Low Paid Work in Britain: baseline surveys from the Earnings Top-Up pilot evaluation

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LOW PAID WORK IN

BRITAIN: BASELINE SURVEYS

FROM THE EARNINGS

TOP-UP PILOT EVALUATION

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LIST OF ABBREVIATIONS

ASD   Analytical Services Division

CATI   Computer Assisted Telephone Interviewing

CRSP   Centre for Research in Social Policy

CTB   Council Tax Benefit

DCI   Departmental Central Index

DSS   Department of Social Security

DWA   Disability Working Allowance

ETU   Earnings Top-up

HB   Housing Benefit

IER   Institute for Employment Research

IS   Income Support

JSA   Jobseeker's Allowance

JUVOS   Joint Unemployment and Vacancies Operating Statistics

NI   National Insurance

NINO   National Insurance number

NIRS   National Insurance Recording System

NOMIS   National On-line Manpower Information System

NOP   National Opinion Polls

NUBS   National Unemployment Benefit System

PPS   Probability Proportional to Size Sampling

PRILIF   Programme of Research into Low Income Families

PSI   Policy Studies Institute

PSU	Primary Sampling Unit
SIC	Standard Industrial Classification
SOC	Standard Occupational Classification
UB	Unemployment Benefit
VLTU	Very Long Term Unemployed

SUMMARY

1 Overview   A new social security benefit called Earnings Top-up (ETU) was
             introduced as a three year pilot in October 1996. ETU is an income-
             related, in-work benefit available to people who work 16 or more hours
             per week and do not have dependent children. The aim of ETU is to
             improve the incentives for people to take up work or stay in work of 16
             hours or more.

             Two versions of the benefit are being piloted - Scheme A and Scheme B
             - which differ in their level of benefit entitlement. Each scheme was
             introduced in four areas which were matched in terms of labour market
             characteristics: major urban areas, large towns, rural and seaside areas.
             Four more matched areas were selected for study as control areas. Research
             is being carried out in all twelve areas, which represent about one tenth
             of the British labour market.

             Research has shown that Family Credit - which is an in-work benefit for
             people with dependent children - has been successful in helping low-
             paid families get and keep paid work, especially lone parents (Marsh and
             McKay, 1993; Marsh, Ford and Finlayson, 1997). The ETU pilot intends
             to evaluate whether in-work wage supplementation of this kind would
             be effective for all low-paid workers, not just those with dependent
             children. In particular, interest centres on the effects of ETU upon its
             potential customers among low-paid workers, on the unemployed whom
             it may help find work, on employers, and on the labour market.

             The research that will assist this evaluation is being carried out by The
             Policy Studies Institute (PSI), The Institute for Employment Research
             (IER) at the University of Warwick and The Centre for Research in
             Social Policy (CRSP) at the University of Loughborough. This joint
             research effort can be summarised in a number of inter-related strands:
             • Field surveys of low-paid workers-in-work.
             • Field surveys of the longer-term unemployed.
             • Surveys of employers.
             • Analysis of official administrative statistics.
             • Studies of local labour market conditions.
             • In-depth interviews with key participants.

             This report is a baseline study which provides data for comparison when
             the research is continued in the same way during the succeeding three
             years of the ETU pilot evaluation. It presents the results of the first
             surveys of low-paid workers and unemployed people; of the surveys of
             employers; and of the preliminary labour market analyses, all carried out
             in the summer months prior to the introduction of ETU in October
             1996.

The sample was selected using National Insurance records from the tax year 1994/95 to identify low earning employed and self-employed workers in the twelve ETU evaluation areas (eight pilot and four control areas). 2,400 interviews were achieved in summer 1996, representing a response rate of 79 per cent. Three out of ten of the 'employed' sample had left work by time of their interview.

2.2 Gender

The majority of the low-paid workers-in-work sample were women (56 per cent). Women had persisted longer in their low-earning jobs since 1995: 27 per cent of the men but only 11 per cent of the women in the sample had been lost to unemployment meanwhile. Among the single-earner couples, women outnumbered men as the breadwinners by two to one. Women were more likely to have partners: nearly half were married or in couples compared with four in ten men.

2.3 Age

The sample was comprised of working-age people, excluding families with dependent children. This resulted in a bi-modal age distribution, with very few aged between 35 and 44 years, while 44 per cent of the workers-in-work were aged 45-plus.

2.4 Education

Educational levels were low. More than half the workers-in-work had no educational qualifications and just ten per cent had qualifications at A-level or above. Women had less education than men: 57 per cent had no qualifications compared with 48 per cent of men. Overall, younger respondents were more likely to hold qualifications, with particularly striking differences between younger and older women.

Among the older workers, few had any qualifications at all. But even among the young, educational levels were still low by comparison with higher earners: half the under 25s had no more than a few GCSE or CSE equivalents and fewer than one in seven had an A-level or better. There was however a cadre of single, well-educated under 25s for whom their current low earnings was probably a temporary phenomenon.

2.5 Housing

A narrow majority of these low-paid workers had no housing costs, or paid only nominal amounts. As many as three-quarters of the under 25s lived this way, paying small contributions, and most of the rest lived rent free. This is important for the workings of ETU since entitlements to the benefit will not count against Housing Benefit in work.

Tenure seemed much more closely related to life-course stage than to employment status. The large numbers of younger workers among single people (four out of ten were under 25), their very low wages and their lack of housing costs, all suggest a solid customer base for ETU among the young. Had the sample base been more contemporary, young workers might have been an even larger presence among such likely customers. However, the time-lag between sampling and interview left out those who, by 1996, had become 18 and 19; the youngest respondents were 20.

Though low paid, not all the workers had the kind of jobs that are usually thought of as low paid. Six out of ten certainly had jobs that lay recognisably at the bottom of the income distribution, dividing evenly into four groups: personal services, sales, plant operatives and 'other unskilled' jobs - the women concentrating in service and sales sectors, the men in operative and other unskilled jobs. The remaining four out of ten, however, divided evenly into three categories: craft workers, clerical jobs and even twelve per cent who were 'professional and managerial' workers - though many of the latter were likely to be self-employed and said to be earning little or nothing.

Broadly, low-paid workers seemed reconciled to the sort of work they did even without the possible advantage of ETU. Most actually liked their jobs and only a quarter said they were actively looking out for a new one. These jobseekers, however, said they would continue in the same line of work and sought wages only a little higher than their present wage - typically they sought less than £120 a week.

This suggests that the initial deadweight inflow to the benefit is likely to be composed of a stable population of low-paid workers who have little expectation of a better-paid job. Like Family Credit jobs, ETU jobs may lack a career structure (Bryson et al, 1997) - 70 per cent of the sample saw their jobs, one way or another, as 'dead-ends'. Added to that, seven out of ten said that, if they were seeking a new job, they would certainly be glad of some kind of 'wage top-up' if one were made available, sooner than hold out for higher wages. This was particularly true of those still in work and may have interesting outcomes for eventual take-up of ETU.

Earnings were low of course, as the sampling design intended, averaging just £100 a week for a 34 hour week, rarely supplemented by any other income: an average of just £3.00 an hour. Even taking out the relatively few part-time workers, average earnings rose only little. The best-paid group were women supporting husbands and even they managed only £3.40 an hour.

The sample of (claimant) unemployed individuals was drawn from the Departmental Central Index (DCI) at the Department of Social Security. The sample was taken from the medium-term unemployed, with 26-65 weeks of unemployment at the point of sampling. This duration-band constituted about 20-25 per cent of all claimant unemployed in each of the twelve ETU pilot localities. 1,991 interviews were achieved, representing an 81 per cent response rate among eligible sample members. By the time of the interview, just 64 per cent of the 'unemployed' sample remained unemployed and seeking work. The remainder either had jobs (16 per cent) or were too unwell to seek work (13 per cent); only a handful were in education or training.

3.2 Gender   The unemployed and workers-in-work samples differed substantially in their composition by gender. Fewer than one in three of the unemployed sample but nearly three in five of the workers-in-work sample were women.

3.3 Age   Because those with dependent children were excluded from the survey, it was expected that there would be an abnormally low proportion from the prime-age groups, when children are being born and raised, and that the sample would be concentrated among younger and older individuals. As expected, only 30 per cent were aged 25-44, but the sample was not markedly skewed towards younger people, with just under one-third of the unemployed sample being under 25. The shift was towards older age bands: 37 per cent of the sample was aged 45 or over. This age distribution may partly account for higher rates of ill health (see below).

3.4 Human capital[1]   Even compared with the lowest-paid workers, the unemployed had a poor accumulation of 'human capital'. They were (even) more likely to lack any qualifications (56 per cent) and, among the under 25s, to recall having persistently truanted from school (46 per cent). They had typically spent only one-third of the past five years in employment and the same proportion unemployed, indicating a very weak competitive position in the jobs market. Both ETU samples suggest a fairly severe level of educational disadvantage among low-paid workers and the unemployed.

3.5 Health   Health or ill health can also be considered an aspect of human capital since it may limit paid work in various ways, or be a source of discrimination. Persistent illness was common, reported now or in the recent past by a third of unemployed men and four out of ten unemployed women compared with a quarter and a fifth among employed men and women.

3.6 Households   The great majority of unemployed men were single: only three out of ten of them had partners compared with four out of ten employed men. Among women, even fewer of the unemployed (22 per cent) but more of the employed (48 per cent) had partners. More importantly, the majority of these partners were themselves unemployed. Whereas 61 per cent of the unemployed sample had no other employed person in their household, the proportion was only 42 per cent for the employed sample.

3.7 Housing   A very high proportion of single unemployed people lived with their parents - more than two-thirds of them did so. So many still lived at home, especially the men, and so many of the rest were older, that the housing tenure profile of low-income people without children is very different from those with children. Four out of ten of the unemployed

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[1]   Human capital is a term used by economists to describe the skills, capacity and abilities possessed by an individual which permit her or him to earn income.

and a quarter of the workers-in-work were social tenants, far fewer than low-income families with children.

4 Job search activities and networks

There was a relatively low level of job search activity among the unemployed sample; 18 per cent were in a job or waiting to take up a job by the time of interview; 57 per cent were still claiming benefit and actively seeking a job; but 26 per cent had not recently been actively seeking paid employment (includes seven per cent who were 'unemployed' but not claiming). The inactive proportion was 22 per cent in the case of men but 36 per cent for women. Even after excluding those on disability benefits, there were quite high proportions not seeking work (13 per cent of men and 23 per cent of women).

Of the economically active, there were quite high proportions making only a few job applications or none at all. There were strong indications that the social networks of the unemployed sample contained fewer employed people. If, as might reasonably be assumed, employed friends are more useful for providing information about job vacancies, then the unemployed sample was evidently at a disadvantage since so many of the people they knew were themselves out of work.

5 Labour Market behaviour and outcome

For the sample of unemployed people, the analysis tested several multivariate models. The main purpose of the analysis was to test the capacity of the sample, and the survey measures used, for assessing the issues of interest to the ETU evaluation. Several 'time models' were estimated to examine the current determinants of economic activity; the rate of entry into employment; job-search intensities; and wage expectations.

