

Breaking the low-pay, no-pay cycle: Final evidence from the UK Employment Retention and Advancement (ERA) demonstration

by Richard Hendra, James A. Riccio, Richard Dorsett, David H. Greenberg, Genevieve Knight*, Joan Phillips*, Philip K. Robins, Sandra Vegeris*, and Johanna Walter, with Aaron Hill, Kathryn Ray*, and Jared Smith

A report of research carried out by the Institute for Fiscal Studies, the National Institute of Economic and Social Research, the Office for National Statistics, the Policy Studies Institute, and MDRC, a US-based non-profit social policy research firm, which is leading the consortium on behalf of the Department for Work and Pensions.

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Research report

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Department for Work and Pensions

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Contents

Acknowledgements.....	xv
The Authors.....	xvi
Abbreviations.....	xviii
Glossary of terms.....	xx
Preface.....	xxii
Summary.....	1
1 Introduction.....	13
1.1 Introduction.....	13
1.2 Research on retention and advancement in work.....	15
1.3 Policy background.....	16
1.3.1 <i>Welfare-to-work policy for lone parents</i>	16
1.3.2 <i>Welfare-to-work policy for recipients of Jobseeker’s Allowance</i>	18
1.3.3 <i>Welfare reform in 2011</i>	18
1.4 Design of the ERA programme.....	19
1.4.1 <i>The target groups</i>	20
1.4.2 <i>Pre- and post-employment services</i>	22
1.4.3 <i>Financial incentives</i>	23
1.5 The random assignment design and the intake process.....	24
1.6 The role of Technical Advisers.....	27
1.7 Timeline of ERA implementation.....	27
1.8 Scope of the ERA evaluation.....	29
1.9 The remainder of this report.....	30
2 Sample and sites.....	31
2.1 Introduction.....	31
2.2 National economic context.....	31
2.3 The ERA sites.....	34
2.3.1 <i>Local economic and demographic characteristics</i>	34
2.3.2 <i>Population</i>	37

2.3.3	<i>Major industries</i>	37
2.3.4	<i>Unemployment levels and trends</i>	37
2.3.5	<i>Benefits receipt levels and trends</i>	37
2.3.6	<i>Summary of economic trends across the districts</i>	37
2.4	The research sample for this report	38
2.4.1	<i>Characteristics by target group</i>	38
2.4.2	<i>Characteristics by target group and district</i>	41
2.5	Data sources	44
2.5.1	<i>Qualitative data</i>	45
2.5.2	<i>Customer survey data</i>	45
2.5.3	<i>Administrative records</i>	46
2.6	Conclusions	46
3	Implementation of ERA	48
3.1	Introduction	48
3.2	Operational strategies and challenges	49
3.2.1	<i>Different delivery structures</i>	49
3.2.2	<i>Technical support and staff training</i>	51
3.2.3	<i>Ending the demonstration</i>	51
3.3	Pre-employment assistance	52
3.3.1	<i>Implementing the New Deal for ERA participants versus controls</i>	52
3.3.2	<i>Engaging ERA participants in pre-employment activities</i>	52
3.4	Post-employment assistance	53
3.4.1	<i>Types of in-work support</i>	53
3.4.2	<i>Looking back: participants' reflections on ERA support</i>	58
3.5	Emergency Discretion Fund	59
3.5.1	<i>Receipt and use of the fund</i>	59
3.5.2	<i>Role of the fund in work decisions</i>	60
3.6	The ERA employment retention bonus.....	61
3.6.1	<i>Receipt of the retention bonus</i>	61
3.6.2	<i>Use of the retention bonus</i>	62

3.6.3	<i>Claiming the retention bonus</i>	62
3.6.4	<i>The role of the bonus in participants' decisions about working</i>	63
3.6.5	<i>Work hours after the retention bonus ended</i>	67
3.7	The ERA training incentives	67
3.7.1	<i>Delivery of training incentives</i>	67
3.7.2	<i>Participation in training</i>	68
3.7.3	<i>Staff and participant views on the training incentives</i>	70
3.7.4	<i>Perceived role of the training incentives</i>	71
3.7.5	<i>Longer-term influences of in-work training</i>	71
3.8	Conclusions	72
4	Impacts of ERA on labour market and other outcomes for lone parents (NDLP and WTC).....	73
4.1	Introduction.....	73
4.2	ERA's impacts on work and earnings	75
4.2.1	<i>Labour market outcomes for the NDLP control group</i>	75
4.2.2	<i>ERA's impacts on work and earnings for the NDLP target group</i>	77
4.2.3	<i>ERA's impacts on work and earnings for the WTC target group</i>	81
4.2.4	<i>Alternative tests of ERA's labour market effects using survey data</i>	85
4.3	ERA's impacts on employment dynamics and job characteristics.....	89
4.3.1	<i>ERA's impacts on employment dynamics</i>	89
4.3.2	<i>ERA's impacts on job characteristics</i>	90
4.4	ERA's impacts on training.....	94
4.4.1	<i>ERA's impacts on training for the NDLP target group</i>	94
4.4.2	<i>ERA's impacts on training for the WTC target group</i>	99
4.5	ERA's impacts on taking steps towards advancement	100
4.5.1	<i>ERA's impacts on advancement efforts for the NDLP target group</i>	100
4.5.2	<i>ERA's impacts on advancement efforts for the WTC target group</i>	103
4.6	ERA's impacts on benefits receipt.....	103
4.6.1	<i>ERA's impacts on benefits receipt for the NDLP target group</i>	103
4.6.2	<i>ERA's impacts on benefits receipt for the WTC target group</i>	106

4.6.3	<i>Alternative tests of ERA’s impacts on benefits receipt and tax credits using survey data</i>	106
4.7	ERA’s impacts on well-being.....	108
4.7.1	<i>ERA’s impacts on well-being for the NDLP target group</i>	109
4.7.2	<i>ERA’s impacts on well-being for the WTC target group</i>	113
4.8	ERA’s economic impacts across districts.....	116
4.9	Conclusions.....	118
5	ERA’s impacts on lone parents across offices and subgroups	119
5.1	Introduction.....	119
5.2	ERA’s impacts on the NDLP target group across offices	120
5.2.1	<i>Variation in impacts across offices</i>	120
5.2.2	<i>A cross-office statistical model</i>	122
5.2.3	<i>Cross-office variables</i>	122
5.2.4	<i>The correlation of office-level characteristics with office-level impacts</i>	125
5.3	ERA’s impacts on lone parent subgroups.....	129
5.3.1	<i>Subgroup results for the NDLP target group</i>	130
5.3.2	<i>Subgroup results for the WTC target group</i>	143
5.4	A closer look at the NDLP education subgroup results.....	154
5.4.1	<i>Robustness of the education subgroup finding</i>	154
5.4.2	<i>Comparisons of education subgroup results for the WTC and ND25+ target groups</i>	156
5.4.3	<i>Variation in service receipt by education subgroups</i>	157
5.4.4	<i>Secondary outcomes for the A-level subgroup</i>	157
5.5	Correspondence between impacts on training and impacts on earnings.....	158
5.6	Conclusions.....	167
6	Impacts of ERA on labour market and other outcomes for long-term unemployed (New Deal 25 Plus) participants.....	168
6.1	Introduction.....	168
6.2	ERA’s overall impacts on the ND25+ target group.....	169
6.2.1	<i>ERA’s impact on employment</i>	169
6.2.2	<i>ERA’s impact on earnings</i>	175

6.2.3	<i>ERA's impacts on benefits receipt</i>	175
6.3	ERA's impacts for the ND25+ target group by district.....	179
6.3.1	<i>District-level impacts on number of months employed</i>	181
6.3.2	<i>District-level impacts on earnings</i>	182
6.4	ND25+ impacts by subgroup.....	183
6.5	ND25+ attitudes to advancement.....	188
6.6	Conclusions.....	189
7	The economic costs and benefits of ERA.....	190
7.1	Introduction.....	191
7.2	The ERA cost analysis.....	191
7.2.1	<i>The elements of ERA costs</i>	191
7.2.2	<i>Data and methods</i>	194
7.2.3	<i>The cost findings</i>	195
7.3	Overview of the cost-benefit analysis.....	198
7.4	Cost-benefit methods.....	200
7.4.1	<i>Data sources</i>	200
7.4.2	<i>Methods used to estimate the cost-benefit components</i>	200
7.4.3	<i>Treating the gap between random assignment and the first full tax year of Work and Pensions Longitudinal Study data</i>	202
7.4.4	<i>Projecting benefits and costs into the future</i>	203
7.4.5	<i>Discounting</i>	205
7.5	Cost-benefit findings.....	206
7.5.1	<i>ND25+ group</i>	207
7.5.2	<i>NDLP group</i>	211
7.5.3	<i>WTC group</i>	218
7.6	Assessing the cost-benefit findings.....	222
7.6.1	<i>Key findings</i>	222
7.6.2	<i>How cost-beneficial have other welfare-to-work programmes been?</i>	223
7.6.3	<i>Assessing the omitted benefits and costs</i>	225
7.6.4	<i>Limitations</i>	231

8	Conclusions.....	232
8.1	Lessons about the target populations from the control groups' experiences	233
8.2	Lessons about the ERA intervention.....	236
	Afterword	248
	Appendix A Data sources, weighting, and survey response bias	251
	Appendix B Supplemental tables.....	270
	Appendix C Implementation features of the six ERA districts.....	293
	Appendix D Lone parents' attitudes to and understandings of advancement.....	299
	Appendix E Other publications from the UK Employment Retention and Advancement demonstration.....	302
	References	306

List of tables

Table 1	Effects of ERA on employment, earnings, and benefits within five years after random assignment, NDLP, WTC, and ND25+ target groups.....	5
Table 1.1	Staff, incentives, and services available to ERA (programme group) and non-ERA (control group) customers.....	22
Table 2.1	Population, employment rates, benefits caseloads, and take-up rates in the six ERA districts.....	36
Table 2.2	Demographic profile of all customers randomly assigned between October 2003 and April 2005.....	39
Table 2.3	Selected characteristics of all customers by district at the time of random assignment, October 2003 – April 2005	41
Table 3.1	Receipt of in-work help or advice from Jobcentre Plus staff within two years after random assignment among customers who worked.....	57
Table 3.2	Receipt of ERA Emergency Discretion Fund (EDF) payments	60
Table 3.3	Receipt of ERA employment retention bonuses	62
Table 3.4	ERA bonus recipients' assessments of the influence of bonuses on their decisions concerning employment and training.....	65
Table 3.5	ERA participants' receipt of ERA training fee assistance and training completion bonuses.....	69
Table 4.1	Effects of ERA on employment and earnings within five years after random assignment, NDLP target group.....	78
Table 4.2	Effects of ERA on employment and earnings within five years after random assignment, WTC target group	84

Table 4.3	Effects of ERA on hours worked and earnings at five years after random assignment.....	87
Table 4.4	Effects of ERA on characteristics of the current or most recent job held at five years after random assignment	91
Table 4.5	Effects of ERA on participation in training or education classes within five years after random assignment	95
Table 4.6	Effects of ERA on number and duration of training or education courses taken in years one to five after random assignment.....	97
Table 4.7	Effects of ERA on efforts to advance in work in years three to five after random assignment.....	101
Table 4.8	Effects of ERA on benefits receipt within five years after random assignment for lone parents	104
Table 4.9	Effects of ERA on benefits receipt at five years after random assignment	107
Table 4.10	Effects of ERA on financial and personal well-being at five years after random assignment.....	110
Table 4.11	Effects of ERA on children at five years after random assignment, for sample members who have at least one child younger than 16.....	111
Table 4.12	Effects of ERA on employment characteristics, current or most recent job at five years after random assignment.....	114
Table 4.13	Effects of ERA on employment and earnings within five years after random assignment, NDLP target group, by district.....	117
Table 5.1	Office characteristics (measured during the follow-up period)	125
Table 5.2	Effects of office characteristics on office programme impacts over five years.....	128
Table 5.3	Effects of ERA on receipt of help or advice from Jobcentre Plus staff while working, NDLP target group, by subgroup (survey respondents only)	132
Table 5.4	Effects of ERA on receipt of training or education, NDLP target group, by subgroup (survey respondents only).....	134
Table 5.5	Bonus receipt rates, NDLP target group, by subgroup	136
Table 5.6	Effects of ERA on employment and earnings within five years after random assignment, NDLP target group, by subgroup	138
Table 5.7	Effects of ERA on benefits receipt within five years after random assignment, NDLP target group, by subgroup.....	140
Table 5.8	Effects of ERA on receipt of help or advice from Jobcentre Plus staff while working, WTC target group, by subgroup (survey respondents only)	144
Table 5.9	Effects of ERA on receipt of training or education, WTC target group, by subgroup (survey respondents only).....	146
Table 5.10	Bonus receipt rates, WTC target group, by subgroup	148

Table 5.11	Effects of ERA on employment and earnings within five years after random assignment, WTC target group, by subgroup	150
Table 5.12	Effects of ERA on benefits receipt within five years after random assignment, WTC target group, by subgroup	152
Table 5.13	Impacts of ERA on training during years 1-2, and cumulative earnings from 2005-2009 by baseline level of education subgroups.....	159
Table 5.14	Impacts of ERA on training during years 1-2, and cumulative earnings from 2005-2009 by age of youngest child subgroups	164
Table 6.1	Effects of ERA on employment and earnings within five years after random assignment, ND25+ target group.....	170
Table 6.2	Effects of ERA on benefits receipt within five years after random assignment, ND25+ target group.....	176
Table 6.3	Effects of ERA on employment and earnings within five years after random assignment, ND25+ target group, by district.....	180
Table 6.4	Effects of ERA on employment and earnings within five years after random assignment, ND25+ target group, by subgroup	184
Table 6.5	Effects of ERA on benefits receipt within five years after random assignment, ND25+ target group, by subgroup.....	186
Table 7.1	Total net and gross costs to Jobcentre Plus of operating ERA for each customer, by target group (in 2005-2006 pounds)	196
Table 7.2	Benefits and costs of the ERA programme that are valued in pounds.....	199
Table 7.3	Base-case decay rate assumptions for various benefit and cost components.....	205
Table 7.4	ND25+: estimated impacts on financial outcomes during the observation period, the projection period, and within ten years after random assignment (in 2005-2006 pounds)	208
Table 7.5	ND25+: ten-year estimated benefits and costs, by accounting perspective (in 2005-2006 pounds)	209
Table 7.6	ND25+: sensitivity tests of estimated net gains to alternative assumptions, by accounting perspective (in 2005-2006 pounds)	211
Table 7.7	NDLP: estimated impacts on financial outcomes during the observation period, the projection period, and within ten years after random assignment (in 2005-2006 pounds).....	212
Table 7.8	NDLP: ten-year estimated benefits and costs, by accounting perspective (in 2005-2006 pounds)	213
Table 7.9	NDLP A-level subgroup: estimated impacts on financial outcomes during the observation period, the projection period, and within ten years after random assignment (in 2005-2006 pounds).....	215
Table 7.10	NDLP A-level subgroup: ten-year estimated benefits and costs, by accounting perspective (in 2005-2006 pounds)	217

Table 7.11	NDLP A-level subgroup: sensitivity tests of estimated net gains to alternative assumptions, by accounting perspective (in 2005-2006 pounds)	218
Table 7.12	WTC: estimated impacts on financial outcomes during the observation period, the projection period, and within ten years after random assignment (in 2005-2006 pounds)	219
Table 7.13	WTC: ten-year estimated benefits and costs, by accounting perspective (in 2005-2006 pounds)	220
Table 7.14	WTC: sensitivity tests of estimated net gains (or losses) to alternative assumptions, by accounting perspective (in 2005-2006 pounds)	222
Table 7.15	Estimates of net gains and losses by accounting perspective from the US ERA project	224
Table 7.16	Summary statistics by accounting perspective for estimates of net gains and losses from cost-benefit studies of 50 US welfare-to-work programmes	225
Table 7.17	Unmeasured benefits and costs	226
Table 8.1	Summary of ERA's impact and cost-benefit results, by target group.....	237
Table 8.2	ERA's impact and cost-benefit results for the NDLP subgroup with A-level qualifications, at the time of random assignment.....	238
Table 8.3	ERA's impacts on selected outcome measures, by district and target group	242
Table A.1	Employment rates and match rates for lone parents, estimated using administrative records and survey data	253
Table A.2	Employment rates and match rates for lone parents during the 2007-2008 tax year, estimated using administrative records	254
Table A.3	Survey response rates, NDLP target group.....	256
Table A.4	Survey response rates, WTC target group	257
Table A.5	Survey response rates, ND25+ target group.....	258
Table A.6	Baseline characteristics as a predictor of treatment status, among respondents.....	259
Table A.7	Comparison of the baseline characteristics of the full sample and the survey sample, NDLP target group.....	261
Table A.8	Comparison of the baseline characteristics of the full sample and the survey sample, WTC target group.....	262
Table A.9	Treatment/control status as a predictor of survey response	263
Table A.10	NDLP target group: comparison of impacts on the employment, earnings, and benefits receipt of the respondent sample, estimated using administrative records.....	265
Table A.11	WTC target group: comparison of impacts on the employment, earnings, and benefits receipt of the respondent sample, estimated using administrative records.....	267

Table B.1	NDLP programme and control group services alongside policy changes	271
Table B.2	ND25+ programme and control group services alongside policy changes	275
Table B.3	Demographic profile of all customers randomly assigned between October 2003 and April 2005.....	277
Table B.4	Effects of ERA on employment, earnings, and benefits receipt within five years after random assignment, NDLP target group, Scotland	281
Table B.5	Effects of ERA on employment, earnings, and benefits receipt within five years after random assignment, NDLP target group, North East England.....	282
Table B.6	Effects of ERA on employment, earnings, and benefits receipt within five years after random assignment, NDLP target group, North West England.....	283
Table B.7	Effects of ERA on employment, earnings, and benefits receipt within five years after random assignment, NDLP target group, East Midlands.....	284
Table B.8	Effects of ERA on employment, earnings, and benefits receipt within five years after random assignment, NDLP target group, London	285
Table B.9	Effects of ERA on employment, earnings, and benefits receipt within five years after random assignment, NDLP target group, Wales	286
Table B.10	Effects of ERA on employment, earnings, and benefits receipt within five years after random assignment, ND25+ target group, Scotland	287
Table B.11	Effects of ERA on employment, earnings, and benefits receipt within five years after random assignment, ND25+ target group, North East England.....	288
Table B.12	Effects of ERA on employment, earnings, and benefits receipt within five years after random assignment, ND25+ target group, North West England.....	289
Table B.13	Effects of ERA on employment, earnings, and benefits receipt within five years after random assignment, ND25+ target group, East Midlands.....	290
Table B.14	Effects of ERA on employment, earnings, and benefits receipt within five years after random assignment, ND25+ target group, London.....	291
Table B.15	Effects of ERA on employment, earnings, and benefits receipt within five years after random assignment, ND25+ target group, Wales	292
Table C.1	Implementation features of the six ERA districts.....	293

List of figures

Figure 1.1	Random assignment process.....	25
Figure 1.2	Map of the six ERA districts.....	26
Figure 1.3	Timeline and national benefits policy context of the ERA demonstration, 2003-2007	28
Figure 2.1	Timeline of collection and coverage of primary data for the ERA process and impact studies.....	32
Figure 2.2	Unemployment rate in Great Britain, 1999-2010	33
Figure 3.1	Patterns of contact with Jobcentre Plus staff among ERA customers who worked within two years after random assignment	54
Figure 4.1	Control group employment rates over the first five years after assignment, NDLP target group	76
Figure 4.2	Employment by age and gender for all customers	77
Figure 4.3	Control group employment rates over the first five years after random assignment, WTC target group.....	82
Figure 4.4	ERA group and control group employment rate trends over the first five years after random assignment, WTC target group	83
Figure 4.5	ERA group and control group Income Support receipt rate trends over the first five years after random assignment, NDLP target group.....	105
Figure 5.1	Impacts on months receiving Income Support and months employed, 90 per cent confidence intervals, by office	121
Figure 5.2	Impacts of ERA among those with A-level educational qualifications, NDLP target group only	155
Figure 5.3	Percentage change impacts of ERA on training during years 1-2, and cumulative earnings from 2005-2009 by baseline level of education subgroups	162
Figure 5.4	Percentage change impacts of ERA on training during years 1-2, and cumulative earnings from 2005-2009 by age of youngest child subgroups ..	163
Figure 6.1	Control group employment rates over the first five years after random assignment, ND25+ target group.....	173
Figure 6.2	ERA group and control group employment rate trends over the first five years after random assignment, ND25+ target group	174
Figure 6.3	Control group Jobseeker's Allowance receipt rates over the first five years after random assignment, ND25+ target group.....	177
Figure 6.4	ERA group and control group Jobseeker's Allowance receipt rate trends over the first five years after random assignment, ND25+ target group.....	178
Figure 7.1	Major elements of gross and net ERA operating costs.....	193

List of boxes

Box 1.1	Description of the US Employment Retention and Advancement project.....	19
Box 2.1	Local economic and demographic trends in the six ERA districts during ERA ..	35
Box 3.1	Chapter 3 at a glance	48
Box 4.1	Chapter 4 at a glance	73
Box 4.2	Comparing administrative records data and survey data	75
Box 4.3	How to read the impact tables in this report	79
Box 5.1	Chapter 5 at a glance	119
Box 5.2	Summary of findings from the ERA training report.....	166
Box 6.1	Chapter 6 at a glance	168
Box 7.1	Chapter 7 at a glance	190
Box 7.2	Steps required to produce the cost-benefit estimates.....	206

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Abbreviations

ACF	Administration for Children and Families
ADF	Adviser Discretion Fund
ASA	Advancement Support Adviser
CTC	Child Tax Credit
DfES	Department for Education and Skills
DWP	Department for Work and Pensions
EDF	Emergency Discretion Fund
ERA	Employment Retention and Advancement programme
GCSE	General Certificate of Secondary Education
HMRC	Her Majesty's Revenue and Customs
IB	Incapacity Benefit
IS	Income Support
JSA	Jobseeker's Allowance
LSC	Learning and Skills Council
METB	Marginal excess tax burden
NHS	National Health Service
ND25+	New Deal 25 Plus
NDLP	New Deal for Lone Parents
ND+fLP	New Deal Plus for Lone Parents
NQF	National Qualifications Framework
NVQs	National Vocational Qualifications
OECD	Organisation for Economic Cooperation and Development
ONS	Office for National Statistics
PA	Personal Adviser
PAYE	Pay As You Earn
PET	Post-Employment Team
RA	Random assignment

SOCEF	Social cost of Exchequer finance
TA	Technical Adviser
TANF	Temporary Assistance for Needy Families
WASC	Work Advancement and Support Center
WCA	Work Capability Assessment
WFI	Work Focused Interview
WFTC	Working Families' Tax Credit
WPLS	Work and Pensions Longitudinal Study
WTC	Working Tax Credit

Glossary of terms

Advanced-level qualifications (A-levels)	Recognised as level 3 on the National Qualifications Framework, A-levels are normally completed in years 12 and 13 of secondary school (age 17 to 19 years) and follow from GCSEs. They are the main route into higher education.
Advancement Support Adviser (ASA)	Employment specialist holding a position specifically created as part of ERA. These individuals were based in Jobcentre Plus offices and provided ERA participants with continuing advice and assistance intended to help them overcome obstacles to steady employment and find pathways to better job opportunities and higher wages.
DfES	Department for Education and Skills (now DFE, Department for Education).
Employment full time	A paid job of 30 or more hours per week.
Employment part time	A paid job of less than 29 hours per week.
Employment Retention and Advancement (ERA) programme	A demonstration programme which offered a combination of employment counselling services and financial supports to certain recipients of government benefits or lone parents claiming the Working Tax Credit. Its purpose was to help people stabilise and improve their work situations.
General Certificate of Secondary Education (GCSE)	The main national qualifications for 14 to 16-year-olds taken in a range of academic and applied subjects. GCSEs constitute levels 1 or 2 on the National Qualifications Framework, depending on the grade achieved.
Income Support (IS)	A means-tested benefit for working-age adults who are not required to sign on as unemployed. They may work up to 15 hours per week.
In-work training	This refers to training completed while participants were working. It should not be confused with 'on-the-job' training since the training may have taken place outside work (but while people had jobs).
Jobcentre Plus	An agency of the Department for Work and Pensions which provides help and advice on employment and training for people who can work and financial support for those of working age who cannot.
Jobseeker's Allowance (JSA)	The main benefit for people of working age who are out of work, work less than 16 hours a week, on average, and are available for and actively seeking work.

Lone parent	Parent or guardian who is not in a cohabiting relationship, with a dependent child under age 16. The vast majority are female.
National Qualifications Framework (NQF)	Sets out the level a qualification can be recognised in England and Wales. These are regulated for standardisation and quality. In Scotland a parallel, but different, educational system applies.
National Vocational Qualifications (NVQs)/Scottish Vocational Qualifications(SVQs)	Industry- and work sector-specific qualifications which are based on practical, work-related tasks. NVQs can be attained at levels 1 through 5 on the National Qualifications Framework.
New Deal programme	The UK's main welfare-to-work initiative during the time in which ERA was operating. New Deal services included the development of individual action plans outlining customers' work goals and job search assistance and training to help them achieve these goals.
New Deal 25 Plus (ND25+)	Mandatory New Deal programme which was in effect while ERA operated. It served longer-term unemployed people (mostly males) age 25 or over who were claiming Jobseeker's Allowance for 18 or more months (or 18 months out of the last 21). Various elements of provision were made available through a Personal Adviser and participants followed a programme of mandatory activities.
New Deal for Lone Parents (NDLP)	Voluntary New Deal programme which was in effect while ERA operated. It aimed to help and encourage lone parents to improve their job readiness and employment opportunities and gain independence through working. Various elements of provision were made available through a Personal Adviser. Eligibility for NDLP included all lone parents aged 16 or over whose youngest child was aged below 16 and those who were not working or were working less than 16 hours per week. Most participants were female.
Personal Adviser (PA)	Employment specialists, working in Jobcentre Plus offices, who provided job advice and assistance to New Deal customers who were not randomly assigned to the ERA programme group.
Post-Employment Team (PET)	A group of Advancement Support Advisers whose sole task in the ERA programme was to assist in-work customers.
Technical Adviser (TA)	Staff position specifically created as part of ERA. These individuals, posted in each ERA district, ensured that ERA services were delivered in accordance with the policy design and provided general support for the evaluation effort.
Working Tax Credit (WTC)	A means-tested earnings supplement. Lone parents were required to work at least 16 hours a week to qualify.

Preface

I am delighted to welcome this final report of the Employment Retention and Advancement demonstration. It represents the culmination of over ten years work by many people, in both this country and the United States.

The results are an important and timely contribution to the evidence base on how to support people once they have entered work – not only the likely impacts of providing support, but also what works in terms of policy design and delivery, and for which people. In addition to this, there is a wealth of information about the experience and aspirations of the people covered by the demonstration. The full value of ERA will be realised as we continue to explore this information in coming years, including monitoring of even longer-term outcomes. This report by no means represents the end of the ERA story.

The aims of ERA were, however, not only about testing a particular type of policy intervention, but also concerned learning about new and better ways to build an evidence base. This report demonstrates the success of this part of the enterprise. Most obviously, it shows that it is possible, in a UK context, to undertake a large-scale, rigorously designed and implemented, randomised control trial in a social policy field. As well as showing that it is possible to do this – something that was initially not universally believed – ERA has taught us a lot about how to do this most effectively.

It also shows very clearly the value of taking a long-term approach to evidence-building, where timescales allow. The results presented here show how the effects of ERA evolved over a five-year follow-up period, and how an earlier end to the project could have led to significantly different conclusions. While clearly we often need to operate to shorter timescales, it is important to have a balance between shorter- and longer-term work.

There have been other ways in which we have benefited from the transatlantic exchange of experience in developing our analysis. For example, over the course of the project, we have substantially advanced our understanding of how to use administrative data.

And finally, by making explicit connections between interventions being trialled in the UK and the US, ERA has shown how we can learn from each other's experiences.

Amanda Rowlatt

Chief Analyst
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Summary

Introduction

This report presents the final results on the implementation, impacts, costs, and economic benefits of the UK Employment Retention and Advancement (ERA) programme, which sought to improve the labour market prospects of low-paid workers and long-term unemployed people. Launched in 2003 in selected Jobcentre Plus offices, which administer Government cash benefits and employment services, the programme was envisioned as a ‘next step’ in British welfare-to-work policies. Participants in ERA had access to a distinctive set of ‘post-employment’ job coaching and financial incentives, which were added to the job placement services that unemployed people could normally receive through Jobcentre Plus. Once employed, ERA participants could receive at least two years of advice and assistance from an employment adviser to help them continue working and advance in work. Those who consistently worked full time could receive substantial cash rewards, called ‘retention bonuses’. Participants could also receive help with tuition costs and cash rewards for completing training courses while employed. The programme has been carefully evaluated through a large-scale randomised control trial.

ERA targeted three important groups with different views on, and preparation for, work and advancement:

- **‘The NDLP group’:** Unemployed lone parents receiving Income Support¹ and volunteering for the New Deal for Lone Parents (NDLP) welfare-to-work programme;
- **‘The WTC group’:** Lone parents working part time and receiving Working Tax Credit (WTC), which supplements the wages of low-paid workers;
- **‘The ND25+ group’:** Long-term unemployed people aged 25 or older receiving Jobseeker’s Allowance² and who were required to participate in the New Deal 25 Plus (ND25+) welfare-to-work programme.

These target groups faced somewhat different types of challenges that impeded their success in the labour market. A goal of the evaluation was to determine whether ERA could help each of them

¹ Income Support is an (almost) unconditional out-of-work benefit typically received by individuals who are not employed or are working fewer than 16 hours a week. Entitlement for benefits depends on one’s other income, and its value varies with family size and composition. It is roughly comparable to the Temporary Assistance for Needy Families programme in the US, although recipients are not required to look for work. When ERA began, lone parents with children under age 16 could receive Income Support and were not required to look for work; currently, only those with children under the age of seven are exempt from a work search requirement. Once their children reach age seven, non-employed lone parents who are capable of, and available to work, must actively seek employment and would receive Jobseeker’s Allowance rather than Income Support.

² Jobseeker’s Allowance is a conditional cash benefit available in Britain to unemployed individuals who are actively seeking work. Recent workers who built up entitlements while employed can receive contribution-based payments for six months, unaffected by other household income. The contributory portion of Jobseeker’s Allowance is similar to the US unemployment insurance benefit. Other low-income people can receive Jobseeker’s Allowance as a means-tested benefit and must be actively seeking work.

similarly, and whether it worked better for some than others. This report thus compares the results for all three target groups and provides the final evidence of the programme's effectiveness over a five-year follow-up period.

Over 16,000 people from six regions of Britain (East Midlands, London, North East England, North West England, Scotland, and Wales) applied to the programme. In order to test conclusively whether or not ERA really helped those who volunteered for it, half were randomly assigned to the programme, and the remainder served as a 'business-as-usual' control group – a counterfactual, which did not receive any assistance from ERA and thus provided a benchmark indicating what would have happened in the absence of the ERA programme. By randomly dividing the sample into these two groups, the study was able to test conclusively whether or not ERA helped its participants work more, earn more, advance further, and achieve better outcomes in other areas than they would have without ERA's help. This is a far more powerful test of the effectiveness of a programme than those commonly applied to social policy pilots in Britain. The evaluation also included an assessment of the programme's implementation, a cost-benefit analysis, and several special studies.

The Department for Work and Pensions (DWP) oversaw the overall implementation and evaluation of the programme. A research consortium carried out the study. The consortium was headed by MDRC (headquartered in New York City), and in Britain it included the Policy Studies Institute, the Institute for Fiscal Studies, the National Institute of Economic and Social Research, and the Office for National Statistics. A subsidiary goal of the project was to help build capacity in Britain to conduct randomised trials of promising social innovations. This was accomplished through direct collaborative work between the US and British research partners and DWP, and also through broader US-UK learning exchanges involving practitioners and researchers.

Findings in brief

At the time ERA was launched, the New Deal programmes and Jobcentre Plus offered participants who entered work little further assistance once they obtained jobs. ERA was thus a major departure from 'business as usual', and there was no guarantee that Jobcentre Plus could implement the model. The evaluation found that, after initial start-up problems, and despite variations in quality across offices and staff, ERA was largely implemented as designed, attesting that it was feasible to attach a post-employment component to the work of Jobcentre Plus or other employment agencies. But was the model an effective one?

ERA produced short-term earnings gains for the two lone parent target groups: the NDLP and WTC groups, which were made up mostly of women. The early gains resulted from increases in the proportion of participants who worked full time (at least 30 hours per week). This pattern aligns with the programme's requirement that participants work full time in order to qualify for the employment retention bonus. These effects generally faded in the later years, after the programme ended. However, an earnings gain appears to have lasted longer among NDLP participants who were better educated, though initially unemployed. Compared with other unemployed lone parents, this group may have had more unrealised potential to succeed in work, which ERA may have tapped into. From a cost-benefit perspective, ERA did not produce encouraging results for the lone parent groups, with the exception of the NDLP better-educated subgroup.

More impressive were the results for the long-term unemployed participants (mostly men) in the ND25+ target group. For them, ERA produced modest but sustained increases in employment and substantial and sustained increases in earnings. These positive effects emerged after the first year and were still evident at the end of the follow-up period. The earnings gains were accompanied by lasting reductions in benefits receipt over the five-year follow-up period. ERA proved cost-effective

for this group from the perspectives of the participants themselves, the Government budget, and society as a whole. This is a noteworthy achievement for a group that is widely considered among the most difficult to help.

The ERA model

Overall, ERA aimed to intervene decisively in the ‘low-pay, no-pay’ cycle, whereby low-skilled and disadvantaged workers move frequently between low-paid work and out-of-work benefits, and to turn them, instead, into regular full-time workers. The ERA model built on Britain’s New Deal welfare-to-work programme, which offered job placement help and other pre-employment assistance to out-of-work recipients of Government benefits. The New Deal programme was operated by Jobcentre Plus, a network of Government offices that administers cash benefits and employment services. To the existing pre-employment New Deal services, ERA added a new set of financial incentives and job advisory services (on a voluntary basis) following participants’ entry into work. The model drew on past evaluations of work incentive projects in the US and Canada, and on advancement strategies concurrently being tested in other US pilots.³

The ERA programme was available to participants for up to 33 months. For the two unemployed target groups – NDLP and ND25+ participants – ERA began with job placement and other pre-employment assistance, largely following the same procedures as the regular New Deal programme. This assistance was expected to last for up to nine months. The programme then continued into a unique post-employment or ‘in-work’ phase expected to last for at least two years. During that phase, ERA’s job coaches, known as Advancement Support Advisers, were expected to help customers avoid some of the early pitfalls that sometimes cause new jobs to be short-lived. These ERA advisers were trained to help participants advance to positions of greater job security and better pay and working conditions, at either their current employer or a new one. ERA also offered special cash incentives and other resources to promote these goals. These included: an employment retention bonus of £400 three times a year for two years for staying in full-time work (at least 30 hours per week for 13 out of every 17 weeks, or about 75 per cent of the time); tuition assistance for training courses (up to £1,000) while employed; a bonus (up to £1,000) for completing training while employed; and access to emergency payments to overcome short-term barriers to staying in work.

Members of the WTC group, who were already working when they entered ERA, began the post-employment phase immediately. These lone parents were offered in-work support and incentives, plus help getting re-employed if they left their jobs or if their jobs ended.

The evaluation design

Qualifying members of the three target groups were invited to volunteer for a fixed number of ERA openings that would be allocated on a randomised basis. After completing an informed consent process, half of the volunteers were assigned randomly to the ERA programme group, and the rest to a control group. Those in the control group could continue to receive whatever services they were normally entitled to receive from Jobcentre Plus or could obtain elsewhere in the community. Thus, control group members in the two New Deal customer groups went on to receive regular New Deal pre-employment services, but were expected to have little regular or intensive involvement with Jobcentre Plus staff after entering work. Control group members in the WTC target group would not normally enter the New Deal programme because they were not receiving Income Support or Jobseeker’s Allowance. Therefore, they were not offered pre- or post-employment services or

³ For a summary of relevant projects and findings, see Michalopoulos, 2005.

incentives through Jobcentre Plus, though sometimes they sought advice from Jobcentre Plus staff on their own initiative and could seek other services or training on their own.

For all three groups, ERA's success was determined by comparing the outcomes of the programme group, such as average earnings, with the outcomes of the control group. Because the random assignment process created two groups with similar observable and unobservable characteristics at the beginning of the study, the only thing that varied between them was that one group was offered the programme and the other was not. Thus, any differences in outcomes that emerge over time can be considered as 'impacts' or 'effects' of the programme. When the differences are statistically significant (i.e., unlikely to be the product of statistical chance), one can be confident that they are caused by the ERA programme and not by other factors.

Intake into the study began in October 2003 and continued through the end of 2004 for most participants; it was completed for all by April 2005. With over 16,000 people randomly assigned through this process, this study is one of the largest randomised social policy trials ever undertaken in Britain.

The impact analysis relies heavily on administrative data. Employment and earnings administrative records data were provided to DWP by Her Majesty's Revenue and Customs and maintained in DWP's Work and Pensions Longitudinal Study (WPLS) database. Benefits receipt data available from DWP are the primary source of benefits information. In addition, data are available from three waves⁴ of a longitudinal customer survey administered at 12, 24, and 60 months following each individual's date of random assignment (when they entered the study). The survey data provide a basis for assessing how much ERA participants used ERA's employment-related services and incentives, how much participants' receipt of training and other services differed from that of controls (who were free to seek alternative services on their own from Jobcentre Plus or other agencies), and whether the ERA group's employment, earnings, and benefits receipt differed from those of the control group over the five years after sample members entered the study.

The study also uses qualitative research (i.e., in-depth interviews with ERA staff and participants), along with financial data on bonus receipt and other programme records, to provide further insights into the experiences of operating ERA within Jobcentre Plus, participants' responses to the programme, and participants' experiences in work.

ERA's economic impacts for lone parents in the NDLP group

For NDLP participants, balancing continuous employment with family responsibilities was typically the most immediate priority, with advancement a more distant goal. This created an important challenge for ERA. Because these lone parents were new to the labour market, they tended to want time to adjust to the new routines of working and balancing job and family responsibilities before focusing on advancement. And while some were interested in full-time work, others were not because of their family circumstances. Nonetheless, ERA increased this group's likelihood of working full time, at least early on.

- ERA increased NDLP participants' employment and earnings in the short term, primarily by increasing their likelihood of working full time. However, these effects faded after participants' enrolment in the programme ended.

⁴ For the ND25+ group, only two survey waves, at 12 and 24 months, were conducted.

Table 1 Effects of ERA on employment, earnings, and benefits within five years after random assignment, NDLP, WTC, and ND25+ target groups

Outcome	NDLP			WTC			ND25+		
	ERA group	Control group	Percentage change	ERA group	Control group	Percentage change	ERA group	Control group	Percentage change
Ever employed (%)									
Year 1	57.1	56.5	0.6	77.0	76.6	0.4	37.3	35.4	1.9 *
Year 2	57.8	55.6	2.2 *	74.1	73.4	0.8	36.3	32.7	3.6 ***
Year 3	53.7	53.8	-0.2	71.2	69.9	1.3	34.6	32.5	2.1 *
Year 4	53.2	54.0	-0.8	71.3	70.1	1.2	35.0	32.1	2.9 ***
Year 5	52.9	53.9	-1.0	68.6	68.2	0.3	32.8	30.9	1.9 *
Years 1-5	79.0	79.0	-0.1	88.1	86.8	1.3	57.3	55.1	2.2 *
Average earnings (£)									
2005-2006 tax year	3,862	3,554	308 **	7,069	6,667	402 **	3,070	2,758	312 **
2006-2007 tax year	4,032	3,883	150	7,408	7,071	337	3,447	3,104	342 **
2007-2008 tax year	4,387	4,271	116	7,502	7,555	-53	3,692	3,228	464 ***
2008-2009 tax year	4,999	5,033	-35	8,636	8,401	234	3,954	3,591	363 **
2005-2009 tax years, 4-year earnings	17,280	16,742	538	30,615	29,695	921	14,162	12,681	1,481 **
Average total amount of benefits ^o received (£)									
Year 1	2,915	3,055	-140 **	190	201	-11	2,359	2,406	-48
Year 2	2,000	2,130	-130 **	218	221	-3	1,457	1,581	-124 ***
Year 3	1,663	1,773	-110 *	254	241	13	1,244	1,358	-115 ***
Year 4	1,458	1,542	-84	243	220	23	1,038	1,099	-61 *
Year 5	1,314	1,349	-35	285	266	19	970	1,048	-78 **
Years 1-5	9,349	9,848	-499 **	1,190	1,149	40	7,067	7,493	-426 ***

SOURCE: MDRC calculations from Work and Pensions Longitudinal Study employment and benefits receipt records.

NOTES: Estimates were regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members.

Rounding may cause slight discrepancies in calculating sums and differences.

Two-tailed t-tests were applied to differences between outcomes for the ERA group and the control group. Statistical significance levels are indicated as: * = 10 per cent; ** = 5 per cent; and *** = 1 per cent.

^oIncludes all customers randomly assigned between October 2003 and April 2005.

Benefits refers to Income Support for NDLP customers, a combination of Income Support and Jobseeker's Allowance for WTC customers, and Jobseeker's Allowance for ND25+ customers

Table 1 shows the impacts of ERA on key economic outcomes for each target group. For NDLP lone parents, who were not employed when they began ERA, ERA increased employment and earnings within the first two years, but the effects faded thereafter. ERA also increased earnings in the first full tax year after participants' enrolment (tax year 2005-2006) by an estimated £308, a statistically significant gain of about nine per cent over the control group average. (The earnings outcomes for each group are averaged over all sample members in the group, whether or not they worked; the estimates do not refer to earnings per worker.) The impact was smaller in later tax years, and the cumulative effect on earnings over the four tax years for which data were analysed (2005-2006 through 2008-2009)⁵ is not statistically significant.

Earnings effects can arise due to an increase in the likelihood and duration of employment, hours worked, or wage rates. The fact that the earnings effect in 2005-2006, in percentage terms, was about double the employment effect in that same year suggests that the increase in earnings was driven in part by ERA group members working more hours or receiving higher wages. According to data from the two-year customer survey, ERA increased the proportion of NDLP participants who worked full time, probably in response to the programme's retention bonus, which rewarded only full-time work. Data from the 60-month survey, compared with earlier surveys, indicate that this effect did not persist, as the control group increasingly worked full time and closed the gap.

There is no clear evidence that ERA boosted NDLP participants' employment retention rather than employment *per se*, or that it increased their progression in work over the course of the follow-up period (relative to the control group). However, it did encourage them to go into full-time work sooner than they might otherwise have done, which has always been a major part of successive Governments' policies towards lone parents.

- **ERA caused a small reduction in NDLP participants' receipt of Income Support payments.**

Lone parents in the NDLP group all claimed Income Support at the time of random assignment. ERA reduced participants' number of months on Income Support within the first two follow-up years, but not thereafter (result not shown in table). ERA produced a longer-lasting effect on the amount of benefits participants received. Here, significant reductions were seen in each of follow-up years 1 through 3. Over all five years, those in the ERA group received almost £500 less in cumulative Income Support payments than those in the control group, a statistically significant reduction of five per cent relative to the control group average.

- **ERA's impacts varied among NDLP subgroups according to their educational qualifications, with better results observed for participants with higher qualifications.**

An analysis examined the impacts of ERA across several subgroups defined according to participants' characteristics measured at the time of random assignment. One key subgroup is based on educational level. It was anticipated that a person's level of education might influence their response to the programme's incentives and assistance, and might affect their opportunities in the labour market. Those with more human capital would presumably have better opportunities. But it was uncertain whether the programme would be more helpful to them, relative to what they could achieve on their own, or more helpful to those with lower qualifications, for whom ERA's assistance might be more essential.

⁵ Earnings data from the 2004-2005 tax year were not used because, for some sample members, that tax year included some months before the start of the study.

The subgroup analysis found that ERA had substantial and longer-lasting positive impacts on earnings for NDLP lone parents with higher educational qualifications (i.e., those with A-level or equivalent qualifications⁶) at the time they entered the programme. It increased their total average earnings over the four tax years 2005-2009 by about £3,500, a gain of 15 per cent over the control group average. At the same time, ERA had no earnings effects for those with lower qualifications. One interpretation of this finding is that lone parents who were unemployed, but possessed better skills, had more 'reserve capacity' to obtain and manage full-time work. ERA's incentives and support may have motivated and helped them make more effort to act on that capacity than they would have made on their own. Other (exploratory) subgroup analyses suggest that ERA may have produced larger earnings gains and benefit reductions for ethnic minority NDLP and WTC lone parents than for white lone parents.

- **Despite its early impacts on earnings, there is little evidence that ERA affected overall well-being among the lone parent groups or the well-being of their children.**

The analysis examined a variety of measures of parental well-being, including overall levels of happiness, anxiety, health, and financial security, plus a variety of outcomes for children, such as their school performance, health, and behaviour. It found little evidence that ERA affected these outcomes in either a positive or a negative way. It may be that the earnings effects were simply not large enough to be consequential in these ways.

ERA's economic impacts for the WTC group

Of the three target groups, WTC lone parents (who were already employed part time when they entered ERA) most fully embraced ERA's advancement goals. In part because of the way they were recruited to ERA – through a general community outreach effort, rather than as part of the normal New Deal intake process within Jobcentre Plus – the WTC participants were a more selective, advantaged group than the NDLP and ND25+ target groups when they began the programme. Not only were they already working, they had better educational qualifications and, compared with the NDLP lone parents, were somewhat older and had older children. They joined ERA with the explicit intention of improving their current position in the labour market and were generally more receptive to advancement support and more interested in steady, full-time work. This group was the most likely to receive ERA's retention bonuses.

- **ERA had no impact on the percentage of WTC participants who worked in any given month, but it increased their likelihood of working full time and their earnings. The earnings effect faded after their participation in the programme ended.**

Because WTC participants were already employed at the time of random assignment, it was not expected that ERA would increase their likelihood of working during the follow-up period. More relevant was whether it would increase the consistency of their employment, their likelihood of working full time, and their advancement and earnings.

ERA's main effect for the WTC group was a short-term increase in earnings. As Table 1 shows, the programme increased earnings in the 2005-2006 tax year by an estimated £402, a statistically significant gain of about six per cent above the control group average. However, the earnings impacts were not statistically significant in later years, or for the follow-up period overall.

⁶ A-level qualifications indicate that a person passed a series of advanced secondary school examinations usually taken around age 18, or recognised equivalents that often involve a more vocational element.

The short-term earnings gain was largely due to ERA participants working more hours. According to data from the two-year customer survey, ERA increased the percentage of participants working full time by nearly 13 percentage points above the control group rate. However, this difference shrank to seven percentage points over time as the control group caught up, which may explain why the longer-term earnings impacts, though still positive, are not statistically significant.

- ERA had no effects on the receipt of out-of-work benefits or in-work tax credits among the WTC group or on measures of parent or child well-being.

At the time of random assignment, WTC participants were working 16 to 29 hours a week and were not eligible to claim an out-of-work benefit, such as Income Support, at that time. Instead, they were receiving tax credit payments conditioned on work. Because ERA did not affect this group's employment rates or trends, it also had no effect on its receipt of benefits or tax credits.

ERA's economic impacts for the ND25+ group

The mostly male ND25+ group was generally the most disadvantaged of the three target groups ERA served. For example, when they entered the study, 36 per cent had no formal educational qualifications (compared with 23 per cent and 12 per cent of the NDLP and WTC groups, respectively). Health problems, histories of substance abuse, and involvement with the criminal justice system were not uncommon. It is a group that was widely viewed as difficult to help.

Not surprisingly, ERA advisers reported greatest difficulty engaging ND25+ participants. Advisers suggested a number of reasons for this, including some resistance to staying in contact with their advisers due to negative feelings about Jobcentre Plus, a greater ethos of self-reliance, and less awareness of available in-work support. In addition, ND25+ participants, unlike lone parents, were **required** to participate in the New Deal programme (which was incorporated into ERA as the programme's first phase). Consequently, they were a less select group to begin with and might have been less motivated to follow through with ERA's post-employment phase, which was not required. Given these challenges, it is noteworthy that ERA had larger and more sustained labour market impacts for the ND25+ group than it did for the two lone parent groups.

- ERA increased ND25+ participants' employment rates and earnings, and these positive effects persisted through the end of the study, suggesting that the ERA model can work for a highly disadvantaged population.

ERA generated modest positive employment impacts for ND25+ participants in all five follow-up years, peaking at a statistically significant 3.6 percentage points during the second year, an increase of about 11 per cent relative to the control group average. Positive effects on employment continued even after participants' enrolment in the programme ended.

ERA's earnings impacts for this group are substantial and statistically significant in each year, totalling £1,481 over the four tax years for which earnings data are available. This represents a gain of 12 per cent above the control group average. In percentage terms, the earnings impacts are larger than the employment impacts, suggesting the possibility that there was also an impact on either hours of work, hourly wage rates, or both.

Impacts for the ND25+ group did not vary across subgroups to a statistically significant extent. This suggests that a broad range of individuals within this group could benefit from the programme.

The sustained impacts of ERA for the ND25+ group are especially noteworthy in light of the fact that this group was so severely disadvantaged and so difficult to employ normally, as suggested by outcomes for the control group. Only about one-third of ND25+ controls worked in any given

year during the follow-up period, and just over half (55 per cent) had ever worked during that five-year period. (In contrast, 79 per cent of the NDLP controls and 87 per cent of the WTC controls had worked at some point during the follow-up period.)

- **ERA reduced receipt of Jobseeker's Allowance among the ND25+ group.**

ND25+ participants had been receiving cash benefits in the form of Jobseeker's Allowance when they entered ERA. By the second year of follow-up, ERA had begun to reduce their reliance on that benefit. Over all five follow-up years, ERA reduced total average benefits received by a statistically significant £426 per ERA member, which is six per cent of the control group average.

The costs and benefits of ERA

The evaluation's cost-benefit analysis offers a way to summarise the net economic gains and losses that ERA produced, taking into account its combined effects on a wide variety of measures and the likely longer-term value of those effects after the end of the evaluation's five-year follow-up period. It considers gains and losses not only from the perspective of participants themselves, but also from the standpoint of the Exchequer (and, thus, taxpayers), which paid for the programme, and for society as a whole (which simply reflects the results for the other two perspectives combined).

- **ERA was most cost-effective for the ND25+ group, producing a net economic gain for participants and a positive return on the Government's investment.**

ERA markedly increased the net incomes of the ND25+ group. Using one set of assumptions to estimate cost-benefit results over a ten-year time period, the analysis found that participants' average net income increased by about £725 per participant. (This estimate is spread over all programme group members, whether or not they worked or received ERA services; those who were actually affected by ERA would, of course, have gained more.) ERA also returned a little over £1,800 to the Exchequer for every participant enrolled in the programme. This represents a return of £4.01 for every £1 it spent on ERA. The results from the overall perspective of society as a whole were positive as well.⁷

- **For the NDLP group, ERA had very small effects from all cost-benefit perspectives.**

On average, ERA resulted in a small loss in the net income of NDLP participants and small losses for the Government's budget and society as a whole. However, a separate cost-benefit analysis for the NDLP subgroup with A-level and equivalent qualifications suggests that, for this subgroup, ERA increased the disposable income of participants while producing savings for the Exchequer. At the same time, the opposite effects are likely to have occurred as a result of ERA for NDLP participants with lower qualifications.

- **The net cost of operating ERA was greater for the WTC group than for the NDLP and ND25+ groups, but this greater expenditure did not yield a better return on the Government's investment or substantial net income gains for participants.**

For the WTC group, ERA cost over twice as much per participant to operate than for the two New Deal groups. This is largely because the WTC group had a longer post-employment phase, which lasted the full 33 months of the programme. In contrast, the two New Deal groups received pre-employment services during the first nine months or so, which cost about the same as they did for the controls; in other words, the added cost of ERA for the first phase of the programme was almost negligible.

⁷ The overall pattern of cost-benefit results holds up in the face of various sensitivity checks using different assumptions, including shorter and longer time horizons.

ERA appears to have modestly increased the disposable incomes of WTC participants. But because it was costly to operate, it produced a net loss for the Exchequer, and as a consequence, an overall loss from the societal perspective.

The relative importance of adviser support, incentives, and training

- Both ERA's in-work support from advisers and its employment retention bonus may have contributed to the programme's positive labour market effects.

All of the elements of ERA were offered as a package, and this makes it very difficult to determine whether some components of the intervention were more effective than others. For example, by design, participants were expected to speak with staff about advancement issues each time they received a retention bonus. However, the intensity with which local Jobcentre Plus offices implemented each of these components varied, and the local offices did not necessarily implement each component equally well.

In one attempt to shed light on the relative contributions to the programme's success of incentives versus in-work support, the evaluation included an exploratory cross-office analysis using data on the NDLP sample. The findings suggest that in offices where programme group members were more aware of the employment retention bonus (perhaps because of better marketing), there were larger increases in employment and larger reductions in the number of months that participants received Income Support. Furthermore, in offices that provided more support to participants while working or more help with in-work advancement (relative to what local control groups received on their own), there were also more positive impacts on employment and larger reductions in months on Income Support. Although not definitive, these findings suggest that 'implementation matters' and that how each of these core elements of ERA were implemented could influence the programme's effectiveness.

- ERA increased participation in training courses, especially for the WTC target group. However, these impacts appear unrelated to ERA's effects on labour market outcomes.

Many lone parents in the WTC group reported that they volunteered for ERA specifically because it offered support for training. Thus, they began ERA with a keen interest in training, and even in the absence of the programme, many would have taken training on their own, as indicated by high training rates for the control group. For example, within the first two follow-up years, nearly 60 per cent of controls participated in education or training activities. However, the ERA group's participation rate was even higher, reaching 72 per cent. Thus, ERA increased the training rate by almost 13 percentage points, which is a statistically significant gain of about 22 per cent over the control group average. The impact on training was positive but smaller for the NDLP group, which experienced a gain of almost five percentage points relative to the control group rate of 55 per cent. ERA had no impact on the training rate for the ND25+ group.

Analyses comparing ERA's impacts across target groups, subgroups, and offices suggest that any increase ERA caused in training did not lead to long-term earnings gains. For example, even though ERA increased participation in training for the NDLP group and, especially, the WTC group, it did not produce lasting earnings impacts for either of them. In addition, ERA's impacts on earnings were no larger for subgroups that experienced larger impacts on training than for those with smaller impacts or no impacts on training. For example, ERA produced a sizeable earnings gain for NDLP participants who had A-level or equivalent qualifications, but it had no effect on that subgroup's use of training courses.

Broader lessons

- ERA's labour market impacts for unemployed lone parents are smaller than those produced by a fairly similar programme in the US.

An employment retention and advancement programme in the US state of Texas, which was evaluated as part of the US ERA demonstration, shared many similarities with the UK ERA model. It included pre-employment and post-employment support for unemployed lone parents and offered financial incentives for full-time work. The cash value of the Texas incentive was roughly comparable with ERA's retention bonus, although it was paid monthly rather than every four months. Like ERA, the Texas programme was tested with a random assignment design, and both the programme and control groups received pre-employment services, such as those offered by the New Deal programme.

Two of the three pilot cities in the Texas study fully implemented the post-employment features of the model, and these two cities produced larger cumulative earnings gains than UK ERA generated for the NDLP group. Why the Texas programme's effects were larger is uncertain. One speculation is that this may be partly because in Texas, the size of the retention bonus relative to the local minimum wage and to the amount of benefits available to non-working lone parents was considerably greater than in Britain, so that full-time work would 'pay' more. This may have increased the power of the Texas incentives to make a more enduring change in participants' labour market behaviour.

- ERA's pattern of results for lone parents, where earnings impacts emerge early on and then decline after the incentives ended, is broadly consistent with the pattern found for other programmes in the US and Canada that used financial incentives for similar populations.

Several other randomised control trials in the US and Canada tested interventions that offered financial work incentives – either alone or in combination with job placement and other pre-employment services – to unemployed lone parents receiving cash benefits similar to Income Support. Although important exceptions exist, these programmes, like ERA, produced early positive impacts on employment and earnings but saw their impacts fade over time, after the work incentives had ended.⁸

- To be more effective, advancement-focused interventions like ERA may require advisers to have more expertise on industry-specific job opportunities, local knowledge, and training that is better aligned with those opportunities.

ERA was a very different kind of programme for Jobcentre Plus. Consequently, its managers and line staff, who were expected to deliver an innovative advancement-focused intervention, faced a steep learning curve. In addition, they had to operate the intervention within a Jobcentre Plus environment that placed a high priority on job placement and offered little reward to staff for focusing on advancement-related outcomes for people who got jobs. However, as ERA advisers acquired more experience, they grew more adept and confident in helping employed participants develop and pursue advancement goals, such as moving up to better positions with their same employers, switching jobs, and finding training courses to improve their skills.

At the same time, ERA advisory staff functioned as employment 'generalists'. They offered participants general advice and guidance on adapting to work, encouraged them to consider seeking full-time work, helped them address issues of balancing work and family life, advised them on seeking promotions and finding better jobs, and urged them to enrol in training courses in whatever

⁸ Michalopoulos, 2005.

areas interested them. However, ERA advisers were not expected to have in-depth knowledge of particular occupations or industries or expertise on the career ladders and training requirements for jobs in those areas. Nor were they expected to steer participants assertively towards particular occupations known to offer real advancement opportunities. They were also not positioned to connect participants who had trained in particular occupational areas with relevant employers who were hiring people with the new skills those participants had acquired. These limitations might have undermined the benefits of the extra participation in training that ERA caused. Perhaps future advancement-focused programmes would be more effective if they included more career advice that is sector-specific and more narrowly focused on opportunities available in the local labour market.

The ERA findings by no means imply that training is irrelevant to advancement. However, they do suggest that other ways to try to ensure that training will have a pay-off in the labour market ought to be considered and carefully tested.

Conclusions

Before the ERA project, little rigorous evidence was available on how to improve employment retention and advancement outcomes among disadvantaged populations in Britain. The ERA findings underscore the difficulty of achieving long-term improvement in employment retention and advancement. The study shows that, for some groups, short-term improvements do not necessarily grow into longer-term gains, and, for them, ERA would not be a worthwhile Government investment. At the same time, the evaluation found that, for specific populations, gains can be achieved, even for some of the most disadvantaged job seekers, and that those gains can be sustained over a five-year period. These results suggest that the core elements of ERA offer something to build on in future post-employment interventions.

Comparing the findings across the three target groups also illustrates the importance of appropriate control groups in assessing the programme's effectiveness. As it turned out, the ND25+ group of long-term unemployed people, which, by far, had the worst 'outcomes' (e.g., employment and earnings for the ERA group alone), and which many observers had expected might benefit the least from ERA, actually benefited the most. Thus, comparing **outcomes** across the three target groups, rather than **impacts** (i.e., the ERA versus control group differences in outcomes), would have resulted in the wrong answer to the question: For whom did ERA work best?

More generally, the ERA evaluation provides unusually rich, long-term information on the employment retention and advancement experiences of low-income groups that have long been an important focus of Government policy. It also highlights a number of key implementation challenges that future programmes, hoping to break the 'no-pay, low-pay' cycle and reduce poverty through work, would do well to address.

The evaluation includes a number of other reports of interest to policymakers and researchers. A full list and description of these publications is found in Appendix E.

1 Introduction

1.1 Introduction

This report presents the final results from the UK Employment Retention and Advancement (ERA) demonstration, which carefully tested the effectiveness of a new method of improving the labour market prospects of low-income people relying on various government cash transfers. ERA operated in six regions of Britain from 2003 through 2007 and targeted three groups:

- **‘The NDLP group’:** Unemployed lone parents receiving Income Support⁹ and volunteering for the New Deal for Lone Parents (NDLP) welfare-to-work programme;
- **‘The WTC group’:** Lone parents working part time and receiving Working Tax Credit (WTC), which supplements the wages of low-paid workers;
- **‘The ND25+ group’:** Long-term unemployed people, mostly men, aged 25 or older receiving Jobseeker’s Allowance¹⁰ and who were required to participate in the New Deal 25 Plus (ND25+) welfare-to-work programme designed for that harder-to-assist population.

One objective of the evaluation was to test whether ERA was similarly effective for each of these three target groups or worked better for some. This report presents the final evidence of the programme’s effectiveness for all three groups over a five-year follow-up period.

Unemployed participants in the NDLP and ND25+ groups first received welfare-to-work assistance through the regular New Deal programme operated by Jobcentre Plus to help them find jobs. This process was expected to last nine months or less, after which participants who had entered work began ERA’s post-employment phase. This phase generally lasted about two years, but longer for those who entered work sooner. Participants could remain in ERA for a maximum of 33 months.

Post-employment or ‘in-work’ assistance included a combination of (1) help and guidance from advisers on remaining employed and improving one’s position in the labour market and (2) various forms of financial assistance to help and encourage participants to remain employed and advance. Participants who entered and remained in full-time work received substantial cash bonuses (covering up to 24 months of employment), help paying for training courses, and cash rewards for completing training while employed. ERA participants also had access to a fund to help avert minor financial emergencies that threatened to prevent a participant from continuing to work.

⁹ Income Support is an (almost) unconditional out-of-work benefit typically received by individuals who are not employed or are working fewer than 16 hours a week. Entitlement for benefits depends on one’s other income, and its value varies with family size and composition. It is roughly comparable to the Temporary Assistance for Needy Families (TANF) programme in the US, although recipients are not required to look for work. When ERA began, lone parents with children under age 16 could receive Income Support and were not required to look for work; currently, only those whose children are under the age of seven are exempt from a work search requirement. Once their children reach age seven, non-employed lone parents capable and available to work must actively seek employment and would receive Jobseeker’s Allowance rather than Income Support.

¹⁰ Jobseeker’s Allowance is a conditional cash benefit available to unemployed individuals who are actively seeking work. Recent workers who built up entitlements while employed can receive contribution-based payments for six months, unaffected by other household income. The contributory portion of Jobseeker’s Allowance is similar to the US unemployment insurance benefit. Other low-income people can receive Jobseeker’s Allowance as a means-tested benefit and must be actively seeking work.

WTC participants, who were already employed when they entered the programme, began ERA's post-employment phase from the start.

ERA's post-employment phase was voluntary for all target groups. However, the pre-employment New Deal phase was compulsory for the ND25+ group and voluntary for the NDLP group, in accordance with regular New Deal policies.

In order to test conclusively whether or not ERA really helped those who volunteered for it, half were randomly assigned (according to a computerised algorithm) to the ERA programme, and the rest remained as 'controls' and did not receive any assistance from ERA. By randomly dividing the sample into these two groups, the study was able to test conclusively whether or not ERA helped its participants work more, earn more, advance further, and achieve better outcomes in other areas than they would have without ERA's help. This is a far more powerful test of the effectiveness of a programme than those commonly applied to social policy pilots in the UK.¹¹ The evaluation also includes an assessment of the programme's implementation, a cost-benefit analysis, and several special studies.

ERA was implemented as a research demonstration project in four regions in England, one region in Scotland, and one in Wales between October 2003 and October 2007. Random assignment took place for a little over one year. The UK Department for Work and Pensions (DWP) oversaw the overall implementation and evaluation of the programme. The evaluation design process, including all the background and theoretical considerations, was described in detail in a previous report.¹² A research consortium headed by MDRC (headquartered in New York City) and including the Policy Studies Institute, the Institute for Fiscal Studies, the National Institute of Economic and Social Research, and the Office for National Statistics, carried out the study in Britain. MDRC led the consortium because of the organisation's extensive experience mounting similar demonstration programmes in the US. The consortium fostered a learning exchange that helped to build capacity in the UK to do similar work in the future. This unique partnership is discussed in more detail in the Afterword.

This introductory chapter explains the policy background of ERA and the policy developments that affected the control group during the study, reviews the literature previously published on retention and advancement, describes the groups targeted by ERA and the service delivery model, and explains the random assignment design and the various methods used to evaluate the programme. This is the final impacts report on the UK ERA demonstration.¹³

This report summarises findings from previous reports on participants' use of ERA's in-work services and financial incentives, updating and extending those analyses by including data covering the final months of the programme. It also examines how participants adjusted to the end of the

¹¹ More usually, 'test areas' are compared with non-randomly matched comparison areas. Area contrasts can be indicative, but not conclusive, in the way that random assignment is conclusive, because they usually make it difficult to rule out with confidence the possibility that factors other than the intervention that distinguish the areas may have caused any area-based differences in measured outcomes.

¹² Morris *et al.*, 2003.

¹³ The evaluation includes numerous other reports covering topics ranging from the random assignment process, qualitative studies on labour market advancement, a mixed-methods report on ERA training, an analysis of how the effects of ERA varied with office-level implementation and context, a non-experimental analysis of worker outcomes, an assessment of how non-participation affects the generalisability of ERA results, and the impacts of ERA at the first and second years of follow-up. An overview of each of these reports is presented in Appendix E. For more detail specifically on the background of ERA see Dorsett *et al.*, 2007; Hall *et al.*, 2005; Hoggart *et al.*, 2006; Riccio *et al.*, 2008; and Walker *et al.*, 2006.

ERA programme (through 2009). The report goes on to discuss the effects of the programme on participants' labour market experiences, benefit receipt, and other outcomes within five years after random assignment. It then examines the programme's benefits and costs and concludes with a discussion of the lessons and implications of the results.

The research uses data from multiple sources, including in-depth qualitative interviews with programme staff and participants; three waves of survey interviews with programme and control group respondents (at 12, 24, and 60 months after random assignment)¹⁴; and administrative data on participants' employment, earnings, and benefits receipt.

1.2 Research on retention and advancement in work

Recurring unemployment and a lack of advancement are common among disadvantaged and low-paid workers. Many become entrenched in a 'low-pay, no-pay' cycle, in which they shift repeatedly between low-wage work and unemployment. Often these individuals seek Government benefits to supplement their incomes. Importantly, the 'low-pay, no-pay' cycle may persist even during periods of high employment levels; it is not simply a consequence of weak labour demand.¹⁵

Much research has demonstrated that many individuals who struggle to retain employment and advance in work face a multitude of barriers to finding and keeping well-paid jobs, including low education levels, difficulties accessing transport, and poor health. Some studies suggest that moving frequently between work and benefits may have a 'scarring' effect, because individuals who spend more than a few weeks unemployed have been shown to experience chronic difficulty in re-establishing themselves in the labour market.¹⁶ Some research also suggests that the experience of low-wage employment may have almost as large an effect as unemployment on future prospects.¹⁷

Low-wage workers tend to leave jobs for a variety of reasons. For example, some have short-term contracts, which they often accept reluctantly because they have difficulty finding more permanent employment. Some, of course, cannot meet employers' performance expectations. Others leave work by choice, because the jobs are not the kind of work they want to do, they are unhappy with the pay or work conditions, or they experience situational problems that undermine their performance, such as transport, health, or family difficulties. Lone parents, in particular, often encounter unexpected difficulties with the cost and reliability of childcare and transport, balancing work and childcare responsibilities, and employers who are unwilling to accommodate their employees' family responsibilities.

Advancing within work is also increasingly difficult for low-wage workers. In fact, wage mobility in the UK has declined since the 1980s,¹⁸ while wage inequality has grown.¹⁹ Instead of moving into better jobs over time, many low-wage workers remain stuck in low-level positions that require few higher skills, are often part time or temporary, and offer few opportunities for training.²⁰ Such

¹⁴ There were three waves of surveys for the NDLP and WTC samples, but only two waves for the ND25+ group.

¹⁵ See, for example, Nunn *et al.*, 2007.

¹⁶ Arulampalam, 2001.

¹⁷ Stewart, 2007.

¹⁸ Dickens, 2000b; Stewart and Swaffield, 1999.

¹⁹ Machin, 1999.

²⁰ Dickens, 2000a.

conditions make it difficult to climb a career ladder. Some research also suggests that employees who earn the lowest wages and whose working conditions are poor are generally less able to negotiate better working conditions for themselves²¹ and are actually more likely to return to benefits than to improve their earnings.²² Lone parents who do work face the added challenge of balancing family and work responsibilities, which may make it more difficult to pursue advancement opportunities, including working longer hours.

1.3 Policy background

ERA was envisioned as a next step in Britain's 'welfare-to-work' policy, which has been evolving since the early 1970s, when the Government began supplementing the wages of working families to help them overcome the cycle of unemployment and in-work poverty.

In its third year in office in 1999, the Labour Government faced a quarter to a third of children living in relative poverty – a rate that, if measured by the contemporary index of the proportion of families with incomes below 60 per cent of the national median, had doubled between 1979 and 1995. More than half of lone parents remained out of work. In response, the Government made two important pledges:

- to halve the child poverty rate by 2010 and to eliminate child poverty by 2020; and
- to raise the proportion of lone parents in paid work for at least some hours each week to 70 per cent by 2010.

The policies that have ensued – particularly those directed at lone parents – were largely aimed at meeting these goals. For example, tax credits were designed to 'make work pay' by providing enough incentive to work while meeting the increasing challenge of keeping low-paid workers' standards of living in sync with those of the working majority who have higher earnings. In 1999, the Working Families' Tax Credit was introduced, offering more generous wage supplements to low-income workers as well as help covering most of the formal cost of childcare. This reform was underpinned by the National Minimum Wage, which took effect in the same year, and which many believed was essential, in part, to prevent employers from reducing wages in the face of higher government-funded wage supplements. In 2003, the Working Families' Tax Credit was replaced by the WTC, which was the first major tax credit also available to low-paid workers without children, and the Child Tax Credit, which simplified support so that families with children could have a clearer idea of how much they could expect to receive in and out of work. The new Coalition Government has plans to streamline and re-engineer the current system of benefits and tax credits, starting in 2013.

1.3.1 Welfare-to-work policy for lone parents²³

Over the past decade, lone parent welfare-to-work policies have been aimed at tackling child poverty and family worklessness. The UK Government is committed to eradicating child poverty by 2020. Helping lone parents through financial assistance and supporting them in employment was (and is still) considered to be the main route to improving children's and parents' future life chances.

NDLP, the first of such strategies, was introduced in 1998, with the primary aim of increasing lone parents' employment. This voluntary programme was operated by Jobcentre Plus. NDLP participants were assigned a Personal Adviser to provide pre-employment job coaching services. Personal

²¹ Dex and Smith, 2001.

²² Dickens, 2000b.

²³ See Appendix Table B.1 for a chronological summary.

Advisers could offer job search assistance and try to address any barriers participants had that challenged their search for work. Personal Advisers could also inform participants of their likely in-work income and help them access education or training programs or Employment and Support Allowance if their capability for work was limited by a disability or health condition.

Since 1998, almost 824,200 lone parents have joined NDLP, and since October 1998, over 458,000 lone parents in the programme have found work.²⁴ The employment rate for lone parents also increased during roughly the same period, from 45 per cent in 1997 to over 56 per cent in spring 2006, although a number of factors may have contributed to that increase. Still, some research pointed to high job exit rates and continued cyclical benefit receipt patterns among NDLP participants.²⁵

Many observers have recognised the importance of increasing work to reduce child poverty. With over half (58 per cent) of children in non-working lone parent families living in poverty, compared with 19 per cent of children of lone parents who work part time and only seven per cent of those who work full time,²⁶ the Government has deepened its efforts to get more lone parents into paid employment.

It is within this context that a more radical change to the welfare system for lone parents was announced in 2007 with the Labour Government's plans to move more lone parents onto 'active' benefits that condition benefit receipt on looking for work. This directly affected eligibility for Income Support, which is a largely unconditional cash transfer. Since 2008, a policy referred to as Lone Parent Obligations required increasing numbers of lone parents to engage in job search activities as a condition of receiving cash benefits. In one step in this direction, lone parents with a youngest child aged 12 or older (rather than 16 or older, as had traditionally been the rule) were no longer entitled to Income Support solely on the basis of being a lone parent. Instead, they could claim Jobseeker's Allowance, which required them to look for suitable work of 16 or more hours per week. This obligation was extended in October 2009 to other lone parents with a youngest child aged ten or older, and in October 2010 to those with a youngest child aged seven or older. The same condition will be applied to lone parents with a youngest child of age five commencing in early 2012.

Lone parents who continued to receive Income Support were required to participate in Work-Focused Interviews at Jobcentre Plus and invited to participate in the voluntary NDLP programme. In April 2008, that programme was revised in ways that gave more attention to job retention and advancement, borrowing some ideas from the ongoing ERA demonstration, which included in-work adviser support and an Emergency Discretion Fund for lone parents who entered work for at least 16 hours per week. The revised programme was rolled out nationally as part of what was called the New Deal Plus for Lone Parents (ND+fLP) programme.²⁷ At the same time, a wage supplement, known as In-Work Credit, which had been piloted since 2004, was rolled out nationally to lone parents who had been on Income Support or Jobseeker's Allowance for at least 12 months and who moved into work of at least 16 hours per week (in contrast to ERA's 30 hours per week requirement).

²⁴ Lessof *et al.*, 2003, p 6; Yeo, 2007, p 15.

²⁵ Yeo, 2007, p 16.

²⁶ Department for Work and Pensions, 2010.

²⁷ ND+fLP, piloted in 2005, offered a more coherent package of support, which extended into employment, than NDLP. It was rolled out nationally to lone parents in 2008 in advance of Lone Parent Obligations. The ND+fLP pilot (which also included support for couple parents) came to an end in July 2010. Some members of the ERA NDLP control group may have been involved in this voluntary system of support, but because the changes occurred near the end of the follow-up period, they are not likely to have changed the overall pattern of impact results reported in later chapters.

Low-income lone parents who were not eligible and became recipients of Jobseeker's Allowance were, like other recipients, required to look for work as a condition of receiving benefits. However, those with children under age 16 could meet the requirement with fewer hours of work and, additionally, for those with children under age 13, hours tailored to their children's school schedules. They could receive job search guidance from Jobcentre Plus advisers, and if they remained unable to find work, they could be referred to other government welfare-to-work programmes operated by private not-for-profit and for-profit providers.

1.3.2 Welfare-to-work policy for recipients of Jobseeker's Allowance²⁸

Until recently, policy for recipients of Jobseekers' Allowance had remained relatively stable. Generally, for the first 18 months of a claim, recipients 25 years of age or older were required to submit evidence of completing a job search activity at a fortnightly meeting held at Jobcentre Plus. After 18 months, claimants were mandated to join the ND25+ programme, the principal back-to-work programme for longer-term unemployed people. A Gateway period of up to four months consisted of regular advisory meetings and possible referral to basic skills training and specialist help to address other work barriers. This was followed by an Intensive Activity Period that lasted up to 26 weeks. The Intensive Activity Period entailed mandatory work-related activities, such as work-focused training, work placements, and workshops to bolster motivation and confidence. The focus was on getting people into work, rather than helping them to stay in work and advance.²⁹

The recent changes in lone parent welfare-to-work policy, in parallel with changes in entitlements to disability and health-related benefits,³⁰ have greatly altered the profile of Jobseeker's Allowance claimants, introducing greater variation in support needs. To address this diversity and to more vigorously tackle unemployment, the previous Labour Government introduced major changes in Jobseeker's Allowance. In April 2009, it introduced the Jobseekers Regime and Flexible New Deal in 28 of the 50 Jobcentre Plus districts across England, Scotland, and Wales. It applied the concepts of escalating conditionality as a claim progressed, increasing adviser flexibility to apply interventions, and mandating work-related activities at an earlier time in a claim.³¹

1.3.3 Welfare reform in 2011

In June 2010, the new Coalition Government announced its intention to overhaul and further streamline the employment, welfare, and benefits systems. From mid-2011, a new Work Programme will be implemented across Great Britain to provide a holistic and comprehensive range of services for all jobseekers. It will replace other back-to-work schemes, including the New Deal programmes, but include similar forms of assistance. Generally speaking, Jobcentre Plus will continue to offer assistance in finding jobs, but it will refer those who are more difficult to assist and those unable to find work within a specified amount of time (one year or less, depending on the group) to contracted providers for more intensive assistance and job placement. The providers will operate under performance-based contracts.

²⁸ See Table B.2 for a chronological summary.

²⁹ In some areas of Great Britain, where there were higher concentrations of long-term unemployment, Employment Zones replaced ND25+. These services were contracted by DWP to private sector suppliers. Employment Zones were not operating in areas where ERA was implemented.

³⁰ From October 2008, the implementation of a new Work Capability Assessment (WCA) with broader measurement criteria meant that increasing numbers of non-working people with health- and disability-related issues were identified as 'fit for work' and subsequently registered for Jobseeker's Allowance.

³¹ Knight *et al.*, 2010.

1.4 Design of the ERA programme

A team established by the Cabinet Office in 2001 to devise the ERA demonstration sought to develop an intervention that would build on, but go beyond, the kinds of assistance already offered by the New Deal.³² They hypothesised that a mix of job coaching, advancement guidance, and financial incentives while participants were employed would improve individuals' persistence and advancement in work. Before entering employment, participants would be supported to find good jobs with prospects for advancement and encouraged to seek full-time employment. Once in work, they would be offered continuous close support, including advice on how to find a better position with the same employer or a new employer, as well as financial incentives to stay in work and take up training opportunities. The in-work support would also help them to continue to resolve situational problems (like child care and transport issues) that threaten to undermine stable employment. The design envisioned that these strategies, working in combination, would help participants achieve steadier employment, better jobs, and higher earnings than they could achieve on their own or with the help of existing welfare-to-work services focused primarily on job placement.³³

The development of the programme was inspired by a similar demonstration project already being implemented in several US states, referred to by a similar name. Launched in 1999, the US ERA project tested a variety of retention and advancement models, many of which included similar kinds of post-employment advisory support adopted by UK ERA (see Box 1.1). One programme, in the state of Texas, also included financial incentives for sustained full-time employment and, overall, was most similar to the UK ERA model. Many of the early findings from the US project informed the implementation of the UK ERA programme. The evaluation of the US programmes was directed by MDRC, which also leads the consortium conducting the UK ERA evaluation. MDRC helped to build a learning exchange across the two projects, involving practitioners as well as researchers.

Box 1.1 Description of the US Employment Retention and Advancement project

Research completed since the 1980s has yielded substantial knowledge about how to help US-based welfare recipients and other low-income individuals prepare for and find jobs. Many participants in these successful job preparation and placement programmes, however, ended up in unstable, low-paying jobs, and little was known about how to effectively help them keep employment and advance in their jobs. The US Employment Retention and Advancement (US ERA) project sought to fill this knowledge gap, by examining over a dozen innovative and diverse employment retention and advancement models developed by states and localities for different target groups, to determine whether effective strategies could be identified.

(Continued)

³² For a detailed discussion of the design process, including all the background and theoretical considerations behind the ERA design, see Morris *et al.*, 2003.

³³ In the design phase, there was a great deal of deliberation about whether to test several variants on the treatment, such as incentives alone, adviser support only, or a combination of approaches. The decision to test the combination was based on the complexity of implementing a differential impact design, as well as evidence from US studies that incentives-only or adviser-only interventions were less likely to be effective than the combination of these two elements.

Box 1.1 Continued

Using a random assignment research design, the US ERA project tested the effectiveness of models that attempted to promote steady work and career advancement for current and former welfare recipients and other low-wage workers, most of whom were women and lone parents. Unlike the UK ERA model (which tested one model for different populations and locations), the US ERA evaluation studied highly diverse and decentralised models. The programmes – generally supported by existing public funding, not special demonstration grants – reflected state and local choices regarding target populations, goals, ways of providing services, and staffing. The US ERA evaluation is being conducted by MDRC, under contract to the Administration for Children and Families (ACF) in the US Department of Health and Human Services, with additional funding from the US Department of Labor. Final effectiveness findings, or impacts, are available for 12 of the 16 US programmes.³⁴

Key findings

- **Of the 12 US ERA programmes, three produced positive economic impacts; nine did not.** Increases in employment retention and earnings were largest and most consistent over time in the Texas ERA programme in Corpus Christi (one of three sites that operated this program); the Chicago ERA programme; and the Riverside County, California, Post-Assistance Self-Sufficiency ERA programme. Of these, Corpus Christi's was most similar to UK ERA.³⁵ These programmes increased annual earnings by between seven per cent and 15 per cent relative to control group levels. Each of them served a different target group, which suggests that employment retention and advancement programmes can work for a range of populations. However, three-fourths of the US ERA programmes did not produce gains in targeted outcomes beyond what control group members were able to attain on their own with the existing services and supports available in the US ERA sites, which highlights the difficulty programmes in the US have had in improving these outcomes. An analysis of subgroup impacts found that programmes had better impacts among those who had moderate previous labour market attachment (those who were on the edge of good or bad advancement trajectories).
- **Increases in participation beyond control group levels were not consistent or large, which may have made it difficult for the programmes to achieve impacts on employment retention and advancement.** Engaging individuals in employment and retention services was a consistent challenge.

A related demonstration project, the Work Advancement and Support Center (WASC) demonstration, was launched in the US in 2005, two years after the UK ERA programme began. MDRC designed and is evaluating WASC.³⁶ Early findings from both the US and UK ERA programmes subsequently informed the implementation of WASC. The US ERA and WASC programmes were implemented by a variety of public and non-profit operators, including the public welfare and workforce systems, community-based organisations, and for-profit providers.

1.4.1 The target groups

The ERA programme targeted two groups of lone parents: an unemployed group that was entering the NDLP welfare-to-work programme and a group working part time between 16 and 29 hours

³⁴ Hendra *et al.*, 2010.

³⁵ The UK ERA and Corpus Christi ERA programmes are compared in Lundquist and Homonoff, 2010.

³⁶ Miller *et al.*, 2009.

a week and receiving WTC. It also targeted longer-term unemployed job seekers (mostly men) who were at least 25 years old, claiming Jobseeker's Allowance, and mandated to join the ND25+ welfare-to-work programme.

ERA's two lone parent target groups represented lone parents who entered ERA at very different stages in their working lives. The group entering through the NDLP programme was interested in working, usually after an extended period of time out of the labour force; for them, job retention was likely to be an immediate priority and advancement a more distant goal. In contrast, members of the already employed WTC group were more focused on improving their current position in the labour market. Viewing the effects for NDLP and WTC lone parents in tandem may thus offer a rough sense of how ERA might affect outcomes for lone parents when introduced at these different points in their working lives, although other important differences distinguished the groups, as discussed below.

These different target groups brought to ERA different kinds of employment challenges. They had different capacities, labour market histories, and perspectives on work and advancement. But all of them were expected to face difficulties progressing in work without assistance, which is why they were targeted by ERA.

Most of the people who entered the NDLP programme were mothers, and many faced an array of labour market disadvantages, such as lack of work skills and experience, poor family health, financial disincentives to working, lack of confidence, problems with transport, lack of job opportunities, and employer reluctance to offer flexible work conditions.³⁷ Many lone parents also struggled to balance work and care for their children, which often resulted in employment instability. Findings from interviews in a national survey in 1999 and 2000 showed that 17 per cent of lone parents in employment left for either unemployment or inactivity.³⁸ Other research on NDLP itself found that 20 per cent of lone parents who left Income Support returned within about ten months,³⁹ and that lone parents had higher job exit rates than parents in couples and single childless women, even after personal and job characteristics were statistically controlled.⁴⁰ At the same time, studies found that employment rates for lone parents steadily increased during the time the ERA programme operated.

Much less was known about the broader group of lone parents who receive WTC payments, in part because Jobcentre Plus does not traditionally serve this group and so does not have information on their demographic characteristics and barriers to work. However, data from the 2001 Families and Children Survey indicated that they, too, were disadvantaged and faced employment challenges. For example, many lacked the transport needed for steady employment, and many lived in (subsidised) social housing, although to a lesser extent than NDLP lone parents.

Individuals served by the ND25+ programme have long been characterised as having sometimes extreme and multiple barriers to employment. At the time the ERA demonstration was launched, nationally about 80 per cent of ND25+ customers were men, although the number of women entering the scheme had been increasing. About 13 per cent belonged to an ethnic minority.⁴¹ Those with multiple disadvantages may have represented at least a quarter of the caseload, totalling about 100,000 entries a year. At least a third of these were on their second or third spell in the system. In total, about three-quarters of a million people had entered ND25+, and about 300,000 of these (roughly 40 per cent) had been recorded as leaving the scheme for paid work. The typical caseload was about 60,000 participants.⁴²

³⁷ Millar and Ridge, 2002.

³⁸ Marsh, 2001.

³⁹ Hales *et al.*, 2000.

⁴⁰ Evans *et al.*, 2004.

⁴¹ Adebawale, 2004.

⁴² Adebawale, 2004.

1.4.2 Pre- and post-employment services

Table 1.1 summarises the staff and services available through ERA, compared with the services available to participants who were not in ERA. The following sections set out the full details of the ERA design.

Table 1.1 Staff, incentives, and services available to ERA (programme group) and non-ERA (control group) customers

Feature	New Deal Target Groups		WTC	
	ERA (Programme)	Non-ERA (Control)	ERA (Programme)	Non-ERA (Control)
Job coaching staff <ul style="list-style-type: none"> • PA: Personal Adviser • ASA: Advancement Support Adviser 	ASA	PA	ASA	
Eligible for New Deal pre-employment services <ul style="list-style-type: none"> • Job placement assistance • Advice on training and increasing skills 	✓	✓		
Eligible for in-work support <ul style="list-style-type: none"> • Coaching on advancement in current position and/or finding a better job • Rapid re-employment services when necessary 	✓		✓	
Eligible for in-work bonuses <ul style="list-style-type: none"> • <u>Retention Bonus</u>: Up to six payments of £400 for each period when customers work 30 or more hours per week for 13 out of 17 weeks • <u>Training Bonus</u>: Tuition payment of up to £1,000 if training undertaken while working; if training is successfully completed, £8 for every hour of training, up to £1,000 	✓		✓	
Eligible to receive Adviser Discretion Fund (ADF) money <ul style="list-style-type: none"> • Pre-employment funds available to help customers obtain work 	✓	✓		
Eligible to receive Emergency Discretion Fund (EDF) money <ul style="list-style-type: none"> • In-work funds available to help customers stay employed 	✓		✓	

Individuals assigned to the ERA programme worked with an Advancement Support Adviser for a maximum of 33 months over both pre-employment and in-work periods. The ERA advisers were drawn largely from the pool of Personal Advisers already working at Jobcentre Plus in the selected districts, and they were provided training on how to deliver ERA services. The goal was to enlist ‘typical’ advisers so that the evaluation would represent a strong test of the ERA model as delivered by the kinds of staff who usually serve as advisers, not as delivered by the ‘best’ staff. The design envisioned that the 33-month service period would allow out-of-work participants about nine months to find a job, followed by two years of in-work support. ERA participants in the WTC group, who were already working, would begin receiving in-work support immediately but would still receive support for up to 33 months.

ERA was designed so that, in the pre-employment stage, advisers coached their ERA participants to consider the advancement opportunities of a job before taking it and to try to identify work that would be a good fit with their skills and interests. (As previously documented, challenges were encountered in implementing this strategy, and it was never fully achieved in practice.)⁴³ Once in work, coaching continued in order to help participants address any continuing or new barriers to their employment and to help them advance in their work (for example, by obtaining higher wages, more hours, a promotion, better pension provision, or a better job). ERA advisers not only listened carefully for any signs of difficulty in work, but also to help participants envision advancement even when they were not experiencing difficulties.

ERA advisers could also step in to support participants in periods of stress by helping them re-arrange their childcare, if necessary, or advising on renewing a claim for tax credits. To guide their work with participants, advisers developed a personalised Advancement Action Plan with each of them, which set out job search, retention, and advancement steps. The plan, reviewed at each face-to-face meeting, was individually tailored to the participant to: (1) balance short-term requirements with longer-term ambitions and goals, (2) consider local labour market opportunities, (3) lay down steps to achieve goals, (4) connect to other services to address special barriers, and (5) identify appropriate education or training courses.

ERA advisers also had access to an Emergency Discretion Fund, which was a pool of up to £300 per participant to avert minor financial emergencies that threatened to prevent a participant from continuing in work, such as the need for special clothing, new tools, or car repairs, or help with short-term childcare problems. Monies from the fund became available only when a participant was employed for 16 hours or more per week. These resources were separate from the regular pre-employment Adviser Discretion Fund, which was already available to Jobcentre Plus advisers to help unemployed New Deal participants cover immediate expenses that might facilitate their taking a job.

1.4.3 Financial incentives

In addition, the ERA programme included financial incentives designed to promote work retention and advancement. These incentives (as well as Emergency Discretion Fund payments) were tax-free and did not count as income against entitlement to benefits or tax credits.

Employment retention bonus

To motivate ERA participants to enter full-time work, and to do so earlier than they might normally have considered, ERA offered up to six payments of £400 when participants worked 30 or more

⁴³ See Chapter 3 of Dorsett *et al.*, 2007.

hours per week⁴⁴ for 13 out of 17 weeks (or about 75 per cent of the time).⁴⁵ This amounted to £2,400 for a participant who received all six payments.⁴⁶ Participants were required to provide evidence of their employment and hours by showing wage slips and to come into the office to claim their retention bonus. This contact provided another opportunity for face-to-face interaction with their adviser. This feature of the model was deliberately included as one way to integrate the services and incentives components of the model.

Training bonus

ERA participants were also eligible for financial incentives to combine work with training. This was intended to encourage them to invest time and effort in developing skills that might promote their long-term career progression. While in work for at least 16 hours per week, participants qualified for tuition payments of up to £1,000 for approved courses that reflected the agreed goals in their own Advancement Action Plans and corresponded with local labour market needs. These payments were made directly to the training providers.

Participants who successfully completed an approved course received an additional bonus of £8 for every hour of training completed, up to a maximum of £1,000 (or 125 hours). It was paid only for training within the 33-month ERA service period, so the courses had to be completed within this time for participants to receive the bonus.⁴⁷

1.5 The random assignment design and the intake process

The ERA programme, which had a limited number of available slots, was implemented as a random assignment demonstration, meaning that individuals in the three target groups who volunteered for the programme were assigned at random – regardless of their background characteristics – to a programme group that was enrolled in ERA or to a control group that was not enrolled in ERA. The control group continued to receive the standard New Deal services or to receive WTC. They could also receive whatever services were normally available to them. This design resulted in two groups that were similar at the outset; the only difference was that one group was offered ERA services and incentives, while the other was not (the services that the control group members were eligible for are represented in the non-ERA columns in Table 1.1). Thus, in comparing the outcomes of the two groups over time, statistically significant differences that emerge can be attributed to ERA with confidence.

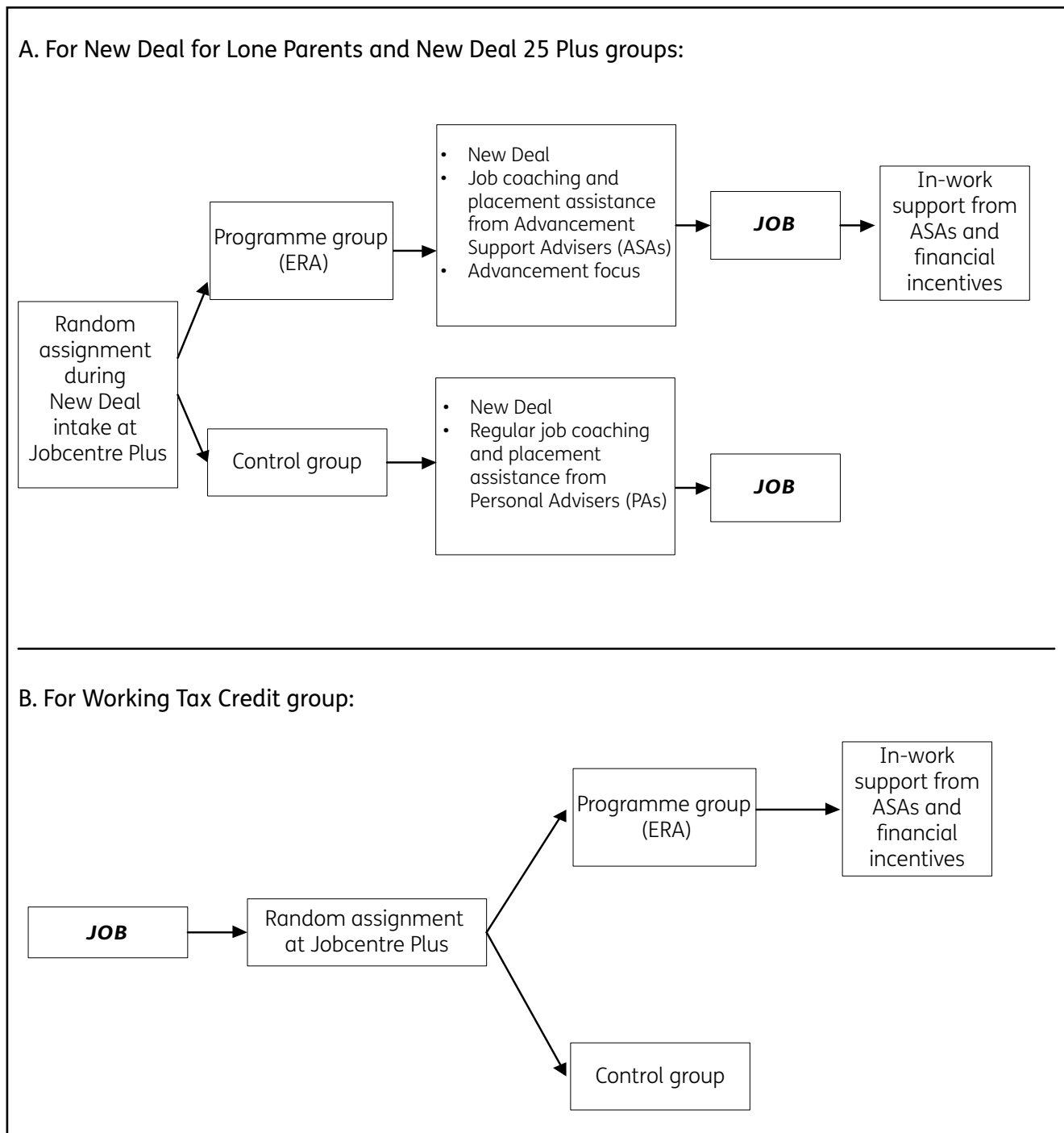
Figure 1.1 illustrates the random assignment process, which varied somewhat between the New Deal and WTC target groups. Entering into the programme was voluntary for members of the three target groups. When they came into Jobcentre Plus offices, their basic demographic information was recorded and they were informed of the possible advantages of participating in the ERA programme.

⁴⁴ In 1997, the Organisation for Economic Co-operation and Development (OECD) set 30 hours as the cut-off to delineate part-time and full-time work (OECD, 1997). In ERA, part-time work is tied to WTC eligibility rules, which set the threshold at a minimum of 16 hours per week and specify that an extra amount is to be paid for work of 30 hours or more per week.

⁴⁵ This provision was intended to accommodate the likelihood that many workers might lose jobs and offered an incentive for quick re-employment.

⁴⁶ At the currency exchange rate in effect on 11 February 2008, these retention bonus payments were equivalent to US\$780 and US\$4,680, respectively.

⁴⁷ ERA participants could claim the payment after the 33-month period as long as the training was completed within the 33 months; this was to allow for delay in production of certificates.

Figure 1.1 Random assignment process

They were then invited to enter the demonstration ‘lottery,’ told that they had a 50 per cent chance of being selected for the programme, and asked to sign an informed consent form in which they agreed to allow researchers access to certain types of data about them, whether they were assigned to the ERA programme group or to the control group.

The ERA demonstration was rolled out in six Jobcentre Plus districts (areas of varying sizes and populations demarcated across Britain by DWP) within six regions. Figure 1.2 shows the approximate locations of these six areas. One district was in Scotland, one was in Wales, and four were in England. The regions in England included the East Midlands, London, North East England, and North West England.

Figure 1.2 Map of the six ERA districts

The random assignment process was carried out successfully. As a result, programme and control group members shared similar characteristics, on average. This helped ensure that the control group would provide unbiased estimates of how programme group participants would have progressed over time had they never encountered ERA. The ERA demonstration represents the first time in the UK that a random assignment social policy evaluation has been carried out on such a large scale. Over 16,000 people were successfully randomly assigned within 58 offices.

