



Centre for Policy Studies

A RAW DEAL FOR LONE PARENTS

EVALUATING THE EVIDENCE

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SUMMARY

The New Deal for Lone Parents is failing and should be abolished:

- the number of lone parents on Income Support stopped falling when the programme began;
- the Government is fiddling the figures by counting as successes for the New Deal lone those parents who voluntarily approach job centres and are not in the target group for the scheme;
- independent research for the Government suggests that lone parents' chances of finding a job were lower in the areas where the New Deal was piloted than in comparable areas without it;
- personal advisers were cited by only 1 per cent of lone parents participating in the New Deal as their first source of knowledge of the job they gained;
- an independent evaluation for the Government suggests that 80 per cent of lone parents getting jobs would have done so anyway. On this basis the cost per job is over £22,500;
- at the current rate it will take 26 years for existing lone parents in the target group to find employment.

CHAPTER ONE

LONE PARENTS ON INCOME SUPPORT

Gordon Brown announced the New Deal for Lone Parents in his July 1997 Budget.¹ Harriet Harman, then Secretary of State for Social Security, claimed 'nearly all lone parents want to work... They want to work, not despite their children, but because of them... we will help lone mothers get off benefit and into work'.²

Lone parents whose youngest child was of primary school age (i.e. at least five years and three months old) made up the target group for the new scheme. They were sent letters inviting them to meet with a personal adviser. Harriet Harman explained: 'Her adviser will help her to set her own action plan, tailored to her own circumstances and those of her children, to guide her through the process of looking for work.'³

As with much of the Government's welfare agenda, the rhetoric sounded attractive. In 1999 there were 1.7 million lone parent families in Britain.⁴ 60 per cent of them, 1 million lone parent families with 1.8 million children,⁵ were living on Income Support.⁶ Whilst about 30 per cent of all children live in households with below half average income, the figure for those in lone parent households is over 60 per cent.⁷

¹ Hansard, 2 July 1997, c.309.

² Hansard, 4 July 1997, c.519.

³ Hansard, 4 July 1997, c.519.

⁴ Hansard, 5 April 2000, c.498W.

⁵ Hansard, 11 April 2000, c.139W.

⁶ Hansard, 2 March 2000, cc.353W-354W.

⁷ DSS, *Households Below Average Income, 1994/5-1997/8* (1999), p.72.

The New Deal for Lone Parents prototype scheme began in July 1997 and was rolled out nationally in October 1998. The Government has consistently claimed it as a great success. In October 1997 Harriet Harman said the results were 'very good'.⁸ Two and half years later Baroness Hollis, the Social Security minister in the Lords, claimed that 'independent research shows that the project is already a success.'⁹

In the two years before the New Deal was launched, the total number of lone parents claiming Income Support fell by over 120,000. Once the New Deal was launched, that fall came to an abrupt halt.

Yet the Government's own figures and the independent evaluation report referred to by Baroness Hollis tell a very different story. In the two years *before* the New Deal began, the total number of lone parents claiming Income Support fell by over 120,000.¹⁰ Then from November 1998, the month after the New Deal was launched, the fall in the number of lone parents claiming Income Support came to an abrupt halt. That July, Tony Blair promised that the total number would 'fall by another 40,000' in 1999.¹¹ Instead, the number of lone parents on Income Support stopped falling the moment he set the target. It has resumed its fall more recently, but at a slower rate. Indeed the number of lone parents on Income Support has fallen by less since the New Deal was launched than in the comparable period before then.

The table overleaf shows the number of lone parents claiming income support, broken down between those with children over the age of five years and three months, the target group at whom the New Deal is aimed, and other lone parents (i.e. those with one or more child under the age of five years and three months). It shows that the target group declined more rapidly before the NDLP went nationwide (i.e. between August 1997 and August 1998) than it did in the subsequent year (i.e. between August 1998 and August 1999). Moreover, the total number of Jobseeker's Allowance claimants was falling during 1999, when the number of lone parents on Income Support in the New Deal target group was rising.¹²

⁸ *Evening Standard*, 23 October 1997.

⁹ *Sunday Telegraph*, 19 March 2000.

¹⁰ Hansard, 10 May 2000, c.180W.

¹¹ Hansard, 15 July 1998, c.402.