5.1 Economic activity or inactivity

The extent of economic activity was low compared with other studies of unemployed people. The model indicated that economic activity was depressed by high rates of ill-health among the unemployed sample. Women were also less active job-seekers, especially those with access to some non-waged income other than partner's earnings. Men's activity was increased by a recent history of temporary work and raised further among those reporting frequent social exchanges.

5.2 Entry into employment

A minority of the unemployed sample (14 per cent) had found paid employment by the time of their interview (two per cent more were self-employed). Among those free from sickness, the strongest influence on early work-entry was recent employment experience, suggesting again that employers rely on work histories in judging suitability for employment. In contrast, 'human capital' factors were weak. Women who were economically active tended to obtain work more easily than did men, especially if they had a non-working partner. The latter runs counter to research with less geographically-restricted samples. There was some evidence that those in ETU pilot areas (Scheme A and B) were moving into work faster than in the control areas, though other evidence

dampened speculation that this might be some kind of 'anticipation effect'. It seemed more likely to suggest that ETU Scheme B areas had somewhat more attractive or efficient labour markets for low-wage workers.

5.3 Job search intensity

The estimated model simultaneously contrasted those making 'moderate' numbers of job applications (one to five a week) with those making none, and those making 'high' numbers (more than five) with those making none. Moderate rates were associated with younger unemployed people and those who had less access to non-wage income or lower wage expectations (see also below). Higher rates of job applications were, in turn, influenced by better education, experience both of training schemes and more continuous employment, and by age.

5.4 Wage expectations

Wage expectations were carefully measured. Amounts sought in new employment averaged £122 a week overall, higher in fact than the average take-home pay earned by the parallel sample of low-paid workers-in-work. Controlling for other factors, wage expectations were lowest in ETU Scheme B areas and highest in Scheme A areas (£116 vs £127). For the practical efficiency of the new benefit, this difference is the wrong way round: A-area jobseekers will more often pitch their wage expectation beyond the scope of the eligibility rules compared with B-area jobseekers who will bring lower expectations to more generous entitlement levels. But the difference is not large and it remains to be seen quite what they do get if and when they start work in 1997. Other influences on wage expectations were as expected, with higher values associated with better education, people with driving licences, and people in the middle years – who of course are relatively few among a sample of people without children. Debt was also important: an overhang of debt forced people to look for higher wages in work than they may be able to find. Previous studies of Family Credit have also shown debt to be a disincentive to work.

6 Financial incentives among out-of-work households

The analysis estimated who among the continuing unemployed would be better off in work at their preferred wages, who would then be entitled to apply for ETU and who would not, and what difference ETU would make to the 'better-off' estimates for potential applicants currently out-of-work. In all of these estimates, continued (though reduced) entitlement to other benefits, typically Housing Benefit, and receipt of other non-wage income was taken into account alongside their minimum wage expectations.

6.1 Wages and final incomes in work

Even without ETU most unemployed people (87 per cent) would be have been better off in work (all other entitlements considered) at their preferred wages, while 13 per cent would have made a loss from work. They would be an average of £44 a week better off. The unemployed were prepared to work full-time hours, on average, for the equivalent of less than half average hourly earnings for their area. They sought a final

income gain of around £40 per week if they did not have partners, and about £60 if they did.

Under Scheme A, half those currently out of work would have qualified for ETU in work at their expected wages, while under Scheme B, the proportion was nearer two-thirds. The addition of ETU to preferred earnings would have left almost everyone considerably better off in work than out of work. This offered a wide margin for further reductions in wage expectations: people's preferred total incomes in work could be maintained at an average wage of £80 a week; only £20 a week would still see the average jobseeker in profit if ETU was added to their in-work income. The apparent ease with which margins in work were maintained in this way was due to the relative absence of housing costs (see also next page). This is not to say that, in every case, housing costs would <u>remain</u> absent if they had got a job.

Finally for the unemployed, an analysis was carried out of their expected incomes in work, disaggregating their expected wages (less any recurring in-work expenses), their continued benefit entitlements, and any other income they expected to receive. Respondents estimated their future prospects in work and how they might respond, in their own view, to the introduction of some form of wage supplementation.

Prior to ETU, four additional sources of income appeared in people's calculations of their total incomes in work: partner's earnings, Housing Benefit, Council Tax Benefit, and pensions. Expected in-work expenses were high with a median value of £19 a week. Only a quarter of renters expected any Housing Benefit in work. On average, 87 per cent of their total expected income in work was sought from wages alone.

Gains from work were expected to be £67 a week, though downwardly adjusted to £49 a week after in-work expenses such as travel. Most people judged accurately the extent to which their expected total incomes in work would leave them better off compared with their current out-of-work incomes.

This combination of low wage expectations (compared at least to average earnings, for example) that still leaves those who attain them relatively much better off than their out-of-work incomes <u>and</u> commonly in scope of ETU, creates an interesting tension: will they lower their expectations still further when the benefit is actually available? We can only point out now that these wage expectations were designed to reflect a 'rock bottom' position. These levels also reflect some of the latest offers they are likely to encounter from employers. The 1997 levels will show us what they chose in the event.

Two thirds of jobseekers said they would accept a 'top-up' to their wages if one were available while the remainder hoped to be free of subsidy-

level wages. Among the potential jobseekers who gave a minimum acceptance wage, just under two thirds (63 per cent) said they would accept a wage lower than their earlier income, plus the new top-up, leaving 37 per cent holding out for their minimum wage.

The sample of employers was drawn from the British Telecom 'Connections in Business' database. The study consisted of a telephone survey of 2,400 employers, 200 in each of the twelve ETU pilot areas, representing a 78 per cent response rate from those approached. The survey covered all industrial sectors but care was taken to obtain a sufficient number of interviews in those industries within which lower levels of pay are known to predominate. The survey was also structured to provide an adequate representation of large as well as small establishments. The re-weighting of the data allowed an analysis of the workforce (employment) as well as the employing unit (establishment) to be undertaken.

The majority of establishments were in the private sector. Public sector employers tended to be much larger on average. Most employers serviced customers locally and only three in ten were part of a national operation. Half formed part of a larger organisation and a tenth of those interviewed were themselves the Head Office branch.

The survey concentrated on the employment of three typically low-paid job groups: semi/unskilled; skilled/craft; and clerical/sales. Half the employees in these key categories were women. There was considerable evidence of horizontal occupational segregation by gender, which is the disproportionate representation of women in certain occupations. For example, women formed the majority in clerical/sales jobs while the majority of skilled/craft employees were men. Most employees worked familiar 37-38 hour weeks on average. But about one in ten worked less than the ETU threshold of 16 hours per week: these were predominantly clerical/sales or semi/unskilled workers; those in establishments with less than five employees; and those in hotels/catering, education or 'other service' industries.

Employers were asked to name the important influences on their wage-setting policies. The greatest influence mentioned, and one of considerable importance for ETU, was simply the pay individuals were willing to work for - three in five establishments mentioned this. Half were also influenced by the pay offers of other local employers. Overall, about a quarter of employers had to follow Head Office direction in wage-setting, which will tend to blunt any local wage-effect of ETU in their cases.

The average wage offers quoted were much higher than those earned by workers in the employed sample (chapter two) or sought by the unemployed (chapter three), probably because the sample was not restricted to low-paying industries. Wage offers ranged, on average, from £4.20

an hour for the semi/unskilled to £5.07 for clerical/sales employees and £6.74 for skilled/craft workers. But there were quite wide variations within job groups: half the semi/unskilled employees, three out of ten clerical/sales workers and 14 per cent of the skilled/craft workers were paid less than £4.00 an hour.

8.5 Recruitment and turnover

Establishments generally had greater autonomy in their recruitment policies than in wage-setting, though still 43 per cent of local branches had to follow procedures laid down by their Head Office. About a quarter of employers reported difficulties in recruitment over the past twelve months, rising to four out of ten among larger employers. Skilled/craft workers were the hardest to recruit but semi/unskilled workers only a little less so.

Low-paying industries are traditionally associated with high job turnover. There was considerable turnover of unskilled employment, with the majority of firms both recruiting and losing at least some of these staff in the past year. An important factor associated with the turnover rates in all three job types was the proportion of employees paid less than £4 per hour: as the proportion of low-paid employees rose, so did the rate of job termination.

8.6 Social Security benefits

There was a high level of awareness of in-work benefits among the employers surveyed: about three-quarters of employers knew about them in principle and, when prompted, almost all employers had heard about Family Credit, for example. On the other hand, only about a third of employers had any actual experience of dealing with in-work benefits or advising their employees about them.

Employers' own attitudes towards social security benefits were particularly interesting. Half had no doubt that benefits for unemployed people created difficulties for recruitment. In contrast, of those who had some experience of in-work benefits, over a third thought that they had made it easier to recruit to low-paid grades. But over two out of five thought that in-work benefits made employees unwilling to work overtime and made some want to decrease their hours of work. A quarter of employers with experience of in-work benefits thought that such benefits had helped to keep their wages down. Significantly, nearly half of those with no previous experience of in-work benefits thought they could have this effect. Such views were more common among smaller establishments who were more likely to have local autonomy over wage-setting.

9 Area comparisons

9.1 The ETU pilot areas

During the initial phase of the ETU pilot scheme, most of the recipients would have had their jobs some while. In fact this is likely to continue to be the case, as it is with Family Credit, many of whose customers come within range of benefit through a temporary trough in earnings. First indications from DSS statistics indicated that fewer than a fifth of applications were from people newly arriving in work from a spell on

benefit. It is important therefore to compare the workers-in-work sample for differences that may influence the take-up of benefit in Scheme A and Scheme B areas or that might distort some of the differences in behaviour seen in the pilot areas compared with the control areas.

In terms of the size of the key ETU related categories (working 16+ hours, over or under 25, singles and couples) the three areas did not differ at all. Nor were there any differences in key background variables such as housing tenure and educational qualifications, present wages or expected/acceptance wages. The only really significant differences to emerge seemed fairly idiosyncratic and not part of any systematic pattern. For example, control areas together had more people claiming disability benefits and more people working in health-related occupations too. The local labour market analysis shows that South Wales (the largest C area) had outstandingly large numbers of people of working age reporting long-term sickness and very low activity rates altogether among men of working age. The Scheme B areas had more people in catering and more trade union members.

This relative similarity between the Scheme A, Scheme B and control areas, however, conceals wide differences between the twelve individual areas. Some differences are to be expected: they were designed into the study in choosing contrasting urban and rural areas, for example. But others remain and some of them are very puzzling.

The local labour market analysis described Southend as an atypical seaside town, 'more like the London subdominants', with many commuting to London or to the large Ford factory at Dagenham. Unemployed in Perth also lagged well behind the average and, together with North Wales, had net gains in employment levels contrasting with net losses in the major urban areas like Newcastle. The urban areas and towns still suffer the greater unemployment overall. Newcastle has much lower unemployment levels than the other urban areas but this initial surge of claims from places like Sunderland and Newcastle was not coming primarily from the unemployed. The greatest relative loss of employment occurred in the area responding least to the benefit: Southend. Here though, we noted that it was non-employment, especially among older workers, rather than jobseeking unemployment that was the problem. Among those in work, like other 'Home Counties' places including the southern control area of Southampton, earnings were higher than elsewhere. The lowest earnings were in the rural areas, but not of course, the highest take up.