The evaluation design was influenced by random assignment evaluations done in the US. Given the pioneering nature of this initiative, a special study, published in 2006, was undertaken to describe and capture lessons from the implementation of the random assignment process itself, including staff and customers' reactions.⁴⁸ The study found that, although the process was not without its challenges, and although it appears, with hindsight, that some procedures could have been implemented better, the random assignment process generally proceeded well, especially considering the scale of the ERA programme. Most customers and staff viewed the process as fair, and although some people assigned to the control group were disappointed in the outcome, there were no major complaints arising from the random assignment process. This experience shows that random assignment is practical in a UK context, which has encouraging implications, even beyond the ERA demonstration. It is still the case, however, that randomised trials are less frequently used in the UK than in the US.

1.6 The role of Technical Advisers

To help ensure that the implementation of random assignment and of ERA services and incentives went as planned, the evaluation consortium recruited seven Technical Advisers – one for each district, plus a senior Technical Adviser manager – to work on the project. They were recruited largely from among Jobcentre Plus staff. Once they were selected, they were seconded to and placed on the payroll of the Policy Studies Institute, one of the consortium research partners. The Technical Advisers remained with the project for two years and worked under the direction of the evaluation consortium. They spent most of their two years in the district offices, setting up and monitoring random assignment procedures, helping to train local staff on ERA procedures, and contributing 'good practice' ideas. They worked in close partnership with the DWP Project Team, which had main oversight and monitoring responsibility for the implementation of ERA.

Their post outside the Jobcentre Plus management structure allowed them to contribute an additional perspective on how the project was progressing at a local level. At the same time, their experience of working in Jobcentre Plus ensured that they were able to give advice that took full account of operational realities, enhancing their credibility with ERA staff.

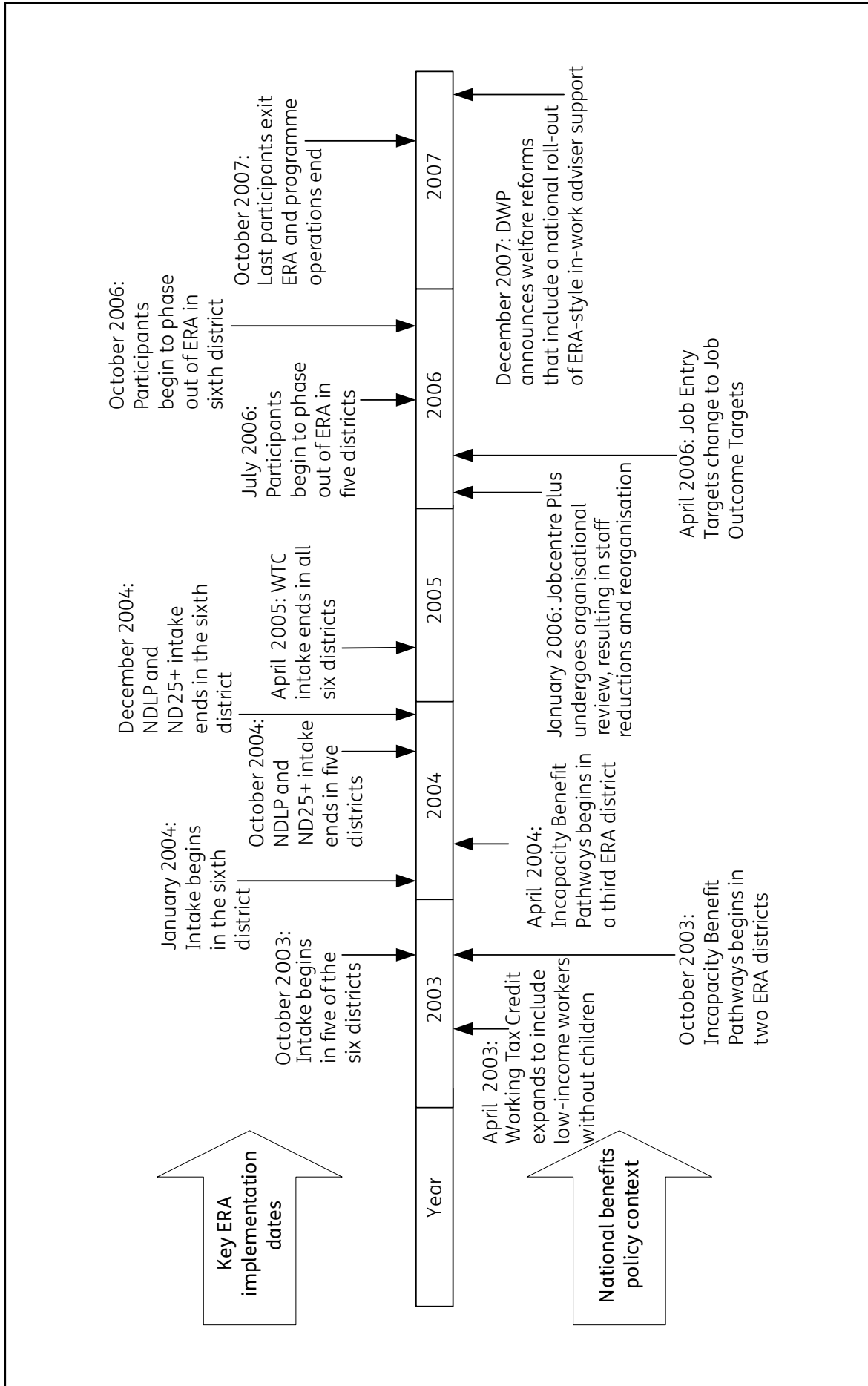
1.7 Timeline of ERA implementation

Random assignment began in October 2003 in five of the six ERA districts and in January 2004 in the sixth district (see Figure 1.3). Intake for the New Deal groups ended about a year later. Intake for the WTC group was extended until April 2005 to increase the number of participants in this group. There were unique challenges in recruiting WTC recipients into the sample, because they were not already coming into the Jobcentre Plus offices for services. Additional efforts to recruit WTC sample members were made in the East Midlands district, and this region has by far the largest WTC sample.

Following their 33-month service period, the first participants moved off the programme beginning in July 2006. The last participants exited ERA in October 2007.

⁴⁸ Walker *et al.*, 2006.

Figure 1.3 Timeline and national benefits policy context of the ERA demonstration, 2003-2007



Several other policies affecting Jobcentre Plus coincided with the implementation of ERA. Figure 1.3 highlights a few of these policies. In 2003 and 2004, the Pathways to Work pilot, an employment programme for recipients of Incapacity Benefit and disabled recipients of Income Support, began in three of the six ERA districts. Although this intervention did not directly affect ERA participants, it was a priority programme for districts and district resources. Some evidence suggests that this affected the senior management attention and funding dedicated to ERA within the local Jobcentre Plus offices during the first year of ERA operations, before DWP ringfenced⁴⁹ ERA funds.

DWP also implemented important changes in staffing and performance goals for Jobcentre Plus while ERA was operating. These occurred near the end of the programme's operation, but well within the five-year period covered by the impact evaluation. In January 2006, Jobcentre Plus underwent an organisational review, which resulted in staff reductions and re-organisation. Also, beginning in April 2006, Jobcentre Plus changed the focus of its performance goals from Job Entry Targets to a more varied set of Job Outcome Targets. The Job Entry Targets measured performance by the number of customers Jobcentre Plus staff helped enter into work. They required that staff demonstrate that customers began work following staff intervention. The Job Outcome Targets, in contrast, measured all off-flows of customers from benefits into work, including those for whom there had been no specific intervention. The goal of this change was to allow staff to encourage customers to take their own initiative to find work and to eliminate the need for staff to 'manufacture' interventions in order to claim a job entry. Importantly, while the Job Entry Targets had linked job submissions to individual advisers, the Job Outcome Targets were measured at the district level. This took some of the pressure off individual ERA advisers to minimise post-placement support in favour of quick job placements.

As previously noted, some elements of ERA influenced the continuing evolution of welfare-to-work policies. In December 2007, DWP announced welfare reforms that included a national roll-out of ERA-style in-work adviser support as part of the Flexible New Deal.⁵⁰

1.8 Scope of the ERA evaluation

The evaluation of ERA is divided into three main research strands:

- **A process study:** The purpose of this study, which relies on qualitative and quantitative data, is to understand how ERA was implemented 'on the ground' – whether it was implemented as envisioned in its design, what challenges staff encountered in operating the model, and how service delivery strategies varied across the six sites. It is intended to provide insight into possible reasons for the programme's impacts or lack of impacts.
- **An impact study:** This study uses administrative records data and customer surveys to compare the service receipt, employment, earnings, benefits receipt, and other outcomes for ERA participants with those of the control group members. For example, it examines whether ERA participants worked more than control group members during the evaluation follow-up period, whether the earnings of the programme group were higher than those of the control group, and whether reliance on government benefits was reduced.
- **A cost-benefit study:** The study examines the net economic gains or losses (or net present value) generated by ERA by comparing the costs of the programme with the financial benefits it induces. It assesses these gains and losses separately from the perspectives of ERA participants; the Exchequer, which paid for the programme; and society as a whole (which offers a perspective by adding the results of the participant and Exchequer perspectives).

⁴⁹ Ringfencing, as the name implies, meant setting aside staff and/or resources specifically for ERA.

⁵⁰ Morgan, 2009.

This report focuses on all strands of the analysis. It updates the assessment of ERA's implementation provided in earlier reports, and it examines in detail ERA's impacts, benefits, and costs over the five years following random assignment.

1.9 The remainder of this report

The remainder of this report is organised as follows:

- Chapter 2 sets the stage for the core analyses by describing the economic context within which the ERA demonstration was launched and operated. It discusses the characteristics of ERA sample members, showing how those characteristics varied across the three target groups and the six districts. It also describes in more detail the data sources used in the report.
- Chapter 3 discusses programme operations, summarising the findings from previous reports and exploring how programme group members coped with the end of the programme. Chapter 3 also reports on the patterns of programme participation and service receipt and updates receipt of financial incentives through the end of the programme. Drawing on qualitative as well as quantitative data, it focuses on participants' experiences once employed and compares patterns of in-work receipt of services among working participants in ERA with the experiences of workers in the control group.
- Chapter 4 describes the impacts of ERA on employment, earnings, and benefits receipt over the five years after random assignment for the NDLP and WTC lone parent target groups. It also focuses on the effects of ERA on training and non-economic outcomes and gives special attention to ERA's effects on various measures of employment retention and advancement.
- Chapter 5 analyses the variation in ERA's impacts for the NDLP and WTC target groups across key participant subgroups and, for the NDLP sample, across local Jobcentre Plus offices. It considers whether the programme's effects are broadly based or driven by particular office implementation features or the types of participants enrolled in their local ERA programme. The chapter also looks at the relationship between impacts on training and impacts on labour market outcomes.
- Chapter 6 analyses the impacts of ERA on labour market outcomes for long-term unemployed participants in the ND25+ target group.
- Chapter 7 examines the benefits and costs of ERA from multiple perspectives for each target group.
- Chapter 8 presents some concluding observations about ERA's findings and reflects on policy.
- The Afterword offers some reflections on the unique capacity-building and learning exchange goals of the ERA demonstration.

2 Sample and sites

2.1 Introduction

This chapter describes the economic context in which the Employment Retention and Advancement (ERA) demonstration was launched and operated, the types of people who enrolled in ERA, and the data used in the analyses. It begins with a brief discussion of recent national economic trends. It then discusses how the six regions in which the programme was implemented were chosen and provides local economic and demographic information for each of these regions, illustrating the wide variety of contexts in which ERA was implemented. These regional differences are important because a goal of the demonstration was to determine whether ERA could be effective across a variety of local environments. The chapter then compares the characteristics of the sample members in each of the three target groups that enrolled in ERA. These groups were differently positioned for achieving employment and advancement goals when they entered the programme, which could influence how the programme affected them. The chapter concludes with a discussion of the main data sources used in the evaluation.

2.2 National economic context

In order to understand broadly the economic context in which the demonstration was tested, it is helpful to consider the national trends in employment and benefits receipt that relate to the ERA target populations. Figure 2.1 presents a timeline of random assignment and data collection, as a reference against which these trends can be compared. As the figure shows, the follow-up period for the quantitative analysis presented in this report covers the first five years after each sample member's random assignment date.

The start and end dates of the five-year period vary depending on when a sample member entered the study. For example, sample members who were randomly assigned in November 2003 were followed through November 2008, whereas those who entered the study in March 2005 were followed through March 2010. However, earnings data for this report, which were collected on a tax-year basis, extend only through the 2008-2009 tax year.⁵¹

During much of the follow-up period, the employment rate in Great Britain had been increasing, following a trend that began in the early 1990s. However, national employment rates fell near the end of the ERA follow-up period. Between 1999, when the Labour Government pledged to decrease child poverty and increase the employment rate of lone parents, and 2004, the national employment rate rose from 72.6 per cent to 74.9 per cent, an increase of about 2 million individuals.⁵² It continued to increase slightly in 2005.⁵³ The employment rate of lone parents increased substantially after 1997, rising by nearly ten percentage points in less than a decade.⁵⁴

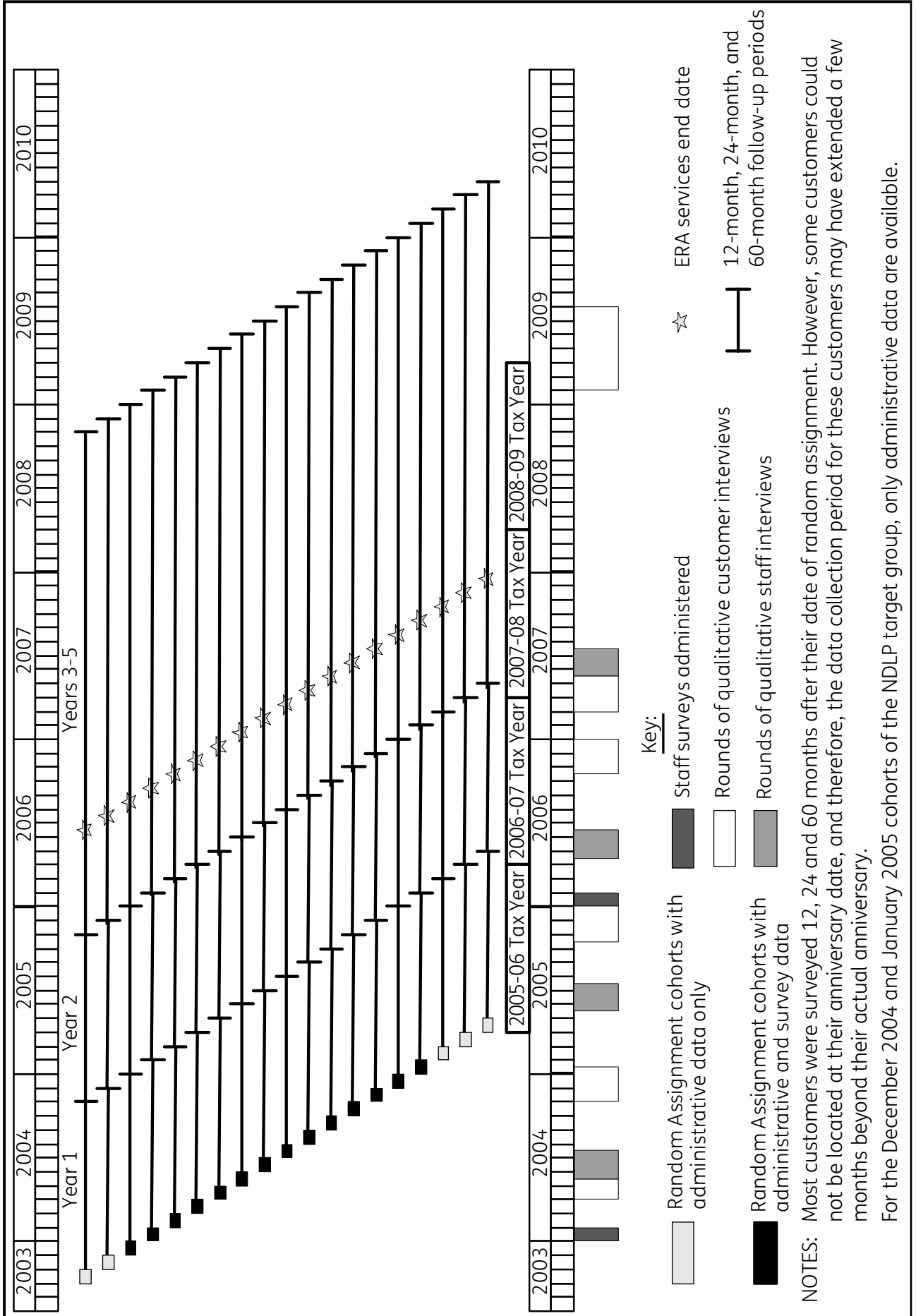
⁵¹ As it turned out, for most sample members, the end of the five-year follow-up period fell sometime between the months of November 2008 and January 2010. This means that the earnings data do not cover through the end of the five-year follow-up period for most sample members: for about 60 per cent of the New Deal for Lone Parents (NDLP) sample, about 65 per cent of the New Deal 25 Plus (ND25+) sample, and about 85 per cent of the Working Tax Credit (WTC) sample.

⁵² Brewer and Shephard, 2005.

⁵³ Office for National Statistics, Nomis official labour market statistics.

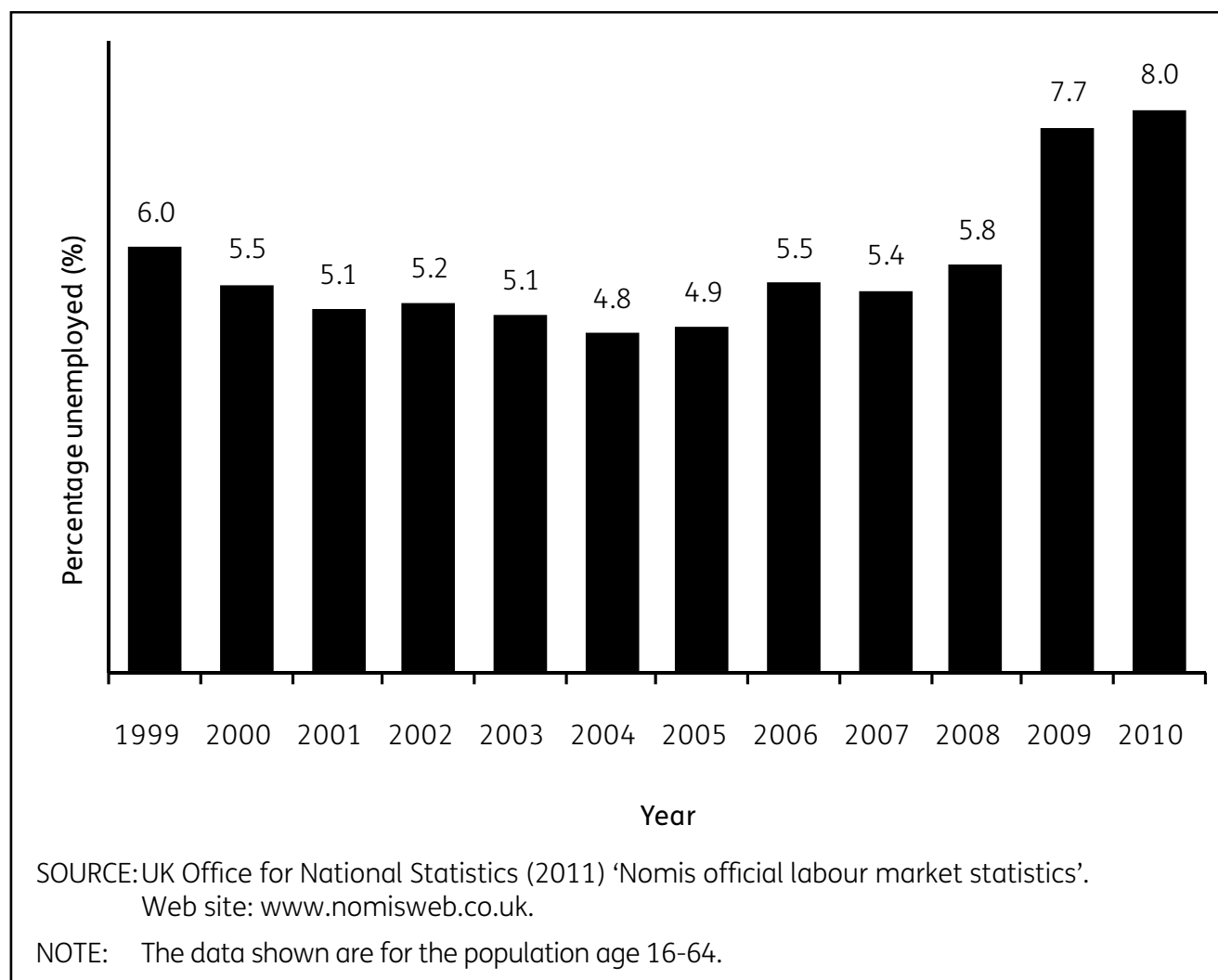
⁵⁴ Brewer and Shephard, 2005.

Figure 2.1 Timeline of collection and coverage of primary data for the ERA process and impact studies



Similarly, the national unemployment rate began a downward trend in the early 1990s. It dropped from 7.4 per cent in 1997 to 4.8 per cent in 2004, around the time that ERA was launched. This was its lowest level in almost 30 years. Since 2004, however, the unemployment rate has increased, reaching 5.5 per cent in 2006 and increasing dramatically to 7.7 per cent during the recession of late 2008-2009. It reached 8.0 per cent in 2010 (see Figure 2.2). Thus, the ERA impact results were measured during a period in which the national labour market was strong, but then weakened.

Figure 2.2 Unemployment rate in Great Britain, 1999-2010



Income transfer trends are also relevant for understanding the economic context in which ERA was implemented. In Great Britain, the Income Support caseload for adults under age 60 has been relatively stable since 1999 at just over two million. However, with improvements in the labour market, the proportion of the population claiming Jobseeker's Allowance declined over time, from over six per cent in 1996 to under three per cent in 2006. The total national caseload for Jobseeker's Allowance declined from over a million in 1999 to under 800,000 in 2004, but it began to rise again in 2005.⁵⁵

⁵⁵ Department for Work and Pensions, Tabulation Tool.

The New Deal programmes involved in the ERA demonstration have served large numbers of unemployed individuals. By 2004, over 700,000 lone parents had left the NDLP programme since its inception in 1998. The NDLP caseload increased as the programme was built up and as the total number of lone parents with older children in the country grew. By the end of 2004, the caseload had reached over 70,000,⁵⁶ but it subsequently declined by the end of 2006 to approximately 50,000.⁵⁷ The ND25+ programme has served slightly more participants: 720,000 individuals had participated in the programme by the end of 2004. However, the ND25+ caseload declined to approximately 50,000 in 2004 with the improving economy.⁵⁸ The number then began growing again, reaching 57,000 in 2006, when ERA was winding down.⁵⁹ The subsequent recession caused a further increase in these rolls.

2.3 The ERA sites

The six Jobcentre Plus districts chosen to be a part of the ERA demonstration are among about 50 Jobcentre Plus districts that were operating in 2006 throughout Great Britain. Rather than rolling ERA out nationally, Department for Work and Pensions (DWP) and the research consortium selected a limited number of specified districts in which to assess the feasibility and effectiveness of the ERA model. They selected districts strategically to ensure that the programme would be tested across diverse local settings.

The selection of districts occurred at the same time as DWP was implementing the Jobcentre Plus service delivery system. Launched in April 2002, Jobcentre Plus merged employment and benefit services that were previously located in separate agencies. This was a substantial administrative reform, and it was decided that the ERA districts would be drawn from the 25 districts where the new service delivery model had been operating for a minimum of six months before ERA began in October 2003. This ensured that they would be relatively stable administratively by that time. The consortium worked with DWP to identify six districts within the 25 that met the following criteria:

- All were to be districts with a large number of individuals expected to enter NDLP and ND25+.
- Some were to be districts with a substantial proportion of NDLP and ND25+ entrants from an ethnic minority background.⁶⁰
- The districts were to be spread across varied regions encompassing some urban, some semi-urban, and some rural areas.

Based on these criteria, one district was chosen in each of the following areas: East Midlands, London, North East England, North West England, Scotland, and Wales. The map in Chapter 1 (Figure 1.2) shows the approximate location of these six areas within Great Britain. Within each of the six districts are a number of Jobcentre Plus offices of varying sizes. In total, ERA was operated in 58 local offices.

2.3.1 Local economic and demographic characteristics

Each of the districts had distinctive economic and demographic characteristics. Considerable variation in local conditions also existed within some of the districts. Table 2.1 shows basic data

⁵⁶ Brewer and Shephard, 2005.

⁵⁷ Department for Work and Pensions, Tabulation Tool.

⁵⁸ Brewer and Shephard, 2005.

⁵⁹ Department for Work and Pensions, Tabulation Tool.

⁶⁰ Information on the number of ethnic minority participants by Jobcentre Plus district was obtained from the New Deal Evaluation Database.

on the population size and characteristics, unemployment levels, and number of people receiving benefits in each district during ERA programme operations. Box 2.1 provides a short narrative about each district during the ERA period to supplement the descriptions presented below. All of this information can provide useful context for understanding the implementation and effects of ERA.⁶¹

Box 2.1 Local economic and demographic trends in the six ERA districts during ERA

East Midlands: The district in the East Midlands was the largest of the six ERA districts, with a population nearing a million in 2006. The population included large Afro-Caribbean and Eastern European communities, especially in the city-centre areas. The Eastern European population was continuing to increase, particularly from Poland. The district's manufacturing base was declining and was being replaced by a growing service industry, for example, in retail and health care. The region had also seen an increase in construction jobs, as many new development projects were under way. Unemployment was relatively low, hovering between 4 and 5 per cent between 2004 and 2006. The Income Support and Jobseeker's Allowance caseloads were about average, but the percentage of the population receiving these benefits was the lowest among the six ERA sites.

London: The district in London was one of the larger districts, with a population of around 867,000 in 2006. The district was urban and had a relatively high proportion of ethnic minorities. Certain areas had significant proportions of Indian, Afro-Caribbean, African, and Pakistani residents. There was also a growing migrant population from Eastern Europe. Much of the population was employed in the service sector. Manufacturing had been on the decline for several decades, but had been relatively stable since 2003. Unemployment in this district increased from about 6.3 per cent in 2004 to over 7.4 per cent in 2006. The district had the largest Income Support and Jobseeker's Allowance caseloads in the study, with approximately 40,000 Income Support recipients and 18,000 Jobseeker's Allowance recipients in May 2006. However, the percentage of the population receiving these two benefits fell in the middle compared with the other ERA sites.

North East England: The district in North East England was relatively small, at around 342,000 people in 2006. The vast majority of its residents were white and were born in England; only a small proportion of this district was made up of recent migrants, although this percentage increased somewhat around 2001. Large declines in manufacturing had resulted in a broader economic base – including a high-tech sector, service industries, health and pharmaceuticals, and automotives (part of a smaller but persisting manufacturing sector) – but had left higher than average unemployment, at 7.9 per cent. North East England trailed only North West England in the percentage of the population receiving Income Support and Jobseeker's Allowance.

North West England: The population in the district in North West England fell in the middle relative to the other districts, at around 452,000. The district was urban and had a relatively high proportion of ethnic minorities. The population included a diverse migrant community of Eastern Europeans, Afro-Caribbeans, Asians, and Africans, particularly in some city-centre areas. The newer migrant population was also increasing, in particular those from Eastern Europe. The majority of the population in this region were employed in the service sector, and this number was continuing to increase. At the same time, manufacturing had declined significantly since

Continued

⁶¹ The data in this section cover the period when ERA was operating. However, in many cases, the information remains broadly accurate today.

Box 2.1 Continued

the 1970s. Unemployment was higher than in the other districts, fluctuating between 7.4 and 8.7 per cent between 2004 and 2006, and, similarly, the percentage of the population receiving Income Support and Jobseeker's Allowance was the highest among the six districts. The caseloads for these benefits were also relatively high.

Scotland: The district in Scotland was relatively large, with a population of about 785,000 in 2006, though the district encompassed sizeable rural areas. The proportion of the population comprised of immigrants had increased somewhat in Scotland as a whole, and the ERA district had seen increases, in particular, in its recent Polish migrant community. Hospitality and tourism were major industries, while manufacturing had been on the decline, including during ERA's implementation. Unemployment was low, at 4.4 per cent in 2006. The percentage of the population claiming Income Support and Jobseeker's Allowance, as well as the caseloads for these benefits, were relatively low.

Wales: The district in Wales was the smallest of the six sites; the population in 2006 was about 319,000. Also encompassing comparatively rural areas, the vast majority of the population in this district were white British; only 2.1 per cent of the population were from other ethnic backgrounds. The service sector dominated the district's economy, with media and communications, financial and business services, public administration, and manufacturing making up smaller sectors. Unemployment was low, but increased from about 4.6 per cent to just over 5.1 per cent between 2004 and 2006. The district had the smallest Income Support and Jobseeker's Allowance caseloads, with approximately 13,000 Income Support recipients and 5,000 Jobseeker's Allowance recipients in 2006. The proportion of the population receiving these benefits was also relatively low.

Table 2.1 Population, employment rates, benefits caseloads, and take-up rates in the six ERA districts

District	East Midlands	London	North East England	North West England	Scotland	Wales
Local demographic and economic characteristics						
Population, 2004	980,400	858,100	341,700	436,000	782,800	317,700
Population, 2006	990,400	866,600	341,500	452,000	785,300	319,000
Population density	Semi-urban	Urban	Semi-urban	Urban	Rural	Rural
Unemployment rate, 2004 (%)	4.38	6.34	6.46	8.66	4.56	4.57
Unemployment rate, 2006 (%)	5.01	7.35	7.93	7.37	4.42	5.05
Caseload trends						
Income Support caseload, May 2004	31,660	39,300	19,160	37,980	30,090	13,330
Income Support caseload, May 2006	30,070	39,950	17,420	36,090	28,370	12,630
Percentage of the population receiving Income Support, 2004 (%)	3.23	4.58	5.61	8.71	3.84	4.20
Percentage of the population receiving Income Support, 2006 (%)	3.04	4.61	5.10	7.98	3.61	3.96
Jobseeker's Allowance caseload, May 2004	12,220	15,350	6,920	10,500	13,420	4,020
Jobseeker's Allowance caseload, May 2006	14,740	17,990	7,860	11,160	12,520	4,940
Percentage of the population receiving Jobseeker's Allowance, 2004 (%)	1.25	1.79	2.03	2.41	1.71	1.27
Percentage of the population receiving Jobseeker's Allowance, 2006 (%)	1.49	2.08	2.30	2.47	1.59	1.55

SOURCES: UK Office for National Statistics (2007) 'Nomis official labour market statistics', Web site: www.nomisweb.co.uk; DWP tabulation tool; interviews with DWP staff. Population and unemployment data for Scotland do not include one local authority (Eilean Siar), for which data were not available.

2.3.2 Population

During the period when ERA was operating (2003-2007), the population of the districts varied considerably, ranging from under 320,000 in the Welsh district to nearly a million in the East Midlands district.⁶² The districts in London and Scotland were also relatively large, while those in North East England and North West England were somewhat smaller.

The population density also varied, as districts were chosen specifically based on this criterion. The districts in London and North West England were more urban; the districts in Scotland and Wales encompassed sizable rural areas; and the districts in the East Midlands and North East England were comprised of a mix of urban and rural areas.

The more urban districts – those in London and North West England – also had relatively high ethnic minority populations. Comparatively, the districts in North East England and Wales had a low proportion of ethnic minorities. Despite these differences, new migrant communities across the ERA districts were generally increasing. Several had growing migrant communities from Eastern Europe.

2.3.3 Major industries

All of the ERA districts have seen long-standing declines in manufacturing and rises in the service sector. Manufacturing in the UK has generally been on the decline since the 1970s. In some districts, such as London, manufacturing remained steady throughout the period of ERA's implementation, while in other districts, such as Scotland, manufacturing declines continued during ERA's implementation. The majority of the population in each district generally worked within the service sector, although the predominant areas of employment within this sector varied across the districts.

2.3.4 Unemployment levels and trends

As shown in Table 2.1, unemployment rates varied substantially across the six districts. Unemployment rates were highest in North West England (almost nine per cent in 2004). They were higher than average in North East England and London as well. Unemployment rates were lower in the East Midlands, Scotland, and Wales.

2.3.5 Benefits receipt levels and trends

Income Support caseloads for adults under age 60 varied across the districts, from a low of around 13,000 in Wales to a high in the London district of about 39,000.⁶³ Jobseeker's Allowance caseloads were lower than Income Support caseloads overall, varying from about 5,000 in the Wales district to about 18,000 in the London district (see Table 2.1). The proportion of the population in each district receiving these benefits roughly correlated with district unemployment rates. Thus, the East Midlands, Scotland, and Wales districts were on the lower end of the spectrum, with less than four per cent of their population receiving Income Support and less than two per cent receiving Jobseeker's Allowance in 2006. North West England was on the high end, with eight per cent of the population receiving Income Support and almost 2.5 per cent receiving Jobseeker's Allowance.

2.3.6 Summary of economic trends across the districts

Overall, the districts in the East Midlands and Wales generally showed stronger economic trends during ERA's implementation; their unemployment rates were relatively low, smaller proportions of the populations claimed Income Support and Jobseeker's Allowance, and the proportion of the population receiving Income Support decreased somewhat after 2004. The district in North West

⁶² Office for National Statistics, Nomis official labour market statistics.

⁶³ DWP, Tabulation Tool.

England, by contrast, showed weaker economic trends; it had a high unemployment rate and a large proportion of its population claiming benefits. The London and North East England districts fell in the middle.

2.4 The research sample for this report

Reflecting the diversity of the districts included in the evaluation, the ERA research sample exhibits considerable variation across districts in a number of important background characteristics. Important differences also distinguish the NDLP, ND25+, and WTC target group samples, resulting in part from the differences in eligibility criteria for ERA and the way in which those sample members were recruited. The following sections describe the sample by target group and highlight some of the main differences across the districts.

2.4.1 Characteristics by target group

Between October 2003 and April 2005, 6,787 people entered the ERA research sample from NDLP, 2,815 people entered the sample as WTC recipients, and 6,782 people entered the sample from ND25+ across all six districts. All were randomly assigned to participate in the ERA evaluation (as members of either the programme group or the control group). The three ERA target groups have relatively different social compositions, as the profile summarised in Table 2.2 shows.⁶⁴

NDLP group

NDLP sample members were mostly young to middle-aged women; 95 per cent were female. Over 80 per cent were under 40, and 15 per cent were racial/ethnic minorities. This generally aligned with the demographics of NDLP entrants nationwide.

NDLP sample members faced significant barriers to work. About a quarter had no educational qualifications, just under half had reached General Certificate of Secondary Education (GCSE) level, and fewer had Advanced-level (A-level) qualifications.⁶⁵ Two-thirds lived in social housing (housing owned by the local Government or a private housing association), and only about a quarter lived in privately owned or privately rented accommodation.⁶⁶ Over two-thirds did not have a driving licence or access to a vehicle, and almost two-thirds cited barriers to work (which could include housing, transport, childcare, health, basic skills, or other problems). Nearly half did not work at all in the three years before random assignment, and just over a quarter worked 13 months or more during this period. The children of the NDLP sample were quite young; the youngest child of 58 per cent of the sample was under the age of seven, and only 16 per cent of sample members had a youngest child over the age of 12 at the time of randomisation.

⁶⁴ A fuller list of baseline characteristics can be found in Table B.3.

⁶⁵ GCSEs are the main national qualification for 14- to 16-year-olds taken in a range of academic and applied subjects. GCSEs constitute levels 1 or 2 on the National Qualifications Framework, depending on the grade achieved. GCSE's are a lower qualification than 'A-levels'. A-levels are recognised as level 3 on the National Qualifications Framework. They are normally completed in years 12 and 13 of secondary school (age 17 to 19 years) and follow from GCSEs. They are the main route into higher education.

⁶⁶ The social housing sector now on the whole accommodates fewer than one in four British families with dependent children. Social housing provided by the Government is declining in the UK. However, housing subsidised by private housing associations is increasing, and demand for subsidised housing remains high, as the cost of private homes is rising.

Table 2.2 Demographic profile of all customers randomly assigned between October 2003 and April 2005

Characteristic	NDLP	WTC	New Deal 25 Plus
Gender (%)			
Male	5.0	2.6	81.1
Female	95.0	97.4	18.9
Age (%)			
Under 30	41.3	17.0	16.3
30-39	39.7	47.1	36.8
40 or older	19.0	35.9	46.9
Age of youngest child (%)^a			
No children	1.0	1.4	84.0
Under 7	57.8	36.8	8.9
7-11	25.4	31.8	3.0
12-16	15.3	25.9	2.3
17 or older	0.5	4.1	1.8
Race/ethnicity (%)			
Ethnic minority	14.8	7.8	21.5
White	85.2	92.2	78.5
Education (highest qualification obtained)^b (%)			
None	23.2	12.1	36.3
GCSE	47.7	45.0	26.9
A-level	21.6	30.7	23.6
Other	7.6	12.2	13.2
Housing status^c (%)			
Family	7.6	6.0	23.1
Social	66.5	37.6	45.9
Private	26.0	56.3	31.0
Number of months worked in 3 years prior to random assignment (%)			
None	49.6	1.2	45.5
1-12	23.1	11.6	33.8
13+	27.3	87.2	20.7
Cohort (%)			
Early (October 2003 - May 2004)	52.1	19.1	47.8
Late (June 2004 - April 2005)	47.9	80.9	52.2
No driving licence or lack of access to vehicle (%)	67.5	33.1	77.2
Has barriers to work ^d (%)	65.3	68.0	62.9
Severely disadvantaged ^e (%)	23.1	NA	20.1
Moderately disadvantaged ^f (%)	NA	37.3	NA
Sample size	6,787	2,815	6,782

(continued)

Table 2.2 Continued

SOURCE: MDRC calculations from baseline information forms completed by DWP staff.

NOTES: Rounding may cause slight discrepancies in calculating sums and differences.

Sample includes all lone parent customers and all ND25+ customers randomly assigned between October 2003 and April 2005.

^aChild's age is asked only for children who are living with the customer.

^bCustomers who have GCSE qualifications refers to those who have passed a series of examinations in a variety of subjects, usually taken at age 15 or 16. Those with A-level qualifications have passed a series of more advanced examinations usually taken around age 18 or older. Those with no qualifications have completed neither series of examinations.

^cFamily housing refers to situations where the customer is living with his/her parents or other friends or relatives. Social housing refers to housing in which the local authority (local government) or a private housing association is the landlord. Private housing refers to owner-occupied housing or housing that the customer rents privately.

^dBarriers to work include housing, transport, childcare, health, basic skills, or other problems.

^eSeverely disadvantaged refers to those NDLP customers with GCSE qualifications or lower, no work in the three years prior to random assignment, and at least one barrier to employment.

^fModerately disadvantaged refers to those WTC customers with GCSE qualifications or lower and at least one barrier to employment.

WTC group

Almost all of the WTC sample members were women. The WTC sample was older than the NDLP sample, as nearly half were in their 30s, and another 36 per cent were age 40 or older. As would be expected, the youngest child of members of the WTC sample was older than that of the NDLP sample, with 62 per cent over the age of seven and 30 per cent over the age of 12 at the time of randomisation.

The lone parents receiving WTC differed from the NDLP group in ways that underscore the differences between groups of people who had worked more steadily and those who had been out of work. Nearly 90 per cent of the WTC group reported working 13 months or more in the three years before random assignment. In the WTC group, very few reported no work experience in the three years before random assignment, as they had to be working at the time of random assignment to enter ERA.

This group also reported better qualifications than the NDLP group, with only 12 per cent having no qualifications at all and a greater percentage having qualifications beyond a GCSE. Over half lived in privately owned or privately rented housing, a proportion much greater than among the NDLP sample members. They had fewer transport barriers as well; only one-third reported no driving licence or access to a vehicle, compared with two-thirds of the NDLP sample members. However, the WTC sample members were almost as likely to report facing barriers to work; in their case, they seem to have overcome these obstacles.

ND25+ group

ND25+ sample members differed in several ways from the lone parent target groups. ND25+ sample members were largely older men – 81 per cent were male, nearly half were age 40 or older, and 84 per cent were age 30 or older. Sixteen per cent had dependent children at home, while more had children living elsewhere. Twenty-two per cent were ethnic minorities – a higher proportion of ethnic minorities than either of the two lone parent groups in ERA. More than a third had no educational qualifications at all. The largest proportion (46 per cent) lived in social housing; 31 per cent lived in private housing. Less than a quarter of the ND25+ sample members had a driving licence and access to a vehicle. Nearly two-thirds cited barriers to work, 46 per cent had no work experience in the three years before random assignment, and only 21 per cent said that they worked more than a year during that time.

2.4.2 Characteristics by target group and district

Part of the analysis in this report is conducted at the district level. In order to understand the characteristics of sample members across the districts, Table 2.3 presents selected data regarding sample members' educational experience, housing situations, previous work experience, and other characteristics, broken down by target group and district.

Table 2.3 Selected characteristics of all customers by district at the time of random assignment, October 2003 – April 2005

Characteristic	East Midlands	London	North East England	North West England	Scotland	Wales
NDLP (%)						
Education						
Highest qualification obtained ^a						
None	21.9	18.8	25.0	28.2	21.3	26.7
GCSE	48.0	48.1	53.6	43.0	43.2	46.1
A-level	21.6	24.9	15.0	22.4	29.9	17.5
Other	8.5	8.2	6.3	6.5	5.6	9.8
Age of youngest child						
No children	0.9	2.1	0.5	0.4	1.2	0.5
Under 7	57.9	56.6	56.6	57.8	58.5	61.6
7-11	26.3	25.7	25.7	26.6	23.2	22.7
12-16	14.6	15.2	16.4	15.0	16.6	14.7
17 or older	0.4	0.4	0.8	0.2	0.5	0.6
Social housing ^b	60.9	65.4	71.0	71.9	66.0	65.7
Ethnic minority	7.4	37.8	1.2	26.4	1.1	2.3
No driving licence or lack of access to vehicle	61.5	65.5	76.9	71.5	75.5	55.0
Has barriers to work ^c	77.1	59.6	61.3	64.6	61.5	61.6
Number of months worked in 3 years prior to random assignment						
None	46.4	59.0	48.9	53.7	39.7	40.4
1-12	22.3	19.0	23.0	23.1	26.6	31.2
13+	31.2	22.0	28.1	23.2	33.7	28.5
Severely disadvantaged ^d	25.3	23.5	24.0	25.8	16.7	17.3
Sample size	1,645	1,529	1,298	1,022	629	664

(continued)

Table 2.3 Continued

Characteristic	East Midlands	London	North East England	North West England	Scotland	Wales
WTC (%)						
Education						
Highest qualification obtained ^a						
None	11.7	6.6	11.9	18.0	14.1	12.7
GCSE	42.9	47.8	56.5	36.6	44.1	51.3
A-level	30.2	38.1	24.1	30.1	38.6	24.6
Other	15.2	7.5	7.6	15.3	3.3	11.4
Age of youngest child						
No children	0.8	1.0	0.7	1.1	3.9	3.0
Under 7	34.9	35.6	46.3	44.3	33.1	38.2
7-11	33.2	34.6	25.9	25.7	35.2	27.9
12-16	26.8	24.9	26.7	24.0	21.8	26.6
17 or older	4.3	3.9	0.4	4.9	6.0	4.3
Social housing ^b	30.6	42.0	46.5	61.0	52.5	32.8
Ethnic minority	4.7	36.4	1.8	26.8	0.0	3.8
Has barriers to work ^c	71.0	68.1	59.7	80.3	50.7	70.8
Number of months worked in 3 years prior to random assignment						
None	0.9	0.4	2.2	2.2	2.6	NA
1-12	8.3	12.4	12.2	19.7	21.9	12.7
13+	90.8	87.2	85.6	78.1	75.5	87.3
Moderately disadvantaged ^e	37.5	35.8	37.1	44.3	28.1	44.1
Sample size	1,586	226	278	183	306	236

(continued)

Table 2.3 Continued

Characteristic	East Midlands	London	North East England	North West England	Scotland	Wales
ND25+ (%)						
Education						
Highest qualification obtained ^a						
None	37.6	34.9	32.9	40.1	34.3	35.1
GCSE	29.9	25.4	32.9	22.0	26.2	29.7
A-level	20.3	27.0	18.8	25.4	24.6	22.1
Other	12.2	12.7	15.5	12.6	14.9	13.0
Age of youngest child						
No children	84.4	76.8	83.6	87.8	89.7	85.1
Under 7	8.5	13.4	8.0	7.2	5.6	8.0
7-11	3.8	4.0	3.5	2.2	1.2	2.9
12-16	2.0	2.7	3.2	1.4	2.2	2.9
17 or older	1.3	3.0	1.7	1.5	1.2	1.2
Social housing ^b	44.5	37.6	50.9	54.7	45.4	41.1
Ethnic minority	8.4	41.2	4.2	39.0	0.5	5.4
No driving licence or lack of access to vehicle	73.7	75.7	81.4	81.4	77.8	70.7
Has barriers to work ^c	70.7	57.2	51.9	64.0	65.1	70.1
Number of months worked in 3 years prior to random assignment						
None	40.2	51.1	43.5	50.8	38.3	41.4
1-12	36.8	29.5	35.3	35.8	33.2	31.8
13+	23.0	19.3	21.3	13.4	28.5	26.8
Severely disadvantaged ^d	20.8	20.4	17.3	21.5	16.5	23.5
Sample size	1,411	1,619	828	1,557	852	515

SOURCE: MDRC calculations from baseline information forms completed by DWP staff.

NOTES: Rounding may cause slight discrepancies in calculating sums and differences.

Sample includes all lone parent customers and all ND25+ customers randomly assigned between October 2003 and April 2005.

^aCustomers who have GCSE qualifications refers to those who have passed a series of examinations in a variety of subjects, usually taken at age 15 or 16. Those with A-level qualifications have passed a series of more advanced examinations usually taken around age 18 or older. Those with no qualifications have completed neither series of examinations.

^bSocial housing refers to housing in which the local authority (local government) or a private housing association is the landlord.

^cBarriers to work include housing, transport, childcare, health, basic skills, or other problems.

^dSeverely disadvantaged refers to those NDLP customers with GCSE qualifications or lower, no work in the three years prior to random assignment, and at least one barrier to employment.

^eModerately disadvantaged refers to those WTC customers with GCSE qualifications or lower and at least one barrier to employment. Because all WTC customers worked in the three years prior to random assignment, none are in the severely disadvantaged category. This is the reason why this category is not shown for the WTC group.

NDLP group

The NDLP group varied somewhat across the districts in terms of their educational experience and housing situations, and varied more so in terms of their previous work experience. However, none of the districts stands out as having the most or least disadvantaged NDLP sample members. The Scottish district is notable for its relatively high percentage of sample members with more extensive work experience, while London stands out for its high percentage of sample members with little work experience. Sample members in Scotland and London were generally better educated, and sample members in North West England, North East England, and Wales were the least likely to have educational qualifications. A higher proportion of sample members in North East England and North West England lived in social housing, while a lower proportion in the East Midlands lived in social housing.

WTC group

The WTC sample is not balanced evenly throughout the districts. Because there were challenges in recruiting recipients of WTC to participate in the study (this target group was not previously served by Jobcentre Plus), WTC intake into the sample was relatively low across the districts. Various marketing techniques were used to increase intake, particularly in the East Midlands district. This district also saw the greatest response to its outreach efforts; hence, over half of the entire WTC sample is concentrated there.

There is wider variation in WTC sample members' educational experience, housing status, and previous work experience across the districts than there is for the NDLP target group. Because the sample sizes were small in five of the districts, district-level analysis was not undertaken for the WTC target group in this report. Compared with the other districts, WTC sample members in the East Midlands district had somewhat more work experience, and a relatively small proportion of the sample lived in social housing. The proportion of sample members with no educational qualifications ranged from a low of seven per cent to a high of 18 per cent.

ND25+ group

ND25+ sample members varied little across the districts in terms of their educational background, but varied more in their housing status and previous work experience (see Table 2.3). None of the districts had distinctively more or fewer disadvantaged sample members. However, sample members in North West England may have been slightly more disadvantaged; relatively high percentages lived in social housing and lacked significant previous work experience. Both North West England and North East England had a higher proportion of ND25+ sample members living in social housing (around half), while London was on the low end at around a third. North West England and London had high proportions of sample members who did not work any months in the three years before random assignment. These two districts – the more urban districts – also had higher concentrations of ethnic minority ND25+ sample members. Sample members in Scotland, on the other hand, showed relatively high levels of work experience; over a quarter of sample members there reported that they worked 13 months or more in the three years before random assignment.

2.5 Data sources

The ERA evaluation uses a rich and varied set of quantitative and qualitative data to assess ERA's implementation and effectiveness.

2.5.1 Qualitative data

Researchers conducted multiple rounds of in-depth qualitative interviews with both staff and programme group members from 2004 through spring 2009. These data form the bulk of the data used for the implementation and process analyses of ERA. Those analyses also relied on weekly diaries that Technical Advisers⁶⁷ kept from the beginning of random assignment through June 2005, as well as on data collected on site visits and observations they made at various points throughout the course of ERA.

2.5.2 Customer survey data

A key data source for the quantitative analysis is a customer survey administered by phone or in person to a sample of programme and control group members.⁶⁸ A survey was administered at approximately 12 months after the customer's date of random assignment (between December 2004 and February 2006), again at their 24-month anniversary (between November 2005 and March 2007), and finally at their 60-month anniversary (between December 2008 and February 2010). The survey provides a basis for assessing how much ERA programme group members used the services and incentives offered by ERA or Jobcentre Plus, how their service-use patterns differed from those of the control group, and whether the ERA group's earnings, employment, and benefits receipt patterns differed from those of the control group. For the NDLP target group, 87 per cent of the original fielded sample responded to the 12-month survey; 77 per cent of that same fielded sample responded to the 24-month survey; and 62 per cent of the fielded sample responded to the 60-month survey.⁶⁹

For the WTC target group, 93 per cent of the fielded sample responded to the 12-month survey, and of those contacted for the 24-month survey, 79 per cent responded. However, it is important to note that the WTC survey sample was expanded after the 12-month survey was completed, so some respondents to the 24-month survey were not interviewed in that earlier wave. About 69 per cent of WTC sample members fielded for the 60-month survey responded to it.⁷⁰

The ND25+ group was much more challenging to locate and survey. Reflecting this difficulty, response rates were lower for them. In the 12-month survey, 74 per cent of the ND25+ fielded sample responded to the survey. By the 24-month survey, response rates had dropped to 65 per

⁶⁷ As discussed in more detail in Chapter 1, Technical Advisers assisted in monitoring random assignment procedures as well as in training local staff on ERA procedures.

⁶⁸ Advanced consent for sample members to participate in the survey was sought in the background information form.

⁶⁹ Sample members who did not respond to the 12-month survey were not contacted for the 24-month survey. The response rate on the 24-month survey for the 24-month fielded sample (not the original fielded sample) was 88 per cent. See Appendix A for more information on response rates and survey response bias. As discussed in Appendix A, there is evidence of survey response bias, especially for the 60-month survey.

⁷⁰ The decision to increase the size of the WTC 24-month fielded sample was made to accommodate the fact that a large portion of this target group was not recruited to participate in the ERA evaluation until after the 12-month survey was administered, as well as to include more WTC cases from outside the East Midlands. To make this change without increasing overall survey costs, sample points were moved to the WTC target group from the ND25+ target group (which had a lower response rate than the lone parent samples) after the 12-month survey. Because of this decision, however, the WTC fielded sample is larger for the 24-month survey than for the 12-month survey.

cent. Because of the difficulty contacting ND25+ sample members in the first two waves (which would be compounded for a longer-term survey), a decision was made to forgo conducting a 60-month survey for that target group.⁷¹

2.5.3 Administrative records

Finally, the impact analysis uses data from DWP administrative records data. Unlike the survey data, the administrative records data are available for all sample members. Benefits receipt data available from DWP provide detailed information on the amounts and months of receipt of Income Support and Jobseeker's Allowance, in particular. Employment and earnings administrative records data were provided to DWP by Her Majesty's Revenue and Customs agency and maintained in DWP's Work and Pensions Longitudinal Study (WPLS) database.⁷² It should also be noted that the WPLS earnings data cover the four tax years starting in the 2005-2006 tax year and ending in the 2008-2009 tax year. (The tax year begins on 6 April and ends on 5 April of the following year).⁷³ As discussed earlier in the chapter, for some sample members, the final tax year roughly corresponds to the fifth relative year after random assignment, but for many it largely covers their fourth relative follow-up year.

The process study uses DWP administrative records data on bonus receipt to measure the proportion of ERA programme group members who received the employment retention and training bonuses. These data supplement those obtained through the customer survey on receipt of the financial incentives.

2.6 Conclusions

ERA was launched in six regions across Great Britain during a period in which the British economy was relatively strong, although the economy as a whole has declined since then. The districts varied considerably in size, population density, and racial/ethnic composition. They also differed in their unemployment trends. The districts in the East Midlands, Scotland, and Wales generally showed stronger economic trends, while the district in North West England showed relatively weak economic trends. However, all of the districts faced a similar pattern of a declining manufacturing base and a large and increasing service sector.

⁷¹ These response rates differ slightly from the rates calculated by the Office for National Statistics (ONS). In ONS calculations, those deemed ineligible to respond after fielding began are removed from the denominator, which yield higher response rates than those reported here. The ONS official response rates for the 60-month surveys are 65.1 per cent for NDLP and 70.9 per cent for WTC.

⁷² Unlike the second-year report, employment and earnings administrative records data are included in this report for the WTC group. In the previous report, these data were available only for those sample members who had previously received benefit payments, and there was concern that this could adversely affect the estimates for the WTC group. However, these administrative records are now available for all samples, including those not previously on benefit. Furthermore, an analysis found that estimated employment rates from administrative records are similar to those from the survey. This issue is discussed in more detail in Appendix A.

⁷³ Earnings data were not used for the 2004-2005 tax year because for many sample members this tax year included earnings both in the year before and the year after random assignment.

In general, ERA sample members faced significant barriers to work, such as low educational qualifications and limited previous work experience. The majority of sample members in all target groups had no educational qualifications or only a basic qualification. The NDLP group had little recent work experience; half that group had not worked at all in the three years before random assignment. The WTC group had significantly more work experience. In addition, sample members in the WTC group were far more likely than those in the NDLP group to live in privately owned or privately rented housing. By contrast, two-thirds of the NDLP sample members lived in social housing. The ND25+ group was older, mostly male and childless, had lower educational qualifications, and had a longer history of unemployment.

There were some similarities and some differences across the districts in the proportion of sample members with these barriers, but no district stood out, relative to the other districts, as having sample members with distinctively higher or lower proportions of barriers to employment.

3 Implementation of ERA

Box 3.1 Chapter 3 at a glance

- The Employment Retention and Advancement (ERA) programme was largely implemented as designed, although the amount and quality of retention and advancement support offered to participants varied over time and across districts.
- Employed ERA participants in all three target groups experienced substantially higher levels of advancement-related support from Jobcentre Plus compared with employed control group members.
- New Deal 25 Plus (ND25+) ERA participants had the least amount of involvement with Jobcentre Plus after entering work relative to the lone parent groups, and they were less likely to receive ERA retention and training bonuses.
- The Working Tax Credit (WTC) target group, relative to the other two groups, was the most likely to receive retention and training bonuses, reflecting their greater attachment to the labour market and interest in training when they entered ERA.
- Lone parents in the New Deal for Lone Parents (NDLP) group required more support when starting jobs and more time to develop new routines to balance work and family responsibilities before pursuing advancement opportunities.

3.1 Introduction

The post-employment focus of ERA challenged and stretched Jobcentre Plus's capacity and delivery processes. Most significantly, ERA's ethos required a cultural shift in the approach to employment support, from a focus on employability and job entry to post-employment support, employment retention, and progression in work. This had implications for existing Jobcentre Plus operations, resource use, and staff skill sets. It is thus important to ask: Did Jobcentre Plus implement the ERA model as envisioned and did participants who found jobs have a substantially different and deeper level of engagement with Jobcentre Plus while employed than they would have had in the absence of the programme? This chapter addresses these and related questions concerning the operation of ERA, the factors that influenced those operations, and participants' experiences in the programme. It summarises and extends analyses presented in earlier reports⁷⁴ and, in doing so, sets the context for later chapters that examine the effects of ERA. More generally, it highlights some of the major challenges of operating a post-employment intervention in Jobcentre Plus.

Data for this process analysis are drawn from in-depth interviews with ERA management and Advancement Support Advisers, ERA Technical Advisers,⁷⁵ the Department for Work and Pensions (DWP) operations team, and ERA participants. These interviews were conducted between spring 2004 and autumn 2007.⁷⁶ Additional information comes from multiple waves of customer surveys and various programme records.

⁷⁴ In particular, see Riccio *et al.*, 2008, and Miller *et al.*, 2008.

⁷⁵ As described in Section 3.2.2., the ERA demonstration created the role of Technical Advisers to assist and monitor the project in each ERA district, to help ensure that random assignment and the programme's key components were carried out according to the model.

⁷⁶ Implementation analyses were conducted at the district level only.

Overall, the analysis suggests that ERA was largely implemented as designed and that participants received a substantial post-employment intervention. However, ERA was initially quite challenging to incorporate into the regular Jobcentre Plus environment. Delivery improved considerably between the first and second years of operation, but the districts faced new challenges in the third year as the operational phase of the demonstration began to wind down. Some strategies and practices also varied across districts, offices, and staff. (For a district-by-district summary of key implementation features, problems and accomplishments, and significant events, see Appendix C.) The three target groups exhibited different perspectives towards advancement and readiness for advancement. In general, the ND25+ group proved the most challenging to engage. WTC lone parents, who were already working part time when the programme began, were easiest to engage and most focused on advancement. NDLP participants were also substantially involved with the programme, but they tended to be more hesitant to take on full-time work and viewed advancement as a longer-term goal.

3.2 Operational strategies and challenges

As previously described, ERA for the NDLP and ND25+ target groups began with the regular New Deal programme. During that initial stage, participants were given help preparing for and finding jobs. ERA then provided post-employment assistance (or ‘in-work support’) to those who obtained jobs. In some districts, ERA’s key frontline staff, known as Advancement Support Advisers (also referred to as ‘ERA advisers’), began working with participants when they entered the New Deal and continued assisting them throughout the post-employment stage. In other districts, the pre- and post-employment roles were divided, with some staff focusing on pre-employment activities and others specialising in in-work support. The WTC target group did not participate in the New Deal, since they were already employed when they enrolled in ERA; for them, ERA was an entirely post-employment intervention.

3.2.1 Different delivery structures

Centralised versus decentralised management structures

Two models for managing ERA delivery emerged: a **centralised approach**, which standardised procedures across local offices within a Jobcentre Plus district, and a **decentralised approach**, which gave local offices more autonomy over how ERA resources were managed. Four of the six districts adopted at least some elements of a centralised approach. For example, two districts (East Midlands and Wales) assigned a single district-level manager to oversee ERA operations across all offices within the district. Two other districts (London and North West England) centralised their approach to the post-employment part of the programme by developing specialised Post-Employment Teams dedicated exclusively to serving ERA’s working participants and overseen by a team manager. The remaining two districts (North East England and Scotland) followed a decentralised management structure. They assigned responsibility for ERA frontline staff to Jobcentre Plus local office managers, who also oversaw other Jobcentre Plus services in addition to ERA.

These different approaches to ERA’s management had implications for programme delivery. The centralised model made it easier to guide staff and hold them accountable for delivering ERA’s retention and advancement goals; ERA’s advisers were not as easily diverted by other responsibilities within Jobcentre Plus local offices.

In contrast, under the decentralised model, it was more difficult to ensure that ERA staff in local Jobcentre Plus offices would work only with ERA customers and give adequate attention to post-employment support, especially in the early days of the demonstration.⁷⁷

Additionally, some districts (East Midlands and Wales) deployed peripatetic ERA advisers to cover a large rural area, and these advisers experienced downtime while travelling to multiple offices, which meant they had less time available to spend with participants. Staff shortages were another problem, particularly in Wales, where only two peripatetic advisers were available for members of the ND25+ programme group during the first year of implementation. Consequently, job placement and other pre-employment support was actually weaker for the ERA group than for the control group, for which participant-to-staff ratios in the New Deal programme were more favourable. This problem may have reduced the volume of ERA ND25+ participants in Wales who entered work during the first two years of ERA, compared with what would have been achieved normally.⁷⁸

Changes in Jobcentre Plus management policies that were not specific to ERA also had significance for ERA's delivery. For example, North East England and Scotland both experienced district reorganisation during the course of the demonstration, meaning that some local offices were reassigned from one Jobcentre Plus district to another, with new leadership and lines of authority. Changes such as these disrupted ERA's delivery, particularly when new managers did not embrace the post-employment ethos of ERA, and when new staff, who were not trained for ERA, took over the caseloads of Advancement Support Advisers who moved off ERA.

An evolving focus on retention and advancement

When ERA was operating, Jobcentre Plus usually focused exclusively on pre-employment support, reflecting the New Deal programme's main goal of helping its participants enter employment. The agency reinforced this emphasis with a staff incentive system that primarily rewarded job placements. This created an environment in which ERA staff were reluctant to place a priority on in-work support, especially in the absence of a clear alternative performance incentive system that measured and rewarded post-employment success. Consequently, during the first year of operations, ERA staff felt strong pressure to focus on job entries, and this detracted from their attention to job retention and advancement goals.

Over time, however, the districts introduced measures and monitoring practices that encouraged post-employment support. For example, they began to record, audit, and monitor the frequency of ERA advisers' in-work contact with participants, advisers' referrals to training, and their customers' receipt of bonus payments. In addition, line managers monitored the content of Advancement Action Plans that were prepared with each participant, and they observed meetings the advisers held with participants who were employed. In spring 2005, some districts reported that they had established benchmarks for contacting working participants, using guidelines on the content of these communications. These benchmarks were described as 'objectives', as opposed to 'targets'. Although the procedures were not standardised across districts, they illustrate the continuing evolution of ERA's strategies to strengthen the programme's critical post-employment features.

⁷⁷ As discussed in Riccio *et al.*, 2008, implementing ERA was complicated at the start of the demonstration because the special funding intended to support the programme was not always 'ringfenced' – that is, set aside exclusively for ERA. A ringfenced budget meant that a District Manager could not use the funds for any other Jobcentre Plus work. Likewise, an ERA ringfenced Advancement Support Adviser was not to undertake other non-ERA Jobcentre Plus tasks. A centralised delivery structure made it easier to ringfence ERA budgets and staff.

⁷⁸ See Miller *et al.*, 2008.

The profile of ERA within Jobcentre Plus

Finally, ERA's status as a demonstration project, rather than a continuing Government policy, may have weakened the extent to which senior managers in the Jobcentre Plus districts supported and promoted the programme. Across all districts, many ERA staff felt that ERA did not have a high enough priority within the remit of Jobcentre Plus. Over time, the situation improved, as awareness of ERA spread and in response to efforts by the DWP Project and Evaluation Teams to lift the programme's profile. In general, however, local Jobcentre Plus staff perceived ERA as having low governmental priority throughout its implementation, particularly in those districts that followed a decentralised management structure and in comparison with the Incapacity Benefit pilots. These were more traditional 'early roll-out' pilots, offering support to people with disabilities and/or health problems), which were operating at the same time in three ERA districts (East Midlands, North East England, and Scotland).

3.2.2 Technical support and staff training

From the outset, it was recognised that, because ERA involved a focus on in-work support, which was not among the services Jobcentre Plus typically offered, ERA advisers would need enhanced skills and guidance to deliver a strong post-employment programme. During the first two years of the demonstration, the project included the special role of ERA Technical Advisers, who were temporary staff hired by the evaluation consortium to augment the work of the initiative's DWP Project Team. Each district was assigned a dedicated Technical Adviser, whose primary responsibility was to oversee the smooth operation of the random assignment process, but also to support the programme's delivery by helping to advise ERA staff in the local offices on programme strategies and by coordinating peer-to-peer learning and instruction on best practices across offices and districts. There was broad consensus among ERA line staff and managers that the Technical Advisers' support was valued and effective.

Training and sharing best practices formed part of the districts' continuing improvement efforts. In addition, specialised training to improve advisers' techniques for delivering in-work support, which was adapted from the US ERA project, was provided in early 2005. ERA management and advisory staff alike identified this training as a significant turning point in their capacity to operate the programme. However, many advisers indicated that it would have been helpful to have had this training much sooner, rather than waiting until after they had been functioning in their ERA posts for approximately one year.

3.2.3 Ending the demonstration

Across all the districts, staff enthusiasm and understanding of ERA grew substantially over time, although some of these improvements were fragile and varied across districts. ERA was generally considered to be in full operation and at optimal delivery during the year between mid-2005 and mid-2006. After this time, districts started to wind down operations as the first set of participants began to finish the programme in July 2006. As ERA neared its end, all districts reduced staff resources as the number of participants dropped. In addition, the structures put in place for the successful delivery of ERA, such as Post-Employment Teams and ringfenced staff, were gradually dissolved. In some cases, ERA advisers who remained had to absorb the caseloads of those who had left, causing their own caseloads to swell. Moreover, some advisers who had exclusively served ERA lone parents now had to take on ND25+ participants, who had different types of needs and were subject to different rules as recipients of Jobseeker's Allowance. In these ways, the ERA programme suffered in its last year because it was a time-limited demonstration project. The programme officially ended in October 2007.

3.3 Pre-employment assistance

The pre-employment phase of ERA for the two New Deal participant groups (NDLP and ND25+) was expected to last approximately nine months.⁷⁹ During this phase, ERA's Advancement Support Advisers were to address participants' barriers to work and help them find suitable employment. These were the same services that non-ERA Personal Advisers offered to members of the control groups enrolled in the regular New Deal programmes.⁸⁰ However, for the ERA group, ERA advisers were expected to begin focusing attention on sustainable employment and advancement goals right from the start.

3.3.1 Implementing the New Deal for ERA participants versus controls

Data from in-depth qualitative interviews with staff and participants show that, in practice, ERA advisers' approach to pre-employment services differed little from the approach used with the control group. The main difference was that the programme group was informed of ERA's in-work incentives during the pre-employment phase; thus, they began their job search knowing that they could be rewarded for sustained employment if they chose to work full time.⁸¹ There was little other attention to advancement issues at this stage. ERA advisers reported that they felt it premature to ask participants to start thinking about advancement until they were settled into a job. Advisers said that, by and large, they undertook job searches for their ERA caseload in much the same way as they did (or had done previously) for other New Deal customer groups.

3.3.2 Engaging ERA participants in pre-employment activities

Maintaining contact with non-working participants during the pre-employment phase was often challenging. One obstacle with the ND25+ group was that, although they were required to participate in the New Deal programme (the first stage of ERA), this mandate ended once they had completed that programme, even if they had completed it without finding work. After that point, they only had to report to a Jobcentre Plus signing officer on a fortnightly basis, testifying that they were actively seeking work. Since many had not volunteered for the initial New Deal programme in the first place, many chose not to remain in contact with their ERA advisers. Also, a fair proportion of these long-term unemployed participants began receiving other benefits, such as Incapacity Benefit, and were referred to another division of Jobcentre Plus.

For the NDLP group, the New Deal programme was voluntary. Although this usually meant that participants were more inclined than the ND25+ group to seek ERA advisers' assistance, some participants changed their minds about wanting to work and 'drifted away' from the ERA programme, usually because family circumstances had changed.

⁷⁹ Because lone parents in the WTC programme group were employed at the start of the project, they did not experience a pre-employment phase through ERA. However, those who left employment during ERA may have received out-of-work support from their Advancement Support Advisers.

⁸⁰ Because the two New Deal programmes are quite different, the two target groups had a different experience during the pre-employment ERA programme. As described in Chapter 1, ND25+ is a mandatory programme with a prescribed timetable of structured activities (Gateway, Intensive Activity Period, and Follow-Through), whereas NDLP is a voluntary programme offering flexible guidance and services according to the needs or wishes of the participant. Because the WTC programme group was typically employed at the start of ERA, they did not experience a pre-employment phase.

⁸¹ Riccio *et al.*, 2008.

Over time, ERA advisers developed better skills and strategies to encourage participants to think about advancement from the time they entered the programme and to remain in touch. But on the whole, the extent and patterns of support participants received when they were out of work were quite similar.

3.4 Post-employment assistance

Working participants in the three ERA programme groups received a substantial in-work intervention relative to their control group counterparts, and staff capacity to deliver this intervention clearly improved over time.

3.4.1 Types of in-work support

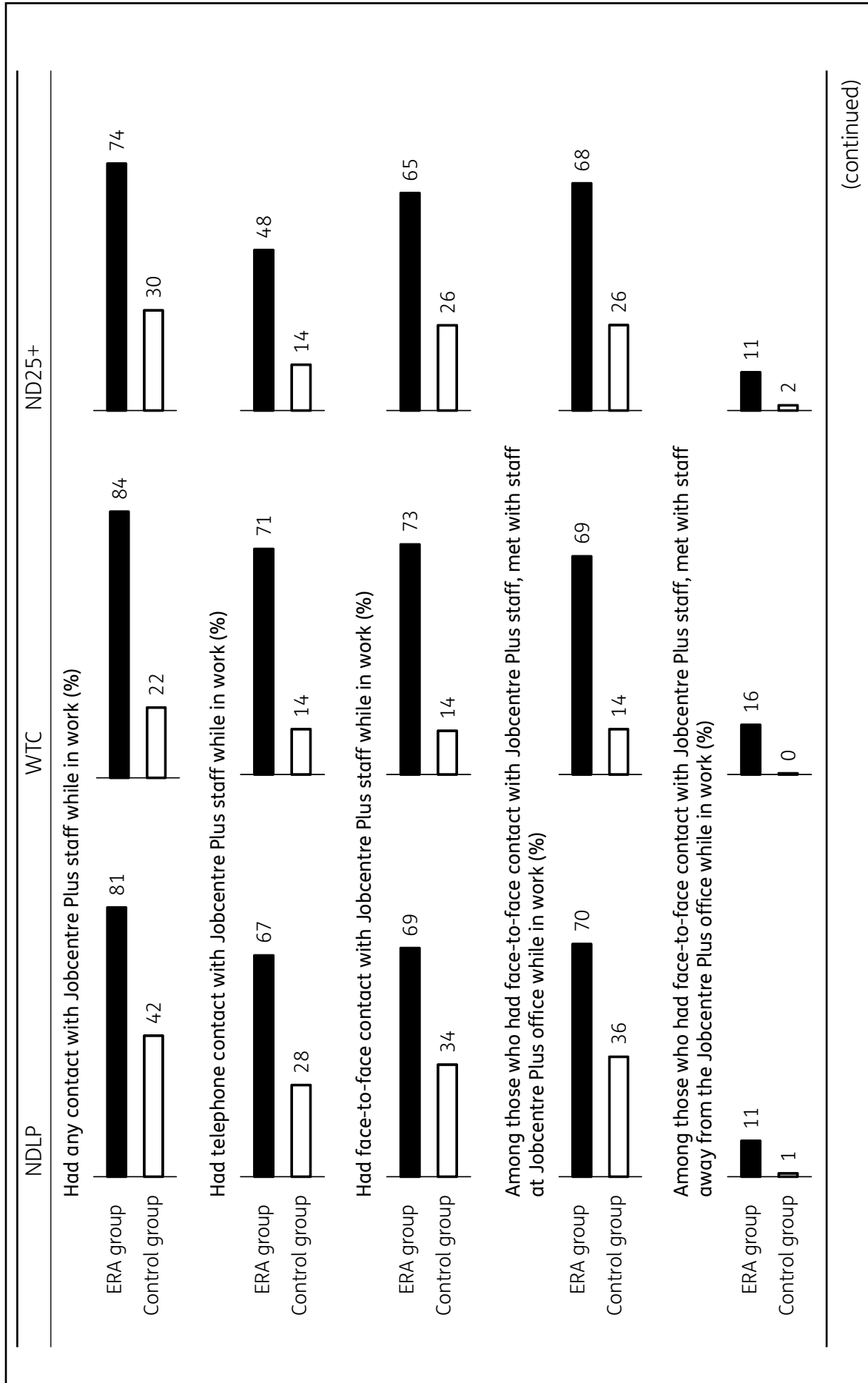
Intensity of contact

Data from the two-year customer survey show that, among respondents who had worked during the follow-up period, those in the programme group, on average, had substantially more contact with a Jobcentre-Plus adviser while working and received more help and guidance on advancement, compared with their counterparts in the control group (see Figure 3.1). For example, within the NDLP target group, 81 per cent of employed ERA participants had some in-work contact with Jobcentre Plus staff, compared with 42 per cent of those in the control group. Large differentials were also evident for the WTC and ND25+ samples.

The quality of the contact also differed considerably, with higher proportions of ERA participants than control group members reporting face-to-face contact with Jobcentre Plus staff and greater receipt of employment retention and advancement advice. For example, among survey respondents who had worked, the proportion who reported having received ‘help or advice on retention and advancement while in work’ was between three and ten times greater for ERA participants than controls. Together, these findings confirm that engagement with Jobcentre Plus was much different for employed ERA participants than for employed individuals who were not part of ERA.

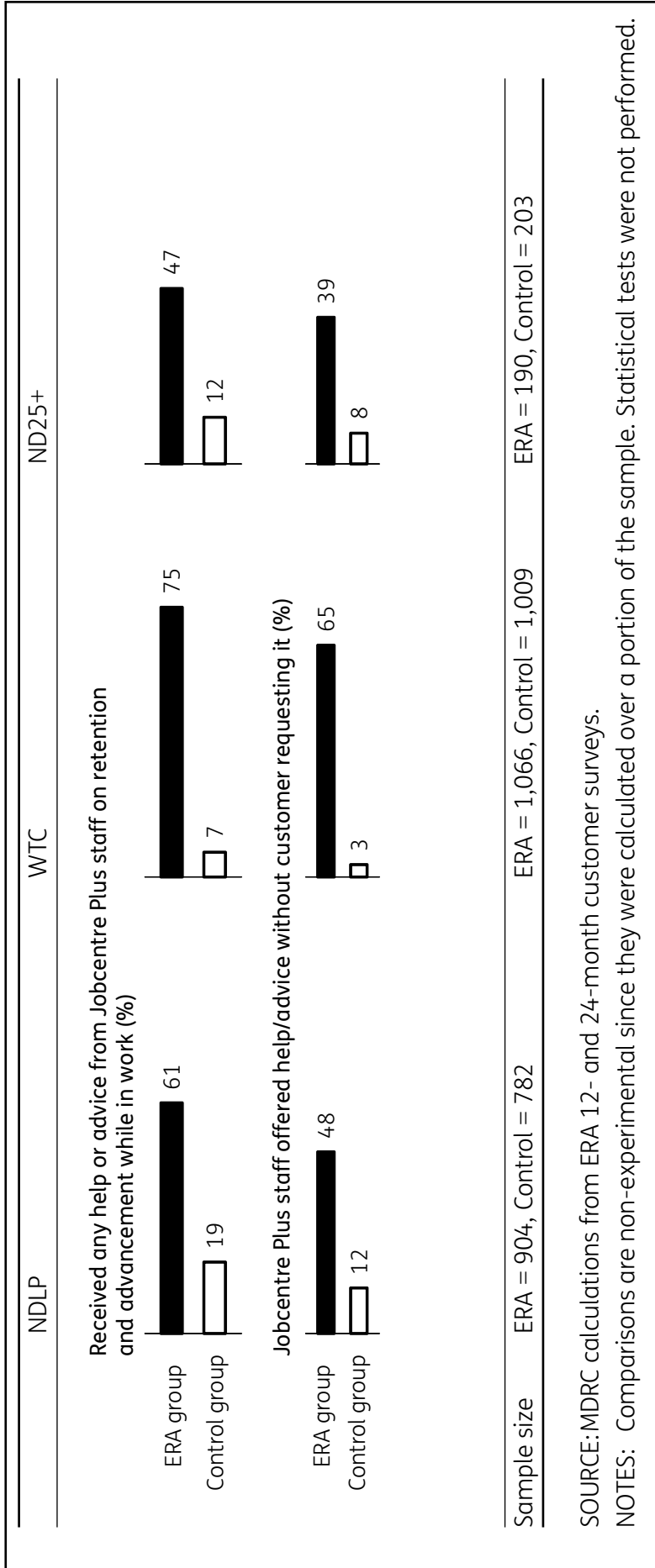
The nature and the quality of contact with Jobcentre Plus advisers among working participants also varied within the ERA group, as revealed in the qualitative research. In some cases, participants made only very brief visits to their advisers to provide documentation or to receive their retention bonuses. In other cases, they had more in-depth discussions concerning employment retention and plans for advancement.

Figure 3.1 Patterns of contact with Jobcentre Plus staff among ERA customers who worked within two years after random assignment



(continued)

Figure 3.1 Continued



Retention-focused support

ERA advisers reported that they gave various kinds of support to help participants remain employed, such as:

- assisting with in-work benefit claims (such as the WTC) and issues arising with Housing Benefit;
- assisting with childcare arrangements and transport to work;
- providing new job search assistance when participants wanted to change jobs (thus supporting both retention and advancement goals);
- providing continuing support (practical and emotional) in resolving personal problems that could undermine steady employment (negative work relationships, debt, housing issues, depression, or domestic violence);
- providing one-off 'crisis' support – for example, help securing financial assistance to cover time off from work resulting from accident or injury.

Advancement-focused support

ERA advisers tried to promote the programme's advancement goals in a variety of ways. According to participants' responses to the two-year survey, advancement-related coaching and advice focused most often on the following activities: help finding education or training, determining career goals, increasing work hours, and getting a better job (Table 3.1). Less common were: support in getting a promotion, negotiating better job terms, and negotiating a pay rise.

ERA advisers recognised that the three target groups faced different types of employment challenges and often had different views towards advancement. In general, staff believed that the two lone parent groups (NDLP and WTC) were more responsive to ERA than the long-term unemployed group (ND25+). However, they also acknowledged some important differences within each target group.

While they were sympathetic to the concerns and the importance of caring and family responsibilities, advisers were not opposed to the notion of lone parents working full time. In fact, in a special ERA staff survey administered in 2004, most advisers indicated that, as long as childcare was available, lone parents – even those with pre-school children – should not be discouraged from working full-time hours. Qualitative interviews with ERA advisers and participants indicate that many NDLP participants did not want to work full time, preferring, instead, employment that offered flexibility to fit work in with their childcare commitments and children's school hours.⁸² Staff also made it clear that they resisted lone parents being pressed hard to undertake full-time work when the parents did not want to do so.⁸³ Many advisers talked about having to proceed slowly with lone parents who had been out of work for a long time, suggesting that they needed to settle into work and build up their confidence first, even if only in part-time jobs. Advisers thus tended to perceive that employment retention was the first order of business for NDLP participants, expecting that this group would become more receptive to advancement down the line.

⁸² These findings are echoed in other studies that have followed lone parents in work. See recent studies documenting the experiences of lone parents during their first year in work, for example, Sims *et al.*, 2010. A family orientation, particularly among those with younger children, is also evidenced in the types of work lone parents undertake (see Philo *et al.*, 2009). This employment is characterised as low skilled and part time, with concentrations in the administration/secretarial and personal/caring occupations. It can be argued that these work sectors and working arrangements enable the flexibility to balance employment with family (see Casebourne *et al.*, 2010; Ray *et al.*, 2010).

⁸³ Dorsett *et al.*, 2007.

Table 3.1 Receipt of in-work help or advice from Jobcentre Plus staff within two years after random assignment among customers who worked

Outcome	NDLP		WTC		ND25+	
	ERA group	Control group	ERA group	Control group	ERA group	Control group
While in work, received help or advice dealing with personal or family problems that made job retention hard (%)	21.4	6.7	12.9	1.6	6.1	4.9
While in work, received help or advice dealing with problems at work (%)	13.2	3.8	7.9	0.8	10.7	4.4
While in work, received any help or advice on (%)						
Getting job with better pay or conditions	31.9	9.4	47.7	3.4	21.0	6.1
Increasing hours of work	30.3	9.0	52.8	2.5	15.3	5.0
Negotiating a pay rise	5.0	1.2	7.4	0.4	6.6	0.8
Negotiating better job terms, e.g., more convenient hours	11.7	2.9	11.0	1.3	6.3	2.5
Getting a promotion in present work	11.9	1.5	15.0	0.9	7.5	-0.2
Getting a more permanent job or contract	14.7	4.0	15.9	1.4	11.3	3.8
Working out long-term career goals	32.5	6.7	50.0	2.3	23.6	6.1
Finding an training or education course	44.5	9.6	65.1	3.1	34.5	10.3
Other type of help	11.6	3.4	19.3	1.3	7.6	2.8
Any in-work help/advice	61.3	18.7	75.2	6.9	45.8	13.0
Sample size	904	782	1,066	1,009	190	203

SOURCE: MDRC calculations from ERA 12- and 24-month customer surveys.

NOTES: Rounding may cause slight discrepancies in calculating sums and differences.

Comparisons are non-experimental since they were calculated over a portion of the sample. Statistical tests were not performed.

Lone parents in the WTC programme group were already in work and had stronger work histories on the whole. Thus, they were less likely to have job retention problems and were more receptive to exploring advancement opportunities. Indeed, much of the in-work support advisers provided to WTC participants focused on meeting the progression goals set out in their individual Advancement Action Plans. (See Appendix D for a further exploration of the perspectives of the NDLP and WTC groups towards advancement.)

ND25+ participants had the lowest rates of in-work support among the three ERA programme groups. About a quarter of those who were working said on the two-year survey that they had no contact with Jobcentre Plus staff while they were employed. In the qualitative interviews, ERA advisers reported great difficulty engaging these participants. They suggested a number of reasons, including the fact that some ND25+ participants avoided contact with their advisers due to negative feelings about Jobcentre Plus, a greater ethos of self-reliance, and less awareness of available in-work support. The advisers believed that, on the whole, participants with a history of long-term unemployment were more interested in securing a stable, secure job as opposed to advancing in work. However, there were reports of some participants in this group becoming more receptive to post-employment support after settling into their jobs. (The views and attitudes of ND25+ participants towards work advancement are further explored in Chapter 6.)

3.4.2 Looking back: participants' reflections on ERA support

Qualitative interviews with former programme group participants conducted in 2009, up to two years after ERA had ended, provided them with an opportunity to reflect on the relative contribution of in-work advisory support on their work journeys. Thematic analysis of these reflections identified three broad groups. Although not mutually exclusive, these categories offer a framework for understanding how ERA participants valued their advisory support:

- Some participants were clear on the direction they wished to follow in work, but welcomed the extra information, guidance, and advice Advancement Support Advisers contributed to help them achieve these aims.
- Some individuals needed encouragement to move beyond their 'comfort zone' and take the risk to train or increase working hours. Advancement Support Advisers helped motivate them to seek and act on new opportunities.
- In some cases, Advancement Support Advisers performed mostly an administrative role (e.g., processing retention bonus payments) for participants who believed they needed little work-related guidance.

Respondents talked about the practical support they received from ERA. For example, advisers helped to arrange childcare, addressed issues with benefits and tax credits, located training courses, and completed paperwork. Some of this practical help served to expedite a specific goal, such as training. It was also common for respondents to describe the emotional support they received. In particular, some pointed to the ways in which advisers helped to build their self-confidence to pursue training or an advancement agenda. According to one former ND25+ participant, his adviser helped him feel like more than '*just a number in the computer*'. Similarly, one former NDLP participant credited her adviser with instilling the confidence she needed to pursue suitable training in order to move on to a better job.

'[Advancement Support Adviser] helped me more with my confidence than going on that course. And then for the computer course, she talked through what my skills were and what was missing...and for me it was the confidence of the computer and databases and things that frightened me to death. So that was where we sort of aimed my training. And then once I'd done that it came on leaps and bounds, to be fair.'

(Former participant, NDLP programme group)

Some participants did not draw on their adviser's support simply because they did not see a need to keep in touch. Many participants in this category felt that if they were not experiencing any employment retention issues, there was no need to engage with their adviser beyond processing bonus payments. This sentiment was illustrated by a former ND25+ participant who worked in the finance office of a wholesale business.

'The fact the job seemed to be going so well and I was so happy, I was feeling great. If I'd had problems I might have been back to my adviser more often saying, "No, really things aren't going well, I don't see this job is going to last, I hate the job." But the job was fabulous. So while you're in a job that you absolutely love every second of it and you've got the support of this scheme behind you, which is making you feel even great you think it's Christmas, it was terrific.'

(Former participant, ND25+ programme group)

Finally, some participants, especially in the ND25+ group, viewed Jobcentre Plus as an agency that served unemployed people and wanted to disassociate themselves from their non-working past.

3.5 Emergency Discretion Fund

ERA participants who were employed could receive assistance from an Emergency Discretion Fund, of up to £300 in total during the programme. Administered at the discretion of the ERA adviser, this fund allowed the programme to help participants cope with minor financial emergencies that might prevent them from continuing in work.

3.5.1 Receipt and use of the fund

Financial payment records indicate that, respectively, 21 per cent, 24 per cent, and 14 per cent of NDLP, WTC, and ND25+ ERA participants who worked during the programme received emergency fund assistance (see Table 3.2). ERA advisers believed that the receipt rate was lower for the ND25+ group than the lone parent groups because these participants tended to view themselves as more self-reliant and were less likely to come to advisers for help with financial difficulties. They also did not have the additional expense of childcare.

The average value of a single payment was similar for all groups, ranging between £171 and £187. Over a third of recipients in each of the programme groups received two or more payments.

Lone parents (both in the NDLP and WTC groups) mainly used their payments to cover critical expenses like childcare and rent. ND25+ participants mostly used the payments for transport and work-related expenses such as tools, clothes, and equipment. Other uses of the emergency fund included:

- covering shortfalls in household expenses when moving from weekly benefit payments to a job that paid monthly,
- covering payment of two rents when moving to a new home, and
- paying for household appliance breakdowns and car repairs.

Over time, ERA advisers grew more confident about exercising discretion in distributing the funds as an employment retention tool. In general, participants who received the emergency funds had not been aware that this assistance was available until they had informed their Advancement Support Adviser of their financial strain. In these cases, their adviser told them that ERA could draw from a flexible pot of money in the event of an emergency.

Table 3.2 Receipt of ERA Emergency Discretion Fund (EDF) payments

Outcome	NDLP	WTC	ND25+
Ever received EDF payments (%)	21.2	23.6	13.8
Average number of payments received among customers with any payments	1.7	1.7	1.8
Number of payments received among customers with any payments			
One	59.0	63.2	58.6
Two	27.8	21.6	23.7
Three	6.9	8.4	7.4
Four or more	6.3	6.9	10.4
Average amount of each EDF payment among customers with any payments (£)	187	181	171
Average total amount of EDF payments among customers with any payments (£)	273	254	264
Sample size	3,365	1,415	3,424

SOURCE: MDRC calculations primarily from DWP financial incentives data.

NOTE: The sample for this table consists of all those randomly assigned between October 2003 and April 2005.

3.5.2 Role of the fund in work decisions

The role of the Emergency Discretion Fund in job retention was not straightforward. Based on the qualitative data, the fund was particularly important for people working in minimum-wage jobs or part time. For example, one NDLP participant who was working on a factory line received money from the fund to pay for car repairs during the first month in work. He said that it made a difference to keeping the job because public transport was not an option for travel to work and he did not have enough savings to cover the expense.

'It was very helpful indeed because I think I was living on the breadline at that point...because otherwise the car would have been off the road for a few months.'

(Former participant, NDLP programme group)

Access to other sources of financial support was also important. Some participants indicated that they would have borrowed money from family or friends, instead, if they had not received a payment from the emergency fund. However, this was an option many did not favour as it impinged on their independence as a working adult. For example, lone parents who relied on family for childcare support did not wish to approach family members for extra financial help. As one lone parent stated, *'I don't like asking people for money...'* On the other hand, for those participants who did not have family support, the availability of the fund was said to be vital to remain in employment.

Others indicated that they would not have left their job, but would have simply 'struggled' through the first couple of months, if necessary. For example, one former NDLP participant explained that the help she received was to cover bills and expenses until her first pay cheque arrived. If she had not received support, her rent would have gone in arrears and she would have had trouble supporting her children, yet she said this would not have stopped her from working.

Q: *'What do you think would have happened if you hadn't got it?'*

A: *'Well, obviously, my rent would have gone in arrears as well. It would have been hard without it, to feed my children and stuff as well.'*

Q: *'Did it make a difference at all to you staying in work to get the money, or would you have stayed anyway?'*

A: *'No, I would have stayed, because I didn't want to mess that up. I was looking forward to going back to work.'*

(Former participant, NDLP programme group)

Overall, participants who received financial support from the Emergency Discretion Fund were highly positive about their experience. For most, the modest amount of money helped to alleviate the burden of unbudgeted expenses that added to the stresses of work. For some, it was also a means to stay independent of family support.

3.6 The ERA employment retention bonus

The employment retention bonus was a central feature of the ERA model. Each participant was offered £400 for staying in full-time work (at least 30 hours per week for 13 out of every 17 weeks, which is about 75 per cent of the time). Payments were made three times a year, and participants could claim a maximum of six bonus payments, totalling £2,400. ERA designers required full-time work because full-time jobs offered a better chance than part-time jobs to escape poverty through employment. Full-time jobs were also more likely to come with fringe benefits. In addition, the designers were concerned that including a bonus for part-time work might encourage some participants who would have worked full time to choose part-time work instead.

3.6.1 Receipt of the retention bonus

According to financial payment records (Table 3.3), 45 per cent of WTC participants received an ERA retention bonus, which was higher than the rates for the NDLP and ND25+ groups (33 per cent and 35 per cent, respectively). WTC participants also received more payments. This pattern is consistent with the WTC group's greater overall attachment to the labour force.

It is possible that some people who were eligible for the bonus did not claim it. ERA advisers who were interviewed noted that some participants felt there was a 'catch' associated with the receipt of the bonus and were therefore suspicious of the extra money. Some lone parents were unsure what impact the bonus would have on their WTC. Some ND25+ participants may have foregone the bonus because they were reluctant to engage with Jobcentre Plus once they had found work. In addition, evidence from qualitative interviews revealed that some participants were simply not aware that they were eligible.

Table 3.3 Receipt of ERA employment retention bonuses

Outcome	NDLP	WTC	ND25+
Ever received bonus (%)	32.9	44.6	34.8
Average number of bonuses received among customers with any bonuses	3.8	4.0	3.7
Number of bonuses received among customers with any bonuses (%)			
One	15.3	11.3	18.2
Two	13.3	12.4	12.3
Three	14.4	11.1	11.1
Four	14.6	13.3	15.7
Five	20.0	30.1	22.7
Six	22.3	21.9	20.1
Sample size	3,365	1,415	3,424

SOURCE: MDRC calculations primarily from DWP financial incentives data.

NOTE: The sample for this table consists of all those randomly assigned between October 2003 and April 2005.

3.6.2 Use of the retention bonus

From the qualitative evidence, ERA participants reported they used the bonuses in three main ways: to help them ‘get by’, as ‘treats’ or ‘extras’, and, to a lesser extent, for work-related costs.

In instances where participants used the bonus to off-set low wages, they used it to pay regular household bills, childcare costs, and interest on debt. For instance, an ND25+ participant referred to the important contribution that his bonus made to his household income, stating ‘*that it made the difference between struggling to pay the bills and being able to pay the bills.*’ In some cases, the incentive was consciously used to supplement low-paid work. Participants who used it in this way talked about being able to accept a poorly paid job and still be better off in work.

For some, the bonus was used as an ‘extra’ to make home improvements and enhance family well-being – for example, going on a family holiday, taking the children out, decorating their homes, or buying consumer goods, such as a washing machine. NDLP and WTC lone parents emphasised the importance of being able to afford these ‘extras’ as justification for working longer hours and being away from their children.

The bonus was also used to pay work-related costs. Some ND25+ participants used the money to buy or maintain a car for work travel. A few participants who had taken up in-work training had invested their bonus money in a computer, which they used for preparing coursework.

3.6.3 Claiming the retention bonus

Claiming the employment retention bonus involved a visit to the Jobcentre Plus office to have the claim verified. This requirement was added to the design of ERA to provide an opportunity for Advancement Support Advisers to speak in person with participants about issues concerning their progress in work. Indeed, staff highlighted the unique way in which they used the bonus as a ‘hook’

to maintain contact and promote retention and advancement services to participants. Advisers reported that this was useful, particularly for engaging ND25+ participants, who were more reluctant to maintain contact after they were employed.⁸⁴

The 2009 qualitative interviews with former participants also explored their views about the structure of ERA retention bonus payments, comparing the lump-sum payments to a hypothetical option of receiving smaller but more regular payments weekly or monthly. Almost without exception, respondents said that they preferred the lump sum every three months as opposed to a more frequent payment. The consensus perception was that a smaller, more regular, amount was more likely to be absorbed into everyday expenses and therefore would have less influence on financial well-being. It was also felt that a quarterly lump sum would serve as a greater incentive to remain employed, as opposed to more frequent, smaller payments. Interestingly, this sentiment was voiced both by those who viewed the retention bonus as a ‘treat’ for ‘luxuries’ and those who had used the payments for essential expenditures such as household bills and food.⁸⁵

The end of the bonus payments did not present major difficulties for participants. According to the 2009 qualitative data, while some people used the bonus for day-to-day expenses, most said that they were careful not to become reliant on the extra money because they knew it would come to an end. So while very many people in the sample ‘missed it’, no-one spoke about getting into financial difficulties when the bonus ended. A few people mentioned alternative means they had used to make up for the loss, such as taking out loans or using overdrafts, and some still had debts at the time of the interview, but all felt that these were manageable.

3.6.4 The role of the bonus in participants’ decisions about working

Later chapters will show the programme’s impacts on participants’ decisions about work. In anticipation of that analysis, it is helpful to consider how participants talked about the influence of the bonus offer in those decisions and the extent to which participants viewed it as an incentive.

The two-year survey data reveal considerable variety in the perceived influence of the retention bonus (see Table 3.4). Among ND25+ bonus recipients, about half felt that the bonus did **not** influence their decision to work full time, while nearly a third (31 per cent) said that it influenced their decision ‘a lot’. When asked whether the bonus encouraged them to stay in full-time work, the ND25+ group gave a similar pattern of responses.

Somewhat higher proportions of bonus recipients in the two lone parent groups credited the retention bonus as influencing their decision to begin and/or continue in full-time work. For example, 39 per cent of NDLP bonus recipients and 52 per cent of WTC bonus recipients indicated that the bonus influenced their decision to work full time ‘a lot’.

⁸⁴ Overall, there were rarely any problems reported with the administration of the bonus. In the qualitative interviews, a small number of participants noted difficulties in producing the evidence for the bonus (i.e., pay slips) if they were self-employed. Some reported problems such as pay slips being lost at the Jobcentre Plus office, and others missed out on bonuses due to a reported lack of awareness or lack of adviser contact, but subsequently received back-dated payments.

⁸⁵ This is supported by recent research by Ray *et al.*, 2010, that investigated the views of working lone parents about different In-Work Credit payment structures. Lone parents tended to view weekly payments as an earnings supplement, while lump-sum payments were treated more like ‘treats’ or a ‘bonus’. In the same study, Jobcentre Plus staff considered the lump-sum payment to be more effective for encouraging budgeting practices and ‘weaning’ lone parents off In-Work Credit as eligibility for the supplement came to an end.

