single parents with a highest qualification at level 2	£122 million	£49 million

If a single parent works and studies in year one and moves into employment of 20 hours a week from year two onwards, the state could gain up to a total of £110.9 million for the target group over a seven year period. The government reaches a net gain of £825 per individual in year two, recouping its costs from year one. Gains continue to increase year on year reaching a total of £9,500 by year seven. If a single parent studies over two years, the total gain is up to £44.4 million for the target group. In these circumstances, the government reaches a net gain in year five of £333 per individual, increasing to a total of £3,800 by year seven.



The total gains to the state look significantly larger in the working part-time scenario than the unemployed scenario – up to £110.9 million compared with £25.7 million when single parents gain a level 3 qualification in year one and move into work of 20 hours a week in years two to seven. This is in part because of lower universal credit payments in year one – a fall of seven per cent⁷³ – but it is also due to the higher numbers of single parents in part-time work in comparison to the numbers of single parents in the target group who are unemployed.⁷⁴ A more helpful way to look at the differences in gains is to look at this on a per individual basis. In the unemployed scenario the Exchequer gains £7,767 per individual over seven years in comparison with £9,496 in the working part-time scenario. This is an increase of 22 per cent. Interestingly, when looking at gain on an individual basis when studying over two years instead of one, the government gains slightly more in the unemployed scenario than the working part-time scenario – £4,055 compared with £3,801.

Potential gains to the individual

Here we focus on the potential gains for single parents in the target group – either unemployed or working – who attain their first level 3 qualification and move into better paid work. The analysis is based on the same assumptions used to calculate the potential gains to the government. Gains are measured by net income⁷⁵ before living costs. However, to achieve a more detailed picture of the possible gains the following variables have been altered:

- Working hours, to include 16, 24, 28 and 30 hours a week
- Estimated childcare costs based on working hours and average regional costs
- Average hourly wages by qualification level, to include regional and occupational differences⁷⁶
- Specific in-demand occupations, to include bookkeepers, nurses, speech and language therapists and marketing and sales managers.

We look at four illustrative examples of single parents with a highest qualification at level 2 living in different parts of England and Wales:

- “Georgia” from Manchester is unemployed and gains a level 3 qualification in bookkeeping
- “Hannah” from Merthyr Tydfil is unemployed and gains a level 3 nursing qualification
- “Ian” from Brent was working full-time⁷⁶ until the death of his wife. He leaves his job because it is no longer compatible with his caring responsibilities and completes a level 3 course in speech and language therapy
- “Jackie” from Birmingham is working part-time for 16 hours a week and completes a level 3 course in marketing and sales.

With respect to Georgia and Hannah, we consider the potential gains to their net incomes if they attain a level 3 qualification prior to moving into work, compared with moving into a job at an average level 2 salary.

⁷³ £16184 as opposed to £17,341.

⁷⁴ 11,683 in the working part-time group as opposed to 3,309 in the unemployed group.

⁷⁵ Net income comprises of: earned income, universal credit, child benefit and council tax support (where applicable).

⁷⁶ The unemployed and part-time working baselines are calculated using single parent average level 2 (regional salary data from the Labour Force Survey, 2010-mid 2013). Level 3 salaries are calculated by region and occupation. Regional salaries by occupation estimated from 2013 ASHE data.

⁷⁷ Earned income in the full-time baseline is calculated using a single parent average salary level 2 at 30 hours a week (regional salary data from the Labour Force Survey). In year one, when Ian is not working, he receives universal credit payments of £26,653.

Table 5: Gains to individuals, unemployed scenarios

Year	Georgia from Manchester	Hannah from Merthyr Tydfil
	Georgia and Hannah start with their highest qualification at level 2	
1	Georgia is unemployed and gains a level 3 qualification in bookkeeping	Hannah is unemployed and gains a level 3 nursing qualification
2 - 7	Georgia successfully finds work as a bookkeeper for 24 hours a week and earns an average level 3 salary	Hannah successfully finds work nursing for 16 hours a week and earns an average level 3 salary
Net income in year 1:	£19,153	£17,353
Net annual income in years 2-7:	£27,843	£24,522
Total net income over 7 years:	£186,210	£164,483
Total gains over 7 years:	£26,054	£19,063

Over a seven year period Georgia gains £26,000⁷⁸ and Hannah gains £19,000⁷⁹ in comparison with an unemployed single parent who moves into a job with an average level 2 salary in the same region.⁸⁰ Georgia’s weekly net income increases by 45 per cent from £368 to £535, giving her an extra £167 per week. Hannah’s weekly net income increases from £334 to £472, a gain of £138 (41 per cent) per week.