Both the field survey data and the IER analyses pointed to the same conclusion: there were no simple or obvious patterns across the four area types, the three ETU groups (A, B or C) or the twelve geographical locations, except the rather obvious differences between major urban areas and large towns on the one hand, and seaside areas and rural areas on the other, that were designed into the pilot in the first place.

10 Conclusions   The baseline surveys were conducted before the introduction of ETU among possible customers of ETU and employers. The tentative conclusions drawn from the findings suggest that:

o   housing costs would not create a barrier to the work incentives created by ETU, that is to say, awards of ETU would not simply replace otherwise continuing in-work entitlement to Housing Benefit;

o   the introduction of ETU could increase the scope for people to lower their wage expectations, often by significant amounts;

o   dead-weight costs would be seen after the introduction of ETU as medium-term unemployed people and low-paid workers were already in a position of being better off in work without an additional top-up;

o   evidence from the employers survey did not oppose the idea that the availability of ETU would influence recruitment and wage-setting.

1 THE ETU PILOT EVALUATION

1.1 Overview   This chapter provides a brief overview of the ETU pilot evaluation. First, it provides a description of the ETU pilot itself and the main features of the new benefit. This is followed by a description of the programme of evaluative research and its aims and objectives. The chapter closes by outlining the structure of the remainder of the report.

1.2 ETU pilot   Since 1971, many working parents of dependent children have been able to receive additional income from social security benefits on top of their wages from work. Family Income Supplement, until 1988, and then Family Credit have provided such payments under increasingly liberalised qualifying rules. Now 800,000 parents working 16 hours or more each week receive an average of more than £50 a week from in-work social security payments. Additional allowance is made for some childcare costs and in favour of maintenance payments, and some entitlement to passported benefits, such as free prescriptions, is retained in work. Research has shown that Family Credit is effective in providing families, especially lone parents, with incentives to work and in helping people with dependent children enter or remain in the labour market (Marsh and McKay, 1994; Finlayson and Marsh, 1997).

The pilot of ETU first examines whether in-work social security assistance of this kind would be effective for people without children, and secondly whether it would be effective for all low-paid workers, irrespective of whether they have dependent children or not. Extending in-work benefits on a national basis to all those on low earnings has significant public expenditure consequences and, as yet, uncertain results. The Department of Social Security decided to evaluate the effectiveness of ETU by piloting the benefit from October 1996.

The programme of evaluative research was designed to compare eight pilot areas with four more areas chosen as control areas of corresponding type. Each of these twelve areas is based on a distinct 'travel-to-work' area, or several such areas joined together. The 'pilot' areas had been selected where ETU was likely to have the most impact: areas with high levels of unemployment; a high number of job vacancies; and a high proportion of vacancies which are low paid.

Two different rates of benefit (Scheme A and Scheme B) were tested for each of three distinct groups of people, to assess which benefit is the more successful in meeting its objectives, and the most cost effective. The groups were:

- couples;
- single people aged 25 and over;
- single people aged 18 to 25.

Within each area group - A, B and C - four areas reflect different labour market types. These area types are:

- major urban area;
- large town;
- seaside area;
- rural area.

The pilot areas are listed in Table 1.2 by their area group and area type.

1.3 Earnings Top-up

There are two main objectives of ETU:

- to test the effectiveness of providing an incentive for unemployed singles and couples without dependent children to take work of 16 hours or more a week, without worsening incentives for others;
- to test the effectiveness of providing an incentive for those on low incomes to stay in work by raising their incomes relative to out-of-work support, without reducing their hours of work.

(Department of Social Security, 1995)

ETU is an in-work benefit for people on a low income who have no dependent children. ETU is available to those aged between 18 and 64 (inclusive) but not full-time students. It is available to employees and the self-employed who work at least 16 hours a week. It is payable for jobs of at least a five-week duration. ETU is normally paid at a fixed rate for a period of 26 weeks. ETU is not available to those with savings of more than £8,000. A credit (worth £10.55 in 1997/98) is payable in addition to ETU for those working 30 hours or more a week.

ETU is only available in the pilot areas: four areas receive Scheme B at a higher rate and four other areas receive Scheme A at a lower rate. There are different rates for couples and single people (Table 1). The maximum amount of benefit payable is reduced by 70 pence for each pound of income over the threshold.

Table 1.1   ETU credits and thresholds - 1997/1998

	Single 18-24	Single 24 & over	Couple
Scheme A			
Credit	£23.35	£28.75	£47.65
Threshold	£49.45	£59.70	£77.15
Scheme B			
Credit	£23.35	£28.77	£57.50
Threshold	£77.15	£77.15	£77.15

Credit:The maximum amount of ETU payable

Threshold: People earning below this threshold are entitled to the credit shown

1.4 Design of the ETU pilot evaluation

The ETU pilot evaluation consists of a comprehensive programme of research, comprising a number of inter-related strands:

- Field surveys of low-paid workers.
- Field surveys of the longer term unemployed.

- Surveys of employers.
- Analysis of official administrative statistics.
- Studies of local labour market conditions.
- In-depth interviews with key participants.

Each of these strands is described in more detail in Appendix A.

The basis of the research design rests on direct observation of the labour market in all twelve test and control areas at several points in time over the three year period of the pilot. Relevant changes in the behaviour of workers and their employers, or even by self-employed people, occurring in the eight pilot areas but not perhaps in the four control areas, may be attributable to the effects of the introduction of ETU.

At this stage, no inferences can be made about the progress or implementation of ETU. This is because the first period of research covered the months prior to the introduction of the benefit in October 1996, and was intended to be a pre-ETU baseline. This period is the sole subject of this report, except for some preliminary figures indicating the initial take-up of the benefit itself.

The pre-ETU baseline surveys established the characteristics of three key actors:

- potential customers of ETU already in low-paid work who would become eligible to apply as soon as the benefit became available, provided of course that they still had their jobs (Workers-in-Work Survey);
- potential customers of ETU who were unemployed in the medium term prior to the introduction of the benefit and who might be tempted into work, perhaps on wages lower than they might otherwise have contemplated accepting, provided they had not already accepted one (Unemployed Survey);
- employers in the pilot areas, to establish their characteristics and current employment practices which, in the eight pilot areas, might change following the introduction of ETU (Employers Survey).

The pre-introduction phase also included analysis of the socio-economic and local labour market profiles of the twelve study areas, using mostly data from the 1991 Census of Population, unemployment statistics and the Census of Employment/Annual Employment Survey. The pilot work and sampling procedures developed and used in the baseline surveys are described in Appendix B.

Table 1.2 ETU pilot area groups and types - geographical areas

	Scheme A Lower rate	Scheme B Higher rate	Control areas ETU not available
Major urban area	Newcastle-upon-Tyne	Sunderland	Middlesborough, Hartlepool and Stockton
Large town	Barnsley, Castleford and Pontefract, Wakefield and Dewsbury	Doncaster	Rotherham and Worksop
Seaside area	Southend	Bournemouth	Southampton and the Isle of Wight
Rural area	North Wales: Bangor and Caernarfon, Conwy and Colwyn, Denbigh, Dolgellau and Barmouth, Holyhead, Porthmadog and Ffestiniog, Pwllheli, Shotton, Flint and Rhyl, Wrexham.	Perth and Crieff, Dumbarton, Stirling	South Wales: Hay on Wye, Brecon, Llanwrtyd Wells, Tredegar, Ebbw Vale, Pontypool, Monmouth, Abergavenny and Crickhowell, Cwmbran, Llanelli, Burry Port, Llandeilo and Llandovery.

1.5 Objectives of the ETU pilot evaluation

ETU was introduced as a three year pilot scheme in October 1996, with the following aims:

○ to assess the effects of ETU support in raising net income, taking account of the impact of changes in the number of hours worked, the effects of other in-work benefits, labour recruitment behaviour, the impact on the distribution of wages and hours, and any effects on employers' wage setting behaviour;

○ to assess the impact of such help in encouraging low income workers to get and retain work and, in particular, on outflows from unemployment;

○ to assess the aggregate effects on employment and unemployment;

○ to identify the likely effects and impact of extending ETU as a benefit nationally;

○ to assess the relative effectiveness of the two ETU models (Scheme A and Scheme B).

(Department of Social Security, 1996)

1.5.1 The main questions for research

In particular, the main questions for the evaluative research included the effects of ETU both on work incentives and on wage rates, and grossed-up estimates of the likely effects of the new benefit on employment and unemployment if it were to be introduced nationally.

1.5.2 Incentives among workers and the unemployed

How effective is ETU, in each test version, in raising net incomes from work among the low-paid compared to their incomes out-of-work, and by what amounts?

How effective is the benefit in improving the labour supply at very low wages? Does it encourage more of the unemployed into work? Does it allow more to stay in work longer at lower wages? (It is particularly important to accept that in-work benefits are every bit as effective if they *keep* people in work even if they recruit relatively few from unemployment.)

Exactly what role does ETU play in the transition from unemployment to work?

Will ETU encourage people working long hours on low wage rates to work fewer hours in order to qualify for the benefit?

What is the take-up rate: what proportion of eligible workers will receive the benefit? Take-up itself (the total, not the rate) may be considered a good guide to the performance of the new benefit. In carefully-chosen local labour markets, these numbers may be grossed up to national levels, allowing a discount for the higher levels of local opportunity for low-paid work that informed the original selection of areas for the pilot, estimates of temporary inward migration or forestalled outward migration, and which version of the benefit is chosen. However, the demographic and labour-market match between the pilot areas (Scheme A and Scheme B) and between the pilot areas and the control areas will not be sufficiently reliable to provide a secure test of efficiency based on take-up totals alone. Probably the best test of efficiency between the two variants of the benefit will be estimates of the penetration, or the take-up *rate* – that is, what proportion of eligible workers claim their entitlement?

1.5.3 Will ETU depress wage rates?

The pilot will test whether employers respond consciously to the introduction of ETU by reducing existing wage rates. But if, over the period of the pilot, ETU encouraged more people to come forward for the lowest-paid jobs, and this surge of cheaper labour placed a restriction on increases in wages rates at the bottom of the labour market, then there is a sense in which ETU would subsidise employers rather than workers. This is true even though a net saving may still result from the introduction of ETU if the benefit helps more people to remain in work who would otherwise be claiming Jobseeker's Allowance or Income Support. However, if money flows into wage supplementation at a gathering pace in this way, the implications for public expenditure are considerable. This is especially so if large numbers of workers earning a little more than the maximum thresholds allowed under ETU come into eligibility during the following years.

Comparisons between wages received by ETU recipients towards the end of the pilot period with those of otherwise eligible workers in control areas will be one measure of this effect. Comparisons with Labour Force Surveys, the Family Resources Survey and the New Earnings Survey

will also provide yardstick measures, as will the wages offered in notifications of vacancies to Job Centres in the pilot areas compared with the control areas. It is essential that the research gains a clear grasp of the potential 'wage effect' of ETU. Probably the best measure will be the use of administrative statistics, especially the trend in wages reported in Family Credit claims in the Scheme A and Scheme B areas compared to those reported in the control areas and elsewhere.