WTC participants were generally working between 16 and 29 hours when they began ERA, and many who increased their hours were able to do so in their existing jobs. Others worked variable hours at the start of ERA, but strove to work at least the minimum 30 hours each week more consistently in order to qualify for the bonus. For some, the bonus was critical in helping them weather rough periods and continue working full time. For example, one WTC participant with a 12-year-old child had moved to a new full-time job in a bank. She described the work as ‘*very stressful*’, but she was determined to stick it out with the promise of the extra money. Referring to the bonus, she stated:

‘And it kind of encourages you, it does make you stick at it, and sometimes the toughest time in a job is the first six months to a year. It’s the toughest time, and it takes you that long to realise, “Am I going to stay at this? Or do I like it?” So it did help.’

(Former participant, WTC programme group)

Lone parents (both in the NDLP and WTC groups) felt more inclined to increase their working hours if they were able to secure satisfactory childcare arrangements or had older children who required less care. Conversely, lone parents with young children tended to be more ‘care-focused’,⁸⁶ preferring to prioritise their family responsibilities over increased work hours. Some lone parents were unable to increase their hours because they lacked childcare or faced more complicated challenges in arranging suitable care because their children were infants or had health problems. Others simply wished to place a priority on their time with their children. Thus, while the bonus might have swayed some lone parents to take on extra hours, factors other than financial considerations kept others from responding to the offer.

Participants in the ND25+ group were not encumbered by childcare responsibilities and tended to work full time (see Chapter 6). Still, while many attributed no influence to the retention bonus in their work decisions, some believed it was important. Reflecting on his time in ERA, one ND25+ participant said that the bonus payments helped him become more self-reliant and boosted his confidence.

‘It made you realise the benefits of being back in work, the fact that you’re more independent financially, as well as obviously it makes you feel better because you’re not skint all the time.’

(Former participant, ND25+group)

Others reported that the bonus acted as an ‘enabler’ to stay in work. In these instances, the incentive payments were used to supplement a poorly paid job. The incentive also motivated individuals in this group to retain their jobs when they found work difficult. Some ND25+ participants also stated that they were motivated to join ERA after being told about the retention bonus at the time of random assignment.

⁸⁶ See Hoggart *et al.*, 2006.

Table 3.4 ERA bonus recipients' assessments of the influence of bonuses on their decisions concerning employment and training

Outcome	NDLP ERA group	WTC ERA group	ND25+ ERA group
A. Employment retention bonus			
'How much did this bonus influence your decision to work 30 hours or more per week?' (%)			
A lot	38.6	51.5	31.0
A little	18.5	19.1	19.5
None	43.0	29.3	49.4
'How much did the bonus encourage you to stay in full-time work?' (%)			
A lot	41.4	48.6	31.8
A little	19.1	18.8	21.6
None	39.5	32.7	46.6
Talked with Jobcentre Plus staff about work or work prospects when claimed bonus (%)			
	73.9	76.2	71.3
Topic discussed, for those who talked with Jobcentre Plus staff when claimed bonus (%)			
Getting job with better pay or conditions	28.1	30.0	34.7
Increasing hours of work	9.2	26.4	9.7
How to negotiate a pay rise	5.6	4.0	7.0
How to get a promotion in current job	14.5	10.4	12.7
How to get a more permanent job or contract	11.3	5.7	19.7
Working out long-term career goals	35.3	39.5	33.3
Finding an training or education course	51.8	53.7	45.2
Other topics discussed	31.6	24.6	30.6
Sample size (employment retention bonus recipients)	881	1,033	185

(continued)

Table 3.4 Continued

Outcome	NDLP ERA group	WTC ERA group	ND25+ ERA group
A. Training completion bonus			
‘How much did this bonus influence your decision to start the training?’ (%)			
A lot	47.4	46.3	30.0
A little	18.4	29.2	30.0
None	34.2	24.5	40.0
‘How much did the bonus encourage you to continue the training?’ (%)			
A lot	50.7	54.9	50.0
A little	16.0	23.7	10.0
None	33.3	21.4	40.0
Sample size (employment retention bonus recipients)	862	1,028	186

SOURCE: MDRC calculations from ERA 12- and 24-month customer surveys.

3.6.5 Work hours after the retention bonus ended

In the five-year survey, former NDLP and WTC programme group participants were asked about their working hours after the retention bonus ended. Their responses indicate that the removal of the bonus did not result in a change in hours worked. The majority of those who had received the bonus said that they had continued to work the same weekly hours – 88 per cent of the NDLP group and 93 per cent of the WTC group (data not shown).

Qualitative research conducted in 2009 examined the work patterns of former ERA participants who had received the retention bonus. The sample included people who had continued to work full time as well as some who had reduced their hours to part time. Reasons for staying in full-time work varied, but common among them were positive feelings about being in work and off benefits and having more money.⁸⁷ For example, one WTC participant, who had increased her work to 30 hours a week and had always intended to drop back once ERA ended, continued working those hours because she '*got used to the money*' from the extra earnings.

Although some former ERA participants interviewed in 2009 did not remain in full-time work, they reported that this had less to do with the incentive ending than to being made redundant or to changes in personal situations, such as ill health or a breakdown in childcare arrangements. For example, this was the case for a former WTC participant who was receiving Income Support at the time of the follow-up interview. During ERA, she had increased her hours working as a dental nurse to full time in response to the bonus, but she later became pregnant and subsequently went on maternity leave. She did not return to work because her child had special needs.

3.7 The ERA training incentives

ERA offered two types of incentives to encourage the take-up of training. First, ERA would pay course tuition up to a maximum of £1,000 per person. Second, a training completion bonus paid £8 for every hour of training completed, up to a maximum of £1,000 (or 125 hours of completed training). The latter was paid to participants once they had successfully completed training. Both forms of incentive payments were to be made only for courses approved by ERA staff and could not include employer-provided on-the-job training. Participants could receive the completion bonus even for courses that did not charge a tuition fee. Additionally, to be eligible for the training-related payments, participants had to be working 16 or more hours per week. This was intended to discourage participants from avoiding or leaving work to pursue training.

The dynamics of ERA training support for lone parents were covered in a separate study, and readers are advised to consult this report for more details.⁸⁸ This section summarises part of that analysis and supplements it with relevant information on the ND25+ group and with new data from the ERA financial payment records and the five-year customer survey.

3.7.1 Delivery of training incentives

Like the other post-employment services, delivery of support for training evolved over the four-year lifetime of the programme. Initially, ERA advisers struggled to maintain contact with ERA participants who were in work. Moreover, they were not confident about promoting training as an advancement tool and took a reactive approach to matching participants with training opportunities. During the first year of implementation, advisers spoke of maximising training take-

⁸⁷ These observations are supported by Sims *et al.*, 2010, regarding lone parents' views on sustainable work.

⁸⁸ Hendra *et al.*, 2011.

up, with little regard for what the outcomes would be. Over time, with more experience, additional staff training, and improved familiarity with local training providers, they became more adept at discussing training options and linking occupational training to advancement goals.

Promoting training and the related financial incentives to take up training became a key way in which ERA advisers delivered advancement services. For example, advisers encouraged participants to think about their long-term goals and then helped them identify training that would address these goals. Some advisers encouraged participants to consider education and training as a step towards obtaining their 'ideal' or 'dream' job. Similarly, some advisers encouraged participants to accept 'any job' and take training to progress towards their preferred jobs.

Participants were routinely reminded of the available financial support for training whenever they were in touch with Jobcentre Plus (for example, to pick up a retention bonus). Additionally, towards the end of ERA, some district managers advised their staff to market the unused training allowance actively to their participants to encourage take-up and provide greater opportunities for career advancement in the longer term.

3.7.2 Participation in training

According to financial payment records, WTC programme group participants took advantage of training opportunities more than any other group during ERA. Their rate of receipt of training fees and the completion bonus was at least double that of the other target groups. About 34 per cent of all WTC participants received assistance with training fees, compared with 16 per cent of NDLP participants and 11 per cent of ND25+ participants (see Table 3.5). Average payments among those who received tuition payments ranged from £616 for workers in the ND25+ group to £579 and £510, respectively, for working lone parents in the NDLP and WTC groups. WTC participants were more likely than the NDLP and ND25+ groups to receive training completion bonuses and were more likely to receive more than one such bonus.

As noted previously, some ERA advisers more actively promoted the training incentives towards the end of the programme, and this strategy is reflected in the financial payment records. Of participants who received training-related payments, about a third in the NDLP group, a fifth in the WTC group, and two-fifths in the ND25+ group received training fee payments for the first time within their last nine months of eligibility. Similarly, about two-fifths of NDLP bonus recipients, about a quarter of the WTC bonus recipients, and approximately a third of ND25+ bonus recipients received the training completion bonus for the first time in the last nine months.⁸⁹

⁸⁹ See Table E.7 in Riccio *et al.*, 2008, and Table D.5 in Miller *et al.*, 2008.

Table 3.5 ERA participants' receipt of ERA training fee assistance and training completion bonuses

Outcome	NDLP	WTC	ND25+
Training/tuition fee assistance			
Received tuition fee assistance (%)	15.5	33.8	10.8
Average number of payments received among participants with any payments	2.0	2.3	1.8
Number of payments received among participants with any payments (%)			
One	54.7	47.1	58.0
Two	21.6	21.3	23.6
Three	10.9	13.8	10.6
Four or more	12.8	17.8	7.9
Average amount of each payment among participants with any payments (£)	383	291	431
Average total amount of payments among participants with any payments (£)	579	510	616
Training completion bonus			
Received bonus (%)	14.1	34.1	7.4
Average number of bonuses received among participants with any bonuses	2.0	2.2	1.6
Number of bonuses received among participants with any bonuses (%)			
One	55.3	48.1	65.5
Two	22.7	25.3	18.4
Three	11.6	12.9	10.2
Four or more	10.5	13.7	5.9
Average amount of each bonus among participants with any bonuses (£)	394	402	345
Average total amount of bonuses among participants with any bonuses (£)	586	633	492
Sample size	3,365	1,415	3,424

SOURCE: MDRC calculations primarily from DWP financial incentives data.

NOTE: The sample for this table consists of all those randomly assigned to the ERA programme group between October 2003 and April 2005.

Qualitative data from staff and participants suggest a variety of reasons that may explain why some participants who worked and enrolled in training did not receive payment for tuition fees or the training completion bonus. For some people, the fee payment was irrelevant because the courses they wanted to pursue were free of charge. This was the case either for employer-funded courses or college-provided/online courses that were free to people on a low income. Others did not claim assistance because they had lost touch with their adviser, were unaware of the incentives, or did not know that their training was eligible.

A similar picture emerged for the training completion bonus. Those who had undertaken training independently were often not aware that they could claim a completion bonus. This also seemed to reflect uncertainty on the part of staff regarding which courses were eligible for bonus payments, particularly during the first year of the programme. In addition, the training bonus could be paid only after the training was successfully completed, and some participants may have dropped out of the course or chosen not to take an examination. Others may have completed the training after eligibility for the bonus had ended.

Analyses of administrative records and a classification of course types⁹⁰ confirmed that most ERA participants took occupationally relevant courses as opposed to general or non-employment-related courses. These occupationally relevant courses most commonly related to the ‘caring’ professions⁹¹ (health, social services, childcare, and education) and computer applications. Among the ‘general’ courses taken, training with a focus on workplace skills (such as first aid, health and safety, and food hygiene) was most common.

3.7.3 Staff and participant views on the training incentives

Qualitative analyses reveal that there were four main ways in which ERA participants used training to further advance in work. These included:

- Enhancing skills for a current job role, such as taking advanced computer applications courses for a person in a secretarial field.
- Achieving a ‘dream job’ (e.g., a supermarket employee who wished to become self-employed as a massage therapist, and an administrative assistant who pursued a career in hairdressing).
- Improving one’s general employability, such as with courses in computer applications, driving lessons, and basic literacy and numeracy. For example, one ND25+ participant took up driving lessons while working part time. Driving was viewed as a more efficient means of transport and would also make it possible for him to work two part-time jobs back-to-back;
- To earn the financial incentives. In some instances, the training seemed to have little relation to any advancement goals, counter to what the policy had intended. Some respondents also said that they felt compelled by their advisers to use the training money, otherwise it would be wasted. For example, one former WTC participant recalled being told by her ERA adviser, *‘it’s here, it needs to be used, don’t just leave it’*.

ERA advisers believed that participants’ attitudes and motivations towards advancement as well as their previous educational experiences were key determinants of whether they took up training. They felt fundamentally that many participants were uninterested in advancement and, of the two lone-parent groups, NDLP participants were less interested in work progression. As is discussed further in Appendix D, many lone parents wanted to wait until they were settled in work before pursuing advancement. Many with younger children wished to wait until their children were older before considering their careers further. For such individuals, the training incentives held little appeal. In contrast, many participants in the WTC group said that they volunteered for ERA specifically because of the training opportunities. The training take-up figures reflect these differences.

ERA advisers also felt that it was more difficult to promote training incentives among ND25+ participants, compared with the lone parent groups. This was primarily because many long-term unemployed participants were satisfied with obtaining steady work and did not place a premium on career advancement. ND25+ participants’ views on advancement are discussed further in Chapter 6. However, it also seemed to be partly because participants had difficulties combining full-time work with training, particularly if the work was shift work or required long hours. Some advisers also spoke about the prevalence of short-term contract work among their ND25+ participants, which made it more difficult for them to combine training with work.

⁹⁰ See Hendra *et al.*, 2011.

⁹¹ This reflects the higher proportion of lone parents (NDLP and WTC groups) who worked in the caring professions.

3.7.4 Perceived role of the training incentives

ERA advisers and participants felt that the payment of fees was an important incentive for training. Some advisers felt that, while they could motivate ERA participants to take up training, the fee payment made it possible. Affordability of training was a prime issue for all participant groups. Most stated that they would not have been able to take courses if the fees had not been paid by ERA, while some reported that course fees were the reason why they had not independently taken up training in the past.

Data from the two-year customer survey are less conclusive about the influence of the training bonus on work behaviour (see Table 3.4). As with their views on the retention bonus, participants varied in their responses when they were asked whether the training completion bonus had made a difference to their work behaviour. Among the lone parents, similar proportions (just under half) of NDLP and WTC participants felt that the bonus influenced their decision 'a lot' to start a course, while just over half felt that the bonus encouraged them 'a lot' to continue the course. For ND25+ recipients of the training bonus, the survey data indicate that a higher proportion (50 per cent) felt the bonus encouraged them 'a lot' to continue with a course than the proportion who said it influenced them 'a lot' to take up training in the first place (30 per cent). However, the number of ND25+ survey respondents who had received the bonus was small, so these data should be treated with caution.

A few respondents in the qualitative interviews referred to the incentives as a motivating force that, in the words of one former ND25+ participant, did '*spur me on a little bit more probably than I would have done*'. For some NDLP and WTC participants, the training bonus also helped to justify time away from the family, as one WTC participant stated:

'...when you are a lone parent...you kind of feel like you can't go off and do something for yourself because there just isn't the time or you can't afford to do it. So [the training bonus] made the course more enjoyable because you knew you were getting paid as well so it was even better.'

(Former participant, WTC programme group)

3.7.5 Longer-term influences of in-work training

In qualitative interviews conducted in 2009, former ERA participants were asked to reflect on their experience of ERA training and how they saw its importance in terms of their current circumstances.⁹² Some who took up training reported that it had helped them take on greater responsibilities at work or get a promotion, which, in some cases, required more qualifications or credentials. Other respondents reported softer outcomes, such as becoming more aware of capabilities, more self-confident, or more assertive.

At the same time, for many participants, training did not lead to better employment outcomes. Some were reluctant to put their financial stability and family life at risk by changing to a new job, even though they had new skills. Some lone parents wished to defer a new career or a change in their work patterns until their children required less care. Others lacked relevant work experience. For example, one WTC participant who had received ERA support to train in childcare while working as a hairdresser expressed frustration that all job advertisements required relevant experience. She felt that one drawback of ERA was a lack of practical experience for entering a new field.

This apparent gap between acquiring new qualifications and skills and the application of these to the workplace also points to a limitation in the capacity of ERA advisers. Although these staff could

⁹² See Hendra *et al.*, 2011, for more details.

offer **general** guidance on advancement, they did not have expertise in the opportunities available in specific occupational areas or the training they required. Nor were they linked in with local employers to identify the marketable skills that were in demand at particular firms and organisations. Instead, as generalists, ERA advisers typically encouraged participants to build their skills in whatever areas were of interest to them.

3.8 Conclusions

At the time ERA was launched, the New Deal programmes and Jobcentre Plus offered customers who entered work little additional assistance once they found jobs. ERA was thus a radical departure from ‘business as usual’, and there was no guarantee that Jobcentre Plus could effectively implement the model. Line staff and managers alike were inexperienced in delivering an advancement-focused intervention, and the institutional incentives under which they operated offered little encouragement to focus on advancement-related outcomes.

Not surprisingly, the agency encountered many difficulties along the way, and the quality with which ERA was implemented varied across local Jobcentre Plus districts, offices, and staff. However, over time and with much effort, implementation grew stronger and Jobcentre Plus was able to deliver the core elements of the model. As this chapter has shown, substantially higher proportions of working ERA participants were engaged with Jobcentre Plus and received advancement-related assistance while employed, compared with their control group counterparts.

Important differences emerged across the three target groups in how participants engaged with ERA and viewed advancement. Working ND25+ participants were the most reluctant to maintain contact with Jobcentre Plus and, consequently, received the lowest levels of in-work help, compared with working participants in the two lone parent target groups. Given their history of long-term unemployment, it appears that many in the ND25+ group were more interested in securing a stable, permanent position than in advancement and were guided more by an ethos of self-reliance.

Many NDLP participants who re-entered work during ERA expressed a desire to become comfortable with new routines for balancing work and family responsibilities before focusing on advancement. Consequently, ERA advisers often focused on early work-adjustment issues like childcare arrangements and assistance with changes in benefits and tax credits. Lone parents with younger children, in particular, were more hesitant to take on full-time employment, despite the offer of the retention bonus for sustained full-time work. Instead, they sought employment they could flexibly balance with childcare and school hours. Similarly, lone parents had more challenges accommodating training, given their childcare and other family responsibilities, although many of them did take it up.

The WTC group included lone parents who were further along in their work journeys and theoretically more receptive to work progression. Advisory staff noted that WTC programme group participants had fewer employment retention issues and were generally more receptive to advancement support. As a group, they were more prepared to commit to full-time work when they entered ERA and more interested in training.

The different background characteristics of the NDLP, WTC, and ND25+ target groups and their different orientations to work, advancement, and training suggest that the effects of the programme on their labour market outcomes may vary as well. The next few chapters explore ERA’s impacts for each of the three groups separately, beginning with the two lone parent groups.

4 Impacts of ERA on labour market and other outcomes for lone parents (NDLP and WTC)

Box 4.1 Chapter 4 at a glance

- For the New Deal for Lone Parents (NDLP) target group, the Employment Retention and Advancement (ERA) programme increased employment and earnings during the period of ERA eligibility and reduced receipt of Income Support. However, these effects did not last.
- For the Working Tax Credit (WTC) target group, ERA had no effects on employment or receipt of Income Support, but it increased earnings during the period of ERA eligibility. Again, these effects did not last.
- ERA increased short-term earnings largely by causing participants to work longer hours, but it had few other effects on employment retention or advancement for either the NDLP or the WTC groups.
- ERA increased participation in training during the first two years of the follow-up period for both target groups, especially for the WTC group, but it did not increase receipt of training-related qualifications.
- ERA reduced receipt of Income Support benefits among the NDLP group.
- ERA had little overall effect on most measures of child and family well-being for the two target groups.

4.1 Introduction

The ERA programme's central goals were to help its participants remain employed and, over time, achieve better positions and compensation. This chapter shows how successful ERA was in achieving those goals for each of the two lone parent target groups. It should be noted that the lone parents included in the study were positively inclined towards work at the start of the programme. Those who were not employed at the time of random assignment had demonstrated their interest in working simply by having volunteered for the NDLP welfare-to-work programme. Those receiving WTC at the time of random assignment were already employed and seeking help from ERA to advance.

The ERA evaluation's report on the programme's first-year impacts⁹³ provided the first evidence of the effects of ERA on a range of outcomes that included employment, earnings, welfare benefits, and training. The report on second-year impacts built on those early results, covering the first two years after random assignment and a broader set of outcome measures.⁹⁴ The main findings from these previous reports showed that, for the NDLP group, ERA increased earnings and employment –

⁹³ Dorsett *et al.*, 2007.

⁹⁴ Riccio *et al.*, 2008.

particularly full-time employment – and reduced the number of months receiving Income Support. For the WTC group, ERA increased hours worked, leading to an increase in earnings in the second year. For the WTC group, ERA had no significant effects on benefits receipt.

The findings considered in this chapter build on these earlier results, extending the period over which outcomes are considered to cover five years after random assignment. This allows more opportunity to assess the effects on employment retention⁹⁵ and advancement.

These longer-term results are also important because they address, for the first time, whether ERA had any sustained impact beyond the period of ERA participation. Since participation could last for up to 33 months, the results include the effects of ERA for at least two years after participants exited the programme.⁹⁶ This extended follow-up period makes it possible to assess whether ERA's combination of financial incentives and adviser support has begun to lift people out of the 'low-pay, no-pay' cycle.

The analysis uses administrative records data to estimate key impacts on labour market and benefit outcomes. It also uses data from the customer surveys to reinforce and complement the administrative data results and to estimate effects on the receipt of relevant services and on other outcomes that cannot be measured with administrative data, such as impacts on child and family well-being.

It is important to keep in mind the important distinctions between the NDLP and WTC groups. NDLP lone parents were out of work or working fewer than 16 hours per week at the time of random assignment. Therefore, they began ERA by receiving pre-employment services from the New Deal programme designed for lone parents. As Chapter 3 explained, this programme generally offered them the same kind of help to find work as the regular New Deal programme offered to the NDLP control group. Only those ERA participants who got jobs entered the post-employment phase (from which the control group was excluded). The WTC participants, who were already working 16 to 29 hours per week, entered the post-employment phase immediately; consequently, ERA was an entirely post-employment programme for them. WTC sample members were also a more advantaged group than NDLP participants on a variety of background characteristics associated with success in the labour market, as Chapter 2 showed. Thus, ERA might affect each of these two lone parent target groups differently.

Throughout the chapter, the presentation focuses first on the NDLP group and then on the WTC group. Intuitively, there is some appeal to viewing the NDLP and WTC sample members as related, in the sense that one could envisage a particular trajectory for a lone parent, who would begin by taking the first step towards re-entering the labour market with the help of the New Deal programme, and then move onto a part-time job and qualify for the WTC – thus entering the status that the WTC participants had when they began ERA. Seen in this way, the WTC group might be viewed as the NDLP group slightly further down the line. This is far from being a precise interpretation, of course, since many in the WTC group would never have participated in the New Deal programme, and some New Deal participants may never work. Nevertheless, viewing the effect on the NDLP and WTC lone parents in tandem may offer a rough feel for how ERA might affect outcomes for lone parents after they become more established in work.

⁹⁵ 'Retention' is used as shorthand for 'employment retention' – that is, remaining in work, whether or not an individual remains in the same job.

⁹⁶ While the maximum period of eligibility was 33 months, eligibility for certain elements of ERA ended before that for some individuals. For example, some participants received all six of the retention bonuses to which they were entitled before the 33-month point, but they continued to be eligible for adviser support. In practice, however, most individuals did not receive all six of their bonuses, so the full 33 months of ERA eligibility applied.

4.2 ERA's impacts on work and earnings

This section presents ERA's labour market effects for lone parents, first for the NDLP group and then for the WTC group. The main results are based on outcomes taken from administrative data, but these are supplemented with findings based on data from the customer surveys. The strengths and weaknesses of administrative data compared with survey data are outlined in Box 4.2.

In general, the survey data are used cautiously in this analysis due to the existence of some response bias, especially in the year 5 survey wave.⁹⁷

Box 4.2 Comparing administrative records data and survey data

Relative to survey data, administrative records data have the advantage of being available for all participants in the ERA experiment and do not suffer from non-response bias or recall error. However, they also have some weaknesses relative to survey data. First, survey data are richer and permit outcomes to be considered that are not available in the administrative data. Prominent examples include hours worked and job characteristics. Second, survey data can capture a broader range of employment types. Administrative data cover only individuals whose employers participate in the Pay As You Earn (PAYE) system (a method of paying income tax whereby the employee receives wages with the tax already deducted by the employer). Self-employment is not captured, and many employees who earn less than the PAYE threshold are not covered. More information on the extent of under-coverage of employment in the administrative records is provided in Appendix A, but, despite these limitations, the administrative records are deemed a more reliable data source than survey data for measuring ERA's main effects on employment and earnings.

4.2.1 Labour market outcomes for the NDLP control group

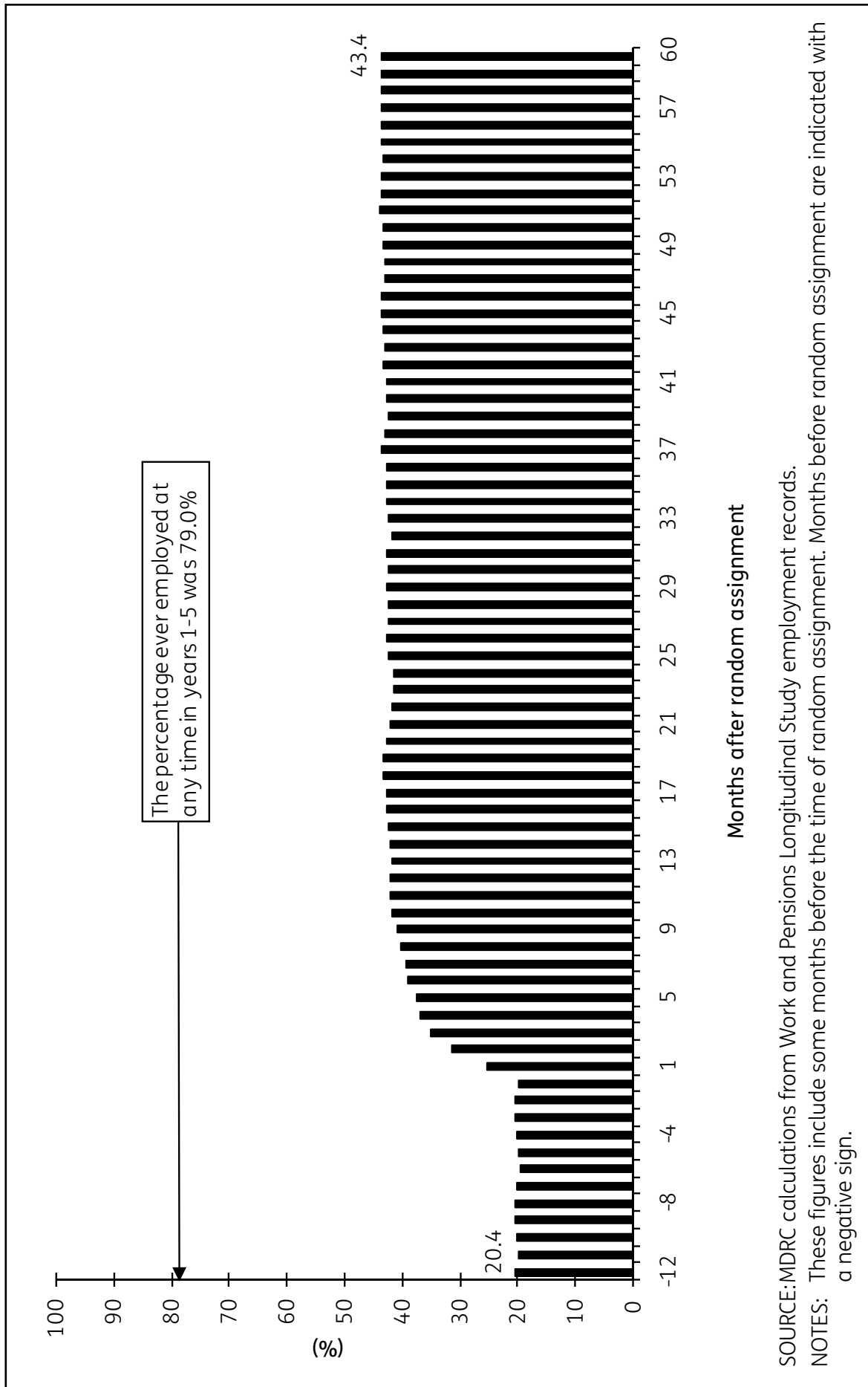
Outcomes for the control group are the benchmark used to judge the effects of ERA because they represent what would have happened to the ERA group in the absence of the programme. Figure 4.1 shows the proportion of those in the NDLP control group who were employed in each month of the five years following random assignment. The proportion employed rose fairly rapidly over the first three months, from an initial level of 20.4 per cent. From about a year after random assignment, the proportion stabilised at around 40 per cent. Therefore, without ERA, two-fifths of the NDLP group would have worked in any given month. The fact that the proportion employed at any time during the follow-up period – 79 per cent – is considerably higher than the proportion in work in any given month indicates that many controls entered work but did not work consistently. In fact, nearly half of those who had worked at some point were not employed in month 60.⁹⁸ This evidence is suggestive of the degree of employment instability within the NDLP target group.

This finding is of considerable interest, since it shows the extent to which lone parents wishing to enter employment are successful in achieving sustained work. This represents the baseline situation against which the success of ERA is measured. It captures one dimension of the 'low pay, no pay' cycle that ERA attempted to overcome. The other dimension to this cycle relates to the earnings that those in work are able to achieve. This is less straightforward to observe from administrative data, where information on earnings is available only by tax year, and hours of work are not recorded. Ideally, one would examine the 'low-pay, no-pay' cycle by considering movements in and out of employment alongside hourly wages when working.

⁹⁷ The response bias issue is discussed in detail in Appendix A.

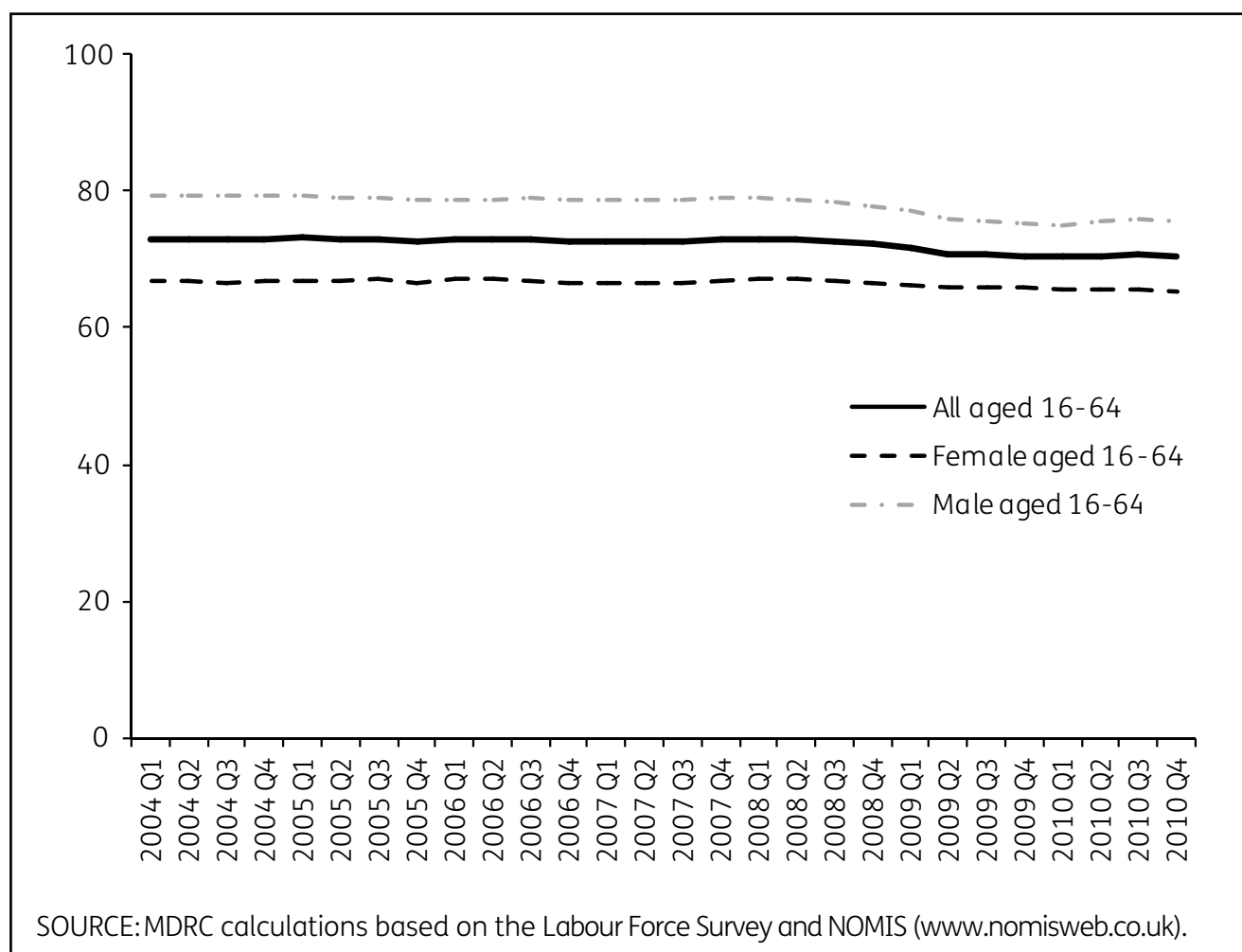
⁹⁸ Using the information from Figure 4.1: $(.79-.415)/.79 = .475$.

Figure 4.1 Control group employment rates over the first five years after assignment, NDLP target group



It should be noted that the timing of random assignment (October 2003 to December 2004) is such that the five-year follow-up period encompasses the onset of the recession (second quarter of 2008). In view of this, it is notable that the control group employment rate remains steady over time, even in the later follow-up months. This may be explained, at least in part, by the fact that the NDLP group is predominantly (95 per cent) female. A feature of the recent recession is that, up until the second quarter of 2010 (the latest period for which outcomes are considered in this report), the reduction in the national employment rate was driven almost entirely by the fall in the proportion of men in work; women’s employment remained comparatively steady, as shown in Figure 4.2.

Figure 4.2 Employment by age and gender for all customers



4.2.2 ERA’s impacts on work and earnings for the NDLP target group

For NDLP participants, ERA’s pre-employment component in theory could differ from the pre-employment services the control group received in two ways that could affect their employment outcomes. First, ERA advisers could encourage participants to hold out for better jobs that offered more potential for advancement. Narrowing the scope of jobs sought in this way could have delayed the time it took ERA participants to enter work, compared with the control group. However, the evaluation could find little evidence that advisers systematically offered such advice.⁹⁹

More important is the possibility that simply offering the ERA retention bonus would alter the types of jobs sought. Because the retention bonus was payable only for full-time work (defined as 30 or more hours per week), ERA would be expected to prompt individuals to favour such jobs over part-

⁹⁹ Dorsett *et al.*, 2007, pp64-65.

time positions. At the same time, because the bonus rewarded any type of full-time work, it might encourage individuals to take jobs that they might otherwise have regarded as too poorly paid. This would expand the pool of jobs deemed acceptable and thereby speed up the job search process.

Table 4.1 summarises ERA’s actual employment effects, based on administrative records data. (See Box 4.3 for information on how to read the impact tables in this report.) It shows that ERA had no impact on the probability that NDLP lone parents would enter work in the first follow-up year, but that it had a small positive and statistically significant effect of 2.2 percentage points (a gain of about four per cent above the control group average) in year 2. This impact was not sustained; in later years, there were no statistically significant employment effects. Nor did ERA increase the number of months worked in any year. NDLP lone parents in ERA worked an average of about five months in each follow-up year, as did those in the control group.

Table 4.1 Effects of ERA on employment and earnings within five years after random assignment, NDLP target group

Outcome	ERA group	Control group	Difference (impact)	P-value
Ever employed during (%)				
Year 1	57.1	56.5	0.6	0.618
Year 2	57.8	55.6	2.2 *	0.066
Year 3	53.7	53.8	-0.2	0.895
Year 4	53.2	54.0	-0.8	0.507
Year 5	52.9	53.9	-1.0	0.420
Years 1-5	79.0	79.0	-0.1	0.940
Average number of months employed during				
Year 1	4.6	4.5	0.0	0.677
Year 2	5.1	5.1	0.1	0.555
Year 3	5.1	5.1	0.0	0.799
Year 4	5.1	5.2	-0.1	0.658
Year 5	5.1	5.2	-0.1	0.556
Years 1-5	25.1	25.0	0.0	0.969
Employed during month 24 (%)	42.5	41.4	1.1	0.334
Employed during month 36 (%)	42.8	42.6	0.2	0.893
Employed during month 48 (%)	42.7	43.0	-0.3	0.769
Employed during month 60 (%)	41.5	43.4	-1.9	0.103
Average earnings during 2005-2006 tax year (£)	3,862	3,554	308 **	0.021
Average earnings during 2006-2007 tax year (£)	4,032	3,883	150	0.310
Average earnings during 2007-2008 tax year (£)	4,387	4,271	116	0.475
Average earnings during 2008-2009 tax year (£)	4,999	5,033	-35	0.844
Average 4-year earnings during 2005-2009 tax years (£)	17,280	16,742	538	0.325
Employed during 2005-2006 tax year (%)	54.6	52.1	2.4 **	0.040
Employed during 2006-2007 tax year (%)	49.7	49.6	0.1	0.901
Employed during 2007-2008 tax year (%)	49.6	48.5	1.1	0.355
Employed during 2008-2009 tax year (%)	52.5	53.0	-0.5	0.659
Average number of employment spells	0.9	0.8	0.1 ***	0.004
Average number of non-employment spells	1.2	1.1	0.0 **	0.029
Average number of months to first employment	20.1	20.6	-0.5	0.364
Average duration of first employment (months)	17.8	18.5	-0.7	0.166

(continued)

Table 4.1 Continued

Outcome	ERA group	Control group	Difference (impact)	P-value
Time to first employment (%)				
Employed in month of RA ^a	25.7	25.3	0.3	0.734
1 to 6 months	24.6	22.9	1.7 *	0.094
7 to 12 months	8.1	9.1	-1.0	0.137
13 to 24 months	10.0	9.3	0.7	0.349
Greater than 24 months	10.6	12.4	-1.8 **	0.020
Never employed in first 60 months	21.0	21.0	0.1	0.940
Sample size = 6,787	3,365	3,422		

SOURCES: MDRC calculations from Work and Pensions Longitudinal Study employment records.

NOTES: Estimates were regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members.

Rounding may cause slight discrepancies in calculating sums and differences.

Two-tailed t-tests were applied to differences between outcomes for the ERA group and the control group. Statistical significance levels are indicated as: * = 10 per cent; ** = 5 per cent; and *** = 1 per cent.

Includes all customers randomly assigned between October 2003 and April 2005.

^aRA refers to random assignment.

Box 4.3 How to read the impact tables in this report

Most impact tables in this report use a similar format, illustrated below. The example below shows a series of employment outcomes for the ERA group and the control group for the WTC group. It shows how many hours members of both the ERA group and the control group worked at month 60. For example, about 43 (43.1) per cent of ERA group members and about 36 (36.1) per cent of control group members worked 30 or more hours per week at month 60.

Because individuals were assigned randomly either to the ERA programme or to the control group, the effects of the programme can be estimated by the difference in outcomes between the two groups. The ‘Difference’ column in the table shows the difference between the two groups on several outcomes. These differences represent the programme’s **impact** on various outcomes. For example, the impact on working 30 or more hours per week at month 60 can be calculated by subtracting 36.1 from 43.1, yielding 7 percentage points. Thus, ERA increased the likelihood that people would work 30 or more hours per week.

Differences marked with asterisks are ‘statistically significant’, meaning that it is quite unlikely that the differences arose by chance. The number of asterisks indicates whether the impact is statistically significant at the 1 per cent, 5 per cent, or 10 per cent level (the lower the level, the less likely that the impact is due to chance). For example, as shown below, the ERA programme had a statistically significant impact of 7 percentage points at the 1 per cent level on customers working 30 hours or more. (One asterisk corresponds to the 10 per cent level; two asterisks, the 5 per cent level; and three asterisks, the 1 per cent level.) The P-value indicates the probability that the difference arose by chance.

Some measures in Chapter 4 are shown in italics and are considered ‘non-experimental’ because they include only a subset of the full report sample. For example, because **workers** in the ERA group may have different characteristics than **workers** in the control group, differences in these outcomes between those workers may not be attributable to the ERA programme. Statistical significance tests are not conducted for these measures.

(continued)

Box 4.3 Continued

Outcome	ERA group	Control group	Difference (impact)	P-value
Hours worked per week at month 60 (%)				
Did not work	17.0	16.9	0.1	0.985
1 to 15 hours	2.3	3.6	-1.3	0.107
16 to 29 hours	37.7	43.3	-5.6 **	0.013
30 or more hours	43.1	36.1	7 ***	0.002
<i>Average weekly hours among workers at month 60</i>	28.4	27.2		

In interpreting the dissipation of the year 2 employment impacts, it is helpful to note that the ERA group and the control group each saw its employment rate drop in the subsequent year to a level that was roughly the same, and their rates remained similar to each other's through to the end of the follow-up period. Thus, the ERA group's early gain went away as their employment rate fell back to the normal trajectory demonstrated by the control group.

Turning next to ERA's effects on earnings, it is important to note that the relationship between impacts on employment rates and impacts on average earnings is not necessarily straightforward. While an increase in employment will typically increase earnings, this may not always be true. For example, in theory, ERA could have caused some individuals to work more hours, but at a lower wage than they would have accepted otherwise. This could result if the combination of earnings and the retention bonus left them better off, such that they might have been willing to accept lower-paying full-time positions, or because the lower-paying jobs had attractive characteristics (e.g., perhaps they were more conveniently located or offered better employment benefits). For such individuals, the effect on earnings might be small or even negative. Alternatively, for individuals who would otherwise have worked in excess of 30 hours per week, the availability of the retention bonus under ERA might have allowed them to achieve the same level of income while working fewer hours (although still more than 30). If they chose to reduce their hours to a level closer to the retention bonus threshold, the effect on earnings is likely to be negative. It is also possible for a programme to produce positive earnings impacts with little or no effect on the rate of employment. This could occur, for example, if the programme caused individuals who would have worked at least some hours even in the absence of the programme to work more hours and/or helped them secure better-paying jobs than they would otherwise have gotten.

Table 4.1 also shows ERA's actual effects on earnings. (These earnings do not include ERA retention bonus payments.) ERA increased earnings in the 2005-2006 tax year by an estimated £308. This represents an increase of about nine per cent of the control group's average earnings and is statistically significant. The impact is smaller in later tax years and never statistically significant. The impact on total cumulative earnings over the four-year follow-up period is fairly small and not statistically significant.

In considering these impacts, it should be noted that while the 2005-2006 tax year relates to a period entirely within the 33-month ERA participation period for nearly all individuals, ERA eligibility ended for many during the 2006-2007 tax year.¹⁰⁰ This means that earnings in the 2005-2006 tax

¹⁰⁰ See Figure 2.1 for the details of how programme years and tax years compare.

year capture impacts **during** ERA participation, while the 2006-2007 earnings reflect a mixture of post-ERA impacts and ongoing ERA participation impacts. In 2007-2008, the proportion for whom ERA was still continuing was smaller still, while 2008-2009 outcomes relate to a period after ERA eligibility in all cases.

Earnings information can also be used to examine employment effects by tax year. Here, individuals are regarded as employed in a tax year if they are recorded as having positive earnings in that year. This provides a helpful means of giving employment impacts for the same period of time for which the earnings impacts are estimated. Table 4.1 shows a statistically significant positive impact in the 2005-2006 tax year of 2.4 percentage points (4.6 per cent) but no significant effects in later tax years. This mirrors the pattern of impacts on earnings.

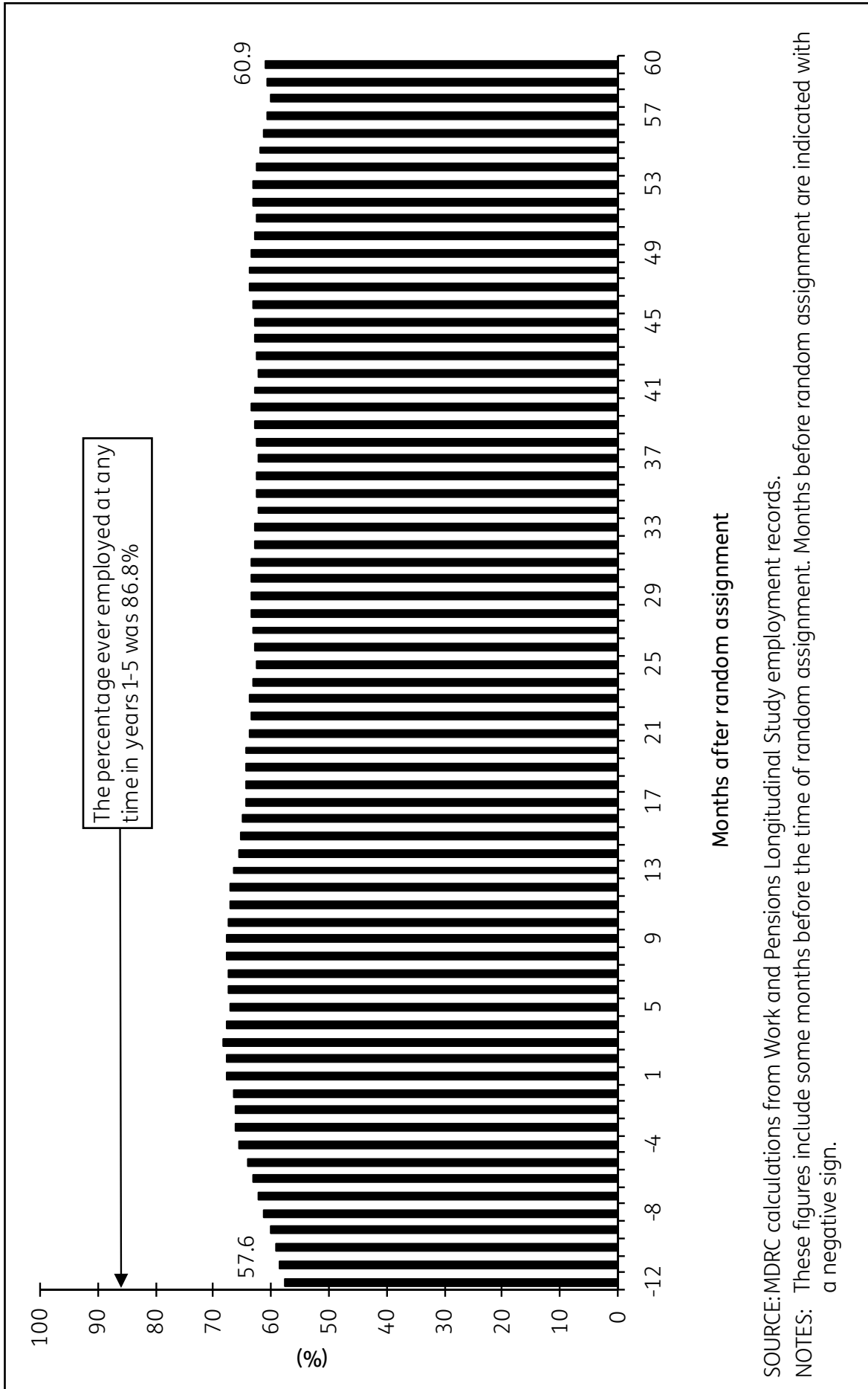
It is in line with expectations that the earnings effects of ERA should be greatest during the period of eligibility. Earnings effects are of interest in their own right, but also reveal the effect of ERA on hours. To see this, note that earnings effects can be caused by increased employment, increased hours worked, or increased wages. The fact that the earnings effect in 2005-2006 was, in percentage terms, about double the employment effect in that same year, suggests that the earnings gain was driven in part by those in the ERA group working more hours or receiving a higher wage. It is not possible to state definitively, based on administrative data, which of these two explanations is likely to dominate. However, intuitively, there are reasons to believe that the higher hours were chiefly responsible. This is for two reasons. First, expecting ERA to have had an effect on advancement and the hourly wage individuals could attract as early as 2005-2006 is perhaps unrealistic. Second, ERA explicitly offered an incentive for increased hours, and it is plausible that lone parents entering work responded to this incentive. In addition, early survey data, presented in a previous report on ERA, show that there were increases in the proportion of the sample that worked full time.

In trying to understand why the 2005-2006 earnings effect disappeared, it is helpful to consider the year-to-year earnings trends of the programme and control groups. As Table 4.1 shows, both groups saw their earnings increase in each tax year over the previous tax year. In fact, for both groups, average earnings in tax year 2008-2009 were higher than they were in tax year 2005-2006 by amounts that exceeded what would have been expected from inflation alone. However, although the ERA group earned more than the control group early on, the control group's pace of improvement quickened, and the ERA group did not sustain its advantage. By the end of the follow-up period, both groups were earning about the same on average – but still more than they had been previously.

4.2.3 ERA's impacts on work and earnings for the WTC target group

Figure 4.3 shows monthly employment rates for the WTC control group. Nearly all members of the control group worked at some point during the five-year follow-up period, reflecting the fact that the tax credit is conditioned on working. (The true employment rate may have been somewhat higher; as previously noted, administrative records data do not capture all employment.) Furthermore, the proportion in work remained fairly stable at a fairly high rate, usually exceeding 60 per cent. Nonetheless, this rate is lower than the proportion ever in work during the follow-up period, indicating some movement in and out of the labour market even among this group.

Figure 4.3 Control group employment rates over the first five years after random assignment, WTC target group



SOURCE: MDRC calculations from Work and Pensions Longitudinal Study employment records.

NOTES: These figures include some months before the time of random assignment. Months before random assignment are indicated with a negative sign.

Because all WTC participants should have been employed at the time of random assignment, it is not surprising that ERA did not increase the proportion ever employed during the follow-up period (see Table 4.2). However, ERA also had no effect on this group’s probability of being employed in any given month (see Figure 4.4). Nor did it increase their average number of months employed. WTC participants in ERA worked an average of roughly 7.5 months in each follow-up year, which is about the same as the average for the control group.

Figure 4.4 ERA group and control group employment rate trends over the first five years after random assignment, WTC target group

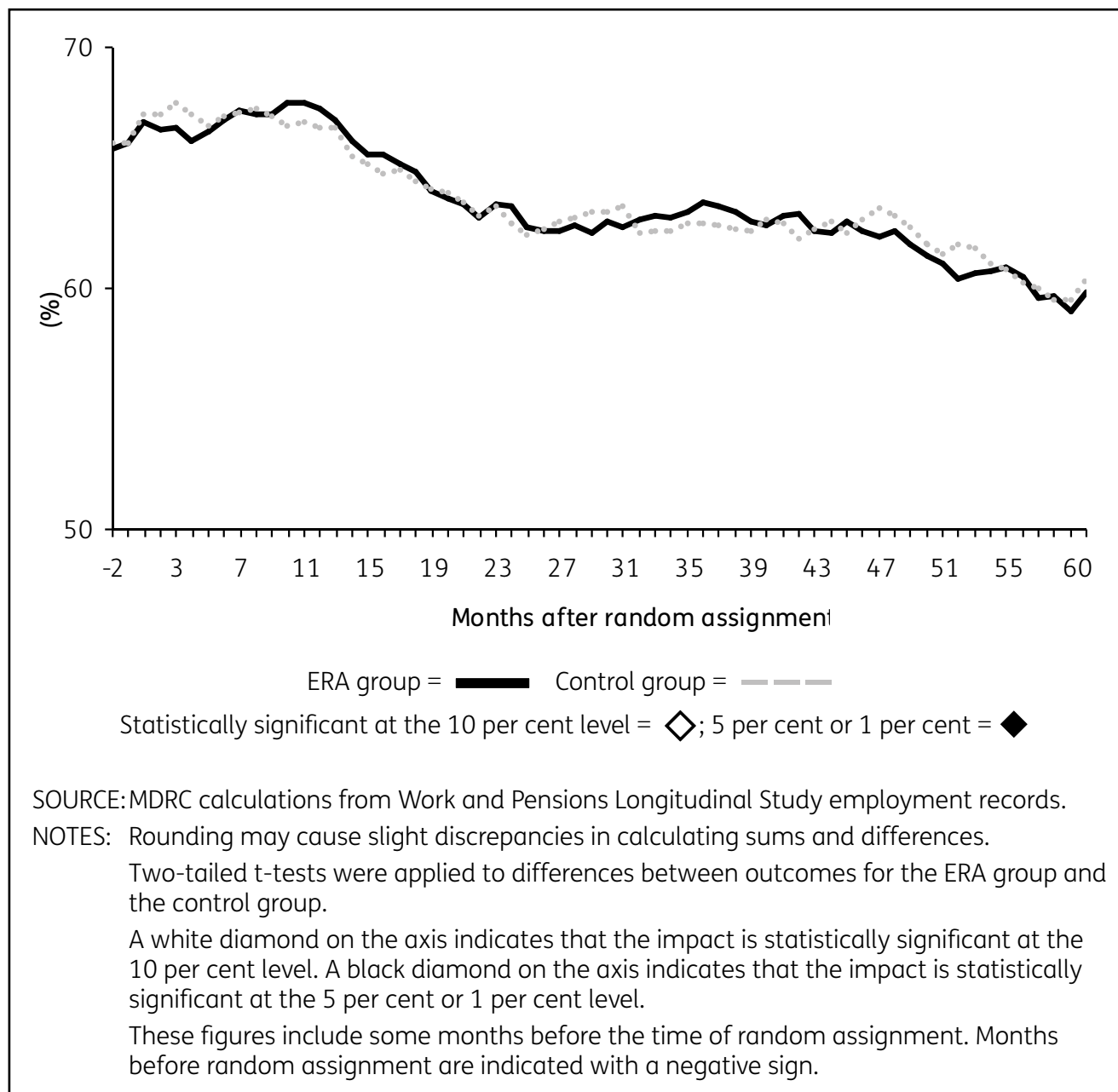


Table 4.2 also shows employment based on tax-year earnings information. As in the case of the NDLP group, according to this measure, individuals were regarded as employed in a tax year if they had any recorded earnings in that year. The results show no statistically significant effects, although the difference in the 2005-2006 tax year of 2.3 percentage points is close to statistical significance (p-value = .127).

Table 4.2 shows that ERA increased earnings in the 2005-2006 tax year by an estimated £402. This represents a statistically significant increase of about six per cent over the control group average. However, ERA produced no statistically significant earnings gains in other tax years or for the full follow-up period. It should be recalled that the earnings impact in the 2005-2006 tax year reflects impacts **during** ERA participation for all participants; increasing proportions of sample members exited the programme after that year.

The combination of no statistically significant employment effect with a positive earnings effect early in the follow-up period suggests that ERA either increased wage rates or hours worked for the WTC group. An increase in hours worked would appear to offer the more likely explanation (as is true for NDLP participants). The evaluation's report on two-year impacts offers some support for this conclusion, with survey data showing that ERA caused a statistically significant shift from part-time to full-time work for the WTC group.¹⁰¹

Table 4.2 Effects of ERA on employment and earnings within five years after random assignment, WTC target group

Outcome	ERA group	Control group	Difference (impact)	P-value
Ever employed during (%)				
Year 1	77.0	76.6	0.4	0.780
Year 2	74.1	73.4	0.8	0.649
Year 3	71.2	69.9	1.3	0.454
Year 4	71.3	70.1	1.2	0.470
Year 5	68.6	68.2	0.3	0.849
Years 1-5	88.1	86.8	1.3	0.293
Average number of months employed during				
Year 1	8.1	8.1	0.0	0.949
Year 2	7.8	7.7	0.1	0.697
Year 3	7.6	7.5	0.0	0.844
Year 4	7.6	7.5	0.0	0.815
Year 5	7.4	7.4	0.0	0.895
Years 1-5	38.5	38.3	0.2	0.860
Employed during month 24 (%)	64.2	62.9	1.3	0.460
Employed during month 36 (%)	64.1	62.2	1.8	0.315
Employed during month 48 (%)	63.2	63.5	-0.3	0.866
Employed during month 60 (%)	60.6	60.9	-0.3	0.867
Average earnings during 2005-2006 tax year (£)	7,069	6,667	402 **	0.045
Average earnings during 2006-2007 tax year (£)	7,408	7,071	337	0.145
Average earnings during 2007-2008 tax year (£)	7,502	7,555	-53	0.840
Average earnings during 2008-2009 tax year (£)	8,636	8,401	234	0.401
Average 4-year earnings during 2005-2009 tax years (£)	30,615	29,695	921	0.279

(continued)

¹⁰¹ Riccio *et al.*, 2008.

Table 4.2 Continued

Outcome	ERA group	Control group	Difference (impact)	P-value
Employed during 2005-2006 tax year (%)	81.9	79.6	2.3	0.127
Employed during 2006-2007 tax year (%)	76.8	76.0	0.8	0.615
Employed during 2007-2008 tax year (%)	70.7	73.0	-2.3	0.177
Employed during 2008-2009 tax year (%)	75.6	74.7	0.9	0.562
Average number of employment spells	0.9	0.9	0.0	0.284
Average number of non-employment spells	0.6	0.6	0.0	0.669
Average number of months to first employment	11.0	11.5	-0.5	0.544
Average duration of first employment (months)	32.6	32.6	0.0	0.964
Time to first employment (%)				
Employed in month of RA ^a	67.6	67.6	0.0	0.995
1 to 6 months	6.6	6.0	0.6	0.477
7 to 12 months	3.1	3.6	-0.5	0.462
13 to 24 months	4.1	3.3	0.8	0.243
Greater than 24 months	6.6	6.3	0.3	0.714
Never employed in first 60 months	11.9	13.2	-1.3	0.293
Sample size = 2,815	1,415	1,400		

SOURCES: MDRC calculations from Work and Pensions Longitudinal Study employment records.

NOTES: Estimates were regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members.

Rounding may cause slight discrepancies in calculating sums and differences.

Two-tailed t-tests were applied to differences between outcomes for the ERA group and the control group. Statistical significance levels are indicated as: * = 10 per cent; ** = 5 per cent; and *** = 1 per cent.

Includes all customers randomly assigned between October 2003 and April 2005.

^aRA refers to random assignment.

4.2.4 Alternative tests of ERA's labour market effects using survey data

The results discussed so far are based on administrative data. This section presents complementary estimates based on survey data, all of which relate to the time of interview or the fifth year after random assignment.¹⁰²

Results for the NDLP target group

Table 4.3 shows that about 66 per cent of the NDLP control group respondents to the year 5 survey said that they had worked at some point during the fifth year following random assignment. This is a higher level than that observed using administrative data (Table 4.1), but the rate for the ERA group is similar, and ERA produced no statistically significant difference on this measure. This is consistent with the finding based on administrative data of no long-run employment impact. Similarly, about 57 per cent of the ERA group and the control group said that they were employed at the time of the interview.

¹⁰² Outcomes referred to as relating to the 60-month point are more accurately described as outcomes relating to the time of the final survey, which took place on roughly the fifth anniversary of randomisation (i.e., about 60 months later), which was actually sooner for some respondents and later for others, depending on when they completed the interview.

Nor does it appear based on the survey data that ERA substantially increased the tendency to work more hours per week in the long run. Among all respondents (including those working zero hours), participants in the ERA group worked 15.6 hours per week at the end of the five-year follow-up period, compared with 15.1 hours per week among the controls. A little over a quarter of both the ERA group and the control group worked full time (30 or more hours per week) in month 60.

Total average earnings in year 5 were about £6,000 for the control group. Although those in the ERA group earned on average £450 more than this in year 5, the difference is not statistically significant.

Results for the WTC target group

There were no differences in employment rates at the time of the year 5 survey interview. Approximately 83 per cent of respondents were working when they were interviewed. This is nearly 15 percentage points higher than the rates observed in the administrative records for the same time period.¹⁰³

As shown in Table 4.3, it appears that ERA may have had a small long-run effect on work hours among the WTC group. On average, those in the ERA group worked 23.6 hours per week at the time of the five-year survey, compared with 22.6 hours per week among the control group; a difference that is very close to being statistically significant.¹⁰⁴ Looked at another way, ERA increased the probability of working full time (that is, 30 or more hours per week) by nearly seven percentage points at the time of the survey interview. While these results might seem difficult to reconcile with the lack of a significant effect on earnings, it may be that ERA produced a shift in work hours from just below 30 hours to just above the 30-hour mark. Such a minor shift might be insufficient to generate an impact on earnings.¹⁰⁵

Despite the increase in work hours, there was no evidence of an effect on weekly wages at the time of the survey interview. In addition, ERA had no effect on wage rates. Overall, these results are consistent with the results discussed in the two-year report: ERA's effect on earnings for the WTC group was mostly due to the increase in the percentage of workers who worked full time, which was most likely driven by the ERA retention bonus, as it was contingent on full-time work.

¹⁰³ Year 5 measures are not shown in Table 4.3 for the WTC group because many WTC group members did not have five full years of follow-up from survey data.

¹⁰⁴ The p-value in Table 4.3 falls slightly below the threshold of statistical significance, but appears as .100 due to rounding.

¹⁰⁵ In considering this result, one should also bear in mind that the survey outcomes were measured for a sample that experienced earnings impacts, according to administrative records data, that were larger than the impacts measured with those same data for the full sample, as discussed in Appendix A.

Table 4.3 Effects of ERA on hours worked and earnings at five years after random assignment

Outcome	NDLP			WTC				
	ERA group	Control group	Difference (impact)	P-value	ERA group	Control group	Difference (impact)	P-value
Ever worked during (%)								
Year 5	65.7	65.9	-0.2	0.937	NA	NA		0.985
At interview ^a	57.0	56.9	0.1	0.967	83.0	83.1	0.0	
Hours								
Average hours worked per week interview ^a (%)	15.6	15.1	0.5	0.480	23.6	22.6	1.0	0.100
Hours worked per week interview ^a (%)	43.0	43.1	-0.1	0.967	17.0	16.9	0.0	0.985
Did not work	3.4	4.5	-1.0	0.261	2.3	3.6	-1.3	0.107
1 to 15 hours	25.8	25.4	0.4	0.845	37.7	43.3	-5.7 **	0.013
16 to 29 hours	27.7	27.1	0.6	0.768	43.1	36.1	6.9 ***	0.002
30 or more hours								
Average weekly hours among workers at interview ^a	27.4	26.5			28.4	27.2		
Percentage of workers at interview ^a who worked 30 hours or more	48.8	47.4			51.8	43.6		
Ever worked full time (%)								
Year 5	31.9	29.7	2.2	0.304	NA	NA		
Earnings								
Total earnings (£)								
In year 5	6,406	5,952	454	0.230	NA	NA		
Hourly earnings at interview ^a (%)								
Did not work	43.0	43.1	-0.1	0.967	17.0	16.9	0.0	0.985
£5 or less	3.7	5.2	-1.5	0.114	4.6	4.6	0.0	1.000
£5.01 to 6.99	24.8	25.2	-0.4	0.824	26.6	27.0	-0.4	0.843
£7.00 or more	28.3	26.2	2.1	0.292	51.8	51.3	0.5	0.823
Average hourly wage among workers (£)	8.1	7.9			8.4	8.4		
Average weekly earnings at interview ^a (£)	127.6	119.5	8.1	0.308	197.2	187.8	9.4	0.130
Sample size	951	903			948	911		

(continued)

Table 4.3 Continued

SOURCE: MDRC calculations from ERA 60-month customer surveys.

NOTES: Estimates were regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members. Rounding may cause slight discrepancies in calculating sums and differences.

Two-tailed t-tests were applied to differences between outcomes for the ERA group and the control group. Statistical significance levels are indicated as: * = 10 per cent; ** = 5 per cent; and *** = 1 per cent.

Italics indicate comparisons that are non-experimental since they were calculated over a portion of the sample. Statistical tests were not performed.

^aRefers to employment status at the time of the five-year survey, which took place earlier or later than month 60 for some respondents.

4.3 ERA's impacts on employment dynamics and job characteristics

The preceding analysis has shown the overall effect of ERA over the five years following random assignment. This section takes a closer look at ERA's effects on a variety of measures concerning employment dynamics and features of jobs that are relevant to retention and advancement. These include the following:

- The **number of employment spells**, which reflects the amount of movement from job to job. This could signal advancement if changing jobs were motivated by progression, but it could also indicate employment instability.
- The **number of spells of non-employment**, which reflect periods when lone parents may be at greater likelihood of returning to benefits after having found work.
- The amount of **time taken to find employment**, which is the first step towards advancement for unemployed lone parents.
- The **duration of first employment**, which, depending on the reason for leaving the job, could reflect either success in keeping a job, or quicker progression to a new job with better prospects.
- The amount of **time spent in continuous employment**, which is a more direct measure of employment retention.
- The **characteristics of jobs**, which can help show whether the pay and conditions of work reflect advancement.

Information on job characteristics comes from survey data. All the other measures are based on administrative records data.

4.3.1 ERA's impacts on employment dynamics

Results for the NDLP target group

Table 4.1 shows that ERA caused statistically significant, but small, increases in the number of employment spells and in the number of non-employment spells experienced by those in the NDLP group.¹⁰⁶ Neither of these patterns suggests that the programme caused a major change in the likelihood of cycling in and out of work. ERA also had no statistically significant effect on the amount of time it took ERA participants to begin working after random assignment,¹⁰⁷ or on the duration of first employment.

Results for the WTC target group

Retention was a less important challenge than advancement for the WTC group, compared with the NDLP group. Approximately 70 per cent of WTC control group members worked in any given year, according to the administrative data. Employment rates were highest in year 1, but did not fall

¹⁰⁶ Relative to someone who does not enter work, an individual who starts an employment spell will be recorded as having an additional employment spell. Should that spell not last, the individual will return to non-employment and therefore be recorded also as having an additional non-employment spell.

¹⁰⁷ Table 4.1 also shows that ERA increased by 1.7 percentage points the proportion of people finding work within six months, but this was offset by a corresponding reduction in the proportion of people entering work after more than two years.

substantially in subsequent years. Furthermore, WTC control group members were much more likely (by about half) to experience a spell of non-employment than were NDLP control group members.

Table 4.2 shows that ERA had no effect on the number of employment spells, the number of non-employment spells, the number of months to first employment, or the average duration of first employment.¹⁰⁸

4.3.2 ERA's impacts on job characteristics

Results for the NDLP target group

Advancement is a complex concept whose interpretation is partly subjective.¹⁰⁹ The outcomes considered in Table 4.4, which are based on survey data, reflect particular dimensions of job quality, including job stability, responsibilities, fringe benefits (broadly defined), participants' own assessment of their jobs, and employment costs. The overriding impression from the results is that ERA had little effect on these dimensions of advancement.

Results for the WTC target group

Table 4.4 considers a number of aspects of individuals' jobs. Looking at the control group outcomes, it is clear that most WTC group members had permanent jobs (88.8 per cent) and most worked during daytime hours (nearly 80 per cent). Nearly seven per cent of WTC control group members were self-employed. These participants' employment records would not be captured in the administrative records data.

WTC control group members had better jobs compared with NDLP control group members across a range of job characteristics. For example, nearly 21 per cent of WTC control group members had supervisory positions, a majority had at least some types of employment benefits, and WTC control group members were nearly 20 percentage points more likely to report that they liked their job a great deal, compared with the NDLP control group. These differences are not surprising, as WTC group members entered the study with higher educational credentials, more employment experience, and older children, compared with the NDLP control group.

As was the case with the NDLP group, there is little evidence that ERA improved job quality. Overall, it had little effect on job stability, fringe benefits, or individuals' attitudes towards their jobs. One exception is that ERA increased the percentage who received a promotion or increase in responsibility by a statistically significant 3.8 percentage points (which represents a 16 per cent increase over the control group average). In addition, ERA increased the proportion of programme group members who had sick pay benefits by 3.7 percentage points.

¹⁰⁸ Readers may wonder why the average months to first employment were 11.5 for WTC control group members when all were supposed to be working. This is because administrative records do not record all work. In particular, those who are working less than 16 hours each week are not always recorded in administrative records. Thus, for many, this measure may record the months until they first worked 16 hours or more each week. If sample members never worked in jobs covered by the administrative records, their value was set to 60: the last month of the five-year follow-up period.

¹⁰⁹ Appendix D explores the question of how sample members defined advancement from a qualitative perspective. See also Hoggart *et al.*, 2006.

Table 4.4 Effects of ERA on characteristics of the current or most recent job held at five years after random assignment

Outcome	NDLP			WTC			
	ERA group	Control group	Difference (impact)	ERA group	Control group	Difference (impact)	P-value
Stability of customer's work							
Worked and...							
Has/had permanent job (%)	65.5	63.1	2.4	87.1	88.8	-1.7	0.280
Job consists/consisted of shift work most of the time (%)	16.5	15.2	1.3	15.1	14.7	0.4	0.455
Job includes/included daytime hours (%)	52.9	52.6	0.2	78.6	78.8	-0.2	0.916
Worked at interview ^a and...							
Had days absent in the last month (%)							
No days off	30.9	27.1	3.8 *	61.4	60.7	0.7	0.082
1 day off	2.7	2.9	-0.3	4.5	5.1	-0.6	0.751
2 or more days off	7.0	6.1	0.9	11.0	8.9	2.1	0.458
Customer's responsibilities at work							
Worked and...							
Is/was self-employed (%)	4.7	4.3	0.4	5.9	6.5	-0.6	0.669
Worked at interview ^a and...							
Has formal responsibility for supervising others (%)	13.1	13.1	0.0	20.4	20.7	-0.3	0.999

(continued)

Table 4.4 Continued

Outcome	NDLP			WTC				
	ERA group	Control group	Difference (impact)	P-value	ERA group	Control group	Difference (impact)	P-value
Positive characteristics of customer's job								
Worked at interview ^e and...								
Has fringe benefits offered by employer (%)								
Pension	30.2	32.0	-1.9	0.381	59.8	57.5	2.3	0.310
Paid holidays	49.7	48.9	0.8	0.729	78.9	78.6	0.3	0.876
Flexible working hours	30.9	32.3	-1.4	0.524	48.5	48.6	-0.1	0.974
Paid or unpaid time off for family reasons	36.2	38.5	-2.3	0.310	65.2	64.9	0.3	0.887
Sick pay	40.7	40.8	-0.1	0.965	71.3	67.6	3.7 *	0.089
Car or van for own private use	1.1	2.5	-1.4 **	0.030	5.1	3.7	1.4	0.158
Creche or nursery at workplace	3.7	2.9	0.8	0.359	5.5	7.0	-1.6	0.173
Trade union membership	21.1	21.8	-0.7	0.738	43.1	41.1	2.0	0.380
Is a trade union member (%)	10.7	9.9	0.7	0.608	22.2	22.5	-0.4	0.852
Received promotions or increases in responsibility (%)	16.0	17.3	-1.4	0.448	27.6	23.8	3.8 *	0.070
Foresees further opportunities for promotion or increases in responsibility (%)	28.6	27.9	0.8	0.731	40.5	38.6	1.9	0.427
Received a pay rise (%)	42.8	42.4	0.4	0.869	71.8	72.1	-0.2	0.911
Type of pay rise								
Step up on a pay scale	38.0	37.6			32.7	33.7		
Following promotion/increased responsibility	20.6	20.2			19.4	17.1		
Reward for job well done	8.2	10.2			10.9	8.3		
Cost of living increase	64.8	57.4			70.9	72.8		
Other	13.4	13.4			9.1	11.6		
Customer's attitudes towards her/his job								
Worked at interview ^e and...								
Agrees/strongly agrees about having some say over the way she/he works (%)	43.1	43.1	-0.1	0.980	64.3	61.5	2.8	0.226
Likes job a great deal (%)	50.2	47.7	2.5	0.327	67.0	65.2	1.8	0.438
Job is very/extremely stressful (%)	11.9	11.1	0.9	0.575	17.4	16.3	1.1	0.551
Often/always has unrealistic time pressures at work (%)	8.6	8.7	-0.1	0.963	18.4	16.1	2.3	0.211

(continued)

Table 4.4 Continued

Outcome	NDLP			WTC				
	ERA group	Control group	Difference (impact)	P-value	ERA group	Control group	Difference (impact)	P-value
While currently working								
<i>Often/always has unrealistic time pressures at work (%)</i>	13.8	14.0			20.3	17.4		
<i>Disagrees/strongly disagrees about having some say over the way she/he works (%)</i>	12.6	13.0			12.9	14.1		
<i>Job is very/extremely stressful (%)</i>	19.0	17.6			19.0	17.5		
<i>Likes job a great deal (%)</i>	72.5	71.2			70.9	70.2		
Cost of working at customer's present job								
Worked at interview ^a and...								
Average cost of travel to work per week (£)	7.7	6.2	1.5 **	0.024	11.3	10.5	0.7	0.352
Cost of travel to work per week (%)								
No cost of travel	17.1	16.6	0.6	0.743	18.6	20.7	-2.1	0.257
£10 or less	8.6	7.8	0.8	0.529	14.7	14.6	0.1	0.937
More than £10	30.9	31.2	-0.3	0.888	50.0	48.0	2.0	0.393
Costs vary by week	0.4	1.0	-0.6	0.132	1.1	0.9	0.2	0.729
Sample size	951	903			948	911		

SOURCE: MDRC calculations from ERA 60-month customer surveys.

NOTES: Estimates were regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members.

Rounding may cause slight discrepancies in calculating sums and differences.

Two-tailed t-tests were applied to differences between outcomes for the ERA group and the control group. Statistical significance levels are indicated as: * = 10 per cent; ** = 5 per cent; and *** = 1 per cent.

Italics indicate comparisons that are non-experimental since they were calculated over a portion of the sample. Statistical tests were not performed.

^aRefers to employment status at the time of the five-year survey, which took place earlier or later than month 60 for some respondents.

4.4 ERA's impacts on training

This section assesses whether ERA had an impact on the amount of training taken by lone parents and on the qualifications they acquired. The ability of ERA to influence training activity is important as a potential mechanism for enhancing the prospects of lone parents advancing in work by developing their human capital. ERA was expected to induce training through two types of incentives. First, ERA staff could pay for participants' tuition for training courses, up to a maximum of £1,000 per person for all courses, provided that participants took the courses while they were working 16 or more hours per week. Second, ERA participants could receive a training completion bonus. This incentive paid £8 for every hour of training completed, up to a maximum of £1,000 (or 125 hours of completed training). Again, participants had to be working 16 or more hours per week to be eligible for the training completion bonus.

4.4.1 ERA's impacts on training for the NDLP target group

Table 4.5 shows that ERA increased the likelihood that NDLP sample members took training by a statistically significant 4.8 percentage points during the first two years (while the ERA programme was operating). This was from a high base: 55.7 per cent of the control group participated in training or education at some point during these two years, even without ERA's assistance. Impacts were not confined to training while out of work, since the results in Table 4.5 show an increase in the probability of combining work and training of 5.8 percentage points above a control group rate of 29.6 per cent.¹¹⁰

Table 4.5 also shows that training in the first two years was often arranged by Jobcentre Plus. ERA increased participation in such training by 7.3 percentage points. There is no evidence of an effect of this increased training on qualifications gained over the two-year period.

ERA increased by 6.7 percentage points the probability of combining training or education with full-time work but had no effect on the probability of combining it with part-time work (Table 4.5). Overall, it is striking that half of full-time workers in the programme group took on education or training while working full-time and that 40 per cent of those working part time did so. Also impressive are the high rates of training among employed control group members.¹¹¹

The results in Table 4.6 show that ERA caused a small, but statistically, significant increase in the number of courses taken. Those in the ERA group who did participate in some training courses took an average of just under three courses over the two years, amounting to almost 270 hours spent in training.

Years 3-5 mostly relate to the period after the ERA programme had ended.¹¹² In years 3-5, ERA did not have an effect on most training measures.

¹¹⁰ This does not imply directly that ERA increased training for those in work. It could equally be the case that employees are more likely to participate in training and that the observed increase in training while in work is simply capturing the increase in employment due to ERA. However, the same pattern is observed for the WTC group, for which there is no employment effect, thus supporting a conclusion that the ERA did directly increase training among those in work.

¹¹¹ Because the types of people who worked full time in the programme group may differ in systematic ways from those who worked full time in the control group, comparing these two groups of workers does not yield a pure experimental impact estimate. For this reason, the difference in training between these two groups is not presented as an impact in Table 4.5.

¹¹² Roughly three-quarters of the months of follow-up in years 3-5 were in the post-programme period.

Table 4.5 Effects of ERA on participation in training or education classes within five years after random assignment

Outcome	NDLP			WTC				
	ERA group	Control group	Difference (impact)	P-value	ERA group	Control group	Difference (impact)	P-value
Participated in training or education (%)								
Year 1	46.5	41.3	5.2 **	0.012	60.1	46.8	13.3 ***	0.000
Year 2	41.2	39.6	1.7	0.412	58.6	47.0	11.7 ***	0.000
Years 1-2	60.6	55.7	4.8 **	0.017	72.2	59.6	12.6 ***	0.000
Years 3-5	49.8	52.0	-2.2	0.343	58.3	56.8	1.5	0.504
Participated in training or education arranged by Jobcentre Plus staff, years 1-2 (%)	21.7	14.4	7.3 ***	0.000	22.4	2.6	19.8 ***	0.000
Participated in training or education arranged by Jobcentre Plus staff, years 3-5 (%)	7.1	6.0	1.0	0.367	7.0	2.2	4.9 ***	0.000
Obtained any training or education qualifications, years 1-2 (%)								
GCSE	6.7	7.1	-0.4	0.738	7.1	6.7	0.4	0.711
A-level or above	2.9	3.9	-1.0	0.199	5.5	5.4	0.1	0.927
Other	17.4	15.4	2.0	0.194	21.8	19.0	2.9	0.103
Obtained any training or education qualifications, years 3-5 (%)								
GCSE	0.1	0.5	-0.4	0.153	0.2	0.6	-0.4	0.209
A-level or above	0.4	0.0	0.4 *	0.079	0.0	0.2	-0.2	0.190
Other	10.7	9.6	1.0	0.463	11.9	10.2	1.7	0.261
Worked and participated in training or education while working, years 1-2 (%)	35.3	29.6	5.8 ***	0.002	68.5	55.6	12.9 ***	0.000
Worked and participated in training or education while working, years 3-5 (%)	33.1	33.1	0.0	0.985	54.1	52.0	2.1	0.368
Worked full time at some point and participated in training or education while working, years 1-2 (%)	18.7	12.0	6.7 ***	0.000	30.5	16.3	14.2	0.000
Worked full time at some point and participated in training or education while working, years 3-5 (%)	19.0	16.4	2.6	0.137	31.7	25.6	6.1 **	0.01
Percentage of full-time workers who participated in training or education while working, years 1-2 (%)	50.3	43.6			74.2	55.3		
Percentage of full-time workers who participated in training or education while working, years 3-5 (%)	52.2	48.2			60.7	61.7		

(continued)

Table 4.5 Continued

Outcome	NDLP			WTC		
	ERA group	Control group	Difference (impact) P-value	ERA group	Control group	Difference (impact) P-value
Worked part time at some point and participated in training or education while working, years 1-2 (%)	21.4	21.5	-0.1 0.951	48.7	44.9	3.7 * 0.087
Worked part time at some point and participated in training or education while working, years 3-5 (%)	16.4	19.5	-3.1 * 0.086	30.2	31.4	-1.3 0.610
<i>Percentage of part-time workers who participated in training or education while working, years 1-2 (%)</i>	40.5	39.0		64.8	55.3	
<i>Percentage of part-time workers who participated in training or education while working, years 3-5 (%)</i>	39.4	43.3		54.1	52.2	
Sample size	1,188	1,109		1,082	1,037	

SOURCE: MDRC calculations from ERA 12-, 24- and 60-month customer surveys.

NOTES: Estimates were regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members.

Rounding may cause slight discrepancies in calculating sums and differences.

Two-tailed t-tests were applied to differences between outcomes for the ERA group and the control group. Statistical significance levels are indicated as: * = 10 per cent; ** = 5 per cent; and *** = 1 per cent.

Italics indicate comparisons that are non-experimental since they were calculated over a portion of the sample. Statistical tests were not performed.

Some individuals worked both full time and part time during the follow-up period. They are considered to be both full-time and part-time workers in the measures in this table. In addition, note that the available data indicate only whether an individual was in work when he/she participated in training or education, and not whether the individual was in part-time or full-time work during this participation.

Sample sizes shown are for the 24-month survey. The 60-month survey sample sizes were 1,854 and 1,859 for the NDLP and WTC groups, respectively.

Table 4.6 Effects of ERA on number and duration of training or education courses taken in years one to five after random assignment

Outcome	NDLP			WTC		
	ERA group	Control group	Difference (impact) P-value	ERA group	Control group	Difference (impact) P-value
Years 1-2						
Average number of training or education courses taken						
All customers	1.7	1.5	0.2 ** 0.016	2.1	1.8	0.3 *** 0.001
<i>Those who participated in any training or education</i>						
	2.8	2.7		2.9	3.0	
Average number of hours spent in training or education courses						
All customers	159	166	-8 0.611	161	137	24 0.132
<i>Those who participated in any training or education</i>						
	267	305		227	236	
Average number of weeks spent in training or education courses						
All customers	16.9	16.5	0.4 0.710	23.5	16.7	6.8 *** 0.000
<i>Those who participated in any training or education</i>						
	28.4	30.1		33.0	28.6	
Years 3-5						
Average number of training or education courses taken						
All customers	1.3	1.3	0.0 0.907	1.6	1.6	0.1 0.492
<i>Those who participated in any training or education</i>						
	2.2	1.9		2.8	2.8	
Average number of hours spent in training or education courses						
All customers	174	198	-24 0.317	151	185	-34 0.144
Not much						
	351	388		260	329	
Average number of weeks spent in training or education courses						
All customers	16.8	17.4	-0.6 0.705	17.3	19.2	-1.9 0.211
<i>Those who participated in any training or education</i>						
	33.7	34.0		29.7	34.1	
Sample size	1,188	1,109		1,082	1,037	

(continued)

Table 4.6 Continued

SOURCE: MDRC calculations from ERA 12-, 24- and 60-month customer surveys.

NOTES: Estimates were regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members. Rounding may cause slight discrepancies in calculating sums and differences.

Two-tailed t-tests were applied to differences between outcomes for the ERA group and the control group. Statistical significance levels are indicated as: * = 10 per cent; ** = 5 per cent; and *** = 1 per cent.

Italics indicate comparisons that are non-experimental since they were calculated over a portion of the sample. Statistical tests were not performed. Sample sizes shown are for the 24-month survey. The 60-month survey sample sizes were 1,854 and 1,859 for the NDLP and WTC groups, respectively.

4.4.2 ERA's impacts on training for the WTC target group

In the first two years after random assignment, while the ERA programme was operational, ERA's effect on training was stronger for the WTC group (compared with the NDLP group). Table 4.5 shows that, while the WTC control group's participation in training or education over the two years was only somewhat higher (at 59.6 per cent) than the rate among the NDLP control group (55.7 per cent), ERA's impact of 12.6 percentage points was considerably larger. ERA's impact on the WTC group's likelihood of combining training and employment is sizeable and statistically significant in each of the first two years after random assignment (13.3 percentage points in year 1, and 11.7 percentage points in year 2). The role of Jobcentre Plus is very strongly evident. Participation in training arranged by Jobcentre Plus was almost non-existent among the control group. ERA increased such training by nearly 20 percentage points.

Table 4.5 also shows that ERA increased the proportion of WTC participants who combined training with full-time work by 14.2 percentage points. In addition, in contrast to the findings for the NDLP participants, it also produced a statistically significant, though small, impact on the proportion that combined training with part-time work (3.7 percentage points). The fact that this impact is found despite the marked shift away from part-time work that was brought about by ERA strongly suggests that ERA acted to encourage training among those in work. Further supporting this inference is the finding that 74.2 per cent of full-time workers in the ERA group participated in education or training while working full time, compared with 55.3 per cent of full-time workers in the control group. For part-time workers, the corresponding levels are 64.8 per cent and 55.3 per cent.

In years 3-5, which mostly represent the post-ERA programme period, ERA had no effect on training. This pattern strongly suggests that in the post-ERA period, without ERA's financial supports and incentives to train and advisory guidance, training rates went back to their long-term averages. It is not surprising that impacts on training rates would eventually fade, since many had trained earlier in the follow-up period. In fact, one might have expected the training impacts in the late follow-up period to have become negative, if ERA's only effect was to train earlier those who would have eventually trained anyway. Since this did not happen, it implies that ERA did have a lasting effect on training.

Whether ERA's effects on training improved participants' occupational skills is uncertain. Table 4.5 shows that, as with the NDLP group, despite the increased course-taking, ERA did not produce statistically significant impacts on receipt of training or education qualifications during the earlier or later stages of the follow-up period (although the effect on receipt of 'other' types of credentials, such as licences and certificates associated with occupationally relevant courses, is close to significant during the first two years of follow-up).¹¹³ It is possible that many of the additional courses taken by WTC programme group members did not have formal qualifications associated with them. Many ERA participants did obtain credentials during the follow-up period, but not at rates that exceeded the level for controls. Chapter 5 will discuss whether the short-term increases in training led to longer-term increases in earnings for certain subgroups and provide a summary of the ERA training report. However, based on the results presented in this chapter, it is clear that the increases in training experienced by the full WTC sample were not enough to lead to longer-term increases in earnings within the follow-up period available for this report.

¹¹³ The results concerning impacts on qualifications presented here differ from those presented in the ERA report on training, because the analysis in the report on training used a smaller sample limited to respondents who were interviewed in both of the first two survey waves. This was necessary due to the types of measures created for that report (Hendra *et al.*, 2011).

Table 4.6 shows the effects of ERA on the number and duration of classes taken. Here again, most of the effects of ERA took place during the in-programme period (years 1-2). Those in the ERA group who undertook training enrolled in an average of three courses over the two-year period considered and spent an average of around 227 hours in courses. ERA increased the number of courses taken, but not the number of hours spent on courses. At the same time, ERA resulted in an additional 6.8 weeks in which participants took part training. Taken together, the results appear to suggest that those in the WTC group reacted to ERA by taking more and shorter courses.

The results for years 3-5 are similar to those for the NDLP target group. ERA had no effect on the number of courses WTC participants took or on the amount of time they spent in such courses.

4.5 ERA's impacts on taking steps towards advancement

In addition to assessing how much advancement participants achieved, it is useful to consider whether ERA influenced the particular steps individuals took to try to advance. These might include, for example, negotiating a pay rise or looking elsewhere for better employment. One might expect that advancement would be a more immediate concern for the WTC group than for the NDLP group and that NDLP participants would have a stronger focus on finding and sustaining employment (something already achieved for the most part by the WTC group). However, one might also expect NDLP participants to have become more interested in advancement once they had overcome the initial employment retention hurdle.

Chapter 3 showed that, among both the NDLP and WTC lone parents, those in the ERA group who worked were much more likely to receive in-work help or advice from Jobcentre Plus than those in the control group who worked, and that this advice was typically more frequent and provided by more specialised staff. The following sections consider whether, because of that assistance or any other programme features, ERA increased the likelihood that programme group members would subsequently take advancement steps (in addition to pursuing full-time work) to improve their jobs or earnings in the period three to five years after random assignment.¹¹⁴

4.5.1 ERA's impacts on advancement efforts for the NDLP target group

The top panel of Table 4.7 shows that among participants in the ERA group who ever worked within the five years following random assignment, 78 per cent reported taking at least one of a variety of steps to improve their work situation or earnings. Moreover, 31 per cent actively looked for another job while working. These rates did not differ substantially from the rates observed for workers in the control group (81 per cent and 27 per cent, respectively).

The bottom panel of Table 4.7 shows ERA's impacts on the extent to which all participants in the programme group were in work and taking steps to advance. It was not uncommon for those in the ERA group to take steps to help improve their work situation or earnings; 45 per cent did so. However, ERA had no significant effect on this outcome.

It is interesting to note that the ERA evaluation's report on second-year impacts found statistically significant impacts of ERA on a number of advancement activities.¹¹⁵ The main effects in this regard were to increase efforts to work more hours, to negotiate better terms, to find a different type of employment with the same employer, or to look for a better job with another employer. With regard to trying to find a better job elsewhere, ERA increased the use of a range of job search channels. These effects are small but statistically significant. However, over the last three years after random assignment, no such impacts are evident. This pattern of results is consistent with the impression that the ERA programme had a short-term impact that subsequently faded away.

¹¹⁴ Riccio *et al.*, 2008, examines this issue for the first two years following random assignment.

¹¹⁵ Riccio *et al.*, 2008.

Table 4.7 Effects of ERA on efforts to advance in work in years three to five after random assignment

Outcome	NDLP			WTC				
	ERA group	Control group	Difference (impact)	P-value	ERA group	Control group	Difference (impact)	P-value
Working customers								
Worked and took steps to help improve work situation or earnings (%)	78.1	81.1	-1.6	0.482	69.5	66.0	3.6 *	0.096
Tried to increase hours of work	37.6	41.8	-2.6	0.177	40.6	36.7	3.9 *	0.085
Tried to get pay rise	30.4	26.0	2.5	0.148	28.4	24.6	3.8 *	0.064
Tried to negotiate better terms, e.g., more convenient hours	27.4	30.1	-1.1	0.507	24.9	23.7	1.2	0.542
Tried to change to different sort of work with same employer	18.2	19.1	-0.6	0.692	18.3	18.2	0.0	0.982
Tried to get better job with different employer	31.1	28.1	1.6	0.354	27.4	21.6	5.8 ***	0.004
Worked and took steps to help improve work situation or earnings (%)	30.6	27.0	2.0	0.247	26.2	21.1	5.1 **	0.010
Put name on books of private recruitment agency	8.3	6.8	0.6	0.513	6.7	4.6	2.1 *	0.050
Went to career office, career advice department, or used Connexions service	4.2	3.9	0.1	0.896	4.5	2.7	1.8 **	0.037
Looked for another job on own	30.0	26.0	2.2	0.193	25.1	20.3	4.8 **	0.014
Did something else to find another job	10.1	8.4	1.0	0.351	8.9	6.8	2.1	0.103
All customers								
Worked and took steps to help improve work situation or earnings (%)	44.5	46.1	-1.6	0.482	69.5	66.0	3.6 *	0.096
Tried to increase hours of work	21.3	23.9	-2.6	0.177	40.6	36.7	3.9 *	0.085
Tried to get pay rise	17.3	14.8	2.5	0.148	28.4	24.6	3.8 *	0.064
Tried to negotiate better terms, e.g., more convenient hours	15.8	16.9	-1.1	0.507	24.9	23.7	1.2	0.542
Tried to change to different sort of work with same employer	10.4	10.9	-0.6	0.692	18.3	18.2	0.0	0.982
Tried to get better job with different employer	17.7	16.1	1.6	0.354	27.4	21.6	5.8 ***	0.004
Worked and took steps to help improve work situation or earnings (%)	17.4	15.4	2.0	0.247	26.2	21.1	5.1 **	0.010
Put name on books of private recruitment agency	4.6	4.0	0.6	0.513	6.7	4.6	2.1 *	0.050
Went to career office, career advice department, or used Connexions service	2.4	2.3	0.1	0.896	4.5	2.7	1.8 **	0.037
Looked for another job on own	17.1	14.8	2.2	0.193	25.1	20.3	4.8 **	0.014
Did something else to find another job	5.8	4.8	1.0	0.351	8.9	6.8	2.1	0.103
Sample size	951	903			948	911		

(continued)

Table 4.7 Continued

SOURCE: MDRC calculations from ERA 60-month customer surveys.

NOTES: Estimates were regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members.

Rounding may cause slight discrepancies in calculating sums and differences.

Two-tailed t-tests were applied to differences between outcomes for the ERA group and the control group. Statistical significance levels are indicated as: * = 10 per cent; ** = 5 per cent; and *** = 1 per cent.

Italics indicate comparisons that are non-experimental since they were calculated over a portion of the sample. Statistical tests were not performed.

4.5.2 ERA's impacts on advancement efforts for the WTC target group

Workers in the WTC programme group were slightly more likely than those in the NDLP programme group to try to improve their lot in work. And, because more WTC participants overall were working, a higher proportion of the entire WTC group was focused on advancement. Table 4.7 (top panel) shows that almost 84 per cent of workers in the WTC ERA group took steps to improve their work situation or earnings while they were employed, and 32 per cent took steps to find another job. The bottom panel shows that ERA increased by a statistically significant 3.6 percentage points the proportion that took steps to improve their work situation or earnings. This is from a high starting point – two-thirds of the control group reported taking such steps.

ERA spurred WTC participants' efforts to increase their working hours and pay, and to find work with a different employer. It also increased the use of a range of job search channels, at least by a small amount. However, it did not increase efforts to find different work with the same employer.

4.6 ERA's impacts on benefits receipt

The aim of this section is to demonstrate the effect of ERA on benefits receipt based on administrative records data. In designing ERA, the expectation was that by encouraging lone parents to stay in work, work full time, and advance, over the long term they would have less need to rely on benefits. This section assesses whether, in the five years following random assignment, ERA actually had such effects.

4.6.1 ERA's impacts on benefits receipt for the NDLP target group

Lone parents in the NDLP group were all claiming Income Support at the time of random assignment. Table 4.8 shows that ERA reduced the number of months on Income Support by a small amount (0.3 months, which is a little over a week) in years 1 and 2 but not thereafter. Nor is the overall five-year effect statistically significant.

Figure 4.5 illustrates ERA's month-by-month impacts on Income Support receipt. Monthly benefit receipt in the control group rate fell quickly in the first six months or so following random assignment and declined at a slower rate thereafter. From a starting point of 89 per cent in month one, 30 per cent were on benefit five years later. The ERA group followed a similar pattern but with a somewhat bigger reduction within the first two years, which is consistent with the pattern of ERA's positive effects on full-time employment.

ERA had a more lasting effect on the amount of benefit received. Here, significant reductions were seen in each of years 1, 2, and 3. Over all five years, those in the ERA group received almost £500 less in Income Support than those in the control group, which is a statistically significant reduction of about five per cent relative to the control group average.

Table 4.8 also shows ERA's effects on the receipt of other benefits. Jobseeker's Allowance receipt was fairly uncommon among the NDLP group, with the average control group member receiving this benefit for only 1.5 months during the five-year follow-up period. ERA reduced this average somewhat for the programme group, yielding a statistically significant, but small, reduction of £60 in the amount of Jobseeker's Allowance received over five years. Incapacity Benefit was somewhat more common than Jobseeker's Allowance, but ERA had no impact on receipt of this benefit.