Georgia and Hannah move from unemployment to part-time work of 16 and 24 hours per week. Together with their universal credit payments, their weekly net earnings bring them over the relative poverty line of £265 per week by £270 and £207 respectively.

Turning to Ian and Jackie, Ian worked full-time on an average level 2 salary before the death of his wife. He leaves his job because it is no longer compatible with his caring responsibilities. He makes a claim for universal credit and re-trains as a speech and language therapist. He finds a job in his new career for 30 hours a week and over seven years gains £21,000.⁸¹

Jackie works 16 hours a week on an average level 2 salary. She combines work with training in year one and gains a level 3 qualification in marketing and sales. In year two Jackie finds a new job with more hours as a marketing and sales manager. Jackie gains £70,000⁸² over seven years.

⁷⁸ Baseline net income: £159,376 over seven years and taking into account one year’s worth of travel costs whilst training.

⁷⁹ Baseline net income: £144,640 over seven years and taking into account one year’s worth of travel costs whilst training.

⁸⁰ Unemployed in year one, moving into work at 16 hours a week on an average level 2 salary in year 2, with a further spell of unemployment for three months in year four.

⁸¹ Baseline net income over seven years: £246,631.

⁸² Baseline net income over seven years: £159,457.

The gains to their respective hourly wages are considerable. Ian's hourly wage doubles from £9.02 to £18.60 and Jackie's hourly wages increase by almost £23 from £7.65 to £30.43.⁸³ Jackie's net weekly earnings are £628 and she no longer receives universal credit.⁸⁴

Table 6: Gains to individuals, employed scenarios

Year	Ian from Brent	Jackie from Birmingham
	Ian and Jackie start with their highest qualification at level 2	
1	Ian leaves his full-time job after his wife dies. He completes a level 3 course in speech and language therapy	Jackie is working 16 hours a week on an average level 2 salary. She completes a level 3 course in marketing and sales
2 - 7	Ian finds a new job as a speech and language therapist for 30 hours a week and earns an average level 3 salary	Jackie finds a new job as a sales and marketing manager for 28 hours a week and earns an average level 3 salary
Net income in year 1:	£26,653	£23,251
Net annual income in years 2-7:	£40,216	£34,386
Total net income over 7 years:	£267,950	£229,564
Total gains over 7 years:	£21,319	£70,107

Although Ian's hourly wage increases considerably, his net weekly income only increases by £65 from £708 to £773. His universal credit payments are reduced by £129 (30 per cent) and his tax and national insurance increase. Previous research from Gingerbread shows that single parents working over 16 hours a week face the weakest work incentives in universal credit of any household type. The design of universal credit makes it hard for single parents to make work pay. This will particularly affect single parents like Ian, who have high housing and childcare costs.

Summary

Our findings show that the state could achieve substantial financial gains by supporting single parents to gain their first level 3 qualification. Gains can be achieved when funding single parents to attain a level 3 qualification prior to entering employment and whilst they are working. Gingerbread would argue that funding in both scenarios is needed in order for the government to maximise potential gains, and for as many single parents to benefit as possible. For some single parents, juggling work, study and caring responsibilities may not be manageable, especially with younger children, but gaining a qualification before getting a job could be a feasible option.

⁸³ CV > 5%, <10%. CV = coefficient of variation, which measures the variability in relation to the calculated mean.

⁸⁴ At this point Jackie would be entitled to tax-free childcare. This has not been incorporated into the analysis.