1.5.4 Will ETU reduce unemployment?

The research has to be sensitive to both natural fluctuations in unemployment levels that may occur and to possible displacement effects. Lone parents have been substantially assisted into work by Family Credit but remain vulnerable in the labour market. They typically prefer short hours work and they are vulnerable to childcare difficulties. So for that matter are the large number of married women with dependent children who also work short hours. A sudden increase in child-free, young workers able to accept wages even lower than those now accepted by many lone parents might simply 'substitute' work from parents to those with no children, with consequently higher amounts of Income Support and Jobseeker's Allowance being paid to families out of work.

1.6 Structure of the Report

The remainder of this report provides results from the ETU baseline surveys conducted in 1996 before the introduction of the benefit. Chapter Two presents a descriptive profile of the low-paid workers-in-work in the twelve pilot areas. Chapter Three describes the unemployed sample, together with some comparisons with the parallel sample of employed people in Chapter Two, and, at some points, with earlier surveys of unemployment. The labour market behaviour of the sample is considered in some detail, as is any likely financial gain from working and claiming ETU. Chapter Four reports findings from the baseline survey of employers, giving a descriptive account of employers' employment practices and awareness of social security benefits in the pre-ETU period. A comparison between the twelve pilot areas chosen for the evaluation and initial take-up of ETU in the pilot areas is presented in Chapter Five. The future expectations of both workers-in-work and unemployed samples covering employment and benefits is considered in Chapter Six, together with a first look at who might claim ETU. Finally, we draw some tentative conclusions in Chapter Seven.

2 DESCRIPTIVE PROFILE OF WORKERS-IN-WORK

2.1 Introduction

One of the objectives of ETU is 'to improve the incentives for those on low incomes to stay in work, by raising their incomes relative to out-of-work support, without reducing their hours of work' (DSS, 1995). ETU will be every bit as effective as an incentive to work if it helps low-paid people stay in work as it would if it helps out-of-work people enter work. Thus both of these are stated objectives of ETU. To evaluate the effectiveness of ETU in helping people remain in work, samples of low-paid workers-in-work were interviewed before the introduction of ETU in the eight pilot areas and in the four control areas. By following these respondents over time, we will observe the impact of the availability of ETU on job stability and progression, on respondent's incomes, on the hours they work and on the mix of benefits relative to wages in those incomes.

Information on existing workers was vital if we were to learn more about the wider costs and benefits arising from the introduction of the benefit. ETU paid to existing low-paid workers could be interpreted as a 'deadweight cost': why did they need an incentive to do the job they were already doing? However, if these workers were able to remain in work longer, or progress to higher earnings more quickly because of the security of a higher income with ETU, or if ETU made them less likely to claim Income Support or Jobseeker's Allowance in the future, then such deadweight cost would be minimised or even turned to advantage. Careful comparison with control area respondents will be required.

2.2 The analyses

This chapter on the low income workers-in-work – the 'employed' sample – concentrates on a description of these workers' circumstances before the introduction of ETU. This descriptive analyses concerns mainly their economic status, marital status, age and sex. Respondents are divided into key low-earner 'customer' groups using these categories. These groups are then compared on a number of important dimensions – in educational achievement, housing tenure, income, their use of social security benefits, occupational group, industry, job tenure, satisfaction with current employment, and their wage expectations.

Data from this workers-in-work sample appear again in two subsequent chapters. Chapter Three describes the 'unemployed' sample with some important comparisons with the workers-in-work sample. A regional comparison of low income earners forms the basis of Chapter Five. Workers in different ETU area groups – where the benefit will be paid at different rates – with those in control areas are compared, to see if any key differences exist between these area groups, even before the introduction of ETU. Key factors which might account for differential rates of ETU applications in each area are assessed.

2.3 The sample The sample was selected using National Insurance records from the tax year 1994/95 to identify low earning employed and self-employed workers in the eight ETU pilot areas and four control areas (see Appendix B). This scan identified 14,700 likely low-paid workers. Early work had shown that the only practical way to confirm their low-paid status, and their potential eligibility for ETU, was to knock on their doors and ask them. A doorstep sift eliminated respondents who had dependent children, or who had moved on to higher incomes since 1995 or whose partners earned high incomes. In this way, a sample of 2,434 workers-in-work who were likely to be eligible for ETU, or with earnings on the margins of eligibility, was identified[2].

The doorstep sift required respondents to be out of work or to have *gross* earnings of less than £140 per week, or of less than £200 if they shared their home with a spouse or partner. Respondents with partners were excluded (regardless of their own employment status and earnings) if their partner earned £200 or more each week. These figures represent arbitrary boundaries for an earnings-population 'within range' of ETU that, at best, helps single people with gross incomes up to about £100 a week, and couples up to £150.

Respondents were sampled in each pilot area from postcode sectors covering roughly one-third (or 16) postcode sectors in each study area population, with probability of selection proportionate to the size of the population of interest. However, doorstep sifts revealed that the proportion of respondents who either met or failed the selection requirements were unevenly distributed across study areas. These differences produced uneven final response numbers from each area (see Figure B, Appendix B). Those earning less than the lower earnings limit for National Insurance purposes (equivalent to £62 per week in 1997/98) were necessarily excluded in this sample frame, although some respondents were earning less than this amount by the time we interviewed them.

Using individual records to identify eligible households which may contain couples where *both* partners had low earnings will have given couple households a disproportionately higher chance of inclusion. It is likely that more couples, and particularly dual-earner couples, appeared in our sample as a result, though the co-occurrence of low-earnings and eligibility for ETU will be rare.

Thus, both the small increase of couples and the relative under-representation of some areas will be corrected by weighting in the final analyses. The calculation of such weights in this study is complex and involves some careful re-investigation of the NIRS file. In the present

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[2] In the following analysis, table bases are less than the total interviewed of 2,434 due to missing data on some variables.

analyses, such weighting has not been attempted. This is unlikely to make large differences to marginal values.

An important complication to the sampling strategy arises naturally from practical survey procedures: the gap between identifying low-paid workers from their 1994/95 earnings record and interviewing them in 1996 allowed many to remove themselves far from ETU eligibility. Some though were simply unemployed and these were kept in the workers-in-work sample out of interest. The opposite problem occurs with the unemployed sample, some of whom had returned to work by the time of interview. These too were retained. Just over a quarter of the respondents in the 'employed' sample whose characteristics are reported here were out of work at time of interview. Most of these (14 per cent of the sample) were claimant unemployed. Four per cent were unemployed but not claiming, three per cent were sick and three per cent were retired. Fewer than one in a hundred were studying full-time, on government training or 'looking after the home'. But all these exceptions add up: 71 per cent of the workers-in-work sample had jobs.

There is a difficulty in examining the joint employment status of couples caused by the sampling approach. Individuals were sampled and questions were directed to the respondent, regardless of their employment status or sex. Partner's employment and earnings details were recorded by proxy. A couple might contain a (currently) out-of-work respondent with a low-earning partner. It would be the partner's wage which would attract an Earnings Top up, if any, but questions about reservation wages and attitudes towards employment and top ups would be directed to the respondent. This is reasonable given our interest in why the respondent was out of work, but the answers would differ somewhat if we had asked them of the working partner in the same couple. In practice, however, the worker tended to be the respondent. In 80 per cent of couples where the man worked full-time and the woman did not, the man was the respondent. And in 93 per cent where only the woman worked full-time, the woman was the respondent. In most cases then, survey questions were directed to the appropriate person in the couple.

2.4 Who were the low income earners in ETU Evaluation Areas?

2.4.1 Employment status

The majority of those selected for the employed sample and of those remaining in low-paid work at interview were women. Table 2.1 gives a breakdown of the economic status of the employed sample – including those not in work. The table shows clearly that women were much more likely to have continued in work (81 per cent), while men made up the bulk of the newly unemployed, whether claiming benefits or not. Since the sample was drawn, a third of the men had lost their jobs, and one in five had moved onto out-of-work benefits. These proportions were halved among the women.

Table 2.1 Employment status by sex

Current economic status	Men	Women	ALL
Column percentages			
Full-time employed (16+ hours each week)[3]	48	70	60
Part-time employed	3	7	5
Self employed, 16+ hours each week	10	3	6
Self-employed, part-time	4	1	2
Government training	1	0	0
Claimant unemployed	21	8	14
Unemployed, not claiming	6	3	4
Full-time education	1	1	1
Temporary sickness (less than 6 months)	2	1	2
Permanently sick/disabled	1	2	2
Looking after the home	-	1	1
Retired	2	3	3
Other	0	0	0
Base	1052	1311	2363

A fifth of the men who were working were self-employed, compared to one in twenty of the women, and taking employees and self-employed together, it was interesting to note similarly small proportions of men and women working part-time (seven to eight per cent). More part-time working might have been expected among the women because more were partnered, and as we shall see, most of their partners had full-time jobs. Part-time work is unlikely to provide sufficient income on its own. It is more usual to find part-time work where it tops up household earnings than where it comprises sole household earnings.

Just over half the men were single, that is, living alone or not 'as a couple' with anyone, compared to just over a third of the women. Twice as many women (17 per cent) were separated, divorced or widowed than men (8 per cent). Nearly half the women were in continuing partnerships (42 per cent were married, six per cent in cohabiting relationships), as were four in ten men (one third of whom were married). The relationship between marital status and employment is shown in Table 2.2. Among men, the divorced, widowed and separated were the least likely to be in paid work. A similar proportion (46 per cent) were unemployed as were in paid work. Partnered and single men were equally likely to be in employment, although partnered men were much more likely to be in self-employment (26 per cent versus six per cent of single men). Altogether, more than a third of *working* men with partners were engaged in self-employment, much higher than the equivalent national average of 20 per cent (13 per cent for all men) (Campbell and Daly, 1992). One in twenty men with partners was sick or disabled.

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[3]   In this report, 'full-time' work in the context of in-work benefits covers work of 16 hours or more each week.

Table 2.2 Employment status by sex and marital status

Current economic status	Men			Women		
	Has Partner	Div Sep Widow	Single	Has Partner	Div Sep Widow	Single
Column percentages						
Full-time employed (16+ hours each week)	46	35	52	69	64	73
Part-time employed	3	-	3	9	7	4
Self employed, 16+ hours/week	18	11	5	4	3	2
Self-employed, part-time	9	4	1	1	1	0
Government training	-	-	1	-	-	0
Claimant unemployed	8	34	28	4	11	12
Unemployed, not claiming	6	12	5	2	2	3
Full-time education	0	-	2	0	1	3
Temporary sickness, <6 months	3	2	1	2	1	0
Permanently sick/disabled	3	-	1	2	4	1
Looking after the home	-	-	-	3	-	-
Retired	4	2	0	4	6	1
Other	0	-	0	0	1	1
Base	*406*	*83*	*563*	*625*	*219*	*467*

Women's employment status varied much less by marital status, with very similar proportions of partnered and single women in employment (around three in four) and few in self-employment (around one in twenty) – although single women were rarely in self-employment. Those with partners were more likely to be doing part-time work (ten per cent), although again this was a smaller proportion than among men with partners (twelve per cent). Those without partners were more likely to be claimant unemployed, while the handful of women 'looking after the home' all had partners.