Table 4.8 Effects of ERA on benefits receipt within five years after random assignment for lone parents

Outcome	NDLP			WTC				
	ERA group	Control group	Difference (impact)	P-value	ERA group	Control group	Difference (impact)	P-value
Average number of months receiving benefits ^a in								
Year 1	7.4	7.7	-0.3 ***	0.003	0.9	0.9	0.0	0.801
Year 2	5.4	5.7	-0.3 **	0.016	1.0	1.0	0.0	0.938
Year 3	4.7	4.9	-0.2	0.212	1.1	1.0	0.1	0.330
Year 4	4.3	4.3	-0.1	0.578	1.0	0.9	0.1	0.472
Year 5	3.9	3.8	0.1	0.503	1.1	1.0	0.1	0.399
Years 1-5	25.8	26.5	-0.8	0.123	5.0	4.7	0.3	0.516
Receiving benefits ^a in month 24 (%)	41.8	44.2	-2.4 **	0.038	8.1	8.0	0.1	0.946
Receiving benefits ^a in month 36 (%)	36.8	38.5	-1.7	0.135	8.9	8.2	0.7	0.498
Receiving benefits ^a in month 48 (%)	34.7	34.3	0.4	0.744	7.7	7.6	0.1	0.957
Receiving benefits ^a in month 60 (%)	30.4	29.9	0.5	0.668	8.7	8.2	0.5	0.612
Average total amount of benefits ^a (£) received in								
Year 1	2,915	3,055	-140 **	0.010	190	201	-11	0.596
Year 2	2,000	2,130	-130 **	0.027	218	221	-3	0.901
Year 3	1,663	1,773	-110 *	0.055	254	241	13	0.650
Year 4	1,458	1,542	-84	0.128	243	220	23	0.418
Year 5	1,314	1,349	-35	0.510	285	266	19	0.560
Years 1-5	9,349	9,848	-499 **	0.036	1,190	1,149	40	0.703
Number of months received JSA in years 1-5	1.3	1.5	-0.2 *	0.065	0.6	0.6	0.0	0.817
Average total JSA received in years 1-5 (£)	347	407	-60 *	0.067	178	170	8	0.793
Number of months received IS in years 1-2	12.9	13.5	-0.6 ***	0.004	1.7	1.7	0.0	0.892
Number of months received IS in years 1-3	17.6	18.4	-0.8 **	0.013	2.7	2.6	0.1	0.631
Number of months received IS in years 1-4	21.8	22.7	-0.8 **	0.037	3.5	3.4	0.2	0.570
Number of months received IS in years 1-5	25.8	26.5	-0.8	0.123	4.4	4.1	0.2	0.535
Average total IS received in years 1-2 (£)	4,915	5,185	-270 **	0.011	367	383	-15	0.692
Average total IS received in years 1-3 (£)	6,577	6,957	-380 **	0.013	590	585	5	0.935
Average total IS received in years 1-4 (£)	8,035	8,499	-464 **	0.019	795	775	20	0.803
Average total IS received in years 1-5 (£)	9,349	9,848	-499 **	0.036	1,012	979	32	0.749
Ever received IB in years 1-2 (%)	8.3	7.8	0.5	0.489	4.0	5.4	-1.4 *	0.077
Ever received IB in years 1-3 (%)	10.9	10.4	0.5	0.476	5.9	7.5	-1.6 *	0.089
Ever received IB in years 1-4 (%)	13.9	13.2	0.7	0.412	7.7	8.7	-1.0	0.325
Ever received IB in years 1-5 (%)	15.6	14.5	1.1	0.209	7.9	9.2	-1.3	0.210
Sample size	3,365	3,422			1,415	1,400		

(continued)

Table 4.8 Continued

SOURCE: MDRC calculations from Work and Pensions Longitudinal Study benefits receipt records.

NOTES: Estimates were regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members.

Rounding may cause slight discrepancies in calculating sums and differences.

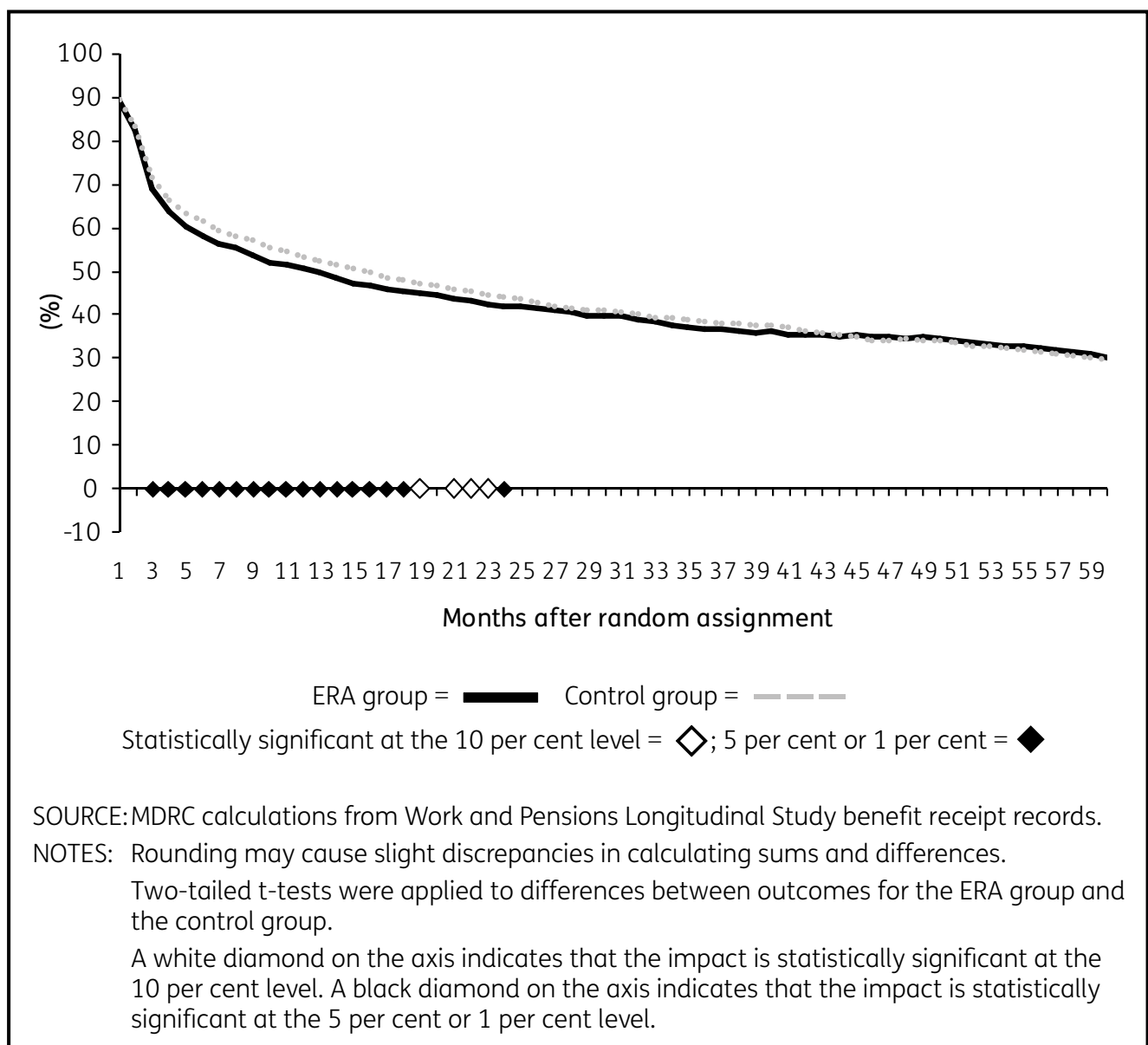
Two-tailed t-tests were applied to differences between outcomes for the ERA group and the control group. Statistical significance levels are indicated as: * = 10 per cent; ** = 5 per cent; and *** = 1 per cent.

Includes all customers randomly assigned between October 2003 and April 2005.

JSA = Jobseeker’s Allowance; IS = Income Support; IB = Incapacity Benefit.

°Benefits refers to Income Support for NDLP customers, and a combination of Income Support and Jobseeker’s Allowance for WTC customers.

Figure 4.5 ERA group and control group Income Support receipt rate trends over the first five years after random assignment, NDLP target group



4.6.2 ERA's impacts on benefits receipt for the WTC target group

Levels of benefits receipt were low among the WTC control group. Table 4.8 shows an average of one month spent in receipt of an out-of-work benefit each year, and shows this to be dominated by Income Support. Those in the WTC group were working 16 to 29 hours a week at the time of random assignment and so could not claim an out-of-work benefit at that time. Since there was no employment effect, it is not surprising to also see little effect of ERA on benefits for the WTC group. For most benefit types, there was no impact on either the average number of months in which benefits were claimed or on the amount claimed. This is true when considering individual years and when considering results across multiple years. The one exception is a reduction in the probability of receiving Incapacity Benefit early in the follow-up period.

4.6.3 Alternative tests of ERA's impacts on benefits receipt and tax credits using survey data

Results for the NDLP target group

As in the case of the employment and earnings outcomes, survey data can be used to produce estimates of the effect of ERA on benefits receipt at the time of the five-year interview. Table 4.9 shows that the proportion of NDLP survey respondents who reported receiving Income Support at the time of the interview (28.8 per cent for the control group) is similar to that recorded in the administrative data as receiving Income Support in month 60 (29.9 per cent for the control group). This provides considerable reassurance that the results based on survey data can be used in combination with the results based on administrative data to achieve a richer understanding of the effect of ERA on benefits receipt.

The survey asked respondents whether they were receiving one of a range of transfer payments: Income Support, Jobseeker's Allowance, WTC, Child Tax Credit, Housing Benefit, or other benefits. In each case, the amount currently received was also reported. Table 4.9 shows that the differences between the ERA group and the control group were small for all benefits considered. By the time of the five-year survey interview, no statistically significant effects of ERA were found.

Table 4.9 Effects of ERA on benefits receipt at five years after random assignment

Outcome	NDLP			WTC		
	ERA group	Control group	Difference (impact) P-value	ERA group	Control group	Difference (impact) P-value
Receiving JSA at interview (%)	5.3	6.7	-1.4 0.204	2.1	2.3	-0.2 0.748
JSA average amount per week (£)	3	4	-1 0.311	1	1	0 0.840
Receiving WTC at interview (%)	41.3	42.4	-1.2 0.611	54.9	54.4	0.5 0.830
WTC average amount per week (£)	21	23	-2.2 0.252	24	24	0 0.892
Receiving CTC at interview (%)	74.6	74.2	0.4 0.838	66.7	69.6	-2.9 0.173
CTC average amount per week (£)	53	51	2 0.423	34	38	-4 0.114
Receiving IS at interview (%)	29.6	28.8	0.8 0.703	6.3	5.8	0.5 0.667
IS average amount per week (£)	21	21	0 0.960	3	3	0 0.907
Receiving Housing Benefit at interview (%)	46.2	46.9	-0.7 0.764	16.2	17.9	-1.7 0.316
Receiving other state benefit at interview (%)	15.0	13.9	1.1 0.506	11.4	11.9	-0.5 0.755
Other state benefit average amount per week (£)	5	4	1 0.353	5	5	0 0.889
Sample size	951	903		948	911	

SOURCE: MDRC calculations from ERA 60-month customer survey.

NOTES: Estimates were regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members.

Rounding may cause slight discrepancies in calculating sums and differences.

Two-tailed t-tests were applied to differences between outcomes for the ERA group and the control group. Statistical significance levels are indicated as: * = 10 per cent; ** = 5 per cent; and *** = 1 per cent.

JSA = Jobseeker's Allowance; WTC = WTC; CTC = Child Tax Credit; IS = Income Support.

Results for the WTC target group

For the WTC group, Table 4.9 shows that the proportion of survey respondents reporting receipt of Income Support or Jobseeker's Allowance at the time of the five-year interview is similar to the proportion recorded in the administrative data as being on one of these benefits in month 60 (as shown in Table 4.8), thus lending credibility to the survey data. Similarly, the analysis of survey data found that ERA had no effect on the receipt of these benefits at the end of the follow-up period and also no effect on the receipt of other benefits and tax credits.

4.7 ERA's impacts on well-being

This last section uses a range of outcomes collected in the survey interviews to explore the effect of ERA on well-being. Arguably, if one views ERA ultimately as a vehicle for improving individuals' life chances by helping them achieve the kind of secure and rewarding employment that was previously out of reach, then the impact on well-being provides perhaps the most informative indication of the success of ERA.

In this section, the question of well-being is explored from a number of perspectives. Most obviously, individuals were asked to assess their personal well-being by answering questions about life satisfaction, self-esteem, levels of anxiety, and health. Being in the ERA group rather than the control group meant that one became eligible for help and support. At first sight, this would suggest that if there were any effects on personal well-being, they would be positive. However, it is possible to conceive of situations wherein personal well-being could be damaged by ERA. For example, ERA participants who were not successful in finding sustained work despite the additional support and encouragement available to them might have felt that they had little to offer employers and suffered reduced self-esteem as a result. It is conceivable then that ERA might have affected individuals' subjective well-being, even though it did not have a lasting effect on economic outcomes.

Survey respondents were also asked about their financial well-being – whether their money situation was difficult and a source of worry, whether they had debt problems, and more generally, how they managed financially. This is particularly relevant for a low-income population.

Information was also collected on children's well-being. This is an area of clear concern, but economic theory provides little guidance regarding what impact to expect.¹¹⁶ However, in policy debates about welfare-to-work programmes, concern is typically expressed that increasing parents' involvement in work may come at the expense of their caring responsibilities and, in turn, their children's welfare. Past evaluations of North American welfare-to-work programmes that include wage supplements suggest that such programmes can have positive effects for young children but not necessarily for adolescents.¹¹⁷ The results presented in this section offer an empirical contribution to the debate on the interaction between parental employment and child welfare in the UK.

¹¹⁶ Grogger and Karoly, 2007.

¹¹⁷ Morris *et al.*, 2001, in their synthesis of five evaluations, found some evidence that programmes that offered working parents financial incentives to work and subsequently increased their employment and incomes were associated with improved school achievement for younger children. By contrast, mandatory employment services that increased parents' employment, but had no effect on income, had few effects on younger children, positive or negative. At the same time, findings from the Canadian Self-Sufficiency Project and Florida's Family Transition Program point to the potential for small negative effects on some aspects of adolescents' behaviour and school achievement, although in the one study that examined these same children in the long term (the Canadian Self-Sufficiency Project), there was no effect on adolescents' school completion.

Children share in the improved financial circumstances resulting from their parent's increased earnings and, in this regard, their welfare is closely linked to that of their parent. The non-financial aspect of children's welfare is also important. It is clear that encouraging lone parents to participate more fully in the labour market may have consequences for their children. As discussed previously, there is little theoretical or empirical evidence to inform expectations here. The most relevant studies – evaluations of welfare-to-work programmes in the US and Canada offering financial incentives to work – do appear to find some positive impacts on young children's school performance. However, it does not necessarily follow that such findings will apply in the UK.

Although positive effects on children would be welcome, it is also important to assess any detrimental effects associated with encouraging lone parents to increase their hours of work. Seen in this light, the absence of any effects on children's welfare in the current study may be regarded positively, since it would indicate that children were not harmed.

The analysis thus considers a range of outcomes relating to children's general well-being, social activities, academic performance, and behaviour. It also examines the use of formal childcare, which other studies have suggested may have a beneficial effect on children.¹¹⁸

4.7.1 ERA's impacts on well-being for the NDLP target group

Table 4.10 shows the effects of ERA on different measures of personal well-being. No statistically significant effects were found. The bottom panel of the table presents results for financial well-being. Again, no statistically significant effects were found. Table 4.11 shows that there are very few statistically significant long-term effects of ERA on the children of NDLP participants. It is not surprising that ERA did not have any effects on well-being, given that the programme did not generate large increases in employment or earnings.

¹¹⁸ See, for example, findings from a random assignment evaluation of the New Hope programme, which offered a variety of work-focused financial incentives and other services to low-income families in Milwaukee, Wisconsin (Huston *et al.*, 2003).

Table 4.10 Effects of ERA on financial and personal well-being at five years after random assignment

Outcome	NDLP			WTC		
	ERA group	Control group	Difference (impact) P-value	ERA group	Control group	Difference (impact) P-value
Personal well-being (%)						
Over next year will undertake new training	65.4	64.4	1.0 0.652	66.4	63.3	3.1 0.167
Very satisfied/satisfied with life as a whole	14.3	16.9	-2.7 0.116	23.6	20.8	2.8 0.151
Strongly agree/agree she/he feels positive about self	26.4	27.9	-1.5 0.481	29.2	27.7	1.5 0.475
Strongly agree/agree she/he spends a lot of time worrying	35.7	37.6	-1.9 0.397	27.8	26.8	1.0 0.630
Health is very good/good	64.6	66.5	-1.8 0.404	71.6	73.2	-1.6 0.452
Has long-standing illness, disability, or infirmity <i>This illness limits activities</i>	34.7 71.3	33.3 66.4	1.4 0.531	34.3 60.6	32.7 61.3	1.6 0.468
Current financial outlook (%)						
Financial situation is very difficult/difficult Is always/often worried about money	67.4 64.6	67.7 64.4	-0.4 0.2 0.931	60.4 54.0	57.0 50.9	3.3 3.1 0.144 0.185
Family manages very/quite well financially	13.4	14.2	-0.8 0.621	21.4	21.2	0.2 0.914
In past year has had debt trouble always/quite often	33.7	31.9	1.8 0.401	21.2	18.9	2.4 0.195
Always/mostly has money left over each week/month	9.1	9.5	-0.4 0.751	13.5	13.5	0.0 0.997
Always/mostly runs out of money by end of week/month	34.2	31.5	2.8 0.202	24.7	17.4	7.3 *** 0.000
Sample size	951	903		948	911	

SOURCE: MDRC calculations from ERA 60-month customer survey.

NOTES: Estimates were regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members.

Rounding may cause slight discrepancies in calculating sums and differences.

Two-tailed t-tests were applied to differences between outcomes for the ERA group and the control group. Statistical significance levels are indicated as: * = 10 per cent; ** = 5 per cent; and *** = 1 per cent.

Table 4.11 Effects of ERA on children at five years after random assignment, for sample members who have at least one child younger than 16

Outcome	NDLP			WTC				
	ERA group	Control group	Difference (impact)	P-value	ERA group	Control group	Difference (impact)	P-value
Working and made childcare arrangements (%)	49.0	45.0	4.1	0.114	65.0	58.0	7.0 **	0.014
Very/fairly convenient childcare arrangement (%)	32.6	31.2	1.3	0.583	49.1	42.4	6.7 **	0.022
Child's life is going (%)								
Very well	55.3	57.1	-1.9	0.493	57.3	62.6	-5.3 **	0.047
Fairly well	37.1	33.3	3.9	0.139	37.0	31.7	5.3 **	0.039
Not so well	6.1	7.8	-1.7	0.208	4.4	4.8	-0.4	0.704
Not well at all	1.6	1.8	-0.3	0.710	1.3	0.9	0.4	0.481
Child's performance in the last academic year for Maths (%)								
Well above average	20.8	21.4	-0.6	0.785	24.2	23.3	0.9	0.700
Slightly above average	25.1	25.4	-0.3	0.916	27.6	28.8	-1.2	0.612
Average	32.9	32.6	0.3	0.895	28.8	29.2	-0.4	0.887
Slightly below average	13.6	11.9	1.7	0.354	10.5	10.4	0.1	0.974
Well below average	4.4	5.7	-1.4	0.254	2.3	2.4	-0.1	0.902
Did not attend school	1.9	1.3	0.7	0.330	3.2	2.1	1.1	0.194
Did not do math	1.3	1.7	-0.5	0.467	3.5	3.9	-0.4	0.703
Child's performance in the last academic year for English (%)								
Well above average	21.1	21.6	-0.6	0.800	26.4	25.7	0.6	0.800
Slightly above average	23.2	28.4	-5.1 **	0.032	28.3	27.0	1.4	0.587
Average	39.4	33.7	5.6 **	0.033	30.0	32.8	-2.8	0.274
Slightly below average	11.1	11.3	-0.2	0.919	10.1	9.8	0.3	0.840
Well below average	4.4	4.3	0.0	0.975	2.9	2.9	0.0	0.996
Did not do English	0.9	0.6	0.2	0.654	2.4	1.9	0.5	0.511
Amount of homework child completes (%)								
All, or almost all	69.6	70.8	-1.2	0.656	75.0	73.5	1.5	0.551
Most	20.3	20.3	0.0	1.000	17.5	17.9	-0.3	0.886
About half	4.6	4.9	-0.3	0.805	4.3	4.6	-0.3	0.789
Some, but less than half	2.0	1.6	0.5	0.549	1.4	2.2	-0.9	0.270
Not much	3.0	2.0	1.0	0.263	1.1	1.3	-0.2	0.717
None	0.5	0.5	0.0	0.985	0.7	0.5	0.2	0.631

(continued)

Table 4.11 Continued

Outcome	NDLP			WTC				
	ERA group	Control group	Difference (impact)	P-value	ERA group	Control group	Difference (impact)	P-value
School has contacted parent about child's behaviour in the past year (%)	23.1	22.5	0.5	0.821	17.7	19.2	-1.5	0.489
School has contacted parent about child not attending school in the past year (%)	10.7	9.8	0.9	0.578	9.0	8.3	0.7	0.644
Police contacted parent because child did something wrong in the past year (%)	5.9	5.3	0.6	0.616	4.0	3.2	0.7	0.466
Parent feels miserable or depressed (%)								
Always	6.9	5.1	1.8	0.164	.7	1.9	1.9 **	0.035
Often	11.1	9.3	1.8	0.282	5.8	6.7	-0.9	0.489
Sometimes	32.7	33.1	-0.5	0.852	31.9	31.8	0.2	0.946
Rarely	22.5	23.1	-0.7	0.764	28.1	27.5	0.6	0.806
Never	26.9	29.3	-2.4	0.326	30.5	32.2	-1.8	0.488
Sample size	713	652			676	690		

SOURCE: MDRC calculations from ERA 60-month customer surveys.

NOTES: Estimates were regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members.

Rounding may cause slight discrepancies in calculating sums and differences.

Two-tailed t-tests were applied to differences between outcomes for the ERA group and the control group. Statistical significance levels are indicated as: * = 10 per cent; ** = 5 per cent; and *** = 1 per cent.

Italics indicate comparisons that are non-experimental since they were calculated over a portion of the sample. Statistical tests were not performed.

4.7.2 ERA's impacts on well-being for the WTC target group

ERA also had few effects on overall personal or financial well-being among WTC group members. Although some impacts presented in Tables 4.10 and 4.11 suggest that ERA may have affected some aspects of parent, family, and child well-being negatively, the overall pattern suggests no clear effect.¹¹⁹

For the WTC group, ERA increased the likelihood of having convenient childcare arrangements by 6.7 percentage points. This effect may have enabled the increase in working hours seen for this group. It is important to point out, however, that no such effect on stable childcare was found at the two-year follow-up point (i.e., while the programme was operating), and it is unclear why it would have emerged late in the follow-up period. Most WTC group members were employed when they entered the study, so many had presumably worked out childcare arrangements. However, Table 4.12 shows that over a quarter of unemployed WTC group members cited a need or desire to look after children as a reason why they were not working. It appears that in the longer run, an effect emerged as ERA group members were more likely to obtain stable childcare.

¹¹⁹ For reasons that are unclear, WTC group members reported being seven percentage points more likely to run out of money by the end of the week or month (Table 4.10). This effect on financial insecurity is hard to explain, given that, if anything, ERA increased earnings among the WTC group earlier in the follow-up period, with no corresponding decrease in benefits receipt. Adding to the puzzle, this effect was rather large in percentage terms (42 per cent above the control group average). ERA also produced a small (in absolute terms) effect on the likelihood that parents reported 'always' being miserable or depressed. Finally, ERA reduced the percentage of parents who reported that their children's lives are going very well by 5.3 percentage points. Taken together, these negative-leaning impacts on well-being among the WTC group may relate to the stress of working more hours. However, these are exceptions to the general pattern of no impacts on most measures of well-being.

Table 4.12 Effects of ERA on employment characteristics, current or most recent job at five years after random assignment

Outcome	NDLP			WTC				
	ERA group	Control group	Difference (impact)	P-value	ERA group	Control group	Difference (impact)	P-value
Not employed at interview (%)	43.0	43.1	-0.1	0.967	17.0	16.9	0.0	0.985
Reason not employed among those not employed (%)								
Temporarily away from job or business	2.0	3.4			4.2	3.8		
In full-time education	5.0	5.0			5.2	8.2		
On a government scheme	2.4	1.6			0.5	0.1		
Unemployed and looking/waiting for work	30.7	35.4			25.4	27.4		
Looking after children	40.7	36.9			27.6	28.9		
Temporarily sick or injured	6.3	6.3			7.1	6.9		
Permanently sick or disabled	6.9	5.9			8.7	7.8		
Other reason	4.4	4.9			10.0	10.3		
Job characteristics (%)								
Hours change a lot or a fair amount	9.7	7.0	2.8 **	0.032	8.5	10.2	-1.7	0.199
Working hours is inconvenient for home life	20.1	18.9	1.2	0.526	21.2	19.9	1.3	0.509
Employer offers training	25.4	24.9	0.5	0.827	36.1	34.5	1.6	0.482

(continued)

Table 4.12 Continued

Outcome	NDLP			WTC		
	ERA group	Control group	Difference (impact) P-value	ERA group	Control group	Difference (impact) P-value
Had worked, but last job ended for the following main reason:						
Temporary/seasonal/casual job	2.5	2.8	-0.3 0.704	1.9	0.5	1.4 ** 0.008
Dismissed	0.8	0.6	0.2 0.668	0.5	0.7	-0.2 0.576
Made redundant	3.1	2.9	0.3 0.779	1.9	1.0	0.8 0.165
Resigned/decided to leave	2.5	1.2	1.3 * 0.067	0.7	1.4	-0.7 0.157
Left to have a baby	1.7	2.8	-1.0 0.185	1.1	1.3	-0.2 0.708
Gave it up for family/personal reasons	3.4	3.8	-0.4 0.667	0.9	1.3	-0.4 0.480
Gave it up for health/disability reasons	3.3	2.0	1.3 0.135	1.8	1.7	0.1 0.904
Took early retirement	0.0	0.0	0.0 0.000	0.0	0.3	-0.3 0.136
Other	3.4	3.1	0.3 0.774	2.2	2.5	-0.3 0.717
Sample size	951	903		948	911	

SOURCE: MDRC calculations from ERA 60-month customer surveys.

NOTES: Estimates were regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members. Rounding may cause slight discrepancies in calculating sums and differences.

Two-tailed t-tests were applied to differences between outcomes for the ERA group and the control group. Statistical significance levels are indicated as: * = 10 per cent; ** = 5 per cent; and *** = 1 per cent.

Italics indicate comparisons that are non-experimental since they were calculated over a portion of the sample. Statistical tests were not performed.

4.8 ERA's economic impacts across districts

When the effects of ERA are considered for individual districts, it is apparent that the programme had different impacts in some areas compared with others. However, smaller sample sizes at the district level mean that a given impact is less likely to be statistically significant. For this reason, the primary focus in the following analysis is not whether the impact in a given district is statistically significant, but whether the variation in effects across districts is statistically significant. If this variation is not statistically significant, then the conclusion would be that the effects observed for the full sample generally hold across the districts.

All analyses in this section are based on administrative data and are limited to the NDLP target group. It is particularly important when considering results for districts (or offices or subgroups, as in the next chapter) to maximise the number of observations available for analysis. District-level analyses are not presented for the WTC group because sample sizes for that group in districts other than the East Midlands are too small to yield credible impact estimates.

Table 4.13 summarises ERA's impacts on employment and earnings for the NDLP group for each district. (Appendix B includes more detailed tables for each district.) It shows that ERA's effects on participants' number of months employed over the five-year follow-up period varied by district, and that this variation is statistically significant. Much of this variation was driven by large positive effects in North West England, where ERA led to an additional 3.6 months of employment on average (an increase of 15 per cent relative to the control group average), and negative impacts in Wales, where ERA reduced the amount of employment by 3.4 months (a reduction of 12 per cent).¹²⁰ However, the variation across districts in ERA's impacts on total four-year earnings over the tax years 2005-2006 through 2008-2009 is **not** statistically significant.

Interestingly, ERA had no statistically significant impact on four-year earnings in Wales, despite a negative effect on months employed. This seeming contradiction suggests that employed people in the ERA group may have worked more hours or at higher wage rates than employed people in the control group and that their higher earnings prevented average earnings for the overall ERA group from falling below those of the overall control group, even though the programme group as a whole worked less. If this interpretation is correct, it would imply that the ERA programme in Wales increased advancement outcomes for some participants.

¹²⁰ From a statistical point of view, it is not surprising to see variation across districts in the effect of ERA, and the fact that this variation encompasses a negative result in the case of Wales may give little cause for concern. However, it is of interest to try to understand whether there may have been particular factors that combined to produce a negative effect in Wales. Examining the levels of employment among the control group is informative (results not shown in table). Control group employment levels are substantially higher in Wales than elsewhere. For instance, across all six districts, 79 per cent of NDLP lone parents worked at some point in the five years after random assignment. In Wales, the level was 88 per cent. Perhaps because of the operation of NDLP in Wales, control group employment was higher than in other districts.

Table 4.13 Effects of ERA on employment and earnings within five years after random assignment, NDLP target group, by district

Outcome	Average number of months employed during months 1-60			Average 4-year earnings during 2005-2009 tax year			Sample size
	ERA group	Control group	Difference (impact) P-value	ERA group	Control group	Difference (impact) P-value	
Full sample	25.1	25.0	0.0 0.969	17,280	16,742	538 0.325	6,787
East Midlands	25.3	26.1	-0.8 0.439	16,319	16,229	90 0.933	1,645
North East England	24.5	24.7	-0.1 0.900	15,659	16,528	-869 0.436	1,298
North West England	27.1	23.5	3.6 *** 0.005	17,668	15,875	1,793 0.189	1,022
London	22.3	22.5	-0.2 0.883	19,156	17,821	1,335 0.339	1,529
Scotland	28.3	27.7	0.6 0.723	18,252	17,616	636 0.719	629
Wales	25.3	28.7	-3.4 ** 0.041	16,705	16,703	2 0.999	664

SOURCE: MDRC calculations from Work and Pensions Longitudinal Survey employment and earnings records and baseline information forms completed by DWP staff.

NOTES: Estimates were regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members.

Rounding may cause slight discrepancies in calculating sums and differences.

Two-tailed t-tests were applied to differences between outcomes for the ERA group and the control group. Statistical significance levels are indicated as: * = 10 per cent; ** = 5 per cent; and *** = 1 per cent. A statistical test was performed to measure whether impacts differed significantly across subgroup categories. Statistical significance levels are indicated as: † = 10 per cent; †† = 5 per cent; and ††† = 1 per cent.

Includes all customers randomly assigned between October 2003 and April 2005.

A statistical test was performed to measure whether impacts differed significantly across subgroup categories. Statistical significance levels are indicated as: † = 10 per cent; †† = 5 per cent; and ††† = 1 per cent.

4.9 Conclusions

This chapter has presented findings on ERA's effects on a variety of labour market, welfare, and non-economic outcomes over a period of five years, which encompasses a time after the programme ended for all participants. It shows that, for the NDLP group – lone parents who entered the programme when they were unemployed or working fewer than 16 hours per week – ERA increased employment and earnings in the first year or two, largely by increasing participants' likelihood of working full time. However, these effects were not sustained as participants exited the programme. Moreover, ERA appears to have had little effect on employment retention rather than employment *per se*, or on longer-term advancement – even though it caused an early increase in the probability of training while in full-time work. However, ERA did produce a more enduring reduction in the receipt of welfare benefits.

For lone parents who were working part time and receiving WTC at the time of random assignment, ERA had no effect on employment but did increase earnings in the short run, again driven by an increase in the likelihood of working full time. However, the earnings effects were not sustained in the longer term, nor was there any indication of increased employment retention. ERA does appear to have increased the efforts of the WTC group to advance, as suggested by increases in training participation and in taking other steps to prepare for or find better opportunities. However, these efforts did not yield longer-term improvements in labour market outcomes.

The administrative data show that, among both target groups, earnings grew from year to year for ERA participants and controls alike. However, they grew at a faster pace earlier in the follow-up period for ERA participants. Eventually, the pace of their earnings growth slowed, and control group members 'caught up', causing the impacts to decline over time. In addition, comparing rates of full-time employment for both groups across survey waves shows that both groups were more likely to have worked full time later in the follow-up period than earlier, but that the control group closed the gap in full-time work over time. In sum, ERA was not powerful enough to produce effects that would continue to grow and outlast the normal trends experienced by the control group.¹²¹ It is also possible that the onset of the steep economic recession in 2008, encompassing the evaluation's final year of follow-up, made it more difficult for the ERA group to capitalise further on whatever advantages they derived from the ERA programme.

It should also be borne in mind that lone parents were defined at the time of random assignment. Five years later, circumstances would have changed for many, with re-partnering and new children, as well as aging children, altering individuals' attitudes towards work. These changing circumstances might have encouraged some individuals to enter work and others to leave work at different times during the follow-up period, or to change how much they worked.¹²²

This chapter has focused on the impacts of ERA for the NDLP and WTC target groups overall. The next chapter explores whether the programme's effects varied across different types of people in each of those groups and also across the local offices that implemented the programme.

¹²¹ As discussed in Chapter 1, a number of potentially relevant policy changes were introduced late in the evaluation's follow-up period that could have affected some members of the programme and control groups. These include the national rollout of In-Work Credit for lone parents, In-Work Advisory Support, and the In-Work Emergency Discretion Fund. While this might have reduced the contrast between the programme and control groups in ERA-like incentives and services, these policy changes may have come too late to affect many people in the ERA sample. Moreover, they were introduced after the trends of declining impacts had already emerged.

¹²² Analysis of the 60-month survey indicates that most sample members did not remarry or repartner by the end of the follow-up period. For example, only nine per cent of NDLP control group members were married at the time of the 60-month survey.

5 ERA's impacts on lone parents across offices and subgroups

Box 5.1 Chapter 5 at a glance

- Local offices implemented the Employment Retention and Advancement (ERA) model differently, resulting in statistically significant variation in impacts across offices on the number of months employed and the number of months receiving Income Support for the New Deal for Lone Parents (NDLP) target group.
- Offices that more effectively communicated the availability of the employment retention bonus, and offices that provided a bigger net increase in in-work retention and advancement assistance (relative to control group service levels), produced larger impacts on months employed and larger reductions in months on Income Support for the NDLP target group.
- ERA's impacts on employment, earnings, and benefits receipt were larger for participants who were better educated but unemployed (i.e., NDLP lone parents with Advanced-level (A-level) qualifications) when they entered the programme.
- Cross-office and cross-subgroup analyses suggest that ERA's impacts on training participation were not associated with larger impacts on later earnings.

5.1 Introduction

Chapter 4 showed that ERA's early impacts on labour market outcomes for lone parents did not persist through the end of the follow-up period. However, it is possible that ERA worked better for some types of people than others within each target group and better in some places than in others. Indeed, Chapter 4 indicated that, on some measures, ERA's effects for the NDLP target group varied across the six Jobcentre Plus districts that operated the programme.

This chapter takes a closer look at the variation of impacts across locations by focusing on Jobcentre Plus offices, where programme participants received ERA services and where random assignment took place. Each district had multiple offices. Because local conditions, ERA staff practices, and the types of lone parents served varied across offices even within the same districts, and because offices outnumber districts, office-level comparisons may provide a better opportunity than district-level comparisons to assess how implementation practices and conditions may have influenced ERA's effectiveness. The analysis focuses on the NDLP target group only, because of data limitations that affected the Working Tax Credit (WTC) and New Deal 25 Plus (ND25+) target groups. The chapter summarises findings from a separate report that presents the methods and results of the cross-office analysis in more detail.¹²³

This chapter also explores whether ERA's impacts varied for different subgroups of participants, defined according to their characteristics at the time of random assignment. The subgroup analysis is conducted for the NDLP and WTC target groups. (Chapter 6 examines impacts by subgroup for the ND25+ sample.)

¹²³ Dorsett and Robins, forthcoming, 2011.

Finally, the chapter presents the results of an exploratory analysis that takes advantage of subgroup variation in ERA's impacts on rates of participation in training to shed light on the longer-term influence of those effects on labour market impacts.

5.2 ERA's impacts on the NDLP target group across offices

ERA was implemented in 58 local offices within six districts, and because random assignment was administered at the local level, it is theoretically possible to estimate separate impacts for each office and to try to link the variation in programme practices and features across offices with those impacts. In the actual analysis, certain offices were grouped together based on information pertaining to operational procedures and sample sizes, yielding 37 distinct offices or combinations of offices.

5.2.1 Variation in impacts across offices

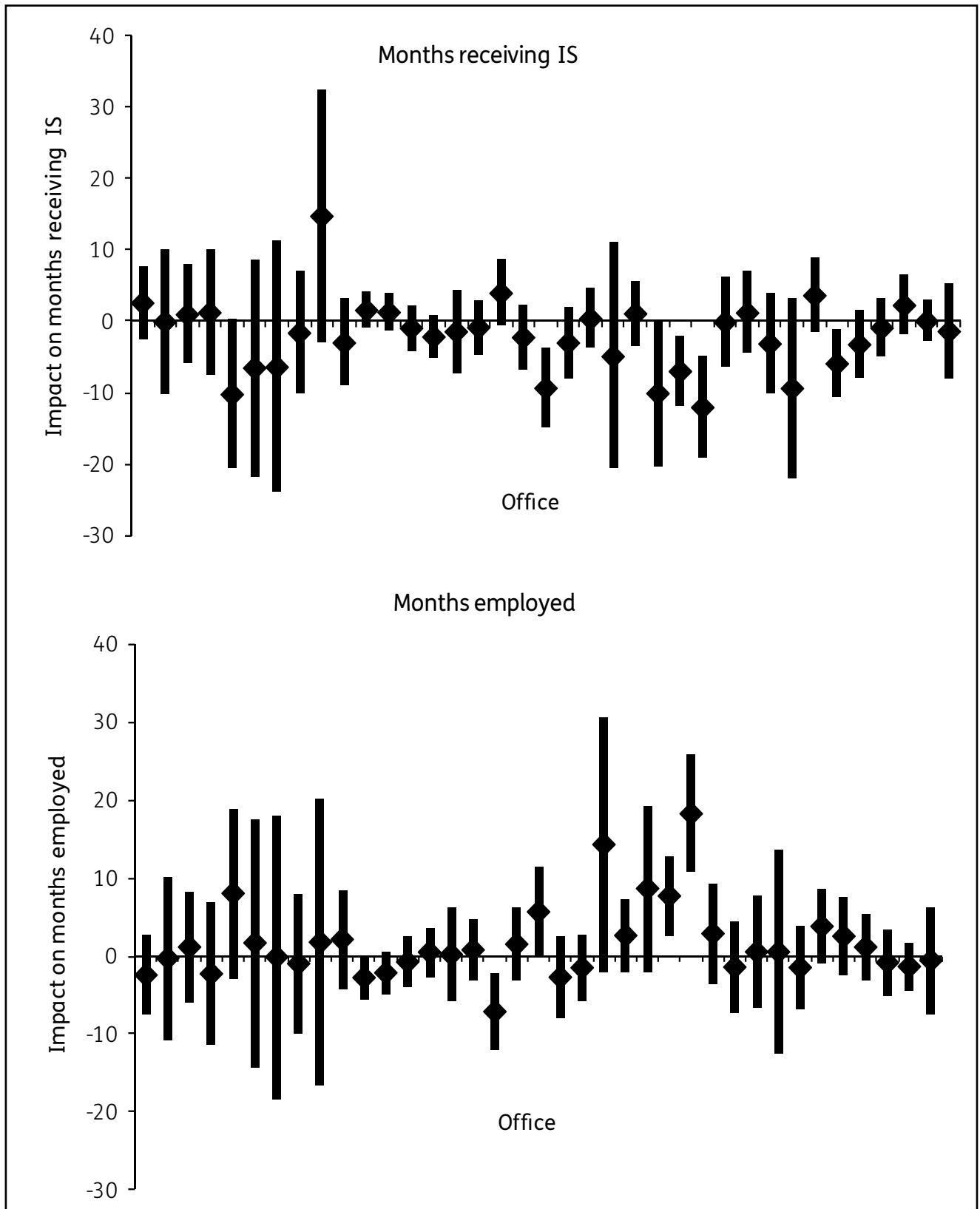
The first question to consider in this analysis is: How much did ERA's impacts on key outcomes actually vary across offices? In other words, was there enough variation in the programme's effectiveness across offices to suggest that differences in office-level conditions and practices might matter? To answer this question, statistical tests (using a multiple regression model) were conducted that estimated whether each office's impacts on a given outcome variable were statistically significantly different from the average impact on that variable estimated over all offices combined.

Figure 5.1 presents the estimated office-level impacts on two variables: average number of months receiving Income Support benefits and average number of months employed. Both variables are measured over the full five-year follow-up period. The figure also shows 90 per cent confidence intervals for each of those estimates. Generally speaking, because the impact results are only estimates, they may not be completely accurate. The confidence intervals are helpful because they show the range within which the 'true' impacts are highly likely to fall. If the confidence interval on the graph for a particular office does not cross the zero impact line, then the estimated impact is statistically significant at the ten per cent level, and one can be more confident that the office truly did affect the outcome of interest and that the estimated impact was not simply a product of chance.

As Figure 5.1 indicates, impacts on months receiving Income Support range from -12 months to +15 months, but only five of the 37 estimates are statistically significant. The impacts on months employed range from -7 months to +18 months; again, only five of the estimates are statistically significant. It should be remembered that office-level impacts are calculated on smaller samples, so the impact estimates are less precise. A separate test was conducted to determine whether the overall variation in impact estimates across the offices is itself statistically significant. The analysis found this to be the case for employment (p -value = .07), but not for Income Support (p -value = .14). However, the variation in the Income Support impact estimates is statistically significant in year 2, not shown in the figure). Based on these results, it was concluded that the variation in the impacts across offices was sufficient to warrant a further, more sophisticated analysis to determine whether part of the variation could be explained by office characteristics.

The analysis also examined the variation in impacts on earnings across offices. However, within each office, individuals' earnings vary much more than their months employed, and this makes it more difficult to detect statistically significant impacts (unless they are quite large), especially with small samples. Perhaps as a result, the variation in earnings impacts across offices is not statistically significant and is not a focus of the analysis presented here.

Figure 5.1 Impacts on months receiving Income Support and months employed, 90 per cent confidence intervals, by office



SOURCE: MDRC calculations from Work and Pensions Longitudinal Study benefits receipts and employment records.

NOTES: Numbers next to diamonds are OLS point estimates. The vertical lines represent 90 per cent confidence intervals. Impacts that do not cross the zero impact line are statistically significant.

5.2.2 A cross-office statistical model

Differences in impacts across offices can arise not only because of differences in the way ERA was operated, but also because of differences in the types of people it served. For example, one office may be more effective than another, not because it operated differently, but rather because it enrolled more of the types of people for whom ERA could be effective. Thus, office-level impacts are the product of the characteristics of individuals as well as the features of the offices themselves.¹²⁴ In order to take into account the varying characteristics of all lone parents in the research sample and the key features of each office, a more sophisticated statistical framework than is traditionally used in evaluation research is required. Specifically, the statistical framework must take into account the fact that there are two different units of analysis, with individual sample members nested within offices.¹²⁵

5.2.3 Cross-office variables

In examining variation in ERA's impacts across offices, the cross-office analysis focuses on particular ERA features that are aligned with the programme's objectives of helping participants remain employed and advance in work. Progress on these outcomes should be reflected in more months of employment during the follow-up period and less time spent receiving Income Support.

The office-level variables were constructed from several sources, including customer surveys, staffing forms, staff surveys, and data used in a special ERA evaluation report examining why some eligible New Deal participants did not enrol in ERA.¹²⁶ The analysis focuses on five office features that are predicted to be associated with ERA's effectiveness. Each of these taps a separate, but related, dimension of operating an advancement-focused programme. Overall, these measures are correlated to some extent with each other (meaning that offices that rank high on one measure have some tendency to rank high on the other), but the correlations are modest at best. Thus, characteristics are treated in the analysis as separate dimensions.

- **How much did an office's advisers work with ERA participants?** This dimension attempts to capture the extent to which each local Jobcentre Plus office devoted its staff resources and attention to its ERA participants **relative to** its non-ERA customers. It is assumed that the greater the share of an office's staffing resources devoted to ERA participants, the stronger the priority ERA had in that office (at the adviser level), and, by implication, the greater the intensity of ERA services the programme group received relative to the intensity of non-ERA services the controls and other customers received. It is expected that in offices where more resources were devoted to ERA participants, the programme's effectiveness would be greater, and ERA would have achieved larger reductions in the number of months ERA participants (relative to controls) received Income Support and larger increases in their number of months employed.

¹²⁴ Variation in impacts with respect to study participants' personal characteristics is commonly referred to as 'subgroup analysis'. Later in this chapter, results from a subgroup analysis are presented.

¹²⁵ The analysis uses a statistical model based on the methodology developed by Bryk and Raudenbush, 1992, and first applied to the evaluation of social experiments by Bloom *et al.*, 2005.

¹²⁶ Goodman and Sianesi, 2007.

- **How much did an office's advisers focus on long-term goals?**¹²⁷ The survey asked respondents: *When working, did you get any advice or encouragement from Jobcentre Plus staff on working out long-term career goals? When not working, did you get any advice or help from Jobcentre Plus staff with working out long-term career goals?* Their answers were used to indicate how much respondents had received any advice on long-term goals, either when working or when out of work. The difference between ERA participants and the control group on this measure within a given office suggests how much extra encouragement an office gave to ERA participants to pursue human capital development goals, compared with what it offered to controls. It is predicted that in offices where this differential was greater, ERA participants would have more prolonged stays on Income Support and reduce their total time employed in the short term, but would have gains in employment in the long term. However, **how long** it would take to recoup such short-term losses is uncertain. Therefore, it is not obvious whether the five-year horizon available for this study is adequate to capture those gains. Consequently, in this analysis, it is reasonable to expect that focusing on long-term goals might have either positive or negative overall impacts on employment and benefits receipt.
- **How much did an office's advisers emphasise education or training as a route to advancement?** The survey asked respondents: *When working, did you get any advice or encouragement finding an education or training course? When not working, did you get any advice or help from Jobcentre Plus staff with looking for education or training courses?* Responses to these questions were used to indicate whether respondents had received any help finding an education or training course. The analysis measures how much more each office promoted education or training for the ERA group than for the control group. Those offices in which there was a larger differential between the ERA and control groups could be thought of as having delivered a bigger net increase in this form of skills-building assistance. It is expected that the consequences of this practice might depend on a participant's employment status when receiving the assistance. Offices in which there was a bigger net increase in delivering assistance with training courses while participants were **not working** might be more likely to have increased participants' months on Income Support and reduced their months of employment, at least in the short run. However, offices in which there was a greater increase in assistance with training courses while participants were **working** might **not** have affected ERA participants' time on Income Support and might increase their months employed in the long run.
- **How much did an office's advisers provide 'general advancement guidance' by encouraging individuals to take specific steps to advance in work, other than by enrolling in education or training courses?** The survey asked respondents: *When working, did you get any advice or encouragement from Jobcentre Plus staff on how to negotiate a pay rise, how to negotiate better terms (for example, more convenient hours, or how to get a promotion in your present work)? When not working, did you get any advice or help from Jobcentre Plus staff with helping you to stay in work or advance in future jobs?* Respondents' answers were used to indicate whether they had discussed in-work advancement strategies, either when working or when out of work. How much a given office gave this type of 'general advancement guidance' to the ERA group relative to the control group would indicate the extent to which it provided a net increase in general advancement guidance to the ERA group. The expectation is that offices in which there was a higher net increase in the general advancement guidance they delivered would be more likely than other offices to have shortened participants' stays on Income Support and increased their number of months of employment.

¹²⁷ This and the following four office variables are measured as the difference between ERA and control group participants in the receipt of the particular service from Jobcentre Plus. It is hypothesised that it is the differential receipt of services that drives the programme's impact.

- **How much did an office's advisers provide general support to individuals who were working?** The survey asked respondents: *And how much support has this person [the Jobcentre Plus adviser] given you when working?*¹²⁸ Respondents could choose the response 'a lot', and this was used to define the variable. The office average score was based only on the responses of those who had worked at some point during the follow-up period. The difference in how much the staff focused on in-work support for the ERA group relative to the control group varied across offices. Offices where the differential was larger are considered to have provided greater relative in-work support. The expectation is that offices where the relative provision of in-work support was greater were more likely to have shortened participants' stays on Income Support and increased their months of employment.
- **How aware were ERA participants of the ERA work retention bonus?** The survey asked participants in the programme group: *Under the ERA programme, some people who work for at least 30 hours a week for about three months out of four can claim a bonus of £400. Have you heard of this bonus?* The responses to this question were used to indicate whether ERA participants were aware of the work retention bonus, either when working or when out of work. The expectation is that in offices where knowledge of the bonus was greater, ERA would have reduced participants' stays on Income Support and increased their months of employment.

Table 5.1 presents the means and the cross-office range of the office variables used in the analysis. Caseloads averaged about 29 customers for each Jobcentre Plus adviser, and about 42 per cent of these advisers, on average, worked with ERA participants. Adviser caseloads varied quite substantially across offices (from about three customers for each adviser to 109 customers for each adviser), as did the proportion of advisers working with ERA participants (from about 20 per cent to 94 per cent).

For each of the advancement-related service measures, Table 5.1 presents the average proportion of controls receiving the specified assistance from Jobcentre Plus, the average proportion of ERA participants receiving the service from Jobcentre Plus (through the ERA programme), and the average ERA-versus-control difference in the proportion receiving the service.¹²⁹ On average across the entire sample of offices, for every advancement-related measure, a higher proportion of ERA participants than controls received the service. This is expected, although the differential is not always large. However, surprisingly, the control group in some offices was more likely than the ERA group to have received the service, as reflected in the negative minimum values of the differential in the cross-office ranges.¹³⁰ Where the difference is negative or even close to zero, it implies that an office did not implement these dimensions of ERA very well.

Across all offices, most ERA participants were aware of the employment retention bonus. In fact, in no office were less than three-quarters of the ERA participants aware of the retention bonuses, and in some offices all of the ERA participants surveyed were aware of the bonuses.

¹²⁸ The kind of support received was not specified in the question.

¹²⁹ The first and third of these measures (the control group value and ERA-versus-control-group difference) are used as variables in the multi-level model. The second measure (for the ERA group) is not directly included in the multi-level model (except for the retention bonus awareness variable) but is shown for informational purposes.

¹³⁰ Specifically, there were four offices in which the proportion of customers advised to think long term was higher among the control group than the programme group; seven offices where the proportion of customers receiving help finding an education or training course was higher; six offices where the proportion receiving help with in-work advancement was higher; and seven offices where the proportion receiving support while working was higher.

Table 5.1 Office characteristics (measured during the follow-up period)

Office variable	Cross-Office Range		
	Mean	Minimum	Maximum
Caseload (per adviser)	29.47	3.27	109.99
Proportion of advisers working with ERA customers	42.1	20.4	93.6
Proportion of customers advised to think long term			
Control group	30.3	0.0	73.9
ERA group	49.4	1.6	100.0
Difference	19.1	-49.4	92.5
Proportion of customers receiving help finding education course			
Control group	43.0	0.0	100.0
ERA group	64.3	14.4	99.0
Difference	21.3	-17.0	54.4
Proportion of customers receiving help with in-work advancement			
Control group	20.1	0.0	66.6
ERA group	40.1	0.0	100.0
Difference	20.0	-68.5	100.0
Proportion of customers receiving support while working			
Control group	44.5	0.0	100.0
ERA group	65.2	20.5	100.0
Difference	20.7	-49.0	100.0
Proportion of ERA customers aware of retention bonuses	87.3	74.7	100.0
Sample size	37	37	37

SOURCE: MDRC calculations from Work and Pensions Longitudinal Study benefits receipt records, staffing forms, and the 12- and 24-month customer surveys.

NOTES: Rounding may cause slight discrepancies in calculating sums and differences.

Caseload variables taken from staffing form. All other variables taken from customer surveys. The office variables have been regression-adjusted to control for differences in customer characteristics across offices.

5.2.4 The correlation of office-level characteristics with office-level impacts

Table 5.2 shows how strongly the office features described above are related to (and, thus, may have influenced) the impacts of an office's ERA programme on the number of months ERA participants received Income Support (top panel) and the number of months they were employed (bottom panel). More technically, the coefficients show how much bigger an office's impact would be, relative to the overall impact across all offices (i.e., the 'grand mean'), if its value on a given office

characteristic changed by a single unit.¹³¹ These estimates are derived after statistically controlling for variation in individual characteristics across offices and for cross-office differences in each of the **other** office-level variables listed in the table. Thus, the coefficients show the estimated relationship between the implementation measure and the impact measure **independent** of any influence that other office features and participant characteristics may have had on office impacts. The asterisks indicate whether the relationship is strong enough to be statistically significant – that is, unlikely to have occurred by chance.

The table also presents the relationship between office characteristics and office impacts in terms of 'inter-quartile' ranges. The inter-quartile range shows how much an average office's impact would vary if its ranking (relative to the other offices) on a particular feature were to change.¹³² It is an alternative way to illustrate how much a particular office characteristics matter for programme impacts. For example, consider the measure, 'proportion of advisers working with ERA participants'. The inter-quartile range illustrates what an office's impact on Income Support would be if that office ranked at the 25th percentile on the measure, and what its impact would become if its ranking were to rise to the 75th percentile on that characteristic. When the correlation between an office characteristic and an office-level impact is stronger, the range of impact estimates between the 25th and 75th quartiles will be larger.

In interpreting the results of this study, it is important to understand that while certain office characteristics may be important in explaining the cross-office differences in impacts on economic outcomes, the programme-control group differences in office characteristics themselves varied only modestly across the particular offices included in this analysis. Although this limited variation suggests a fair amount of consistency in implementing the ERA model across different places, it also means that the current evaluation provides only a limited assessment of the potential independent importance of these variables. It is possible that had the 'service differential' varied more widely across offices, its effects on programme impacts might have been stronger.

Nonetheless, several office features appear to be important. As Table 5.2 shows, three of the six office characteristics are estimated to be related to ERA programme impacts at statistically significant levels for either or both of the outcome measures. These features are: (1) how much an office's advisers provided 'general advancement guidance' (by encouraging ERA participants to take specific

¹³¹ Because the office characteristics are measured as proportions, a change in a single unit is interpreted as a change between zero and 100 per cent (and not fractions of a unit, as proportions would imply). Thus, the coefficient indicates the effect of the office-level factor under the (theoretical) situation that **all** ERA participants and **no** control group participants received a particular service. For example, as Table 5.2 shows, if the difference between the ERA and control groups in the likelihood of receiving general advancement guidance were 100 per cent, ERA in that office would have reduced ERA participants' time on Income Support by a further eight months relative to the grand mean (i.e., the average impact of ERA across all offices). Or, to put it another way, if the ERA-versus-control differential in receiving the service was only ten percentage points, it would have reduced time on Income Support by 0.8 months relative to ERA's overall impact on Income Support. The information on inter-quartile ranges is very important in this regard, because, in practice, few of the differences in receiving this kind of help were extremely large. Thus, an office moving from the 25th to the 75th percentile on the measure of general advancement guidance would see its impact on Income Support receipt increase by 1.2 months, and its impact on months employed by about a 1.5 months.

¹³² More specifically, the inter-quartile range provides an indication of how the impact varies across offices possessing the middle 50 per cent range of values of a particular office characteristic. Thus, the entire range of impacts is not reported; offices with characteristics in the upper and lower 25 per cent of the distribution are excluded.

steps to advance in work, other than by enrolling in education or training courses); (2) how much an office's advisers provided general support to working participants; and (3) how aware participants were of the ERA work retention bonus.¹³³ Specifically, the analysis found that in offices that provided ERA participants with stronger general advancement advice or general support while they were working (relative to the control group), or did a better job helping ERA participants become aware of the employment retention bonus, there were larger impacts on the two outcome measures.

It is important to note, however, that this analysis can speak only to the added value of post-employment advisory services used in conjunction with financial incentives to retain work. Other studies have found little added benefit from programmes that used post-employment advisory support and guidance as the main intervention, without financial incentives or other kinds of assistance.¹³⁴ With this caveat in mind, the results provide some insight into the relative importance of the significant office features by comparing the impacts associated with being a 'high-intensity' (i.e., 75th percentile) office rather than a 'low-intensity' (25th percentile) office.

First, the results in Table 5.2 show that individuals in offices that were high intensity with regard to providing general guidance on in-work advancement spent, on average, 1.2 fewer months on Income Support and 1.5 additional months in employment than individuals in offices that were low intensity on this implementation measure. Second, with regard to awareness of the retention bonus, individuals in high-intensity offices spent 2.9 fewer months on Income Support and 1.8 additional months in employment relative to those in low-intensity offices. And third, individuals in office that were high intensity in terms of the delivery of general in-work support spent 1.4 more months in employment than individuals in low-intensity offices, and there is no statistically significant correlation between this implementation measure and months on Income Support. Overall, the pattern of results suggests that, while all three programme features are important, the retention bonus may have been somewhat more influential than the other two features, particularly when considering the impact on Income Support.

The cross-office findings also point to office practices that may be inconsequential, as suggested by the fact that their relationships with the impact measures are not statistically significant. For example, it appears that ERA's effects (at least during the five-year follow-up period) were not influenced by how much staff emphasised human capital development either explicitly by assisting participants to find education or training courses, or indirectly by encouraging general planning for the long term.¹³⁵ Further analysis presented later in this chapter focuses on the available evidence on the yield from training within the follow-up period.

¹³³ A possible concern with the bonus variable is that awareness of the retention bonus may have been affected by individuals' employment status. For example, if awareness was higher because of being in work, attempts to examine the relationship between employment and awareness will encounter problems of endogeneity. There are a number of reasons why this problem may be mitigated, at least in part, which are explained in detail in Dorsett and Robins, forthcoming, 2011.

¹³⁴ See Hendra *et al.*, 2010, and Rangarajan and Novak, 1999.

¹³⁵ Though not statistically significant, the direction of the correlations suggest that in offices where ERA participants received more help than controls in finding education or training courses and thinking long term, ERA may, if anything, have caused those participants to spend more months on Income Support and fewer months in employment than in offices where ERA participants did not receive such help. Such a result may have more favourable long-term benefits, however, if the human capital investment stimulated by the adviser intervention eventually leads to more stable employment beyond the follow-up period.

Table 5.2 Effects of office characteristics on office programme impacts over five years

	Coefficient	Standard error	Interquartile range across offices
Months on Income Support			
Grand mean impact of ERA (β_0)	-0.79	0.48	-2.18 - 0.41
Proportion of advisers working with ERA customers	-4.78	3.41	-0.30 - -1.19
Proportion of customers advised to think long term	3.79	4.09	-1.23 - -0.36
Proportion of customers receiving help finding education course	4.61	3.34	-1.65 - -0.25
Proportion of customers receiving help with in-work advancement	-7.74 *	4.38	-0.18 - -1.42
Proportion of customers receiving support while working	-3.77	2.35	-0.14 - -1.33
Proportion of ERA customers aware of retention bonuses	-26.27 ***	8.42	0.75 - -2.19
Months employed			
Grand mean impact of ERA (β_0)	0.11	0.50	-0.69 - 1.04
Proportion of advisers working with ERA customers	3.16	3.39	-0.21 - 0.37
Proportion of customers advised to think long term	-2.57	4.03	0.41 - -0.18
Proportion of customers receiving help finding education course	-5.35	3.31	1.11 - -0.51
Proportion of customers receiving help with in-work advancement	9.32 **	4.39	-0.62 - 0.87
Proportion of customers receiving support while working	4.32 *	2.37	-0.64 - 0.73
Proportion of ERA customers aware of retention bonuses	15.86 *	8.24	-0.82 - 0.95

SOURCE: MDRC calculations from Work and Pensions Longitudinal Study benefits receipt records.

NOTES: Rounding may cause slight discrepancies in calculating sums and differences. Two-tailed t-tests were applied to differences between outcomes for the ERA group and the control group. Statistical significance levels are indicated as: * = 10 per cent; ** = 5 per cent; and *** = 1 per cent.

The interquartile range is a predicted impact band across offices from the 25th to the 50th percentile of the office characteristic.

In sum, although Chapter 4 showed that ERA, on average (with all offices combined), did not have enduring statistically significant impacts for the NDLP target group over the full five-year follow-up period on months receiving Income Support and months employed, that finding masks the fact that some offices performed better than others. The cross-office analysis has shown that ERA may be more effective when certain staff practices are emphasised. This finding might be important to consider in any replication of an ERA-style post-employment intervention.

5.3 ERA's impacts on lone parent subgroups

The subgroup analysis looks at the variation in ERA's impacts in a different way, by exploring whether ERA's effects differed for particular groups of lone parents. Evaluations of similar programmes in the US have found that some programmes worked better for individuals with particular characteristics when they entered the programmes. For example, generally speaking, the US ERA programmes tended to have larger effects for those who had worked in **some** but **not all** quarters in the year before random assignment, and weaker effects for those who had previously worked either much more or much less. It thus appears that, overall, the programmes did not offer enough or the 'right' kind of assistance to those who were most attached or least attached to the labour market when they began US ERA.¹³⁶

It is easy to imagine that ERA's effects might vary across subgroups of lone parents who have different skills, views of work, or family circumstances that, normally (in the absence of ERA), might affect their prospects in the labour market. For example, lone parents with young children and a care orientation may be less interested in working more hours and advancing than those with older children. Similarly, participants with lower educational levels may have fewer job opportunities and be less likely to progress on their own. Participants from ethnic minority groups, who may face a variety of employment barriers, may also have a more difficult time in the labour market than non-minorities. Because these and other groups began ERA with different labour market advantages and disadvantages, it is reasonable to expect that how they engaged with ERA and whether the programme helped them may vary as well.

The subgroup analysis thus examines the variations in ERA's effects on participants' receipt of ERA services and participation in training and the programme's impacts on economic outcomes. Such an analysis is important. If such differences do exist, and ERA were replicated or a similar post-employment initiative were implemented, policymakers might want to consider targeting the initiative to those who seem most likely to benefit from it. Or they might want to test new forms of assistance or extra efforts within the programme to try to make it more effective for the types of individuals who did **not** appear to benefit from ERA in its original form.

The subgroup analysis that follows was done separately for the NDLP and WTC target groups. To estimate subgroup impacts on economic outcomes, it uses administrative data for the full random assignment population, rather than the survey sample, to maximise sample sizes. However, it uses customer survey data (and, hence, the smaller survey sample) to explore ERA's impacts on receipt of post-employment services. Although the two samples are not fully aligned, the analysis gives priority to trying to estimate the economic impacts with more precision, which the full sample allows.

The tables present information on the statistical significance of the findings from two different perspectives. First, they use asterisks to denote when a particular impact for a particular subgroup category (e.g., impact on earnings for participants who are classified as an 'ethnic minority') is

¹³⁶ Hamilton and Scrivener, forthcoming, 2011.

statistically significant. But also important is whether the **difference in impacts across subgroup categories** is itself statistically significant (e.g., 'impact for ethnic minorities' versus 'impact for whites'). A statistically significant **difference in impacts** is denoted by daggers. Thus, in order for a subgroup pattern to be given much weight, the findings must show that the impact for at least one of the subgroup categories is statistically significant and that the difference in impacts across those categories is statistically significant. In other words, one can be more confident that a 'real' subgroup difference exists where both asterisks and daggers are shown in the tables. Even so, subgroup analyses must be viewed more cautiously overall than the effects of a full-sample analysis.¹³⁷

The subgroup tables show results for all of the subgroups that were analysed. However, the discussion highlights only the most notable findings.

5.3.1 Subgroup results for the NDLP target group

The subgroup analysis looks first at whether ERA achieved a bigger service differential for some types of NDLP lone parents than others. The service differential refers to the difference between the ERA group and the control group in receipt of a given type of service or participation in a given type of activity. The bigger the service differential overall, the more intensive the ERA treatment may have been for a particular subgroup.¹³⁸

It is easy to imagine that different types of participants might have more or less interaction with the programme. As suggested by the qualitative research, for example, women with young children, compared with those with older children, might be less interested in advancement in the short term and less interested in engaging in the kinds of services ERA offers, and may be less influenced by its training incentives.

Impacts on service receipt across NDLP subgroups

Table 5.3 presents impacts on service receipt by subgroup for NDLP sample members. The table shows that for every subgroup examined, ERA increased the combined likelihood of being in work and receiving help and advice for Jobcentre Plus staff while working. As can be seen, the impact for each individual subgroup category is highly statistically significant (each with three asterisks), suggesting that ERA delivered a stronger post-employment intervention for the ERA group relative to the control group across many different types of lone parents. Nonetheless, the magnitude of the

¹³⁷ This is because the tests for differences in impacts across subgroup categories do not account for the fact that when multiple subgroup differences are tested, a few may be statistically significant simply by chance. These results should be interpreted with this caution in mind, and more weight should be given to those that show a pattern across outcomes measures and that are backed by a strong theoretical and empirical justification (based on prior studies) for predicting subgroup differences in the first place. The subgroup categories examined in this study are generally similar to the kinds of categories used in similar studies, such as US ERA and other welfare-to-work evaluations. They all try to capture, in one way or another, differences across sample members in terms of the types and levels of labour market advantages or disadvantages.

¹³⁸ It should be borne in mind that subgroups defined on the basis of a particular characteristic (age, for example) will differ in numerous other regards. Examinations of how services received or outcomes achieved vary across subgroups reflect the combined effects of these differences in characteristics. The cross-office analysis discussed above uses a different approach that allows the extent to which individual characteristics affects impacts to be estimated. For more detail, see Robins and Dorsett, forthcoming, 2011.

impacts did differ across subgroup categories (as indicated by the daggers) in a number of cases. For example, ERA achieved a stronger service differential for the ethnic minorities enrolled in the programme than for whites.

In some cases, the differences in effects on this measure may be driven more by differences in the likelihood that ERA increased participants' number of months employed than in the likelihood that they were served by the programme once they were employed.¹³⁹ However, the more noteworthy finding is the broad reach of ERA's efforts to engage working participants in advancement-focused assistance.

Table 5.4 presents impacts on training by subgroup for NDLP sample members. The left-hand panel of the table shows ERA's effects on the likelihood that participants engaged in training, regardless of their work status at the time. The right-hand panel of Table 5.4 shows ERA's effects on the likelihood that participants would combine training courses with work. Looking across the subgroup categories, it is clear that the programme increased training among some but certainly not all subgroups. ERA increased training by a substantial margin among those with older children, in family housing, and among those with no reported barriers to employment. Notably, ERA had no effects on training among ethnic minorities, those with young children,¹⁴⁰ or those with A-level credentials (all groups that experienced impacts on earnings).

Regarding participation in training or education while working, a number of differences across subgroup categories are noteworthy. In particular, the programme seems to have increased the likelihood of combining training with work to a greater extent for ethnic minorities, for lone parents with older children, for those with no barriers to employment, for those who entered the study as part of a later cohort, and for those in family or social housing. The bigger effect for the later cohort is consistent with implementation findings indicating that the programme stepped up its marketing of the training incentives later in the programme. A later section of this chapter considers whether these subgroup impacts on service receipt contributed to differences in ERA's economic impacts across NDLP subgroups.

¹³⁹ For example, this may have been the case, to some extent, for the ethnicity subgroups.

¹⁴⁰ The child age subgroups are not defined exactly the same way for the participation analysis. In the economic analysis, earnings impacts are clustered among those with children aged five to six who are a subset of the group with children under seven.

Table 5.3 Effects of ERA on receipt of help or advice from Jobcentre Plus staff while working, NDLP target group, by subgroup (survey respondents only)

	Received help/advice from Jobcentre Plus staff while working (%)				Sample size
	ERA group	Control group	Difference (impact)	P-value	
All customers	46.5	13.3	33.3 ***	0.000	2,297
Race/ethnicity			††		
White	46.8	14.6	32.2 ***	0.000	2,003
Ethnic minority	46.7	2.9	43.8 ***	0.000	289
Age of youngest child			†††		
Under 7 years	42.3	13.0	29.3 ***	0.000	1,317
7 to 11 years old	47.9	13.6	34.4 ***	0.000	533
12 to 16 years old	60.4	11.8	48.6 ***	0.000	338
Number of months worked in 3 years prior to random assignment			††		
None	39.8	9.1	30.8 ***	0.000	1,128
1-12	47.0	17.7	29.3 ***	0.000	522
13+	57.8	17.0	40.8 ***	0.000	647
Housing status					
Family	50.2	16.3	33.9 ***	0.000	191
Social	44.6	12.6	32.0 ***	0.000	1,535
Private	49.4	14.6	34.7 ***	0.000	546
Qualifications			†††		
None	34.5	11.3	23.3 ***	0.000	510
GCSE	50.1	13.8	36.3 ***	0.000	1,076
A-level or above	52.6	14.7	37.9 ***	0.000	540
Cohort			†		
Early (October 2003 - May 2004)	43.8	13.4	30.3 ***	0.000	1,244
Late (June 2004 - April 2005)	49.8	13.1	36.7 ***	0.000	1,053
Number of barriers to employment			††		
None	49.4	10.3	39.1 ***	0.000	785
One	45.8	14.5	31.3 ***	0.000	929
Two or more	43.5	15.6	27.9 ***	0.000	583

(continued)

Table 5.3 Continued

	In work and received help/advice from Jobcentre Plus staff (%)				Sample size
	ERA group	Control group	Difference (impact)	P-value	
Severely disadvantaged			††		
Yes	36.3	10.7	25.6 ***	0.000	527
No	49.8	13.9	35.9 ***	0.000	1,770
Child under 7 and no work in 3 years prior to random assignment			†††		
Yes	34.5	10.0	24.5 ***	0.000	642
No	51.4	14.3	37.1 ***	0.000	1,578

SOURCE: MDRC calculations from ERA 12- and 24-month customer surveys and baseline information forms completed by DWP staff.

NOTES: Estimates were regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members.

Rounding may cause slight discrepancies in calculating sums and differences.

Two-tailed t-tests were applied to differences between outcomes for the ERA group and the control group. Statistical significance levels are indicated as: * = 10 per cent; ** = 5 per cent; and *** = 1 per cent.

A statistical test was performed to measure whether impacts differed significantly across subgroup categories. Statistical significance levels are indicated as: † = 10 per cent; †† = 5 per cent; and ††† = 1 per cent.

The results are calculated using the equal-weighted approach of the previous report, allowing each district to contribute equally to the results. Data constraints prevented recalculation of the measures in this table without weighting.

Family housing refers to situations where the customer is living with his/her parents or other friends or relatives. Social housing refers to housing in which the local authority (local government) or a private housing association is the landlord. Private housing refers to owner-occupied housing or housing that the customer rents privately.

Barriers to employment include transport, childcare, health, housing, basic skills, or other self-identified problems.

Severely disadvantaged refers to those participants with GCSE qualifications or lower, no work in the three years prior to random assignment, and at least one barrier to employment.

Table 5.4 Effects of ERA on receipt of training or education, NDLP target group, by subgroup (survey respondents only)

	Ever participated in training or education (%)			Participated in training or education while working (%)			Sample size
	ERA group	Control group	Difference (impact) P-value	ERA group	Control group	Difference (impact) P-value	
All customers	60.5	55.8	4.7 ** 0.021	35.3	29.7	5.6 *** 0.003	2,297
Race/ethnicity							
White	59.3	54.1	5.2 ** 0.017	35.3	31.0	4.3 ** 0.033	2,003
Ethnic minority	68.4	68.0	0.4 0.943	36.0	20.2	15.9 *** 0.002	289
Age of youngest child							
Under 7 years	59.1	55.4	3.7 0.173	32.3	27.6	4.7 * 0.054	1,317
7 to 11 years old	63.2	61.3	1.9 0.649	37.3	34.1	3.2 0.433	533
12 to 16 years old	61.0	48.7	12.3 ** 0.024	44.0	26.5	17.5 *** 0.001	338
Number of months worked in 3 years prior to random assignment							
None	61.9	53.6	8.3 *** 0.004	29.7	21.9	7.9 *** 0.002	1,128
1-12	58.8	53.3	5.6 0.190	36.9	29.5	7.4 * 0.067	522
13+	60.3	60.8	-0.6 0.882	44.8	42.2	2.6 0.492	647
Housing status							
Family	61.1	48.3	12.8 * 0.100	40.1	25.1	15.0 ** 0.029	191
Social	58.2	54.2	4.0 0.110	32.8	27.0	5.8 ** 0.012	1,535
Private	66.9	62.0	4.9 0.234	38.9	40.2	-1.3 0.751	546

(continued)

Table 5.4 Continued

Qualifications	Ever participated in training or education (%)			Participated in training or education while working (%)			Sample size
	ERA group	Control group	P-value	ERA group	Control group	Difference (impact)	
None	49.2	45.6	0.427	23.1	19.0	4.1	0.257
GCSE	60.2	53.3	0.023	34.1	27.2	6.9 **	0.012
A-level or above	70.8	70.7	0.997	50.1	45.3	4.8	0.266
Cohort						†	
Early (October 2003 - May 2004)	60.1	55.7	0.113	31.7	29.0	2.7	0.289
Late (June 2004 - April 2005)	60.9	56.0	0.103	39.5	30.3	9.2 ***	0.001
Number of barriers to employment			†††			†	
None	61.0	47.8	0.000	39.4	28.2	11.2 ***	0.001
One	57.2	60.1	0.366	34.2	32.7	1.5	0.625
Two or more	65.1	58.9	0.118	31.6	26.0	5.6	0.122
Severely disadvantaged							
Yes	56.5	52.3	0.335	21.5	15.9	5.6	0.104
No	61.7	56.9	0.040	39.4	33.8	5.6 **	0.013
Child under 7 and no work in 3 years prior to random assignment							
Yes	61.3	53.7	0.051	27.3	19.6	7.7 **	0.020
No	59.7	56.7	0.223	38.5	33.1	5.4 **	0.022

SOURCE: MDRC calculations from ERA 12- and 24-month customer surveys and baseline information forms completed by DWP staff.

NOTES: Estimates were regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members.

Rounding may cause slight discrepancies in calculating sums and differences.

Two-tailed t-tests were applied to differences between outcomes for the ERA group and the control group. Statistical significance levels are indicated as: * = 10 per cent; ** = 5 per cent; and *** = 1 per cent.

A statistical test was performed to measure whether impacts differed significantly across subgroup categories. Statistical significance levels are indicated as: † = 10 per cent; †† = 5 per cent; and ††† = 1 per cent.

The results are calculated using the equal-weighted approach of the previous report, allowing each district to contribute equally to the results. Data constraints prevented recalculation of the measures in this table without weighting.

Family housing refers to situations where the customer is living with his/her parents or other friends or relatives. Social housing refers to housing in which the local authority (local government) or a private housing association is the landlord. Private housing refers to owner-occupied housing or housing that the customer rents privately.

Barriers to employment include transport, childcare, health, housing, basic skills, or other self-identified problems.

Severely disadvantaged refers to those customers with GCSE qualifications or lower, no work in the three years prior to random assignment, and at least one barrier to employment.

Table 5.5 presents subgroup results for receipt of bonuses (which were only available to ERA participants). In general, many different subgroups received employment retention bonuses, but the rates of receipt tended to be somewhat higher for the less-disadvantaged participants (versus those who were more disadvantaged), who had a greater likelihood of working, including NDLP participants with higher education levels, fewer work barriers, and older children. Receipt of the training bonus was lower overall, compared with the retention bonus, but tended to be higher for participants who were less disadvantaged (e.g., those who had the most work experience or the highest educational qualifications).

Table 5.5 Bonus receipt rates, NDLP target group, by subgroup

	Ever received work retention bonus within 24 months follow-up (%)	Ever received training bonus within 24 months follow-up (%)	Sample size
All customers	28.1	7.2	3,365
Race/ethnicity	†††		
White	27.0	7.3	2,833
Ethnic minority	34.7	6.5	519
Age of youngest child	†††	†††	
Under 7 years	23.6	5.9	1,905
7 to 11 years old	28.0	8.8	805
12 to 16 years old	44.0	9.7	476
Number of months worked in 3 years prior to random assignment	†††	†††	
None	22.3	4.9	1,656
1-12	31.0	7.0	774
13+	36.2	11.7	935
Housing status	†	†††	
Family	25.3	5.3	251
Social	27.4	6.1	2,220
Private	31.1	10.8	854
Qualifications	†††	†††	
None	20.0	3.5	778
GCSE	26.3	6.6	1,602
A-level or above	41.4	12.0	738
Cohort	††	†††	
Early (October 2003 - May 2004)	26.5	5.8	1,756
Late (June 2004 - April 2005)	29.9	8.9	1,609
Number of barriers to employment	†††		
None	32.0	7.3	1,197
One	26.9	7.0	1,269
Two or more	24.3	7.5	899

(continued)

Table 5.5 Continued

	Ever received work retention bonus within 24 months follow-up (%)	Ever received training bonus within 24 months follow-up (%)	Sample size
Severely disadvantaged	†††	†††	
Yes	15.4	2.8	769
No	31.9	8.6	2,596
Child under 7 and no work in 3 years prior to random assignment	†††	†††	
Yes	18.9	4.1	923
No	31.4	8.5	2,299

SOURCE: MDRC calculations from DWP financial incentives data and baseline information forms completed by DWP staff.

NOTES: Rounding may cause slight discrepancies in calculating sums and differences.

Includes all customers randomly assigned between October 2003 and April 2005.

A statistical test was performed to measure whether impacts differed significantly across subgroup categories. Statistical significance levels are indicated as: † = 10 per cent; †† = 5 per cent; and ††† = 1 per cent.

The results are calculated using the equal-weighted approach of the previous report, allowing each district to contribute equally to the results.

Family housing refers to situations where the customer is living with his/her parents or other friends or relatives. Social housing refers to housing in which the local authority (local government) or a private housing association is the landlord. Private housing refers to owner-occupied housing or housing that the customer rents privately.

Barriers to employment include transport, childcare, health, housing, basic skills, or other self-identified problems.

Severely disadvantaged refers to those customers with GCSE qualifications or lower, no work in the three years prior to random assignment, and at least one barrier to employment.

Impacts on economic outcomes across NDLP subgroups

This section examines differences in estimated impacts of ERA across particular NDLP subgroups. The outcomes shown in Table 5.6 are the number of months employed during the 60 months of follow-up (an indicator of labour market attachment and retention) and earnings during the four tax years 2005-2009 (which should reflect any increase in employment rates, wages, and/or work hours). Because these outcomes span up to five years of follow-up, impacts that occurred early in the follow-up period (while the programme was still active) but dissipated later, might not show up as statistically significant. Table 5.7 shows subgroup impacts on receipt of Income Support.

Overall, despite broad subgroup differences in ERA's effects on the receipt of advancement-related assistance, the programme's impacts on economic outcomes generally did not follow a similar pattern. In other words, NDLP subgroups that were more likely to receive advancement-related assistance through ERA were **not** typically more likely to experience larger impacts on economic outcomes. In fact, few subgroups experienced statistically significant cumulative impacts on employment, earnings, or benefits receipt over the five-year follow-up period. However, several exceptions stand out.

Table 5.6 Effects of ERA on employment and earnings within five years after random assignment, NDLP target group, by subgroup

	Average number of months employed during months 1-60			Average earnings during 2005-2009 tax years (£)			Sample size
	ERA group	Control group	Difference (impact) P-value	ERA group	Control group	Difference (impact) P-value	
All customers	25.1	25.0	0.0 0.969	17,280	16,742	538 0.325	6,787
Race/ethnicity			††				
White	25.3	25.8	-0.5 0.365	16,964	16,723	241 0.672	5,764
Ethnic minority	23.9	20.9	3.0 ** 0.020	19,065	16,929	2,136 0.219	1,000
Age of youngest child						††	
Under 5 years old	23.2	23.9	-0.7 0.365	14,217	14,760	-543 0.494	2,745
5 to 6 years old	24.0	23.2	0.7 0.582	16,748	13,366	3,382 *** 0.010	997
7 to 11 years old	26.4	26.3	0.1 0.926	18,963	18,385	578 0.622	1,648
12 to 16 years old	29.3	27.9	1.4 0.304	23,268	22,179	1,088 0.511	992
Number of months worked in 3 years prior to random assignment							
None	22.2	21.1	1.0 0.153	15,125	13,672	1,453 * 0.052	3,368
1-12	25.3	25.2	0.0 0.993	16,384	15,232	1,152 0.276	1,566
13+	30.6	31.7	-1.1 0.271	22,123	23,480	-1,356 0.252	1,853
Housing status							
Family	25.7	27.6	-1.9 0.294	14,979	16,994	-2,015 0.306	509
Social	23.9	24.2	-0.3 0.630	16,170	15,468	702 0.270	4,458
Private	28.1	27.0	1.1 0.294	20,615	20,294	321 0.793	1,741

(continued)

Table 5.6 Continued

	Average number of months employed during months 1-60			Average earnings during 2005-2009 tax years (£)			Sample size		
	ERA group	Control group	Difference (impact)	P-value	ERA group	Control group		Difference (impact)	P-value
Qualifications									
None	21.3	22.6	-1.3	0.208	12,289	12,923	-634	0.513	1,572
GCSE	24.6	25.7	-1.1	0.149	15,546	16,183	-637	0.392	3,237
A-level or above	30.3	27.2	3.1 ***	0.006	26,383	22,845	3,537 **	0.018	1,465
Cohort									
Early (October 2003 - May 2004)	24.1	24.7	-0.6	0.381	17,414	16,795	619	0.413	3,537
Late (June 2004 - April 2005)	26.1	25.4	0.7	0.320	17,145	16,672	473	0.552	3,250
Number of barriers to employment									
None	26.9	27.7	-0.8	0.359	18,705	19,783	-1,077	0.265	2,355
One	24.6	24.9	-0.3	0.725	16,744	15,704	1,040	0.215	2,644
Two or more	23.4	21.8	1.6 *	0.092	16,132	14,391	1,741	0.102	1,788
Severely disadvantaged									
Yes	19.1	19.2	-0.1	0.942	11,661	10,790	871	0.350	1,570
No	26.9	26.7	0.2	0.729	19,010	18,495	515	0.437	5,217

SOURCE: MDRC calculations from Work and Pensions Longitudinal Survey employment and earnings records and baseline information forms completed by DWP staff.

NOTES: Estimates were regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members.

Rounding may cause slight discrepancies in calculating sums and differences.

Two-tailed t-tests were applied to differences between outcomes for the ERA group and the control group. Statistical significance levels are indicated as: * = 10 per cent; ** = 5 per cent; and *** = 1 per cent.

Includes all customers randomly assigned between October 2003 and April 2005.

A statistical test was performed to measure whether impacts differed significantly across subgroup categories. Statistical significance levels are indicated as: † = 10 per cent; †† = 5 per cent; and ††† = 1 per cent.

Family housing refers to situations where the customer is living with his/her parents or other friends or relatives. Social housing refers to housing in which the local authority (local government) or a private housing association is the landlord. Private housing refers to owner-occupied housing or housing that the customer rents privately.

Barriers to employment include transport, childcare, health, housing, basic skills, or other self-identified problems.

Severely disadvantaged refers to those customers with GCSE qualifications or lower, no work in the three years prior to random assignment, and at least one barrier to employment.

Table 5.7 Effects of ERA on benefits receipt within five years after random assignment, NDLP target group, by subgroup

	Number of months on benefits (IS) during months 1-60			Actual amount of benefits (IS) in pounds received during months 1-60 (£)			Sample size
	ERA group	Control group	Difference (impact) P-value	ERA group	Control group	Difference (impact) P-value	
All customers	25.8	26.5	-0.8 0.123	9,349	9,848	-499 ** 0.036	6,787
Race/ethnicity						††	
White	25.1	25.6	-0.5 0.356	9,175	9,450	-275 0.287	5,764
Ethnic minority	29.4	31.9	-2.5 * 0.059	10,288	12,021	-1,732 *** 0.006	1,000
Age of youngest child							
Under 5 years old	28.7	29.0	-0.3 0.701	10,051	10,495	-444 0.248	2,745
5 to 6 years old	28.9	30.9	-2.0 0.144	11,369	12,175	-807 0.261	997
7 to 11 years old	25.2	26.3	-1.1 0.259	9,308	9,920	-611 0.198	1,648
12 to 16 years old	16.2	17.9	-1.7 0.117	5,564	6,433	-869 ** 0.047	992
Number of months worked in 3 years prior to random assignment							
None	29.7	31.2	-1.5 ** 0.047	11,994	12,873	-879 ** 0.027	3,368
1-12	25.9	26.2	-0.3 0.758	8,393	8,831	-438 0.337	1,566
13+	18.2	18.6	-0.4 0.659	5,200	5,344	-144 0.643	1,853
Housing status							
Family	23.3	22.9	0.4 0.808	6,985	6,986	-1 0.999	509
Social	27.9	28.4	-0.5 0.426	10,131	10,585	-454 0.134	4,458
Private	21.0	22.6	-1.6 * 0.088	8,030	8,657	-627 0.177	1,741

(continued)

Table 5.7 Continued

	Number of months on benefits (IS) during months 1-60			Actual amount of benefits (IS) in pounds received during months 1-60 (£)			Sample size		
	ERA group	Control group	Difference (impact)	P-value	ERA group	Control group		Difference (impact)	P-value
Qualifications									
None	31.1	30.3	0.8	0.430	11,722	11,829	-106	0.846	1,572
GCSE	25.9	26.6	-0.7	0.352	9,213	9,695	-482	0.153	3,237
A-level or above	20.0	22.3	-2.3 **	0.023	7,102	7,992	-890 *	0.059	1,465
Cohort									
Early (October 2003 - May 2004)	27.2	28.0	-0.8	0.267	10,098	10,423	-325	0.339	3,537
Late (June 2004 - April 2005)	24.2	24.9	-0.7	0.298	8,528	9,229	-701 **	0.037	3,250
Number of barriers to employment									
None	22.9	22.4	0.5	0.574	8,003	7,758	245	0.496	2,355
One	26.5	26.7	-0.2	0.787	9,627	9,959	-332	0.387	2,644
Two or more	28.8	31.6	-2.8 ***	0.004	10,771	12,377	-1,606 ***	0.002	1,788
Severely disadvantaged									
Yes	33.9	34.0	0.0	0.973	13,808	14,551	-743	0.222	1,570
No	23.3	24.3	-1.0 *	0.063	7,975	8,464	-488 *	0.052	5,217

SOURCE: MDRC calculations from Work and Pensions Longitudinal Survey employment and earnings records and baseline information forms completed by DWP staff.

NOTES: Estimates were regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members.

Rounding may cause slight discrepancies in calculating sums and differences.

Two-tailed t-tests were applied to differences between outcomes for the ERA group and the control group. Statistical significance levels are indicated as: * = 10 per cent; ** = 5 per cent; and *** = 1 per cent.

Includes all customers randomly assigned between October 2003 and April 2005.

A statistical test was performed to measure whether impacts differed significantly across subgroup categories. Statistical significance levels are indicated as: † = 10 per cent; †† = 5 per cent; and ††† = 1 per cent.

IS = Income Support.

Family housing refers to situations where the customer is living with his/her parents or other friends or relatives. Social housing refers to housing in which the local authority (local government) or a private housing association is the landlord. Private housing refers to owner-occupied housing or housing that the customer rents privately.

Barriers to employment include transport, childcare, health, housing, basic skills, or other self-identified problems.

Severely disadvantaged refers to those customers with GCSE qualifications or lower, no work in the three years prior to random assignment, and at least one barrier to employment.

First, certain impacts are larger for ethnic minority than white participants. This is important because ethnic minorities have long been the focus of major policy concern, since they tend to suffer from more labour market disadvantages.¹⁴¹ ERA appears to have had a larger impact on months employed for ethnic minorities than for whites, and it may have increased ethnic minorities' earnings to a greater extent, although the earnings impact is not statistically significant. ERA also substantially reduced the amount received in Income Support by over 14 per cent below control group levels among ethnic minorities. In sum, the overall pattern of results suggests that ERA may have been somewhat more successful for lone parents from ethnic minority groups.

Second, earnings impacts are statistically significant for parents whose youngest child was five to six years old. This age is particularly relevant because it is the time when children are making the transition to regular primary school, and parents may be more available for work. It is also the age group for which parents, who traditionally have been exempt from a work participation requirement, will, under new Government proposals, become subject to work requirements in the future. The Coalition Government intends to require that lone parents with a youngest child aged five and over, and who are not employed, claim Jobseeker's Allowance, which carries with it a mandate to actively seek work to maintain one's eligibility, rather than Income Support.

For that group, ERA increased total four-year earnings by an average of nearly £3,400. This represents a statistically significant gain of 25 per cent over the control group average. However, ERA had no impacts for this subgroup on the number of months employed. This implies that the earnings gain resulted from higher wage rates or, more likely, increased hours.¹⁴²

It is also noteworthy that ERA had no economic impacts for NDLP lone parents with children under age five when they entered the programme. This is consistent with the evaluation's qualitative findings. As noted in the ERA report on training, and in Chapter 3, advisers recounted in interviews that participants with young children were difficult to engage in training¹⁴³ and other advancement activities; if they had advancement aspirations, they typically deferred them until their children were older. In contrast, parents with children aged five or six were at a time of transition in their own work journeys and perhaps more open to advancement activities as their children were newly enrolled in school.

Finally, ERA's effects for the NDLP group differed considerably depending on the educational qualifications participants had when they entered the study. The programme had sizeable and statistically significant impacts on employment, earnings, and benefits receipt for those with the highest educational qualifications (A-level qualifications), and no effects for those without such qualifications. For this subgroup, ERA increased the duration of employment by roughly three months on average (an increase of 11 per cent relative to the control group rate), increased total four-year earnings by an average of about £3,500 (a gain of 15 per cent), and reduced time spent on Income Support by 2.3 fewer months (a ten per cent reduction). In addition, ERA reduced Income Support benefits by nearly £900 among those with A-level qualifications. A later section of this chapter takes a more in-depth look at these findings.

¹⁴¹ For illustration, Table 5.6 shows that, in the control group, ethnic minorities in the NDLP control group worked five fewer months than whites. Table 5.7 shows that ethnic minority controls also spent more time on benefits. Interestingly, however, ethnic minorities who worked seemed to earn more than white workers, which can be seen by looking at their earnings levels. Adjusting for employment, ethnic minorities actually earned more than whites, but it appears more difficult for them to find work.

¹⁴² Analysis presented in Sianesi, 2011, suggests that an increase in working hours rather than in wages is responsible for this effect.

¹⁴³ Hendra *et al.*, 2011.

5.3.2 Subgroup results for the WTC target group

As previously noted, the WTC target group, compared with the NDLP target group, enjoyed more labour market advantages and had a stronger attachment to the labour market when they entered the study, as they were already working 16 hours to 29 hours per week. Nonetheless, lone parents within the WTC group still differed from one another on a number of important background characteristics that could affect their levels of engagement with ERA and how much they benefited from the programme in economic terms. This section explores these patterns.

Impacts on service receipt across WTC subgroups

Table 5.8 shows the extent to which ERA increased the likelihood that WTC lone parents would be employed and receive help and advice from Jobcentre Plus staff while working (relative to controls). The overall pattern reveals that ERA had such an effect for all major subgroup categories.¹⁴⁴ As was the case for the NDLP target group, the impacts for each subgroup category are highly statistically significant. Moreover, those impacts do not differ *across* categories to a statistically significant degree, as is clear from the absence of daggers for most estimates (or the cross-category variation was generally small in absolute terms).

Table 5.9 shows ERA's effects on the likelihood that participants would participate in training (left panel) and combine training courses with work (right panel). ERA increased the likelihood of training and combining training and work for nearly all subgroup categories, reflecting the broad interest in training across the range of WTC participants. In nearly all cases, the variation in impacts across subgroup categories is not statistically significant. (The difference in effects by cohort is an exception, although for reasons that are not understood.)

Table 5.10 presents results for bonus receipt. There is less significant variation in receipt of the retention bonus for sustained full-time employment than for the NDLP group, probably because full-time work was more widespread among the WTC sample. Nonetheless, WTC lone parents with older children were more likely to receive the retention bonus than those with younger children. Receipt of the training bonus differed more by subgroup. In general, a higher proportion of parents in subgroups considered less disadvantaged tended to receive the training bonus, compared with the proportion for more disadvantaged parents. For example, bonus receipt was higher among WTC lone parents with older children, more recent work experience, or more education, or those living in private housing.

¹⁴⁴ These effects do not seem to be due to differences in employment rates over the follow-up period, because employment rates did not differ much between ERA participants and controls.

Table 5.8 Effects of ERA on receipt of help or advice from Jobcentre Plus staff while working, WTC target group, by subgroup (survey respondents only)

	Received help/advice from Jobcentre Plus staff while working (%)				Sample size
	ERA group	Control group	Difference (impact)	P-value	
All customers	74.0	6.8	67.2 ***	0.000	2,119
Race/ethnicity					
White	74.4	6.7	67.8 ***	0.000	1,962
Ethnic minority	68.1	10.0	58.1 ***	0.000	154
Age of youngest child					
			†		
Under 7 years	70.1	7.4	62.7 ***	0.000	720
7 to 11 years old	75.6	6.4	69.3 ***	0.000	673
12 to 16 years old	79.6	7.7	71.9 ***	0.000	551
Number of months worked in 3 years prior to random assignment					
1-12	72.9	9.8	63.1 ***	0.000	233
13+	74.3	6.4	67.9 ***	0.000	1,864
Housing status					
			†††		
Family	65.8	8.2	57.6 ***	0.000	114
Social	69.4	9.3	60.0 ***	0.000	783
Private	77.7	5.4	72.4 ***	0.000	1,201
Qualifications					
None	65.1	4.1	61.0 ***	0.000	251
GCSE	75.9	8.3	67.6 ***	0.000	926
A-level or above	75.7	5.9	69.8 ***	0.000	674
Cohort					
Early (October 2003 - May 2004)	78.6	9.0	69.6 ***	0.000	435
Late (June 2004 - April 2005)	72.9	6.3	66.6 ***	0.000	1,684
Number of barriers to employment					
None	76.9	6.2	70.6 ***	0.000	680
One	71.4	7.9	63.5 ***	0.000	956
Two or more	75.3	5.6	69.7 ***	0.000	483

(continued)

Table 5.8 Continued

	Received help/advice from Jobcentre Plus staff while working (%)				Sample size
	ERA group	Control group	Difference (impact)	P-value	
Moderately disadvantaged					
Yes	72.3	7.4	64.9 ***	0.000	766
No	74.9	6.6	68.3 ***	0.000	1,353

SOURCE: MDRC calculations from ERA 12- and 24-month customer surveys and baseline information forms completed by DWP staff.

NOTES: Estimates were regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members.

Rounding may cause slight discrepancies in calculating sums and differences.

Two-tailed t-tests were applied to differences between outcomes for the ERA group and the control group. Statistical significance levels are indicated as: * = 10 per cent; ** = 5 per cent; and *** = 1 per cent.

A statistical test was performed to measure whether impacts differed significantly across subgroup categories. Statistical significance levels are indicated as: † = 10 per cent; †† = 5 per cent; and ††† = 1 per cent.

Family housing refers to situations where the customer is living with his/her parents or other friends or relatives. Social housing refers to housing in which the local authority (local government) or a private housing association is the landlord. Private housing refers to owner-occupied housing or housing that the customer rents privately.

Barriers to employment include transport, childcare, health, housing, basic skills, or other self-identified problems.

Moderately disadvantaged refers to those customers with GCSE qualifications or lower and at least one barrier to employment.

Table 5.9 Effects of ERA on receipt of training or education, WTC target group, by subgroup (survey respondents only)

	Ever participated in training or education (%)			Participated in training or education while working (%)			Sample size
	ERA group	Control group	Difference (impact) P-value	ERA group	Control group	Difference (impact) P-value	
All customers	72.2	59.6	12.6 *** 0.000	68.5	55.6	12.9 *** 0.000	2,119
Race/ethnicity							
White	71.7	59.4	12.4 *** 0.000	68.1	55.4	12.7 *** 0.000	1,962
Ethnic minority	77.8	64.2	13.6 * 0.079	73.1	59.8	13.3 * 0.096	154
Age of youngest child							
Under 7 years old	70.4	57.6	12.8 *** 0.000	64.6	53.2	11.4 *** 0.002	720
7 to 11 years old	71.9	62.1	9.8 *** 0.007	68.7	58.3	10.4 *** 0.005	673
12 to 16 years old	73.0	62.5	10.6 *** 0.007	70.9	58.2	12.7 *** 0.001	551
Number of months worked in 3 years prior to random assignment							
1-12	73.9	51.7	22.1 *** 0.001	63.9	48.3	15.6 ** 0.018	233
13+	72.3	60.7	11.6 *** 0.000	69.4	56.6	12.8 *** 0.000	1,864
Housing status							
Family	57.8	60.0	-2.3 0.822	54.2	58.5	-4.3 0.676	114
Social	68.8	55.2	13.6 *** 0.000	62.4	48.8	13.6 *** 0.000	783
Private	75.8	62.4	13.4 *** 0.000	74.1	59.8	14.3 *** 0.000	1,201

(continued)

Table 5.9 Continued

Qualifications	Ever participated in training or education (%)			Participated in training or education while working (%)			Sample size	
	ERA group	Control group	Difference (impact)	P-value	ERA group	Control group		Difference (impact)
None	55.2	42.4	12.8 **	0.044	48.8	37.8	10.9 *	0.089
GCSE	73.0	55.5	17.4 ***	0.000	68.7	51.5	17.2 ***	0.000
A-level or above	79.9	71.5	8.4 **	0.012	77.2	67.5	9.7 ***	0.005
Cohort			††				††	
Early (October 2003 - May 2004)	77.6	55.2	22.4 ***	0.000	73.5	50.6	22.8 ***	0.000
Late (June 2004 - April 2005)	70.8	60.8	10.0 ***	0.000	67.3	56.9	10.4 ***	0.000
Number of barriers to employment								
None	70.8	56.9	13.9 ***	0.000	67.8	54.1	13.7 ***	0.000
One	72.8	60.0	12.8 ***	0.000	69.2	56.1	13.1 ***	0.000
Two or more	73.0	62.3	10.7 **	0.014	68.2	56.8	11.5 **	0.010
Moderately disadvantaged			†					
Yes	70.6	53.6	17.0 ***	0.000	65.2	48.5	16.7 ***	0.000
No	72.8	63.3	9.5 ***	0.000	70.1	60.1	10.0 ***	0.000

SOURCE: MDRC calculations from ERA 12- and 24-month customer surveys and baseline information forms completed by DWP staff.