Providing fully-funded opportunities for all unemployed single parents with a highest qualification at level 2 ⁸⁵ to attain a level 3 qualification prior to entering employment of 20 hours a week brings a potential total gain of up to £670 million over a seven year period. However, the work-first approach that underpins conditionality in universal credit discourages claimants from pursuing further education. Conditionality is designed to move claimants who are out of work into a job as quickly as possible. JCP-funded training reflects this approach and is predominantly targeted towards addressing basic skills needs and job search techniques. Our analysis clearly shows that the government is losing out by adhering to a work-first approach. Supporting single parents to skill up before returning to the labour market is particularly pertinent for those who are economically inactive; for example, those with a youngest child aged four or under. For this group, a fully-funded opportunity to attain a level 3 qualification before their youngest child turns five could significantly improve their prospects of finding better paid work. We estimate that around 250,000 ⁸⁶ single parents who are economically inactive, and with a highest qualification at level 2, could benefit from such an intervention.

Providing fully-funded opportunities to gain additional qualifications once in employment is pertinent with respect to in-work conditionality – recently renamed in-work progression – in universal credit. For many single parents, increasing their hours to meet the required earnings threshold will not be possible. Instead it will be necessary to find better paid work. Gaining further qualifications is the foundation for increasing an individual's earning potential and, given that wage returns improve substantially once an individual holds a level 3 qualification, it is vital that fully-funded opportunities to access further education are made available to single parents already in employment.

The financial gains to single parents are considerable. Attaining a level 3 qualification and moving into work on a higher wage significantly increases their chances of sustaining a level of income that keeps them and their children out of poverty, even if working part-time. In certain occupations – for example in nursing, speech and language therapy or marketing – hourly wages can increase by over 100 per cent in comparison with average level 2 salaries.

⁸⁵ This equates to 86,367 single parents with a highest qualification at level 2 and ILO unemployed. Figure obtained using LFS data over 4 quarters.

⁸⁶ Labour Force Survey, 4-quarter average.

6: Conclusion and recommendations

This report examines the role of further education with respect to single parent employment. It investigates the potential gains to the state if the government provided fully-funded opportunities for single parents to attain their first level 3 qualification.

Single parents are disproportionately lower qualified; almost a third of single parents have a highest qualification at level 2, compared with just over a fifth of couple parents. Single parents with lower level qualifications struggle to get on in the labour market; they overwhelmingly work in the lowest paid occupational groups, are more likely to work short hours or part-time jobs, and their opportunities for progression are curtailed. Single parents need access to further education that will open the door to employment in higher paid occupational groups. Single parents are navigating a welfare system that is not currently set up to facilitate career transitions; high childcare costs and a lack of good quality flexible or part-time work can conspire to exclude single parents from jobs that offer greater financial rewards.

This report has focused on the supply side of the skills-policy paradigm. However, we fully recognise that interventions to address the supply of skilled workers can only be a part of the picture relating to single parent employment. Wider structural changes to the labour market have reduced the number of intermediate roles. Job creation has swelled both at the top and bottom of the labour market. In-demand occupations are predominantly full-time positions, and require enhanced skills. Jobs in low paid sectors can provide flexibility in terms of working patterns, which is a pressing need for single parents. However, lower paid roles offer considerably less in terms of progression and earnings potential. Exploring what policies are needed to promote increased demand for skills from employers is beyond the remit of this report, but nevertheless vital to shaping the longer term thinking on a renewed industrial strategy for the UK. Skilling up single parents is the best way to equip them to compete for the level 3 jobs that are available. These intermediate roles provide better opportunities for progression than jobs that require fewer qualifications.

We also know that single parents are highly motivated to work. Eighty-four per cent of unemployed single mothers say they would like to get a paid job, become self-employed, or go to college/study.⁸⁷ Single parents want to earn their own money, be less reliant on benefits and be a role model for their children. The support available to single parents seeking to improve their qualification levels does not match their level of aspiration.