Of course, as far as the effect of Earnings Top-up is concerned, differences between male and female employment patterns in couples are less relevant than the combined employment position of the benefit-receiving unit – that is, the couple. As far as eligibility for ETU is concerned, what matters is not whether those with partners are in work, but whether there is a worker in their benefit unit – which could be either themselves or their partner.

Employment participation among the couples was quite high, and was distributed fairly evenly between male and female partners. Taking the employment status of both partners together, only 13 per cent of couples contained no worker. Half (48 per cent) were dual-earner couples, and in four out of five such couples both partners were working full-time. A third of couples contained one full-time and one non-worker, and in these households, twice as many of the breadwinners were women as were men. This was quite an unexpected finding, and must relate to two facets of the sampling procedure used. Sampling was based on participation in low paid work - which more women do than men - which meant more of the workers in these couples were women than is

the case for all couples. Also the income distribution is truncated, which is likely to mean that among all single earner couples, this sample includes more of the lowest earning of them – those where the breadwinner is a woman.

Among the dual earners, a small number of couples (eight per cent) combined a full-time with a part-time worker (five per cent where the man was the principal breadwinner, and three per cent where it was the woman).

Most of the 18 per cent of couples without a full-time worker had no worker at all. A fraction (five per cent) contained one partner in part-time work while the other was out of work. In just four couples were both partners in part-time work.

2.4.2 Age

Age was a particularly important variable because the amounts of ETU available differ for those under 25. The sample comprised a working-age sample which excluded families with children, resulting in a bimodal age distribution for all respondents, with very few aged between 35 and 44 years. This age difference was also reflected in marital status, with the majority of respondents in couples aged 45 years or older, and the majority not living with partners aged under 35 years. The age distribution of the two groups by single years of age is given in Figure 2.1. The median age of those without partners (25 years) was half that of respondents in couples (50 years). Thus, there are two different populations: young singles and older couples.

Figure 2.1 Age distribution of workers–in–work sample, 1996

Age distribution of workers in work sample 1996

2.5 ETU 'customer' groups

The sample of workers was heterogeneous, divided in ways unfamiliar in the general population. This had some potentially important implications for how they would respond to ETU in terms of gender and age. It will be useful to reference the other characteristics of survey respondents against

a summary of these differences. Sample members were divided into ETU 'customer' groups by their key distinguishing features in terms of age, sex, marital status and employment (Table 2.3).

Table 2.3 Summary of sample sex, age, marital and employment differences

	Percentage of sample (%)	Base
Working 16+ hours		
Single male, under 25, working 16+ hours	7	165
Single male, 25 or over, working 16+ hours	8	189
Single female, under 25, working 16+ hours	9	213
Single female, 25 or over, working 16+ hours	12	283
Dual earner couple, under 45 years	7	174
Dual earner couple, 45 years or older	13	314
Man works 16+ hours, woman not in work	5	120
Woman works 16+ hours, man not in work	9	219
Not working 16+ hours		
Single male, under 25, not working 16+ hours	5	125
Single male, 25 or over, not working 16+ hours	7	165
Single female, under 25, not working 16+ hours	3	67
Single female, 25 or over, not working 16+ hours	5	123
Couple, no earner working 16+ hours or more	8	196

As far as eligibility for ETU is concerned the key employment distinction for customer groups is between those working 16 or more hours each week ('full-time') and those working fewer hours, or none at all. In practice, few worked part-time hours and such workers were grouped with the out-of-work.

The interaction between the bi-modal age distribution and marital status is also important. The very high concentration of single people in their early twenties needs to be recognised: individuals embarking on their working careers, whereas the majority of couples were nearing the end of them. The high concentration of couples were in their late forties and fifties (Figure 2.1). The age distinction drawn for the customer groups partly reflects these different distributions and is also pragmatic. The design of ETU creates an age division among single people between those aged under 25 years, and those who are older who receive a higher rate of ETU. The rules do not discriminate between couples of different ages, but in practice there were few couples where the respondent was younger than 45 years. Those younger tended to be dual earners. A distinction is drawn in Table 2.3 between younger and older dual earner couples.

Men and women experience the labour market differently: they approach it with different priorities at different stages of their lives. The market itself can discriminate between them in making jobs available in different industries, of different hours and for different rates of pay (Humphries and Rubery, 1995). A distinction is also drawn based on the gender of the principal breadwinner, where appropriate.

2.5.1 Non-dependent children In total, 12 per cent of workers-in-work were parents with co-resident non-dependent children (ie. aged over 18, or over 16 if not in full-time education). Parents of *dependent* children were excluded from the sample, but even having older children, some of whom may be potential ETU recipients themselves, may influence parents' labour market behaviour. The gender and age division above neatly identifies respondents most likely to live with their non-dependent children as older non-partnered women and older couples. Sixteen per cent of women aged 25 and over, living without partners, had co-resident children. The proportion was the same for both workers and non-workers. It is plausible that many of these women were once lone parents of dependent children. Some may have been previous Family Credit claimants, who left eligibility as their children grew-up. One in ten of the younger dual earner couples, and 28 per cent of the older dual earners had non-dependent children still at home with them. The gender distinction was important for single breadwinner couples: where the woman was the breadwinner, 27 per cent lived with their children compared to just 12 per cent where it was the man. Even 18 per cent of couples with no earner had non-dependent children present.

The following sections report key differences between the different groups in Table 2.3 in terms of characteristics likely to influence their response to ETU: education, housing tenure, occupational group, industry type, benefit receipt, earnings, net income and wage expectations.

2.5.2 Education and home background A key determinant of success in the labour market is human capital and the low-paid workers-in-work sample had a correspondingly low level of educational attainment. More than half the workers-in-work had no educational qualifications and just 10 per cent had qualifications at 'A' level or higher, including just four per cent with degrees. These figures compared unfavourably with the working population as a whole among whom only 31 per cent have no qualifications but 34 per cent have at least 'A' levels and 11 per cent have degrees (Office for National Statistics, 1998, page 89). There were considerable differences within the sample however, and even within groups. For example, Table 2.4 shows that 83 per cent of young single women had qualifications at CSE level or above, which is little short of the national figures for women aged 20-29 (ONS 1998). Although a relatively high proportion of respondents in couples out of work had degrees (nine per cent), these were one third of those reporting any qualifications. With the exception of young dual earners, more than seven in ten of the respondents from couples reported no qualifications at all.

Overall, younger respondents were more likely to hold qualifications, with particularly striking differences between younger and older women. Younger women were actually more likely to hold degrees than younger men, while older women had fewer degrees than older men.

Table 2.4 Highest educational qualifications obtained

	Base	Degree	'A' level	'O' level	CSE	None
Row percentages						
ALL	2,314	4	6	23	14	52
By employment status of respondent						
All respondents working 16+ hrs each week	1,528	2	5	24	15	53
Respondents not working 16+ hrs each week	786	8	7	21	13	52
By ETU 'customer' group						
Single male, under 25, working 16+ hrs	165	2	13	33	36	16
Single male, 25 or over, working 16+ hrs	188	6	5	24	19	46
Single female, under 25, working 16+ hrs	220	4	11	38	30	17
Single female, 25 or over, working 16+ hrs	286	1	4	23	12	60
Single male, under 25, not working 16+ hrs	110	5	14	30	29	23
Single male, 25 or over, not working 16+ hrs	147	11	4	27	11	47
Single female, under 25, not working 16+ hrs	63	12	19	31	22	15
Single female, 25 or over, not working 16+hrs	115	7	4	11	9	70
Dual earner couple, under 45 years	174	2	8	33	18	39
Dual earner couple, 45 years or older	320	1	2	13	2	83
Man works 16+ hrs, woman not in work	117	4	3	13	7	73
Woman works 16+ hrs, man not in work	219	2	2	13	7	75
Couple, no earner working 16+ hrs or more	180	9	3	14	3	71

The relatively high proportion of single respondents who fell among those no longer in paid work with degrees suggests that these men and women were students or recent ex-students doing part-time work when selected for the sample. They appeared in the sample largely because they were unemployed, not because they had a low earning potential.

Young cohorts of workers should be expected to be better qualified because qualification levels have increased in recent years. Achieving higher levels of qualifications now may mean little more for their job prospects than did the correspondingly lower rates of achievement for the older cohorts in the sample. Nevertheless, a high proportion of the young respondents in and out of work had at least one qualification, compared to the older workers. It seems likely that for the more qualified younger workers, their current low earnings were a more temporary phenomenon than they would be for older respondents.

2.5.3 Housing tenure

Another key determinant of employment prospects is housing tenure (Marsh, 1994). Surveys of the effect of Family Credit on low-paid families with children found that social security claimants of all kinds tended to concentrate in Local Authority and Housing Association accommodation. They contrasted with non-claimants (even eligible non-claimants) who were equally concentrated among low-cost owner-occupation even though they too were low-paid. The first group - tenants on benefits - showed persistently high liability to experience hardship compared with the non-claimant home-owners. Would this division hold true among low-paid people with no dependent children?

The tenure picture was blurred somewhat by the high proportion of respondents (38 per cent) who lived with their parents. Although the parental tenure is recorded, it seems less relevant than the fact that a third of those who lived with their parents said they made no contribution to housing costs, and the remaining two-thirds paid typically nominal amounts (two thirds paying £20 per week or less; just four per cent paying more than £40).

While £20 is not a large sum, it represented 23 per cent of the average income of those paying rent to their parents. Thirty eight per cent were paying more than a quarter of their net income to their parents, and one in ten claimed to be paying their parents more than half their income. But it was the non-workers who were most liable to giving up their income. Among those actually in work, a quarter paid more than 25 per cent of their income to their parents, and just two per cent paid more than half. On average, those living in their parents' home who paid, parted with 36 per cent of their income in order to do so. Respondents in work parted with 27 per cent of their income on average.

Three quarters of young men and women (under 25) were living with their parents and paying some rent to them in this way. Another fifth lived with their parents rent free. Those without jobs were as likely to share their parent's home, but were less likely to pay them.

Even six in ten of the older single men (aged 25 years and over) who worked, lived with their parents. The older women without partners had more varied housing tenures. A quarter paid rent to their co-resident parents, while one in nine lived with them rent free. Twenty eight per cent lived in their own rented accommodation, compared to 12 per cent of single older men. And 13 per cent of older women owned their homes outright, compared to six per cent of the men.

A third of younger dual earners rented and half were buying their homes – the group most likely to occupy their own accommodation, and be paying for it. Only five per cent owned their homes outright. Older couples were much more likely to own their own homes – including 43 per cent of those with no earner, a third of those where the woman was the breadwinner and a quarter where the man was the breadwinner (a quarter of whom also rented). Twenty two per cent of couples with no earner had mortgage payments to meet.