¹² DSS, *Jobseeker's Allowance Statistics: Quarterly Enquiry* (November 1999), p.17.

TABLE I. NUMBER OF LONE PARENTS ON INCOME SUPPORT,
AUGUST 1996 TO AUGUST 1999

| Date | At least one child under 5 | All children over 5 | Total |
|---|---------------------------------------|--------------------------------|--------------|
| August 1996 | 450,000 | 611,000 | 1,061,000 |
| November 1996 | 429,000 | 593,000 | 1,022,000 |
| February 1997 | 430,000 | 590,000 | 1,020,000 |
| May 1997 | 429,000 | 584,000 | 1,013,000 |
| August 1997 | 432,000 | 580,000 | 1,012,000 |
| November 1997 | 418,000 | 565,000 | 983,000 |
| February 1998 | 414,000 | 558,000 | 972,000 |
| May 1998 | 412,000 | 549,000 | 961,000 |
| August 1998 | 412,000 | 543,000 | 955,000 |
| New Deal goes nationwide on 26 October 1998 | | | |
| November 1998 | 405,000 | 534,000 | 939,000 |
| February 1999 | 408,000 | 532,000 | 940,000 |
| May 1999 | 407,000 | 529,000 | 936,000 |
| August 1999 | 410,000 | 530,000 | 940,000 |

Source: Hansard, 10 May 2000, c.413W

CHAPTER TWO FIDDLING THE FIGURES

The New Deal for Lone Parents is aimed specifically at lone parents whose youngest child has started school. Yet whenever ministers present the statistics they always quote figures that go far beyond this target group. They include lone parents who have volunteered for the scheme, despite being outside the target group because their children are below school age.

42 per cent of those whom the Government claim to have helped through the NDLP are not even in the target group.

In the latest *Red Book* the Government claim that 'From the national roll-out of the NDLP to the end of December 1999, over 103,500 lone parents had participated and more than 35,000 had already moved into employment.'¹³ What these statistics hide is that only 22,000 lone parents in the target group have found work. The other 16,000 – 42 per cent of the total – are lone parents with at least one child below the age of 5 years and 3 months who are not in the target group.¹⁴ Not one of these 16,000 people has received an invitation to join the New Deal and

¹³ *Red Book* (2000), p.70.

¹⁴ Hansard, 19 April 2000, c.552W. These figures are slightly higher than those in the *Red Book* because they include lone parents who found work in January 2000.

they were never meant to be part of the scheme. But because they volunteered themselves at the local job centre and have been successful in finding work, ministers claim them as evidence of success.

TABLE II. RESULTS OF THE NATIONAL PROGRAMME, OCTOBER 1998 TO JANUARY 2000

| | Target group | Non-target group |
|-----------------------------------|--------------|------------------|
| Initial invitation letters issued | 464,209 | n/a |
| Initial interviews | 66,980 | 55,730 |
| Number of jobs obtained | 21,611 | 15,524 |

Source: Hansard, 17 February 2000, c.661W; Hansard, 19 April 2000 cc.552W-553W; DfEE Statistical First Release, 6 April 2000, p.12.

Ministers do not want to admit that the New Deal for Lone Parents has failed. Instead they change the way the figures are presented to suggest the New Deal is a success. Gordon Brown has announced in the Budget that the target group will be extended later this year to include all those whose youngest child is at least three years old.¹⁵ As we have seen, many of these people are already participating, so the only difference will be that they will receive an initial invitation letter and can be included in the Government's figures for the target group. Without any change in the performance of the New Deal, the Government will be able to claim an increase in the number of lone parents from the target group finding work.

Without any change in the performance of the NDLP, the Government will soon be able to claim an increase in the number of lone parents from the target group who have found work.

The extension of the target group will in time give rise to a strange anomaly. From April 2001 the ONE programme or 'Single Work-Focused Gateway' will make it compulsory for lone parents with children over the age of 5 to attend a one-off interview (but not to look for work). From then on there will be two different lone parent target groups – one for the New Deal for Lone Parents and one for the work-focused gateway interviews. The Government is running two different schemes for lone parents – the New Deal and the ONE programme – and is creating muddle and confusion as a result.

¹⁵ Hansard, 9 November 1999, c.888.