NOTES: Estimates were regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members.

Rounding may cause slight discrepancies in calculating sums and differences.

Two-tailed t-tests were applied to differences between outcomes for the ERA group and the control group. Statistical significance levels are indicated as: * = 10 per cent; ** = 5 per cent; and *** = 1 per cent.

A statistical test was performed to measure whether impacts differed significantly across subgroup categories. Statistical significance levels are indicated as: † = 10 per cent; †† = 5 per cent; and ††† = 1 per cent.

Family housing refers to situations where the customer is living with his/her parents or other friends or relatives. Social housing refers to housing in which the local authority (local government) or a private housing association is the landlord. Private housing refers to owner-occupied housing or housing that the customer rents privately.

Barriers to employment include transport, childcare, health, housing, basic skills, or other self-identified problems.

Moderately disadvantaged refers to those customers with GCSE qualifications or lower and at least one barrier to employment.

Table 5.10 Bonus receipt rates, WTC target group, by subgroup

	Ever received work retention bonus within 24 months follow-up (%)	Ever received training bonus within 24 months follow-up (%)	Sample size
All customers	34.5	19.5	1,415
Race/ethnicity			
White	34.4	19.8	1,295
Ethnic minority	36.1	16.0	119
Age of youngest child	††	††	
Under 7 years	29.2	15.0	498
7 to 11 years old	32.2	20.3	427
12 to 16 years old	44.0	23.3	379
Number of months worked in 3 years prior to random assignment		††	
1-12	33.6	10.7	150
13+	34.6	20.7	1,247
Housing status		††	
Family	25.4	12.2	88
Social	35.7	16.1	532
Private	34.2	22.7	781
Qualifications		††	
None	29.4	13.8	172
GCSE	35.5	16.6	645
A-level or above	34.7	24.9	424
Cohort	††		
Early (October 2003 - May 2004)	40.4	16.4	271
Late (June 2004 - April 2005)	33.1	20.2	1,144
Number of barriers to employment			
None	37.3	16.8	470
One	33.2	21.1	638
Two or more	33.1	20.6	307

(continued)

Table 5.10 Continued

	Ever received work retention bonus within 24 months follow-up (%)	Ever received training bonus within 24 months follow-up (%)	Sample size
Moderately disadvantaged	†		
Yes	31.3	18.0	518
No	36.4	20.4	897

SOURCE: MDRC calculations from DWP financial incentives data and baseline information forms completed by DWP staff.

NOTES: Rounding may cause slight discrepancies in calculating sums and differences.

Includes all customers randomly assigned between October 2003 and April 2005.

A statistical test was performed to measure whether impacts differed significantly across subgroup categories. Statistical significance levels are indicated as: † = 10 per cent; †† = 5 per cent; and ††† = 1 per cent.

Family housing refers to situations where the customer is living with his/her parents or other friends or relatives. Social housing refers to housing in which the local authority (local government) or a private housing association is the landlord. Private housing refers to owner-occupied housing or housing that the customer rents privately.

Barriers to employment include transport, childcare, health, housing, basic skills, or other self-identified problems.

Moderately disadvantaged refers to those customers with GCSE qualifications or lower and at least one barrier to employment.

Impacts on economic outcomes across WTC subgroups

Overall, there is little evidence that ERA's impacts on labour market outcomes varied across subgroups of the WTC target group. Mirroring the full sample results, almost none of the cumulative measures on months employed or average earnings are statistically significant (see Table 5.11). However, it should be borne in mind that sample sizes for the WTC subgroup are smaller than those for the NDLP group, making variation in subgroup impacts more difficult to detect.

The story is similar when looking at ERA's impacts on benefits receipt by subgroup (Table 5.12). However, the findings for race/ethnicity stand out as a notable exception. These results suggest that ERA reduced the likelihood of receiving Income Support or Jobseeker's Allowance and reduced the number of months receiving these benefits, more among ethnic minorities than among whites. These impacts for ethnic minorities are statistically significant (denoted by the asterisks), and they are larger than the impacts for whites at statistically significant levels (denoted by the daggers). These findings follow the pattern in Table 5.11, suggesting that ERA increased average earnings by a higher amount for ethnic minorities than for whites, although those earnings differences are not statistically significant.

More generally, ignoring statistical significance, the overall pattern of results for the race/ethnicity subgroup is similar for the WTC and NDLP samples. This may lend some credibility to the possibility that ERA may have been somewhat more effective for ethnic minority lone parents across the two samples. However, sample sizes are small for the ethnic minority subgroups, so these patterns must be interpreted with caution.

Table 5.11 Effects of ERA on employment and earnings within five years after random assignment, WTC target group, by subgroup

	Average number of months employed during months 1-60			Average earnings during 2005-2009 tax years (£)			Sample size
	ERA group	Control group	Difference (impact) P-value	ERA group	Control group	Difference (impact) P-value	
All customers	38.5	38.3	0.2 0.860	30,615	29,695	921 0.279	2,815
Race/ethnicity							
White	38.6	38.3	0.3 0.774	30,114	29,609	505 0.568	2,592
Ethnic minority	37.1	37.9	-0.8 0.804	35,996	30,961	5,034 0.121	219
Age of youngest child							
Under 5 years old	37.8	35.1	2.7 0.126	26,829	25,105	1,724 0.336	641
5 to 6 years old	37.2	41.5	-4.3 * 0.083	29,248	27,089	2,159 0.321	359
7 to 11 years old	39.9	39.9	0.0 0.990	31,413	31,661	-247 0.868	864
12 to 16 years old	38.7	36.9	1.8 0.319	33,016	32,004	1,011 0.562	704
Number of months worked in 3 years prior to random assignment							
None	30.0	41.2	-11.2 0.456	14,339	40,268	-25,930 0.131	34
1-12	39.0	37.2	1.8 0.456	27,999	23,663	4,336 0.104	326
13+	38.5	38.4	0.1 0.936	31,220	30,377	843 0.386	2,455

(continued)

Table 5.11 Continued

	Average number of months employed during months 1-60			Average earnings during 2005-2009 tax years (£)			Sample size		
	ERA group	Control group	Difference (impact)	P-value	ERA group	Control group		Difference (impact)	P-value
Housing status									
Family	42.2	41.0	1.2	0.717	26,628	25,475	1,153	0.727	168
Social	37.2	35.7	1.5	0.293	26,418	25,662	756	0.578	1,049
Private	38.8	39.7	-0.9	0.441	33,718	32,773	945	0.420	1,571
Qualifications									
None	34.3	33.4	0.9	0.737	22,437	23,022	-585	0.805	340
GCSE	39.7	38.5	1.2	0.356	29,396	27,860	1,536	0.180	1,268
A-level or above	38.6	38.9	-0.3	0.871	35,699	34,575	1,124	0.515	863
Cohort									
Early (October 2003 - May 2004)	38.5	39.0	-0.4	0.820	30,417	30,048	369	0.851	537
Late (June 2004 - April 2005)	38.5	38.1	0.3	0.722	30,633	29,641	991	0.293	2,278
Number of barriers to employment									
None	38.8	38.0	0.8	0.569	32,346	30,132	2,214	0.145	900
One	37.5	38.7	-1.2	0.376	29,429	29,006	424	0.726	1,276
Two or more	39.5	38.2	1.3	0.463	30,576	30,317	259	0.897	639

SOURCE: MDRC calculations from Work and Pensions Longitudinal Survey employment and earnings records and baseline information forms completed by DWP staff.

NOTES: Estimates were regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members.

Rounding may cause slight discrepancies in calculating sums and differences.

Two-tailed t-tests were applied to differences between outcomes for the ERA group and the control group. Statistical significance levels are indicated as: * = 10 per cent; ** = 5 per cent; and *** = 1 per cent.

Includes all customers randomly assigned between October 2003 and April 2005.

A statistical test was performed to measure whether impacts differed significantly across subgroup categories. Statistical significance levels are indicated as: † = 10 per cent; †† = 5 per cent; and ††† = 1 per cent.

Family housing refers to situations where the customer is living with his/her parents or other friends or relatives. Social housing refers to housing in which the local authority (local government) or a private housing association is the landlord. Private housing refers to owner-occupied housing or housing that the customer rents privately.

Barriers to employment include transport, childcare, health, housing, basic skills, or other self-identified problems.

Table 5.12 Effects of ERA on benefits receipt within five years after random assignment, WTC target group, by subgroup

	Number of months on benefits (IS/JSA) during months 1-60			Actual amount of benefits (IS/JSA) in pounds received during months 1-60 (£)			Sample size
	ERA group	Control group	Difference (impact) P-value	ERA group	Control group	Difference (impact) P-value	
All customers	5.0	4.7	0.3 0.516	1,190	1,149	40 0.703	2,815
Race/ethnicity			††			††	
White	5.0	4.5	0.5 0.196	1,184	1,083	101 0.350	2,592
Ethnic minority	5.0	8.4	-3.4 ** 0.042	1,225	2,083	-858 * 0.065	219
Age of youngest child							
Under 5 years old	7.2	7.8	-0.6 0.571	1,664	1,869	-205 0.412	641
5 to 6 years old	6.7	4.6	2.1 * 0.096	1,459	1,033	426 0.135	359
7 to 11 years old	4.6	3.8	0.8 0.223	1,130	893	237 0.203	864
12 to 16 years old	3.1	3.1	0.0 0.945	717	790	-73 0.646	704
Number of months worked in 3 years prior to random assignment							
None	14.2	4.5	9.7 0.357	3,490	1,364	2,126 0.447	34
1-12	10.0	11.3	-1.3 0.454	2,226	2,683	-457 0.270	326
13+	4.2	3.9	0.4 0.373	1,014	941	73 0.497	2,455

(continued)

Table 5.12 Continued

	Number of months on benefits (IS/JSA) during months 1-60			Actual amount of benefits (IS/JSA) in pounds received during months 1-60 (£)			Sample size		
	ERA group	Control group	Difference (impact)	P-value	ERA group	Control group		Difference (impact)	P-value
Housing status									
Family	3.8	6.3	-2.5	0.107	907	1,450	-542	0.184	168
Social	9.2	9.1	0.1	0.904	2,155	2,193	-38	0.871	1,049
Private	2.3	1.8	0.4	0.190	556	456	100	0.295	1,571
Qualifications									
None	7.8	9.8	-1.9	0.227	1,813	2,345	-532	0.185	340
GCSE	5.2	4.3	0.9	0.121	1,231	1,016	214	0.160	1,268
A-level or above	3.2	3.7	-0.5	0.459	780	924	-145	0.417	863
Cohort									
Early (October 2003 - May 2004)	5.8	5.7	0.1	0.889	1,280	1,308	-28	0.907	537
Late (June 2004 - April 2005)	4.8	4.5	0.3	0.510	1,167	1,113	54	0.646	2,278
Number of barriers to employment									
None	4.9	4.7	0.2	0.774	1,189	1,168	21	0.913	900
One	4.7	4.1	0.6	0.324	1,122	992	130	0.400	1,276
Two or more	6.0	6.0	0.0	0.989	1,355	1,407	-52	0.817	639

SOURCE: MDRC calculations from Work and Pensions Longitudinal Survey benefits records and baseline information forms completed by DWP staff.

NOTES: Estimates were regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members.

Rounding may cause slight discrepancies in calculating sums and differences.

Two-tailed t-tests were applied to differences between outcomes for the ERA group and the control group. Statistical significance levels are indicated as: * = 10 per cent; ** = 5 per cent; and *** = 1 per cent.

Includes all customers randomly assigned between October 2003 and April 2005.

A statistical test was performed to measure whether impacts differed significantly across subgroup categories. Statistical significance levels are indicated as: † = 10 per cent; †† = 5 per cent; and ††† = 1 per cent.

IS = Income Support; JSA = Jobseeker's Allowance.

Family housing refers to situations where the customer is living with his/her parents or other friends or relatives. Social housing refers to housing in which the local authority (local government) or a private housing association is the landlord. Private housing refers to owner-occupied housing or housing that the customer rents privately.

Barriers to employment include transport, childcare, health, housing, basic skills, or other self-identified problems.

5.4 A closer look at the NDLP education subgroup results

This section will take a closer look at variation in the effects of ERA across NDLP lone parents who entered the programme with different educational qualifications. This subgroup is of particular interest because it is relevant to the more general question of whether post-employment programmes like ERA are most effective for those who begin the programme with more human capital. One could hypothesise, for example, that those with higher qualifications have a firmer foundation for further skills-building and would be more able to qualify for jobs with advancement opportunities, which they might be more likely to pursue and secure with ERA's assistance. Alternatively, one might hypothesise that such individuals would do as well on their own and that the extra general support and incentives ERA provided for training and advancement were largely superfluous – and that they might have been much more beneficial to those with lower qualifications, who would otherwise have struggled more to advance on their own.

The subgroup findings already presented have shown that ERA's effects on labour market and benefits receipt outcomes were stronger for the subgroup with A-level qualifications among the NDLP group – but not among WTC lone parents. This suggests that educational qualifications may not matter among lone parents generally, but, rather, only for those receiving out-of-work benefits. For reasons discussed below, this group may have been distinctively primed to benefit from ERA.

5.4.1 Robustness of the education subgroup finding

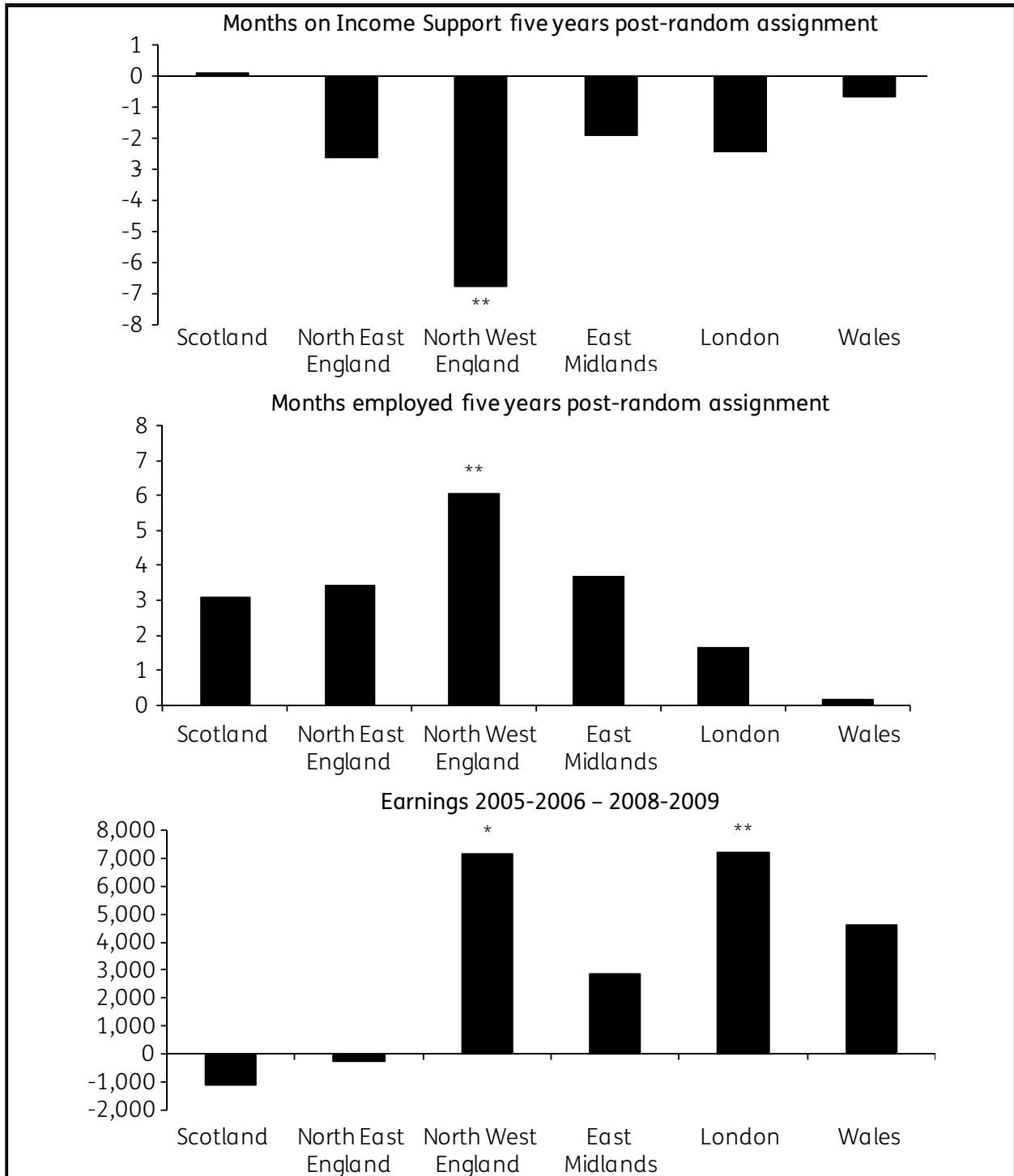
In general, subgroup findings are less certain than full-sample findings, and it is possible that the stronger impacts for those with A-level qualifications are simply the product of random variation. Every impact estimate carries with it some estimation error (which is why they are referred to as 'estimates' of the 'true' impacts).¹⁴⁵ As more and more statistical tests are performed, as with multiple subgroup comparisons, the risk rises that any particular subgroup impact finding that appears as statistically significant will itself be a consequence of chance variation. Thus, it is important to consider other patterns in the data, not just statistical significance.

One way of assessing the robustness of ERA's impacts on the A-level subgroup is to determine whether the same pattern of results occurs in multiple independent samples. Thus, for this study, the analysis estimated these subgroup impacts separately for each of the six districts that operated ERA. A limitation of such an analysis is that the sample sizes become very small, making it more difficult for impacts to reach minimum levels of statistical significance. Thus, this analysis considers the pattern and direction of the effects, with less emphasis than elsewhere on statistical significance.

Figure 5.2 shows ERA's impacts on months receiving Income Support, months employed, and average total four-year earnings by district. The top panel shows that ERA reduced the total months on Income Support by more than one month in four of the six districts (however, the impacts are statistically significant only in North West England). The second panel shows that ERA increased the duration of employment by more than one month in five of the six districts (though the effects were significant only in North West England). The third panel shows that ERA's impacts on earnings exceeded £1,000 in four of the districts and are statistically significant in two of the districts (London and North West England). As a whole, the results suggest that the pattern of stronger impacts for the A-level group is relatively consistent across districts, though one can never rule out the possibility that this subgroup effect is a statistical aberration.

¹⁴⁵ In this study, the probability of any given test indicating that a result is statistically significant when there is no real effect is ten per cent.

Figure 5.2 Impacts of ERA among those with A-level educational qualifications, NDLP target group only



SOURCE: MDRC calculations from Work and Pensions Longitudinal Study benefits receipts and employment records.

NOTES: Estimates were regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members.

Rounding may cause slight discrepancies in calculating sums and differences.

Two-tailed t-tests were applied to differences between outcomes for the ERA group and the control group. Statistical significance levels are indicated as: * = 10 per cent; ** = 5 per cent; and *** = 1 per cent.

Includes all customers randomly assigned between October 2003 and April 2005.

RA refers to random assignment.

One difficulty in interpreting subgroup differences is that individuals fall into multiple inter-correlated categories. It is easy to imagine, for example, that lone parents who had A-level qualifications when they entered the study may have also been more motivated and more likely to find and keep jobs and progress in work on their own, without ERA, than those without such qualifications. This expectation is supported in part by the data on the control group (not shown), indicating that controls with A-level qualifications had more labour market advantages to begin with than did lone parents without such qualifications. For example, among controls, 34 per cent of those with A-level qualifications worked in the year before random assignment, compared with less than 24 per cent among the no-qualifications group. Those with A-level qualifications also received less in welfare assistance before random assignment, compared with control group members who had lower educational qualifications.

In order to assess whether these types of starting advantages among those with A-level qualifications were the source of the larger A-level impacts, a 'conditional subgroup analysis' was conducted. That analysis controlled for the potential influence of other background characteristics that distinguished lone parents in this subgroup from those without such qualifications. Had the bigger impacts for the A-level subgroup disappeared after that test, it would imply that having an A-level qualification per se was not the reason this subgroup benefited more from ERA. However, the bigger impacts for the A-level subgroup persisted, suggesting that educational qualifications did matter for ERA to be effective for NDLP lone parents.¹⁴⁶

5.4.2 Comparisons of education subgroup results for the WTC and ND25+ target groups

The subgroup findings for the WTC target group presented earlier in this chapter do not reveal the same pattern of larger impacts for the A-level subgroup. Nor, as Chapter 6 will show, did ERA have larger effects for ND25+ participants with A-level qualifications versus those without such qualifications. Why would this be the case? It could be an indication that the pattern of stronger impacts for NDLP participants with A-levels is simply a product of chance. However, it is also possible that those with A-levels in the NDLP group are different from those with A-levels in the other target groups in ways that distinctively positioned them to benefit from ERA.

A-level lone parents in the WTC target group were, of course, already working and, hence, more attached to the labour market and more interested in advancing when they began ERA. Thus, they were a more select group of lone parents than A-level participants in the NDLP group. It may be that the kinds of incentives and services ERA offered mattered less to them in the long run or were simply not enough to help them achieve more than they could have without the programme.

In contrast, NDLP lone parents with A-level qualifications had much less recent work experience, and because they were out of work and had younger children, they may have been less focused on advancement and more ambivalent about taking on full-time work in the absence of ERA. Still, because of their A-level qualifications, more employment and advancement opportunities would

¹⁴⁶ This involved running a series of multiple regression equations in which the ERA treatment variable was interacted with various other baseline characteristics in addition to educational level. If A-level participants had a larger impact than the other education subgroups only because they had more work experience or other advantages, the independent impact for the A-level subgroup would disappear once those other interaction terms were controlled. But this did not happen. Another analysis conducted as part of the cross-office analysis presented earlier in this chapter that controlled not only for individual-level characteristics but also for office-level factors similarly found that the A-level effect was resilient to numerous statistical controls (see Robins and Dorsett, forthcoming, 2011, for further details).

be open to them than to those with lower or no qualifications. In this sense, they had more latent or reserve capacity to work and advance. It may be that ERA's incentives, encouragement, and assistance tapped that capacity and effectively encouraged them and helped them pursue work, especially full-time work, more than they would have on their own. Thus, it may have been the combination of being out of work and having more qualifications, rather than simply having more qualifications – a combination that did not exist for the WTC target group – that mattered most.

A-level participants in the ND25+ group were most obviously different from those in the NDLP group in that most were men, few were custodial parents, and all were subject to Jobseeker's Allowance requirements to look for work. Those who did work, whether in the programme or control group, were already inclined to work full time. Thus, A-level participants in the NDLP and ND25+ groups differed in many other ways, and factors other than educational level may have influenced how those in the ND25+ group responded to the types of assistance ERA offered.

5.4.3 Variation in service receipt by education subgroups

Another possible explanation for the larger earnings impacts among those with A-levels is that they may have had a different experience in the programme. For example, those with A-levels might have had larger earnings effects because they were much more likely to receive the full ERA package or certain key components of the programme.

Table 5.3 shows that although NDLP participants with A-level qualifications were more likely to receive this kind of help than those with no qualifications, they had similar rates of receiving in-work help or advice, compared with those who had General Certificate of Secondary Education (GCSE) qualifications. Yet ERA had larger impacts on economic outcomes, especially average earnings and months on Income Support, for those with A-level qualifications. Table 5.4 shows that the variation in impacts across the education subgroups on training or on combining work and training is not statistically significant. Thus, it seems unlikely that the stronger impacts among NDLP participants with A-levels are due to substantially higher receipt of in-work support or in-work education and training. It is possible, however, that those with A-levels had a stronger reaction to a given level of participation, compared with the other subgroups. As suggested above, they may have been more positioned to benefit from the assistance offered.¹⁴⁷

When considering the individual components of ERA, it is most notable that individuals with A-levels were substantially more likely to receive the retention bonus, compared with the other education subgroups. Among those with A-level qualifications, 41.4 per cent received the retention bonus within the first two years; this is 15 percentage points higher than the GCSE group and 21 percentage points higher than the no-qualifications group. While it is impossible to state with certainty, the offer of the retention bonus may have partly contributed to the larger A-level impacts by encouraging more full-time employment among a group with a higher reserve capacity to work, as previously discussed.

5.4.4 Secondary outcomes for the A-level subgroup

Given the large effect on total earnings, one might expect that ERA might have produced impacts on secondary outcomes for the A-level subgroup. However, analysis of a range of non-financial outcomes suggests that this was not the case. There were few impacts on secondary outcomes, such as the health or well-being of families and children, for the A-level subgroup, mirroring the full sample.

¹⁴⁷ It is also important in this regard to note that ERA had larger economic impacts for the NDLP than the WTC A-level subgroup, even though there was a much smaller impact on service receipt for the NDLP group.

5.5 Correspondence between impacts on training and impacts on earnings

The subgroup analysis discussed in the previous section can serve another purpose. Subgroups differed, not only based on impacts on labour market outcomes but also based on receipt of programme services and supports. This section examines variation in ERA's effects on participation in training, and whether that variation seemed to generate different impacts on earnings. As discussed elsewhere, one of the main goals of ERA was to promote advancement through increased skills acquisition. ERA provided financial incentives and guidance from advisers to encourage more participation in education and training courses. Identifying subgroups for which ERA had particularly large impacts on participation in education and training can shed light on an important policy question: Do large impacts on key education and training outcomes lead to economic advancement in the longer term? This analysis will examine this question by measuring whether the effects on cumulative earnings correlate with impacts on training outcomes.

Figure 5.3 shows ERA's impacts on course-taking in years 1-2 and impacts on total four-year earnings across the educational qualifications subgroups (the detailed estimates underlying Figure 5.3 are shown in Table 5.13). The analysis focuses on training in the first two years in order to provide a sufficient amount of time for training to translate into advancement gains.¹⁴⁸ It is reasonable to expect, however, that not all training courses are equally relevant for advancement. In particular, courses specific to occupations in which people currently work or to which they are hoping to transfer would be expected to lead more quickly to economic advancement. For the purposes of this analysis, courses were categorised as 'trade-specific' if they were relevant to specific occupations, such as nursing or business.¹⁴⁹

To facilitate the comparison of impacts, all impacts are expressed in 'percentage change' terms (to do this, the impact was divided by the control group level and multiplied by 100). The purpose of Figure 5.3 is to measure whether impacts on training and qualifications correlate with impacts on earnings. For example, if subgroups that experienced a larger-than-average impact on training also had a larger-than-average impact on earnings, this would suggest that the additional training may have contributed to the larger earnings impacts. However, an important caveat to this analysis is that ERA did more than incentivise and support training; thus, the contribution of other features of the programme cannot be ruled out. However, the absence of a correspondence between training impacts and earnings impacts would suggest that ERA's impacts on training did not pay off in the labour market, or that labour market gains were achieved without increases in training.

¹⁴⁸ As discussed in Chapter 4, ERA's impact on training faded after year 2.

¹⁴⁹ For more information, see Hendra *et al.*, 2011.

Table 5.13 Impacts of ERA on training during years 1-2, and cumulative earnings from 2005-2009 by baseline level of education subgroups

Outcome	ERA group	Control group	Difference (impact)	P-value	Percentage change (%)
NDLP					
All customers					
Took any course (%)	60.6	55.7	4.8 **	0.017	8.7
Took trade-specific courses (%)	50.8	46.0	4.8 **	0.019	10.4
Obtained any training qualification (%)	24.6	23.0	1.7	0.347	7.2
Earnings 2005-2009 tax years (£)	17,280	16,742	538	0.325	3.2
Sample size (total = 6,787)	3,365	3,422			
Qualifications					
A-level or above					
Took any course (%)	70.8	70.7	0.2	0.968	0.2
Took trade-specific courses (%)	63.0	63.0	0.0	0.996	0.0
Obtained any training qualification (%)	29.1	30.7	-1.6	0.693	-5.1
Earnings 2005-2009 tax years (£)	26,383	22,845	3,537 **	0.018	15.5
Sample size (total = 1,465)	738	727			
GCSE					
Took any course (%)	60.3	53.3	7.0 **	0.020	13.1
Took trade-specific courses (%)	50.1	44.3	5.8 *	0.057	13.1
Obtained any training qualification (%)	25.4	22.9	2.6	0.327	11.2
Earnings 2005-2009 tax years (£)	15,546	16,183	-637	0.392	-3.9
Sample size (total = 3,237)	1,602	1,635			
None					
Took any course (%)	49.4	45.4	4.0	0.372	8.8
Took trade-specific courses (%)	37.2	33.7	3.5	0.411	10.5
Obtained any training qualification (%)	15.7	15.8	-0.1	0.975	-0.6
Earnings 2005-2009 tax years (£)	12,289	12,923	-634	0.513	-4.9
Sample size (total = 1,572)	778	794			

(continued)

Table 5.13 Continued

Outcome	ERA group	Control group	Difference (impact)	P-value	Percentage change (%)
WTC					
All customers					
Took any course (%)	72.2	59.6	12.6 ***	0.000	21.1
Took trade-specific courses (%)	68.0	54.5	13.5 ***	0.000	24.8
Obtained any training qualification (%)	32.6	28.0	4.5 **	0.023	16.2
Earnings 2005-2009 tax years (£)	30,615	29,695	921	0.279	3.1
Sample size (total = 2,815)	1,415	1,400			
Qualifications					
A-level or above					
Took any course (%)	79.8	71.6	8.2 **	0.014	11.5
Took trade-specific courses (%)	74.2	71.3	2.9	0.531	4.1
Obtained any training qualification (%)	39.7	34.1	5.6	0.139	16.4
Earnings 2005-2009 tax years (£)	35,699	34,575	1,124	0.515	3.3
Sample size (total = 863)	424	439			
GCSE					
Took any course (%)	72.9	55.6	17.4 ***	0.000	31.3
Took trade-specific courses (%)	69.0	48.3	20.6 ***	0.000	42.6
Obtained any training qualification (%)	30.4	26.2	4.2	0.162	16.0
Earnings 2005-2009 tax years (£)	29,396	27,860	1,536	0.180	5.5
Sample size (total = 1,268)	645	623			
None					
Took any course (%)	55.3	42.3	13.0 **	0.042	30.7
Took trade-specific courses (%)	52.1	38.1	14.0 *	0.069	36.7
Obtained any training qualification (%)	22.8	20.2	2.6	0.626	12.9
Earnings 2005-2009 tax years (£)	22,437	23,022	-585	0.805	-2.5
Sample size (total = 340)	172	168			

SOURCES: MDRC calculations from ERA 12- and 24-month customer surveys and Work and Pensions Longitudinal Survey earnings records.

NOTES: To facilitate the comparison of impacts, all impacts in this figure are expressed in 'percentage change' terms. To do this, the impact was divided by the control group level and multiplied by 100. Statistical significance levels are indicated as: * = 10 per cent; ** = 5 per cent; and *** = 1 per cent.

The sample size shown reflects the sample size of the full sample on administrative records measures. The sample size for the survey-based measures ('Took any course', 'Took trade-specific course', and 'Obtained any training qualification') is lower.

Generally, Figure 5.3 suggests that increasing course-taking alone did not lead to increases in earnings during the follow-up period. But neither did the acquisition of new qualifications, such as training certificates, obtained by completing those courses. This is partly evident from the experiences of members of the NDLP subgroup who entered the programme with A-level qualifications. As discussed elsewhere, earnings impacts for this subgroup were more than 15 per cent above those of the control group, which is the largest increase among the subgroups shown in Figure 5.3. However, those with A-levels did not experience increases in any of the education and training measures shown in the figure. A closer examination of the course-taking impacts for this subgroup reveals very few effects of ERA on any course-taking outcomes.¹⁵⁰ Therefore, it seems likely

¹⁵⁰ One exception is that ERA did increase the percentage of full-time workers with A-levels who trained (while in full-time work) by 11 percentage points (a non-experimental comparison).

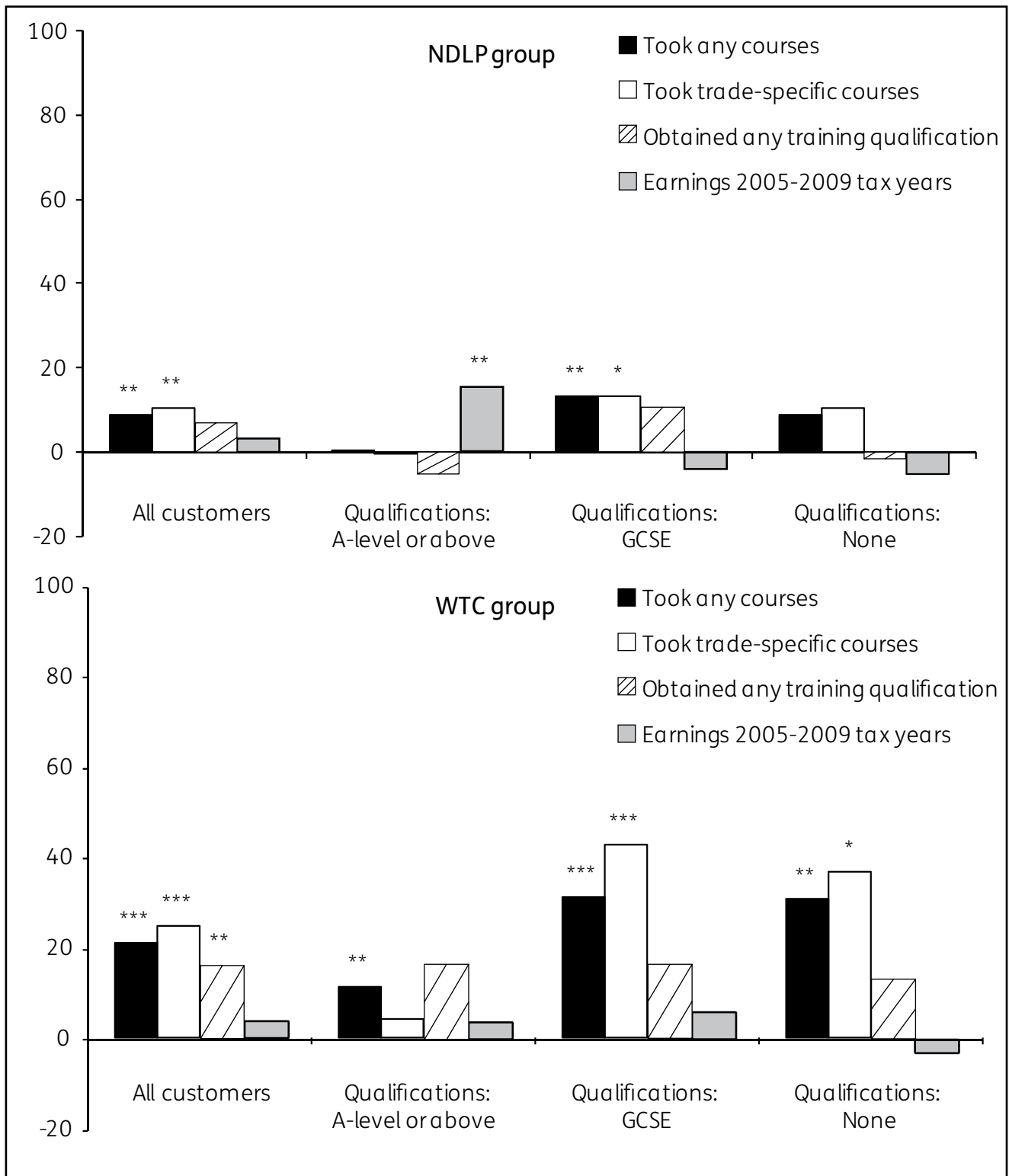
that the impacts for this subgroup reflect the effectiveness of other ERA components, such as the employment retention bonus or adviser advancement support. As discussed above, this subgroup had relatively high take-up of the employment retention bonus, suggesting that the retention bonus was more important than the training support and training incentives, at least for this subgroup.¹⁵¹

Results for NDLP participants who entered ERA with GCSEs also point to a lack of correspondence between increases in training and increases in earnings. This group experienced statistically significant impacts on taking any courses in general and in taking trade-specific courses, but no effect on longer-term earnings. A similar pattern is evident across the full WTC group, as well as each of the WTC subgroups, shown in Figure 5.3. Every subgroup of WTC sample members shown in the figure experienced statistically significant increases in key training outcomes in years 1-2. Some of the impacts on course-taking were quite large in percentage-change terms. For example, among WTC group members with GCSE qualifications, ERA increased trade-specific course-taking by over 40 per cent. Despite these large effects on course-taking, none of the subgroups experienced a statistically significant increase in earnings.

Figure 5.4 shows the same analysis for the age of youngest child subgroups as Figure 5.3 does for the educational qualifications subgroups (the detailed estimates underlying Figure 5.4 are shown in Table 5.14). The patterns are very similar to those discussed above. As discussed above, among the NDLP youngest child age subgroups, the largest impact on earnings was among those with children ages five to six. Yet, this subgroup experienced no increases in any of the measures of education and training participation or obtaining a qualification, shown in Figure 5.4. This is consistent with the pattern of effects among the A-level subgroup noted above, reinforcing the conclusion that elements of ERA besides the training support were most likely responsible for the increase in earnings.

¹⁵¹ Another possibility is that because those with A-levels did not need to train as much in order to find work, they could find work more quickly than those with lower educational credentials (and thereby could take advantage of the ERA retention bonus).

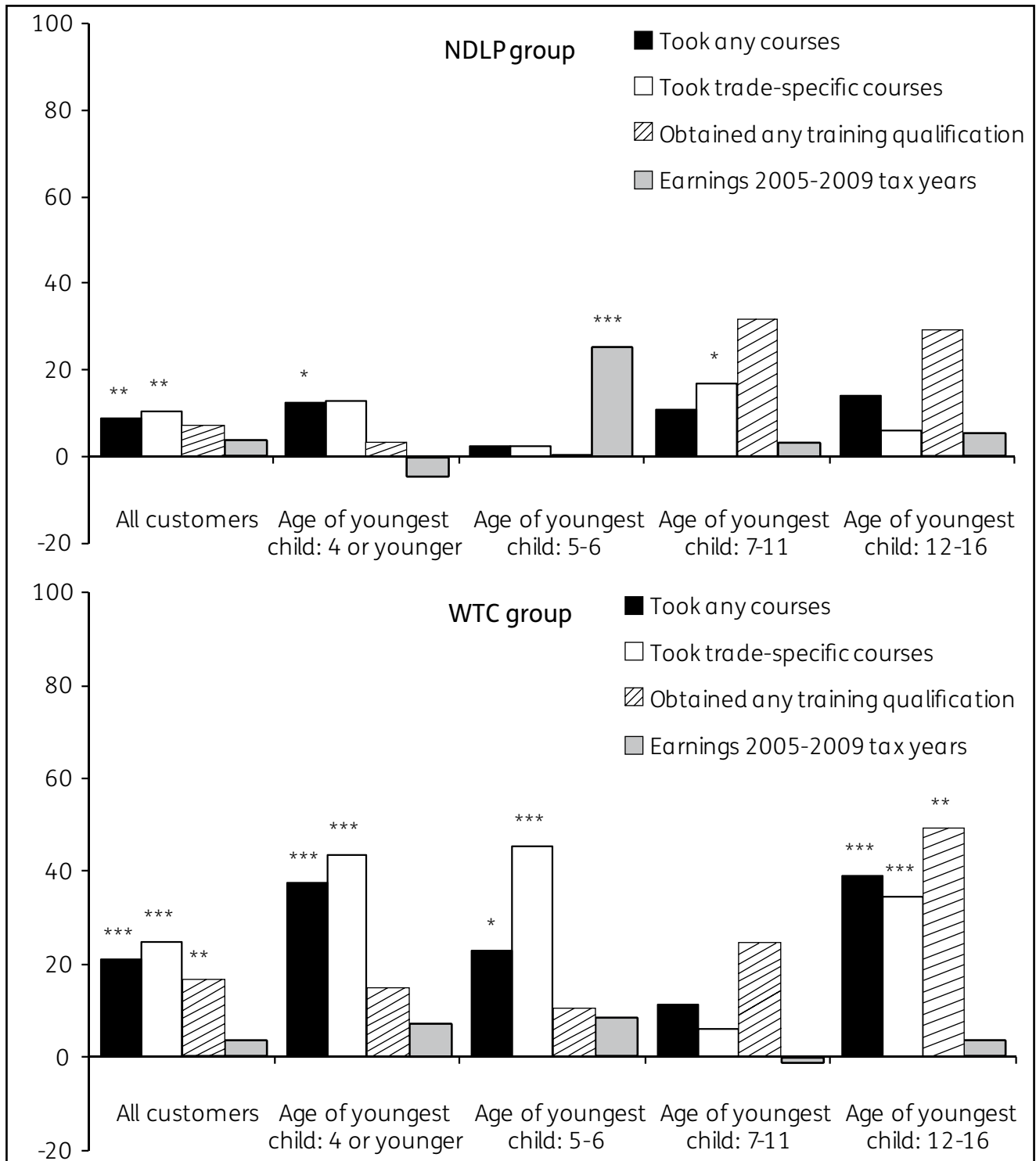
Figure 5.3 Percentage change impacts of ERA on training during years 1-2, and cumulative earnings from 2005-2009 by baseline level of education subgroups



SOURCE: MDRC calculations from ERA 12- and 24-month customer surveys and Work and Pensions Longitudinal Survey earnings records.

NOTE: To facilitate the comparison of impacts, all impacts in this figure are expressed in 'percentage change' terms. To do this, the impact was divided by the control group level and multiplied by 100. Statistical significance levels are indicated as: * = 10 per cent; ** = 5 per cent; and *** = 1 per cent.

Figure 5.4 Percentage change impacts of ERA on training during years 1-2, and cumulative earnings from 2005-2009 by age of youngest child subgroups



SOURCE: MDRC calculations from ERA 12- and 24-month customer surveys and Work and Pensions Longitudinal Survey earnings records.

NOTE: To facilitate the comparison of impacts, all impacts in this figure are expressed in 'percentage change' terms. To do this, the impact was divided by the control group level and multiplied by 100. Statistical significance levels are indicated as: * = 10 per cent; ** = 5 per cent; and *** = 1 per cent.

Table 5.14 Impacts of ERA on training during years 1-2, and cumulative earnings from 2005-2009 by age of youngest child subgroups

Outcome	ERA group	Control group	Difference (impact)	P-value	Percentage change (%)
NDLP					
All customers					
Took any course (%)	60.6	55.7	4.8 **	0.017	8.7
Took trade-specific courses (%)	50.8	46.0	4.8 **	0.019	10.4
Obtained any training qualification (%)	24.6	23.0	1.7	0.347	7.2
Earnings 2005-2009 tax years (£)	17,280	16,742	538	0.325	3.2
Sample size (total = 6,787)	3,365	3,422			
Age of youngest child					
4 or younger					
Took any course (%)	61.0	54.2	6.8 *	0.052	12.6
Took trade-specific courses (%)	50.8	45.0	5.8	0.102	12.8
Obtained any training qualification (%)	20.8	20.1	0.7	0.809	3.4
Earnings 2005-2009 tax years (£)	14,217	14,760	-543	0.494	-3.7
Sample size (total = 2,745)	1,388	1,357			
5 to 6					
Took any course (%)	63.4	61.9	1.5	0.790	2.5
Took trade-specific courses (%)	52.7	51.5	1.2	0.843	2.3
Obtained any training qualification (%)	28.5	28.3	0.2	0.973	0.6
Earnings 2005-2009 tax years (£)	16,748	13,366	3,382 ***	0.010	25.3
Sample size (total = 997)	517	480			
7 to 11					
Took any course (%)	64.1	57.8	6.3	0.154	10.8
Took trade-specific courses (%)	56.8	48.7	8.2 *	0.068	16.8
Obtained any training qualification (%)	33.2	25.3	7.9 **	0.047	31.4
Earnings 2005-2009 tax years (£)	18,963	18,385	578	0.622	3.1
Sample size (total = 1,648)	805	843			
12 to 16					
Took any course (%)	58.6	51.3	7.3	0.244	14.3
Took trade-specific courses (%)	45.3	42.7	2.6	0.670	6.0
Obtained any training qualification (%)	25.4	19.7	5.7	0.296	28.8
Earnings 2005-2009 tax years (£)	23,268	22,179	1,088	0.511	4.9
Sample size (total = 992)	476	516			

(continued)

Table 5.14 Continued

Outcome	ERA group	Control group	Difference (impact)	P-value	Percentage change (%)
WTC					
All customers					
Took any course (%)	72.2	59.6	12.6 ***	0.000	21.1
Took trade-specific courses (%)	68.0	54.5	13.5 ***	0.000	24.8
Obtained any training qualification (%)	32.6	28.0	4.5 **	0.023	16.2
Earnings 2005-2009 tax years (£)	30,615	29,695	921	0.279	3.1
Sample size (total = 2,815)	1,415	1,400			
Age of youngest child					
4 or younger					
Took any course (%)	81.5	59.3	22.2 ***	0.000	37.4
Took trade-specific courses (%)	71.1	49.5	21.6 ***	0.000	43.7
Obtained any training qualification (%)	34.1	29.7	4.4	0.415	14.7
Earnings 2005-2009 tax years (£)	26,829	25,105	1,724	0.336	6.9
Sample size (total = 641)	329	312			
5 to 6					
Took any course (%)	74.9	60.9	14.0 *	0.072	23.1
Took trade-specific courses (%)	74.9	51.5	23.4 ***	0.004	45.4
Obtained any training qualification (%)	32.2	29.3	2.9	0.715	10.0
Earnings 2005-2009 tax years (£)	29,248	27,089	2,159	0.321	8.0
Sample size (total = 359)	169	190			
7 to 11					
Took any course (%)	71.7	64.5	7.2	0.115	11.2
Took trade-specific courses (%)	62.9	59.2	3.7	0.441	6.2
Obtained any training qualification (%)	36.2	29.1	7.1	0.132	24.2
Earnings 2005-2009 tax years (£)	31,413	31,661	-247	0.868	-0.8
Sample size (total = 864)	427	437			
12 to 16					
Took any course (%)	82.3	59.2	23.2 ***	0.000	39.1
Took trade-specific courses (%)	73.7	54.7	19.0 ***	0.001	34.7
Obtained any training qualification (%)	40.1	26.9	13.2 **	0.019	49.0
Earnings 2005-2009 tax years (£)	33,016	32,004	1,011	0.562	3.2
Sample size (total = 704)	379	325			

SOURCES: MDRC calculations from ERA 12- and 24-month customer surveys and Work and Pensions Longitudinal Survey earnings records.

NOTES: To facilitate the comparison of impacts, all impacts in this figure are expressed in 'percentage change' terms. To do this, the impact was divided by the control group level and multiplied by 100. Statistical significance levels are indicated as: * = 10 per cent; ** = 5 per cent; and *** = 1 per cent.

The sample size shown reflects the sample size of the full sample on administrative records measures. The sample size for the survey-based measures ('Took any course', 'Took trade-specific course', and 'Obtained any training qualification') is lower.

The 'age of youngest child' subgroup categorisation in this table is a proxy based on other survey variables. Although it does not utilise the actual subgroup measure captured at baseline (because of data constraints), the levels for this alternative subgroup definition are very similar to the actual baseline measure. As such, the estimates and sample sizes for this subgroup category may differ slightly from those presented in other tables.

The subgroup impacts across the age of youngest child subgroups among WTC participants show a similar pattern. Some of the subgroups experienced very large impacts on training participation that did not translate into a longer-term effect on cumulative earnings. For example, among WTC programme group members who had children aged 12 to 16, ERA increased the attainment of occupational credentials by nearly 50 per cent above the control group level, but still had no effect on earnings.¹⁵² An analysis performed for the ERA training report suggests a possible correlation between impacts on attaining training qualifications and impacts on earnings. This correlation appears to have gone away in the long run, at least among the subgroups shown in Figure 5.4.

More information on the effects of ERA on training can be found in the ERA training report. (The findings from that report are summarised in Box 5.2.) The analysis in the report found that much of the training that ERA induced was in occupationally relevant skill areas. However, one weakness of ERA training may be that it tried primarily to accommodate participants' interests in training, regardless of the demand for workers in occupations relevant to that training, and advisers were not trained or positioned to help participants who trained in a particular occupational area to make a direct connection to employers who were hiring people with those newly acquired skills.

Box 5.2 Summary of findings from the ERA training report

Many low-income people face skill deficits that hinder their advancement in the labour market. This has become an issue of central importance in the UK.¹⁵³ Efforts to address the skills disadvantage through training have been mixed; persistence in and completion of training has been a continuing challenge.¹⁵⁴ Working lone parents, in particular, find it difficult to find time to complete training or are reluctant to trade limited time available for their children for time spent in training. There are also issues of confidence. Many low-income individuals may have had difficulty in formal education, making the prospect of training in adulthood seem intimidating for some. Finally, simply taking training classes is not enough. To be effective, training needs to impart skills that are in demand by employers, and it is sometimes difficult to know which courses to take. Together, these factors create a 'skills gap' for many low-wage workers.

One of the key goals of the ERA demonstration was to encourage human capital development by supporting and creating incentives for training among low-wage workers. To accomplish this, the programme provided adviser support and financial incentives for completing training and working full time. The ERA training report¹⁵⁵ looks specifically at the delivery, take-up, and outcomes of the training support and incentives ERA provided. A central question is whether an approach that features intensive adviser support and financial incentives encourages training beyond what would normally occur.

Main findings

- ERA increased the proportion of people who took courses and took courses while working.
- The increase in training was concentrated in courses that were focused on occupational or workplace skills.
- A combination of advisory support and financial incentives was found to be important, although some people valued one more than the other.
- ERA increased training among those who were at an academic disadvantage.
- The early evidence on the economic outcomes from training was mixed.

¹⁵² Hendra *et al.*, 2011.

¹⁵³ Leitch, 2006.

¹⁵⁴ Martinson and Holcomb, 2007.

¹⁵⁵ Hendra *et al.*, 2011.

5.6 Conclusions

This chapter has demonstrated that the full-sample impacts of ERA among lone parents mask significant variation in impacts among NDLP lone parents by location and across subgroups. Statistically significant variation in the impacts of ERA on the number of months employed and the number of months receiving benefits was found across offices. Impacts on these outcomes and cumulative earnings also varied across several important subgroups, with some positive results found for ethnic minorities, parents with a youngest child five to six years old, and lone parents with A-level qualifications.

This variation across offices and subgroups provided an opportunity to understand which aspects of the multi-faceted ERA programme were most effective in improving labour market outcomes. The analyses in this chapter examined three components of ERA that may have been expected to drive the variation in economic impacts: (1) in-work advancement support and help from advisers, (2) the employment retention bonus, and (3) training support and incentives. The cross-office analysis found that participants' receipt of in-work advancement-related support and assistance as well as knowledge of the employment retention bonus may have contributed to better impacts. However, it also found that increasing participation in training or increasing adviser encouragement or help in finding training had no labour market pay-off for participants during the study's follow-up period.

The subgroup analysis also points to the possible importance of the employment retention bonus and strongly supports the finding that the incremental training that ERA encouraged did not produce longer-term earnings impacts. This is especially notable because ERA caused a large increase in training and in receipt of new qualifications, such as training completion certificates, for some subgroups. It may be that a mismatch between the types of courses taken and available job opportunities, and ERA's inability to help participants who had completed training move into jobs in which they could use their newly acquired skills, may have limited the returns to training in terms of measurable earnings gains.¹⁵⁶

¹⁵⁶ A recent US-based study by Public/Private Ventures points to the effectiveness of demand-driven, sectoral training (Maguire *et al.*, 2010). MDRC is currently evaluating a new programme called WorkAdvance, which will use a similar strategy, combined with elements of the US and UK ERA models.

6 Impacts of ERA on labour market and other outcomes for long-term unemployed (New Deal 25 Plus) participants

Box 6.1 Chapter 6 at a glance

- Compared with the other two target groups in the Employment Retention and Advancement (ERA) evaluation, the New Deal 25 Plus (ND25+) group faced more severe labour market disadvantages at the time of random assignment.
- ERA produced statistically significant increases in employment and earnings for the ND25+ group after the first year. These impacts persisted through the end of the follow-up period and were likely to continue beyond it.
- ERA also produced persistent reductions in benefits receipt over the five-year follow-up period, although the reductions moderated somewhat after month 33, the point at which the programme formally ended.
- Some evidence suggests that ERA helped ND25+ group members find jobs more quickly and remain at their initial jobs longer.
- Some districts had more success than others. In two of the six (East Midlands and Scotland) ERA produced large and statistically significant impacts on employment, earnings, and receipt of Jobseeker's Allowance.
- ERA's impacts were not concentrated in any particular subgroups, suggesting that even some more difficult-to-help members of this target group benefited from the programme.

6.1 Introduction

This chapter presents the impact findings for ERA's third target group, ND25+ enrollees. In interpreting these findings, it is important to keep in mind just how different the ND25+ group is from the two other groups that participated in the demonstration – the New Deal for Lone Parents (NDLP) and Working Tax Credit (WTC) target groups. ND25+ enrollees are mostly men over the age of 25 (most are actually over 30 years old), whereas NDLP and WTC lone parents are mostly women. At the time the study began, ND25+ sample members were receiving Jobseeker's Allowance, which required that they actively seek work as a condition of maintaining their eligibility for this benefit. In contrast, lone parents in the NDLP target group were recipients of Income Support, which carried no work search requirements. ND25+ sample members, because they had been unemployed and

receiving Jobseeker's Allowance for at least 18 out of 21 months before random assignment,¹⁵⁷ were mandated to participate in the New Deal welfare-to-work programme (which, for the ERA group, was the first stage of ERA). No such mandate applied to the lone parents. Those in the NDLP target group had volunteered for the New Deal programme, and WTC lone parents were not involved in the New Deal at all, because they were already working.

Given their different route into the research sample, the ND25+ group, on average, faced greater labour market disadvantages than the lone parent target groups. Many lacked skills or had outdated skills, a short or patchy work history, and transport difficulties. Over 36 per cent had no educational qualifications at all, compared with 24 per cent of the NDLP group and 12 per cent of the WTC group (see Table 2.2). About 45 per cent (similar to the NDLP group) had not worked at all in the three years before they entered the demonstration. About 77 per cent said that they had no driving licence or lacked access to a car, compared with 68 per cent of the NDLP group and 33 per cent of the WTC group. About 20 per cent of the ND25+ group reported suffering from some long-term illness or disability. As Chapter 3 discussed, programme staff found it somewhat more challenging to engage ND25+ participants in services. Nationally, the ND25+ group has been found to have relatively low employment retention rates, with only one in four ND25+ customers leaving benefits for sustained work.¹⁵⁸ It is also a group known to have more alcohol and substance abuse problems and involvement with the criminal justice system than lone parents.

The availability of survey data for the NDLP and WTC groups has aided in understanding the nature of these impacts. However, the impact analysis for the ND25+ group relies solely on administrative data, because less survey data are available for this group.¹⁵⁹

6.2 ERA's overall impacts on the ND25+ target group

6.2.1 ERA's impact on employment

Table 6.1 makes it immediately clear how detached the ND25+ group normally was from the labour market, even during a period when it was fairly strong, as during the early years of ERA. As the table shows, only about 31 per cent to 35 per cent of ND25+ control group members worked in any given year during the five-year follow-up period, and 55.1 per cent had worked at all during those five years, at least in jobs covered by administrative data. ERA made a small difference in these employment rates. It increased the likelihood of ever working within the full follow-up period by a statistically significant 2.2 percentage points (a gain of about four per cent over the control group rate). It also had a positive and statistically significant employment effect in each year, with a peak impact of 3.6 percentage points occurring during the second year (an 11 per cent increase over the control group rate).

In the first follow-up year, when the programme mainly provided pre-employment services through the New Deal programme (a version of the same programme to which the control group was assigned), ERA increased participants' likelihood of being employed by 1.9 percentage points.

¹⁵⁷ The majority of those who commence a claim for Jobseeker's Allowance do not continue on for 18 or more months and are therefore not mandated to join ND25+. In 2004-2005, for example, only about six per cent of Jobseeker's Allowance claims reached 18 consecutive months (Miller *et al.*, 2008). However, these numbers are increasing in the wake of the recent recession.

¹⁵⁸ Miller *et al.*, 2008.

¹⁵⁹ Surveys at 12 and 24 months were conducted for ND25+ sample members, but the samples were small because many customers were difficult to contact. Furthermore, the response rates were low, leading to insufficient sample sizes for analysis purposes. The ND25+ group was not surveyed at 60 months.

170 Impacts of ERA on labour market and other outcomes for long-term unemployed (New Deal 25 Plus) participants

Table 6.1 Effects of ERA on employment and earnings within five years after random assignment, ND25+ target group

Outcome	ERA group	Control group	Difference (impact)	P-value
Ever employed during (%)				
Year 1	37.3	35.4	1.9 *	0.098
Year 2	36.3	32.7	3.6 ***	0.001
Year 3	34.6	32.5	2.1 *	0.057
Year 4	35.0	32.1	2.9 ***	0.009
Year 5	32.8	30.9	1.9 *	0.094
Years 1-5	57.3	55.1	2.2 *	0.057
Average number of months employed during				
Year 1	2.5	2.3	0.1	0.216
Year 2	2.9	2.6	0.3 ***	0.009
Year 3	3.0	2.7	0.2 **	0.025
Year 4	3.0	2.8	0.2 **	0.047
Year 5	2.9	2.7	0.3 **	0.025
Years 1-5	14.3	13.2	1.1 **	0.010
Employed during month 24 (%)	24.3	22.1	2.3 **	0.025
Employed during month 36 (%)	25.1	23.5	1.6	0.114
Employed during month 48 (%)	25.7	23.3	2.4 **	0.019
Employed during month 60 (%)	23.4	21.8	1.6	0.103
Average earnings during 2005-2006 tax year (£)	3,070	2,758	312 **	0.032
Average earnings during 2006-2007 tax year (£)	3,447	3,104	342 **	0.036
Average earnings during 2007-2008 tax year (£)	3,692	3,228	464 ***	0.007
Average earnings during 2008-2009 tax year (£)	3,954	3,591	363 **	0.046
Average 4-year earnings during 2005-2009 tax years (£)	14,162	12,681	1,481 **	0.012
Employed during 2005-2006 tax year (%)	37.7	33.9	3.8 ***	0.001
Employed during 2006-2007 tax year (%)	35.7	33.0	2.7 **	0.016
Employed during 2007-2008 tax year (%)	36.2	33.5	2.7 **	0.015
Employed during 2008-2009 tax year (%)	36.2	34.4	1.7	0.127
Average number of employment spells	0.6	0.6	0.0	0.119
Average number of non-employment spells	1.2	1.2	0.0	0.690
Average number of months to first employment	32.7	33.9	-1.2 **	0.047
Average duration of first employment (months)	10.0	9.0	0.9 **	0.012
Time to first employment (%)				
Employed in month of RA ^a	10.4	10.5	-0.1	0.884
1 to 6 months	19.4	19.1	0.2	0.795
7 to 12 months	8.5	7.1	1.4 **	0.037
13 to 24 months	8.1	7.1	1.0	0.125
Greater than 24 months	10.9	11.2	-0.3	0.730
Never employed in first 60 months	42.7	44.9	-2.2 *	0.057
Sample size = 6,782	3,424	3,358		

SOURCES: MDRC calculations from Work and Pensions Longitudinal Study employment records.

NOTES: Estimates were regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members.

Rounding may cause slight discrepancies in calculating sums and differences.

Two-tailed t-tests were applied to differences between outcomes for the ERA group and the control group. Statistical significance levels are indicated as: * = 10 per cent; ** = 5 per cent; and *** = 1 per cent.

Includes all customers randomly assigned between October 2003 and April 2005.

^aRA refers to random assignment.

Because both the programme and control groups received similar services at the beginning, large early impacts on employment were not expected. In year 2, as more ERA participants moved into the post-employment (or 'in-work') phase, ERA's employment impact almost doubled, reaching 3.6 percentage points.¹⁶⁰ Although this effect declined somewhat in year 3, possibly because of short-lived jobs, it increased by almost a full percentage point in year 4, suggesting the possibility of some re-employment among those who had left their earlier jobs. But then it declined by a percentage point in year 5, equalling the impact in the first year. Overall, the administrative data strongly indicate a pattern of positive impacts on employment for the ND25+ group that rise and then fall, but appear to persist even after the post-employment phase of the programme (years 2 and 3) ended. It appears that, in contrast to the results for the two lone parent target groups, ERA had had a sustained impact on employment for the ND25+ group.¹⁶¹

As a check on the above results, which are based on employers' reports of individuals' employment start and end dates, an alternative employment measure was constructed using employer-reported earnings data for each of four tax years.¹⁶² Employment effects based on these data do not cover all five follow-up years, but they have the advantage of being easily aligned with the earnings impacts, which are also based on tax years (see below). As Table 6.1 shows, ERA's employment impact for tax year 2005-2006 is 3.8 percentage points, which is slightly larger than the 3.6 percentage point impact in the second year after random assignment. The tax-year employment impacts are statistically significant in each of those first three tax years.

The monthly employment rate is low for the control group throughout the follow-up period, starting out at less than ten per cent, but never reaching more than 25 per cent (Figure 6.1). This is considerably lower than the rate for the NDLP control group (which was usually over 40 per cent) and the rate for the WTC control group (which was usually over 60 per cent), reflecting the more severe labour market disadvantages faced by the ND25+ sample. After the initial rise in the first six

¹⁶⁰ These pooled results differ from the results for the ND25+ group presented in Miller *et al.*, 2008, which gave equal weight to all six districts regardless of their sample sizes. As discussed in Appendix A, the results presented in this report are not weighted by district. Consequently, the pooled impact estimates presented here are larger than previously reported for the first two years of follow-up. The difference is primarily because Wales has a relatively small sample, but relatively large negative impacts. When Wales is given less weight (in accordance with its smaller size), the pooled impact estimates are larger than when Wales is given the same weight as the other districts (allowing its negative impacts to have a bigger influence on the pooled estimates). This change in weighting strategy did not have a large effect among the NDLP group. The WTC impacts were never weighted by district.

¹⁶¹ Paralleling the impacts on ever being employed in a given year are positive impacts in all five years on the number of months employed. As in the case of ever being employed, the peak impact on the number of months employed occurs in year 2 and is about .3 months, representing about an 11 per cent impact. However, after declining in years 3 and 4 to about .2 months, it again increases to .3 months in year 5, strengthening the conclusion that ERA has permanently increased employment for the ND25+ group. Over all five years, the impact is 1.1 months (about an eight per cent impact) and is statistically significant.

¹⁶² Programme years and tax years are not the same, but they do overlap (see Figure 2.1). The employment variable from the tax-year data was defined as one if tax-year earnings were greater than zero, and zero if there were no earnings in the tax year. The follow-up period based on tax years begins with 2005-2006, because the prior tax year would capture some employment and earnings for some sample members that occurred before random assignment.

172 Impacts of ERA on labour market and other outcomes for long-term unemployed (New Deal 25 Plus) participants

months after random assignment, employment rates are remarkably stable throughout the five-year follow-up period – even after the onset of the steep recession in 2009. Furthermore, controls who became employed had low earnings. For example, in the 2005–2006 tax year, earnings among employed ND25+ controls averaged just over £8,100.¹⁶³ This pattern of employment and earnings illustrates the ‘low-pay, no-pay’ cycle the vast majority of ND25+ participants faced. Over the entire five-year follow-up period, the trend in employment among the ND25+ control group remained virtually flat. Although 55 per cent of ND25+ controls were employed at some time during the five years, the fact that no more than 25 per cent were employed in any given month is indicative of considerable ‘churning’ in and out of employment for this group.

Figure 6.2 shows that there are positive impacts on employment for almost all of the months of the follow-up period, with about three-fifths of them being statistically significant. While the impacts faded somewhat late in year 3, they re-emerged in year 4. Though the employment impacts are not statistically significant in the last couple of months of year 5, the balance of evidence still strongly suggests that ERA had a long-run impact on employment for the ND25+ group.

Over the five-year follow-up period, ERA had no impact on the number of spells of employment or non-employment. However, it did reduce the average amount of time it took participants to find their first jobs by a statistically significant 1.2 months (a reduction of four per cent). It also increased by .9 months (or ten per cent) the average duration of the first employment spell. These patterns suggest that the ERA programme had somewhat more success in helping ND25+ participants enter work and retain their jobs than the services normally available to this group through Jobcentre Plus and other providers.

It is also worth highlighting the greater propensity of workers in the ND25+ group than the lone parent groups to work full time. As previous chapters have discussed, many lone parents who were interested in working were hesitant to take on **full-time** employment because of their family responsibilities, especially if they had younger children, despite ERA’s incentives for full-time work. In contrast, if ND25+ participants did work, they were highly likely to work full time. Indeed, earlier survey data show that about 71 per cent of ND25+ individuals in ERA who were working at the time of the year 2 survey were employed at least 30 hours per week,¹⁶⁴ whereas this was true for only 46 per cent of ERA participants in the NDLP group and 44 per cent of those in the WTC group.¹⁶⁵ Because most ND25+ participants were men without custodial responsibility for children, childcare problems were not an important deterrent to full-time work.¹⁶⁶

¹⁶³ This estimate is derived by dividing £2,758 in earnings by the .339 employment rate for that tax year (Table 6.1).

¹⁶⁴ Table 4.4 in Miller *et al.*, 2008.

¹⁶⁵ Table 5.2 in Riccio *et al.*, 2008.

¹⁶⁶ In a forthcoming report on the impact of ERA on workers’ outcomes, Sianesi notes that only four per cent of the ND25+ worker sample reported a childcare problem, compared with 51 per cent for the NDLP and WTC groups.

Figure 6.1 Control group employment rates over the first five years after random assignment, ND25+ target group

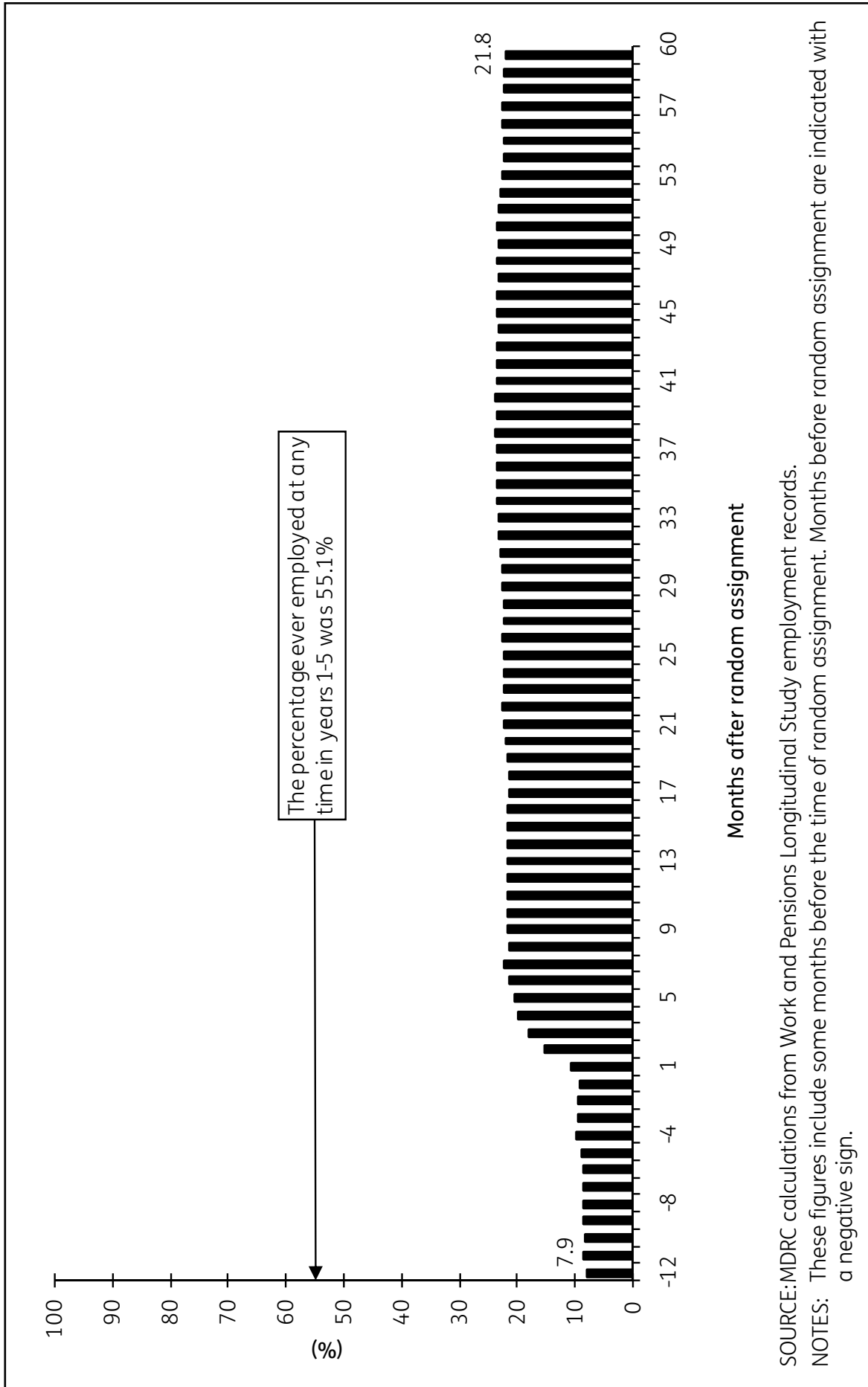
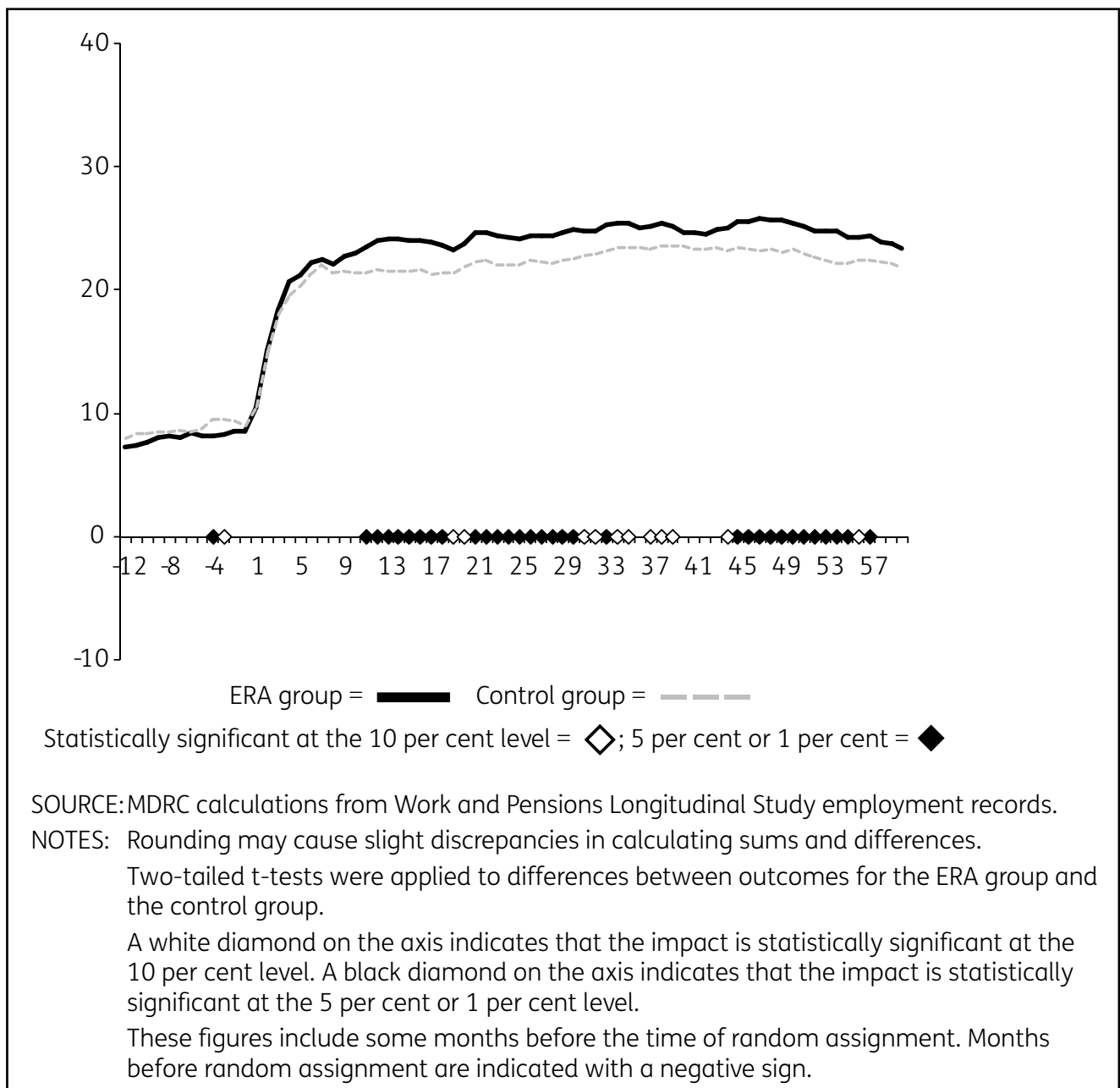


Figure 6.2 ERA group and control group employment rate trends over the first five years after random assignment, ND25+ target group



6.2.2 ERA's impact on earnings

Earnings impacts are available for the four tax years 2005-2006 through 2008-2009 (Table 6.1). Over those years, ERA participants earned a total of £14,162 on average (an estimate that includes zero earnings for participants who did not work).¹⁶⁷ This reflects an increase of £1,481 over the £12,681 earned by the controls (or a gain of 12 per cent).

Following the pattern exhibited by the employment impacts, the earnings impacts increase and then decrease over time, but they are statistically significant in each year. The largest increase occurs from the 2006-2007 tax year to the 2007-2008 tax year, when the impact jumps by £122, from £342 to £464. The earnings impacts are substantial in percentage terms and larger than the employment impacts, ranging from 11 per cent in tax year 2005-2006 to 14 per cent in tax year 2007-2008. This suggests the possibility that ERA also increased hours worked, hourly wage rates, or both.

The sustained employment and earnings impacts of ERA for the ND25+ group, although modest in an absolute sense, are quite impressive in light of the fact that this long-term unemployed group was so severely disadvantaged upon entering the programme and is widely understood to be a difficult-to-help population.

6.2.3 ERA's impacts on benefits receipt

ERA's positive labour market effects also generated some reductions in reliance on welfare benefits. As Table 6.2 shows, in year 1, when ERA participants and the control group were receiving pre-employment New Deal services, ERA had essentially no impact on the number of months that participants received Jobseeker's Allowance. However, it produced statistically significant reductions in receipt of Jobseeker's Allowance during years 2 through 5, although the reductions decreased in magnitude over time from about .5 months in year 2 to about .3 months in year 5. Over all five years, ERA reduced the number of months on Jobseeker's Allowance by a statistically significant 1.5 months (or about six per cent relative to the control group average).

Table 6.2 also shows that ERA reduced Jobseeker's Allowance payment amounts for the programme group in each year. After year 1, all annual reductions are statistically significant. Over all five years, ERA reduced Jobseeker's Allowance payments by a total of £426 per participant (a drop of six per cent relative to the control group average).

Figure 6.3 shows the proportion of control group members receiving Jobseeker's Allowance each month. That rate declined quickly in the first year after random assignment and then continued to decline, although more slowly, over the next four years. Only 31 per cent of controls were receiving that benefit by the end of the follow-up period.

¹⁶⁷ To calculate impacts properly, the analysis must include all ERA participants and all control group participants.

176 Impacts of ERA on labour market and other outcomes for long-term unemployed (New Deal 25 Plus) participants

Table 6.2 Effects of ERA on benefits receipt within five years after random assignment, ND25+ target group

Outcome	ERA group	Control group	Difference (impact)	P-value
Average number of months receiving JSA in				
Year 1	7.8	8.0	-0.1	0.230
Year 2	5.4	5.8	-0.5 ***	0.000
Year 3	4.6	5.0	-0.4 ***	0.001
Year 4	3.7	4.0	-0.2 *	0.050
Year 5	3.4	3.7	-0.3 **	0.027
Years 1-5	24.9	26.4	-1.5 ***	0.001
Receiving JSA in month 24 (%)	42.2	45.5	-3.3 ***	0.005
Receiving JSA in month 36 (%)	34.1	36.1	-2.0 *	0.082
Receiving JSA in month 48 (%)	29.0	31.9	-2.9 ***	0.008
Receiving JSA in month 60 (%)	28.3	30.7	-2.4 **	0.025
Average JSA payment received in (£)				
Year 1	2,359	2,406	-48	0.221
Year 2	1,457	1,581	-124 ***	0.002
Year 3	1,244	1,358	-115 ***	0.002
Year 4	1,038	1,099	-61 *	0.086
Year 5	970	1,048	-78 **	0.026
Years 1-2	3,816	3,987	-171 **	0.015
Years 1-3	5,060	5,346	-286 ***	0.004
Years 1-4	6,098	6,445	-347 ***	0.005
Years 1-5	7,067	7,493	-426 ***	0.003
Number of months received IS in years 1-5	7.5	7.5	0.1	0.835
Average total IS received in years 1-5 (£)	2,289	2,287	2	0.988
Number of months received IB in years 1-5	8.3	8.3	0.0	0.953
Ever received IB in years 1-2 (%)	22.5	24.1	-1.6	0.125
Ever received IB in years 1-3 (%)	28.1	30.2	-2.1 *	0.058
Ever received IB in years 1-4 (%)	32.5	34.0	-1.5	0.175
Ever received IB in years 1-5 (%)	33.8	35.6	-1.8	0.118
Sample size = 6,782	3,424	3,358		

SOURCES: MDRC calculations from Work and Pensions Longitudinal Study employment records.

NOTES: Estimates were regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members.

Rounding may cause slight discrepancies in calculating sums and differences.

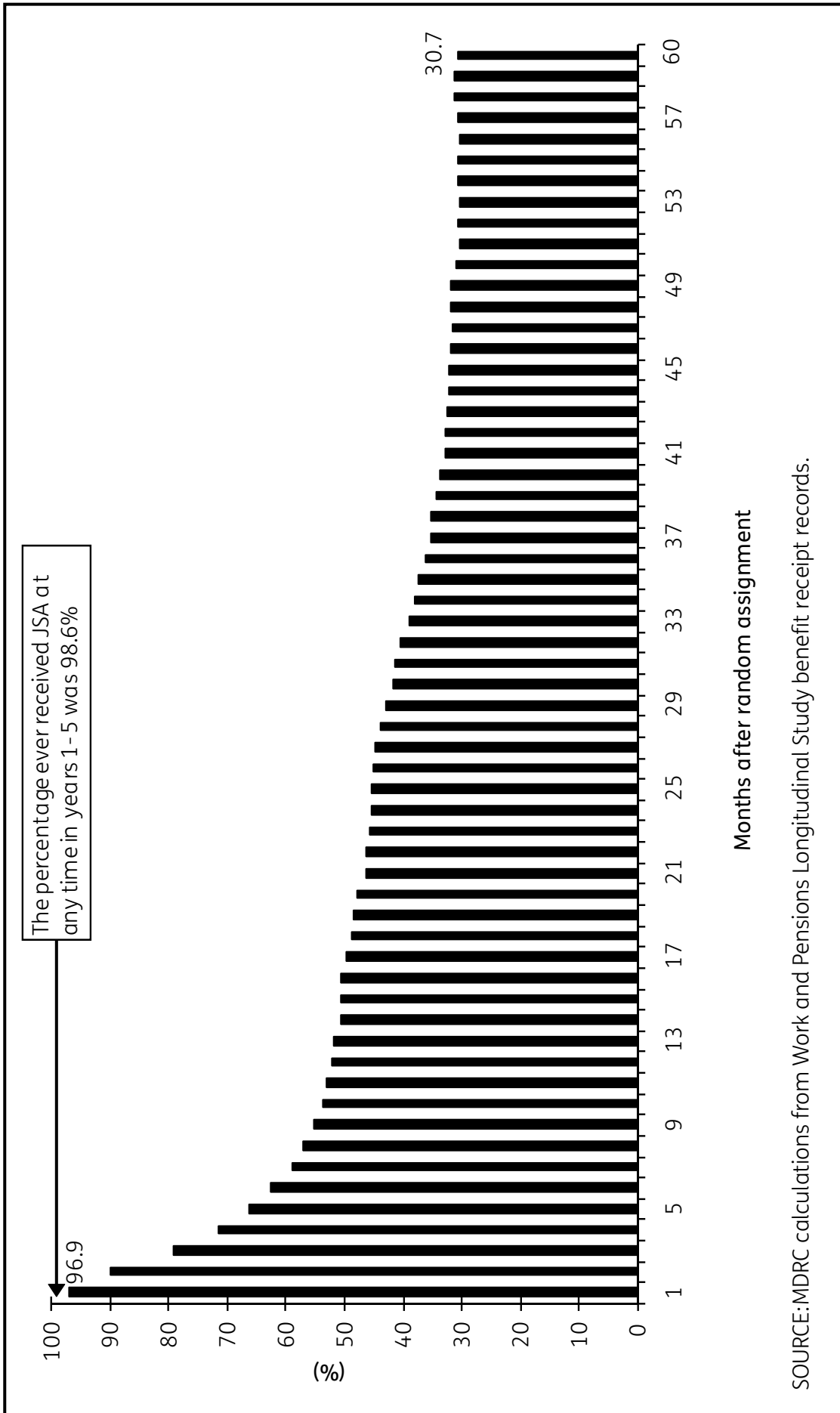
Two-tailed t-tests were applied to differences between outcomes for the ERA group and the control group.

Statistical significance levels are indicated as: * = 10 per cent; ** = 5 per cent; and *** = 1 per cent.

Includes all customers randomly assigned between October 2003 and April 2005.

JSA = Jobseeker's Allowance; IS = Income Support; IB = Incapacity Benefit.

Figure 6.3 Control group Jobseeker's Allowance receipt rates over the first five years after random assignment, ND25+ target group



178 Impacts of ERA on labour market and other outcomes for long-term unemployed (New Deal 25 Plus) participants

Figure 6.4 illustrates the time trends in ERA’s impact on receipt of Jobseeker’s Allowance. It shows that the programme group largely followed the same pattern of declining receipt rates over time, but there was a somewhat larger decline after the first year. All of the impacts from month 11 to month 36 are statistically significant, and all but one of the impacts from month 43 to month 60 are statistically significant. In month 60, the last month of follow-up, the impact is -2.4 percentage points, suggesting the possibility that ERA’s impacts on benefits receipt for the ND25+ target group persisted beyond the period of the evaluation.

Figure 6.4 ERA group and control group Jobseeker’s Allowance receipt rate trends over the first five years after random assignment, ND25+ target group

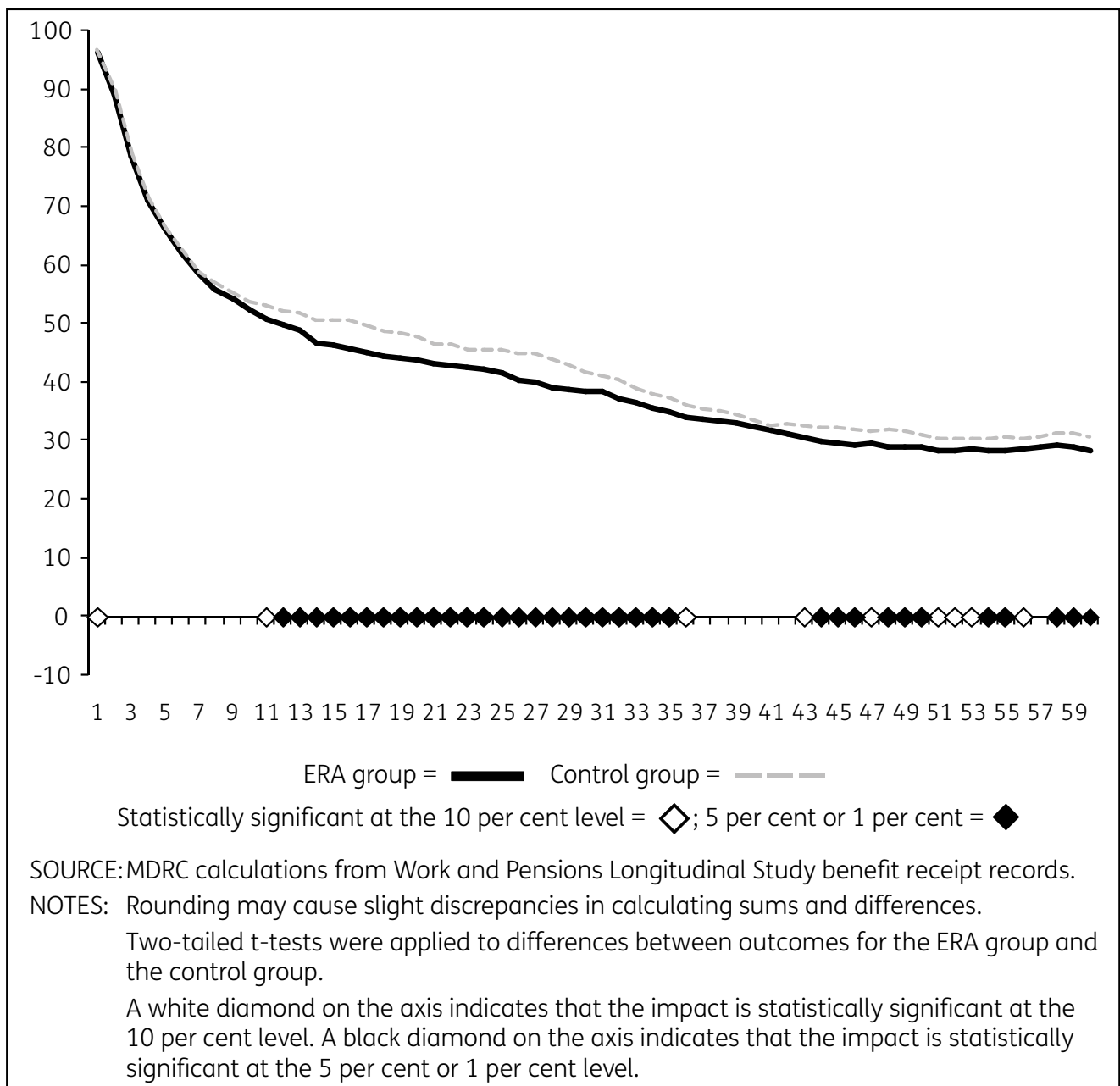


Table 6.2 shows that ERA had no statistically significant impacts on the number of months ND25+ participants received Income Support or on the amount of Income Support they received. (On average, both groups received this benefit only for about 7.5 months out of 60 months.) Receipt of Incapacity Benefit grew substantially over time for both groups, with over a third receiving that benefit sometime during the five-year follow-up period. However, ERA reduced the use of Incapacity Benefit by a statistically significant 2.1 percentage points (or about seven per cent relative to the control group rate) during the first three follow-up years.

6.3 ERA's impacts for the ND25+ target group by district

Table 6.3 summarises the district-level impacts of ERA. Comparing districts can show whether ERA's effects were similar regardless of differences in the people served, local conditions, and programme strategies, or whether they varied. The table presents estimates for two summary measures: average number of months over the full five-year follow-up period and average total earnings over the four available tax years (2005-2009). (See Appendix B for more detailed findings for each district.)

Table 6.3 Effects of ERA on employment and earnings within five years after random assignment, ND25+ target group, by district

	Average number of months employed during months 1-60			Average 4-year earnings during 2005-2009 tax years (£)			Sample size
	ERA group	Control group	P-value	ERA group	Control group	P-value	
Full sample	14.3	13.2	1.1 **	14,162	12,681	1,481 **	6,782
East Midlands	16.4	14.7	1.8 *	15,474	12,629	2,846 **	1,411
North East England	15.8	16.5	-0.7	17,740	17,221	519	828
North West England	13.4	12.0	1.4	11,521	10,824	697	1,557
London	12.5	11.8	0.6	13,380	12,193	1,187	1,619
Scotland	15.3	11.7	3.7 ***	16,820	12,574	4,247 ***	852
Wales	12.5	14.6	-2.1	10,551	13,142	-2,590	515

SOURCE: MDRC calculations from Work and Pensions Longitudinal Survey employment and earnings records and baseline information forms completed by DWP staff.

NOTES: Estimates were regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members.

Rounding may cause slight discrepancies in calculating sums and differences.

Two-tailed t-tests were applied to differences between outcomes for the ERA group and the control group. Statistical significance levels are indicated as: * = 10 per cent; ** = 5 per cent; and *** = 1 per cent.

Includes all customers randomly assigned between October 2003 and April 2005.

A statistical test was performed to measure whether impacts differed significantly across subgroup categories. Statistical significance levels are indicated as: † = 10 per cent; †† = 5 per cent; and ††† = 1 per cent.

6.3.1 District-level impacts on number of months employed

ERA's effect on the duration of employment varied considerably across districts. It had a positive and statistically significant impact on this measure in the East Midlands and Scotland, but its effects in the other districts are not statistically significant. The impacts in the East Midlands and (especially) Scotland are sizeable. In the East Midlands, ERA increased participants' employment by 1.8 months (or about 12 per cent relative to the control group average), and in Scotland it increased employment by 3.7 months (or about 32 per cent). The impacts are positive but smaller and not generally statistically significant in North West England and London; they are negative but not statistically significant in Wales and North East England.

Overall, the cross-district variation in impacts on the number of months employed over the five-year follow-up period is statistically significant. This variation undoubtedly arises because of the large and statistically significant positive impacts in Scotland (and to some extent the statistically significant positive impacts in the East Midlands) and the negative, though not statistically significant, impacts in Wales.

The year-by-year district impacts (see Appendix Tables B.10 to B.15) indicate that over the five years of follow-up, ERA's impact in Scotland on the number of months employed is statistically significant in each year and grows steadily from years 1 to 5. No systematic pattern exists over time for the impact on the number of months employed in the East Midlands. In North West England, the impacts on the number of months employed are relatively constant over time, but are statistically significant only in year 2.¹⁶⁸

In Wales, ERA's impacts on months employed are negative, although not statistically significant. However, as Table B.15 shows, ERA's impact on the likelihood of working during the first follow-up year was -6.7 percentage points and very close to statistical significance (p -value = .102). The negative employment impacts in Wales appear to stem, in part, from early staff shortages in delivering ERA's pre-employment New Deal services. This meant that the control group was likely to receive more intensive pre-employment assistance through the regular New Deal programme, which was better staffed and could thus provide controls with more assistance in finding work than the New Deal component of ERA. Consequently, the control group had higher rates of job entry than the ERA group.¹⁶⁹

The Wales results highlight the importance of not losing sight of the pre-employment component, even with a programme that is largely directed towards post-employment services. This is particularly relevant for the ND25+ sample, for whom retention and advancement depend on receiving adequate support to find employment in the first place. At the same time, there is little evidence to suggest that the negative results in Wales reflect negative consequences of ERA's post-employment component.¹⁷⁰

¹⁶⁸ The impacts on ever being employed are generally similar to the impacts on the number of months employed.

¹⁶⁹ As documented in Miller *et al.*, 2008, during the first year of implementation, there were only two peripatetic advisers available for members of the ND25+ programme group in Wales. And in March 2007, there was only one adviser peripatetically serving all 132 working ERA customers.

¹⁷⁰ Theoretically, ERA could have produced such a result, for example, if it had substantially increased the programme group's participation in training courses in lieu of employment (relative to the control group), but without that training leading to offsetting labour market gains in the longer term.

6.3.2 District-level impacts on earnings

Earnings impacts were estimated in each district for the four available tax years (2005-2009). As can be seen in Table 6.3, ERA's earnings impacts are generally consistent with its impacts on the number of months employed. It had large positive and statistically significant impacts in the East Midlands and Scotland, while the effects are not statistically significant in the other four districts. In the East Midlands, ERA increased participants' earnings by £2,846 (or about 23 per cent above the control group average), and in Scotland by £4,247 (or about 34 per cent). The percentage impact on earnings in the East Midlands is almost double the percentage impact on number of months employed, suggesting the possibility that hourly wage rates and/or hours of work also increased for participants in that district. In Scotland, the impacts on the number of months employed and earnings are more similar to each other, suggesting that ERA probably produced no statistically significant increases in hours of work or the hourly wage rate for participants in that district.

Over time, ERA's earnings impacts in Scotland are statistically significant in each year and exhibit a strong upward trend, mirroring the impacts over time on the number of months employed (see Table B.10). The earnings impact more than doubles from the 2005-2006 tax year to the 2008-2009 tax year. In percentage terms, Scotland's earnings impact is quite large, reaching almost 50 per cent in tax year 2008-2009. The earnings impacts are statistically significant in the first three tax years in the East Midlands, but there is no pattern of growth over time. The effect declines and becomes statistically insignificant in the last tax year (2008-2009), although it is still positive.

Overall, the cross-district variation in ERA's four-year earnings effects is statistically significant. As is true for employment, this was undoubtedly driven mostly by the large impacts in the East Midlands and Scotland and the negative (although not statistically significant) impacts in Wales. The estimated impacts in all of the remaining districts are positive but small and not statistically significant.

The negative earnings impact in Wales is most likely attributable to the previously mentioned fact that, early in the demonstration, the regular New Deal programme was better staffed than the pre-employment New Deal component that served ERA participants. This unintended staffing differential may have resulted in less-intensive and lower-quality pre-employment services for the ERA group and may explain why ERA participants had worse employment outcomes than the control group. It may also explain why the ERA's group's average earnings were also lower, especially earlier in the follow-up period. (The earnings loss for the ERA group of £886 in the 2005-2006 tax year, or 28 per cent of the control group average, is statistically significant.)

Because the negative effects in Wales are most likely due to an unintended pre-employment service differential between the programme and control groups, it is instructive to consider what ERA's overall impacts for the ND25+ target group would be if Wales were excluded from the calculation. When that is done, ERA's impact on earnings is about 19 per cent higher: £1,767 when Wales is excluded versus £1,481 when Wales is included. Thus, it seems reasonable to conclude that the impacts of ERA would have been modestly more positive for ND25+ customers if Wales had been excluded from the demonstration. Nonetheless, as previously mentioned, the negative effects in Wales are an important reminder about the importance of the pre-employment phase of a programme focused on retention and advancement.

Sufficient data were not available to conduct a thorough assessment of why the impacts on earnings varied across the other five districts. However, the implementation strand of the evaluation did not detect any dramatic or obvious differences in the quality of delivery of ERA services across those districts that would explain why, for example, Scotland and the East Midlands had much larger effects than the other districts.