So tenure was less clearly linked to employment status among this sample than among families with children. Tenure seemed much more closely related to life-cycles. It was rare for the young and unpartnered to have left the parental home, and where they had, the destination was typically rental accommodation and often then on an informal and shared nature – cheap too. Home buying and outright ownership were largely the preserve

of couples in this sample. The benefit fault-line[4] was less visible, with a surprisingly high proportion (35 per cent) of outright owners who had slipped out of work, compared to a quarter of renters.

The findings for housing tenure are of the greatest significance for the likely effects of ETU. Prior to introduction, there was a view (Redmond and Sutherland, 1996) that eligible workers would retain large entitlements to Housing Benefit which would merely be *replaced* by new entitlement to ETU. Even these descriptive data for housing tenure show that this is not so.

2.6 Occupational group and orientation to work

Only 12 per cent of the workers-in-work sample were in professional or managerial occupations. These tended to be the older workers, still employed at the time of the survey (Table 2.5), but at least a quarter of out of work couples reported this occupational category for their last job. The largest group were personal service and clerical workers (17 per cent each) who were mainly women and plant operatives (14 per cent), where older male workers predominated.

The occupational categories of those without partners differed little between those continuing in employment and those out of work. Around a quarter of women were personal service workers. While clerical jobs were more common among younger women, and among those who supported their non-working partner, older women were more likely to work in sales.

There was surprisingly little difference between respondents' reported occupations in younger and older dual earner couples. Among those with continuing jobs, craft sector occupations were largely concentrated among young single men, perhaps through apprenticeships, and in couples where only the man worked.

Supervisory jobs were distributed fairly evenly across all groups at around a fifth (22 per cent) rising a little to 29 per cent among younger dual earner couples.

Pay periods reflected occupational divisions with six in ten workers being paid weekly. Monthly salaries were common (exceeding a third) for only two groups: non-earning couples, where a quarter were ex-professional and managerial workers; and young single women, where clerical jobs (such as secretarial work) were common.

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[4] The 'benefit fault line' is the hypothesised division within low-income families between those claiming income-tested benefits and living in social rented accommodation, and those not doing so who tended to be owner occupiers (Marsh, 1994).

2.7 Industry type Data on industrial location are limited to employed workers. They show a dominance of manufacturing and utility sector jobs and of work in distribution industries, especially among workers without partners. Three in ten young single men and one in five young single women worked in the manufacturing and utility sector, as did a quarter of older single workers. Another quarter of single workers worked in distribution.

A tiny percentage (four per cent) worked in construction industries, though these jobs were disproportionately found among men, particularly among single men out of work (11 per cent). Many jobs in construction are temporary and used by young men to fill time between more permanent posts. This may explain the higher proportion of construction industry jobs among non-workers compared to workers. It is also possible that some construction workers classified themselves as self-employed and thus were not asked the industry question.

Women were concentrated in the health sector (23 per cent of single women aged 25 and over and 23 per cent of women supporting a non-working partner). Interestingly, a quarter of dual earner couples reported work in this sector.

Table 2.5 Occupational group

	Base	Prof/ Man	Clerical	Craft	Personal Service	Sales	Plant operatives	Other low skill
Row percentages								
ALL	2241	12	17	11	17	13	14	15
Single male, under 25, working 16+hrs	165	7	18	23	13	9	15	14
Single male, 25 or over, working 16+hrs	186	14	9	15	14	8	22	18
Single female, under 25, working 16+hrs	217	9	24	4	26	20	13	4
Single female, 25 or over, working 16+ hrs	283	8	14	6	26	17	12	17
Single male, under 25, not working 16+ hrs	106	6	13	18	17	10	18	20
Single male, 25 or over, not working 16+ hrs	140	16	11	17	16	9	19	12
Single female, under 25, not working 16+hrs	57	8	24	2	24	22	12	9
Single female, 25 or over, not working 16+hrs	110	16	16	1	16	14	16	22
Dual earner couple, under 45 years	171	15	19	12	16	12	13	14
Dual earner couple, 45 years or older	312	13	17	11	19	10	13	18
Man works 16+ hours, woman not in work	110	12	16	20	8	11	18	17
Woman works 16+ hours, man not in work	211	10	24	8	14	17	8	20
Couple, no earner working 16+ hours or more	162	25	16	15	8	11	11	15

Although hotel and catering work accounted for fewer than one in ten of the sample, it was more common among young single men (15 per cent) and older single women (13 per cent).

Most employed respondents worked for commercial companies (72 per cent overall) with fewer than a quarter in the public sector. Thirteen per cent worked for a local authority/education authority, five per cent for a health authority, three per cent for a nationalised industry, two per cent

for national government, two per cent for a charity or trust and five per cent elsewhere. Public sector employment was disproportionately high among women sole earners in couples (39 per cent), older dual earners (38 per cent) and non-earning couples (36 per cent).

Among the 272 who were self employed in their current or most recent job, two-thirds owned their own firm. Such ownership was most common among dual earners and single women and least common among single men. Eighteen per cent were labour-only sub-contractors to other firms, 13 per cent worked for individual clients, and four per cent combined these practices.

2.7.1 Stability of employment and earnings

Most current workers (86 per cent) felt they had permanent jobs. This figure will be inflated slightly by a sampling method that selected them as having held onto work for at least a year already. Those most prone to report temporary jobs (lasting less than twelve months) were single men, men in couples with non-working partners and younger single women. Older women and those who were the sole breadwinner in couples were very unlikely to have temporary jobs (about three per cent, provided they still had jobs) when interviewed.

A quarter of the 'employed' sample were trade union members in their current or most recent jobs, although those who were out of work were less likely to have belonged to a union. Generally few single people belonged to unions, except for older single women (who, as we saw above, were concentrated in the health sector) – among whom 30 per cent were union members. In couples too, union membership was more common among women. Thirty-seven per cent of older dual earner couples and 42 per cent of women breadwinners reported union membership, compared to just one in five male breadwinners.

Roughly a third of all groups had weekly pay which varied from when they were last paid. The most common reason accounting for different rates of pay was overtime (for 55 per cent), and seven per cent were paid on a piecework basis, but 16 per cent said the variation was due to them working only when work was available. This means that at least seven per cent of the sample, and seven per cent of those currently in work, had varying pay for reasons almost completely beyond their control.

Among those with varying pay, the group for whom this variation was most often caused by overtime were young dual earners (74 per cent), while piecework was most common among young single women (15 per cent). Almost a quarter of older single men whose pay varied only worked when work was available. Those least likely to have this arrangement were couples where the woman was the sole breadwinner.

It is worth considering in a little more detail how overtime might impact upon ETU. In the assessment of income for an ETU application, earnings

over the six week period preceding the application were considered. If the person was paid monthly or every four weeks, three previous payment periods (that is, totalling to three months or twelve weeks, respectively) were checked. Paid overtime during this period will inflate earnings and result in a lower ETU entitlement. Extra pay for overtime may even draw the worker out of scope of ETU altogether.

One in five of the workers-in-work sample, with current jobs, did overtime which made their pay vary regularly. The questionnaire was designed to capture variations in pay from weekly to every nine to ten weeks. Around a third saw their pay fluctuate due to overtime every week or every other week. For five out of every six for whom it fluctuated, it did so at least once every six weeks. And half of the remaining one in six were paid four-weekly or monthly and had pay fluctuating at least every nine to ten weeks. So, in total two per cent did overtime which would most likely affect their ETU assessment, and the remaining eight per cent had overtime which might affect their claim if their overtime payments fell within their assessment period.

In total more than half of respondents (56 per cent) had received pay in the week they were interviewed which differed from the amount they were *usually* paid, due to overtime. Four-fifths (81 per cent) who reported such a difference had overtime pay included in their most recent earnings and said they were usually paid less than they got in the last week. They were better off at the time of interview to the tune of £25 on average (median £17). The remainder who had missed out on overtime in the week of interview, were used to receiving a larger combined pay packet. The mean amount of overtime pay among this group was £20 per week (median £17).

The role of overtime is thus not trivial for those for whom it is a regular feature of their pay packets. The maximum level of ETU payment varies by age, partnership status, hours of work and area, but starts at £22.75 for young single applicants at 1996/97 rates and £28 for older single applicants. The majority of overtime recipients were single and thus liable for overtime payments equivalent to substantial proportions of the maximum possible ETU payment. The average level of entitlement reported there (£20 to £25 depending on area) is not dissimilar to the levels of overtime pay reported in the week of interview. Across these people (one in ten workers) whose pay differed from its usual amount due to overtime, their income assessable for ETU purposes had either been inflated by overtime (median level of inflation: 12 per cent) or – more rarely – reduced (median level of shortfall in current wages: 12 per cent). Workers reporting overtime were found slightly less likely to be entitled to ETU[5].

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[5] Two thirds of workers in this sample would be eligible for ETU at Scheme B rates if they applied to their area of residence. Fifty eight per cent who reported fluctuations due to overtime would be so entitled. Combined earnings in the week of interview were used to estimate ETU entitlement. Which meant that the entitlements of nine per cent of working respondents were based on pay which was at variance from usual earnings due to overtime. For seven per cent pay was inclusive of overtime, while for two per cent, earnings excluded overtime which normally would be received.

So up to one in five workers had pay which fluctuated due to overtime and which might affect their ETU entitlement. Overtime might also have altered the balance of hours they worked and altered eligibility, if overtime hours in the assessment period exceed 15 each week, or entitlement, if overtime means hours fluctuate either side of the 30 hours which in 1996/97 qualify for an addition of £10.30 to maximum ETU. For one in ten, overtime was sufficiently frequent feature of their working lives to have altered their pay from its usual amount at the time of interview.

2.7.2 Job exits

Among the (now) unemployed, the most commonly reported reason for a job coming to an end was that the job had been a temporary one or had been taken on a fixed term contract (28 per cent). A fifth had been made redundant, four per cent saw their employer shut down and one in seven left due to sickness. Nine per cent retired – which accounts for the unexpectedly high proportion of pensioners in the sample (see Receipt of benefits section, below). Small numbers were dismissed (six per cent) while 22 per cent left for some other reason.

2.8 Receipt of benefits

As might be expected, benefit receipt (other than Housing Benefit) was low among workers, and high among those who had lost their jobs (Table 2.6). The exception was female older workers without partners, a quarter of whom received benefit – most commonly Council Tax Benefit (CTB) and widow's benefit.