CHAPTER THREE

FEWER LONE PARENTS FIND WORK

Whilst the Government's own monthly Statistical Releases provide a snapshot record of the New Deal for Lone Parents, a more sophisticated evaluation of the prototype phase was published in March 2000. This was commissioned by the DSS and is based on a survey of 8 areas where the prototype scheme ran and 6 control areas where it did not run. According to the Government, 'The control areas provide a benchmark or "counter-factual" by which to assess the impact of the New Deal for Lone Parents'.¹⁶

If the NDLP had any impact at all, it was negative – parents were less likely to get jobs in areas where the New Deal was piloted.

The best test of the success of the New Deal for Lone Parents is the number of lone parents who have found work as a result of their participation. The Government made this clear before the evaluation was published: 'Any additional movements into work in the New Deal for Lone Parents areas over and above that which occurs in the control areas

¹⁶ Keith Bradley MP, the then Under-Secretary of State at the Department of Social Security in a written answer to Iain Duncan Smith MP, Hansard, 24 April 1998, c.730W.

can be attributed to the New Deal for Lone Parents itself.¹⁷ That makes the evidence in the final evaluation report all the more devastating. The researchers found that a lower proportion of the total number of lone parents on Income Support in the prototype areas (17 per cent) got work (or increased their hours) compared with the control areas (18 per cent).¹⁸ If the New Deal had any impact at all, it was negative – lone parents were less likely to get jobs in areas where the New Deal was piloted.

Moreover, when the researchers enquired how those lone parents who had found work had heard about the job vacancy, 34 per cent of those in the prototype areas put the information down to friends and relatives – 3 per cent higher than in the control areas – and only 1 per cent said their personal adviser was the first source of knowledge of the job.¹⁹

Most surprisingly, more of those who found work in the control areas said they had been given help than those in the New Deal prototype areas.

Perhaps most surprisingly, given the huge cost of the personal adviser system, more of those who found work in the control areas said they had been given help in leaving Income Support than did those in the New Deal prototype areas: ‘When asked whether they had received help in leaving Income Support, one in five (20 per cent) of those in comparison [control] areas reported such help, compared with 16 per cent in prototype areas.’²⁰ This raises fundamental questions about the effectiveness of the personal advisers who are such a central – and expensive – part of the New Deal.

Nonetheless Alastair Darling, the Secretary of State for Social Security, put an optimistic gloss on the findings. His press release claimed, ‘the programme is already making a difference. The vast majority of lone parents tell us that they want to work and, for the first time, the NDLP has given them the help to enable them to do so.’²¹ Most of the reaction to the report centred on the number of lone parents leaving Income Support in the prototype areas and Darling claimed, ‘the number of lone parents on Income Support was 3.3% lower than it would have been without NDLP.’²²

¹⁷ Ibid., Hansard, 24 April 1998, c.730W.

¹⁸ Jon Hales et al, *Evaluation of the New Deal for Lone Parents: Early Lessons from the Phase One Prototype – Findings of Surveys* (2000), p.211.

¹⁹ Hales et al, *Findings of Surveys*, p.225.

²⁰ Hales et al, *Findings of Surveys*, p.232.

²¹ DSS Press Release, 3 March 2000.

²² DSS Press Release, 3 March 2000.

It is true that slightly more lone parents left Income Support in the prototype areas, but as we have seen this movement cannot be attributed to lone parents finding work. The reason is very different: ‘The second most important reason for ceasing to claim Income Support after work was re-partnering. This was the reason given by 18 per cent of the lone parents in the prototype areas who had ceased to claim Income Support, compared with 13 per cent in the comparison [control] areas.’²³ So when Alastair Darling takes credit for an additional 3.3 per cent movement off Income Support, he is referring to a higher rate of detected re-partnering. The main effect of the New Deal for Lone Parents prototype scheme appears to have been the discovery of partners previously unknown to the Benefits Agency.²⁴ This is no bad thing, but it is not the aim of the programme and there are much more effective ways to root out false Income Support claims.

The Government survey reported that ‘the second most important reason for ceasing to claim Income Support was re-partnering.’ The main effect of the NDLP appears to have been the discovery of partners previously unknown to the Benefits Agency.