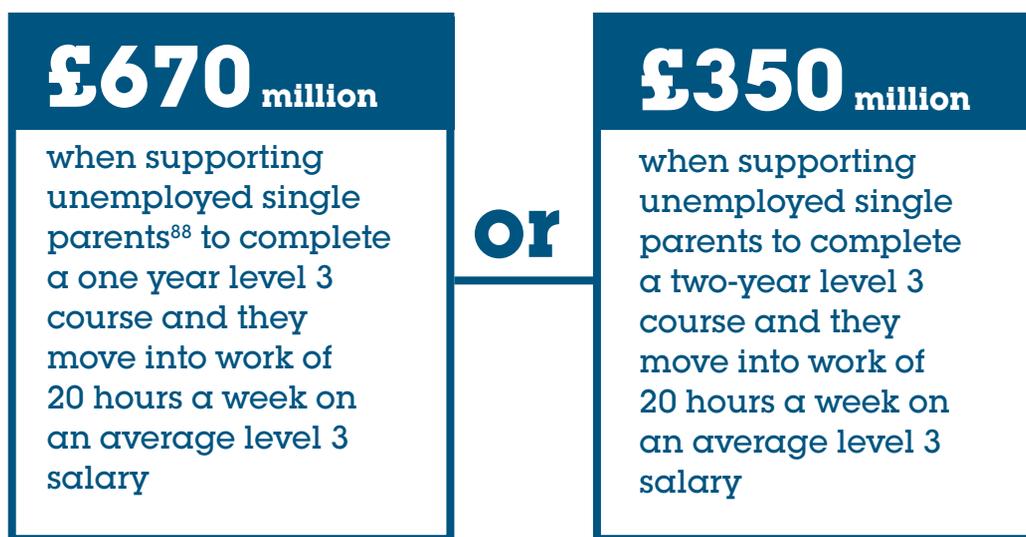
Skills acquisition has a direct relationship with an individual's earning prospects. Gaining a level 3 qualification increases the average hourly wage a single parent can achieve by 11 per cent. Intermediate and higher level qualifications are also a gateway to greater wage progression once in employment. Single parents with a level 3 qualification are better able to compete for jobs, stay in employment for longer periods and are less likely to be unemployed. They are also more likely to work longer hours, with 52 per cent in jobs of 30 or more hours a week compared with 40 per cent of single parents with level 2 qualifications.

Improved qualification levels bring clear benefits for single parents. However, the opportunities for single parents who are on out-of-work benefits to access further education at no or low cost have been curtailed. Fee remissions are no longer available for level 3 courses if an individual is aged 24

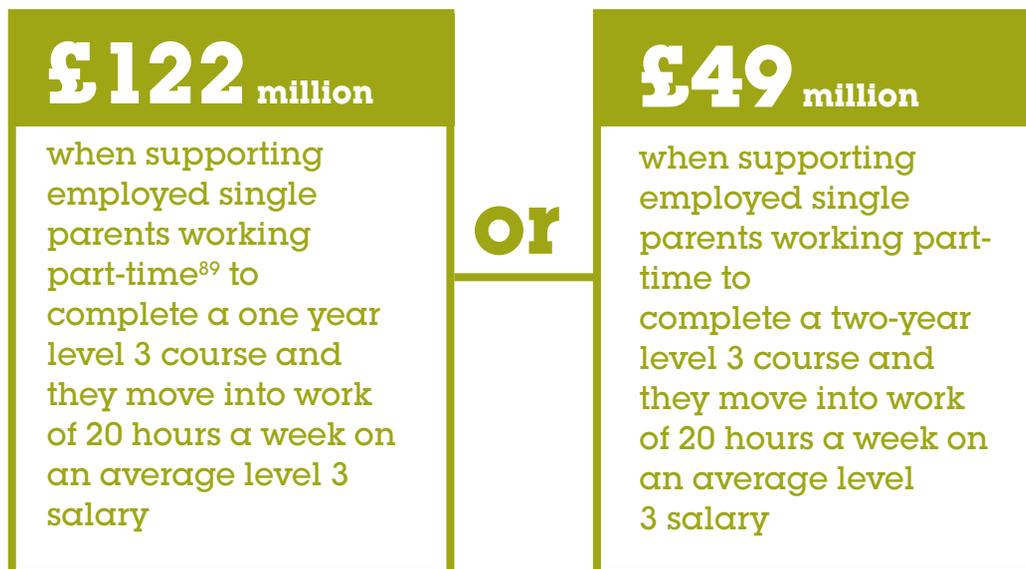
⁸⁷ Park, A et al. (2010) *British Social Attitudes*.