Table 2.6 Receipt of benefits – per cent receiving when interviewed

	Base	Disability[6]	TA[7]	IS	UB	State Pension	Widow	Mat[8]	CTB	Any[9] benefit
Cell percentages										
Single male, under 25, working 16+ hrs	165	1	-	-	-	-	-	-	1	2
Single male, 25 or over, working 16+hrs	188	2	1	1	1	1	-	-	3	8
Single female, under 25, working 16+hrs	220	-	-	-	-	-	-	-	1	2
Single female, 25 or over, working 16+hrs	286	3	-	0	1	3	9	0	11	23
Single male, under 25, not working 16+ hrs	110	-	4	52	16	-	-	-	4	71
Single male, 25 or over, not working 16+ hrs	147	4	3	50	22	1	-	-	18	77
Single female, under 25, not working 16+ hrs	63	2	2	33	16	-	-	2	13	55
Single female, 25 or over, not working 16+ hrs	115	11	2	34	20	13	17	1	28	81
Dual earner couple, under 45 years	174	1	-	-	1	-	-	-	2	5
Dual earner couple, 45 years or older	320	3	-	-	0	5	0	-	1	11
Man works 16+ hours, woman not in work	117	4	-	3	6	11	-	1	9	50
Woman works 16+ hours, man not in work	219	4	1	1	11	21	-	-	4	70
Couple, no earner working 16+ hours or more	180	13	1	24	8	25	-	1	19	77

[6] Includes any disability or sickness related benefit.

[7] Government training allowance.

[8] Either of Maternity Allowance or Statutory Maternity Pay.

[9] Includes other benefits not included in earlier columns.

As noted earlier, a substantial proportion of these women were likely to have been lone parents of dependent children, a group known to have relatively high awareness of the benefit system[10].

Unemployment Benefit (UB)[11] was important for a sub-group of the single unemployed. The reasons for Unemployment Benefit not being more widely claimed were probably threefold:

- young respondents may have had insufficient National Insurance contributions to qualify for the benefit;
- they may have exhausted their entitlement and had to transfer to income-based Income Support;
- some would have failed to satisfy the entitlement conditions to either Income Support or Unemployment Benefit in that they were not seeking work.

Surprisingly high proportions of the out of work said they were not actively seeking work, ranging from three in ten of the out of work young single men and half of young single women to two-thirds of out of work older single women and three quarters of couples (where neither partner reported seeking work). These differences appear less stark if it is taken into account that, respectively, 13 per cent and 25 per cent of these last two groups now comprised pensioners.

Even so, those who had dropped out of the low-paid employment into *economic inactivity* show a marked reluctance to secure low-paid work.

Out of work young women were less likely to claim benefits than out of work young men, largely because of their reduced propensity to claim Income Support. This may be because these women had been out of work for shorter periods or because they had a poorer knowledge of benefits, or because they were more likely to rely on their parents for help. As Table 2.6 reports the findings for the workers-in-work sample, it is unwise to extrapolate these findings to the unemployed generally (see Chapter Three).

2.9 Wages, job satisfaction and wage expectations

ETU is designed to supplement low wages and so to increase participation in paid work, and to help keep low paid workers in paid work. It is intended to provide an earnings supplement in a way that preserves the incentive for a single person or a couple to undertake paid work and to be slower to return to unemployed benefits. It is important therefore to be precise about wages paid to the sample of low earners, and to examine

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[10] Although they were no more likely than other groups to have claimed Family Credit in the past.

[11] The ETU pilot evaluation baseline surveys were conducted before the introduction of the Jobseeker's Allowance in October 1996.

equally carefully how well this matches their own expectations of what such a job *should* pay. If there is a shortfall between earnings and expectations, the policy question becomes 'will ETU act to restore the incentive to work', if the labour market no longer provides it?

In the following section we examine the wages and total household incomes of low earners and, later, how well these matched their wage expectations. An analysis of the key determinants of earnings appears at Appendix D.

Table 2.7 presents a series of key measures of income for both individual respondents and for the benefit unit (b.u.) to which the respondent belonged. Many respondents shared their household with other people, such as their parents, with whom they were *not* assumed to pool their income. It is the net income entering the benefit unit which most closely reflects how well off respondents are in work. So in virtually all cases, the benefit unit income is the income of the respondent and his or her partner, if any.

Table 2.7 Summary of key economic variables

		Mean net weekly earnings in current work (£)	Mean hours worked each week		Mean current net b.u. income (£)	Benefit income (including Housing Benefit and mortgage interest)[12] (£)	Equiv.* income (£)	
	Base	Those in work			All respondents			Base
ALL	1522	102	34		125	36	153	2303
Single male, under 25, working 16+ hrs	161	113	38		115	0	189	165
Single male, 25 or over, working 16+ hrs	165	109	41		111	5	174	187
Single female, under 25, working 16+hrs	217	101	35		104	1	169	220
Single female, 25 or over, working 16+hrs	272	98	32		111	14	170	286
Single male, under 25, not working 16+ hrs	10	(64)	(11)		78	69	128	110
Single male, 25 or over, not working 16+ hrs	9	(37)	(12)		98	105	157	147
Single female, under 25, not working 16+ hrs	7	(55)	(11)		36	25	58	63
Single female, 25 or over, not working 16+ hrs	5	(47)	(10)		97	106	150	115
Dual earner couple, under 45 years	151	113	36		232	12	205	174
Dual earner couple, 45 years or older	262	100	35		195	14	180	320
Man works 16+ hours, woman not in work	66	110	41		143	45	125	117
Woman works 16+ hours, man not in work	190	102	30		138	58	123	219
Couple, no earner working 16+ hrs or more	7	(64)	(10)		74	74	68	180

*Equivalent income, taking account of household size

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[12] ETU was not a component of such income since it was not available at the time of the survey.

2.9.1 Earnings The workers-in-work sample was selected on the basis of a truncated wages distribution. The earnings threshold for the workers without partners was below £140 per week, while for each earner in couples it was £200 per week. Thus dual earner couples could have combined earnings close to £400 per week before they were excluded from the sample. In practice, only the younger dual earner couples approached such sums, and even for these couples, average combined earnings were just £226 per week. This is still a long way ahead of ETU at about £150 maximum earnings, but they were included as potential claimants because either they might lose a job or they may cease as a couple.

At face value, earnings were low, averaging £100 for those in work, a net hourly wage across the population of around £3.00 per hour (Table 2.7)[13]. The lowest full-time weekly earnings were paid to single men and male sole breadwinners, for some of the longest hours. The best paid were women sole breadwinners in couples, although even here the average hourly wage was £3.40.

The wage figures given in Table 2.7 for those not working full-time appear as much higher hourly rates of pay, but these figures are less reliable. High levels of hourly part-time earnings were not excluded from the sample, whereas high full-time earnings were, and the number of workers in each non-full time working group was low. This may account for more better-paid women in the sample, since they typically worked shorter hours.

When both members of a couple's earnings were combined, and benefits, other income and tariff income from savings included, net income figures could be estimated. For those without partners, net earnings and net income were virtually synonymous. Perhaps not surprisingly, dual earning couples had net incomes virtually double the earnings of the respondent alone. What was perhaps more surprising was the differing reliance on benefits within net income. The contrast between older and younger single women was particularly stark. Younger single women had very low use of benefits, even when out of work, whereas older women had the highest level of benefit receipt, in and out of work. Single earner couples made considerable use of benefits to supplement their one source of earnings, including Retirement Pension, Unemployment Benefit and Housing Benefit.

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[13] These group- and population-specific hourly wage rates were obtained by dividing mean weekly wages (eg. £102) by mean weekly hours (eg. 34). The resulting estimate is NOT the same as the mean of respondents' hourly wage rates. For example, the mean of all hourly wage rates is £3.37.

It was difficult to compare net income between different groups because it had to meet different needs within each benefit unit. In theory, a couple should need more income than a single person to meet their needs, although such assumptions have been recently questioned (see Berthoud and Ford, 1996) and ETU benefit amounts tend to discriminate more on age grounds rather than couple/single status. Using the McClements equivalence scale commonly adopted by the DSS (McClements, 1977), it was possible to re-estimate the value of income to a benefit unit based on the number of members who depend on it. The scale is applied to incomes net of housing costs, which are another major source of variation in need for income and which can be compensated by the benefit system. The resulting figures (given in the final column of Table 2.7) allows the relative value of different total incomes to be compared between groups.

Equivalising income in this way reduces the apparent differences between groups considerably – with one or two exceptions they had similar mean equivalent incomes. As expected, all groups out of work averaged equivalent incomes lower than their counterparts in work, particularly for couples and young single women. Among those in work, the position of *single earner* couples appeared to worsen, once housing costs have been netted out. Young *dual earner* couples fared best, while older dual earners and all those in work without partners had similar mean equivalent incomes.

2.9.2 Job satisfaction

Among a sample of such low earners, it might be expected that many would be looking to improve their incomes by seeking new jobs with higher wages, especially among the younger low-paid workers. If the rewards of work were not sufficient to justify the effort of working, and they could not secure a better income from a higher paying job (or a top up like ETU), sticking with the current job may no longer appear worthwhile. However, as this section shows, the majority of respondents were not seeking new jobs, and seemed to be content where they were.

Current workers were asked how much they liked or disliked the work they did in their job. Job satisfaction was very high: 43 per cent said they liked it very much, and 46 per cent said they usually liked it. Just seven per cent said they usually disliked it and five per cent said they disliked it very much. Women were more likely to say they liked their jobs than men. Fifteen per cent of single men disliked their jobs, along with 17 per cent of male sole breadwinners in couples, compared with 10 per cent of single women and five per cent of female sole breadwinners.

Among those currently in work, those who felt their jobs offered a path to better things tended to be younger. Young single men and women were much more likely to think their jobs offered prospects for promotion than older single men and women (44 versus 26 per cent for men, 38 versus 24 per cent for women). Young dual earners were twice as likely as older dual earners to feel this was the case.

Given reported educational differentials, such anticipation would seem a reasonable reflection of likely labour market prospects. Those who start out in low paid jobs are much more likely to feel they are at the bottom end of established and known career paths than those who occupy low-paid jobs at older ages. Nonetheless, fewer than half in each group held out the hope of such promotion, which means more than half (in fact, 70 per cent of the working sample) were in jobs which they viewed as 'dead end'. A parallel can be drawn here with the lack of job progression experienced by Family Credit recipients (Bryson and Marsh, 1995).

Perhaps surprisingly then, 62 per cent of workers felt they were in the kind of work they wanted to continue doing in the future. However, it was the young single workers who were least likely to want to stay in the same line of work (just 48 per cent of men and 49 per cent of women). Eighty per cent of female sole breadwinners in couples wanted to stay in the same line of work. Many older workers were nearing retirement age (some were already supporting retired partners) which would perhaps make career change a risky venture.

Consequently, very few older workers were actively seeking new jobs, ranging from six per cent of women breadwinners in couples to 27 per cent of older single men. A quarter of younger dual-earning couples reported seeking new work, as did 31 per cent of young single men and 37 per cent of young single women.

Table 2.8 Minimum acceptance wages and anticipated response to ETU

| | | Minimum acceptance wages (£) | Who would claim an earnings top-up (%) | |
	Base	Those seeking work	Those seeking work	Those not seeking work
ALL	690	£118	71%	73%
Working 16+ hours				
Single male, under 25, working 16+ hours	51	119	80	82
Single male, 25 or over, working 16+ hours	50	122	85	74
Single female, under 25, working 16+ hours	76	103	82	76
Single female, 25 or over, working 16+ hours	47	118	81	77
Dual earner couple, under 45 years	40	155	90	80
Dual earner couple, 45 years or older	48	119	89	70
Man works 16+ hours, woman not in work	12	93	60	71
Woman works 16+ hours, man not in work	11	111	63	69
Not working 16+ hours				
Single male, under 25, not working 16+ hrs	87	116	58	60
Single male, 25 or over, not working 16+ hrs	120	125	63	58
Single female, under 25, not working 16+ hrs	44	116	54	83
Single female, 25 or over, not working 16+ hrs	56	112	71	87
Couple, no earner working 16+ hrs or more	48	125	67	54

Those seeking new jobs were asked how much money they would need to be offered <u>in take-home wages</u> in a new job before they felt it worth taking. These 'target wages' were typically higher than current wages, averaging £166 across the sample. Only one in eight respondents quoted a target wage below the level of their current wage[14].