TABLE III. LONE PARENTS WHO LEFT INCOME SUPPORT DURING THE PROTOTYPE PHASE

| | Prototype Areas | Control Areas |
|--|-----------------|---------------|
| Total percentage of lone parents leaving Income Support | 30 | 28 |
| Percentage of lone parents leaving Income Support who left for work (or increased their hours of work) | 53 | 57 |
| Percentage of lone parents leaving Income Support who left due to ‘re-partnering’ | 18 | 13 |

Source: Hales et al, *Synthesis Report*, p.58; Hales et al, *Findings of Surveys (2000)*, p.218.

²³ Hales et al, *Evaluation of the New Deal for Lone Parents: Early Lessons from the Phase One Prototype – Synthesis Report (2000)*, p.60.

²⁴ Hales et al, *Synthesis Report*, p.60.

CHAPTER FOUR

£22,500 A JOB (NOT £1,388)

The New Deal for Lone Parents is a very expensive scheme. Until recently the Government had expected to spend £190 million on the programme over the course of the current parliament.²⁵ This figure has recently been increased to £220 million.²⁶ Although the scheme is already running at £164,000 a day, it will cost nearly a quarter of a million pounds a day from next April.

While the cost of the NDLP is rising, it is helping even fewer parents to now find work.

Whilst the costs are rising, the evidence is that fewer lone parents are finding work as time goes on. Between October 1999 and January 2000 the monthly figure for lone parents in the target group who found work more than halved, from 2,924 to 1,307.²⁷

²⁵ Pre-Budget Report 1999, p.62.

²⁶ Red Book 2000, p.72.

²⁷ Hansard, 19 April 2000, c.552W. The figures for the previous year suggest that very little of this change is seasonal: between November 1998 and January 1999 the number of lone parents finding work changed little (despite a blip in December) but between November 1999 and January 2000 it fell steeply.

TABLE IV. NUMBER OF JOBS OBTAINED, OCTOBER 1999 TO JANUARY 2000

| | Target Group | Non-target Group | Total |
|---------------|--------------|------------------|-------|
| October 1999 | 2,924 | 2,248 | 5,198 |
| November 1999 | 2,577 | 1,910 | 4,509 |
| December 1999 | 1,319 | 1,124 | 2,459 |
| January 2000 | 1,307 | 800 | 2,133 |

Source: Hansard, 19 April 2000, c.552W.

There are 410,000 lone parents in the target group²⁸ – only 0.3 per cent of them found work in January. At this success rate it will take 26 years for the Government to find work for everyone in the target group. Indeed if the current decline continues it will take far longer.

Ministers have claimed that each job obtained under the New Deal for Lone Parents costs £1,388²⁹ but this is merely the lowest of a number of different cost per job figures in the independent evaluation report.³⁰ The evidence presented in the previous chapter – that the New Deal is having a negative impact on lone parents' job prospects – suggests that the cost of an extra job obtained through the programme is infinite.

A realistic calculation would find that only 3,674 lone parents in the target group have found work because of the NDLP – the equivalent of £22,500 per job.

Even a generous interpretation of the Government's approach produces a very high cost per job figure. The evaluation report states that 80 per cent of the jobs obtained through the scheme would have been filled by lone parents even if the New Deal had never existed: 'the employment additionality rate of 20 per cent seems a reasonable minimum estimate for the purpose of the cost-benefit analysis.'³¹ Early figures suggest that a further 15 per cent of those who find work on the scheme are back on Income Support within a few weeks.³²

Any realistic cost per job calculation must take these findings into account. Only 3,674 lone parents in the target group have found long-

²⁸ Hansard, 10 May 2000, c.413W.

²⁹ DSS Press Release, 24 May 2000.

³⁰ Chris Hasluck, *Evaluation of the New Deal for Lone Parents: Early Lessons from the Phase One Prototype – Cost-benefit and Econometric Analyses* (2000), p.24, pp.32-33.

³¹ Hales et al, *Synthesis Report*, p.62.

³² The Government no longer releases these figures but they have done so in the past. These show that of the first 2017 people to find work under the NDLP, 309 lost their job within a few weeks. Hansard, 24 June 1998, c.552.

standing jobs which they would not have found anyway. And only 222 did so in January.