or over, and the work-first approach adopted by JCP focuses on getting claimants off benefits as quickly as possible in order to meet performance targets, rather than enabling claimants to find work that is sustainable, better suited to their own career aspirations and that can provide opportunities for progression. Gingerbread would argue that the JCP model disincentivises advisers from supporting claimants to gain further qualifications because it may extend the amount of time they are receiving out-of-work benefits. The performance of the Work Programme is measured differently; centred on a payment model that incentivises providers to focus on sustainable job outcomes. This greater emphasis on sustainability is welcome; however, providers do not always have sufficient funds when a claimant first joins the Work Programme to provide adequate upfront investment in vocational training, so in practice the claimant experience may be little different.

The government – as well as single parents – is losing out under the current system. Extending our analysis of the target group to all single parents with a highest qualification at level 2; over a seven year period, the Exchequer could potentially gain up to:



Looking ahead to in-work progression under universal credit, enabling single parents to gain their first level 3 qualification whilst working part-time could also bring further gains of up to:



⁸⁸ Based on 86,267 unemployed single parents. Labour Force Survey, 4-quarter average.

⁸⁹ Based on 12,867 single parents working 16 – 20 hours. Labour Force Survey, four-quarter average.

The illustrative case studies show the degree to which single parents could increase their earning power by gaining further qualifications.

- Georgia earns £12.32 an hour after gaining her level 3 bookkeeping qualification as opposed to £7.97 on an average level 2 wage
- Hannah earns over twice as much as a level 3 qualified nurse than she would in a job with an average level 2 wage in Wales; £16.94 compared with £7.22
- Jackie's earnings increase by £23 an hour after gaining her level 3 qualification in marketing and sales.

In each of the above examples, the combination of higher wages and in-work financial support mean that Georgia and Hannah can achieve incomes that reduce their risk of in-work poverty, and Jackie's increased earnings take her out of universal credit altogether.

However, the gains in earned income are offset by the design of universal credit and the way payments are reduced as earnings increase. Despite Ian's substantial increase in hourly wages, from £9.02 to £18.60, his weekly net income only rises by £65 from £708 to £733. Single parents as a group face the weakest work incentives in universal credit. Its design encourages single parents to work fewer than 16 hours a week, but the rate at which universal credit is withdrawn makes it harder to make work pay for single parents who want to work more hours or move into better paid work.

In the overall single parent population, those with level 3 qualifications who are in employment are more likely to work full-time⁹⁰ compared with single parents with a level 2 qualification; 53 per cent and 40 per cent respectively. Data shows that jobs in in-demand occupations are more likely to be offered at full-time hours. These are jobs that command better earnings and offer improved chances of progression. Increasing the qualification levels of single parents is the gateway to accessing in-demand occupations but this needs to be coupled with affordable childcare and flexible working patterns, so that working longer hours becomes more compatible with family life.

The vast majority of non-working single parents want to return to work. The government needs to act to ensure that the state can benefit as much as possible by improving the qualification levels of single parents.

Gingerbread recommends the following actions for government:

- Adopt an "invest to save" model in the adult skills budget and provide fully-funded opportunities for single parents to attain their first level 3 qualification, prior to their return to the labour market and for those already in work
- JCP and Work Programme providers must undertake early assessment of the need for skills training; this should include the need for intermediate vocational training, not just basic skills and employability
- Recalibrate the JCP performance management and accountability framework, to include sustainable job outcomes rather than relying on benefit off-flows to measure performance
- Increase investment in universal credit to improve the work incentives for single parents to genuinely make work pay as they seek to increase their hours and earnings
- Jobcentre Plus and Work Programme providers should guarantee that single parents who have started their first level 3 qualification will be allowed to complete their course
- Jobcentre Plus and Work Programme providers should guarantee to fully fund childcare costs for single parents undertaking their first level 3 qualification.

⁹⁰ 30 or more hours per week.

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