6.4 ND25+ impacts by subgroup

Tables 6.4 and 6.5 indicate that, although some subgroups exhibited larger impacts than others, these differences in impacts are not statistically significant from each other. Thus, it appears unlikely that ERA had stronger or weaker effects on participants depending on their race/ethnicity, age of youngest child, number of months worked in the three years before random assignment, housing status, qualifications, random assignment cohort, number of barriers to employment, or whether the participant was 'severely disadvantaged' at the time of random assignment.¹⁷¹ Instead, it appears that the impacts of ERA for the ND25+ group were broadly based, positively affecting many different types of ERA participants.

¹⁷¹ Though not significantly different, Table 6.4 reveals that the employment and earnings impacts for severely disadvantaged ERA participants (about 20 per cent of the sample) were larger than the impacts for those not severely disadvantaged, suggesting that part of ERA's impacts for the ND25+ group occurred among the severely disadvantaged group. Additionally, social housing residents experienced statistically significant increases in months of employment and earnings compared with private or family residents. But neither of these subgroup differences is statistically significant.

Table 6.4 Effects of ERA on employment and earnings within five years after random assignment, ND25+ target group, by subgroup

	Average number of months employed during months 1-60			Average 4-year earnings during 2005-2009 tax years (£)			Sample size
	ERA group	Control group	Difference (impact) P-value	ERA group	Control group	Difference (impact) P-value	
All customers	14.3	13.2	1.1 ** 0.010	14,162	12,681	1,481 ** 0.012	6,782
Race/ethnicity							
White	14.2	13.0	1.2 ** 0.017	14,245	12,932	1,313 ** 0.047	5,304
Ethnic minority	14.8	13.8	1.0 0.293	13,913	11,872	2,041 0.118	1,451
Number of months worked in 3 years prior to random assignment							
None	10.7	9.2	1.5 *** 0.008	9,902	8,554	1,348 * 0.069	3,085
1-12	15.3	15.1	0.1 0.845	15,686	14,662	1,024 0.346	2,293
13+	20.7	18.6	2.1 ** 0.044	21,321	18,179	3,143 ** 0.036	1,404
Housing status							
Family	13.6	13.2	0.5 0.611	14,010	12,887	1,123 0.365	1,514
Social	14.3	12.1	2.2 *** 0.001	13,374	10,720	2,654 *** 0.001	3,001
Private	15.5	15.3	0.2 0.829	16,216	15,633	583 0.630	2,030
Qualifications							
None	11.6	10.4	1.3 * 0.056	10,675	9,259	1,416 * 0.097	2,465
GCSE	15.7	13.8	1.9 ** 0.024	14,848	12,506	2,341 ** 0.030	1,823
A-level or above	16.9	15.7	1.3 0.186	18,338	17,018	1,320 0.369	1,598
Cohort							
Early (October 2003 - May 2004)	14.4	13.8	0.6 0.355	14,455	13,351	1,105 0.204	3,242
Late (June 2004 - April 2005)	14.2	12.6	1.6 *** 0.006	13,939	12,018	1,921 ** 0.016	3,540

(continued)

Table 6.4 Continued

	Average number of months employed during months 1-60			Average 4-year earnings during 2005-2009 tax years (£)			Sample size		
	ERA group	Control group	Difference (impact)	P-value	ERA group	Control group		Difference (impact)	P-value
Number of barriers to employment									
None	16.2	14.3	1.9 **	0.010	16,263	14,144	2,119 **	0.040	2,517
One	13.8	12.9	0.9	0.157	13,613	12,217	1,396	0.107	2,965
Two or more	11.6	12.0	-0.5	0.620	11,397	10,820	577	0.648	1,300
Has a health-related barrier to employment									
Yes	12.0	11.4	0.6	0.485	12,052	10,083	1,969 *	0.088	1,346
No	14.8	13.7	1.2 **	0.015	14,676	13,336	1,340 **	0.047	5,436
Severely disadvantaged									
Yes	9.4	7.3	2.0 **	0.015	8,518	6,372	2,147 **	0.034	1,364
No	15.6	14.6	0.9 *	0.064	15,631	14,215	1,417 **	0.042	5,418

SOURCE: MDRC calculations from Work and Pensions Longitudinal Survey employment and earnings records and baseline information forms completed by DWP staff.

NOTES: Estimates were regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members.

Rounding may cause slight discrepancies in calculating sums and differences.

Two-tailed t-tests were applied to differences between outcomes for the ERA group and the control group. Statistical significance levels are indicated as: * = 10 per cent; ** = 5 per cent; and *** = 1 per cent.

Includes all customers randomly assigned between October 2003 and April 2005.

A statistical test was performed to measure whether impacts differed significantly across subgroup categories. Statistical significance levels are indicated as: † = 10 per cent; †† = 5 per cent; and ††† = 1 per cent.

Family housing refers to situations where the customer is living with his/her parents or other friends or relatives. Social housing refers to housing in which the local authority (local government) or a private housing association is the landlord. Private housing refers to owner-occupied housing or housing that the customer rents privately.

Barriers to employment include transport, childcare, health, housing, basic skills, or other self-identified problems.

Severely disadvantaged refers to those customers with GCSE qualifications or lower, no work in the three years prior to random assignment, and at least one barrier to employment.

Table 6.5 Effects of ERA on benefits receipt within five years after random assignment, ND25+ target group, by subgroup

	Number of months on benefits (JSA) during months 1-60			Actual amount of benefits (JSA) in pounds received during months 1-60 (£)			Sample size
	ERA group	Control group	Difference (impact) P-value	ERA group	Control group	Difference (impact) P-value	
All customers	24.9	26.4	-1.5 *** 0.001	7,067	7,493	-426 *** 0.003	6,782
Race/ethnicity							
White	24.9	26.5	-1.5 *** 0.003	6,967	7,407	-439 *** 0.007	5,304
Ethnic minority	24.9	26.4	-1.5 0.131	7,384	7,875	-491 0.130	1,451
Number of months worked in 3 years prior to random assignment							
None	27.7	29.5	-1.9 *** 0.008	7,988	8,539	-551 ** 0.017	3,085
1-12	24.9	25.3	-0.4 0.580	6,793	6,981	-188 0.423	2,293
13+	19.0	21.6	-2.6 *** 0.004	5,469	6,079	-610 ** 0.036	1,404
Housing status							
Family	26.6	27.5	-0.9 0.372	6,772	7,010	-238 0.365	1,514
Social	26.0	27.9	-1.9 *** 0.005	7,581	8,172	-591 ** 0.011	3,001
Private	22.2	23.0	-0.8 0.295	6,621	6,865	-245 0.367	2,030
Qualifications							
None	25.5	27.4	-1.9 ** 0.014	7,337	7,786	-449 * 0.069	2,465
GCSE	26.3	27.9	-1.6 * 0.071	7,171	7,823	-652 ** 0.017	1,823
A-level or above	22.3	23.8	-1.5 * 0.083	6,429	6,737	-308 0.284	1,598
Cohort							
Early (October 2003 - May 2004)	25.0	26.6	-1.6 ** 0.017	7,128	7,657	-529 ** 0.013	3,242
Late (June 2004 - April 2005)	24.9	26.2	-1.3 ** 0.031	7,011	7,342	-330 * 0.096	3,540

(continued)

Table 6.5 Continued

	Number of months on benefits (JSA) during months 1-60			Actual amount of benefits (JSA) in pounds received during months 1-60 (£)			Sample size		
	ERA group	Control group	Difference (impact)	P-value	ERA group	Control group		Difference (impact)	P-value
Number of barriers to employment									
None	24.4	26.0	-1.6 **	0.030	6,887	7,360	-473 **	0.049	2,517
One	25.1	26.6	-1.5 **	0.024	7,144	7,540	-396 *	0.071	2,965
Two or more	25.8	26.5	-0.7	0.498	7,300	7,586	-286	0.391	1,300
Has a health-related barrier to employment									
Yes	23.6	25.5	-1.9 *	0.053	6,699	7,372	-673 **	0.039	1,346
No	25.3	26.6	-1.4 ***	0.007	7,159	7,521	-362 **	0.026	5,436
Severely disadvantaged									
Yes	28.0	29.5	-1.5	0.169	7,973	8,518	-545	0.106	1,364
No	24.2	25.6	-1.4 ***	0.005	6,850	7,225	-375 **	0.020	5,418

SOURCE: MDRC calculations from Work and Pensions Longitudinal Survey benefits records and baseline information forms completed by DWP staff.

NOTES: Estimates were regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members.

Rounding may cause slight discrepancies in calculating sums and differences.

Two-tailed t-tests were applied to differences between outcomes for the ERA group and the control group. Statistical significance levels are indicated as: * = 10 per cent; ** = 5 per cent; and *** = 1 per cent.

Includes all customers randomly assigned between October 2003 and April 2005.

A statistical test was performed to measure whether impacts differed significantly across subgroup categories. Statistical significance levels are indicated as: † = 10 per cent; †† = 5 per cent; and ††† = 1 per cent.

Family housing refers to situations where the customer is living with his/her parents or other friends or relatives. Social housing refers to housing in which the local authority (local government) or a private housing association is the landlord. Private housing refers to owner-occupied housing or housing that the customer rents privately.

Barriers to employment include transport, childcare, health, housing, basic skills, or other self-identified problems.

Severely disadvantaged refers to those customers with GCSE qualifications or lower, no work in the three years prior to random assignment, and at least one barrier to employment.

6.5 ND25+ attitudes to advancement

The 60-month survey was not administered to the ND25+ group, but the qualitative data provide some insights into their attitudes about advancement. It should be recalled that a smaller percentage of ND25+ participants than lone parent participants ever entered employment during the five-year follow-up period and became eligible for in-work support.

In-depth qualitative interviews with participants and ERA advisers reveal the myriad of ways that working ND25+ participants defined advancement. Some of them were positive about work progression, with a clear idea of what they wanted to achieve in the ERA programme, and many in this group were able to use ERA support to effectively meet their goals. For example, in a qualitative interview conducted in 2009, one former ND25+ programme group participant reflected positively about the financial and advisory support he had received through ERA:

'...whenever we met we would go through the training courses I could go on, we discussed how my current job was going, she'd give me any advice on how to progress. So it was a two-way conversation. I'd given her an idea of what I was interested...so, you know, it's okay I'd been out of work two and a half years and it just gave me a reminder of how to progress within companies.'

(Former participant, ND25+ programme group)

However, the qualitative research also identified other ND25+ participants in ERA who were happy with just having a 'steady job' and indifferent to advancing any further. These included individuals with complex barriers to work, such as older participants, many of whom had worked all their lives in a particular industry and were not interested in learning new skills, as well as some younger, less-experienced participants who simply wanted to work. It is not surprising that these ND25+ participants, who had unstable, intermittent work histories and whose work journeys were often interrupted, defined advancement in terms of job security and steady employment. Other (non-ERA) evidence supports this finding, showing that some longer-term unemployed individuals are resistant to the idea of progression in work due to fatalism about future prospects, low confidence, and trade-offs with other aspirations or motivations.¹⁷² For this particular working group of ND25+ participants, employment retention itself was an important achievement.

The challenges ERA advisers faced in engaging working ND25+ participants were reflected in the survey data. For example, a quarter of ERA participants had no contact with Jobcentre Plus staff while in work, and only a third had been contacted proactively by their advisers. Statistics on the use of ERA training incentives also point to low receipt rates. As discussed in Chapter 3, ERA advisers also identified a culture of self-reliance among ND25+ participants that may have made some reluctant to accept ERA help. Additionally, some longer-term unemployed people wished to disassociate themselves from Jobcentre Plus once they left benefits for employment. This may partly explain the lower rates of ERA engagement for ND25+ workers relative to lone parent participants.

Over time, ERA advisers developed more nuanced approaches to engaging working participants who saw 'progression' in such different ways. On the other hand, advisers perceived that advancing in work was not important or relevant to some people and therefore did not 'push' this goal. A case in point is reflected in this adviser's account of a conversation with a working ND25+ participant:

¹⁷² See Ray *et al.*, 2010.

‘He comes in and sees me every time his work retention bonus is due, and I talk to him about, ‘How’s things in the job? You doing any more hours?’ ‘No, everything’s just the same.’ ‘Would you not like to do some training? Would you not like to change your job to do something different?’ No, he’s quite happy...but he’s been unemployed for a long, long time, and I think even for him to have a job is an achievement in itself, and he’s quite happy with that.’

(Advancement Support Adviser)

In sum, compared with the other programme groups, ND25+ participants faced greater barriers in achieving advancement as envisioned by the ERA programme and were more focused on job retention. But a subset of ND25+ workers, who were more established in their work, embraced the programme’s advancement ethos and experienced fewer barriers to work progression.

6.6 Conclusions

This chapter has shown that ERA produced sustained improvements in employment and earnings, and reductions in reliance on welfare benefits for the ND25+ target group. These are impressive findings in light of the widespread view that this group of long-term unemployed people, most of whom are men,¹⁷³ generally has a very difficult time in the labour market and is a harder group for welfare-to-work programmes to help. Indeed, they were more difficult than lone parents for ERA advisers to engage in post-employment assistance, with many of them resisting continued involvement with Jobcentre Plus after entering work.

Not surprisingly, in the absence of ERA, the ND25+ control group had worse labour market **outcomes** and relied more on government transfer benefits than did either of the lone parent target groups. Yet, ERA’s **impacts** for the ND25+ group were stronger. Why this is the case is uncertain, but it may have to do with differences across the groups in the attitudes and expectations about work that participants brought with them when they entered the programme, and how ERA’s offer of incentives for full-time work and post-employment support may have influenced those attitudes and expectations. Chapter 8 takes a closer look at this issue.

¹⁷³ An analysis of economic impacts by subgroup confirmed that the positive results for the ND25+ group were not driven by the relatively few women in this target group.

7 The economic costs and benefits of ERA

Box 7.1 Chapter 7 at a glance

- The cost-benefit results vary considerably among the three Employment Retention and Advancement (ERA) target groups. The best results were achieved for the New Deal 25 Plus (ND25+) target group.
- Findings for the ND25+ group:
 - ERA moderately increased the disposable incomes of ND25+ participants and also markedly improved the Government's budgetary position. As a consequence, ERA appears to have had a positive and sizeable effect on society as a whole (that is, on ERA participants plus the taxpayers who support the Government).
 - These conclusions appear highly robust to the assumptions that underlie them.
- Findings for the New Deal for Lone Parents (NDLP) group:
 - ERA appears to have resulted in negligible effects on the disposable incomes of NDLP participants and had a small negative effect on the budgetary position of the Exchequer and on society as a whole.
 - A separate cost-benefit analysis for the NDLP subgroup with Advanced-level (A-level) qualifications suggests that ERA for this subgroup increased the disposable incomes of those participants and improved the Government's budgetary position. However, the opposite effects are likely to have occurred as a result of ERA for NDLP participants with lower or no qualifications.
- Findings for the Working Tax Credit (WTC) group:
 - The cost to the Government of operating ERA for the WTC group was over twice as much for each participant as that of providing ERA to the two New Deal groups.
 - ERA may have very modestly increased the disposable incomes of WTC participants.
 - Because ERA for the WTC target group was costly to operate, it seems to have noticeably worsened the Exchequer's budgetary position and, as a consequence, resulted in an overall loss from the societal perspective.
 - The latter two conclusions appear quite robust to various sensitivity tests.

7.1 Introduction

Chapters 4, 5, and 6 examined some of the benefits of ERA – for example, whether the programme increased earnings and whether it reduced payments of Income Support and Jobseeker’s Allowance. It is natural to ask next, as is done in this chapter, whether these economic benefits exceeded the costs of operating the programme. Who paid the costs of ERA and who received the benefits? The approach used to answer these questions is cost-benefit analysis, which uses a variety of techniques to determine whether the benefits or the costs of ERA are larger.

This chapter presents findings from separate cost-benefit analyses for ERA’s three target groups: the NDLP group, ND25+ group, and the WTC group. To conduct these cost-benefit analyses, it was first necessary to determine the programme’s costs. A study of ERA’s costs was previously conducted. Although the findings of that study are presented in detail elsewhere,¹⁷⁴ this chapter briefly summarises them before presenting the full cost-benefit analyses.

7.2 The ERA cost analysis

The objective of the ERA cost analysis is to determine the costs resulting from the programme, in particular, Jobcentre Plus’s expenditures on providing services and making incentive payments to ERA participants during their 33 months of eligibility for ERA. In addition to being used in the cost-benefit analyses of ERA, the cost information also provides important insights into how greater programme efficiency and enhanced cost-effectiveness can be achieved if expenditures on some features of ERA or among one or more of the target groups appear unreasonably high. It may also be of value for budgeting purposes when planning for implementation of similar programmes.

7.2.1 The elements of ERA costs

The elements of ERA costs are described in Figure 7.1. A distinction is made in this figure between gross and net costs. Gross costs are the total outlays incurred in operating ERA. Net costs are those that remain after deducting for expenditures that would have been made even in the absence of ERA – i.e., the Government’s costs of serving controls in alternative programmes. Members of the control group were eligible for alternative services that were normally available apart from ERA, such as the regular New Deal programmes for the NDLP and ND25+ target groups. Thus, ERA’s net costs, the incremental costs that resulted from implementing the demonstration, are costs that are over and above those of existing provisions for the control group.

Figure 7.1 has three panels. The first, and by far the most important, pertains to expenditures by Jobcentre Plus. Two major kinds of costs are borne by Jobcentre Plus: staff costs in serving participants and various types of payments to participants. In addition, costs were incurred outside the demonstration districts in centrally administering ERA, but these were minor. Staff costs can be further divided between those occurring before participants find jobs (pre-employment costs) and those resulting after they are employed (post-employment costs). The second panel in Figure 7.1 refers to Government expenditures on training that were not directly paid for by ERA but indirectly resulted from the programme because ERA participants were induced to enrol in more Government-funded training than controls. The third panel refers to out-of-pocket costs that individuals in the programme and control groups pay. The remainder of this section will focus on the costs represented in the first panel of Figure 7.1 – that is, costs resulting directly from the provisions of ERA and paid for by Jobcentre Plus. Non-ERA Government expenditures on training and the out-of-pocket costs of individuals (i.e., the costs represented in the second and third panels, respectively) are not

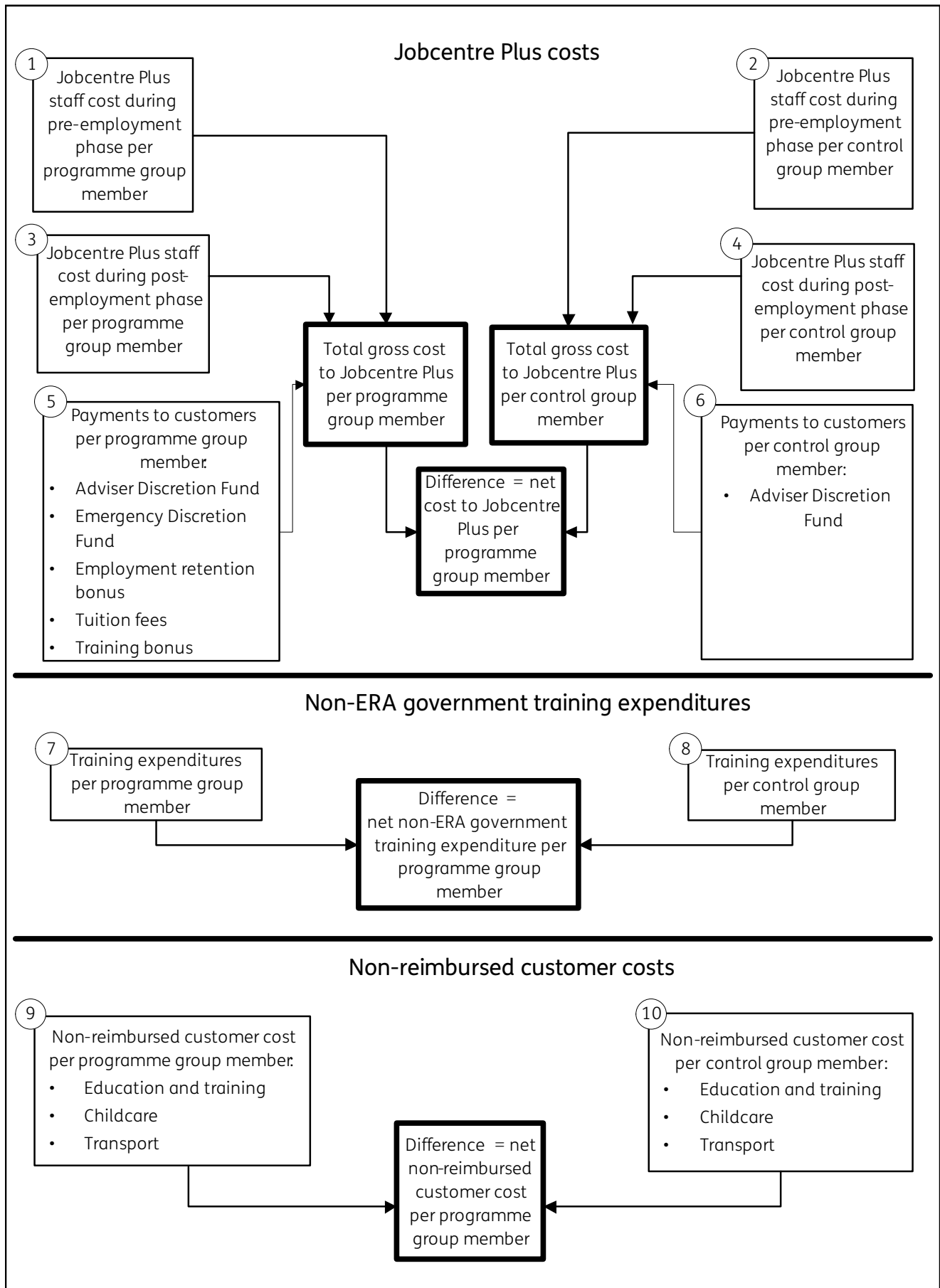
¹⁷⁴ Greenberg *et al.*, 2009.

further discussed in this section, but are instead covered later in the chapter in discussing the cost-benefit analysis.

As shown below, pre-employment costs apply only to the NDLP and ND25+ target groups and, on average, were very similar for ERA participants and controls, because those groups received fairly similar pre-employment services. Thus, although ERA generated gross pre-employment staff costs (box 1 in Figure 7.1), the net pre-employment staff costs are approximately equal to zero (i.e., net pre-employment staff costs = box 1 – box 2 \approx 0). Once ERA participants found employment, however, they were actively encouraged to continue to have contact with their ERA advisers (also known as Advancement Support Advisers). Some control group members also had post-employment contact with Jobcentre Plus Personal Advisers, but this was much rarer and those contacts were less intensive. Thus, post-employment gross staff costs for the control group were quite small relative to those for the programme group. As a result, post-employment programme net staff costs for the programme group are smaller than their post-employment gross staff costs (i.e., gross cost = box 3 > net post-employment staff costs = box 3 – box 4, where box 3 > box 4), but not much smaller.

As can be seen in box 5 of Figure 7.1, ERA participants were eligible for five different types of payments, whereas, as shown in box 6, control group members were eligible for only one of these (from the Adviser Discretion Fund) at the time ERA was operating (September 2003 to October 2007). Thus, in the case of four of these payment types – the employment retention bonus, the training bonus, the Emergency Discretion Fund, and tuition fees – the gross and net payment amounts are equal. They will not be equal in the case of Adviser Discretion Fund payments, however, as programme and control group members were both eligible for them.

Figure 7.1 Major elements of gross and net ERA operating costs



7.2.2 Data and methods

In estimating the cost of ERA, data from a variety of sources were used, including:

- data from administrative records on individuals' employment status and payments to participants,
- customer survey data on the use of non-reimbursed services and contacts with Jobcentre Plus advisers,
- time diaries kept by ERA advisers over a one- or two-week period, in which advisers recorded when each participant contact and each administrative activity began and ended,
- staffing form data on the number of staff involved in serving the ERA target groups, and
- salary tables listing the annual salaries of Jobcentre Plus staff by grade.

The methods used to estimate the individual cost items appearing in Figure 7.1 are detailed in the cost study report.¹⁷⁵ Thus, only a brief overview is provided here.

- ERA provided job-related assistance both before participants found jobs and afterwards. Thus, a key component of the cost analysis involves determining the cost of the ERA advisers who provided these services. The salary cost of those staff was estimated using the advisers' time diaries and staffing form data. These were also used to determine the salary cost of the ERA advisers' supervisors and the clerical personnel who assisted the advisers.
- The estimates of staff salary cost were then used to compute overhead costs (i.e., outlays for facilities and equipment needed to support the ERA staff). Separate overhead rates were computed for each of the six districts participating in the demonstration, and within each district, overhead rates were computed separately for ERA advisers, supervisors, and clerical workers. Overhead costs were then computed by multiplying these rates by the salary costs of ERA advisers, supervisors, and clerical workers in each of the demonstration districts.
- The estimation of the staff cost of serving the ERA programme group was calculated by summing the estimates of Advancement Support Adviser, supervisor, and clerical worker salary and overhead costs.
- Similar steps were followed in estimating the staff cost of serving the ERA control group, including the cost of Personal Advisers for controls.
- Department for Work and Pensions (DWP) provided data allowing direct measurement of payments to participants.

In estimating the costs of ERA to Jobcentre Plus, an attempt was made to determine what it cost to provide 33 months of services and financial incentives to a typical participant in each of the three target groups once ERA was running smoothly and had reached a steady state of operation. The cost estimates are pooled over the six demonstration districts and represent an average ERA participant from each of the three target groups. Hence, the cost estimates provide an approximation of what each-participant programme costs would be if ERA were a regular, continuing programme in the six demonstration districts. Moreover, because programme benefits – for example, impacts on earnings and benefits payments – are also measured on an each-participant basis, costs and benefits can be readily compared.¹⁷⁶

¹⁷⁵ Greenberg *et al.*, 2009.

¹⁷⁶ It is also assumed that extra costs incurred during a programme's 'start-up' phase do not directly contribute to a programme's impacts, and, therefore, the cost-benefit analysis focuses on estimates of steady-state costs.

For the two New Deal target groups, separate estimates were made for costs incurred during the pre-employment phase (before programme participants first became employed) and the post-employment phase, as well as total costs over the entire 33 months of ERA eligibility. The distinction between the pre- and post-employment phases is important, because the key difference between ERA and the programmes that existed in the UK before ERA was implemented is that ERA emphasised a commitment to offering job coaching and financial incentives to participants **after** they found jobs, even if they later lost their jobs. Because ERA participants in the WTC group were already employed at the time they were randomly assigned, they incurred only post-employment costs; there were no pre-employment costs for them.

The cost for each sample member for each activity or service is determined by three factors: the **unit cost**, which is the cost of serving one person in an activity for a specific unit of time (for example, one month); the **amount of service received**, measured in the same units as the unit cost (for example, the average number of months those participating in an activity spend); and the **participation rate** for each activity. Multiplying these three variables yields the cost incurred for each sample member for the specified activity or service. Information at this level of detail may be useful for budgeting purposes to administrators planning to operate similar programmes.

7.2.3 The cost findings¹⁷⁷

Table 7.1 presents estimates of gross costs incurred by Jobcentre Plus for both the ERA programme group and the control group for each of the demonstration's three target groups. In the case of the two New Deal control groups, these are the costs of operating the regular NDLP and ND25+ welfare-to-work programmes. Net costs for the three ERA programme groups also appear in Table 7.1. As previously discussed, these net costs are the costs to Jobcentre Plus that directly result from the provision of ERA; non-ERA training costs and participants' out-of-pocket costs are not included in the estimates appearing in the table, but they are presented later with the cost-benefit findings. The key implications of Table 7.1, as well as some findings from the cost analysis that are not reported in the table, appear below.

- For ERA participants in the NDLP and ND25+ target groups, gross costs during the post-employment period are much larger than gross costs during the pre-employment period. For the control groups, the opposite is true.

Over 70 per cent of the gross costs attributable to the two New Deal programme groups were incurred during the post-employment phase. The key reason for this is that these groups could receive financial incentive payments once they went to work but not before. In contrast, about 70 per cent of the gross cost of the NDLP control group and nearly 80 per cent of the total gross cost of the ND25+ control group occurred during the pre-employment phase. This is because controls were not eligible for ERA financial incentive payments and because they had relatively little contact with Jobcentre Plus after they began working. Almost all members of both the WTC programme group and the WTC control group were working at the time they were randomly assigned. Thus, they incurred negligible costs during the pre-employment period.

¹⁷⁷ Since Greenberg *et al.*, 2009, was published, the cost estimates have been updated with newly available survey and administrative data. In addition, in the earlier publication each of the six demonstration districts was given equal weight in computing costs for the two New Deal target groups, while in this chapter each ERA participant is given equal weight in computing costs. Thus, the estimates that appear in this chapter differ somewhat from those in the earlier report, but the general pattern of findings is the same.

Table 7.1 Total net and gross costs to Jobcentre Plus of operating ERA for each customer, by target group (in 2005-2006 pounds)

Target group and cost component	Gross cost per ERA group member (£)	Gross cost per control group member (£)	Net cost per ERA group member (£)
NDLP			
Pre-employment			
Staff costs	497	497	0
Payments to customers	54	47	7
Central administrative costs	NA ^a	NA ^a	0
Subtotal	552	544	7
Post-employment			
Staff costs	699	223	476
Special training for replacement			
Advancement Support Advisers	NA ^a	NA ^a	2
Payments to customers	728	0	728
Central administrative costs	NA ^a	NA ^a	22
Subtotal	1,427	223	1,229
Total	1,979	768	1,236
ND25+			
Pre-employment			
Staff costs	468	468	0
Payments to customers	22	21	1
Central administrative costs	NA ^a	NA ^a	0
Subtotal	490	489	1
Post-employment			
Staff costs	713	127	586
Special training for replacement			
Advancement Support Advisers	NA ^a	NA ^a	1
Payments to customers	658	0	658
Central administrative costs	NA ^a	NA ^a	15
Subtotal	1,370	127	1,260
Total	1,860	616	1,261
WTC			
Pre-employment			
Staff costs	0	0	0
Payments to customers	0	0	0
Central administrative costs	0	0	0
Subtotal	0	0	0
Post-employment			
Staff costs	1,467	52	1,415
Special training for replacement			
Advancement Support Advisers	NA ^a	NA ^a	4
Payments to customers	1,172	4	1,168
Central administrative costs	NA ^a	NA ^a	38
Subtotal	2,640	56	2,625
Total	2,640	56	2,625

(continued)

Table 7.1 Continued

SOURCES: MDRC calculations from Advancement Support Adviser time diaries, ERA 12-, 24-, and 60-month customer surveys, Work and Pensions Longitudinal Survey employment records, DWP financial incentives data, and DWP fiscal data.

NOTES: Rounding may cause slight discrepancies in calculating sums and differences.

NA = Not available.

^aGross cost estimates are not available. As a result, the total net cost estimates reflect the difference between gross costs for the ERA and control groups, plus the net costs for special training for replacement Advancement Support Advisers and net costs for central administration.

- The total net costs of ERA, virtually all of which accrued during the post-employment phase (see below), are £1,236, £1,261, and £2,625, respectively, for a typical participant in the NDLP, ND25+, and WTC target groups.

As previously discussed, these estimates pertain to the full 33-month ERA eligibility period and are the additional costs that resulted from implementing ERA. If net costs are annualised by first dividing by 33 and then multiplying by 12, they fall to £449, £459, and £955, respectively.

- Depending on the target group, most of the total net costs of ERA are attributable to the salary and overhead expenditures of employing ERA's Advancement Support Advisers and the employment incentive payments. The net costs of employing ERA's advisers range from 31 per cent to 43 per cent of the total net cost, and employment retention incentive payments represent from 27 per cent to 41 per cent of total net costs. In addition, the two lone parent target groups took advantage of provisions in ERA that were intended to encourage participation in training; training incentive payments and reimbursement for tuition payments accounted for about 15 per cent of the total net costs of each group.

Viewed in somewhat greater detail, the net cost of employing ERA advisers accounts for over four-fifths of net staff costs for each of the three target groups (the remaining net staff costs are attributable to employing supervisors and clerical workers who work with the advisers), and over three-fifths of the payments made to participants in each programme group are accounted for by employment retention incentive payments.

- Net pre-employment staff costs are approximately equal to zero.

For NDLP and ND25+ ERA participants, ERA began with job placement and other pre-employment assistance, largely following the same procedures as the regular New Deal programmes. That is, as discussed in Chapter 3, before they obtained jobs, members of the New Deal ERA programme and control groups were treated virtually identically. Consequently, gross pre-employment staff costs were very similar for programme and control group members, on average, and net pre-employment costs for ERA participants in the NDLP and ND25+ target groups were close to zero. Because the WTC programme group was in the post-employment phase during the entire 33-month ERA eligibility period, their net pre-employment staff costs were also zero.

- Net post-employment staff costs ranged from £476 to £1,415 for each ERA group member, depending on the target group.

Once they obtained employment, programme group members were actively encouraged to continue to have contact with their ERA advisers. Some control group members also had contact with Jobcentre Plus Personal Advisers, but this was much rarer and the contacts were less intensive. More specifically, contact minutes (i.e., the product of the number of contacts with Jobcentre Plus staff and the length in minutes of a typical contact) while working were less than 25 per cent as high for the two New Deal control groups and less than five per cent as high for the WTC control group as for the corresponding programme groups.

- Net post-employment payments to ERA participants ranged from £658 to £1,168 per participant.

As previously mentioned, four types of payments (employment incentives, training incentives, reimbursement for tuition, and Emergency Discretion Fund dispersals) were available only during the post-employment phase and available only to ERA participants.

- During the post-employment phase, ERA's net costs for the WTC target group were over twice the size of net costs for ERA participants in the two New Deal groups.

Net staff costs for ERA participants in the WTC target group were markedly greater during the post-employment phase than they were for either the NDLP or the ND25+ groups (£1,415 versus £476 and £586). ERA participants in the WTC group also received considerably larger payments (£1,168 versus £728 and £658), reflecting the fact that they were employed when they entered the study and were in the post-employment phase during the entire follow-up period. In addition, costs for WTC control group members were low because they had very little contact with Jobcentre Plus. Thus, net ERA costs for the WTC group were over twice as large as those for the two New Deal groups. As will be seen in Section 7.5.3, this has important implications for the cost-benefit findings.

7.3 Overview of the cost-benefit analysis

Table 7.2 indicates the expected direction of the effects of ERA's costs and benefits if the programme had its intended effects. The costs and benefits that are expected to be of special importance are highlighted in bold. The table is limited to only financial benefits and costs – that is, to only those that change the income received by ERA participants or the Exchequer's budgetary position and, hence, can be readily measured in pounds. Non-financial benefits and costs (for example, possible programme effects on health status or the quality of life) will be discussed later in this chapter.

The first three columns in Table 7.2 (the fourth column is discussed below) show benefits and costs from three different perspectives: that of participants who enrolled in ERA, that of the Exchequer, and that of society as a whole. For purposes of the table, participants and the Exchequer (i.e., the Government or taxpayers) make up the whole of society. Thus, benefits for participants that are offset by costs to the Exchequer (e.g., ERA retention bonuses), or costs to participants that are offset by benefits to the Government (e.g., reductions in Housing Benefit), have a zero effect on society as a whole. Plus signs in Table 7.2 indicate anticipated sources of economic gains from each perspective, and minus signs indicate anticipated sources of losses from each perspective, if ERA has its intended effects. In reporting findings from the cost-benefit analyses later in the chapter, the pluses and minuses will be replaced by values that are estimated in pounds.

Total net benefits (or losses), for which space is allotted in the bottom row of each column, are computed as the algebraic sum of the individual benefit and cost pound amounts in that column. These 'bottom-line' estimates, which can be either positive or negative, are intended to indicate whether ERA is cost-beneficial from each perspective, at least in terms of those gains and losses that can be readily valued in pounds.

Table 7.2 Benefits and costs of the ERA programme that are valued in pounds

	Customers	Exchequer	Society	Source of estimate
<u>Earnings and benefits</u>				
Earnings	+	0	+	Work and Pensions Longitudinal Study
Employer National Insurance contributions	+	0	+	Based on National Insurance tax rate for employers
Employer pension contributions	+	0	+	Customer survey; employer pension survey by Mercer Ltd
<u>Taxes</u>				
Income taxes	-	+	0	Based on income tax rates
Employee National Insurance contributions	-	+	0	Based on National Insurance tax rate for employees
Employer National Insurance contributions	-	+	0	Based on National Insurance tax rate for employers
Indirect taxes	-	+	0	Based on indirect tax rate of 20.4%
<u>Transfer payments</u>				
Jobseeker's Allowance	-	+	0	Work and Pensions Longitudinal Study
Income Support	-	+	0	Work and Pensions Longitudinal Study
Incapacity Benefit	-	+	0	Work and Pensions Longitudinal Study for Incapacity Benefit receipt indicator; published data
<u>WTC</u>				
Child Tax Credit	+	-	0	Customer survey
Housing Benefit	-	+	0	Customer survey; published data
Council Tax Benefit	-	+	0	Customer survey; published data
<u>ERA operating costs, net of indirect taxes</u>				
Staff costs	0	-	-	Diaries, staffing forms, survey data, salary tables, Work and Pensions Longitudinal Study
Special training for replacement Advancement Support Advisers	0	-	-	Staffing forms, salary tables
Payments to Liberata	0	-	-	Payments per transaction
Central administrative costs	0	-	-	Specially collected data
Non-ERA training expenditures	0	-	-	Customer survey; published data
<u>Programme-related customer costs</u>				
Emergency Discretion Fund	0	-	-	Records of Personal Adviser requisitions
Retention bonus	+	-	0	Records of Personal Adviser requisitions
Training bonus	+	-	0	Records of Personal Adviser requisitions
Tuition payment reimbursement	+	-	0	Records of Personal Adviser requisitions
Adviser Discretion Fund	0	?	?	DWP data systems
<u>Employment-related costs</u>				
Out-of-pocket education and training costs	-	0	-	Customer survey
Out-of-pocket child care cost	-	0	-	Customer survey
Out-of-pocket commuting cost	-	0	-	Customer survey
Net gain or loss (benefits-costs)	?	?	?	

SOURCES: MDRC calculations from Work and Pensions Longitudinal Study employment and benefit receipt records, ERA 12-, 24- and 60-month customer surveys, DWP financial incentives data, DWP fiscal data, Advancement Support Adviser time diaries, and published data.

NOTE: Costs and benefits shown in bold face are expected to be key components affecting the bottom line, net gain or loss, estimate.

7.4 Cost-benefit methods

This section describes the methods used in conducting the cost-benefit analysis. These methods are briefly summarised in Box 7.2, which appears at the end of the section.

7.4.1 Data sources

The fourth column in Table 7.2 indicates the sources of the key data used in estimating each of the benefit and cost components. As can be seen, the analysis uses a considerable variety of data sources. Moreover, as indicated, some benefit and cost components required the use of more than one data source. The key data source used in estimating ERA's impacts on the amounts of Income Support and Jobseeker's Allowance received, on the receipt of Incapacity Benefit, and on earnings is the Work and Pensions Longitudinal Study, described in Chapter 2 of this report. The customer survey, which is described in Chapter 2, was also used in determining ERA's impact on a number of benefit and cost components, including WTC, Child Tax Credit, Housing Benefit, and Council Tax Benefit. The various data sources used to estimate ERA's operating costs were described earlier in this chapter. Information on ERA-related payments to programme participants, such as the retention and training bonuses, were available from a requisition system in which advisers logged requests for these payments. Estimates of the effect of ERA on income taxes and employee and employer National Insurance Contributions are based mainly on the rules that were in effect at the time of the ERA demonstration. Estimates of the effect of ERA on employers' contributions to pensions is based on a 2006 survey of 600 defined contribution plans by Mercer UK, which found that the average contribution for those who had such a plan was 6.8 per cent of earnings.¹⁷⁸ Finally, the treatment of indirect taxes (mostly the VAT, but also including excise taxes on fuel, alcohol, and tobacco) in the cost-benefit analysis is based on an estimated indirect tax rate of 20.4 per cent.¹⁷⁹

7.4.2 Methods used to estimate the cost-benefit components

Because ERA-related payments to programme participants (i.e., retention and training bonuses, payments from the Emergency Discretion Fund, and training fees) were unique to ERA, records of the amounts of these payments could be used directly in the cost-benefit analysis. Most of the remaining costs and benefits were not unique to ERA, and consequently it was necessary to estimate ERA's impact on them by determining differences in outcomes between the programme and control groups. For example, as described in Section 7.2, this was done in estimating ERA's net operating costs. ERA's impacts on a number of other cost-benefit components – including impacts on earnings, out-of-pocket commuting costs and childcare costs, Jobseeker's Allowance, and Income Support payments – were readily estimated using the same approach as that used in the impact analysis described in Chapters 4, 5, and 6. These impact estimates were used regardless of their level of statistical significance because they provide the best available estimates of ERA's true effects. In interpreting the cost-benefit findings, it is important to keep in mind that impact estimates are averaged over the entire research sample, including individuals who had zero values for each outcome of interest (e.g., zero earnings or zero benefit payments).

Sixty monthly estimates were available for impacts on Jobseeker's Allowance and Income Support payments. Impacts on annual earnings were available for from four to five years, varying, as explained below, among individuals who were randomly assigned at different points in time. Impacts on commuting and childcare costs, and WTC, Child Tax Credit, Housing Benefit, and Council Tax Benefit were estimated using survey data collected at one, two, and five years following random assignment for the NDLP and WTC groups, and one and two years after random assignment for

¹⁷⁸ See Mercer UK, 2007.

¹⁷⁹ The estimate of the indirect tax rate was obtained from Adam *et al.*, 2008.

the ND25+ group.¹⁸⁰ After being converted to 2005-2006 prices by using the Consumer Price Index whenever necessary,¹⁸¹ the monthly or annual values for each impact were summed over the period for which they were available in order to derive a single estimate for each cost-benefit component.

ERA's remaining impacts – which include impacts on income taxes, National Insurance Contributions, employer contributions to pensions, and indirect taxes – had to be inferred from those impacts that were directly estimated, especially ERA's impacts on earnings. The remainder of this subsection describes how these inferences were made and also describes in greater detail how certain other impacts that are based on survey data – for example, Housing Benefit, Council Tax Benefit, WTC, and Child Tax Credit – were estimated, and non-ERA training expenditures were determined.

Housing Benefit, Council Tax Benefit, WTC, and Child Tax Credit. The surveys collected information about whether WTC and Child Tax Credit were received, as well as the amount of the credits. Because recipients may not always know the value of their Housing Benefit and Council Tax Benefit, the surveys collected information only about whether they were received, not the amount of the benefits. Benefit levels for Housing Benefit and Council Tax Benefit among those who received them were estimated using data for 2005-2006 from DWP's Housing Benefit and Council Tax Benefit Quarterly Summary Statistics report, using separate values reported for beneficiaries in receipt of other state benefits and for those not in receipt of other state benefits.

National Insurance Contributions. National Insurance Contributions were estimated by simply applying the tax rate rules that existed at about the time ERA was in operation. The National Insurance Contribution tax rates in 2007-2008 for employees were 11 per cent of all weekly earnings above £100 and up to (and including) £670 and one per cent of all weekly earnings above £670. The National Insurance Contribution rates in 2007-2008 for employers were 12.8 per cent of all weekly earnings above £100.¹⁸² For both employee and employer National Insurance Contributions, all weekly earnings below £100 were exempt. The computations of National Insurance Contributions were made separately for each of the three ERA target groups and separately within each target group for those assigned to the programme group and the control group. Impacts for each target group were then estimated as differences between the programme and control groups.

¹⁸⁰ For purposes of the cost-benefit analysis, it was also necessary to extrapolate ERA's impacts to time periods not covered by the data. The methods used in doing this are described later.

¹⁸¹ See Office for National Statistics, Consumer Price Index.

¹⁸² Considerable research indicates that payroll taxes such as the employer National Insurance Contributions are mostly or entirely paid by workers in the form of reduced wages. For purposes of the ERA cost-benefit study, therefore, it is assumed that all of employers' National Insurance Contributions are paid by employees. Thus, the employer contribution appears twice in Table 7.2. It is first treated as if it is received by ERA participants as part of their increase in compensation resulting from ERA. It then appears again as an increase in the taxes paid by participants to the Exchequer. Taking these two lines together, an increase in the employer National Insurance Contribution resulting from ERA is treated in the cost-benefit analysis as if it accrues as benefits to the Exchequer and to society as a whole, but does not affect the incomes of participants. Society gains because increases in employer National Insurance Contributions, like increases in earnings, are made possible by increases in the output produced by workers. The value of this increased output is of value to society regardless of whether it is captured by workers or the Government, or by other groups or institutions.

Employer contributions to pensions. As mentioned above, employer contributions to the pensions of their employees averaged 6.8 per cent of the earnings of those workers who have pensions. However, many workers do not have pensions. Fortunately, the percentage of persons in the ERA sample who have pensions can be obtained from the customer survey. This percentage was computed separately for persons in the programme group and the control group in each of the three ERA target groups and then multiplied by .068 times the average earnings of the individuals in each group. To compute ERA's impact on employer contributions to pensions, the resulting figure for the control group within each target group category was then subtracted from the corresponding figure for the programme group.

Income taxes. The analysis assumes that individuals with earnings below the income tax threshold did not pay income taxes. These computations, which were based on applying the income tax rate rules, were done separately for each of the three ERA target groups and separately within each target group for those assigned to the programme group and the control group. Impacts for each target group were then estimated as differences between the programme and control groups.

Non-ERA training expenditures. The customer survey collected information about participation in education and training activities.¹⁸³ The verbatim information provided on type of course taken was used to divide courses into those for 'general' education versus training for 'trade-specific' skills. This information was combined with estimates of the costs of further education course-taking, derived from information on Learning and Skills Council (LSC) funding allocations for courses offered as part of Basic Skills and Adult Learning Service programs.

Indirect taxes. As mentioned above, at the time ERA operated, the indirect tax rate in the UK was 20.4 per cent. Thus, to calculate the amount of indirect taxes, the total amount in the participant column, excluding indirect taxes, is multiplied by 0.204. The rationale is that the total in the participant column is the change due to ERA in the amount available to participants to spend. Slightly less than 80 per cent of this amount represents their actual change in purchasing power, and the remaining 20 per cent is ultimately received by the Government. Viewed slightly differently, of a £100 increase in earnings attributable to ERA, £20.40 would be passed on to the Government and the remainder would increase a participant's disposable income. Similarly, of a £100 increase in (say) Income Support or in retention bonuses paid by the Government, £20.40 would ultimately flow back to the Government as indirect tax payments (in other words, the net cost to the Government would be only £79.60). As just indicated, the indirect tax amount can be viewed as a cost to ERA participants and a benefit to the Exchequer. Because indirect taxes are a transfer from participants to the Government, there is zero effect on society as a whole.

7.4.3 Treating the gap between random assignment and the first full tax year of Work and Pensions Longitudinal Study data

As indicated in Table 7.2, the source of the estimates of the impact on earnings is the Work and Pensions Longitudinal Study file. The earnings data in the Work and Pensions Longitudinal Study file are obtained from information employers provide to Her Majesty's Revenue and Customs at the end of the tax year. This causes a problem because earnings data, unlike the remaining data in the study file, are available only for tax years – that is, from 6 April of one year to 5 April of the following year. Consequently, they dovetail poorly with the estimates of operating costs and the estimates of the remaining benefits and costs that are used in the cost-benefit analysis, all of which follow

¹⁸³ This information was not available for the ND25+ group. Thus, it was not possible to determine non-ERA training expenditures for this group. However, in general, ERA seemed to have little impact on the training received by the ND25+ group. Hence, non-ERA training expenditures are probably small for them.

the sample population from random assignment onwards. In particular, there is a gap between the month of random assignment and first full tax year. For instance, the gap would be six months long for an individual who was randomly assigned in October 2004. Because individuals were randomly assigned during different months, the gap between random assignment and the first full tax year varies among individuals in the sample.

To address this problem, the cost-benefit analysis uses estimates of earnings during tax years 2005-2006 through 2008-2009, all of which occurred after random assignment was completed,¹⁸⁴ and follows a two-step procedure to fill the gap in earnings data between random assignment and the first full tax year. The first step involved computing average monthly earnings during the 2004-2005 tax year for each sample member who worked during some or all of that tax year. This was done by dividing individuals' earnings during the 2004-2005 tax year by the number of months they worked during that tax year.¹⁸⁵ The second step was to multiply the resulting estimate of average monthly earnings by the number of months each individual worked between random assignment and the first full tax year.¹⁸⁶ This provided an estimate of earnings during the gap period. This was used to obtain estimates of ERA's impacts on earnings that correspond to the other estimates of benefits and costs used in the cost-benefit study.

7.4.4 Projecting benefits and costs into the future

As previously discussed, the data used to estimate the various benefits and costs resulting from ERA were available for five years after random assignment.¹⁸⁷ However, in the absence of information indicating that these benefits and costs completely ended before the end of the period during which they could be observed, they would be expected to persist beyond this observation period. Thus, for purposes of the cost-benefit analysis, it is important to project benefits and costs beyond the observation period.

Because uncertainty increases the further into the future benefits and costs are projected, much of the cost-benefit analysis is limited to a time horizon of ten years. Hence, given a five-year-long observation period for a particular benefit or cost (e.g., the impact on Jobseeker's Allowance payments for the ND25+ group), the benefit or cost is projected over a further five years. Because setting the time horizon at ten years is necessarily rather arbitrary, sensitivity analyses

¹⁸⁴ Some individuals in the ERA sample were randomly assigned before April 2004. For these persons, the cost-benefit analysis also uses estimates of impacts on earnings for the 2004-2005 tax year.

¹⁸⁵ Like the earnings data for the 2005-2006 through 2008-2009 tax years, the earnings data for the 2004-2005 tax year were obtained from the Work and Pensions Longitudinal Study file. However, the 2004-2005 data were not used in the impact analyses reported in Chapters 4-6 because many individuals in the ERA sample were randomly assigned during this tax year.

¹⁸⁶ Although the Work and Pensions Longitudinal Study file does not contain monthly earnings data, it does indicate whether individuals worked during each month.

¹⁸⁷ As indicated in Section 7.4.3, earnings data are actually available for between four and five years for different individuals, depending on the month an individual was randomly assigned. More specifically, earnings data are available for four full tax years for all members of the research sample. In addition, as explained in Section 7.4.3, it was necessary to fill the gap between random assignment among individuals in the sample and the first tax year. On average, doing this added ten months of follow-up earnings data for the ND25+ group, nearly 11 months for the NDLP group, and nearly seven months for the WTC group. For expositional clarity and simplicity, the remainder of this chapter refers to the observation period as being five years in length.

are conducted using two alternative time horizons: one of five years and one of 20 years. It is important to recognise that whatever the length of the time horizon, it is implicitly assumed that no programme benefits exist after it ends. Because the operating costs of ERA all occurred within 33 months after random assignment, if benefits from ERA do, in fact, continue to exist beyond the end of the time horizon, then programme benefits will be understated relative to programme costs.

To project benefits and costs, it is necessary to take account of how they may change over the period during which they are projected. It is often assumed that while programmes such as ERA initially may give participants a competitive advantage in the labour market, this advantage declines or decays over time. ERA's impacts on earnings and benefits payments would decay over time, for example, if ERA participants worked more weeks or more hours while the programme's retention bonus and help from ERA advisers were available, but ceased doing so after the programme ended. However, ERA also encouraged training, and this could cause programme impacts to continue to grow after the programme ended.

Annual decay rates during the projection period were determined on the basis of trends for each target group during the observation period. Separate decay rates were established for each programme impact that was estimated with data from the Work and Pensions Longitudinal Study or the customer survey, and then applied to the measured impact during the last year of the observation period, its 'base period', to produce the projected impact estimates. As explained next, somewhat different approaches were used in determining decay rates for ERA's impacts on benefits payments and its impacts on earnings.

Determining decay rates for impacts on benefits payments involved examining the impact trend following the end of the 33-month ERA programme period. The monthly impact estimates for the last year and, alternatively, the last two years of the observation period were graphed for each type of benefit payment, and the decay (or growth) rate was calculated using the exponential trend line with the best fit, as based on the R-squared values. For outcomes for which the impacts were very small near the end of observation period, a 100 per cent decay rate was assumed. In other words, it was assumed that there was no impact on benefits payments beyond the observation period.

The annual decay rates that were determined on the basis of this procedure are shown in Table 7.3. As also shown in the table, Housing Benefit and Council Tax Benefit are assumed to decay at the same rate as ERA's impact on benefits payments (from either Income Support or Jobseeker's Allowance). These decay rates are applied to the benefit and cost estimates for the final year of the observation period.

A less formal approach was used in determining decay rates for impacts on earnings, mainly because monthly estimates of these impacts are not available, as they rely on annual data from the Work and Pensions Longitudinal Study. For example, as shown in Chapter 4, earnings impacts for the NDLP target group evaporated before the end of the Work and Pensions Longitudinal Study observation period. Thus, it is assumed that the decay rate is 100 per cent for this group, which is tantamount to assuming zero impact on earnings during the projection period.

The moderate annual earnings impacts realised by the ND25+ group are mainly attributable to an impact on employment, which first increased over time and then began to slowly decline (see Chapter 6). However, the annual earnings impact itself appears, if anything, to have slightly increased over time. Thus, it is assumed that the earnings impacts for the ND25+ target group would be unchanged during the projection period – a zero decay rate. However, as seen later, this assumption is subjected to sensitivity tests by alternatively assuming an annual decay rate of 20 per cent and an annual growth rate of 20 per cent.

For the WTC group, it is assumed that the annual decay rate in the earnings impact during the projection period is 17 per cent. This figure is consistent with the annual rate of decay in the estimated earnings impacts that was observed to occur for the group between the 2005-2006 and the 2008-2009 tax years (see Chapter 4). Nonetheless, there is considerable uncertainty about the decay rate, because the estimated earnings impact for the group disappeared in the 2007-2008 tax year, but then seemed to reappear in the 2008-2009 tax year (although it was statistically insignificant in that year). Thus, the 17 per cent assumption is subjected to sensitivity tests by alternatively assuming a lower-bound decay rate of zero (i.e., no decay) and an annual upper-bound decay rate of 34 per cent.

As shown in Table 7.3, it is further assumed in conducting the cost-benefit analysis that the decay rates on ERA’s impacts on earnings are also applicable to the programme’s impacts on income taxes, National Insurance Contributions, WTC, and Child Tax Credit. This is necessary because separate time series do not exist for these impacts. However, all these items are tied to employment and earnings and, hence, they should follow a similar path to changes in impacts on earnings.

Table 7.3 Base-case decay rate assumptions for various benefit and cost components

Component	ND25+	NDLP	WTC
Earnings (£)	0.0%	100.0%	17.0%
Income tax	“	“	“
National Insurance contributions – employee	“	“	“
National Insurance contributions – employer	“	“	“
WTC	“	“	“
Child Tax Credit	“	“	“
Jobseeker’s Allowance amount (£)	0.0%	7.2%	50.7%
Income Support amount (£)	10.1%	5.9%	11.4%
Any benefit amount (£)	0.0%	5.9%	27.1%
Housing Benefit	“	“	“
Council Tax Benefit	“	“	“
Any benefit receipt rate (0-100%)	0.7%	2.4%	-0.68% ^a
Incapacity Benefit receipt rate (0-100%)	13.4%	-1.79% ^a	100.0%

SOURCES: MDRC calculations from Work and Pensions Longitudinal Study employment and benefit receipt records, ERA 12-, 24- and 60-month customer surveys, DWP financial incentives data, DWP fiscal data, Advancement Support Adviser time diaries, and published data.

NOTES: Rounding may cause slight discrepancies in calculating sums.

^aA negative decay rate implies growth, rather than decay.

7.4.5 Discounting

In general, a given sum of money is worth more today than later. People are impatient. Thus, they would usually prefer using a given amount of money for consumption earlier, rather than later. If the money is used for investment, rather than for consumption, the return on the investment, such as interest accrued in a savings account, will be larger the sooner the investment is made.

Because ERA’s impacts and, hence, benefits occur over a number of years, and benefits received later are of less value than similar amounts received sooner, a discount rate is used to convert the streams of benefits resulting from ERA into what they were worth in the first follow-up year. This is standard practice in cost-benefit analysis. Otherwise, costs and benefits that occur at different points of time are not comparable. For example, programme operating costs in ERA were all incurred

during the 33 months after random assignment, while, as seen earlier, programme impacts on earnings could persist well after the 33 months on ERA were over. Once benefits and costs during each time period are converted into their value in the first year following random assignment, total programme benefits can be computed by simply summing these values.

Although there is considerable debate about the appropriate discount rate, several recent assessments recommend using an annual rate of 3.5 per cent in discounting the values of the benefits from programmes such as ERA.¹⁸⁸ To take account of the debate and, hence, the uncertainty concerning the exact value of the discount rate, one of these assessments further suggests using an upper bound of six per cent and a lower bound of two per cent for sensitivity analysis.¹⁸⁹ Following these recommendations, the cost-benefit analysis uses 3.5 per cent for the central estimates of net benefits and tests the sensitivity of these estimates to using two and six per cent, instead.

Box 7.2 Steps required to produce the cost-benefit estimates

Step 1. As described in Section 7.4.2, an impact analysis was conducted to estimate most of the key benefits and costs, such as ERA's impacts on earnings and on various benefit payments, including Income Support and Jobseeker's Allowance payments, during the observation period.

Step 2. The impact estimates were used to populate a spreadsheet.

Step 3. The values in the spreadsheet were all converted to 2005-2006 pounds using the Consumer Price Index in order to adjust for inflation.

Step 4. As described in Section 7.4.2, formulas were applied to the impacts estimates, especially the estimated impact on earnings, in order to determine some of the remaining benefits and costs listed in the table – for example, ERA's effects on indirect taxes, National Insurance Contributions, and pensions.

Step 5. Based on the estimated impacts during the last year of the observation period and the assumed decay rates appearing in Table 7.3, the benefits and costs during the projection period were predicted.

Step 6. The benefits and costs were discounted to convert them to their value in the first follow-up year.

Step 7. The discounted benefit and cost values for each year during the time horizon were summed.

7.5 Cost-benefit findings

This section presents findings from the cost-benefit analysis of the ERA demonstration. Because they differ considerably, findings for the three ERA target groups are presented separately in the following order: first the ND25+ group, then the NDLP group, and finally the WTC group. As discussed in the previous section, the cost-benefit analysis requires that certain assumptions be made – for example, in order to predict benefits and costs beyond the time during which they are directly observed and to discount benefits and costs. Thus, the section for each target group first reports detailed 'base-case findings' – that is, findings based on the set of assumptions that were judged to be most plausible and hence produce what arguably might be called the 'best estimates'. It then presents findings that are based on alternative assumptions to determine how robust the conclusions are that rely on the base-case results.

¹⁸⁸ See HM Treasury, 2003; Boardman *et al.*, 2011; Moore *et al.*, 2004.

¹⁸⁹ Boardman *et al.*, 2011.

7.5.1 ND25+ group

Base-case findings

Table 7.4 reports base-case estimates of the benefit and cost components used in the cost-benefit analysis of the ND25+ group that were not previously presented in the cost analysis section of this chapter. These estimates have all been discounted using a 3.5 per cent discount rate and have all been adjusted to 2005-2006 pounds. There are three major things to recognise about this table. First, most of the listed outcomes were observed over a five-year period. These outcomes, which are aggregated over the five-year observation period and reported separately for the ERA programme group and the control group, appear in the first two columns of the table. Second, benefits and costs for the five-year observation period are estimated as the difference in outcomes between the programme group and the control group.¹⁹⁰ The resulting impact estimates appear in the third column of the table. Third, as discussed in Section 7.4.4, the impact estimates are projected over the next five years. The most important of these projections is for ERA's impact on earnings, which for the ND25+ group is assumed to neither decay nor grow after the observation period ends; instead, the earnings impact in each succeeding year is assumed to equal the earnings impact that occurred in the fifth year of the observation period. These projections, which are first discounted and then summed over the five-year projection period, appear in the fourth column of Table 7.4.

The full base-case cost-benefit findings appear in Table 7.5, which is similar in format to Table 7.2. Unlike Table 7.2, however, Table 7.5 reports estimates of the value of the benefit and cost components. These values are taken from the cost analysis and from Table 7.4. Whether an impact appearing in Table 7.4 is a benefit or cost depends on the perspective that is germane. For example, as shown in Table 7.4, ERA, as expected, increased the taxes paid by ND25+ participants, but decreased the Jobseeker's Allowance payments they received. The increase in tax payments and the decrease in Jobseeker's Allowance payments both appear in Table 7.5 as a cost to participants (i.e., with a minus sign), but as a benefit to the Exchequer.

¹⁹⁰ As shown in Table 7.4, according to the customer survey, commuting costs were a little larger for the ND25+ control group than the ND25+ programme group. This also occurred for NDLP recipients (but not for WTC recipients). This is the opposite of what was anticipated. However, these differences are not statistically significant. If they do exist, one possible explanation is that ERA caused participants to take jobs that were located more conveniently to their homes, but there is no way to know if this occurred.

Table 7.4 ND25+: estimated impacts on financial outcomes during the observation period, the projection period, and within ten years after random assignment (in 2005-2006 pounds)

Type of payment or cost (£)	Observed		Difference (impact)	Projected	Observed and projected
	ERA group	Control group		Projected impact	Ten-year impact
<u>Earnings and benefits</u>					
Earnings	14,462	13,056	1,406	1,500	2,906
Pension contributions	114	93	21	11	32
<u>Taxes</u>					
Income taxes	1,129	961	168	196	364
Employee National Insurance contributions	685	590	95	107	202
Employer National Insurance contributions	778	671	108	121	229
<u>Transfer payments</u>					
Jobseeker's Allowance (with OPTIONS)	6,644	7,101	-457	-383	-840
Income Support	2,091	2,121	-29	-19	-48
Incapacity Benefit	2,731	2,736	-6	-7	-13
WTC	1,143	1,462	-320	-148	-468
Child Tax Credit	1,809	1,756	54	16	69
Housing Benefit	7,574	7,842	-268	-306	-574
Council Tax Benefit	1,810	1,885	-76	-148	-224
<u>Employment-related costs</u>					
Out-of-pocket child care cost	15	0	15	0	15
Out-of-pocket commuting cost	382	478	-97	0	-97

SOURCES: MDRC calculations from Work and Pensions Longitudinal Study employment and benefit receipt records, ERA 12-, 24- and 60-month customer surveys, DWP financial incentives data, DWP fiscal data, Advancement Support Adviser time diaries, and published data.

NOTE: Rounding may cause slight discrepancies in calculating sums.

The key finding in Table 7.5 is that ERA resulted in average net gains of about £725 for each ND25+ participant it served and a little over £1,800 for each participant for the Exchequer. This yields a net gain of over £2,500 each participant for society as a whole. As will be seen in Section 7.6.2, the improvement in the Government's budgetary position is somewhat unusual among programmes that, like ERA, provide financial incentives. Viewed somewhat differently, the figures in Table 7.5 imply that for each pound Jobcentre Plus expended in operating ERA (the £603 amount in the Exchequer column in the ERA operating costs row), participants reaped £1.20 in increased income, the Government saved £4.01, and society received £5.22 in benefits.¹⁹¹

For ERA participants, these net gains occurred because their increases in earnings as a result of the programme and their receipt of the ERA retention bonuses, when combined, were considerably larger than the increases in their tax payments and the losses in their receipt of Jobseeker's

¹⁹¹ The returns for each pound of operating costs were calculated as follows: $£726/£603 = £1.20$ for participants; $[£1,816 - (-£603)]/£603 = £4.01$ for the Exchequer; and $[£2,542 - (-£603)]/£603 = £5.22$ for society. Note that because a negative value for the £603 in operating costs is included in computing the net gain to the Exchequer and society (but not the net gain to participants), it was necessary to net it out of the numerator of the ratio; otherwise it would be included in both the numerator and the denominator.

Allowance payments and other benefit payments that were caused by ERA. The Exchequer gains resulted because the increase in tax receipts and the reduction in Jobseeker's Allowance and other benefit payments resulting from ERA substantially exceeded ERA's operating costs and programme-related payments to participants (mostly retention bonuses).

Table 7.5 ND25+: ten-year estimated benefits and costs, by accounting perspective (in 2005-2006 pounds)

Type of payment or cost (£)	Participants	Exchequer	Society
<u>Earnings and benefits</u>			
Earnings	2,906	0	2,906
Employer National Insurance contributions	229	0	229
Pension contributions	32	0	32
<u>Taxes</u>			
Income taxes	-364	364	0
Employee National Insurance contributions	-202	202	0
Employer National Insurance contributions	-229	229	0
Indirect taxes	-186	186	0
<u>Transfer payments</u>			
Jobseeker's Allowance (with OPTIONS)	-840	840	0
Income Support	-48	48	0
Incapacity Benefit	-13	13	0
WTC	-468	468	0
Child Tax Credit	69	-69	0
Housing Benefit	-574	574	0
Council Tax Benefit	-224	224	0
<u>Programme operating costs</u>			
ERA operating costs	0	-603	-603
<u>Programme-related payments to ERA participants</u>			
Emergency Discretion Fund	0	-36	-36
Retention bonus	518	-518	0
Training bonus	37	-37	0
Tuition payment reimbursement	66	-66	0
Adviser Discretion Fund	0	-1	-1
<u>Employment-related costs</u>			
Out-of-pocket education and training cost	-66	0	-66
Out-of-pocket child care cost	-15	0	-15
Out-of-pocket commuting cost	97	0	97
Measured net gain or net loss (net value)	726	1,816	2,542

SOURCES: MDRC calculations from Work and Pensions Longitudinal Study employment and benefit receipt records, ERA 12-, 24- and 60-month customer surveys, DWP financial incentives data, DWP fiscal data, Advancement Support Adviser time diaries, and published data.

NOTE: Rounding may cause slight discrepancies in calculating sums.

Sensitivity analysis

Table 7.6 examines the robustness of the base-case findings by presenting findings from a number of sensitivity analyses that rely on assumptions that differ from those used in obtaining the base-case estimates. For example, the first two sensitivity tests are based, respectively, on a two per cent discount rate and a six per cent discount rate, instead of the 3.5 per cent discount rate used in the base-case. Although total net gains increase when the smaller discount rate is used and decline when the larger rate is used, these changes are small because the time horizon is fairly short. Cost-benefit findings are usually sensitive to the choice of discount rates only when the time horizon is relatively long.

The next two sensitivity tests are based on decay rates for earnings that differ from the zero rate used in obtaining the base-case estimates. More specifically, it is first assumed that ERA's impact on earnings during the last year of the observation period grows by 20 per cent during each succeeding year; and then it is alternatively assumed that the impact on earnings decays by 20 per cent during each succeeding year. As expected, the assumption of a declining impact on earnings causes the estimated net gain resulting from ERA to shrink, while the assumption that the impact on earnings grows after the observation period ends causes the estimated net gain to grow. The net gain estimates change considerably as a result of the alternative decay rate assumptions, but remain well in excess of zero, even when the impact on earnings is assumed to shrink over time.

As an additional sensitivity test, net gains are computed over a five-year and a 20-year time horizon, rather than the base-case ten-year time horizon. Under the first of these alternative assumptions, rather than projecting program impacts over five years, it is not necessary to project impacts at all. In other words, it is assumed that programme impacts suddenly become zero after only five years, even though non-zero impacts are observed during the fifth year after random assignment. Under the second alternative assumption, rather than projecting programme impacts over five years, they are instead projected over 15 years. As shown in Table 7.6, net gains increase considerably with the longer time horizon. Based on a five-year time horizon, ND25+ participants, the Exchequer, and society as a whole all still enjoy positive net gains, albeit at a lower level than in the base-case. In interpreting the findings based on the five-year time horizon, it is important to keep in mind that the assumption is implausible because it is highly unlikely that ERA's impacts would abruptly disappear at the end of the five-year observation period. Thus, the true net effects are almost certainly larger than the ones shown in the five-year time horizon row in Table 7.6. The 20-year time horizon is plausible because ERA's impact on earnings for the ND25+ group did not seem to diminish at the end of the five-year observation period. Nonetheless, it is highly speculative because it is impossible to know whether the impact will actually continue for 15 years.

Based on the sensitivity tests, it appears very likely that ERA increased the incomes of the ND25+ group and also improved the Government's budgetary position. However, because some benefits and costs that potentially resulted from ERA are non-financial and, hence, have so-far been ignored, it is not as apparent that the sum of financial and non-financial benefits and costs that resulted from ERA is positive. Those benefits and costs that are omitted from the formal cost-benefit analysis are discussed in Section 7.6.3. As will be seen there, the conclusion that ERA is cost-beneficial for ND25+ participants appears to stand up.

Table 7.6 ND25+: sensitivity tests of estimated net gains to alternative assumptions, by accounting perspective (in 2005-2006 pounds)

Sensitivity test	Participants	Exchequer	Society
Base estimate	726	1,816	2,542
Alternative discount rate			
2.0%	709	1,959	2,668
6.0%	744	1,602	2,345
Alternative earnings decay rate			
20% growth	1,386	2,402	3,788
20% decay	329	1,473	1,802
20-year time horizon	1,002	4,049	5,050
5-year time horizon	557	353	911

SOURCES: MDRC calculations from Work and Pensions Longitudinal Study employment and benefit receipt records, ERA 12-, 24- and 60-month customer surveys, DWP financial incentives data, DWP fiscal data, Advancement Support Adviser time diaries, and published data.

NOTE: Rounding may cause slight discrepancies in calculating sums.

7.5.2 NDLP group

Base-case findings

Table 7.7 shows many of the base-case impact estimates used in the cost-benefit analysis for the NDLP target group. The table is obviously similar to Table 7.4, which reports the same estimates for the ND25+ group. The major difference between the two tables is that, unlike the earnings impact estimates for the ND25+ group, the estimates appearing in Table 7.7 for the NDLP group are not projected beyond the five-year observation period. The reason for this, as discussed earlier, is that the positive impacts of ERA on the earnings of the NDLP group appear to disappear before the end of the observation period. This means that impacts for the NDLP group that depend on earnings impacts (e.g., impacts on income taxes, National Insurance Contributions, and WTC and Child Tax Credit) are also not projected beyond the five-year observation period.

Table 7.7 NDLP: estimated impacts on financial outcomes during the observation period, the projection period, and within ten years after random assignment (in 2005-2006 pounds)

Type of payment or cost (£)	Observed		Difference (impact)	Projected	Observed and projected
	ERA group	Control group		Projected impact	Ten-year impact
<u>Earnings and benefits</u>					
Earnings	18,002	17,204	799	0	799
Pension contributions	328	305	23	0	23
<u>Taxes</u>					
Income taxes	1,062	967	96	0	96
Employee National Insurance contributions	704	648	56	0	56
Employer National Insurance contributions	800	737	63	0	63
<u>Transfer payments</u>					
Jobseeker's Allowance (with OPTIONS)	303	350	-47	-21	-67
Income Support	8,850	9,254	-404	-12	-416
Incapacity Benefit	904	834	69	150	219
WTC	5,285	5,318	-33	0	-33
Child Tax Credit	10,366	10,606	-240	0	-240
Housing Benefit	8,956	9,470	-514	-23	-537
Council Tax Benefit	2,001	2,135	-134	-9	-143
<u>Employment-related costs</u>					
Out-of-pocket child care cost	759	572	187	0	187
Out-of-pocket commuting cost	870	976	-107	0	-107

SOURCES: MDRC calculations from Work and Pensions Longitudinal Study employment and benefit receipt records, ERA 12-, 24- and 60-month customer surveys, DWP financial incentives data, DWP fiscal data, Advancement Support Adviser time diaries, and published data.

NOTE: Rounding may cause slight discrepancies in calculating sums.

Base-case findings for the NDLP group are presented in Table 7.8. The findings indicate that ERA caused a negligible net loss to occur for ERA participants in the NDLP group and resulted in a very small net loss for the Exchequer. Hence, the effect on society as a whole is a small net loss. Viewed in terms of the return on the £501 that Jobcentre Plus expended on ERA's operating costs, participants lost seven pence per expended pound; the Exchequer obtained a return of 75 pence per pound expended; and society as a whole acquired a return of 68 pence on each pound expended.

The negligible overall net loss for NDLP participants occurred because the increases in earnings attributable to ERA and the retention payments they received were more or less counteracted by reductions in various benefit payments, especially Income Support receipts, Housing Benefit, and Child Tax Credit payments. The very small estimated effect on the Government's budget mostly resulted because these same reductions in benefit payments were more or less sufficient to offset ERA's rather small operating costs and the cost to the Exchequer of funding ERA retention bonuses and non-ERA training expenditures.

Table 7.8 NDLP: ten-year estimated benefits and costs, by accounting perspective (in 2005-2006 pounds)

Type of payment or cost (£)	Participants	Exchequer	Society
<u>Earnings and benefits</u>			
Earnings	799	0	799
Employer National Insurance contributions	63	0	63
Pension contributions	23	0	23
<u>Taxes</u>			
Income taxes	-96	96	0
Employee National Insurance contributions	-56	56	0
Employer National Insurance contributions	-63	63	0
Indirect taxes	10	-10	0
<u>Transfer payments</u>			
Jobseeker's Allowance (with OPTIONS)	-67	67	0
Income Support	-416	416	0
Incapacity Benefit	219	-219	0
WTC	-33	33	0
Child Tax Credit	-240	240	0
Housing Benefit	-537	537	0
Council Tax Benefit	-143	143	0
<u>Programme operating costs</u>			
ERA operating costs	0	-501	-501
Non-ERA training expenditures	0	-309	-309
<u>Programme-related payments to ERA participants</u>			
Emergency Discretion Fund	0	-58	-58
Retention bonus	497	-497	0
Training bonus	83	-83	0
Tuition payment reimbursement	90	-90	0
Adviser Discretion Fund	0	-7	-7
<u>Employment-related costs</u>			
Out-of-pocket education and training cost	-90	0	-90
Out-of-pocket child care cost	-187	0	-187
Out-of-pocket commuting cost	107	0	107
Measured net gain or net loss (net value)	-37	-124	-161

SOURCES: MDRC calculations from Work and Pensions Longitudinal Study employment and benefit receipt records, ERA 12-, 24- and 60-month customer surveys, DWP financial incentives data, DWP fiscal data, Advancement Support Adviser time diaries, and published data.

NOTE: Rounding may cause slight discrepancies in calculating sums.

The negligible estimated reduction in the disposable income of ERA participants in the NDLP group that is implied by Table 7.8 is unusual among programmes such as ERA that provide financial incentives (see Section 7.6.2) and is somewhat surprising. After all, these persons volunteered to participate in ERA and decided to increase their hours and earnings by their own free will. Under such circumstances, why would they do so unless they could increase their income? One possible explanation is that when they decided to increase their hours of work, they did not initially realise

that their benefit payments would fall by around as much as their earnings and that ERA bonus payments would increase. Such prediction errors are consistent with the fact that the increase in earnings for the NDLP group disappeared after only a few years, suggesting that members of this group soon learned that their incomes failed to rise.

Table 7.8 is consistent with evidence presented elsewhere in this report that ERA induced some members of the NDLP group to seek training. The Exchequer directly paid £309 in non-ERA expenditures per ERA participant for this increase, and the participants themselves initially paid an average of £90.¹⁹² As the table shows, however, the £90 outlay by participants was ultimately entirely reimbursed by ERA's tuition payment reimbursement provision. Thus, ERA did not result in any increase in expenditures on education and training by programme participants from the NDLP group. The increase in training cost was instead borne entirely by the Exchequer.

Sensitivity analysis

Because ERA's impacts on earnings and earnings-related benefit and cost components do not appear to extend beyond the five-year observation period for the NDLP group, sensitivity tests that are based on alternative decay rates and alternative time horizons are not relevant for this group. Moreover, because the five-year observation period is short, the base-case findings are little changed when alternative discount rates are used. Therefore, based on such sensitivity tests, there is little reason to modify the base-case conclusions that ERA for the NDLP group hardly affected the disposable incomes of participants and had small negative effects on the budgetary position of the Exchequer and on society as a whole.

Cost-benefit findings for the A-level subgroup

Chapters 5 and 6 analyse whether the impacts of ERA varied among various subgroups. Perhaps the most striking findings from this analysis were for those among the NDLP target group who entered ERA with A-level qualifications. ERA for this subgroup was found to have considerably larger impacts on earnings and time on Income Support than ERA for individuals with lower education credentials. Similar subgroup differences by educational attainment were not found for the WTC and ND25+ target groups. Thus, a separate cost-benefit analysis was conducted for the A-level subgroup within the NDLP target group, but not for the other two target groups. The findings from this analysis are presented in this subsection. These findings should be interpreted with some care, however, as there is always a risk that estimated impacts for a single subgroup are a statistical aberration. The fact that ERA's impacts on earnings and on time on Income Support were both larger for the NDLP A-level subgroup than for other NDLP educational subgroups is reassuring. The fact that similar findings were not obtained for this subgroup in the WTC and ND25+ samples is less reassuring – although, as Chapter 5 explains, the NDLP A-level subgroup differed in important and relevant ways from people with similar qualifications in the WTC and ND25+ target groups.

There is some evidence (not shown here) that ERA's impacts on the A-level subgroup still existed at the end of the five-year observation period, suggesting that these impacts likely persisted beyond the end of this period. Thus, the cost-benefit findings are based on a ten-year time horizon. However, the earnings impacts appear to tail off considerably over the last two years of the observation period. Consistent with the observed decline, an annual earnings decay rate of 60 per cent is assumed in projecting the earnings impact beyond the observation period. Table 7.9 shows

¹⁹² While these outlays may seem modest, it is important to keep in mind that they are computed by averaging over those in the NDLP programme group who received training and those who did not. The expenditures for those in the programme group who actually received training are much larger.

the estimated impacts of ERA during both the observation period and the projection period. Partially because of the high assumed decay rate for earnings, the table implies that most of the impact of ERA occurred during the observation period.

Table 7.9 NDLP A-level subgroup: estimated impacts on financial outcomes during the observation period, the projection period, and within ten years after random assignment (in 2005-2006 pounds)

Type of payment or cost (£)	Observed		Difference (impact)	Projected	Observed and projected
	ERA group	Control group		Projected impact	Ten-year impact
<u>Earnings and benefits</u>					
Earnings	27,314	23,545	3,768	302	4,071
Pension contributions	654	573	81	0	80
<u>Taxes</u>					
Income taxes	2,517	2,027	490	47	537
Employee National Insurance contributions	1,498	1,218	280	26	306
Employer National Insurance contributions	1,702	1,384	318	29	347
<u>Transfer payments</u>					
Jobseeker's Allowance (with OPTIONS)	277	327	-49	-21	-70
Income Support	6,712	7,573	-860	-38	-899
Incapacity Benefit	716	700	16	212	228
WTC	5,323	5,545	-222	-369	-591
Child Tax Credit	10,758	10,555	203	476	679
Housing Benefit	6,926	7,698	-772	45	-727
Council Tax Benefit	1,544	1,731	-187	8	-180
<u>Employment-related costs</u>					
Out-of-pocket child care cost	759	572	187	0	187
Out-of-pocket commuting cost	870	976	-107	0	-107

SOURCES: MDRC calculations from Work and Pensions Longitudinal Study employment and benefit receipt records, ERA 12-, 24- and 60-month customer surveys, DWP financial incentives data, DWP fiscal data, Advancement Support Adviser time diaries, and published data.

NOTE: Rounding may cause slight discrepancies in calculating sums.

Based on the estimates in Table 7.9, Table 7.10 presents the base-case cost-benefit findings for the NDLP A-level subgroup. The table indicates that ERA resulted in average net gains of nearly £2,100 for each person for programme participants, about £1,500 for each person for the Exchequer, and over £3,500 for each person for society as a whole.¹⁹³ The return on the £506 that Jobcentre Plus expended on ERA operating costs for the A-level subgroup was £4.10, £3.92, and £8.02, respectively. The gains for participants and society resulted largely from earnings gains, although the retention bonuses also made an important contribution to the gains of participants. The gains by the Exchequer are attributable in large measure to increases in tax receipts and reductions in benefits payments, especially payments for Income Support, WTC, and Housing Benefit.

According to Table 7.8, ERA for the NDLP target group as a whole resulted in very small net losses for the Exchequer and society, while having a negligible effect on the incomes of participants; but Table 7.10 implies that ERA for the A-level subgroup resulted in net gains from all three perspectives. Therefore, although separate cost-benefit findings are not presented for NDLP participants with lower education credentials than A-levels, it is apparent that ERA for such persons resulted in net losses from all three perspectives.

Table 7.11 presents sensitivity findings for the NDLP A-level subgroup and indicates that the base-case findings change relatively little when alternative discount rates, decay rates, and time horizons are used in computing net gains. A key reason for this is that most of the impacts of ERA for the NDLP A-level subgroup are predicted to occur during the observation period, regardless of the size of the decay rate or length of the time horizon.

¹⁹³ As mentioned in Section 7.2.2, the estimates of ERA's operating costs rely on time diaries maintained by Advancement Support Advisers. In filling in these time diaries, advisers were asked to record each contact with a participant, and in doing this, to indicate the target group to which each participant belonged. However, they were not asked to indicate the participant's educational subgroup. In estimating ERA's operating costs, it was therefore necessary to assume that the diary information for NDLP participants pertains to all members of the target group, regardless of educational subgroup. In other words, it is assumed that time spent with advisers was the same regardless of educational subgroup. This is a reasonable assumption, because data not shown here indicate that there is relatively little difference in the number of contacts with Jobcentre Plus staff between the NDLP participants with and without A-level credentials. The estimates of operating costs also depend on estimates of the average length of the pre- and post-employment phases, and separate estimates by educational level are available for this variable. Thus, the estimates of operating costs that appear in Table 7.8 and Table 7.10 differ. However, this difference is slight because the average lengths of the pre- and post-employment phases were fairly similar for NDLP participants with and without A-level credentials.

Table 7.10 NDLP A-level subgroup: ten-year estimated benefits and costs, by accounting perspective (in 2005-2006 pounds)

Type of payment or cost (£)	Participants	Exchequer	Society
<u>Earnings and benefits</u>			
Earnings	4,071	0	4,071
Employer National Insurance contributions	347	0	347
Pension contributions	80	0	80
<u>Taxes</u>			
Income taxes	-537	537	0
Employee National Insurance contributions	-306	306	0
Employer National Insurance contributions	-347	347	0
Indirect taxes	-532	532	0
<u>Transfer payments</u>			
Jobseeker's Allowance (with OPTIONS)	-70	70	0
Income Support	-899	899	0
Incapacity Benefit	228	-228	0
WTC	-591	591	0
Child Tax Credit	679	-679	0
Housing Benefit	-727	727	0
Council Tax Benefit	-180	180	0
<u>Programme operating costs</u>			
ERA operating costs	0	-506	-506
Non-ERA training expenditures	0	-125	-125
<u>Programme-related payments to ERA participants</u>			
Emergency Discretion Fund	0	-82	-82
Retention bonus	793	-793	0
Training bonus	144	-144	0
Tuition payment reimbursement	145	-145	0
Adviser Discretion Fund	0	-7	-7
<u>Employment-related costs</u>			
Out-of-pocket education and training cost	-145	0	-145
Out-of-pocket child care cost	-187	0	-187
Out-of-pocket commuting cost	107	0	107
Measured net gain or net loss (net value)	2,074	1,479	3,553

SOURCES: MDRC calculations from Work and Pensions Longitudinal Study employment and benefit receipt records, ERA 12-, 24- and 60-month customer surveys, DWP financial incentives data, DWP fiscal data, Advancement Support Adviser time diaries, and published data.

NOTE: Rounding may cause slight discrepancies in calculating sums.

Table 7.11 NDLP A-level subgroup: sensitivity tests of estimated net gains to alternative assumptions, by accounting perspective (in 2005-2006 pounds)

Sensitivity test	Participants	Exchequer	Society
Base estimate	2,074	1,479	3,553
Alternative discount rate			
2.0%	2,158	1,511	3,669
6.0%	1,944	1,426	3,370
Alternative earnings decay rate			
40% decay	2,300	1,605	3,905
80% decay	1,941	1,408	3,349
20-year time horizon	2,348	1,208	3,556
5-year time horizon	1,643	1,587	3,230

SOURCES: MDRC calculations from Work and Pensions Longitudinal Study employment and benefit receipt records, ERA 12-, 24- and 60-month customer surveys, DWP financial incentives data, DWP fiscal data, Advancement Support Adviser time diaries, and published data.

NOTE: Rounding may cause slight discrepancies in calculating sums.

7.5.3 WTC group

Base-case findings

Table 7.12 presents estimates of ERA's impacts on various outcomes that are used in conducting the benefit-cost analysis of WTC recipients who participated in ERA. As in the case of the ND25+ and NDLP groups, a ten-year time horizon is used for the analysis. In keeping with the decline of the WTC earnings impact estimates over the observation period, in computing the base-case estimates, it is assumed that the earnings impact decays from its level during the last year of the observation period by 17 per cent during each year of the projection period.

Findings from the base-case cost-benefit analysis for WTC recipients appear in Table 7.13. As will be seen in section 7.6.2, programmes for low-wage workers that provide financial incentives often increase the incomes of these workers, but have a negative effect on the Government's budgetary position. This pattern is observed in Table 7.13, which indicates that ERA produced small net gains for programme participants from the WTC group, but that the programme's effect on the Exchequer's budgetary position was negative and much larger in magnitude. Thus, society as a whole suffered noticeable net losses. More specifically, while participants gained 16 pence for each of the £1,457 that Jobcentre Plus expended on operating costs to run ERA, the Exchequer lost 26 pence per pound expended. Hence, society as a whole lost ten pence for every pound that Jobcentre Plus expended on operating costs.

Although increases in hours and earnings appear to have resulted from ERA for participants from the WTC group, this meant that they also paid more in taxes, commuting costs, and childcare costs and received less in benefits payments that, together, more than offset their earnings gains. However, a typical WTC participant also received over £700 in retention bonuses and over £200 in training bonuses. Without these payments, the disposable income of the typical WTC participant would have declined as a result of ERA instead of modestly increasing.

Table 7.12 WTC: estimated impacts on financial outcomes during the observation period, the projection period, and within ten years after random assignment (in 2005-2006 pounds)

Type of payment or cost (£)	Observed		Difference (impact)	Projected	Observed and projected
	ERA group	Control group		Projected impact	Ten-year impact
<u>Earnings and benefits</u>					
Earnings	30,675	29,781	893	677	1,571
Pension contributions	1,214	1,154	60	11	71
<u>Taxes</u>					
Income taxes	2,649	2,457	192	90	282
Employee National Insurance contributions	1,685	1,581	104	51	155
Employer National Insurance contributions	1,915	1,797	118	58	176
<u>Transfer payments</u>					
Jobseeker's Allowance (with OPTIONS)	157	141	17	1	17
Income Support	892	916	-24	-4	-28
Incapacity Benefit	467	522	-54	0	-54
WTC	3,739	3,833	-94	-7	-101
Child Tax Credit	4,983	4,847	136	-522	-387
Housing Benefit	1,302	1,521	-219	-10	-229
Council Tax Benefit	945	1,088	-143	-3	-146
<u>Employment-related costs</u>					
Out-of-pocket child care cost	856	565	291	0	291
Out-of-pocket commuting cost	2,018	1,382	635	0	635

SOURCES: MDRC calculations from Work and Pensions Longitudinal Study employment and benefit receipt records, ERA 12-, 24- and 60-month customer surveys, DWP financial incentives data, DWP fiscal data, Advancement Support Adviser time diaries, and published data.

NOTE: Rounding may cause slight discrepancies in calculating sums.

Table 7.13 WTC: ten-year estimated benefits and costs, by accounting perspective (in 2005-2006 pounds)

Type of payment or cost (£)	Participants	Exchequer	Society
<u>Earnings and benefits</u>			
Earnings	1,571	0	1,571
Employer National Insurance contributions	176	0	176
Pension contributions	71	0	71
<u>Taxes</u>			
Income taxes	-282	282	0
Employee National Insurance contributions	-155	155	0
Employer National Insurance contributions	-176	176	0
Indirect taxes	-59	59	0
<u>Transfer payments</u>			
Jobseeker's Allowance (with OPTIONS)	17	-17	0
Income Support	-28	28	0
Incapacity Benefit	-54	54	0
WTC	-101	101	0
Child Tax Credit	-387	387	0
Housing Benefit	-229	229	0
Council Tax Benefit	-146	146	0
<u>Programme operating costs</u>			
ERA operating costs	0	-1,457	-1,457
Non-ERA training expenditures	0	-809	-809
<u>Programme-related payments to ERA participants</u>			
Emergency Discretion Fund	0	-60	-60
Retention bonus	721	-721	0
Training bonus	216	-216	0
Tuition payment reimbursement	172	-172	0
Adviser Discretion Fund	0	1	1
<u>Employment-related costs</u>			
Out-of-pocket education and training cost	-172	0	-172
Out-of-pocket child care cost	-291	0	-291
Out-of-pocket commuting cost	-635	0	-635
Measured net gain or net loss (net value)	230	-1,836	-1,606

SOURCES: MDRC calculations from Work and Pensions Longitudinal Study employment and benefit receipt records, ERA 12-, 24- and 60-month customer surveys, DWP financial incentives data, DWP fiscal data, Advancement Support Adviser time diaries, and published data.

NOTE: Rounding may cause slight discrepancies in calculating sums.

Relative to the two New Deal groups, providing ERA to WTC recipients was much more costly to the Exchequer because of larger expenditures on bonus payments, much larger expenditures on non-ERA training, and much larger operating costs. These costs were offset, but only in small part, by increases in tax payments that were made by WTC recipients who participated in ERA and reductions in their benefit payments.

Table 7.13 implies that losses to the Exchequer resulting from ERA far exceed gains by WTC participants, and, as a consequence, society as a whole is worse off. However, because WTC participants have lower incomes than the average taxpayer, they are likely to value a given change in income more highly. A considerable literature exists suggesting that this difference in marginal utility should be dealt with in benefit-cost analysis by giving each pound of gain or loss by individuals with relatively low incomes greater weight than each pound of gain or loss by persons with relatively high incomes (see Boardman *et al.*, 2011, Chapter 19, for a summary). For example, after examining the relevant literature, one recent analysis provisionally suggests that the estimated 'value for net economic benefit per individual should be multiplied by a weight of 2.5'.¹⁹⁴ If this weight is applied to the net gains of WTC participants, they increase from £230 to £575. However, the estimate of the net loss incurred by the Exchequer, £1,836, is still much larger than this weighted gain. Hence, ERA's estimated effect on society for WTC remains negative.

Table 7.13 indicates that although ERA resulted in a considerable increase in training expenditures by both WTC recipients and the Government, the recipients were entirely reimbursed for their increased expenditure of £172 by ERA's tuition payment reimbursement provision.

Sensitivity analysis

Sensitivity findings for the WTC group are presented in Table 7.14. The table indicates, as expected, that when either a two per cent or a six per cent discount rate replaces the 3.5 per cent discount rate used in the base-case, rather trivial changes result for the net gains or losses from all three perspectives. Hence, the base-case findings of a modest net gain in the incomes of participants and the negative effect on the Exchequer's budgetary position remain intact.

The findings for WTC participants also exhibit little sensitivity to assumptions concerning the decay rate and the length of the time horizon.¹⁹⁵ However, the Exchequer's estimated net loss displays considerably greater sensitivity. Nonetheless, regardless of whether it is assumed that the decay

¹⁹⁴ Fujiwara, 2010. The 2.5 weight is applicable to typical low-income participants in benefit programmes. Of course, beneficiaries in different programmes differ from one another. Thus, Fujiwara (p 61) notes that in order to use this weight, it is necessary to assume that one can 'use the same welfare weight for all programmes'. However, the weight would need to be almost eight for there to be a net gain for society as a whole. A weight of this size seems implausible.

¹⁹⁵ A perhaps surprising finding in Table 7.14 is that the estimated net benefits for WTC participants become smaller as the time horizon becomes longer, although they do not shrink by much. This occurs even though ERA's positive impact on the earnings of WTC participants is predicted to increase as the time horizon becomes longer. One reason is that as earnings increase, the taxes that participants pay are also predicted to increase, and this offsets part of the earnings increase. A more important factor is that while ERA's estimated impact on Child Tax Credit is positive for WTC participants when summed over the entire five-year observation period (see Table 7.12), it becomes negative by the end of the period. This is due to the structure of the Child Tax Credit – families with income up to £15,000 are eligible for the maximum credit, but the credit decreases as earnings increase for families with greater incomes. The income increases produced by ERA resulted in decreased Child Tax Credit in the fifth year of the observation period. Hence, ERA's impact on Child Tax Credit is predicted to be negative during the projection period and to become more negative the longer the time horizon and, thus, the projection period. In combination with the increase in taxes, the decline in Child Tax Credit was sufficient to cause the estimated net income of WTC participants in ERA to fall as the time horizon increased in length.

rate is zero or 34 per cent or that the time horizon is 20 years or five years in length, the estimated effect on the Exchequer's budgetary position remains clearly negative and sizable in magnitude. Thus, the conclusions from the base-case results for ERA for WTC participants appear robust to various sensitivity tests.

Table 7.14 WTC: sensitivity tests of estimated net gains (or losses) to alternative assumptions, by accounting perspective (in 2005-2006 pounds)

Sensitivity test	Participants	Exchequer	Society
Base estimate	230	-1,836	-1,606
Alternative discount rate			
2.0%	198	-1,759	-1,560
6.0%	274	-1,953	-1,679
Alternative earnings decay rate			
0% decay	283	-1,451	-1,169
34% decay	188	-2,074	-1,885
20-year time horizon	188	-1,514	-1,326
5-year time horizon	229	-2,581	-2,353

SOURCES: MDRC calculations from Work and Pensions Longitudinal Study employment and benefit receipt records, ERA 12-, 24- and 60-month customer surveys, DWP financial incentives data, DWP fiscal data, Advancement Support Adviser time diaries, and published data.

NOTE: Rounding may cause slight discrepancies in calculating sums.

7.6 Assessing the cost-benefit findings

This section first summarises and compares the key findings from the separate cost-benefit analyses conducted for each of ERA's three target groups. It then attempts to provide some context for the findings for ERA by reporting on findings from cost-benefit analyses of other welfare-to-work programmes that were evaluated through random assignment. Because, as mentioned earlier, the cost-benefit findings for ERA, like those for other programmes, are based on only those benefits and costs that could readily be estimated in pounds, the section then explores the implications for the findings of taking into consideration the omitted benefits and costs. The section concludes with a discussion of some of the key limitations of the cost-benefit analysis.

7.6.1 Key findings

The base-case findings for the ND25+ group indicate that ERA resulted in net financial gains for both participants and the Exchequer of £726 for each ERA participant and £1,816 for each participant, respectively, and, hence, net gains of £2,542 for each participant for society as a whole. In contrast, the estimated base-case net financial gains for participants in the WTC group, while positive, were only £230 for each participant; and the estimated effects of ERA for the WTC group on the Exchequer's budgetary position and on society as a whole were negative and sizable, -£1,836 and -£1,606 for each participant, respectively. The base-case findings for the NDLP target group indicate that ERA caused average net losses of £37 for participants, £124 for the Exchequer, and £161 for society as a whole. These findings were largely driven by ERA's impact on the earnings of participants. Increases in earnings obviously directly increased the disposable income available to ERA participants. They often also meant that participants were working more hours or more regularly, thereby increasing their eligibility for ERA's retention bonuses. Earnings improvements

not only resulted in gains for programme participants, they also tended to improve the Exchequer's budgetary position by increasing the inflow of tax revenue from participants and reducing the outflow of benefits payments to participants.