TABLE V. CALCULATION OF THE COST PER JOB, JANUARY 2000

| | Jobs linked to the NDLP | Deadweight | No. rejoining Income Support | Jobs obtained | Current monthly cost | Cost per job |
|--------------|------------------------------------|-------------------|---|--------------------------|---------------------------------|---------------------|
| January 2000 | 1,307 | 1046 | 39 | 222 | £5m | £22,523 |

Source: Hansard, 19 April 2000, c.552W.

At the current cost of £5 million pounds per month, this works out at a direct cost of over £22,500 for each job. The real cost is far higher as most of those who do find employment are eligible for in-work benefits.

CHAPTER FIVE

WHY IS THE NEW DEAL FAILING AND WHAT IS THE ALTERNATIVE?

The New Deal is failing. The evidence we have presented is overwhelming. The number of lone parents on Income Support stopped falling at almost exactly the time when the New Deal was launched. Lone parents are no more successful at finding work now than they were before the New Deal came along. Even on the most generous estimates the New Deal is costing an enormous amount per job. But we cannot leave it there. The New Deal is a well-intentioned attempt to tackle what is a genuine problem – too many lone parents are out of touch with the labour market.

We need to understand why the New Deal is failing so we can design a better policy. Ministers regularly claim that they believe in evidence-based public policy. What they ought to be doing therefore is learning from the evidence of the failure of the New Deal and constructing a better alternative. Sadly however, the understandable desire of ministers to claim every policy is a total success means they cannot frankly acknowledge the problems and try to tackle them. Instead they are offering ever more ingenious manipulation of the evidence so as to claim that their existing policy is working even though it manifestly is not.

The design of the New Deal has a superficial logic to it. The argument is that when a child becomes of school age, a significant event in the life of any family, the Employment Service should get in touch with the lone parent and invite her in for discussion of the job options. But there is

nothing in the rules of the benefits system to require any lone parent to be actively seeking work. And the evidence for the New Deal is that if you want to get people off benefits, you cannot simply rely on their child going to school and a pleasant interview with a personal adviser. If you want to get them off benefit there have to be rules within the benefits system itself which make it clear what is expected of them. Anything else simply becomes a game of bluff and will not be taken seriously.

The Government has taken a modest step in this direction by saying that as part of its single work-focused gateway, lone parents will, from April 2001, be required to come for an interview when their child is of school age rather than merely being invited to one. But this falls far short of expecting them to be actively seeking work. Moreover, the Government is in practice running two parallel schemes which make the system far more complicated than it need be. It is running both the New Deal for Lone Parents and separately, the single work-focused gateway for benefit claimants. The latter programme is called ONE. A better summary of the Government's approach would be TWO.

The conclusion which we have reached, drawing not just on British evidence but from around the Western world, is that if you want to get lone parents into work you have to set a clear requirement in the benefit system that claimants should actively seek work. Anything else would be ineffective. But this requirement can only be applied to lone parents where it is reasonable to expect them to be working. That means, above all looking at what is in the best interests of the child. This depends on the age of the child and points to the second problem with the Government's approach.

The Chancellor wants more women to work. But he fails to discriminate between the circumstances of different families.

The Government's whole approach to lone parents is indiscriminate. Gordon Brown believes in women working, but he does not discriminate between the circumstances of different families. He talks about lone parents as if all of them could be working regardless of the age of their child or their personal circumstances. This is why Labour got into such a mess with their cuts to lone parent benefit in 1997. They defended them by arguing they wanted parents to work, without distinguishing between a mother with a toddler and a mother with a 15 year old. If you signal that you expect all lone parents to be working, and that is reinforced by the latest proposal to invite lone parents with children as young as 3 into interview, the policy has to be so broad and vague that it lacks real effectiveness for anyone. As there is no popular consensus that lone

mothers with children of 3 or even 5 should be working, you cannot enforce this expectation. A far better approach is to go back to the evidence as to what is in the interests of the child and the mother and then to identify a narrower group of lone parents whom you can seriously expect to be actively seeking work with benefit conditions to back that up. That is our alternative approach.

The evidence is that when children are of secondary school age, they positively benefit if their parent is working.

The evidence is that once children are of secondary school age, they positively benefit if their lone parent is working. This is especially true for daughters. In two-parent families, 38 per cent of daughters secure an A Level or more, almost the same outcome whether the mother is in paid work or not. A daughter brought up by a lone mother who works when she is older has a 24 per cent chance of doing so; if the mother does not work the figure is a mere 7 per cent.³³

Another aspect of growing up in a lone parent family is also of particular relevance to girls. 10 per cent of daughters who grow up in two-parent families become teenage mothers. In families headed by a non-working lone mother, however, 25 per cent of daughters become teenage mothers. For a daughter of secondary school age whose lone mother does have a job, the risk of becoming a teenage mother is much closer to that for girls in two-parent families at only 13 per cent.³⁴

For these reasons a future Conservative Government would introduce a requirement that lone parents should be actively seeking work once their youngest child is at secondary school. Lone parents in this group would no longer receive state benefits unconditionally. They should instead be expected to be actively seeking the types of work that married mothers are undertaking.

This change needs to be introduced gradually to avoid overwhelming the Employment Service. The fairest and simplest way is to introduce the policy over a period of five years as the age of the child is reduced from 16 to 11.

This gradual implementation would allow time to prepare lone parents for work. At the moment they simply get four weeks notice when their

³³ Kathleen Kiernan, 'Lone Motherhood, Employment and Outcomes for Children', *International Journal of Law, Policy and the Family* 10 (1996), p.239.

³⁴ Kiernan, 'Lone Motherhood', p.245.

child is about to become 16 (or 18 if the child remains in education) that they will soon be ineligible for Income Support.

Conservatives want to help lone parents. But they also recognise that it is in the best interests of both the children and the parent if the parent is expected to be actively seeking work.

Unemployed lone parents need to know that they are being treated with respect, but they also need to know that benefits cannot be paid unconditionally for years on end. Conservatives want to offer assistance and advice and support to lone parents, but they also have to know that as their children become older, they will be expected to be actively seeking work because that is in the best interests of both the children and the parents.

We will therefore abolish the New Deal for Lone Parents, saving £90 million in the next year alone. We will replace it with our far more effective approach to getting lone parents into work.

ANNEX

THE HISTORY OF THE NEW DEAL FOR LONE PARENTS

- 2 July 1997 Gordon Brown, the Chancellor of the Exchequer, announces the scheme: 'Any welfare-to-work programme that seriously tackles poverty in our country must put new employment opportunities in the hands of lone parents....when their youngest child is in the second term of schooling, lone parents will be invited for job search interviews and offered help in finding work that suits their circumstances.'³⁵
- 21 July 1997 The prototype scheme begins. This covers 8 Benefits Agency districts
- 19 March 1998 Harriet Harman, the Secretary of State for Social Security, announces that lone parents outside the target group (i.e. those with children under the age of 5 years and 3 months) will be allowed to join if they request to do so
- 6 April 1998 The New Deal for Lone Parents is launched for all lone parents throughout the country who make a new claim for Income Support

³⁵ Hansard, 2 July 1997, c.309.

| | |
|-----------------|--|
| 15 July 1998 | Tony Blair claims, 'the number of lone parents on Income Support has fallen below 1 million, and is due to fall by another 40,000 next year.' ³⁶ |
| 26 October 1998 | The scheme is rolled out nationwide for lone parents with existing Income Support claims |
| November 1998 | The number of lone parents on Income Support stops falling ³⁷ |
| 1 July 1999 | The first statistics are released. Alastair Darling, the Secretary of State for Social Security, claims 'The New Deal for Lone Parents is working.' ³⁸ |
| 9 November 1999 | The Government announces that the target group is to be extended to include lone parents whose youngest child is aged at least 3 |
| January 2000 | For the third month in a row, the number of lone parents on Income Support who find work falls |
| 3 March 2000 | The Evaluation report of the prototype scheme is published. Alastair Darling claims 'it clearly shows that the programme is already making a difference.' ³⁹ It shows the number of lone parents getting work in the areas where the New Deal is piloted is lower than in comparison areas outside the New Deal |

³⁶ Hansard, 15 July 1998, c.402.

³⁷ Hansard, 10 May 2000, c.413W.

³⁸ DSS Press Release, 1 July 1999.

³⁹ DSS Press Release, 3 March 2000.