ERA seems to have resulted in earnings improvements for all three of its target groups during the five-year period in which they could be directly observed. As suggested by comparing Tables 7.4, 7.7, and 7.12, much of the variation in the base-case cost-benefit findings for the three target groups is attributable to different assumptions as to whether these positive impacts on earnings would continue beyond the observation period, and if they would, the rate at which the impacts would decay. The earnings impact for the ND25+ group did not appear to diminish during this observation period. Thus, in conducting the base-case cost-benefit analyses for this group, it was assumed that the earnings impacts would continue at the level they were at in the final year of the observation period during each of the remaining years of a ten-year time horizon (that is, over the next five years). The earnings impacts for the WTC group did clearly diminish during the observation period. However, although the estimated impacts on earnings for the WTC group were still positive at the end of the period, they were small and statistically insignificant. Still, it seemed plausible that they remained positive beyond the observation period. Thus, consistent with the decay that occurred over the observation period for the WTC group, it was assumed that their earnings impacts would diminish by 17 per cent over each of the five remaining years of the ten-year time horizon. In contrast to the ND25+ and WTC groups, ERA's impact on the earnings of the NDLP group appeared to evaporate by the end of the observation period. Hence, in conducting the cost-benefit analysis for this group, it was assumed there were no impacts on earnings beyond the five-year observation period.

Because the base-case assumptions concerning the decay rate and time horizon for the ND25+ and WTC groups are inevitably subject to some uncertainty, they were subjected to several sensitivity tests. These sensitivity tests involved using alternative decay rates and time horizons in computing the net gains or net losses resulting from ERA. The findings for the ND25+ and the WTC groups appeared quite robust to these sensitivity tests – that is, there continued to be strong positive net gains in the case of the ND25+ target group. The conclusion from the base-case that the disposable incomes of WTC recipients were very modestly improved by ERA and that the Exchequer and society as a whole were negatively affected by the participation of this group in ERA also appeared to stand up.

7.6.2 How cost-beneficial have other welfare-to-work programmes been?

Except for ERA, only limited information that relies on random assignment exists about the costs and benefits of welfare-to-work programmes in the UK. However, there is a considerable body of cost-benefit evidence for US welfare-to-work programmes that is based on random assignment evaluations. The following discussion concentrates mostly on the evidence for lone parents, the group that has been the focus of the majority of the US random assignment studies. Because the design of US welfare-to-work programmes differs in important ways from ERA in the UK, as does the context in which they operate, cost-benefit findings for these programmes are not directly comparable with those for ERA. However, the US findings do, perhaps, provide a benchmark that can be used in assessing the ERA cost-benefit results.

The US findings that are most pertinent to ERA in the UK come from the recently completed US Employment Retention and Advancement project. Cost-benefit studies were conducted of three of the 16 programmes that were tested by US ERA: one in Texas, one in Chicago, and one in Riverside, California.¹⁹⁶ In the case of the Texas programme, separate analyses were conducted for two sites: Corpus Christi and Fort Worth. Similar to UK ERA, these three programmes emphasised retention

¹⁹⁶ Redcross *et al.*, 2010.

and advancement after participants obtained jobs. Moreover, in addition to services, like UK ERA, the programmes in Texas and Chicago (but not in Riverside) used financial incentives to help achieve their objectives, and, like UK ERA, the programme in Texas tied these financial incentives to sustained employment. All three programmes enrolled lone parents who were or had been on welfare.

Estimates of the total net gains (or losses) from the four cost-benefit studies appear in Table 7.15. To enhance their comparability with the cost-benefit findings for UK ERA, these estimates were first adjusted to 2006 dollars using the Consumer Price Index and then transformed into pounds using the 2006 UK-US exchange rate, which averaged about \$1.85 for each pound over the year.

As shown in Table 7.15, the three cost-benefit studies of US ERA programmes that provided financial incentive resulted in net gains for participants and net losses for the Government. It is important to emphasise, however, that cost-benefit analyses were not conducted of the remaining 13 programmes tested in the US ERA project, because they did not have positive statistically significant effects on employment and earnings. (The US project evaluated a wide variety of retention and advancement models, not a single model, as in the UK ERA demonstration). Moreover, the Houston site of the Texas programme was also excluded because of a lack of positive effects on employment and earnings that appeared to result from a weak implementation of the Texas ERA model. Thus, the findings in the table are almost surely for the most cost-beneficial of the programmes tested in the US ERA project.

Table 7.15 Estimates of net gains and losses by accounting perspective from the US ERA project

Programme	Participants (£)	Government (£)	Society (£)
Corpus Christi	1,866	-529	1,200
Fort Worth	1,666	-1,207	375
Chicago	1,789	-1,284	418
Riverside PASS	2,233	36	2,096

SOURCE: Redcross, Deitch, and Farrell (2010).

Many more cost-benefit analyses have been conducted of welfare-to-work programmes that focused on the pre-employment period than of those, like the US ERA and UK ERA programmes, that emphasised the post-employment period. A recent meta-analysis (i.e., statistical synthesis) was based on 50 such studies.¹⁹⁷ These 50 studies all relied on random assignment, and they all were of mandatory welfare-to-work programmes run during the 1980s and 1990s. Of the 50 studies, 39 were of programmes that targeted lone parents on welfare, and 11 were of programmes that targeted the mostly male, long-term unemployed heads of two-parent families on welfare. Just over half of the 50 cost-benefit studies (28) found that participants were better off as a result of the evaluated programmes, and a little over half (29) determined that the Government's budgetary position was improved. (Of the 11 programmes that targeted unemployed male heads, three resulted in net gains from the participant perspective, and six had net gains from the Government perspective.). However, only 14 found that the evaluated programmes produced net gains from both perspectives, while eight concluded that there were net losses from both perspectives. (For the 11 programmes that targeted unemployed male heads, only one had net gains from both perspectives, and three resulted in net losses from both perspectives.) Thus, mixed findings were typical.

¹⁹⁷ Redcross *et al.*, 2010.

Table 7.16 presents the mean and median net gains and losses that are computed from the estimates obtained from the 50 cost-benefit studies and are again converted into 2006 pounds. As the table shows, when means are computed for those 50 studies, their standard deviations are much larger than the means themselves, suggesting that there were some impressively successful pre-employment welfare-to-work programmes and some notable failures. Indeed, the net gains across the programmes ranged from a low of -£1,677 to a high of £6,982 from the participant perspective, and from -£8,242 to £3,342 from the Government perspective.

Table 7.16 Summary statistics by accounting perspective for estimates of net gains and losses from cost-benefit studies of 50 US welfare-to-work programmes

	Participants (£)	Government (£)	Society (£)
All studies (N = 50)			
Mean	654	-397	276
Standard deviation	1,961	2,311	1,446
Median	123	53	278
Programmes with financial incentives (N = 12)			
Mean	2,971	-2,614	301
Median	1,743	-2,697	278
Programmes without financial incentives (N = 38)			
Mean	-122	463	268
Median	-86	276	256

SOURCES: Adapted from Tables 3 and 4 of Greenberg and Cebulla (2008).

One key reason for the considerable variation in net gains and losses is that 12 of the cost-benefit analyses were for programmes that tested financial incentives designed to encourage work, while the remaining 38 were for programmes that did not test these incentives. However, only one of the 11 studied programmes that targeted long-term unemployed males incorporated financial incentives. As shown in the table, the findings for programmes with and without financial incentives differed greatly. Specifically, and similarly to the finding for the US ERA project, programmes with financial incentives tended to produce net gains for participants and net losses for the Government, while the opposite was true for programmes without financial incentives. These findings occurred because, by definition, financial incentives result in income being transferred from the Government to programme participants. The same mechanism existed in the UK ERA programme, although that programme's financial incentives were more modest than those provided by some of the programmes included in the meta-analysis. This may help explain why, with the exception of the WTC target group (a group that did receive somewhat larger incentive payments), UK ERA did not follow the pattern observed for US programmes with financial incentives. In this context, the substantial positive results achieved for the ND25+ group from **both** the participant and Government perspectives are especially noteworthy.

7.6.3 Assessing the omitted benefits and costs

So far, the cost-benefit analysis has focused only on those benefits and costs that can readily be measured in pounds. Other potential benefits and costs have thus far not been considered. These omitted benefits and costs are listed in Table 7.17, which also indicates the direction of their anticipated effects from each perspective. The 'third parties' column in the table pertains to

individuals other than ERA participants who might potentially be affected by ERA (e.g., workers who compete in the labour market with ERA participants, taxpayers, and the general public). Not all the omitted benefits and costs that might possibly have resulted from ERA are listed in Table 7.17, just those that appear potentially important. This section examines whether consideration of each of the listed items implies that the conclusions reached in Section 7.6.1 should be modified.

Table 7.17 Unmeasured benefits and costs

Type of benefit or cost	Participants	Exchequer	Third parties	Society
Loss of non-market time	-	0	0	-
Changes in health status	?	0	0	?
Other changes in quality of life	?	0	0	?
Changes in tax and benefit compliance costs	-	0	0	-
Changes in tax and benefit administration costs	0	?	0	?
Changes in National Health Service utilisation	0	?	0	?
Indirect effects on employment outcomes	0	0	- ^a	-
Changes in crime rate	0	0	+ ^b	+
Value placed on reductions in Income Support and Jobseeker's Allowance rolls	0	0	+ ^b	+
Deadweight costs of taxation	0	0	+ ^c	+

NOTES: ^aPotential cost accruing to workers who compete in job markets with ERA participants.
^bPotential benefit accruing to the general public.
^cPotential benefit or cost accruing to taxpayers.

Loss in non-market time. Tables 7.5, 7.8, and 7.13 indicate that ERA improved the earnings of participants from all three ERA target groups. These earnings increases appear attributable to improvements in the likelihood that they were employed and to increases in weekly hours of work, rather than to higher hourly wage rates. The time that ERA participants gave up to increase their employment and hours may have been of considerable value to those relinquishing it. Thus, this lost non-market time is a cost to those who gave it up, although because they gave it up voluntarily, the benefits to them of working more must have exceeded the value of their lost non-market time. Thus, the net benefits to participants should remain positive once lost non-market time is taken into account.

Lost non-market time is obviously difficult to value. Nonetheless, there is at least some previous research that suggests that the value of this lost time is substantial, probably not less than a quarter of the increase in disposable income obtained by affected families and quite likely more.¹⁹⁸ If one assumes for illustrative purposes that the loss of non-market time should be valued at 25 per cent of the increase in disposable income, then this would imply that the base-case estimates for ND25+ ERA participants should be reduced from £726 to £545, and the base-case estimate of social net benefits for this group would fall from £2,542 to £2,361. Similarly, the base-case estimates for WTC ERA participants should be reduced from £230 to £173, and the estimate of social net benefits for this group would fall from -£1,606 to -£1,549. These changes are modest in magnitude and suggest little reason to change the previous conclusions drawn for these two groups. Because the base-case findings did not indicate that ERA resulted in an increase in disposable income for the NDLP group, an illustrative estimate of the value of lost non-market time for this group is not provided.

¹⁹⁸ Bell and Orr, 1994; Greenberg, 1997; and Greenberg and Robins, 2008.

Changes in health status. It is possible that ERA had an effect on the health of some participants, although this was not a direct motivation for ERA. These effects could be either negative (e.g., if the stress of working more hours or acquiring additional training aggravated a health problem) or positive (e.g., if ERA helped participants obtain a better job). Moreover, there is evidence that employment itself has positive effects on health,¹⁹⁹ and ERA increased employment among ND25+ participants. Thus, the health of this group might have improved as a result.

Some evidence on the effects of ERA on health status is provided by the customer survey that was conducted five years after random assignment. Unfortunately, this information is limited to the two lone parent target groups. The survey findings suggest that, if anything, ERA may have had a small negative effect on health status. For example, 66.5 per cent of the NDLP control group, but only 64.6 per cent of the NDLP programme group, indicated that they were either in good health or in very good health. The comparable responses for the WTC control and programme groups were 73.2 per cent and 71.6 per cent, respectively. In addition, among NDLP sample members, 33.3 per cent of controls, but 34.7 per cent of ERA participants, stated that they had a long-standing illness. Among WTC sample members, 32.7 per cent of controls, but 34.3 per cent of the ERA participants, said that they had a long-standing illness. Although these differences between the control and programme groups seem small and none are statistically significant, they all point in the same direction. At the least, they appear to suggest that ERA did not result in improvements in health.

Changes in quality of life. In addition to possibly influencing health status, ERA could have affected participants' quality of life in a variety of other ways. Some of these operate through ERA's effects on work – for example, increased hours of work might be stressful and unpleasant, or they could improve one's self-esteem or outlook on life. The interaction with ERA advisers might also have affected the quality of life of participants.

The year 5 survey again provides some information on the effects of ERA on quality of life for the NDLP and WTC target groups, although in this case, the questions are necessarily rather subjective. As in the case of health status, the findings again suggest a possible negative effect, or at least the likely absence of a positive effect. For example, 62 per cent of the NDLP control group, but only 57.6 per cent of the NDLP programme group, and 71.1 per cent of the WTC control group, but only 66.6 per cent of the WTC programme group, replied that they were either satisfied or very satisfied with their life. Similarly, 68.7 per cent of the NDLP control group, but only 66.4 per cent of the NDLP programme group, stated that they felt positive or very positive about themselves. However, slightly more members of the WTC programme group, than the WTC control group felt positive or very positive about themselves – 73.7 per cent versus 72.1 per cent. Moreover, 66 per cent of the NDLP control group, but only 64.1 per cent of the NDLP programme group, and 56.2 per cent of the WTC control group, but only 55 per cent of the WTC programme group, indicated that they spent a lot of time worrying about things. Thus, the findings suggest that ERA's effects on different measures of the quality of life are mixed, with the strongest and most negative effect being the one on life satisfaction. While the last four differences are not statistically significant at conventional levels, the first two are, but only marginally at the ten per cent level.

Changes in tax and benefit compliance costs. ERA caused some Income Support and Jobseeker's Allowance benefit participants to exit the rolls. It also caused some participants to become entitled to new benefits, especially the ERA retention bonus. In addition, members of the ND25+ group who would not have worked in the absence of ERA became subject to income tax and National Insurance Contributions. Moreover, in order to receive retention bonuses, workers had to provide evidence to their ERA advisers that they worked full time for at least 13 months during a 17-month period. All of this took time and effort, and may have been stressful. To some extent, various changes in

¹⁹⁹ Fujiwara, 2010.

entitlements and liabilities tend to offset one other; but the biggest costs to ERA participants are likely to have been one-off costs associated with moving into a new situation, rather than continuing costs of being in any particular position. Indeed, change in general is more likely to increase than reduce costs to those affected by the change. The evidence presented above that ERA may have a negative effect on the health status of NDLP and WTC participants and possibly on their life satisfaction is consistent with this possibility, although it seems unlikely that this cost is very large.

Changes in use of the National Health Service (NHS). ERA could potentially either increase or decrease use of the NHS, resulting, respectively, in decreases or increases in programme net benefits from the perspective of the Exchequer. For example, the use of the NHS could have increased if, as discussed above, ERA had a negative effect on individuals' health status. Alternatively, it could have decreased if those participants who worked more as a result of ERA felt less need or simply had less time to avail themselves of the NHS. The five-year customer survey suggests, in fact, that ERA may not have had much effect on NHS use. According to the survey, the NDLP and WTC programme and control groups had a similar number of contacts (i.e., number of talks) with doctors during the three months prior to the survey – an average of 2.5 contacts for the NDLP programme group and 2.3 contacts for the NDLP control group, and an average of 2.0 contacts for the WTC programme group and 2.1 contacts for the WTC control group.

Changes in tax and benefits administration costs. As discussed above, ERA's effects on the benefits payments to which people were entitled and the taxes for which they were liable could potentially have changed the cost to individuals of claiming their entitlements or complying with their obligations. Those same changes also have implications for the cost to the Government of administering the tax and benefits system: processing claim forms, sending out payments, issuing tax codes, and so on. As with the costs to individuals, ERA had many offsetting effects on these administrative costs, and it is not clear whether the overall effect on the net benefits of ERA was positive or negative. Nonetheless, they seem unlikely to be large. This is partially because they tend to be offsetting and partially because, if measured on a per-participant basis, the size of the individual components of administrative costs is likely to be small. To illustrate this last point, consider the Income Support programme. The Government's annual savings in administrative costs from removing someone from the Income Support rolls is about £40, or a little over £3 a month.²⁰⁰ During the five years after random assignment, a typical NDLP claimant was off the Income Support rolls for a little less than a month as a result of participating in ERA. Thus, the savings in administrative costs was around £3 per ERA participant.

Indirect effect of employment outcomes. As previously mentioned, much of the impact of ERA on the earnings of the ND25+ target group seems to have resulted from the programme's impact on their likelihood of working (rather than from effects on advancement). Some of this additional employment might have come at the expense of others competing for the same jobs. This effect, which is often called a 'substitution effect', is unlikely to be permanent because the number of jobs available is not fixed, and firms would eventually expand production to absorb the increase in labour supply. In the short run, however, the increased competition for jobs could have made a difference, particularly during recessionary periods or in areas where unemployment was high.

While the possibility of substitution effects resulting from ERA seems much more germane to the ND25+ target group than to the two lone parent groups, there is relatively little evidence upon which to base a judgment as to the size of the effect engendered by ERA participants from this group. However, there has been a recent study of displacement caused by a program in the UK that provided fiscal incentives and job counselling to unemployment persons receiving disability

²⁰⁰ Greenberg and Davis, 2007.

payments.²⁰¹ The study used econometric tools and a plausible methodological approach to estimate the magnitude of the program's substitution effect; the findings are consistent with the possibility of a small short-run effect in some geographic areas. However, while the treatment was somewhat similar to that used in ERA, the programme focused on helping out-of-work individuals enter employment, rather than on aiding persons who were already working. In addition to the study just described, five other econometrically-based studies of substitution effects that focus on training programmes in Sweden are available. All of these studies found that the substitution effect resulting from such programmes is small or non-existent.²⁰² However, a somewhat similar 2001 study of training programmes in East Germany did find evidence of sizable substitution effects.²⁰³ Overall, it seems likely that ERA resulted in no more than small short-run substitution effects, and then only for workers who competed for jobs with the ND25+ target group.

Changes in the crime rate. If ERA increases the incomes of participants, it might also decrease criminal activities among ERA participants. Indeed, there is considerable evidence that is consistent with this possibility.²⁰⁴ Daniel Fujiwara suggests a method that can be used to provide rough order of magnitude estimates of the monetary value of this effect.²⁰⁵ In applying Fujiwara's procedure, this discussion focuses on the ND25+ target group, because ERA resulted in much larger increases in the disposable income of this group than that of the two lone parent target groups and because, as mentioned by Fujiwara, 86 per cent of those arrested in the UK in 2004 were men. Thus, ERA's effects on crime reduction should be much larger for this group than for the other two groups.

Based on findings from a US study,²⁰⁶ Fujiwara suggests first multiplying the percentage increase in income resulting from a programme by 0.6 to obtain an estimate of the percentage point decrease in the probability of committing a crime. ERA increased the disposable income of the ND25+ group by about two per cent,²⁰⁷ implying a reduction of 1.2 percentage points in the probability of committing a crime. Fujiwara then suggests multiplying this figure by £26, his estimate of the reduction in cost of property crime resulting from a one percentage point reduction in the probability of committing a crime by an average individual aged 25 and above. Doing this implies that the savings per member of the ND25+ group would be £31 (1.2 x £26). As mentioned above, the effects on the two lone parent groups would likely be far smaller. Fujiwara acknowledges that his procedure is subject to many limitations. For example, it misses savings from reductions in crimes other than property crimes, and it relies on a study that uses data from the US rather than the UK.²⁰⁸ Nonetheless, the estimate for ND25+ participants suggests that the benefits from ERA that result from reductions in crime are likely to be rather minor.

Value placed on reductions in the Income Support and Jobseeker's Allowance rolls. In general, ERA appears to have had positive effects on employment and on the number of months participants were off benefits, especially for the ND25+ target group. If the general public values reductions in Jobseeker's Allowance rolls and increases in employment in and of itself – that is, beyond any tax savings they may receive – then this was a benefit of the programme, albeit one that is very

²⁰¹ Adam *et al.*, 2008.

²⁰² These studies are reviewed by Greenberg *et al.*, 2010.

²⁰³ This study is also reviewed by Greenberg *et al.*, 2010.

²⁰⁴ See Fujiwara, 2010, who summarises evidence from various studies that indicate that increases in income reduce the crime rate.

²⁰⁵ Fujiwara, 2010.

²⁰⁶ Grogger, 1997.

²⁰⁷ This calculation is based on information on the control group reported in Table 7.4 and on the increase in disposable income reported in Table 7.5.

²⁰⁸ Grogger, 1997.

difficult to measure. This benefit could accrue to friends and relatives of the individuals concerned or to members of the general public pleased to read about it in the newspapers. Although there is virtually no evidence that can be used to assess the possible importance of this benefit, it should be borne in mind that ERA's impacts on employment and benefits receipt were rather modest, even for the ND25+ group, and thus perhaps not sufficiently dramatic to evoke much of a response among the public.

Deadweight cost of taxation. Table 7.5 indicates that ERA for the ND25+ target group improves the Government's budgetary position. If this ultimately were to result in correspondingly lower taxes, economic distortions that are caused by taxes would be reduced. For instance, taxes on earnings reduce incentives to work, and taxes on investment reduce incentives to invest. These distortions (usually called 'deadweight losses' or 'excess burden' by economists) result in losses in economic efficiency. Thus, the possibility of reducing deadweight losses in the case of the ND25+ group by using Exchequer savings to cut tax rates (or equivalently, to increase valuable public spending without the need for additional distortionary taxes) is a potentially important addition to the net benefits of ERA. On the other hand, as shown in Table 7.13, ERA for the WTC target group seemed to worsen the Government's budgetary position, suggesting that it would increase the need for taxes and, hence, costs resulting from deadweight losses.

Determining the size of the effect of ERA on deadweight losses requires an estimate of the efficiency savings if taxes are reduced by one pound, an estimate that is sometimes referred to as the 'marginal excess tax burden' (METB). The value of this variable can be multiplied by the Government's net gains or net losses to determine the social cost of Exchequer finance (SOCEF) resulting from ERA – that is, the value of an increase or a decrease in deadweight losses. Based on a recent review of the relevant literature, one author suggests that .2 is a reasonable value to use for the METB.²⁰⁹ Using this value and the base-case estimates reported in Tables 7.5, 7.8, and 7.13 implies that the SOCEF is £363 for ND25+ ERA participants, -£25 for NDLP participants, and -£367 for WTC participants. Thus, the changes in deadweight resulting from ERA increase the social net gains for the ND25+ group from £2,542 to £2,905, increase the social net loss for the NDLP group from -£161 to -£186, and increase the social net loss for the WTC group from -£1,606 to -£1,973. None of these changes are large relative to the originally estimated net social gains and losses and none appear to warrant modifying the earlier conclusions about the effects of ERA on society as a whole – that is, that they were positive for the ND25+ group and negative for the NDLP and WTC groups.

To summarise, none of the costs and benefits that were omitted from the formal cost-benefit analysis appear likely to change an estimated net gain in the formal analysis into a net loss, or vice-versa. Indeed, most seem likely to be relatively small in magnitude. Hence, the conclusions implied by the base-case estimates appear robust to consideration of the omitted costs and benefits. Perhaps the greatest uncertainty concerns possible effects on health and the quality of life that resulted from ERA. This uncertainty occurs because the existence of such effects is difficult to establish, let alone value in pounds. Nonetheless, as discussed above, an attempt was made to see whether such effects existed, and the results suggest that ERA probably did not result in improvements in either health or the quality of life. Substitution effects may possibly also be of some importance in the case of ERA for ND25+ participants, but probably only in the short run.

²⁰⁹ Fujiwara, 2010.

7.6.4 Limitations

The cost-benefit analyses that have been presented in this chapter are subject to three potential major limitations:

- some of the estimates of impacts that are used in determining benefits and costs may not be accurate,
- a number of potential benefits and costs were omitted from the analysis, and
- because ERA's impacts can be observed for only five years, the cost-benefit analysis must rely on predictions of impacts that occur beyond this point.

As indicated in Table 7.2, data from the customer survey were used in estimating some of ERA's benefit and cost components. Unfortunately, after the first year following random assignment, survey data were collected only for a small and apparently unrepresentative subgroup of the full ND25+ sample (those who were randomly assigned in the four-month period from December 2003 to March 2004). In addition, as discussed in Chapter 2, there is also some indication that the survey data are subject to response bias. Fortunately, the most important of the problems with the customer survey data were avoided by using data from the Work and Pensions Longitudinal Study to estimate earnings impacts and impacts on Jobseeker's Allowance and Income Support. While the survey was the only available source of data for estimating ERA's impacts on Incapacity Benefit, WTC payments, Child Tax Credit, non-ERA training expenditures, and out-of-pocket employment costs, it is nonetheless important to keep in mind that these impact estimates play a much less important role in the cost-benefit analyses than the estimates of ERA's impact on earnings.

The benefits and costs that were omitted from the cost-benefit analysis are listed in Table 7.17, and their likely magnitude is assessed in the previous subsection. None of the omitted cost-benefit components appear likely to overturn the conclusions summarised near the beginning of this section.

An important source of uncertainty in the cost-benefit findings resulted from the need to project ERA's impacts beyond the period over which they could be directly observed. However, it was possible to reduce this uncertainty to a considerable degree by making alternative assumptions in conducting these projections and determining whether the findings were robust to these alternative assumptions. Overall, they appeared to be very robust.

8 Conclusions

When the Employment Retention and Advancement (ERA) programme was being designed about ten years ago, US and Canadian randomised experiments had shown that job placement assistance and financial work incentives could each increase employment rates and earnings among non-employed recipients of cash welfare benefits. In addition, some evidence suggested that **combining** job services and incentives might produce larger and longer-lasting effects. Interest was also growing in strategies to build occupational skills, in recognition that workers with more human capital would enjoy much better opportunities for advancement.

These findings helped shape the theory and design of the ERA model and its multi-component approach. ERA was premised on the idea that coupling incentives for sustained full-time employment with continuing staff efforts to educate and support low-income workers regarding steps they could take to stay employed and move on to better positions would be more effective than either incentives or in-work job coaching alone. In addition, recognising that occupational skills training could help participants qualify for better jobs, the model incorporated financial incentives to encourage them to enrol in and complete approved training courses. It also required that programme staff assist with referrals and approve training courses that participants selected. Funds were made available to cover tuition costs for those courses and to help workers deal with emergencies that could cause them to lose their jobs (e.g., short-term childcare or transport crises).

The ERA study is thus a test of a comprehensive strategy to promote employment retention and advancement. But although its design was informed by theory and by empirical evidence, little of that evidence came from interventions that included extensive job coaching and advancement support after people began working. Consequently, ERA, like similar demonstration programmes in the US, was charting new territory.

The findings presented in this final report and from related experiments in the US underscore how difficult it is for labour market programmes to improve low-income adults' employment retention and advancement in work. Many innovative and carefully tested approaches have produced relatively few of the hoped-for effects. Over five years, ERA in the UK had no lasting overall effects for lone parents in the New Deal for Lone Parents (NDLP) and Working Tax Credit (WTC) target groups. Similarly, although three models tested in the ERA demonstration in the US achieved important positive effects, nine of the 12 models were not successful.

In the case of lone parents in the UK, it is noteworthy that ERA boosted their performance soon after their entry into the programme. This may be important, because as government policy has sought to get more lone parents on benefits working, and although it has expanded work search requirements, it has not required or strongly encouraged them to seek full-time employment. ERA showed that lone parents could be helped to enter full-time work sooner and to earn more than they would have otherwise. ERA also generated longer-lasting positive impacts for unemployed lone parents (in the NDLP group) who were better educated when they entered the programme. These patterns suggest that ERA's strategies offer something for future government policy to learn from and build on as it strives to deepen lone parents' involvement in work.

More importantly, UK ERA produced substantial positive results for long-term unemployed men in the New Deal 25 Plus (ND25+) target group, who are traditionally the most difficult-to-help group apart from people who are receiving out-of-work disability benefits (whose ranks many of the ND25+ group joined before ERA was completed). These gains were enough to generate a net saving for the Government's budget for that group. They are not a large group overall, but they remain an intractable and costly challenge for the Government. These findings suggest at least a basis for a new policy of in-work support and outreach that could provide important benefits to people who are returning to work as well as to public funds.

This concluding chapter reviews the major findings and lessons from the ERA experiment. In doing so, it offers a number of observations about the populations ERA tried to help, some insights on why ERA might have been more effective for some groups than others, and some ideas for how the model might be strengthened. An Afterword, which follows this chapter, offers some reflections on the distinctive features of the ERA demonstration as a randomised control trial, an innovative piloting strategy, and the centerpiece of a transatlantic learning exchange with the goal of building evaluation capacity.

8.1 Lessons about the target populations from the control groups' experiences

- **In the absence of ERA, how difficult was it for the target populations to remain employed and advance over the five years of follow-up?**

In general, very little data exist on the long-term labour market experiences of low-income groups in the UK. Consequently, when ERA was designed, it was expected that the groups targeted would struggle to remain employed and advance, but by how much and in what ways were unclear. ERA's findings on the control groups help refine the picture for at least three important segments of the low-income population, and these findings may be useful in their own right for designing future government programmes to reduce overall poverty and child poverty through work-focused interventions.

For the ERA evaluation, the control group data were used to determine how well the types of people who enrolled in ERA would have performed in the labour market over a five-year period if they had not received any help from ERA. These patterns thus serve as benchmarks for assessing the success of ERA. They show the normal outcome levels that ERA had to surpass to be considered effective. They also provide some context for answering the question: In retrospect, how much was a programme like ERA warranted? In other words, how serious were the problems of employment retention and advancement it was trying to address for the people it enrolled?

The control group patterns show that those problems were indeed substantial, especially for the long-term-unemployed members of the ND25+ target group, which was made up mostly of men 25 years of age or older. Importantly, as long-term benefit claimants, because this group was mandated to participate in the New Deal welfare-to-work programme, they may have been less committed to working than the lone parent groups and also had to contend with more work impediments. As expected, this group struggled the most. For example, according to administrative records data, just over half (55 per cent) of the ND25+ controls had worked **at all** during the five-year follow-up period, and on average, they worked only about 13 out of the 60 months in that period (about 22 per cent of the time), despite their participation in the New Deal programme. Their earnings also remained low, averaging only £3,591 for each control group member in the final year of follow-up and £10,438 for each person who ever worked in that year.

Lone parents in the WTC control group performed best. This is not surprising, as they were already working between 16 and 29 hours per week and receiving WTC payments when they entered the study. They were not involved with Jobcentre Plus or the New Deal and were recruited from lists of eligible tax credit recipients. They had to come to Jobcentre Plus offices only for the purpose of applying to be in the demonstration. Qualitative data suggest that many of them were especially attracted by the programme's offer to help them gain access to training. Thus, they were a more self-selected and highly motivated group than the two New Deal groups. This helps explain why their employment retention remained comparatively high throughout the follow-up period. Nonetheless, this group still experienced considerable job loss. On average, the WTC controls worked

38 out of 60 months (or 64 per cent of the time), and their earnings levels remained relatively low, averaging only about £8,401 for each control group member in the final year of follow-up and £11,246 for each person who ever worked in that year.

Unemployed lone parents in the NDLP control group were receiving Income Support and were not working or were working less than 16 hours per week when they enrolled in the study. (This target group most resembles the lone parents receiving Temporary Assistance for Needy Families, or TANF – the ‘welfare’ population – in the US, although the NDLP control group’s participation in the New Deal welfare-to-work programme was entirely voluntary.) The labour market performance of the NDLP control group fell in between that of the ND25+ and WTC control groups (although it was closer to the WTC group’s performance). Most NDLP controls (79 per cent) worked at some point during the five-year follow-up period, but on average, they worked only about 25 out of the 60 months (42 per cent of the time), indicating that they experienced substantial job turnover. Moreover, their earnings levels remained low, averaging in the final follow-up year only about £5,033 overall and £9,496 per person who ever worked in that year.

Within each of the three control groups, average earnings actually grew over time, even though annual employment rates held steady or declined somewhat. Some of this earnings growth can be attributed to cost-of-living increases among those with jobs, but the magnitude of the earnings increases suggests that some advancement occurred as well (e.g., in the form of more hours worked per week, more weeks worked, and/or higher wages), even in the absence of ERA.

In summary, the experiences of the control groups make it clear that although some advancement occurred naturally, it was not widespread or particularly large. In general, the three control groups generally saw limited gains in the absence of ERA over the course of the evaluation. Overall, these findings help to confirm the rationale behind the ERA intervention.

- **In the absence of ERA, how much did the target groups continue to rely on transfer benefits during the five years of follow-up?**

The control groups’ reliance on various welfare benefits and tax credits changed substantially during the five-year follow-up period. Lone parents in the NDLP target group experienced the biggest changes. All were recipients of Income Support at the time of random assignment, yet by the end of the five-year follow-up period, only about 29 per cent were receiving this benefit. Some undoubtedly exited Income Support as their children aged out of eligibility. Some married or partnered and no longer needed support. Some may have also left the rolls as they worked more and began receiving WTC payments. Indeed, by the end of the follow-up period, 42 per cent of the NDLP controls were receiving WTC (which requires working at least 16 hours per week). Nearly half (47 per cent) were receiving Housing Benefit at that time.

Among the controls in the WTC group, although all were receiving the tax credit when they entered the study, just over half (54 per cent) were receiving it by the final survey interview – a substantial decline. About 18 per cent were receiving Housing Benefit.

Among the ND25+ controls, although all were receiving Jobseeker’s Allowance at the beginning of the study, only 31 per cent were receiving it at the end. At the same time, receipt of Incapacity Benefit grew from two per cent to 15 per cent. (Data are not available on WTC and Housing Benefit for this group because they were not included in the later survey waves.)

The fact that each group’s use of the main transfers they were receiving when they entered the study fell sharply over the subsequent five years illustrates that ‘long-term dependency’ on those particular transfers was not the norm. Still, most controls did not earn enough money to become ‘free and clear’ of benefits. This, too, helps validate the continuing policy importance of trying to address advancement in work.

- In the absence of ERA, how much post-employment assistance did the target populations receive?

ERA intended to add a new set of incentives and services to the normal provision of welfare-to-work assistance that Jobcentre Plus offered through the New Deal programme. This meant that once New Deal participants were placed into jobs, and as long as they were working, they were expected to have little additional formal contact with Jobcentre Plus concerning employment issues. Jobcentre Plus made no regular provision for staff other than those assigned to ERA to provide continuing in-work job coaching. Nor did it offer ERA-like incentives.²¹⁰ However, New Deal Personal Advisers could make referrals in some cases to training activities, and, of course, participants could enrol themselves in training courses or other employment-related activities at any time during or after their tenure in the New Deal programme. Recipients of the WTC did not normally have access to Jobcentre Plus Personal Advisers, so any alternative services they received in the absence of ERA would have been self-initiated.

Given that post-employment services were not a focus of the Government's welfare-to-work policies, ERA's designers expected that receipt of such services by the ERA target groups in the absence of ERA would be rather limited. But they could not know this for certain at the time.

The evaluation's survey data reveal that, indeed, employed members of the control group were substantially less likely to receive in-work advisory support through Jobcentre Plus than employed members of the ERA group. For example, as Chapter 3 showed, within the first two years after random assignment, 19 per cent of NDLP controls had received any help or advice from Jobcentre Plus staff on retention or advancement issues while employed. Although this was somewhat higher than expected, it was well below the 61 per cent rate for the programme group. The control group's rates of engagement were much lower for those in the ND25+ and WTC target groups (12 per cent and seven per cent, respectively). Furthermore, much of the post-employment support that Jobcentre Plus staff provided to the controls was provided informally and, at best, episodically, not as part of a continuing advisory relationship.

More surprising were the high rates at which controls engaged in training activities while they were employed – and especially while working full time. For example, as Chapter 4 showed, among all NDLP controls, 56 per cent took an education or training course within the first two years after random assignment, and 44 per cent of those who had worked full time during that period reported taking a course while working. The rates among the WTC controls were even higher, at 60 and 55 per cent, respectively. Part-time workers in each control group also took up training, but at much lower rates. (The data on ND25+ controls are less reliable, but indications are that these individuals received less training while employed than did the two lone parent groups.)

These and other findings on the control groups indicate that many ERA participants who worked and took training courses would have done so even in the absence of ERA. Many would have pursued at least some skills-building for advancement on their own. Still, ERA increased training rates for the programme group beyond those levels, especially for the WTC group. However, that increase was relative to a high control group benchmark and was not nearly as large as the increase in the receipt of post-employment advancement assistance from advisers.

²¹⁰ A different DWP pilot study explored the use of in-work credits – another form of employment retention incentives – for lone parents in several Jobcentre Plus districts, but the areas and samples did not overlap those involved in the ERA evaluation while the ERA programme was operating. See Pritchard, 2011.

8.2 Lessons about the ERA intervention

It is important to keep in mind that the ERA intervention varied in some ways across the target groups. For the two New Deal target groups, the evaluation tested the effects of attaching a two-year post-employment component to the existing New Deal welfare-to-work programme. ERA participants thus began ERA as New Deal participants, receiving a pre-employment treatment that was similar to what the control group received. The main difference was that the programme group was informed of ERA's post-employment incentives and support while participating in the New Deal, providing them with further encouragement to work (particularly full time) and to think about their longer-term goals. But both the programme and control groups received similar job placement assistance from advisers. In contrast, for the WTC group, which was already employed at the start, ERA was not attached to the New Deal. It was an entirely post-employment intervention, and neither the ERA group nor the control group was otherwise involved with Jobcentre Plus when they enrolled in the study.

Given these very different starting points and differences in the types of people who made up each of the target populations, the demonstration's designers recognised that ERA's effects might differ across the three groups. This turned out to be the case.

- **For whom did ERA work best?**

Comparing the experiences of the controls in each of the three target groups (as previously described) makes it clear that the ND25+ group had the most difficulty working and advancing in the absence of ERA. However, ERA had its strongest results overall for this group. In fact, it was the only group to experience sustained positive earnings impacts in each of the four tax years in the follow-up period. This resulted in a cumulative four-year earnings gain of £1,481, or an increase of almost 12 per cent above the control group mean (see Table 8.1).²¹¹ ERA reduced this group's reliance on Jobseeker's Allowance over five years by £426, or about six per cent relative to the controls. These effects were substantial enough to help generate positive benefit-cost results. The estimated gain to participants (in the form of a net present value estimate over a ten-year time horizon) was £726. To the Exchequer, it was £1,816 for each participant. From the perspective of society as a whole (the combination of estimates for the other two perspectives), it was £2,542 for each participant. Or to state the findings differently, the cost to the Government of operating ERA for the ND25+ group was £603 for each participant, and every £1 the Government invested in ERA yielded an extra £1.20 in income for participants and £4.01 in net savings for the Exchequer.²¹² The results for the ND25+ group are also noteworthy because very little else is known about what works to help this group (partly because there is an absence of reliable evaluation evidence).

In contrast, ERA had no sustained positive earnings impacts for the WTC group, even though it was the least disadvantaged of the three target groups and had the best programme group outcomes. This group had most fully embraced ERA and, because its members had no need for New Deal pre-employment services, they were eligible to receive the maximum of 33 months of in-work support along with the two-year incentives offer. ERA had its biggest impacts on training receipt for this group, and, overall, the Government spent more on this group than on the two New Deal groups. Nonetheless, ERA produced no last impacts on the WTC group's earnings. It did generate earnings

²¹¹ See also Chowdry and Sianesi, 2011, and Goodman and Sianesi, 2007, for an analysis suggesting that ERA's impacts may have been even larger for the ND25+ group had more individuals enrolled who could have participated in the evaluation.

²¹² See Chapter 7 for an explanation of the calculations behind these estimates. The estimates were subjected to sensitivity tests, including assumptions of shorter and longer time horizons, and the general pattern of results did not change.

gains while the programme was operating, but these effects subsequently faded away. The cost-benefit analysis reveals little net economic gain to participants, and it estimates a net loss to the Government’s budget. ERA for this group proved not to be a good economic investment.

Table 8.1 Summary of ERA’s impact and cost-benefit results, by target group

A. Impacts				
Target group and outcome measure	ERA group	Control group	Difference (impact)	P-value
NDLP				
Average earnings during 2005-2006 tax year (£)	3,862	3,554	308 **	8.7
Average four-year earnings during 2005-2009 tax years (£)	17,280	16,742	538	3.2
Ever worked, years 1-5 (%)	79.0	79.0	-0.1	-0.1
Average number of months employed, years 1-5	25.1	25.0	0.0	0.1
Average total amount of benefits ^a received (£), years 1-5 ^a	9,349	9,848	-499 **	-5.1
WTC				
Average earnings during 2005-2006 tax year (£)	7,069	6,667	402 **	6.0
Average four-year earnings during 2005-2009 tax years (£)	30,615	29,695	921	3.1
Ever worked, years 1-5 (%)	88.1	86.8	1.3	1.5
Average number of months employed, years 1-5	38.5	38.3	0.2	0.4
Average total amount of benefits ^a received (£), years 1-5 ^a	1,190	1,149	40	3.5
ND25+				
Average earnings during 2005-2006 tax year (£)	3,070	2,758	312 **	11.3
Average four-year earnings during 2005-2009 tax years (£)	14,162	12,681	1,481 **	11.7
Ever worked, years 1-5 (%)	57.3	55.1	2.2 *	4.0
Average number of months employed, years 1-5	14.3	13.2	1.1 **	8.4
Average total amount of benefits ^a received (£), years 1-5 ^a	7,067	7,493	-426 ***	-5.7
B. Cost-benefit results				
Target group	Net present value (£)			
	Participants	Exchequer	Society	
NDLP	-37	-124	-161	
WTC	230	-1,836	-1,606	
ND25+	726	1,816	2,542	

SOURCES: MDRC calculations from Tables 4.1, 4.2, 6.1, 7.5, 7.8, and 7.13.

NOTE: ^aBenefits refers to Income Support for NDLP customers, a combination of Income Support and Jobseeker’s Allowance for WTC customers, and Jobseeker’s Allowance for ND25+ customers.

Similarly, the NDLP target group experienced positive earnings gains early on that faded over time. ERA did cause some reductions in receipt of Income Support and other benefits. However, according to the cost-benefit analysis, these and other effects were not large enough to generate an overall economic gain for participants or a non-trivial return on the Government’s investment.

But this is not the whole story. Further analysis of the NDLP group presented in Chapter 5 reveals that ERA's effects were not uniform across different types of lone parents within that target group. One noteworthy finding – given the Government's steps over the last decade to expand work requirements to lone parents with younger and younger children – is that ERA produced a large positive earnings gain for NDLP lone parents whose children were five- or six-years-old at the time they entered the study. This is the age at which those children were beginning school – an important point of transition in family life – and ERA's incentives and supports may have helped convince some of those parents, who would now have more time free of caring responsibilities, to pursue full-time work.²¹³

Also striking is the variation in impacts according to parents' levels of educational qualifications when they entered the study. ERA had no lasting impacts on employment, earnings, or benefits for those without any secondary school qualifications or for those with only a General Certificate of Secondary Education (GCSE). In contrast, it had substantial and longer-lasting effects for those with Advanced-level (A-level) qualifications.²¹⁴ For example, for that subgroup, ERA produced a cumulative four-year earnings impact of £3,537, representing a 16 per cent increase relative to the mean earnings of control group members with A-level qualifications (see Table 8.2). It also reduced their reliance on welfare benefits and generated positive cost-benefit results as well. In fact, the cost-benefit analysis found that ERA had positive results from all three perspectives for the A-level subgroup: it produced a net gain in disposable income for these participants, net savings for the Exchequer, and a net benefit for society as a whole.

Table 8.2 ERA's impact and cost-benefit results for the NDLP subgroup with A-level qualifications, at the time of random assignment

A. Impacts				
Outcome measure	ERA group	Control group	Difference (impact)	P-value
Average earnings during 2005-2006 tax year (£)	5,851	5,051	800 **	3.2
Average four-year earnings during 2005-2009 tax years (£)	26,383	22,845	3,537 **	15.5
Ever worked, years 1-5 (%)	84.6	80.8	3.8 *	5.2
Average number of months employed, years 1-5	30.3	27.2	3.1 ***	11.5
Average total amount of Income Support received (£) years 1-5	7,102	7,992	-890 *	-11.1
B. Cost-benefit results				
	Net present value (£)			
	Participants	Exchequer	Society	
	2,074	1,479	3,553	

SOURCES: MDRC calculations from Tables 5.3, 5.4, and 7.11. Some calculations are not displayed.

²¹³ Parents with children in that age group were not subject to a work requirement during the period of the ERA programme, but they would be subject to such a mandate under the current coalition Government's 2011 welfare reform bill.

²¹⁴ Participants who have GCSE qualifications have passed a series of examinations in a variety of subjects, usually taken at age 15 or 16. Participants with A-level qualifications have passed a series of more advanced examinations usually taken around age 18 or older. Those with no qualifications have completed neither series of examinations.

The reasons for the better results for the A-level subgroup are not obvious. Of course, compared with the full-sample analyses, subgroup analyses run a higher risk that particular results are a statistical aberration. But if the differential in impacts is true, it seems not to be driven by other measurable background characteristics associated with educational qualifications, because the pattern persists even after statistically controlling for other characteristics. It also seems unlikely to reflect simply differences across the educational subgroups in the likelihood of receiving in-work assistance from ERA, because those differences were small.

Alternatively, one might speculate that participants with A-level qualifications might have been in a relatively better position to respond to ERA's push to work **full time** (which drove much of ERA's early impacts on earnings for lone-parents) and to advance. Having entered the programme with no recent work experience (like all NDLP participants), but with more human capital than those with lower qualifications, perhaps they were more interested in full-time work, more likely to qualify for better jobs (which were likely to be full time), and more capable of overcoming potential work impediments that might otherwise have held them back (e.g., childcare responsibilities or transport problems). Perhaps ERA's incentives and support encouraged them to act on their interests more than they would have in the absence of the programme, and being more skilled already, they had more success. (There is no evidence that ERA raised their actual skill levels.) In short, this 'unemployed-but-more-skilled' subgroup may have had a greater 'reserve capacity' to succeed in work that ERA effectively tapped. In contrast, perhaps ERA's offer of incentives and support was not enough to motivate or help those with lower qualifications to pursue full-time work (which generally imposed more complicated childcare burdens on lone parents) more than they would have without the programme's intervention, or to qualify for better jobs than they otherwise could have got.

ERA did not produce positive effects for the WTC lone parents with A-level qualifications. This may be because, despite similar educational levels, A-level lone parents in the WTC sample were already working when they entered the study. They were thus enrolled in ERA already more intent on pursuing (and keeping) full-time jobs and advancing and were more able to do so even without ERA. Indeed, it is noteworthy that WTC controls with A-level qualifications earned 50 per cent more over the four years of follow-up than did the controls in the NDLP A-level subgroup (£34,575 versus £22,845), a difference that was driven by the WTC controls having more consistent work and more full-time work. Clearly, A-level participants in the WTC group had more earnings capacity and deeper attachment to the labour force from the start than did their NDLP A-level counterparts. The incentives and kinds of advancement-related assistance that ERA offered were simply not enough to help them accomplish more than they could have accomplished on their own.

In general, perhaps the NDLP A-level group's **combination** of being unemployed when they first encountered ERA **and** having more human capital may help explain why they experienced positive impacts while their A-level counterparts in the WTC sample did not. It would be valuable for future studies to try to test this idea further.

The analysis for the ND25+ target group finds that ERA's positive effects were spread across educational subgroups, including, but not limited to, the A-level group.²¹⁵ Why did ERA increase earnings among ND25+ participants with lower qualifications but not among NDLP participants with lower qualifications? Part of the reason may be that the long-term unemployed men had a less difficult choice to make than lone parents about full-time versus part-time work because they were not encumbered by childcare considerations. Whereas educational qualifications might have differentiated lone parents' interest in and capacity for full-time work, the long-term unemployed men who sought work were generally inclined to work full time, regardless of their educational

²¹⁵ The subgroup analysis found that the earnings impacts across the three qualification levels were not statistically significantly different from each other.

level.²¹⁶ Their educational qualifications might have mattered less in shaping their interest in or ability to work full time. Consequently, long-term unemployed men with lower qualifications were perhaps no less open to or no less able to respond to ERA's efforts to encourage and reward full-time employment than were those with higher qualifications.

Another striking finding concerns the differences in ERA's impacts for ethnic minorities versus whites within the two lone parent samples. Within the NDLP sample, ethnic minority participants appear to have experienced bigger increases in the average number of months employed and in average earnings, and larger reductions in the duration and amount of Income Support received. A similar pattern is evident in the WTC sample. Not all of these estimates are statistically significant (within and across subgroup categories). However, taken as a whole, the general pattern of findings from the two independent samples suggests that ERA may have benefited ethnic minority lone parents more than white lone parents.

Why would this be? In this regard, it is worth noting that, although ethnic minority lone parents in the control group had average earnings similar to those of their white control group counterparts, they were less likely to work and remained on benefits longer. Perhaps the ethnic minority subgroup, compared with the white subgroup, included more people whose labour force participation was lower for reasons having to do, at least in part, with lower expectations about their opportunities to find work or to take on full-time work, rather than less interest in or capacity for work. It may be that for the programme group, ERA's financial incentives and extra encouragement and support helped to counteract those lower expectations, which may have been holding back some minority lone parents. This may be a topic worth further exploration.

Finally, it is worth noting that although the impacts for the ND25+ target group were by no means transformative, they were substantial in percentage terms, and they appeared to be widespread. The study found no clear pattern of statistically significant differences in impacts across a broad range of subgroup categories. Rather, it found some positive effects (although not always statistically significant) for most subgroup categories and no instances where the differences in impacts across categories were themselves statistically significant. The programme even appears to have helped some ND25+ participants who faced substantial barriers to employment and were least likely to work at the start of the study to remain employed or advance on their own.

These results for the long-term unemployed men, along with the findings that ERA produced at least short-term earnings gains for the NDLP and WTC lone parent groups overall and more lasting effects for certain NDLP subgroups, suggest that ERA offers strategies to build on in designing future initiatives to improve employment retention and advancement among low-income groups. Perhaps there are ways to make these strategies stronger.

- **Why did ERA achieve better results overall for long-term unemployed men than for lone parents?**

Although speculative, part of the answer may have to do with the fact that the ND25+ group was required to participate in the New Deal welfare-to-work programme, unlike the lone parents, who were volunteers for the New Deal (in the case of the NDLP group) or were already working (in the case of the WTC group). This distinction meant that the ND25+ group (relative to the lone parents) may have included more individuals who – even if they wanted to work – had less confidence in their ability to find and hold on to steady work. They may have also believed (probably correctly) that they were less attractive to employers because of their long-term unemployment and other impediments.

²¹⁶ For example, 71 per cent of ND25+ participants who were working when interviewed for the two-year survey were working at least 30 hours per week (Miller *et al.*, 2008). In contrast, only 46 per cent of NDLP participants who were working at the time of that survey were working at least 30 hours per week (Riccio *et al.*, 2008.)

Perhaps ERA was effective for such individuals (and, hence, the target group as a whole) because it addressed these constraints better than the regular New Deal programme for long-term unemployed individuals. For example, at the initial pre-employment stage, ERA's unique financial incentives may have given them more reason than the regular programme to pursue work despite their lower expectations or confidence; in other words, it may have counteracted factors that were holding back some men in this group. Furthermore, they could readily take on full-time work because they generally had no childcare responsibilities. And because ERA's incentives and staff support continued after participants entered work, the programme may have helped them stay employed longer (as suggested by the positive impact on duration of participants' first jobs).

In contrast, NDLP and WTC lone parents from the start may have had higher expectations about working, but greater hesitancy about working full time. If they were to work (even with the help of the regular New Deal programme), they were more likely to work part time, in large part because of their family responsibilities. As Chapter 4 showed, ERA's incentives and adviser support changed this in the short term to some extent, by getting more lone parents to pursue full-time work. But this effect dissipated after the programme ended as more controls worked full time as well. Thus, for the lone parents, ERA may have helped address shorter-term attitudes towards full-time work more than it affected other factors that shaped their longer-term work trajectories; whereas for some participants in the generally more disadvantaged ND25+ group, it may have addressed longer-term impediments arising from their lower expectations, confidence, and, perhaps, desire to work.

- Did the way local staff implemented ERA's in-work support component influence the programme's degree of effectiveness?

One way to address this question is to compare ERA's impacts across districts and local offices, where different staff operated the programme under different local conditions and, undoubtedly, with somewhat varying approaches. Table 8.3 summarises the results across districts for the NDLP and ND25+ groups. (For the WTC group, the sample sizes within districts other than the East Midlands were too small to permit reliable district-level impact estimates.)

The table reveals some important variations. In several districts, there were moderate or large cumulative effects on earnings and other outcome measures, while in other districts there was little impact. Scotland had the largest effects for the ND25+ group, and North West England had the largest effects for the NDLP group. Wales had the worst effects for the ND25+ group; its ERA programme appears to have produced a large (though not statistically significant) **reduction** in earnings for the programme group. As Chapter 6 explained, this negative impact seems largely owing to serious understaffing early on in ERA for the programme group, so that the control group actually received more intensive New Deal job placement assistance. This resulted in quicker job entry rates for the control group than for the ERA group. This support appears to have allowed the control group to achieve a lasting earnings advantage; there is little evidence that ERA's post-employment components had a depressing effect on the programme group's earnings.

Importantly, the overall ranking of districts according to the magnitude of their impacts is not the same for each of these target groups, suggesting that there is no overall 'district effect'. Furthermore, the process study was not able to distinguish major differences in staff practices that might account for the overall pattern of differences in district-level results. Nor are the differences explained by variation in the performance of the control group – in other words, it is **not** the case that the larger impacts tended to be in districts where the control group had the lower outcomes and thereby left more room for improvement.²¹⁷

²¹⁷ Cross-district differences in control group outcomes can capture important differences in the types of people enrolled in the sample, the availability of alternative services, and/or differences in labour market conditions.

Table 8.3 ERA's impacts on selected outcome measures, by district and target group

Target group and outcome measure	East Midlands	London	North East England	North West England	Scotland	Wales
NDLP						
Ever employed (%), years 1-5						††
ERA group	78.4	72.4	78.1	86.0	83.3	81.9
Control group	78.7	73.1	78.8	79.9	84.5	87.9
Difference (impact)	-0.4	-0.7	-0.7	6.2 ***	-1.2	-6.1 **
Average number of months employed, years 1-5						††
ERA group	25.3	22.3	24.5	27.1	28.3	25.3
Control group	26.1	22.5	24.7	23.5	27.7	28.7
Difference (impact)	-0.8	-0.2	-0.1	3.6 ***	0.6	-3.4 **
Average earnings during 2005-2006 tax year (£)						
ERA group	3,483	4,112	3,529	4,222	4,208	3,951
Control group	3,370	3,840	3,652	3,329	3,607	3,481
Difference (impact)	114	272	-123	893 ***	601	470
Average four-year earnings during 2005-2009 tax years (£)						
ERA group	16,319	19,156	15,659	17,668	18,252	16,705
Control group	16,229	17,821	16,528	15,875	17,616	16,703
Difference (impact)	90	1,335	-869	1,793	636	2
Average total amount of benefits, years 1-5						
ERA group	9,092	11,224	9,184	8,857	7,631	8,522
Control group	9,727	11,806	9,090	10,149	8,422	7,894
Difference (impact)	-635	-582	94	-1,292 **	-791	628
Sample size	1,645	1,529	1,298	1,022	629	664

(continued)

Table 8.3 Continued

Target group and outcome measure	East Midlands	London	North East England	North West England	Scotland	Wales
ND25+						
Ever employed (%), years 1-5						
ERA group	64.1	50.3	60.7	53.8	62.7	55.8
Control group	60.3	47.6	64.0	52.7	54.6	58.8
Difference (impact)	3.8	2.6	-3.3	1.1	8.1 **	-3.0
Average number of months employed, years 1-5						
ERA group	16.4	12.5	15.8	13.4	15.3	12.5
Control group	14.7	11.8	16.5	12.0	11.7	14.6
Difference (impact)	1.8 *	0.6	-0.7	1.4	3.7 ***	-2.1
Average earnings during 2005-2006 tax year (£)						
ERA group	3,817	2,536	3,722	2,604	3,536	2,248
Control group	3,056	2,296	3,853	2,269	2,768	3,134
Difference (impact)	762 **	239	-131	335	767 **	-886 *
Average four-year earnings during 2005-2009 tax years (£)						
ERA group	15,474	13,380	17,740	11,521	16,820	10,551
Control group	12,629	12,193	17,221	10,824	12,574	13,142
Difference (impact)	2,846 **	1,187	519	697	4,247 ***	-2,590
Average total amount of benefits, years 1-5						
ERA group	6,821	8,480	6,744	6,218	6,511	7,516
Control group	7,652	8,528	6,898	7,080	7,190	6,305
Difference (impact)	-831 **	-48	-155	-862 ***	-679 **	1,211 **
Sample size	1,411	1,619	828	1,557	852	515

SOURCES: MDRC calculations from Tables 5.3, 5.4, and 7.1.1. Some calculations are not displayed.

NOTE: *Benefits refers to Income Support for NDLP customers, a combination of Income Support and Jobseeker's Allowance for WTC customers, and Jobseeker's Allowance for ND25+ customers.

It may be difficult to explain variations in performance across districts partly because districts are large conglomerations of local offices, and ERA practices, types of customers, and local context could vary substantially across offices within a given district. Therefore, as reported in Chapter 5, an attempt was made to explore more closely the variation in results across local Jobcentre Plus offices, using the NDLP sample, to learn more about the possible relationship between implementation practices and ERA's impacts.²¹⁸

That analysis suggests that certain practices may have indeed mattered, at least to some degree. For example, after controlling for differences across offices in important participant characteristics and various office-level features, offices with stronger implementation of in-work advancement support from advisers (relative to any such support received by controls outside of ERA) tended to produce somewhat larger positive impacts on employment rates and somewhat larger reductions in benefits receipt.²¹⁹ In other words, it was not simply a matter of 'whom' the local ERA office served that determined its effects, but, rather, how much the office delivered advancement-related support to their participants who were working. Their success in marketing the employment retention bonuses may have also contributed independently to more positive impacts, as the next section discusses.

- **How important were ERA's financial incentives in producing the positive effects that were observed, and why did they not produce larger overall effects?**

An important question is how much ERA's financial incentives – especially its work retention bonus, which offered participants £400 every three months for two years for sustaining full-time employment – contributed to any positive labour market effects that were observed. Unfortunately, it is not possible to answer this question definitively. By design, ERA's incentives were bound up with the provision of advancement-related support. For example, programme advisers were expected to remind participants about the incentives offer when they discussed job search or advancement-related options and efforts. Moreover, the programme required that participants who earned retention bonuses pick up their bonus checks in person from their ERA advisers. Thus, the bonus checks were partly intended to function as inducements for participants to have continued contact and discussions with their ERA advisers about advancement.

Although these design features make it difficult to disentangle definitively the influence of incentives from adviser assistance, some patterns in the data lend some support to the idea that the incentives did matter. For example, ERA's early impacts on earnings for the two lone parent groups (and for the NDLP A-level subgroup) were driven primarily by increases in full-time work – a pattern that lines up with the condition that had to be met to receive the employment bonus. In addition, the office-level analysis showed that, controlling for other factors, offices where more participants were aware of the retention bonus (perhaps because marketing was better) tended to have larger impacts on employment rates and bigger reductions in Income Support. But the cross-office analysis also indicated that more in-work advancement support from advisers was correlated with larger office-level impacts, so it is difficult to conclude that any positive effects were caused **only** by the incentives.

²¹⁸ This analysis could not be done for the ND25+ group because of the lack of adequate survey data, or for the WTC group because of very small sample sizes for that group in most offices.

²¹⁹ As discussed in Chapter 5, the variation in ERA's impacts on earnings across offices is not statistically significant. Thus, the cross-office analysis does not focus on earnings.

Even if ERA's incentives component was important, why did it not produce larger and more widespread impacts for the lone parent groups, given the more positive effects observed for incentives in some other welfare-to-work programmes in the US and Canada?²²⁰ On this question, one can only speculate. Perhaps the size of the rewards was too small to overcome the reasons some lone parents had for not working full time or for sustaining full-time work, including, possibly, an anticipated loss of welfare benefits or a desire to limit work to focus more on family life. Or, perhaps the incentives were paid too infrequently to have a strong motivating effect on those who were not already inclined to work full time. This is a topic worthy of further investigation.

- **What were the strengths and limitations of ERA's in-work adviser support component?**

The ERA demonstration has shown that it is feasible to attach a post-employment component to the New Deal welfare-to-work programme and operate it out of Jobcentre Plus. However, as the evaluation's process analysis found, this was a complicated endeavour. Among other things, it called for implementing an advancement-focused intervention within an institution that gave top priority to maximising job entries and had clear placement targets. The normal Jobcentre Plus reward structure offered few rewards or benchmarks to encourage staff to help their customers to remain in work or advance. In this sense, ERA was an awkward fit within Jobcentre Plus. This was a defining impediment for ERA, especially during the first year of the programme's implementation, although Department for Work and Pensions (DWP) and the districts made impressive strides in addressing the problem over time.

Adviser skill sets were another problem. Understandably, because ERA was a major departure from the regular New Deal programme for which advisers were trained, many were ill prepared to deliver a compelling advancement-focused intervention. For example, advancement goals raised fundamental issues that line staff and programme managers did not confront as New Deal Personal Advisers, including the question of what constitutes 'advancement'. Creating benchmarks to assess line staff performance against advancement goals and equipping staff with techniques that could achieve positive advancement outcomes was not easy. In some cases these challenges were magnified by the young age of many advisers; many had not experienced much career advancement themselves, and some had worked little outside Jobcentre Plus.

Another limitation may have been that staff were not expected to be deeply knowledgeable about the most productive career pathways available in the labour market or about employers' needs for particular types of skills. Advisers were best prepared to offer **general** support, encouragement, and advice to ERA participants on possible ways to advance, while marketing the programme's incentives as an additional inducement. Most did not bring to the job a deep labour market expertise that might have added value to their advancement-related guidance.

- **Why did ERA's impacts on training not lead to better labour market outcomes?**

A striking finding from the ERA evaluation is the disconnect between impacts on training receipt and impacts on labour-market outcomes. For example, although ERA caused a large increase in training receipt for the WTC target group, it did not improve that group's earnings or other employment outcomes; thus, the training had no pay-off in the labour market, at least within the available follow-up period. Conversely, for the NDLP A-level subgroup, ERA produced a substantial impact on earnings, but no effect on that group's receipt of training; thus, that group's earnings gains most likely came from some combination of the programme's adviser support and employment retention bonuses. This also appears true for the ND25+ sample. Overall, these patterns suggest that ERA's approach to increasing training – i.e., offering tuition assistance and incentives for completing approved training and making referrals to training courses – did not work.

²²⁰ Although the effects of these incentive programmes also tended to decline over time, some produced a net gain over the follow-up period in total cumulative earnings (Michalopoulos, 2005).

The problem may have been that many participants would have taken training courses even in the absence of ERA (as the control group results show), and those additional participants who took training only because of ERA may not have been well positioned to benefit from it. Perhaps they enrolled in training courses that did not have much market value for career advancement, or they were not able to find job opportunities in which they could apply their new skills. Furthermore, they may not have received good training guidance from ERA. For example, the programme's advisers were expected to try to accommodate participants' own training interests rather than to steer them towards what may have been the most productive training choices – that is, training for jobs for which there was employer demand and opportunity for advancement. In some cases (as a separate ERA evaluation report on training showed)²²¹, the training options participants chose were not directly occupationally relevant. Some may even have been undertaken as part of a hobby or out of general interest. But most were occupationally relevant, and even in those cases advisers were not especially well prepared to help participants translate the new skills they acquired into better employment opportunities. Participants' training interests were wide ranging, and advisers could offer little special expertise regarding any particular occupational sectors. Perhaps preparing advisers to provide more occupationally specific advice and guidance to participants on training and career opportunities within a more limited and clearly defined range of promising occupational sectors – and helping advisers establish more direct relationships with employers who hire within those sectors – might have helped boost the effectiveness of ERA's training component.²²²

- **How do the results of ERA compare with those of related programmes in the US?**

Viewed through a wide lens, the results of the ERA evaluation in the US support the findings of the UK ERA evaluation in demonstrating the difficult challenge of improving employment retention and advancement among low-income groups. In the US, as previously mentioned, nine of the 12 different retention and advancement models tested did not help participants achieve earnings beyond what control group members were able to attain on their own with the existing services and supports available in their local communities. However, three US ERA programmes, each of which served a distinct population, generated positive effects on labour market outcomes. One (in Riverside, California) served working lone parents who had recently exited the welfare rolls (TANF); a second programme served unemployed lone parents receiving welfare (in two cities in Texas); and a third programme served lone parents who were working (at very low wages) while receiving welfare (in Chicago, Illinois). Each of these programmes offered some form of adviser help with advancement issues, along with other types of assistance, including, in one case, financial incentives for sustained employment, and, in another case, more direct job development assistance in particular occupational areas. All three programmes produced increases in participants' earnings over a three-to-four year follow-up period (see Chapter 1). Although not dramatic, these effects, like those produced by UK ERA, offer at least some evidence that employment retention and advancement programmes can make a difference for certain groups and are something on which to build.

Of the three US programmes mentioned here, the Texas ERA programme was the most similar to UK ERA, in that it was the only one that offered financial incentives tied to sustained full-time employment.²²³ These incentives took the form of a monthly bonus of \$200 for working at least

²²¹ Hendra *et al.*, 2011.

²²² A recent US-based study by Public/Private Ventures points to the effectiveness of demand-driven, sectoral training (Macguire, 2010). MDRC is currently evaluating a new programme called 'WorkAdvance', which will incorporate a similar strategy, along with ERA-like post-employment services.

²²³ The UK ERA and Texas ERA models are compared in Lundquist and Homonoff, 2010.

30 hours per week, and they were offered in addition to other pre- and post-employment services. Taking into account exchange rates, the bonus was roughly similar in generosity to the UK ERA employment retention bonus, although it was paid more frequently.

In the city of Corpus Christi, the Texas ERA programme had consistent effects on employment retention and earnings. In that site, the programme increased average annual earnings by approximately 15 per cent relative to control group earnings. Moreover, the largest impacts (18 per cent) occurred in the fourth and final year of follow up. This suggests that the programme's effects may continue in the longer term. The Texas ERA programme in Fort Worth also produced earnings gains, but the effects were concentrated in the second and third years of follow up. In that city, ERA increased earnings in the third year by 17 per cent compared with the control group level. The implementation of ERA in Fort Worth started out weak and improved over time, which may have diluted the strength of the observed impacts because many programme group members were part of an early cohort of participants who completed the programme before implementation had fully improved. ERA was also implemented in Houston, Texas. However, the evaluation's process study found that the programme there was poorly implemented, and it did not achieve impacts on labour market outcomes.

- **What implications do the ERA findings have for the current Government's welfare-to-work reforms?**

The earlier sections of this chapter that focused on the experiences of the control groups over the five-year follow-up period make it clear that employment retention and advancement remain difficult challenges for many of the low-income people DWP serves. ERA was designed to address those challenges, but its success was mixed. For some groups, ERA caused employment and earnings to increase more than they would have without the programme – in some cases, by a lot – and it also yielded some positive cost-benefit results, both for participants and the Treasury. But for other groups, ERA did not improve participants' economic outcomes, and the Government's budget incurred a net loss.

These results suggest that ERA, in the form it was designed and delivered in the demonstration, is not appropriate for across-the-board replication and scaling up. At best, the evidence would offer a basis for a more limited, targeted scaling up. For example, taking a benefit-cost perspective, the analysis suggests that scaling up might be justified for the ND25+ target group. Although the results for the NDLP A-level subgroup are impressive, without further confirmation they do not carry the same level of certainty as the full-group effects, and from a practical or political standpoint, it may be difficult to target assistance on the basis of qualifications. At the same time, the A-level results do raise important questions about the extent to which the potential for some groups to benefit from work incentives and in-work adviser support depends on their educational qualifications. This issue deserves further investigation.

More generally, the evidence suggests that ERA's strategies, although uneven in their effects, clearly hold some promise. In particular, future efforts to promote employment retention and advancement should consider testing whether certain changes in the design and delivery of ERA's incentives and in-work support and in the types of skills required of advisers could help sustain and increase the programme's early impacts for unemployed and part-time employed lone parents (which faded after the programme ended). They could also increase the magnitude of the effects (which were sustained) for long-term unemployed men. In addition, ERA increased training completion for some groups without producing subsequent labour market gains, while it produced positive labour market effects for other groups without increasing training. This suggests that it is important to re-think how to deliver training in the context of a programme like ERA that aims to promote advancement and improve incomes by building occupational skills.

Afterword

Reflections on UK evaluation and piloting practices

The Employment Retention and Advancement (ERA) demonstration was an experiment in evidence-based policymaking of a kind unfamiliar in the UK, at least on such a large scale. The idea for it grew out of several years of learning exchanges that MDRC helped organise with HM Treasury and the Rockefeller Foundation on welfare-to-work and employment policies, and on improving evaluation practices and evidence-based policymaking. Treasury officials had identified a need to strengthen evaluation capacity in the UK and hoped to learn from, and build on, advances in the US, particularly in the ability to conduct large-scale randomised trials in social policy. While the UK is no stranger to randomised trials, their use in the past had been limited to small-scale trials, such as tests of rival interventions in penal reform. Out of these exchanges grew interest in launching a large-scale British randomised trial focused on issues of employment retention and advancement, which, at the time, were of growing concern to welfare reformers in both countries. After several years of exploration and design work involving British and American experts, the Treasury allocated funding for the ERA demonstration in the UK, which paralleled the US project of the same name.

- **The ERA demonstration versus traditional pilots**

Traditionally, many UK social pilots have tested policies to which the Government has already made a commitment and have tended to use evaluation methods that rely on area comparisons. Such pilots typically build evidence during an early roll-out period in a limited number of areas and compare the results with similar areas yet to benefit from the new policy. The main aim of such comparisons is typically to help the Government improve a policy before it is rolled out nationally. However, there is less tradition of testing a new policy idea **before** a commitment is made, having a long-enough follow-up period to draw proper conclusions about its effectiveness, or using an evaluation method that provides a conclusive verdict on the effects –intended and unintended – of the new policy.²²⁴ The ERA demonstration stands out in that regard, addressing these three issues:

1. it tested an idea that the Government had not yet committed to incorporating into national policy; rather, that decision was to be informed by the evaluation results, in a kind of ‘try before you buy’ approach;
2. it committed to a five-year follow-up period; and
3. it would use a randomised control trial that would test and provide conclusive evidence of the programme’s effectiveness.

As it turned out, had the Government invested in ERA as a full-scale national policy without having mounted this rigorous test of its effectiveness in advance, that investment would not have achieved all the hoped-for positive results. The overall findings show that ERA produced important positive effects on certain labour market outcomes for some participants and under some circumstances. In addition, in some cases, it produced a positive return on the Government’s investment. But it did not succeed broadly for all the target groups. Thus, the evidence does not support a **wholesale** replication and scaling up of the programme in the form in which it operated for all target groups in the demonstration.

²²⁴ See Jowell, R., 2003.

- **The scope of the evaluation**

The ERA evaluation itself was also distinctive. Its design, comprehensiveness, scale, and length of follow-up period were all departures from usual evaluation practices. When it was launched, it was, by far, the largest randomised control trial ever undertaken to test a social policy in the UK, and its success as a social experiment was not at all guaranteed. Indeed, in its early design phase many concerns were raised about whether such a large-scale trial was feasible, and considerable unease was expressed about random assignment and the likely responses of people assigned to the control group. Although important operational challenges were encountered along the way, the fact that over 16,000 individuals were successfully randomly assigned across six regions of the UK and 58 local offices, nearly without incident is a testament to the feasibility of conducting large-scale randomised trials in the UK.²²⁵ It is worth adding that all this was achieved using existing resources within Jobcentre Plus.

Having a relatively long follow-up period also proved essential. It allowed the evaluation to determine that ERA's early large positive labour market effects for lone parents faded, falling in value below significant levels, although with longer-lasting effects for certain subgroups, such as unemployed, but better-educated, lone parents. Disappointingly, too, the early impacts on training for the Working Tax Credit (WTC) group never translated into subsequent labour market gains. In contrast, the smaller but significant benefits experienced by the long-term unemployed men were largely sustained over five years. Had the follow-up period ended, say, after only two years, very different – and incorrect – conclusions about ERA's effectiveness would have been reached.

- **A transatlantic partnership**

As Chapter 1 noted, the ERA evaluation involved a unique US-UK partnership. MDRC was the lead evaluation contractor, but it worked closely with four UK organisations: the Policy Studies Institute, the Institute for Fiscal Studies, the National Institute of Economic and Social Research, and the Office for National Statistics. This arrangement reflected the important 'technology transfer' goal of the initiative. The demonstration was intended not only to produce a rigorous field test of the ERA model, but also to serve as a vehicle for UK researchers within the evaluation consortium, along with researchers and project leaders within the Department for Work and Pensions (DWP), to learn evaluation practices from an American organisation with deep expertise in conducting large-scale randomised trials. With this goal in mind, the US and UK partners worked hand-in-hand on all aspects of the project. For example, they collaborated on the design of the ERA model; on the provision of training and technical assistance to Jobcentre Plus line staff on ERA's strategies and evaluation procedures; on the establishment of random assignment protocols and procedures; on the collection, processing, and analysis of administrative records and survey data; on the execution of analyses within each strand of the evaluation (process, impact, cost-benefit, and non-experimental analyses); and on the preparation of evaluation reports. After the launch of ERA, and drawing on experiences acquired in that project, DWP planned a number of other possible randomised trials of innovative pilots, attesting to the growing capacity in the UK to apply this rigorous method of social policy evaluation.

²²⁵ Walker *et al.*, 2006.

A special grant from the Rockefeller Foundation helped make possible the UK-US learning exchange built around ERA. These resources, with supplementary funding from the British Consulate, allowed the evaluation partners and DWP to bring together from time to time British and American administrators, managers, and front-line staff from organisations that were operating retention and advancement programmes in the US and the UK for common training and peer learning. The Rockefeller Foundation resources also supported dissemination in the US of research findings from UK ERA and dissemination in the UK of evaluation findings from the US projects.

This partnership was beneficial to evidence-building for both the US and the UK. UK ERA became an important part of a portfolio of MDRC projects focused on employment retention and advancement, and it created special learning opportunities relevant to US policymaking. In part, it provided an additional location and context for learning about similar strategies that were being tried in the US; in other cases it provided an opportunity to test a different approach for achieving similar goals. In these ways, the US-UK learning exchange benefited evidence-building in both countries.

Appendix A

Data sources, weighting, and survey response bias

This appendix describes a variety of technical details about the data and process used to create outcomes for the Employment Retention and Advancement (ERA) final impacts report. Specifically, it discusses the quality and coverage of the administrative and survey data used in this report as well as the strategy used to weight impacts in this report compared with previous reports. As discussed in this appendix, improvements in the coverage of administrative records and concerns about response bias in the wave 3 (five-year) survey resulted in more emphasis on administrative records as a data source for measuring economic impacts in this report, compared with earlier reports about the UK ERA demonstration.

A.1 Data sources

This section of the appendix describes the results of quality checks performed on the administrative records used to measure earnings outcomes. This report places more emphasis on administrative records than has been the case in previous reports about the ERA demonstration. Past reports made less use of administrative records because of concerns related to under-reporting among two segments: (1) those who never received public benefits (for the most part affecting the Working Tax Credit (WTC) group) and (2) part-time workers. The results shown in this appendix support the decision to make more extensive use of administrative records.

A.1.1 Administrative records for the WTC group

For the WTC group, outcomes from Her Majesty's Revenue and Customs (HMRC) employment and earnings administrative records are included in this report (unlike previous reports). In the previous reports, HMRC data were made available only for those sample members who were currently, or had previously been, Department for Work and Pensions (DWP) customers. There was concern that this could adversely affect the impact estimates for the WTC group, as unlike the New Deal for Lone Parents (NDLP) and New Deal 25 Plus (ND25+) groups, some WTC recipients may never have been DWP customers. However, for this report, data were made available for all WTC recipients, regardless of their benefits history. The final report uses HMRC administrative records for all three target groups, and these records have been analysed to determine the data's appropriateness for measuring the effects of ERA. Results of this analysis are described below.

A.1.2 Employment rates from the survey versus administrative records

Survey respondents were asked about their current employment status as well as their employment status since random assignment. This latter question, specifically, asked respondents to recall the date when a job started and/or ended.

Administrative records on employment rates were provided to DWP by HMRC and maintained in DWP's Work and Pensions Longitudinal Study (WPLS) database. Employment is derived from the P45 and P46 forms that employers use to inform HMRC when an individual enters or leaves employment. Thus, the data provides, in principle, the start date and end date for each job, thereby

allowing comparisons with the survey data. In practice, the precise start or end dates are not always provided. Where it is known that a job started (or ended) in a given tax year, but not the precise date, this is recorded on the system as 6 (or 5) April, the first (or last) day of the tax year. (For tax purposes, income is assessed on a financial-year basis, so that this information is not operationally essential for HMRC).

To address this issue, dates were randomly imputed within that tax year as part of the cleaning of the data.²²⁶ The range for the imputed date was further narrowed by other available data on record, such as file date and start of benefit spell.

In comparing survey and administrative data, it should be noted that the administrative records do not cover all employees, as there is no requirement for employers to supply information on individuals earning below Pay As You Earn (PAYE) tax thresholds and who are not going to be claiming new tax credits through the employer.²²⁷ However, some employers send in details for all employees, and these are captured in the system.

Contrary to the survey data, the employment information available from administrative records, therefore, has the following coverage gaps:

- it excludes, although not uniformly, work paid below the PAYE threshold;
- it excludes informal work;
- it excludes self-employment.

Consequently, employment outcomes taken from survey data are not directly comparable with employment outcomes taken from administrative data. Since the types of employment captured by the administrative data represent a subset of all types of employment, one would expect the level of employment observed in the administrative data to be lower than that observed in the survey data.

Overall, employment rates match fairly well between the two sources, with the NDLP group matching slightly better than the WTC group. Table A.1 shows comparisons of HMRC administrative employment records with survey records in the fourth year after random assignment. The table shows that 78.3 per cent of NDLP respondents match (that is, they have the same employment status from both sources), and 74.0 per cent of WTC respondents match. Critically, there is little variation in match rates between the programme and control group. Both the magnitude of the match rate for the WTC group and the relative similarity in match rates between the NDLP and WTC groups suggest that the administrative data for the WTC group are of sufficient quality to include in the analysis.²²⁸

Because administrative records may not record employment paid below the PAYE threshold, it is expected that employment rates between the two sources will match better for those in full-time employment according to the survey, as opposed to part-time employment. Full-time and part-

²²⁶ It should be noted that the administrative employment data require extensive cleaning before they can be used for analytical purposes. This increases the uncertainty associated with analyses based on these data.

²²⁷ PAYE is a method of paying income tax whereby the employer deducts taxes from the employee's wages and pays it to HMRC. The PAYE threshold for 2008-2009 is £116 weekly (or £503 monthly).

²²⁸ As noted earlier, while precise start and end dates are not always available, an indication of starting or ending employment in a given tax year is generally available. Thus, because this analysis is done over one tax year, the effect of the uncertainty in start and end dates within the tax year is mitigated.

time employment can be distinguished only for those jobs held at the time of the wave 3 survey interview. Among those in the WTC group currently employed at the wave 3 survey interview, 68.6 per cent were employed in that month, according to administrative records (not shown). As Table A.1 shows, employment rates match better for those in full-time employment than for those in part-time employment. For those working 30 or more hours at the time of the survey, 71.6 per cent were employed in that month, according to administrative records. For those working 16-29 hours, 67.4 per cent were employed in that month, according to administrative records. For those working 15 or fewer hours, 44.4 per cent were employed in that month, according to administrative records. The low match rate among those working 15 or fewer hours is less worrisome, considering that this group constitutes only 2.1 per cent of the respondent sample. The NDLP group had similar results for those in full-time and part-time employment.

Table A.1 Employment rates and match rates for lone parents, estimated using administrative records and survey data

Outcome	NDLP Group			WTC Group		
	ERA group	Control group	Total	ERA group	Control group	Total
Ever employed in year 4 (%)						
Survey employment	63.5	62.5	63.0	90.1	90.0	90.0
WPLS employment	55.1	55.2	55.1	70.8	69.7	70.2
Match rate in year 4 (%)	78.3	78.3	78.3	73.7	74.2	74.0
Employed in both survey and WPLS	48.5	48.0	48.2	67.3	66.9	67.1
Employed in neither survey nor WPLS	29.9	30.3	30.1	6.4	7.3	6.8
Employed in survey only	15.0	14.5	14.8	22.8	23.1	22.9
Employed in WPLS only	6.6	7.2	6.9	3.5	2.8	3.1
Match rate among those employed at interview (%)						
Full time	74.6	73.7	74.2	70.3	73.3	71.6
Part time, 16-29 hours	67.2	73.0	70.0	69.1	65.8	67.4
Part time, 1-15 hours	42.4	50.0	46.6	38.1	48.5	44.4
Sample size	951	903	1,854	948	911	1,859

SOURCE: MDRC calculations from Work and Pensions Longitudinal Study employment records and ERA 60-month customer survey.

NOTE: Includes only those customers interviewed for the 60-month survey.

Match rate refers to the percentage of survey respondents who have the same employment status from both data sources.

A.1.4 Employment versus earnings from administrative records

Administrative data from employment and earnings are derived from two different sources that do not always correspond. As detailed in section A.1.2, DWP's WPLS database contains employment spells derived from the P45 and P46 forms, which provide the start date and end date for each job. Also contained in the WPLS data are details of tax-year earnings derived from the P14 forms that employers use to report total earnings for an individual in any given tax year.²²⁹

It should be noted that employment rates from the two sources shown in the main body of the report cannot be directly compared. For example, the employment rate from year 4 does not necessarily correspond to the 2007-2008 tax year. However, because start and end dates are available from the employment data, an analysis can be conducted comparing them directly with

²²⁹ The UK tax year runs from 6 April to 5 April the following calendar year.

the 2007-2008 tax year data. Since the tax year data provide earnings from 6 April 2007 through 5 April 2008, the employment data can be analysed over this period as well and compared with the employment rate generated from the earnings data.²³⁰

It might be assumed that these two sources would show a consistent picture of employment for an individual. However, any time data come from two different sources (in this case, data derived from two different forms, filled out during different periods of an individual’s employment period), it is expected that there will be some differences.

Overall, these two data sources match fairly well for the 2007-2008 tax year. Table A.2 shows that 83.5 per cent of NDLP respondents match and 76.0 per cent of WTC respondents match.²³¹ The match rates are similar between programme and control groups.

Table A.2 Employment rates and match rates for lone parents during the 2007-2008 tax year, estimated using administrative records

Outcome	NDLP Group			WTC Group		
	ERA group	Control group	Total	ERA group	Control group	Total
Ever employed (%)						
According to WPLS employment	54.7	55.5	55.1	69.1	70.1	69.6
According to WPLS earnings	53.1	49.6	51.4	73.4	73.7	73.6
Match rate (%)	84.5	82.4	83.5	75.0	77.0	76.0
In both employment and earnings	46.2	43.7	45.0	58.8	60.4	59.6
In neither employment nor earnings	38.4	38.6	38.5	16.2	16.6	16.4
On employment file only	8.5	11.7	10.1	10.3	9.7	10.0
On earnings file only	6.9	5.9	6.4	14.7	13.3	14.0
Sample size	951	903	1,854	948	911	1,859

SOURCE: MDRC calculations from Work and Pensions Longitudinal Study employment records.

NOTE: Includes only those customers surveyed for the 60-month survey.

Match rate refers to the percentage of survey respondents who have the same employment status from both data sources.

A.2 Weighting versus non-weighting

The results presented in this report follow a different weighting scheme from that used to produce results in earlier reports. These earlier results essentially regard each district as a separate ‘test’ of ERA and give results for the full sample that are a simple average of the six tests. This is referred to as the ‘equal-weighted’ approach, since the results for all districts are given the same weight.

Rather than weighting each district equally, an alternative approach used in this report is not to weight the data at all.²³² While each district result can still be viewed as a separate test of ERA, estimating the pooled results without weights allows estimates that are representative of the six pilot areas as a whole to be produced. Findings can be interpreted as the impact for the average treatment group member in the overall sample.

²³⁰ Recently, HMRC has attempted to systematically integrate the two databases by using start/end dates sometimes available from the P14 to make dates on the P45 employment data more accurate. However, because there were complications in this database integration, MDRC continued to analyse the P45 employment data prior to when the integration changes were introduced.

²³¹ This analysis was conducted only among the wave 3 survey sample.

²³² The decision to change the weighting strategy was made before the data for this report were analysed.

The main advantage of not using weights is that it avoids the situation that arises with the equal-weighting scheme whereby smaller districts disproportionately influence the pooled results. If ERA were to be implemented permanently in the six districts tested, the unweighted pooled estimates from the demonstration would provide the best estimate of what would happen under a permanent programme in these districts. In other words, the unweighted estimates represent **internally valid** estimates of the likely effects of a permanent ERA-type programme implemented in the six districts participating in the demonstration. The same cannot be said of the equal-weighted estimates.

An analysis was conducted to determine whether the impact results were sensitive to the weighting scheme used. The choice of weighting scheme seems to have only marginally affected the results for the NDLP group. In contrast, the choice of weighting scheme to derive aggregate employment and earnings impacts for the ND25+ group matters, with the unweighted impacts being more positive than the equally weighted impacts.²³³ The differences are due primarily to the large negative impacts in Wales and the relatively smaller size of the ERA sample in that district. These two factors result in Wales receiving less weight in deriving the unweighted pooled estimates than in deriving the equal-weighted pooled estimates. This issue is discussed in more detail in Chapter 6.

A.3 Non-response analysis for the ERA customer surveys

Over the five-year follow-up period, three waves of surveys were carried out. The first wave covered the 12 months after random assignment, and the second wave covered the subsequent 12 months. The first two waves were administered to sample members in all three target groups in the ERA study: NDLP, WTC, and ND25+. The third wave covered the final three years after random assignment but was administered only to the NDLP and WTC groups.

Survey waves

Wave 1: at 12 months/1 year after random assignment (RA)

Wave 2: at 24 months/2 years after RA

Wave 3: at 60 months/5 years after RA

The analysis in this report focuses on the 16,384 Jobcentre Plus customers who were randomly assigned to the programme or control group between October 2003 and April 2005. This group is referred to as the **full sample** in the following tables. This appendix summarises the non-response analyses for waves 1 and 2 of the survey, which were published previously²³⁴. It also introduces the non-response findings for the wave 3 survey. For the wave 3 survey, it assesses the extent to which the respondent sample is representative of the full sample and the applicability of the impacts estimated using the survey responses to the full sample.

A subset of the full sample was randomly selected to participate in the surveys and represent the larger group. This subset came from a group of individuals randomly assigned within a narrower range of random assignment dates than the full sample. This group is referred to as the **fielded sample**. However, several individuals selected to participate in the surveys could not be located, refused to participate, or could not be interviewed; those sample members are referred to as **non-respondents**. Conversely, individuals who completed the survey are referred to as **respondents**.

²³³ This issue does not affect the WTC group, as the WTC impact results were never weighted equally by district.

²³⁴ Riccio *et al.*, 2008; Miller *et al.*, 2008.

A.3.1 Survey administration and response rates

NDLP response rates

Table A.3 shows that there are 6,787 NDLP sample members in the full sample. Of those, 2,995 were selected to be in the fielded sample in the first survey wave. These individuals were randomly selected from a pool of those randomly assigned between December 2003 and November 2004. In the first wave, 2,604 responded, yielding a 87 per cent response rate. For the second wave survey, the response rate is 77 per cent. For the third wave survey, a total of 1,854 individuals responded, yielding a 62 per cent response rate.²³⁵

Table A.3 Survey response rates, NDLP target group

	Total	ERA group	Control group
Full sample size	6,787	3,365	3,422
Wave 1 (12-month survey)			
Fielded sample size	2,995	1,482	1,513
Respondent sample size	2,604	1,317	1,287
Non-respondent sample size	391	165	226
Response rate (%)	86.9	88.9	85.1
Wave 2 (24-month survey)			
Fielded sample size	2,995	1,482	1,513
Respondent sample size	2,297	1,188	1,109
Non-respondent sample size	698	294	404
Response rate (%)	76.7	80.2	73.3
Wave 3 (60-month survey)			
Fielded sample size	2,992	1,481	1,511
Respondent sample size	1,854	951	903
Non-respondent sample size	1,138	530	608
Response rate (%)	62.0	64.2	59.8

SOURCE: MDRC calculations from customer surveys.

WTC response rates

Table A.4 shows that there are 2,815 WTC target group members in the full sample. Of those, 1,447 were selected to be in the fielded sample in the first survey wave. These individuals were randomly selected from a pool of those randomly assigned between December 2003 and November 2004. Of these, 1,344 responded, yielding a response rate of 93 per cent. The wave 2 fielded sample was augmented to include a total of 2,686 sample members (the original 1,447, plus 1,239 who were

²³⁵ The fielded samples changed across the survey waves. For the second-wave survey, the fielded sample included the same 2,995 who were originally fielded; however, only the 2,604 who responded to the first wave were asked to participate. As such, the 391 who did not respond in the first wave were technically not fielded in the second wave. However, since the definition of the fielded sample remained the same, the response rate at the second wave was 77 per cent. By the third wave, the fielded sample remained largely intact (excepting three sample members who were ineligible), with 2,992 of the original 2,995 fielded sample. Unlike the second-wave survey, all of those in the fielded sample were attempted for the third-wave survey.

added).²³⁶ The response rate in that wave was 78.9 per cent. The wave 3 fielded sample includes the same 2,686 sample members in the wave 2 fielded sample. A total of 1,858 individuals responded, yielding a response rate of 69 per cent.²³⁷

Table A.4 Survey response rates, WTC target group

	Total	ERA group	Control group
Full sample size	2,815	1,415	1,400
Wave 1 (12-month survey)			
Fielded sample size	1,447	722	725
Respondent sample size	1,344	679	665
Non-respondent sample size	103	43	60
Response rate (%)	92.9	94.0	91.7
Wave 2 (24-month survey)			
Fielded sample size	2,686	1,342	1,344
Respondent sample size	2,119	1,082	1,037
Non-respondent sample size	567	260	307
Response rate (%)	78.9	80.6	77.2
Wave 3 (60-month survey)			
Fielded sample size	2,686	1,342	1,344
Respondent sample size	1,858	948	910
Non-respondent sample size	828	394	434
Response rate (%)	69.2	70.6	67.7

SOURCE: MDRC calculations from customer surveys.

ND25+ response rates

Table A.5 shows that there are 6,782 ND25+ target group members in the full sample. The wave 1 fielded sample included 2,970 individuals, with a respondent sample of 2,213 and a response rate of 75 per cent. Because of the lack of success in contacting individuals in the ND25+ group, a decision was made to reallocate survey resources for the wave 2 survey and field a larger sample for the WTC group – a group with a smaller first-year fielded sample but with a much higher response rate than the ND25+ group. As a result, the ND25+ fielded sample in wave 2 was smaller and represented an early cohort of individuals randomly assigned between December 2003 and March 2004. The wave 2 fielded sample included 1,016 individuals, of whom 661 responded, yielding a 65 per cent response rate. Those who did not respond to the first wave of the survey were not contacted for the second wave.

²³⁶ Since a large proportion of WTC sample members were not recruited into the sample until after the 12-month survey was administered, the first wave of the WTC fielded sample was relatively small. Therefore, a second sample was fielded from the WTC target group members who were randomly assigned between December 2004 and January 2005 and added to the original fielded sample for the second wave of the survey. The 1,239 additional individuals who were added to the fielded sample in wave 2 were asked to provide historical information back to random assignment to provide a full two years of follow-up for all respondents to the second wave. In addition, it should be noted that 103 individuals who did not respond to the first wave were not contacted to respond to the second wave; thus, they were not technically fielded, although they are included in the definition of the fielded sample in wave 2.

²³⁷ A total of 189 of the wave 3 respondents did not respond to wave 2 or both of the previous waves and were asked to provide historical information back to the first wave or random assignment to provide a full five years of follow-up for all wave 3 respondents.

Table A.5 Survey response rates, ND25+ target group

	Total	ERA group	Control group
Full sample size	6,782	3,424	3,358
Wave 1 (12-month survey)			
Fielded sample size	2,970	1,486	1,484
Respondent sample size	2,213	1,121	1,092
Non-respondent sample size	757	365	392
Response rate (%)	74.5	75.4	73.6
Wave 2 (24-month survey)			
Fielded sample size	1,016	507	509
Respondent sample size	661	340	321
Non-respondent sample size	355	167	188
Response rate (%)	65.1	67.1	63.1

SOURCE: MDRC calculations from customer surveys.

A.3.2 Summary of non-response analyses in survey waves 1 and 2

For the lone parent samples, there were no major problems noted for the wave 1 or wave 2 samples. The surveys achieved high response rates, and the available evidence suggests that the impact estimates based on the respondents' sample were similar to the results for the full sample. As expected, some characteristics differ between respondents and non-respondents, but this does not necessarily indicate bias.²³⁸

For the ND25+ sample, there were survey response problems, particularly for the wave 2 sample. The wave 2 survey achieved a response rate within expectations, given the population in question, though rather low when compared with the other groups. The available evidence from administrative data suggests that the economic impact estimates based on the respondent sample are not similar to the full sample. Also, the respondent sample size for the ND25+ group was too small to use for the estimation of economic impacts. Therefore, the survey data were not used for evaluating the economic impacts for the ND25+ group. However, the survey was deemed adequate to measure non-experimental participation outcomes.²³⁹

A.3.3 Comparison of programme and control group respondents on baseline characteristics for the wave 3 survey

As mentioned in the introduction, due to response bias, the wave 3 survey data are used less intensively than the prior waves of the survey were used in previous reports. The first set of tests assess whether there is bias due to differences in background characteristics measured at the time of random assignment between programme and control group respondents. In a randomised controlled trial, such as the ERA demonstration, it is critical to determine whether the characteristics of surveyed programme group members are similar to the characteristics of surveyed control group members. If there are differences, the benefits of random assignment can be lost. This is done by testing for differences in background characteristics between the programme group and the control group among survey respondents only. Regression analysis was used to determine whether baseline characteristics could predict whether a respondent was a member of the programme group (among wave 3 respondents only). Table A.6 shows that baseline characteristics are not different between

²³⁸ See Riccio *et al.*, 2008.

²³⁹ See Miller *et al.*, 2008.

programme and control group respondents in either target group. Although some associations shown in Table A.6 are statistically significant, the logistic regression models are not statistically significant as a whole (not shown). Thus, from this perspective, the wave 3 sample looked representative of the full sample.

Table A.6 Baseline characteristics as a predictor of treatment status, among respondents

Characteristic	NDLP Group		WTC Group	
	Odds ratio	(Standard error)	Odds ratio	(Standard error)
District (%)				
East Midlands	0.997	0.161	0.953	0.191
North East England	0.997	0.157	1.001	0.233
North West England	1.169	0.164	1.001	0.262
Scotland	1.034	0.165	1.098	0.233
Wales	1.158	0.178	0.991	0.256
Date of random assignment (RA) (%)				
January 2004 - March 2004	0.872	0.275	0.638	0.467
April 2004 - June 2004	0.937	0.278	0.782	0.469
July 2004 - September 2004	1.019	0.277	0.598	0.463
October 2004 - December 2004	0.841	0.295	0.685	0.458
January 2005 - April 2005	NA	NA	0.736	0.475
Female (%)	0.736	0.221	0.681	0.310
Single (%)	1.033	0.108	0.991	0.099
Number of children (%)				
One	0.713	0.371	3.773	0.406 ***
More than one	0.829	0.372	3.284	0.406 ***
Education (%)				
O-level	1.124	0.125	0.951	0.155
A-level or above	0.977	0.146	0.859	0.163
Other	0.755	0.202	1.019	0.193
Number of months worked in three years prior to RA (%)				
12 or fewer	1.089	0.155	0.813	0.161
13-24	0.941	0.182	0.741	0.148 **
Worked in the past year (%)	1.262	0.164	1.101	0.347
Weekly earnings in the past year for current/most recent job (£)	0.999	0.001	1.000	0.001
Number of months on benefits in the two years prior to RA	0.995	0.007	0.996	0.008
Sample size	1,854		1,858	

SOURCE: MDRC calculations from baseline information forms completed by DWP staff, 60-month customer surveys, and Work and Pensions Longitudinal Survey benefits receipt records.

NOTES: Table includes only the fielded sample.

Benefits refers to Income Support for NDLP customers and a combination of Jobseeker's Allowance and Income Support for WTC customers.

Rounding may cause slight discrepancies in calculating sums and differences.

Statistical significance levels are indicated as: * = 10 per cent; ** = 5 per cent; and *** = 1 per cent.

A.3.4 Comparison of baseline characteristics for the wave 3 survey

It is also important to check whether those who responded to the survey were similar to those who did not respond. If those who responded to the survey were very different from those who did not respond, the impact results might not generalise to the full sample. This can be explored by comparing the characteristics of respondents with those of non-respondents. This analysis compares the baseline characteristics of survey respondents with those of all non-respondents in the full sample to test the generalisability of the results.

Tables A.7 and A.8 present means of selected baseline characteristics by target group for the full sample, the fielded sample, and for respondents and non-respondents to the survey. Statistically significant differences between the characteristics of respondents and non-respondents are denoted by asterisks in the table. Overall, respondents and non-respondents are statistically significantly different in a number of regards. This is common in surveys and may have a variety of explanations. For example, members of the fielded sample who have ties to a community through family are easier to locate for survey participation than those who do not; thus, it is not surprising that response rates are higher among married, as opposed to unmarried, sample members.

Since some of these characteristics may be correlated – for example, education and weekly earnings – logistic regression is used to determine which characteristics differ across respondents and non-respondents while taking all other characteristics into account. Table A.9 shows the results of regressing an indicator of response status on the characteristics shown in Tables A.7 and A.8, as well as an indicator of research group, to better understand the process affecting response. The ‘Odds Ratio’ column captures the effect of each characteristic on the probability of responding to the survey; asterisks denote the significance level of these relationships.

Table A.9 shows that for both the NDLP and WTC groups, respondents differed from non-respondents on several characteristics. For the NDLP group, those from Wales, those who were unmarried and living alone, and those with no qualifications at baseline were less likely to respond. For the WTC group, those in North East and North West England were more likely to respond, and those who were unmarried and living alone were less likely to respond. Conversely, WTC group members with A-level qualifications, higher earnings at baseline, and lower benefits receipt prior to random assignment were more likely to respond. These differences suggest that the survey sample may not be representative of the full study sample. For both target groups, the survey sample is more representative of those with higher levels of education at baseline, as well as for WTC respondents with higher earnings and lower benefit receipt at baseline. As such, the most disadvantaged sample members are not as well represented by the respondent sample.²⁴⁰

²⁴⁰ For both target groups, treatment group status is also statistically significant. In both cases, this indicates that programme group members were more likely to respond to the survey than control group members, which is not necessarily a problem unless it affects types of programme and control group members who responded.

Table A.7 Comparison of the baseline characteristics of the full sample and the survey sample, NDLP target group

Characteristic	Full sample	Fielded sample	Respondents to 60-month survey	Non-respondents to 60-month survey
District (%)				
East Midlands	24.2	16.8	17.7	15.3 *
London	22.5	17.4	16.3	19.2 **
North East England	19.1	17.4	20.1	12.8 ***
North West England	15.1	16.8	17.3	15.9
Scotland	9.3	16.1	16.1	16.3
Wales	9.8	15.5	12.5	20.5 ***
Date of random assignment (RA) (%)				
October 2003 - December 2003	9.6	3.7	3.2	4.6 *
January 2004 - March 2004	29.4	34.4	33.5	35.8
April 2004 - June 2004	20.7	24.5	24.8	23.9
July 2004 - September 2004	24.2	25.8	26.3	24.9
October 2004 - December 2004	13.9	11.7	12.1	10.9
January 2005 - April 2005	2.2	0.0	0.0	0.0
Female (%)	95.0	94.5	95.0	93.7
Single (%)	71.8	72.9	71.4	75.4 **
Number of children (%)				
None	1.1	1.1	1.4	0.7 *
One	52.7	54.2	53.1	55.9
More than one	46.2	44.7	45.5	43.4
Education (%)				
O-level	47.7	47.2	49.1	44.2 ***
A-level or above	21.6	22.1	22.6	21.3
Other	7.6	7.2	7.3	6.9
None	23.2	23.5	21.0	27.6 ***
Number of months worked in three years prior to RA (%)				
12 or fewer	72.7	71.9	72.2	71.5
13-24	12.7	13.0	12.2	14.2
More than 24	14.6	15.1	15.6	14.3
Worked in the past year (%)	29.2	29.1	29.5	28.7
Weekly earnings in the past year for current/most recent job (£)	27.3	27.5	27.0	28.4
Average number of months on benefits in the two years prior to RA (%)	17.5	17.2	17.2	17.0
Sample size	6,787	2,992	1,854	1,138

SOURCE: MDRC calculations from baseline information forms completed by DWP staff, 60-month customer survey, and Work and Pensions Longitudinal Survey benefits receipt records.

NOTES: Benefits refers to Income Support.

Rounding may cause slight discrepancies in calculating sums and differences.

Two-tailed t-tests were applied to differences between outcomes for the respondent group and the non-respondent group. Statistical significance levels are indicated as: * = 10 per cent; ** = 5 per cent; and *** = 1 per cent.

Table A.8 Comparison of the baseline characteristics of the full sample and the survey sample, WTC target group

Characteristic	Full sample	Fielded sample	Respondents to 60-month survey	Non-respondents to 60-month survey
District (%)				
East Midlands	56.3	58.9	57.1	63.0 ***
London	8.0	7.3	7.1	7.7 ***
North East England	9.9	9.2	10.8	5.7
North West England	6.5	6.7	6.7	6.5
Scotland	10.9	9.9	10.5	8.6
Wales	8.4	8.1	7.9	8.5
Date of random assignment (RA) (%)				
October 2003 - December 2003	2.7	1.1	1.2	1.0
January 2004 - March 2004	10.7	11.0	11.8	9.2 **
April 2004 - June 2004	9.2	9.6	11.0	6.5 ***
July 2004 - September 2004	14.1	14.7	16.9	9.8 ***
October 2004 - December 2004	37.1	38.6	39.2	37.2
January 2005 - April 2005	26.2	24.9	19.8	36.4 ***
Female (%)	97.4	97.3	97.5	96.9
Single (%)	45.1	44.3	42.8	47.7 **
Number of children (%)				
None	1.6	1.5	1.4	1.6
One	50.0	49.4	49.8	48.6
More than one	48.4	49.1	48.8	49.8
Education (%)				
O-level	45.0	44.3	43.5	46.3
A-level or above	30.7	30.7	32.5	26.7 ***
Other	12.2	12.4	12.0	13.4
None	12.1	12.5	12.0	13.7
Number of months worked in three years prior to RA (%)				
12 or fewer	12.8	12.0	11.8	12.4
13-24	12.9	12.7	12.3	13.4
More than 24	74.4	75.3	75.8	74.2
Worked in the past year (%)	97.4	97.7	97.8	97.3
Weekly earnings in the past year for current/most recent job (£)	116.7	117.1	118.4	114.1 **
Average number of months on benefits in the two years prior to RA (%)	3.7	3.7	3.4	4.5 ***
Sample size	2,815	2,686	1,858	828

SOURCE: MDRC calculations from baseline information forms completed by DWP staff, 60-month customer survey, and Work and Pensions Longitudinal Survey benefits receipt records.

NOTES: Benefits refers to a combination of Jobseeker's Allowance and Income Support.

Rounding may cause slight discrepancies in calculating sums and differences.

Two-tailed t-tests were applied to differences between outcomes for the respondent group and the non-respondent group. Statistical significance levels are indicated as: * = 10 per cent; ** = 5 per cent; and *** = 1 per cent.

Table A.9 Treatment/control status as a predictor of survey response

Characteristic	NDLP Group		WTC Group	
	Odds ratio	(Standard error)	Odds ratio	(Standard error)
Treatment status	1.206	0.077 **	1.158	0.087 *
District (%)				
East Midlands	1.387	0.131 **	1.116	0.170
North East England	1.935	0.134 ***	1.816	0.233 **
North West England	1.380	0.132 **	1.754	0.234 **
Scotland	1.227	0.132	1.209	0.215
Wales	0.756	0.132 **	0.830	0.226
Date of random assignment (RA) (%)				
January 2004 - March 2004	1.388	0.206	1.251	0.444
April 2004 - June 2004	1.514	0.210 **	1.723	0.451
July 2004 - September 2004	1.529	0.209 **	1.514	0.443
October 2004 - December 2004	1.450	0.227	1.105	0.434
January 2005 - April 2005	NA	NA	0.607	0.445
Female (%)	1.278	0.169	1.457	0.259
Single (%)	0.792	0.091 **	0.775	0.091 ***
Number of children (%)				
One	0.666	0.328	1.068	0.333
More than one	0.722	0.330	1.022	0.333
Education (%)				
O-level	1.514	0.098 ***	1.019	0.137
A-level or above	1.481	0.116 ***	1.366	0.147 **
Other	1.538	0.164 ***	1.117	0.170
Number of months worked in three years prior to RA (%)				
12 or fewer	0.954	0.131	0.996	0.145
13-24	0.795	0.147	0.902	0.133
Worked in the past year (%)	1.246	0.137	1.574	0.300
Weekly earnings in the past year for current/most recent job (£)	0.998	0.001	1.002	0.001 *
Number of months on benefits in the two years prior to RA	1.005	0.005	0.979	0.007 ***
Sample size	2,992		2,686	

SOURCE: MDRC calculations from baseline information forms completed by DWP staff, 60-month customer surveys, and Work and Pensions Longitudinal Survey benefits receipt records.

NOTES: Data include only the fielded sample.

Benefits refers to Income Support for NDLP customers and a combination of Jobseeker's Allowance and Income Support for WTC customers.

Rounding may cause slight discrepancies in calculating sums and differences.

Statistical significance levels are indicated as: * = 10 per cent; ** = 5 per cent; and *** = 1 per cent.

A.3.5 Comparison of impact estimates from administrative records for the wave 3 survey

The previous two sections examined the characteristics of sample members to determine whether the survey results are representative. This section looks more directly at the consequences of differences in the respondent and non-respondent samples by examining whether the impact estimates from the survey sample are similar to those from the full sample.

It is possible that impact estimates for the group for which survey data are available may not agree with impact estimates based on the full sample. Although survey data are not available for the full sample, administrative records provide data on employment, earnings, and benefits outcomes for all sample members (including those who did not respond to the survey). Using these administrative records, estimates based on the full and fielded samples can be compared with estimates based on the survey respondent sample. This provides an insight into whether estimates based on the smaller (respondent) sample can be regarded as unbiased estimates for the full sample. Should this be the case for the outcomes measured by administrative records, one can be more confident that the impact estimates for the outcomes available only in the survey data also generalise to the full sample.

Tables A.10 and A.11 contain employment, earnings, and benefits impact estimates from administrative records data for the NDLP and WTC target groups. For both groups, employment rate outcomes and impacts are similar between the respondent and full samples. However, earnings levels for programme group respondents in both target groups are considerably higher than for corresponding programme group members in the full sample. As a result, impact estimates for programme group respondents in both target groups are also more positive than the full sample estimates. For example, during the 2007-2008 tax year, ERA increased earnings by £605 among the NDLP survey respondent sample. This result is statistically significant. For the full NDLP sample, ERA did not have a statistically significant effect on 2007-2008 earnings (the impact estimate was only £116). However, by the most recent tax year (when the survey was mostly fielded), the impact estimates were closer for the NDLP group across the two samples. For the WTC group, the earnings impacts were larger for the survey respondent group in each tax year. In the case of the WTC group, the impacts on earnings are still statistically significant for the survey respondent sample in the 2008-2009 tax year (when the survey was mostly fielded). In that year, ERA increased earnings by £650 among WTC survey respondents but only by £234 among the full WTC sample.

Numerous weighting strategies were attempted to resolve the observable response bias. None of the strategies were able to weight sample member characteristics in such a way that achieved the goals of reducing the difference in earnings impacts across the samples while maintaining the integrity of the experimental estimates.²⁴¹

²⁴¹ One strategy was able to correct for differences in impacts, but because it involved weighting the samples based on post-random assignment outcomes, this strategy was not used.

Table A.10 NDLP target group: comparison of impacts on the employment, earnings, and benefits receipt of the respondent sample, estimated using administrative records

Outcome	Responded to Wave 3 Survey				Full sample			
	ERA group	Control group	Difference (impact)	P-value	ERA group	Control group	Difference (impact)	P-value
Ever employed during (%)								
Year 1	58.6	58.6	0.0	0.996	57.1	56.5	0.6	0.618
Year 2	59.5	58.6	0.9	0.697	57.8	55.6	2.2 *	0.066
Year 3	56.1	56.2	-0.1	0.960	53.7	53.8	-0.2	0.895
Year 4	55.0	55.3	-0.3	0.898	53.2	54.0	-0.8	0.507
Year 5	53.9	55.9	-2.0	0.382	52.9	53.9	-1.0	0.420
Years 1-5	79.6	81.5	-1.9	0.291	79.0	79.0	-0.1	0.940
Average number of months employed during								
Year 1	4.7	4.7	0.0	0.963	4.6	4.5	0.0	0.677
Year 2	5.3	5.4	-0.2	0.485	5.1	5.1	0.1	0.555
Year 3	5.4	5.5	-0.1	0.824	5.1	5.1	0.0	0.799
Year 4	5.4	5.5	-0.1	0.606	5.1	5.2	-0.1	0.658
Year 5	5.3	5.5	-0.2	0.339	5.1	5.2	-0.1	0.556
Years 1-5	26.0	26.6	-0.6	0.539	25.1	25.0	0.0	0.969
Average earnings during 2005-2006 tax year (£)	4,174	3,622	552 **	0.034	3,862	3,554	308 **	0.021
Average earnings during 2006-2007 tax year (£)	4,635	4,073	563 *	0.050	4,032	3,883	150	0.310
Average earnings during 2007-2008 tax year (£)	5,013	4,408	605 *	0.055	4,387	4,271	116	0.475
Average earnings during 2008-2009 tax year (£)	5,677	5,379	298	0.394	4,999	5,033	-35	0.844
Average number of months receiving benefits ^a in								
Year 1	7.2	7.6	-0.4 *	0.079	7.4	7.7	-0.3 ***	0.003
Year 2	5.3	5.6	-0.4	0.120	5.4	5.7	-0.3 **	0.016
Year 3	4.7	4.6	0.0	0.864	4.7	4.9	-0.2	0.212
Year 4	4.3	4.4	-0.1	0.645	4.3	4.3	-0.1	0.578
Year 5	4.2	4.0	0.2	0.379	3.9	3.8	0.1	0.503
Years 1-5	25.6	26.2	-0.6	0.546	25.8	26.5	-0.8	0.123
Sample size	951	903			3,365	3,422		

(continued)

Table A.10 Continued

SOURCE: MDRC calculations from Work and Pensions Longitudinal Study employment and benefits records.

NOTES: Estimates were regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members. Rounding may cause slight discrepancies in calculating sums and differences.

Two-tailed t-tests were applied to differences between outcomes for the ERA group and the control group. Statistical significance levels are indicated as: * = 10 per cent; ** = 5 per cent; and *** = 1 per cent.

Includes all customers randomly assigned between October 2003 and April 2005.

^aRA refers to random assignment.

^bBenefits refers to Income Support for NDLP customers, and a combination of Income Support and Jobseeker's Allowance for WTC customers.

Table A.11 WTC target group: comparison of impacts on the employment, earnings, and benefits receipt of the respondent sample, estimated using administrative records

Outcome	Responded to Wave 3 Survey				Full sample			
	ERA group	Control group	Difference (impact)	P-value	ERA group	Control group	Difference (impact)	P-value
Ever employed during (%)								
Year 1	77.0	75.8	1.3	0.520	77.0	76.6	0.4	0.780
Year 2	74.4	72.2	2.2	0.285	74.1	73.4	0.8	0.649
Year 3	70.7	69.4	1.3	0.548	71.2	69.9	1.3	0.454
Year 4	70.7	69.7	1.0	0.629	71.3	70.1	1.2	0.470
Year 5	69.1	67.3	1.8	0.405	68.6	68.2	0.3	0.849
Years 1-5	87.7	86.1	1.6	0.321	88.1	86.8	1.3	0.293
Average number of months employed during								
Year 1	8.1	8.1	0.0	0.917	8.1	8.1	0.0	0.949
Year 2	7.9	7.7	0.2	0.399	7.8	7.7	0.1	0.697
Year 3	7.7	7.5	0.2	0.527	7.6	7.5	0.0	0.844
Year 4	7.7	7.6	0.1	0.763	7.6	7.5	0.0	0.815
Year 5	7.5	7.4	0.1	0.658	7.4	7.4	0.0	0.895
Years 1-5	38.8	38.3	0.5	0.619	38.5	38.3	0.2	0.860
Average earnings during 2005-2006 tax year (£)	7,512	6,851	661 ***	0.010	7,069	6,667	402 **	0.045
Average earnings during 2006-2007 tax year (£)	7,859	7,194	665 **	0.023	7,408	7,071	337	0.145
Average earnings during 2007-2008 tax year (£)	8,011	7,665	346	0.285	7,502	7,555	-53	0.840
Average earnings during 2008-2009 tax year (£)	9,196	8,546	650 *	0.058	8,636	8,401	234	0.401
Average number of months receiving benefits ^a in								
Year 1	0.9	0.8	0.1	0.457	0.9	0.9	0.0	0.801
Year 2	0.9	0.9	0.0	0.946	1.0	1.0	0.0	0.938
Year 3	1.0	1.0	0.0	0.788	1.1	1.0	0.1	0.330
Year 4	0.9	0.9	0.0	0.927	1.0	0.9	0.1	0.472
Year 5	1.1	1.0	0.1	0.585	1.1	1.0	0.1	0.399
Years 1-5	4.8	4.6	0.2	0.709	5.0	4.7	0.3	0.516
Sample size	948	910			1,415	1,400		

(continued)

Table A.11 Continued

SOURCE: MDRC calculations from Work and Pensions Longitudinal Study employment and benefits records.

NOTES: Estimates were regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members. Rounding may cause slight discrepancies in calculating sums and differences.

Two-tailed t-tests were applied to differences between outcomes for the ERA group and the control group. Statistical significance levels are indicated as: * = 10 per cent; ** = 5 per cent; and *** = 1 per cent.

Includes all customers randomly assigned between October 2003 and April 2005.

^aRA refers to random assignment.

^bBenefits refers to Income Support for NDLP customers, and a combination of Income Support and Jobseeker's Allowance for WTC customers.

A.3.6 Conclusions

For the lone parent target groups, the survey achieved high response rates in the first two waves, and the available evidence suggests that the surveys are sound for estimating the effects of the programme and generalising to the full samples. However the wave 2 survey, in particular, was problematic for the ND25+ group. Individuals were hard to track down, leading to low response rates, and the survey sample was biased for several measures. For this reason, the wave 3 survey was not implemented for the ND25+ group.

The wave 3 survey includes the two lone parent target groups: NDLP and WTC. While the wave 3 survey sample was somewhat different than the full sample, the differences were not large enough to raise questions about the validity of the wave 3 survey data. However, comparisons of impact estimates for the respondent and full samples revealed more serious problems regarding the generalisability of the survey results. Particularly of concern for the wave 3 survey is that administrative records earnings levels and impacts are stronger for survey respondents than for non-respondents. For the NDLP group, this pattern of stronger impacts on earnings among the respondent sample faded by the time the survey was fielded. Therefore, outcomes measured five years after the survey are less affected by bias than outcomes measured over time. For the WTC group, the impacts remained somewhat stronger for the respondent sample through the end of the follow-up period.

Because of the response bias detected in the wave 3 survey, administrative records estimates of employment and earnings impacts over time are given more weight and prominence in this report compared with estimates from survey data. It is also important to note that the pattern of response bias is limited to the wave 3 survey. This report relies heavily on participation estimates, which were estimated in the first two survey waves and capture a large portion of the programme period.

Finally, this response analysis highlights the critical importance of collecting multiple data sources to measure the quality and representativeness of survey data. The data on the baseline information form suggested no serious response bias issues. It was only the administrative records that revealed that the respondent samples experienced much larger earnings impacts from ERA. The longitudinal survey earnings outcomes (not shown in this report) indicated more positive long-term impacts from ERA than was the case. This would have been taken as the correct story had the administrative data not been collected.

Appendix B

Supplemental tables

Table B.1 NDLP programme and control group services alongside policy changes

	NDLP ERA programme group	NDLP control group	Main policy developments
<p>October 2003 ERA begins</p>	<p>Pre-employment support:</p> <ul style="list-style-type: none"> • Job placement assistance. • Advice on training and increasing skills. • Job search expenses paid by an Adviser Discretion Fund (max £300). <p>Post-employment advisory support:</p> <ul style="list-style-type: none"> • Coaching on advancement in current position and/or finding a better job. • Rapid re-employment services when necessary. <p>Post-employment financial support:</p> <ul style="list-style-type: none"> • <i>Retention bonus:</i> Up to six payments of £400 for each period when customers work 30 or more hours per week for 13 out of 17 weeks. • <i>Training bonus:</i> Tuition payment of up to £1,000 if training undertaken while working; if training is successfully completed, £8 for every hour of training, up to £1,000. • <i>Emergency Discretion Fund:</i> In-work funds available to help customers stay employed. 	<p>Pre-employment support:</p> <ul style="list-style-type: none"> • Job placement assistance • Advice on training and increasing skills • Job search expenses paid by an Adviser Discretion Fund (max £300) 	<p>Main policy developments</p> <ul style="list-style-type: none"> • New Working Tax Credit (WTC) and Child Tax Credit begin same year. • Mandatory Work Focused Interviews (WFIs) extended to new and repeat lone parent claimants of Income Support with children under 3 and to existing claimants of Income Support with youngest children aged 5-8 years. These are viewed as a route into NDLP.

(continued)

Table B.1 Continued

	NDLP ERA programme group	NDLP control group	Main policy developments
2004			<ul style="list-style-type: none"> • All lone parent claimants of Income Support required to attend a mandatory Work Focused Interview on an annual basis. • Improved Job Grant of £250 for lone parents who have been in receipt of benefit for 26 weeks and who are moving into work of 16 hours or more per week when the job is expected to last at least 5 weeks. • NDLP and Work Focused Interviews linked to significant improvements in lone parent labour market participation (Evans <i>et al.</i>, 2004).
2005			<ul style="list-style-type: none"> • Lone parents on NDLP eligible for help with registered childcare in the week before starting work. • Lone parents claiming Income Support for 12 months or more with youngest child aged 14 years or over required to attend a mandatory Work Focused Interview every 3 months . • New Deal Plus for Lone Parents (ND+fLP) begins in pilot Jobcentre Plus districts in England. This provides enhanced services for lone parents and extra flexibility and support to personal advisers. Includes in-work advisory support and in-work financial assistance: an In-Work Credit of £40 per week for up to 52 weeks and an In-Work Emergency Fund for addressing unexpected financial emergencies that may threaten job retention.

(continued)

Table B.1 Continued

	NDLP ERA programme group	NDLP control group	Main policy developments
2006			<ul style="list-style-type: none"> New Deal Plus for Lone Parents pilot extended to Scotland and Wales
2007	Last participants leave ERA October 2007		<ul style="list-style-type: none"> In New Deal Plus for Lone Parents pilot areas, mandatory Quarterly Work Focused Interviews (every 3 months) extended to lone parents claiming Income Support for 12 months or more with youngest child 11-13 years. All lone parents claiming Income Support and with a youngest child 5-13 years required to attend a mandatory Work Focused Interview every 6 months. Work Focused Interviews found to significantly increase the numbers of lone parents volunteering for the NDLP (Thomas, 2007).
	Policy developments post-ERA		
2008	<ul style="list-style-type: none"> In a synthesis of findings, NDLP was found to increase the likelihood that a lone parent would leave out-of-work benefits by 20 to 25 per cent (Cebulla <i>et al.</i>, 2008). However, results were based on participants who volunteered for NDLP only, with characteristics such as work readiness and attitudes to work likely to differ from the wider lone parent population. All lone parents claiming Income Support required to attend a mandatory Work Focused Interview every 6 months. In-Work Credit rolled out nationally, providing a weekly payment of £40 (£60 in London) to lone parents who have been claiming benefits for at least one year and who enter a job of 16 plus hours per week. In-Work Emergency Discretion Fund rolled out nationally to lone parents who enter work through NDLP. In-work advisory support becomes available to all lone parents who enter work through NDLP. Lone Parent Obligations begin. Lone parents with a youngest child 12 or older no longer eligible for Income Support solely on the grounds of being a lone parent. Instead, these lone parents may claim Jobseeker's Allowance and be subject to the same conditions as other Jobseeker's Allowance claimants. 		

(continued)

Table B.1 Continued

	Policy developments post-ERA
2009	<ul style="list-style-type: none"> Lone parents with a youngest child 10 or older no longer eligible for Income Support solely on the grounds of being a lone parent. Instead, these lone parents may claim Jobseeker's Allowance and be subject to the same conditions as other Jobseeker's Allowance claimants.
2010	<ul style="list-style-type: none"> Lone parents with a youngest child 7 or older no longer eligible for Income Support solely on the grounds of being a lone parent. Instead, these lone parents may claim Jobseeker's Allowance and be subject to the same conditions as other Jobseeker's Allowance claimants.
2011	<ul style="list-style-type: none"> Work Programme expected to be introduced nationally. It will streamline back-to-work assistance (including NDLP) into one programme delivered by Jobcentre Plus in partnership with private and voluntary sector providers. In-work advisory and financial support will vary according to delivery organisation.

Table B.2 ND25+ programme and control group services alongside policy changes

	ND25+ ERA programme group	ND25+ control group	Main policy developments
October 2003 ERA begins	<p>ND25+ ERA programme group</p> <p>Pre-employment support:</p> <ul style="list-style-type: none"> • Job placement assistance. • Advice on training and increasing skills. • Job search expenses paid by an Adviser Discretion Fund (max £300). • Mandatory participation in New Deal pre-employment activities after claiming Jobseeker's Allowance for 18 months (see next column). <p>Post-employment advisory support:</p> <ul style="list-style-type: none"> • Coaching on advancement in current position and/or finding a better job. • Rapid re-employment services when necessary. <p>Post-employment financial support:</p> <ul style="list-style-type: none"> • Retention bonus: Up to six payments of £400 for each period when customers work 30 or more hours per week for 13 out of 17 weeks. • Training bonus: Tuition payment of up to £1,000 if training undertaken while working; if training is successfully completed, £8 for every hour of training, up to £1,000. • Emergency Discretion Fund: In-work funds available to help customers stay employed. 	<p>ND25+ control group</p> <p>Pre-employment support:</p> <ul style="list-style-type: none"> • Job placement assistance. • Advice on training and increasing skills. • Job search expenses paid by an Adviser Discretion Fund (max £300). • Mandatory participation in New Deal pre-employment activities after claiming Jobseeker's Allowance for 18 months: <ul style="list-style-type: none"> – Initial interview and basic needs assessment. – 4-month Gateway period that combines job search, advice, and training or other specialist help – 13-week <i>Intensive Activity Period</i> (IAP) of training, work placement, and job search. – 6-week <i>Follow Through</i> of continuing advice and support. <p><u>Note:</u> Jobseeker's Allowance claimants aged 50+ were only required to participate in the Gateway phase, after which participation in ND25+ was voluntary.</p>	<p>Main policy developments</p> <ul style="list-style-type: none"> • New WTC and Child Tax Credit begin. • Employment Zone (EZ) pilots running concurrently in areas with high levels of long-term unemployment among those aged 25+. Delivered by private sector organisations, EZs offered back-to-work guidance and advice within a framework that was more tailored and flexible than the prescribed structure of the ND25+. Moreover, it included financial incentives to providers for achieving sustainable job outcomes (at least 13 weeks). To support this, providers offered 'aftercare', consisting of advisory and financial support, for EZ participants who entered work.

(continued)

Table B.2 Continued

	NDLP ERA programme group	NDLP control group	Main policy developments
2004			
2005			
2006			
2007	Last participants leave ERA October 2007		<ul style="list-style-type: none"> The <i>Intensive Activity Period</i> of ND25+ became mandatory for Jobseeker's Allowance claimants aged 50-59. Evaluation evidence suggests that Employment Zones were more effective at getting mandatory 25+ customers into sustainable work than similar customers in the ND25+ programme (Griffiths and Durkin, 2007). However, these differences tended to dissipate after 13 weeks.
	Policy developments post-ERA		
2008			
2009			<ul style="list-style-type: none"> Revised Jobseekers Regime and Flexible New Deal (JRFND) piloted in 28 Jobcentre Plus districts across England, Scotland, and Wales. Introduced interventions earlier in a Jobseeker's Allowance claim, and greater flexibility of provision with added obligations for work-related activities as the length of a Jobseeker's Allowance claim increased. Jointly delivered by Jobcentre Plus with private and voluntary sector providers. In-work advisory and financial support varied according to delivery organisation.
2010			
2011			<ul style="list-style-type: none"> Work Programme expected to be introduced nationally. It will streamline back-to-work assistance (including ND25+) into one programme delivered by Jobcentre Plus in partnership with private and voluntary sector providers. In-work advisory and financial support will vary according to delivery organisation.

Table B.3 Demographic profile of all customers randomly assigned between October 2003 and April 2005

Characteristic	NDLP	WTC	ND25+
District/month of random assignment			
District (%)			
Scotland	9.3	10.9	12.6
North East England	19.1	9.9	12.2
North West England	15.1	6.5	23.0
Wales	9.8	8.4	7.6
East Midlands	24.2	56.3	20.8
London	22.5	8.0	23.9
Month of random assignment (%)			
October 2003	0.7	0.1	0.8
November 2003	5.6	1.5	4.9
December 2003	3.3	1.2	4.4
January 2004	9.7	3.0	7.8
February 2004	9.3	3.5	7.2
March 2004	10.5	4.2	8.7
April 2004	7.0	3.1	6.8
May 2004	6.1	2.6	7.3
June 2004	7.6	3.6	7.6
July 2004	6.2	2.5	5.8
August 2004	8.7	6.6	10.1
September 2004	9.2	5.0	9.3
October 2004	9.2	6.8	9.3
November 2004	2.6	10.0	5.2
December 2004	2.1	20.2	1.6
January 2005	1.8	23.8	2.3
February 2005	0.3	2.3	0.4
March 2005	0.1	0.1	0.4
April 2005	0.0	0.0	0.1

(continued)

Table B.3 Continued

Characteristic	NDLP	WTC	ND25+
Family status			
Marital status (%)			
Single	71.6	45.0	61.4
Divorced	14.7	35.5	10.1
Separated	11.6	16.7	4.9
Widowed	1.2	2.4	0.9
Living together	0.0	0.0	4.9
Married	0.6	0.3	17.6
Number of dependent children in household (%)			
None	1.1	1.5	77.3
1	50.3	48.2	5.6
2	30.0	35.3	4.5
3 or more	14.1	11.4	4.5
Missing	4.6	3.5	8.1
<i>If dependent children in household, average number</i>	1.7	1.6	2.1
Labour force status			
Currently in paid work (%)	9.7	94.4	3.7
<i>If currently in paid work:</i>			
<i>In more than one job (%)</i>	2.9	5.7	2.0
<i>In all jobs less than one year (%)</i>	47.6	27.1	48.6
Not currently in paid work, but previously in paid work (%)	77.1	5.4	85.1

(continued)

Table B.3 Continued

Characteristic	NDLP	WTC	ND25+
Currently or previously in paid work (%)			
<i>If currently or previously in paid work:</i>			
Ever worked 20 or more hours per week (%)	71.6	74.9	91.1
Ever worked 30 or more hours per week (%)	60.4	37.4	88.0
Ever earned more than £200 per month at one job (%)	82.6	97.0	91.7
Ever earned more than £800 per month at one job (%)	16.3	17.9	42.7
Months of work in previous three years (%)			
None	49.6	1.2	45.5
1-6	13.2	5.2	19.5
7-12	9.9	6.4	14.3
13-24	12.7	12.9	14.7
25-36	14.6	74.4	6.0
Approximate hours of work per week in previous three years (%)			
None	49.6	1.2	45.5
1-15	13.5	4.8	7.0
16-29	18.4	89.1	4.5
30 or more	18.5	4.9	43.0
Housing status			
Current housing status (%)			
Living with parent(s)	6.1	4.9	15.2
Living with other relatives/friends	1.4	1.0	7.1
Local authority tenant	47.6	26.8	32.4
Housing association tenant	18.0	10.5	11.9
Private tenant	15.2	10.4	18.1
Owner/occupier	10.5	45.4	11.8
Other	0.8	0.8	3.1
Preferred not to say	0.4	0.2	0.4

(continued)

Table B.3 Continued

Characteristic	NDLP	WTC	ND25+
Barriers to work			
Have never been in paid work (%)	13.2	0.2	11.2
Held three or more paid jobs in the previous three years (%)	5.4	12.6	5.9
Considers self to have the following barriers to work or advancement (%)			
Housing problems	11.8	4.8	10.7
Transport problems	19.0	18.1	26.5
Childcare problems	50.4	50.4	3.2
Health problems	7.1	7.6	19.8
Basic skills problems	4.7	4.5	9.7
Other problems	6.1	10.6	16.9
Sample size	6,787	2,815	6,782

SOURCE: MDRC calculations from baseline information forms completed by DWP staff.

NOTES: Rounding may cause slight discrepancies in calculating sums and differences.

Sample includes all lone parent customers and all New Deal 25 Plus customers randomly assigned between October 2003 and April 2005.

Table B.4 Effects of ERA on employment, earnings, and benefits receipt within five years after random assignment, NDLP target group, Scotland

Outcome	ERA group	Control group	Difference (impact)	P-value
Ever employed during (%)				
Year 1	66.1	62.4	3.7	0.323 †††
Year 2	65.6	60.9	4.7	0.220 †
Year 3	57.4	59.3	-1.8	0.638 †
Year 4	60.4	57.6	2.8	0.472 †
Year 5	58.8	58.9	-0.1	0.988
Years 1-5	83.3	84.5	-1.2	0.676 ††
Average number of months employed during				
Year 1	5.6	5.2	0.5	0.253 †††
Year 2	5.9	5.6	0.3	0.543 ††
Year 3	5.6	5.7	-0.1	0.891 †
Year 4	5.7	5.5	0.2	0.694
Year 5	5.5	5.7	-0.2	0.625
Years 1-5	28.3	27.7	0.6	0.723 ††
Average earnings during 2005-2006 tax year (£)	4,208	3,607	601	0.166
Average earnings during 2006-2007 tax year (£)	4,413	3,929	484	0.311
Average earnings during 2007-2008 tax year (£)	4,740	4,455	286	0.588
Average earnings during 2008-2009 tax year (£)	4,890	5,625	-735	0.198
Average 4-year earnings during 2005-2009 tax years (£)	18,252	17,616	636	0.719
Average number of months receiving IS in				
Year 1	6.7	7.1	-0.4	0.293
Year 2	4.8	5.1	-0.3	0.470
Year 3	4.2	4.5	-0.3	0.496
Year 4	4.0	4.1	-0.1	0.811
Year 5	4.0	3.5	0.5	0.253
Years 1-5	23.6	24.2	-0.6	0.714
Average total amount of IS (£) received in				
Year 1	2,354	2,559	-205	0.231
Year 2	1,517	1,753	-236	0.172
Year 3	1,326	1,557	-231	0.175
Year 4	1,235	1,374	-139	0.398
Year 5	1,198	1,178	19	0.899
Years 1-5	7,631	8,422	-791	0.265
Number of months received JSA in years 1-5	1.5	1.2	0.3	0.457
Average total JSA received in years 1-5 (£)	382	326	57	0.539
Ever received IB in years 1-5 (%)	24.4	21.8	2.6	0.443
Sample size	312	317		

SOURCE: MDRC calculations from Work and Pensions Longitudinal Study employment and benefits records.

NOTES: Estimates were regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members.

Rounding may cause slight discrepancies in calculating sums and differences.

Two-tailed t-tests were applied to differences between outcomes for the ERA group and the control group. Statistical significance levels are indicated as: * = 10 per cent; ** = 5 per cent; and *** = 1 per cent.

Includes all customers randomly assigned between October 2003 and April 2005.

JSA = Jobseeker's Allowance; IS = Income Support; IB = Incapacity Benefit.

Table B.5 Effects of ERA on employment, earnings, and benefits receipt within five years after random assignment, NDLP target group, North East England

Outcome	ERA group	Control group	Difference (impact)	P-value
Ever employed during (%)				
Year 1	55.4	58.0	-2.5	0.350 †††
Year 2	55.9	55.9	0.0	0.993 †
Year 3	54.1	54.8	-0.8	0.784 †
Year 4	51.5	54.6	-3.1	0.265 †
Year 5	52.2	52.1	0.1	0.961
Years 1-5	78.1	78.8	-0.7	0.741 ††
Average number of months employed during				
Year 1	4.4	4.4	0.0	0.891 †††
Year 2	5.0	5.0	0.0	0.887 ††
Year 3	5.1	5.0	0.0	0.946 †
Year 4	5.0	5.3	-0.3	0.404
Year 5	5.0	4.9	0.1	0.794
Years 1-5	24.5	24.7	-0.1	0.900 ††
Average earnings during 2005-2006 tax year (£)				
Average earnings during 2005-2006 tax year (£)	3,529	3,652	-123	0.670
Average earnings during 2006-2007 tax year (£)	3,583	3,821	-238	0.427
Average earnings during 2007-2008 tax year (£)	3,743	4,076	-332	0.291
Average earnings during 2008-2009 tax year (£)	4,803	4,978	-175	0.631
Average 4-year earnings during 2005-2009 tax years (£)	15,659	16,528	-869	0.436
Average number of months receiving IS in				
Year 1	7.1	7.4	-0.2	0.347
Year 2	5.1	5.4	-0.2	0.416
Year 3	4.6	4.7	0.0	0.865
Year 4	4.3	4.1	0.2	0.575
Year 5	3.9	3.8	0.1	0.804
Years 1-5	25.0	25.3	-0.3	0.805
Average total amount of IS (£) received in				
Year 1	2,877	2,865	13	0.919
Year 2	1,964	1,937	27	0.838
Year 3	1,629	1,614	14	0.910
Year 4	1,451	1,394	56	0.634
Year 5	1,263	1,279	-16	0.889
Years 1-5	9,184	9,090	94	0.856
Number of months received JSA in years 1-5				
Number of months received JSA in years 1-5	1.5	2.2	-0.7 **	0.042
Average total JSA received in years 1-5 (£)				
Average total JSA received in years 1-5 (£)	401	571	-170 *	0.050
Ever received IB in years 1-5 (%)				
Ever received IB in years 1-5 (%)	19.8	17.0	2.8	0.195
Sample size	645	653		

SOURCE: MDRC calculations from Work and Pensions Longitudinal Study employment and benefits records.

NOTES: Estimates were regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members.

Rounding may cause slight discrepancies in calculating sums and differences.

Two-tailed t-tests were applied to differences between outcomes for the ERA group and the control group. Statistical significance levels are indicated as: * = 10 per cent; ** = 5 per cent; and *** = 1 per cent.

Includes all customers randomly assigned between October 2003 and April 2005.

JSA = Jobseeker's Allowance; IS = Income Support; IB = Incapacity Benefit.

Table B.6 Effects of ERA on employment, earnings, and benefits receipt within five years after random assignment, NDLP target group, North West England

Outcome	ERA group	Control group	Difference (impact)	P-value
Ever employed during (%)				
Year 1	67.5	56.7	10.7 ***	0.000 †††
Year 2	63.9	54.4	9.6 ***	0.002 †
Year 3	59.3	50.8	8.5 ***	0.006 †
Year 4	56.4	51.0	5.4 *	0.081 †
Year 5	54.4	51.5	2.9	0.348
Years 1-5	86.0	79.9	6.2 ***	0.008 ††
Average number of months employed during				
Year 1	5.5	4.5	1.1 ***	0.000 †††
Year 2	5.6	4.6	1.0 ***	0.002 ††
Year 3	5.5	4.7	0.9 **	0.011 †
Year 4	5.4	4.9	0.5	0.159
Year 5	5.1	4.9	0.2	0.544
Years 1-5	27.1	23.5	3.6 ***	0.005 ††
Average earnings during 2005-2006 tax year (£)				
Average earnings during 2005-2006 tax year (£)	4,222	3,329	893 ***	0.007
Average earnings during 2006-2007 tax year (£)	4,064	3,682	382	0.316
Average earnings during 2007-2008 tax year (£)	4,551	4,235	316	0.458
Average earnings during 2008-2009 tax year (£)	4,830	4,628	202	0.641
Average 4-year earnings during 2005-2009 tax years (£)	17,668	15,875	1,793	0.189
Average number of months receiving IS in				
Year 1	7.1	8.1	-1.0 ***	0.000
Year 2	5.3	6.2	-0.9 ***	0.009
Year 3	4.5	5.3	-0.8 **	0.015
Year 4	4.0	4.4	-0.4	0.186
Year 5	3.9	4.1	-0.3	0.407
Years 1-5	24.9	28.2	-3.4 ***	0.009
Average total amount of IS (£) received in				
Year 1	2,748	3,148	-401 ***	0.004
Year 2	1,876	2,228	-352 **	0.019
Year 3	1,564	1,855	-291 **	0.046
Year 4	1,364	1,529	-165	0.245
Year 5	1,305	1,389	-84	0.554
Years 1-5	8,857	10,149	-1,292 **	0.038
Number of months received JSA in years 1-5				
Number of months received JSA in years 1-5	1.1	1.3	-0.1	0.602
Average total JSA received in years 1-5 (£)				
Average total JSA received in years 1-5 (£)	323	348	-25	0.740
Ever received IB in years 1-5 (%)				
Ever received IB in years 1-5 (%)	17.5	17.0	0.5	0.834
Sample size	515	507		

SOURCE: MDRC calculations from Work and Pensions Longitudinal Study employment and benefits records.

NOTES: Estimates were regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members.

Rounding may cause slight discrepancies in calculating sums and differences.

Two-tailed t-tests were applied to differences between outcomes for the ERA group and the control group. Statistical significance levels are indicated as: * = 10 per cent; ** = 5 per cent; and *** = 1 per cent.

Includes all customers randomly assigned between October 2003 and April 2005.

JSA = Jobseeker's Allowance; IS = Income Support; IB = Incapacity Benefit.

Table B.7 Effects of ERA on employment, earnings, and benefits receipt within five years after random assignment, NDLP target group, East Midlands

Outcome	ERA group	Control group	Difference (impact)	P-value
Ever employed during (%)				
Year 1	55.4	56.1	-0.8	0.743 †††
Year 2	57.5	55.1	2.4	0.323 †
Year 3	54.0	54.6	-0.6	0.805 †
Year 4	54.0	57.2	-3.3	0.176 †
Year 5	54.2	55.7	-1.5	0.527
Years 1-5	78.4	78.7	-0.4	0.851 ††
Average number of months employed during				
Year 1	4.4	4.6	-0.2	0.362 †††
Year 2	5.1	5.2	-0.1	0.762 ††
Year 3	5.2	5.3	-0.1	0.682 †
Year 4	5.2	5.4	-0.2	0.544
Year 5	5.4	5.6	-0.3	0.353
Years 1-5	25.3	26.1	-0.8	0.439 ††
Average earnings during 2005-2006 tax year (£)				
Average earnings during 2005-2006 tax year (£)	3,483	3,370	114	0.658
Average earnings during 2006-2007 tax year (£)	3,819	3,703	116	0.677
Average earnings during 2007-2008 tax year (£)	4,206	4,278	-72	0.818
Average earnings during 2008-2009 tax year (£)	4,810	4,879	-68	0.840
Average 4-year earnings during 2005-2009 tax years (£)	16,319	16,229	90	0.933
Average number of months receiving IS in				
Year 1	7.4	7.5	-0.1	0.532
Year 2	5.3	5.5	-0.2	0.373
Year 3	4.3	4.4	-0.1	0.746
Year 4	3.9	4.0	0.0	0.886
Year 5	3.7	3.4	0.2	0.363
Years 1-5	24.6	24.9	-0.3	0.795
Average total amount of IS (£) received in				
Year 1	2,935	3,103	-168	0.127
Year 2	1,969	2,135	-166	0.169
Year 3	1,550	1,728	-178	0.137
Year 4	1,395	1,502	-107	0.353
Year 5	1,243	1,259	-16	0.884
Years 1-5	9,092	9,727	-635	0.196
Number of months received JSA in years 1-5				
Number of months received JSA in years 1-5	1.4	1.2	0.1	0.610
Average total JSA received in years 1-5 (£)				
Average total JSA received in years 1-5 (£)	369	345	24	0.710
Ever received IB in years 1-5 (%)				
Ever received IB in years 1-5 (%)	11.9	12.7	-0.8	0.633
Sample size	812	833		

SOURCE: MDRC calculations from Work and Pensions Longitudinal Study employment and benefits records.

NOTES: Estimates were regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members.

Rounding may cause slight discrepancies in calculating sums and differences.

Two-tailed t-tests were applied to differences between outcomes for the ERA group and the control group. Statistical significance levels are indicated as: * = 10 per cent; ** = 5 per cent; and *** = 1 per cent.

Includes all customers randomly assigned between October 2003 and April 2005.

JSA = Jobseeker's Allowance; IS = Income Support; IB = Incapacity Benefit.

Table B.8 Effects of ERA on employment, earnings, and benefits receipt within five years after random assignment, NDLP target group, London

Outcome	ERA group	Control group	Difference (impact)	P-value
Ever employed during (%)				
Year 1	47.1	48.2	-1.1	0.671 †††
Year 2	50.2	49.8	0.4	0.882 †
Year 3	46.0	48.4	-2.3	0.361 †
Year 4	49.3	48.4	0.8	0.746 †
Year 5	50.0	50.4	-0.4	0.862
Years 1-5	72.4	73.1	-0.7	0.742 ††
Average number of months employed during				
Year 1	3.7	3.9	-0.2	0.381 †††
Year 2	4.4	4.6	-0.2	0.398 ††
Year 3	4.5	4.6	0.0	0.923 †
Year 4	4.7	4.6	0.1	0.702
Year 5	5.0	4.8	0.2	0.490
Years 1-5	22.3	22.5	-0.2	0.883 ††
Average earnings during 2005-2006 tax year (£)	4,112	3,840	272	0.410
Average earnings during 2006-2007 tax year (£)	4,437	4,111	326	0.385
Average earnings during 2007-2008 tax year (£)	4,905	4,431	474	0.247
Average earnings during 2008-2009 tax year (£)	5,702	5,439	263	0.553
Average 4-year earnings during 2005-2009 tax years (£)	19,156	17,821	1,335	0.339
Average number of months receiving IS in				
Year 1	8.5	8.6	-0.1	0.810
Year 2	6.5	6.7	-0.2	0.405
Year 3	5.7	5.9	-0.2	0.517
Year 4	4.9	5.2	-0.3	0.262
Year 5	4.3	4.4	-0.1	0.716
Years 1-5	29.9	30.8	-0.9	0.422
Average total amount of IS (£) received in				
Year 1	3,464	3,512	-48	0.682
Year 2	2,472	2,604	-131	0.316
Year 3	2,058	2,202	-144	0.270
Year 4	1,720	1,901	-180	0.151
Year 5	1,510	1,588	-78	0.517
Years 1-5	11,224	11,806	-582	0.276
Number of months received JSA in years 1-5	1.2	1.8	-0.6 **	0.031
Average total JSA received in years 1-5 (£)	331	504	-172 **	0.023
Ever received IB in years 1-5 (%)	10.4	8.3	2.1	0.163
Sample size	755	774		

SOURCE: MDRC calculations from Work and Pensions Longitudinal Study employment and benefits records.

NOTES: Estimates were regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members.

Rounding may cause slight discrepancies in calculating sums and differences.

Two-tailed t-tests were applied to differences between outcomes for the ERA group and the control group. Statistical significance levels are indicated as: * = 10 per cent; ** = 5 per cent; and *** = 1 per cent.

Includes all customers randomly assigned between October 2003 and April 2005.

JSA = Jobseeker's Allowance; IS = Income Support; IB = Incapacity Benefit.

Table B.9 Effects of ERA on employment, earnings, and benefits receipt within five years after random assignment, NDLP target group, Wales

Outcome	ERA group	Control group	Difference (impact)	P-value
Ever employed during (%)				
Year 1	62.6	67.5	-4.9	0.190 †††
Year 2	62.4	66.5	-4.1	0.276 †
Year 3	56.5	62.3	-5.8	0.135 †
Year 4	51.4	59.9	-8.6 **	0.028 †
Year 5	49.6	59.5	-9.9 **	0.011
Years 1-5	81.9	87.9	-6.1 **	0.032 ††
Average number of months employed during				
Year 1	4.8	5.2	-0.4	0.256 †††
Year 2	5.7	6.1	-0.4	0.317 ††
Year 3	5.2	6.0	-0.7 *	0.082 †
Year 4	4.8	5.8	-1.0 **	0.026
Year 5	4.8	5.7	-0.9 **	0.045
Years 1-5	25.3	28.7	-3.4 **	0.041 ††
Average earnings during 2005-2006 tax year (£)	3,951	3,481	470	0.222
Average earnings during 2006-2007 tax year (£)	4,031	4,249	-218	0.603
Average earnings during 2007-2008 tax year (£)	4,211	4,250	-38	0.933
Average earnings during 2008-2009 tax year (£)	4,512	4,723	-211	0.663
Average 4-year earnings during 2005-2009 tax years (£)	16,705	16,703	2	0.999
Average number of months receiving IS in				
Year 1	6.6	7.0	-0.4	0.256
Year 2	4.9	4.7	0.2	0.692
Year 3	4.6	3.8	0.7 *	0.073
Year 4	4.4	3.7	0.7 *	0.080
Year 5	4.0	3.5	0.4	0.268
Years 1-5	24.4	22.7	1.6	0.293
Average total amount of IS (£) received in				
Year 1	2,479	2,564	-85	0.624
Year 2	1,724	1,601	123	0.496
Year 3	1,595	1,266	330 *	0.073
Year 4	1,425	1,238	187	0.294
Year 5	1,299	1,226	73	0.689
Years 1-5	8,522	7,894	628	0.419
Number of months received JSA in years 1-5	0.7	0.8	-0.1	0.591
Average total JSA received in years 1-5 (£)	193	217	-24	0.684
Ever received IB in years 1-5 (%)	17.8	17.7	0.2	0.959
Sample size	326	338		

SOURCE: MDRC calculations from Work and Pensions Longitudinal Study employment and benefits records.

NOTES: Estimates were regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members.

Rounding may cause slight discrepancies in calculating sums and differences.

Two-tailed t-tests were applied to differences between outcomes for the ERA group and the control group. Statistical significance levels are indicated as: * = 10 per cent; ** = 5 per cent; and *** = 1 per cent.

Includes all customers randomly assigned between October 2003 and April 2005.

JSA = Jobseeker's Allowance; IS = Income Support; IB = Incapacity Benefit.

Table B.10 Effects of ERA on employment, earnings, and benefits receipt within five years after random assignment, ND25+ target group, Scotland

Outcome	ERA group	Control group	Difference (impact)	P-value
Ever employed during (%)				
Year 1	43.1	33.6	9.5 ***	0.004 ††
Year 2	38.0	30.9	7.1 **	0.030
Year 3	37.3	31.4	5.9 *	0.070
Year 4	39.1	31.9	7.2 **	0.028
Year 5	36.6	28.5	8.1 **	0.012
Years 1-5	62.7	54.6	8.1 **	0.016
Average number of months employed during				
Year 1	2.5	2.1	0.5 *	0.063
Year 2	2.9	2.3	0.6 **	0.039
Year 3	3.3	2.5	0.8 ***	0.010
Year 4	3.4	2.6	0.8 **	0.012
Year 5	3.2	2.3	1.0 ***	0.002 †
Years 1-5	15.3	11.7	3.7 ***	0.002 ††
Average earnings during 2005-2006 tax year (£)	3,536	2,768	767 **	0.048 †
Average earnings during 2006-2007 tax year (£)	4,164	3,172	991 **	0.025
Average earnings during 2007-2008 tax year (£)	4,143	3,301	842 *	0.062
Average earnings during 2008-2009 tax year (£)	4,978	3,332	1,646 ***	0.001 †
Average 4-year earnings during 2005-2009 tax years (£)	16,820	12,574	4,247 ***	0.007 †
Average number of months receiving benefits (JSA) in				
Year 1	8.6	8.7	-0.2	0.498 †††
Year 2	5.5	5.9	-0.4	0.216 †††
Year 3	4.2	4.8	-0.6 *	0.065 †††
Year 4	3.3	3.7	-0.4	0.220 ††
Year 5	3.1	3.7	-0.6 *	0.073
Years 1-5	24.8	26.9	-2.1 *	0.070 †††
Average total amount of benefits (£) (JSA) received in				
Year 1	2,303	2,489	-186 **	0.041 ††
Year 2	1,424	1,500	-76	0.443 †††
Year 3	1,094	1,213	-119	0.187 †††
Year 4	848	969	-121	0.165 ††
Year 5	842	1,019	-177 *	0.056
Years 1-5	6,511	7,190	-679 **	0.047 †††
Ever received IB in years 1-5 (%)	41.2	44.5	-3.3	0.338
Sample size = 852	431	421		

SOURCE: MDRC calculations from Work and Pensions Longitudinal Study employment and benefits records.

NOTES: Estimates were regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members.

Rounding may cause slight discrepancies in calculating sums and differences.

Two-tailed t-tests were applied to differences between outcomes for the ERA group and the control group. Statistical significance levels are indicated as: * = 10 per cent; ** = 5 per cent; and *** = 1 per cent.

Includes all customers randomly assigned between October 2003 and April 2005.

JSA = Jobseeker's Allowance; IS = Income Support; IB = Incapacity Benefit.

Table B.11 Effects of ERA on employment, earnings, and benefits receipt within five years after random assignment, ND25+ target group, North East England

Outcome	ERA group	Control group	Difference (impact)		P-value
Ever employed during (%)					
Year 1	39.1	44.5	-5.4	0.0	0.108 ††
Year 2	41.4	39.5	1.9	0.0	0.576
Year 3	38.8	40.0	-1.2	0.0	0.719
Year 4	40.2	39.0	1.2	0.0	0.711
Year 5	36.5	37.6	-1.1	0.0	0.742
Years 1-5	60.7	64.0	-3.3	0.0	0.313
Average number of months employed during					
Year 1	2.7	3.0	-0.3	0.0	0.252
Year 2	3.2	3.2	0.1	0.0	0.831
Year 3	3.4	3.3	0.1	0.0	0.850
Year 4	3.4	3.7	-0.3	0.0	0.415
Year 5	3.1	3.4	-0.3	0.0	0.393 †
Years 1-5	15.8	16.5	-0.7	0.0	0.562 ††
Average earnings during 2005-2006 tax year (£)					
Average earnings during 2005-2006 tax year (£)	3,722	3,853	-131	0.0	0.783 †
Average earnings during 2006-2007 tax year (£)	4,618	4,256	361	0.0	0.527
Average earnings during 2007-2008 tax year (£)	4,479	4,134	345	0.0	0.540
Average earnings during 2008-2009 tax year (£)	4,921	4,978	-56	0.0	0.925 †
Average 4-year earnings during 2005-2009 tax years (£)	17,740	17,221	519	0.0	0.792 †
Average number of months receiving benefits (JSA) in					
Year 1	7.2	7.1	0.1		0.706 †††
Year 2	5.1	5.5	-0.4		0.237 †††
Year 3	4.4	5.0	-0.6 *		0.095 †††
Year 4	3.8	4.0	-0.2		0.525 ††
Year 5	3.8	3.9	-0.1		0.770
Years 1-5	24.2	25.4	-1.2		0.354 †††
Average total amount of benefits (£) (JSA) received in					
Year 1	2,082	1,988	94		0.353 ††
Year 2	1,344	1,429	-85		0.418 †††
Year 3	1,180	1,302	-122		0.224 †††
Year 4	1,073	1,101	-29		0.775 ††
Year 5	1,065	1,078	-13		0.897
Years 1-5	6,744	6,898	-155		0.694 †††
Ever received IB in years 1-5 (%)	39.2	39.8	-0.6		0.856
Sample size = 828	421	407			

SOURCE: MDRC calculations from Work and Pensions Longitudinal Study employment and benefits records.

NOTES: Estimates were regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members.

Rounding may cause slight discrepancies in calculating sums and differences.

Two-tailed t-tests were applied to differences between outcomes for the ERA group and the control group. Statistical significance levels are indicated as: * = 10 per cent; ** = 5 per cent; and *** = 1 per cent.

Includes all customers randomly assigned between October 2003 and April 2005.

JSA = Jobseeker's Allowance; IS = Income Support; IB = Incapacity Benefit.

Table B.12 Effects of ERA on employment, earnings, and benefits receipt within five years after random assignment, ND25+ target group, North West England

Outcome	ERA group	Control group	Difference (impact)	P-value
Ever employed during (%)				
Year 1	35.5	33.5	2.0	0.396 ††
Year 2	35.4	30.6	4.7 **	0.045
Year 3	32.2	29.4	2.7	0.235
Year 4	32.3	29.0	3.3	0.149
Year 5	30.3	28.7	1.6	0.474
Years 1-5	53.8	52.7	1.1	0.671
Average number of months employed during				
Year 1	2.4	2.3	0.1	0.547
Year 2	2.7	2.3	0.4 *	0.059
Year 3	2.8	2.5	0.2	0.270
Year 4	2.8	2.5	0.4	0.106
Year 5	2.7	2.5	0.3	0.266 †
Years 1-5	13.4	12.0	1.4	0.112 ††
Average earnings during 2005-2006 tax year (£)				
Average earnings during 2005-2006 tax year (£)	2,604	2,269	335	0.240 †
Average earnings during 2006-2007 tax year (£)	2,703	2,687	16	0.959
Average earnings during 2007-2008 tax year (£)	3,131	2,869	262	0.441
Average earnings during 2008-2009 tax year (£)	3,082	2,998	84	0.804 †
Average 4-year earnings during 2005-2009 tax years (£)	11,521	10,824	697	0.547 †
Average number of months receiving benefits (JSA) in				
Year 1	7.2	7.5	-0.3 *	0.084 †††
Year 2	4.8	5.6	-0.8 ***	0.002 †††
Year 3	4.1	4.9	-0.8 ***	0.003 †††
Year 4	3.3	4.1	-0.8 ***	0.001 ††
Year 5	3.4	3.7	-0.3	0.230
Years 1-5	22.6	25.7	-3.0 ***	0.001 †††
Average total amount of benefits (£) (JSA) received in				
Year 1	2,050	2,127	-77	0.297 ††
Year 2	1,247	1,496	-249 ***	0.002 †††
Year 3	1,085	1,330	-245 ***	0.002 †††
Year 4	888	1,115	-227 ***	0.001 ††
Year 5	948	1,012	-65	0.372
Years 1-5	6,218	7,080	-862 ***	0.002 †††
Ever received IB in years 1-5 (%)	35.8	37.3	-1.6	0.515
Sample size = 1,557	785	772		

SOURCE: MDRC calculations from Work and Pensions Longitudinal Study employment and benefits records.

NOTES: Estimates were regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members.

Rounding may cause slight discrepancies in calculating sums and differences.

Two-tailed t-tests were applied to differences between outcomes for the ERA group and the control group. Statistical significance levels are indicated as: * = 10 per cent; ** = 5 per cent; and *** = 1 per cent.

Includes all customers randomly assigned between October 2003 and April 2005.

JSA = Jobseeker's Allowance; IS = Income Support; IB = Incapacity Benefit.

Table B.13 Effects of ERA on employment, earnings, and benefits receipt within five years after random assignment, ND25+ target group, East Midlands

Outcome	ERA group	Control group	Difference (impact)	P-value
Ever employed during (%)				
Year 1	46.1	42.6	3.4	0.191 ††
Year 2	42.0	37.4	4.6 *	0.069
Year 3	38.5	37.5	1.1	0.676
Year 4	36.8	34.1	2.7	0.276
Year 5	33.4	30.8	2.6	0.280
Years 1-5	64.1	60.3	3.8	0.131
Average number of months employed during				
Year 1	3.1	2.8	0.2	0.256
Year 2	3.5	3.2	0.4	0.143
Year 3	3.4	3.0	0.4 *	0.085
Year 4	3.3	2.9	0.4	0.131
Year 5	3.1	2.8	0.3	0.176 †
Years 1-5	16.4	14.7	1.8 *	0.074 ††
Average earnings during 2005-2006 tax year (£)				
	3,817	3,056	762 **	0.022 †
Average earnings during 2006-2007 tax year (£)				
	3,753	3,039	714 **	0.043
Average earnings during 2007-2008 tax year (£)				
	3,940	3,114	826 **	0.022
Average earnings during 2008-2009 tax year (£)				
	3,964	3,419	545	0.146 †
Average 4-year earnings during 2005-2009 tax years (£)				
	15,474	12,629	2,846 **	0.025 †
Average number of months receiving benefits (JSA) in				
Year 1	7.9	8.3	-0.4 **	0.048 †††
Year 2	4.9	5.9	-1.0 ***	0.000 †††
Year 3	4.3	5.2	-0.9 ***	0.001 †††
Year 4	3.6	4.0	-0.3	0.188 ††
Year 5	3.2	3.5	-0.3	0.284
Years 1-5	24.0	26.9	-2.9 ***	0.003 †††
Average total amount of benefits (£) (JSA) received in				
Year 1	2,364	2,520	-157 *	0.077 ††
Year 2	1,357	1,614	-258 ***	0.004 †††
Year 3	1,176	1,433	-257 ***	0.002 †††
Year 4	1,032	1,098	-66	0.412 ††
Year 5	893	986	-93	0.217
Years 1-5	6,821	7,652	-831 **	0.010 †††
Ever received IB in years 1-5 (%)				
	32.1	35.3	-3.2	0.199
<hr/>				
Sample size = 1,411	712	699		

SOURCE: MDRC calculations from Work and Pensions Longitudinal Study employment and benefits records.

NOTES: Estimates were regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members.

Rounding may cause slight discrepancies in calculating sums and differences.

Two-tailed t-tests were applied to differences between outcomes for the ERA group and the control group. Statistical significance levels are indicated as: * = 10 per cent; ** = 5 per cent; and *** = 1 per cent.

Includes all customers randomly assigned between October 2003 and April 2005.

JSA = Jobseeker's Allowance; IS = Income Support; IB = Incapacity Benefit.

Table B.14 Effects of ERA on employment, earnings, and benefits receipt within five years after random assignment, ND25+ target group, London

Outcome	ERA group	Control group	Difference (impact)	P-value
Ever employed during (%)				
Year 1	28.5	26.3	2.2	0.319 ††
Year 2	29.5	26.5	3.0	0.172
Year 3	30.9	28.0	3.0	0.180
Year 4	32.2	29.6	2.6	0.247
Year 5	31.7	30.7	1.0	0.650
Years 1-5	50.3	47.6	2.6	0.278
Average number of months employed during				
Year 1	1.9	1.8	0.1	0.399
Year 2	2.4	2.2	0.2	0.303
Year 3	2.6	2.6	0.1	0.807
Year 4	2.7	2.6	0.1	0.752
Year 5	2.9	2.7	0.2	0.492 †
Years 1-5	12.5	11.8	0.6	0.461 ††
Average earnings during 2005-2006 tax year (£)				
Average earnings during 2005-2006 tax year (£)	2,536	2,296	239	0.422 †
Average earnings during 2006-2007 tax year (£)	3,164	2,908	256	0.462
Average earnings during 2007-2008 tax year (£)	3,606	3,188	417	0.277
Average earnings during 2008-2009 tax year (£)	4,074	3,801	274	0.518 †
Average 4-year earnings during 2005-2009 tax years (£)	13,380	12,193	1,187	0.353 †
Average number of months receiving benefits (JSA) in				
Year 1	8.3	8.3	0.0	0.942 †††
Year 2	6.3	6.4	0.0	0.897 †††
Year 3	5.4	5.2	0.2	0.365 †††
Year 4	4.4	4.2	0.2	0.419 ††
Year 5	3.7	3.9	-0.2	0.458
Years 1-5	28.1	27.9	0.2	0.810 †††
Average total amount of benefits (£) (JSA) received in				
Year 1	2,787	2,778	9	0.922 ††
Year 2	1,808	1,853	-45	0.623 †††
Year 3	1,541	1,513	28	0.745 †††
Year 4	1,256	1,230	25	0.756 ††
Year 5	1,089	1,154	-65	0.414
Years 1-5	8,480	8,528	-48	0.890 †††
Ever received IB in years 1-5 (%)	26.9	27.7	-0.9	0.691
Sample size = 1,619	817	802		

SOURCE: MDRC calculations from Work and Pensions Longitudinal Study employment and benefits records.

NOTES: Estimates were regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members.

Rounding may cause slight discrepancies in calculating sums and differences.

Two-tailed t-tests were applied to differences between outcomes for the ERA group and the control group. Statistical significance levels are indicated as: * = 10 per cent; ** = 5 per cent; and *** = 1 per cent.

Includes all customers randomly assigned between October 2003 and April 2005.

JSA = Jobseeker's Allowance; IS = Income Support; IB = Incapacity Benefit.

Table B.15 Effects of ERA on employment, earnings, and benefits receipt within five years after random assignment, ND25+ target group, Wales

Outcome	ERA group	Control group	Difference (impact)	P-value
Ever employed during (%)				
Year 1	32.6	39.3	-6.7	0.102 ††
Year 2	32.6	38.5	-6.0	0.154
Year 3	30.7	33.4	-2.7	0.519
Year 4	32.6	32.6	0.0	1.000
Year 5	29.6	32.5	-2.9	0.466
Years 1-5	55.8	58.8	-3.0	0.482
Average number of months employed during				
Year 1	2.2	2.6	-0.4	0.244
Year 2	2.5	3.1	-0.6	0.130
Year 3	2.5	3.0	-0.5	0.248
Year 4	2.5	2.9	-0.4	0.322
Year 5	2.7	2.9	-0.2	0.592 †
Years 1-5	12.5	14.6	-2.1	0.191 ††
Average earnings during 2005-2006 tax year (£)				
Average earnings during 2005-2006 tax year (£)	2,248	3,134	-886 *	0.086 †
Average earnings during 2006-2007 tax year (£)	2,521	3,344	-823	0.127
Average earnings during 2007-2008 tax year (£)	2,821	3,306	-485	0.373
Average earnings during 2008-2009 tax year (£)	2,961	3,358	-397	0.470 †
Average 4-year earnings during 2005-2009 tax years (£)	10,551	13,142	-2,590	0.164 †
Average number of months receiving benefits (JSA) in				
Year 1	8.5	7.4	1.1 ***	0.001 †††
Year 2	5.6	4.7	0.9 **	0.046 †††
Year 3	4.8	4.1	0.7	0.103 †††
Year 4	3.9	3.3	0.6	0.150 ††
Year 5	3.4	3.4	0.0	0.913
Years 1-5	26.2	22.9	3.3 **	0.037 †††
Average total amount of benefits (£) (JSA) received in				
Year 1	2,552	2,225	327 **	0.016 ††
Year 2	1,578	1,196	381 ***	0.004 †††
Year 3	1,350	1,060	290 **	0.024 †††
Year 4	1,075	862	213 *	0.077 ††
Year 5	962	962	0	0.999
Years 1-5	7,516	6,305	1,211 **	0.010 †††
Ever received IB in years 1-5 (%)	33.0	35.7	-2.7	0.512
Sample size = 515	258	257		

SOURCE: MDRC calculations from Work and Pensions Longitudinal Study employment and benefits records.

NOTES: Estimates were regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members.

Rounding may cause slight discrepancies in calculating sums and differences.

Two-tailed t-tests were applied to differences between outcomes for the ERA group and the control group. Statistical significance levels are indicated as: * = 10 per cent; ** = 5 per cent; and *** = 1 per cent.

Includes all customers randomly assigned between October 2003 and April 2005.

JSA = Jobseeker's Allowance; IS = Income Support; IB = Incapacity Benefit.

Appendix C

Implementation features of the six ERA districts

Table C.1 Implementation features of the six ERA districts

East Midlands	
Structure	Centralised management through ERA District Manager. Three regional Advancement Support Adviser (ASA) Managers phased in between 2004 and 2005, covering 19 offices between them.
Staffing	Initially, ASAs were specialists for ERA customer groups but increasingly served all customer groups. A single ASA worked in smaller offices. Some peripatetic advisers experienced down time travelling between multiple offices. Central management assured the ringfencing of adviser resources, although in smaller offices advisers performed occasional mainstream adviser duties.
Intake	Mainstream New Deal advisers performed random assignment and passed on programme group customers to ASAs. Intake of Working Tax Credit (WTC) customer group was the largest of all districts, concentrated at end of intake period.
Targets	Little pressure on ASAs to contribute to Job Entry Targets meant more time could be devoted to delivering ERA. ASA benchmarks for post-employment contact introduced in early 2005 but were quickly relaxed and a flexible approach assumed. Key Work Objectives for ASAs introduced in 2005 and a post-employment QAF (Quality Assurance Framework) for post-employment interviews in early 2006.
ERA profile	ERA considered to have lower profile than Incapacity Benefit Pathways pilot. Given centralised management, less understanding of and support for ERA by Business Managers.
Events	Closure of pensions centre in district in summer 2004 led to redeployment of staff to ERA. From end 2004, pressures on office space meant some ASAs lost customer-facing desks. Regional ASA managers phased in between 2004 and 2005 due to large size of district. New ERA manager assigned in autumn 2004. New District Manager appointed in early 2005.
Issues	Large geographical district made staffing and management difficult. Large customer caseloads in bigger offices detracted from ERA delivery, with major pressure on staffing during summer 2004. Large proportion of ASAs had no previous advisory experience because redeployed from other parts of organisation following restructuring. Pressures on office space had mixed impacts: In larger city offices ASAs relocated to separate premises as 'ERA unit', and in some smaller offices ASAs had to 'hot desk'.

(continued)

Table C.1 Continued

East Midlands (continued)	
Achievements	Centralised ERA management structure effective for maintaining and protecting programme resources. Innovative marketing to attract sufficient numbers to the WTC customer group. Promoted work retention and advancement concepts early in the implementation. System of regional ASA managers facilitated contact between ASAs and the development of mechanisms for monitoring and supporting ASAs' post-employment work.
Change over time	Most effective period of ERA delivery from spring 2005 to end 2006. Adequate management structure and staffing in place by then, plus intake had finished. Through training and peer support, more effective strategies for engaging and working with post-employed customers had developed. From end 2006, the transferral of caseloads between advisers as ASAs left meant that the quality of contact was diminished. Also, ASAs were anxious about their post-ERA employment opportunities.
ERA ending	Due to centralised structure and specialist ASAs, difficult to manage reducing caseloads. ERA manager consulted individual ASAs on when they wanted to leave and drew up a plan for passing caseloads to those advisers staying the longest so that customers would not have a succession of advisers. ASAs' experienced this as an unsettled period when having to take on new customers with minimal time left to build a relationship. Six-month and 3-month ERA ending letters sent out to customers, with 3-month letters eliciting the most interest from customers.
London	
Structure	Management structure differed depending on the New Deal customer group. The New Deal for Lone Parents (NDLP) and WTC group ASAs were coordinated and managed centrally. The New Deal 25 Plus (ND25+) ASAs were coordinated at the district level but line-managed at the office level.
Staffing	Initially, some resistance to staffing ERA. ASAs were specialists by ERA customer groups. NDLP ASAs served both control and programme group. Ringfencing of a Post-Employment Team (PET) started in early 2005. Non-working ERA customers were then served by mainstream New Deal advisers.
Intake	Lone parents randomly assigned by NDLP advisers (who also delivered ERA). ND25+ randomly assigned by mix of ASAs and support staff.
Targets	Same job-entry targets applied to ASAs, which detracted from ERA delivery. Once the PET was formed, ASAs were assigned benchmarks and key work objectives.
ERA profile	Perceived to be low because post-employment delivery of ERA did not contribute to job-entry targets.
Events	New District Manager in spring 2004. PET formed in early 2005.
Issues	Tension with job-entry targets. Large customer caseloads and mainstream Jobcentre Plus work.
Achievements	In spring 2005, District Manager agreed to commit more resources to ERA. Established PET in 2005. Developed innovative customer re-engagement publicity materials.

(continued)

Table C.1 Continued

London (continued)	
Change over time	Setting up the PET was a major breakthrough. The first few months were taken up with processing retention payments that had fallen behind. In May 2005, more advisers joined the team, the backlog had been cleared, and ASAs thought that from this time ERA delivery improved continuously right until the end. This was especially evident with training take-up.
ERA ending	From March 2008, caseloads started falling and ASAs started moving off the team. ASAs talked about the difficulty of taking on new customers as they were nearing the end of ERA. ERA ending letters sent out to customers. 'Rush' of customers wanted to take advantage of the training.
North East England	
Structure	Centralised ERA District Manager but without line management responsibility for ASAs. ASAs line-managed locally and remained part of office ND25+ or NDLP teams. A number of reorganisations of NDLP management took place over course of ERA, shifted from local to district level management and back again. NDLP ASAs reported having 13 different line managers over a 3-year period.
Staffing	ASAs were specialists by ERA customer group. Ringfencing of ASAs phased in during 2005 but phased out again during 2006; differed across the district and more effective in larger offices, where it remained in place until early 2007. All ASAs had at times served non-ERA as well as ERA customers.
Intake	Random assignment performed by both New Deal and ERA advisers.
Targets	ASAs expected to contribute to district job-entry targets, but their targets were half those of New Deal advisers.
ERA profile	Perceived to be low, Incapacity Benefit Pathways pilot given priority. Priority in the district dipped after Technical Adviser left, reflected in a winding down of district ASA meetings.
Events	District without Technical Adviser support during spring 2004. Ringfencing of all ASAs introduced in 2005 but phased out unevenly across the district during 2006. Reorganisation in spring 2006 split the district in half.
Issues	Concentration on ERA work suffered due to tension with job-entry targets, large customer caseloads, and mainstream Jobcentre Plus work. Contact between ASAs diminished after TA finished in mid 2005. Perceived to be ineffective support for ASAs from line managers, exacerbated by numerous management reorganisations for NDLP.
Achievements	Most ASAs ringfenced during 2005, some for longer. Individual ASAs developed innovative ways of working with employed customers, but not always shared or co-ordinated throughout the district.
Change over time	ERA delivery most effective during 2005: The majority of ASAs were ringfenced. Regular networking meetings between ASAs and Technical Adviser (TA) provided district-wide support for ASAs. Visit of ASAs to New York in 2004 also stimulated development of tactics for post-employment customer engagement. From end 2005, network meetings dwindled and some ASAs lost ringfencing. TA remained as line manager in one office for another year, where consequently ASAs felt better supported.

(continued)

Table C.1 Continued

North East England (continued)	
ERA ending	ASAs remained part of mainstream ND25+ and NDLP teams and so simply took on additional mainstream customers as ERA caseloads diminished. However ASAs in some teams were concerned about over-staffing and being surplus to requirements. Six-month, 6-week, and final ERA ending letters sent. Some customers responded to 6-week letter with requests for training payments.
North West England	
Structure	Centralised ERA District Manager but ASAs locally line-managed at the office level.
Staffing	ASAs were generalists and served all customer groups. Ringfencing of a Post-Employment Team (PET) started in 2005 when working customer caseloads were assigned to ASAs, while non-working customers were assigned to administrative staff who performed job search activities.
Intake	Random assignment performed by mix of New Deal and ERA advisers.
Targets	Same job-entry targets applied to ASAs, which detracted from ERA delivery. Once the PET was formed, ASAs were assigned benchmarks and key work objectives.
ERA profile	Perceived to be low because post-employment delivery of ERA did not contribute to job-entry targets.
Events	Delayed start, three months later than other districts. Had been a priority district throughout ERA. District reorganisation in April 2005. New District Manager in mid 2005. PET started in July 2005. Started to take on pre-employment caseloads in January 2006. Less securely ringfenced in spring 2006.
Issues	Decentralised line management detracted from ERA delivery. Tensions with job-entry targets.
Achievements	Established PET in 2005. Developed innovative customer re-engagement publicity materials. 'End of an ERA' information pack distributed to customers nearing the end of their 33 months of support.
Change over time	Felt they reached a peak in their delivery in January 2006, but it started to tail off due to increased caseloads when taking on pre-employment again and the slow dissolving of the ringfencing.
ERA ending	Disengagement folder, six-month letters. Pushed the training.
Scotland	
Structure	Management and budget decentralised to office level. No ERA District Manager.
Staffing	Some mixed, some specialist ASAs. Most offices had only one ASA. ASAs ringfenced in two offices in spring 2005, while remaining served non-ERA as well as ERA customers.
Intake	Random assignment performed by various New Deal, ASA, and support staff.
Targets	Same job-entry targets applied to ASAs, which detracted from ERA delivery. No ERA-specific benchmarks.

(continued)

Table C.1 Continued

Scotland (continued)	
ERA profile	Perceived to be low. Upper and some local managers tended to favour Incapacity Benefit Pathways pilot.
Events	District reorganised in 2004. New District Manager in spring 2004. Change in ERA District Co-ordinator in autumn 2005, then dissolution of role in autumn 2006 when office Business Managers asked to co-ordinate ERA management for office clusters. November 2005 held customer Town Hall events to encourage re-engagement.
Issues	Decentralised line management detracted from ERA delivery. Office geographical distribution awkward for support and meetings. Tensions with job-entry targets. Large customer caseloads and mainstream Jobcentre Plus work. Other pilot given more priority.
Achievements	ASAs in some offices ringfenced during 2005.
Change over time	Ongoing changes to district Jobcentre Plus structure brought in new senior management who needed to be apprised of ERA. Dissolution of Technical Adviser and ERA District Co-ordinator roles put strain on support and communications across offices. By 2005, ASAs concentrated contact with working customers and felt that between spring 2005 and spring 2006 programme delivery was at its strongest.
ERA ending	Disengagement letters at six months and one month before customers ended ERA. Preferential treatment was given to those who were engaged with the programme. ASAs increasingly absorbed into mainstream activity as ERA customers flowed off the programme.
Wales	
Structure	Centralised management. ERA District Manager also responsible for delivery of NDLP across the district.
Staffing	ASAs were specialists by ERA customer groups. A single ASA worked in smaller offices. Some peripatetic advisers experienced down time travelling between multiple offices. ASA staffing levels affected by long-term sick leave. Continual problems with staff being pulled onto mainstream Jobcentre Plus activities
Intake	Mainstream New Deal advisers performed random assignment and passed on programme group customers to ASAs.
Targets	Same job-entry targets applied to ASAs, which detracted from ERA delivery. Benchmarks for post-employment contact, and key work objectives around advancement and retention from April 2004.
ERA profile	ERA perceived to be supported at office level but devalued at upper-management level due to tensions with job-entry targets.
Events	Intake of New Deal customer groups ended in summer 2004. From March 2006, tended to only work with engaged customers as did not have the resources to reengage customers. From August 2006, ASAs worked with only post-employment customers, with pre-employment going back to mainstream Jobcentre Plus.
Issues	Tension with job-entry targets. Limited number of ND25+ ASAs. Understaffing, large customer caseloads, and mainstream Jobcentre Plus work.

(continued)

Table C.1 Continued

Wales (continued)	
Achievements	Promoted work retention and advancement concepts early in the implementation. In spring 2004 established innovative advancement materials for use with non-working customers and set benchmarks for contacting working customers.
Change over time	Staff thought there had never been enough ASAs in the district. The most effective period of ERA delivery from spring 2004 to spring 2005. From May to September 2005, there was a big push on job entries in the district and ASAs struggled to do ERA work. From September 2005, ASAs were supposed to be ringfenced but they were still being asked to do other work and did not have enough staff on ERA. In January 2006, an ERA ‘team’ was formed but in March the team lost staff. The ASAs had big caseloads and only worked with ‘active’ customers.
ERA ending	Staffing reduced to just one ASA in spring 2007. Six-month, 6-week, and final ERA ending letters sent. Had responses to 6-week letter, with some customers requesting retention payments backdated. Struggled with transferring caseloads and losing continuity with customers.

Appendix D

Lone parents' attitudes to and understandings of advancement

As discussed in Chapter 3, as the delivery of post-employment support improved, so did Advancement Support Advisers' recognition that Employment Retention and Advancement (ERA) participants' understandings of and approaches to advancement were highly dependent on personal circumstances and underlying views about work progression. This recognition of individuals' engagement in the advancement agenda was integral to successful delivery of post-employment services. This section explores what work advancement meant to lone parents and how this informed the implementation and effectiveness of post-employment support.

Previous qualitative research on lone parent ERA participants²⁴² suggested that advancement as it relates to work is a fluid concept, often subject to change, depending on a person's circumstances. The evidence showed that the complexity of people's lives, including their work histories, personal circumstances, and other social factors influence the ways in which they approach advancement.

Both New Deal for Lone Parents (NDLP) and Working Tax Credit (WTC) programme group participants tended to perceive the concept of advancement in relation to work progression – improvements in working conditions and pay. This was not surprising, as this reflected the ethos of ERA. These understandings were also linked to previous employment opportunities and exposure to work over time. The ageing of children and the point of time in the family life cycle were also significant in understanding how the lone parent participant groups viewed advancement.

Lone parents with young families were less likely to be receptive to the idea of advancement in the short term. Often advancement was deferred in favour of better work-life balance and caring responsibilities. This finding is supported by recent studies that followed lone parents during their first year in work.²⁴³ They suggest that part-time work that fitted around childcare commitments and school hours was paramount for many lone parents after leaving benefits. Often these jobs were low paid and did not represent their skills potential. Likewise, many NDLP participants in the ERA sample had limited work experience. They were either re-embarking or just starting on their work journeys with young families. This subgroup of lone parents preferred to defer advancement, often citing their caring responsibilities as a reason not to pursue advancement opportunities. These care-focused workers²⁴⁴ generally saw the value of returning to work since it '*got them out of the house*', but, at the same time, they placed a priority on time with their children. For example, one lone parent who entered part-time work felt that she could make only small steps in the nursing field because of the age of her children.

'The kids are young; it's not time for me to sort of move to, like work at the hospital at the moment...'

(Former participant, NDLP programme group)

²⁴² Hoggart *et al.*, 2006; Riccio *et al.*, 2008.

²⁴³ Sims *et al.*, 2010, p 43.

²⁴⁴ See Hoggart *et al.*, 2006, for a full description of the different types of care orientations of ERA participants.

The research evidence²⁴⁵ points to the fact that progression in work for the NDLP group was generally an evolving and dynamic process, often subject to stops and starts. Their orientations to care and work changed over time, often becoming more congruent with changes in their attitudes to advancement. As caring for children became a lower priority as their family aged, and as they adjusted to employment and gained confidence, advancement became more of a reality. These lone parents were then prepared to focus more on advancement and progress into work that they enjoyed or that would provide a better standard of living, rather than planning for jobs that fitted into school hours.

A corollary of this shift in perspective was increased dissatisfaction with jobs that were perceived to limit their advancement trajectory. This is supported by qualitative research that showed that it was common for NDLP participants to experience a ‘honeymoon period’ during the early stages of work, and this tended to positively influence their attitudes to work.²⁴⁶ Through longitudinal research it was possible to observe changes in these individuals over time. As their self-confidence increased, many became dissatisfied with their current work roles, recognising their unfulfilled potentials. This acted as a catalyst for change. This subset of NDLP participants was able to use ERA to progress in work. As shown in Table 4.7, through ERA, more participants in the NDLP programme group were able to combine training and work as a way to move ahead, a difference of 5.8 percentage points over the control group.

Although there was significant overlap between NDLP and WTC participants’ attitudes to advancement, it was apparent that WTC participants were further along and more established in their work journeys than their NDLP counterparts, and therefore more receptive to advancement. In general, WTC programme group participants were more likely to have stable childcare, a strong interest in increasing their hours, a work environment that facilitated increased hours, some qualifications, sustained self-confidence through work experience, and other informal support mechanisms. In addition, WTC participants had to be proactive in joining ERA, demonstrating that they had strong views about advancing. Indeed, many had been attracted to the idea of progressing in work and about the ways in which this could be realised. Data from Table 4.7 show that a significant percentage of WTC participants were able to combine training with full-time or part-time work. Table 4.7 also confirms that ERA helped working WTC participants to take part in Jobcentre Plus-arranged training, a gain of 20 percentage points over the control group.

An example of this positive approach to advancement is demonstrated through the concept of the advanced work journey.²⁴⁷ This work trajectory was more typical of the WTC worker and took the form of increased work hours, a job promotion, extra responsibilities, increased job satisfaction, improved family-work balance, and pursuing the goal of self-employment. A case in point was one WTC participant with three children who had been working part time in a sports centre at the start of ERA. The retention bonus acted as an incentive for her to increase her hours, and she was able to progress to become the manager at the centre.

²⁴⁵ Riccio *et al.*, 2008.

²⁴⁶ Riccio *et al.*, 2008.

²⁴⁷ See Riccio *et al.*, 2008, for a full discussion of the work journey concept.

Some WTC programme group participants held less positive views on advancement or rejected the idea of advancement for themselves. This was for a myriad of reasons, including not wanting to take on a management role, the desire to avoid longer work hours, or feeling ‘too old’ for a change in work. This also included people who were unaware of the ethos of the ERA programme.

Overall, workers in the WTC programme group proved to be the most positive about advancement, and this was reflected in measurable changes, e.g., they were more likely to undertake training and improve their employment opportunities. The survey data show that they were more effective than their NDLP counterparts in combining training with work, a route to advancement.²⁴⁸ This receptivity is also supported by the financial payments records (Table 3.3), which show that working WTC participants were more likely than the other ERA groups to receive a retention bonus.

²⁴⁸ Survey findings show that 75 per cent of WTC participants participated in training compared with 51 per cent of NDLP participants who worked full time.

Appendix E

Other publications from the UK Employment Retention and Advancement demonstration

ERA UK demonstration, cross-office analysis

Dorsett, R. and Robins, P. (forthcoming, 2011). Department for Work and Pensions.

- This report analyses how variation across offices in programme features, personal characteristics, and local context affects economic impacts. The analysis presented is for the New Deal for Lone Parents target group only.

The impact of ERA on workers' outcomes

Sianesi, B. (2011). Department for Work and Pensions Research Report No 759, Sheffield: Department for Work and Pensions.

- This report presents non-experimental statistical analysis of the impact that ERA had on a variety of outcomes experienced by working members of the New Deal for Lone Parents and Working Tax Credit target groups as well as on the earnings of working members of the New Deal 25 Plus target group.

Delivery, take-up, and outcomes of in-work training support for lone parents in the Employment Retention and Advancement (ERA) demonstration

Hendra, R., Ray, K., Vegeris, S., Hevenstone, D. and Hudson, M. (2011). Department for Work and Pensions Research Report No 727, Sheffield: Department for Work and Pensions.

- This mixed-methods analysis looks at the delivery, take-up, and outcomes of the training support and incentives provided through ERA. A central question is whether intensive adviser support and financial incentives encouraged training beyond what would normally occur. Because training encompasses a broad range of activities, the report details the kinds of courses people took in ERA and the challenges they faced in balancing family, work, and training.

Non-participation in the Employment Retention and Advancement study: Implications for the experimental fourth-year impact estimates

Chowdry, H. and Sianesi, B. (2011). Department for Work and Pensions Working Paper No 96, Sheffield: Department for Work and Pensions.

- The report explores how the four-year findings from the experimental research relate to the impacts that would have been experienced, on average, by all the people who were eligible for ERA, had they participated in the programme. The report present a statistical analysis of how non-participation in the ERA demonstration has affected the extent of external validity of the experimental results, and hence their representativeness and policy relevance. It also assesses the scope for bias in such estimates in terms of the impact of ERA on the eligibles.

Different settings, common strategy: Using earnings supplements to improve employment retention and advancement programs in Texas and the United Kingdom

Lundquist, E. and Homonoff, T. (2010). New York: MDRC.

- This paper compares the UK and Texas ERA programmes in terms of their programmatic features, the patterns and rates of receipt of the cash incentives they offered, the policy contexts in which they operated, the demographics of the research samples, and their economic outcomes. The paper discusses ways in which these results could be helpful in incorporating earnings supplements into interventions designed to help low-wage workers find and keep jobs and advance in their careers.

Non-participation in the Employment Retention & Advancement study: Implications for the experimental first-year impact estimates

Sianesi, B. (2010). Department for Work and Pensions Working Paper No 77, Norwich: Her Majesty's Stationery Office.

- The report explains the issues that non-participation raises for the ERA demonstration, introduces the methodologies to deal with it, and presents findings based on 12-month follow-up data. It assesses whether the non-participation rate is likely to have affected the extent to which the experimental results can be generalised to the full eligible population, and hence their representativeness and policy relevance. The research evaluates the scope for bias by assessing first the incidence of non-participation and then how selective it is.

The cost of services and incentives in the UK Employment Retention and Advancement (ERA) demonstration: Preliminary analysis.

Greenberg, D., Walter, J. and Knight, G. (2009). Department for Work and Pensions Working Paper 64, Norwich: Her Majesty's Stationery Office.

- This report presents the preliminary ERA cost analysis, focusing on the cost to Jobcentre Plus to operate ERA – that is, Jobcentre Plus expenditures on providing services and making incentive payments to ERA customers in the three target groups. The report presents costs on a per-customer basis, distinguishes between gross and net costs, and presents the methods used to estimate the individual cost items.

Implementation and second-year impacts for lone parents in the UK Employment Retention and Advancement (ERA) demonstration

Riccio, J. A., Bewley, H., Campbell-Barr, V., Dorsett, R., Hamilton, G., Hoggart, H., Marsh, A., Miller, C., Ray, K. and Vegeris, S. (2008). Department for Work and Pensions Research Report No 489, Leeds: Corporate Document Services.

- This report presents the implementation results and the second-year impacts of ERA on labour market outcomes and benefits receipt for the two lone parent target groups: New Deal for Lone Parents and Working Tax Credit.

Implementation and second-year impacts for New Deal 25 Plus customers in the UK Employment Retention and Advancement (ERA) demonstration

Miller, C., Bewley, H., Campbell-Barr, V., Dorsett, R., Hamilton, G., Hoggart, L., Homonoff, T., Marsh, A., Ray, K., Riccio, J. A. and Vegeris, S. (2008). Department for Work and Pensions Research Report No 520, Leeds: Corporate Document Services.

- This report presents the implementation results and the second-year impacts of ERA on labour market outcomes and benefits receipt for the long-term unemployed New Deal 25 Plus group.

Implementation and first-year impacts of the UK Employment Retention and Advancement (ERA) demonstration

Dorsett, R., Campbell-Barr, V., Hamilton, G., Hoggart, L., Marsh, A., Miller, C., Ray, K., Riccio, J. A., Rich, S. and Vegeris, S. (2007). Department for Work and Pensions Research Report No 412, Leeds: Corporate Document Services.

- This report presents findings on the implementation and early effects of ERA, addressing three main questions: First, how well have the districts implemented the ERA model, particularly its extended job coaching and financial incentives for customers who enter work? Second, as a result of ERA, did customers receive substantially more advice and assistance from Jobcentre Plus to help them succeed once in work and were they more likely to have combined work and training activities? And third, has ERA begun to produce any improvement in customers' employment and earnings and any reductions in their reliance on government benefits?

Non-participation in the Employment Retention and Advancement study: A quantitative descriptive analysis

Goodman, A. and Sianesi, B. (2007). Department for Work and Pensions Working Paper No 39, Leeds: Corporate Document Services.

- This paper present a statistical analysis of how non-participation in the ERA demonstration has affected the extent of external validity of the experimental results, and hence their representativeness and policy relevance. Additionally, the research aims to assess the scope for bias in such estimates in terms of the originally intended parameter, the impact of ERA on the eligibles. This key question is addressed sequentially by assessing first the incidence of non-participation and then how selective it is.

Employment Retention and Advancement demonstration project and Pathways to Work for Incapacity Benefit customers: Costing for staff time – ERA and IB cost studies

Vegeris, S., MacKinnon, K., Knight, G., Greenberg, D., Carrino, J., Olsen, K. and Strudwick, M. (2006). Department for Work and Pensions Working Paper No. 32, Leeds: Corporate Document Services.

- This paper describes three different methods that were used to determine how ERA and Incapacity Benefit advisers allocated their work time among different groups of Jobcentre Plus customers. The three methods were: observational studies, diaries, and interviews. The report presents the findings from this research, considers the implications of these findings for the separate policy interventions, and, more broadly, for future staff time research within the department.

Making random assignment happen: Evidence from the UK Employment Retention and Advancement (ERA) demonstration

Walker, R., Hoggart, L. and Hamilton, G. (2006). Department for Work and Pensions Research Report No 330, Leeds: Corporate Document Services.

- This report focuses on implementation of random assignment in the UK ERA demonstration. In principle, random assignment is a powerful tool for determining causality. In practice, though, the challenges of implementing a proper random assignment study, and one that will meet high ethical standards, abound. This qualitative study focuses on how customers reacted to the random assignment process.

Staying in work and moving up: Evidence from the UK Employment Retention and Advancement (ERA) demonstration

Hoggart, L., Campbell-Barr, V., Ray, K. and Vegeris, S. (2006). Department for Work and Pensions Research Report No 381, Leeds: Corporate Document Services.

- This report addresses the relevant in-work experiences and attitudes of a subsample of people involved in the ERA demonstration. Drawing on qualitative evidence collected through 170 in-depth interviews with ERA customers, the report focuses on factors significant to work retention and advancement that any in-work support programme, like ERA, would need to anticipate and address.

Employment Retention and Advancement scheme – the early months of implementation: Summary and conclusions

Hall, N., Hoggart, L., Marsh, A., Phillips, J., Ray, K. and Vegeris, S. (2005). Department for Work and Pensions Research Report No 265, Leeds: Corporate Document Services.

- This report documents the early implementation challenges of ERA. It presents profiles of the three customer groups, demographic comparisons of the programme and control groups, and the regional distribution of ERA participants.

Designing a demonstration project: an Employment Retention and Advancement demonstration for Great Britain

Morris, S., Greenberg, D., Riccio, J., Mitra, B., Green, H., Lissenburgh, S. and Blundell, R. (2003). UK Government Chief Social Researcher's Office, London: Cabinet Office.

- This report presents a comprehensive research design for evaluating the UK Employment Retention and Advancement (ERA) demonstration. The document highlights the design and theoretical considerations underlying the demonstration, including: policy design; site selection; process, impact, and cost-benefit studies; and data collection.

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This report presents the final results on the implementation, impacts, costs, and economic benefits of the UK Employment Retention and Advancement (ERA) programme. ERA's distinctive combination of post-employment advisory support and financial incentives was designed to help low-income individuals who entered work sustain employment and advance in the labour market. Launched in 2003 in selected Jobcentre Plus offices, ERA targeted three groups: (1) unemployed lone parents receiving Income Support and volunteering for the New Deal for Lone Parents welfare-to-work programme, (2) lone parents working part time and receiving Working Tax Credit, and (3) long-term unemployed people aged 25 or older receiving Jobseeker's Allowance who were required to participate in the New Deal 25 Plus welfare-to-work programme. The effectiveness of the programme was evaluated using a random assignment research design.

The evaluation found that ERA produced short-term earnings gains for the two lone parent target groups. The early gains resulted from increases in the proportion of participants who worked full time (at least 30 hours per week). However, these effects generally faded after the programme ended, largely because the control group caught up with the ERA group.

More impressive were the results for the long-term unemployed participants (mostly men) in the New Deal 25 Plus target group. For them, ERA produced modest but sustained increases in employment and substantial and sustained increases in earnings. These positive effects emerged after the first year and were still evident at the end of a five-year follow-up period. The earnings gains were accompanied by lasting reductions in benefits receipt. ERA proved cost-effective for this group from the perspectives of the participants themselves, the Government budget, and society as a whole.

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