Respondents were then asked how easy it would be to find a job paying these wages in their area. Half (48 per cent) thought it would be very difficult, and most of the rest (41 per cent) thought it would be quite difficult. Just nine per cent thought it would be very easy or quite easy. Those of the majority who felt it would be difficult to obtain their target wage were asked what was the *lowest* amount they would be willing to accept in a new position. This minimum acceptance wage was much lower than the stated target wage in most cases, and averaged just under three-quarters of the target wage value.

Minimum acceptance wages[15] showed remarkably little variation between groups (Table 2.8). These typically averaged £120, with a typical standard deviation of £40. The comparable figure for lone parents (Finlayson and Marsh, 1997) was £132. The exceptions were younger dual earner couples who aimed higher and sole male earners in couples and younger single women in work, who aimed lower. There was generally little to distinguish between workers and non-workers in terms of wage expectations.

Those out of work produced a greater range of expectations than those in work (indicated by significantly higher standard deviations). There are a number of potential explanations, the first simply a product of in-work status: each worker has a current wage which will act as a reference when judging what they would accept in a new job. As discussed above, few will go lower than their current wage which places a lower boundary on their likely expectations, reducing the variance of estimates. A second explanation is that after time out of the labour market, non-workers were less able to put a realistic price on their labour, and varied considerably in their estimates. The third explanation is that unemployed people had a greater range of earnings potentials than workers, and that these potentials are reflected in their acceptance wages.

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[14] It may seem odd that anyone at all in work would name a figure lower than their current wage. But some interpret the question, realistically in many cases, as asking about the wage they would feel they could accept in a new job having *lost* their present one, rather than having given in their notice in favour of a better prospect.

[15] The minimum acceptance wage was defined as the target wage of those who thought it easy to obtain, and the minimum acceptance wage of the rest.

Each of these hypotheses is considered below:

The first explanation cannot be explicitly tested. But the distributions of
acceptance wages between the two samples are revealing (Figure 2.2).
These show the overwhelming similarity in the distribution of acceptance
wages. The statistically lower variation of the workers-in-work estimates
is thus hard to explain but appears due to a somewhat more pronounced
peak around the mean and somewhat lower proportions naming a figure
higher than £180 per week.

Figure 2.2   Acceptance wage by employment status

Acceptance wage by employment status

Acceptance weekly wage (mid-pont)

——— Not in work
—×— In work
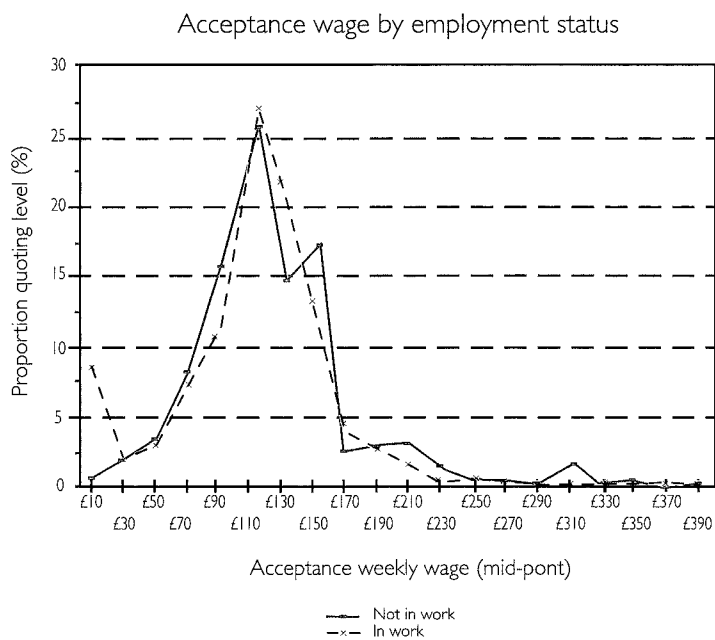
There is little evidence here to suggest a significant lack of low acceptance
wages by workers. Some appeared to work for nearly nothing (eight per
cent gave acceptance wages below £20). However, to examine the
hypothesis fully, current or previous wage information must also be taken
into consideration. Figure 2.3 shows how many respondents were
prepared to quote an acceptance wage very different from their current
or most recent wage. The graph plots the difference between current/
most recent wage and acceptance wage. So positive values indicate higher
acceptance than current most recent wages, negative values indicate lower
ones, and values close to zero suggest that respondents would go for an
acceptance wage close to what they were used to.

Figure 2.3 Difference between current/last wage and acceptance wage, by employment.

Difference between current/last wage
and acceptance wage, by employment

Current/last wage less acceptance wage

— Not in work
—x— In work
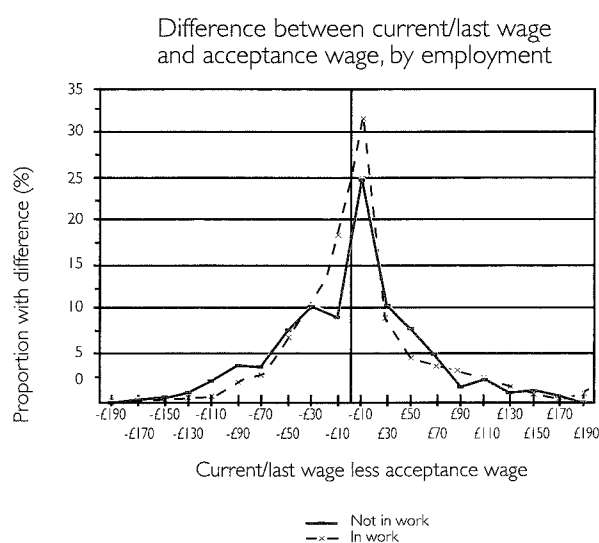
The graph shows that while rather more current workers were prepared to venture acceptance wages just below their current wage, this was part of a more general trend for workers to cluster their estimates around their current wage. Sixty nine per cent were within £40 of their current wage. Among non-workers, rather more were prepared to venture substantially higher or lower acceptance wages than had been their previous experience. Just 56 per cent quoted within £40 of their previous wage. Generally, though, there was very little evidence to suggest workers were more likely to quote above their current wage.

The second hypothesis suggests that acceptance wage-setting is a product of time out of the labour market. The influence on wage expectations of time spent out of work is considered alongside a range of other factors in Table 2.5. Once these other factors had been controlled for, time out of work had no significant effect. Among this workers-in-work sample, again, no significant correlation emerged between acceptance wage and time out of work.

This finding was robust to the definition of time out of work used, and to the subset being considered[16]. It therefore seems unlikely that there was a relationship between time out of the labour market and the level of acceptance wages.

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[16] The time in any non-work activity; in self-defined unemployment; as claimant unemployed were all considered. These durations were expressed both in absolute units - eg. total duration of the current unemployment spell, and as a proportion of all activity spells undertaken between 1991 and the interview.

Relationships were considered for the currently out of work (on each definition), and for the sample as a whole.

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The third explanation was that acceptance wages were related to earnings potential of respondents, and that the latter would have a wider distribution among the unemployed. This argument would be likely to apply to a comparison between the workers-in-work sample (selected from NI records of low earners) and the unemployed sample. After all, the unemployed were selected because they were not in (*any* type of) work, whereas workers were selected because they were in *low-paid* work. But the argument would seem less strong applied to the comparison between those in the workers-in-work sample who had stayed in work, and those who had fallen out of work since the sample frame was last updated.

Nonetheless, Table 2.4 suggests that more among those out of work had higher qualifications. And, certainly among the older non-workers in Table 2.5, more had last been working in professional or managerial occupations than was the case across the workers-in-work as a whole. These markers suggest a higher earnings potential existed among some of the out of work.

And this would seem to offer the explanation for greater variation in acceptance wages set by non-workers compared to workers. Table 2.9 illustrates how acceptance wages were much higher.

Whereas degree-holding workers in the sample tended to venture acceptance wages in the same order of magnitude, or indeed lower than those of other workers, among non-workers there was a tendency for people with degrees (perhaps who had recently acquired them) to stick out for higher acceptance wages. This was a significant difference ($z=-2.24$). Professional and managerial workers in the sample also tended to venture acceptance wages in the same order of magnitude as other workers. Again, among non-workers, there was a tendency for people with such former occupations to stick out for higher acceptance wages, but this difference was not significant.

Table 2.9 Acceptance wages of workers and non-workers by occupation and education

	Median	Mean	Base
Professional and managerial occupations			
Workers	120.92	111.50	21
Non-workers	140.00	144.71	45
Other occupations			
Workers	108.31	129.80	330
Non-workers	100.00	115.43	297
Degree holders			
Workers	100.00	94.09	23
Non-workers	125.00	147.26	34
Non-degree holders			
Workers	110.00	130.44	334
Non-workers	100.00	116.55	330

So it would seem that the principal reason why non-workers had more variable acceptance wages was because there were more among them who were well-qualified, or had experience of highly skilled work, who were not prepared to accept a low paying job to move into work. Undoubtedly there is a sampling effect at work here too. The sample frame reflected respondents' earnings position more than a year before interview. Since then, some of the better qualified workers among the sample (with their accompanying higher wage expectations) may well have moved into higher paid jobs. Those would have been eliminated from the sample by the doorstep sift. Thus the sift systematically eliminated some of those among the workers with higher wage expectations, but did not do so from among the non-workers.

2.10 Intention to claim ETU

A carefully-worded question asked respondents whether they would prefer to hold out for their minimum acceptance wage or to accept an even lower paid job supplemented by a 'wage top up benefit' (described as similar to Family Credit or Disability Working Allowance). Those in full-time work were simply asked whether or not they would prefer to top up their current earnings with such a benefit.

The final two columns of Table 2.8 give the proportions who said they would respond positively to the benefit. The response was strongly positive among the *employed*, but perhaps disappointingly lower among the out of work. This was particularly the case among those who were seeking work – a substantial proportion of whom said they would prefer to hold out for their minimum wage. The exception was older out of work women without partners, most of whom responded positively to the idea of ETU, especially those not currently seeking work.

Nonetheless a majority of all groups, and seven in ten overall, said they would prefer to combine ETU with lower wages (or with their existing wages) than hold out for higher earnings from work.

2.11 Summary

The field surveys in the ETU pilot areas located fewer of the lowest-paid workers-in-work than the sample design had specified. And those found and interviewed included a large minority who had lately lost their jobs or were doing other things. But those still in work appeared to be very much the kind of worker who would be within range of the new benefit to be introduced shortly after the interviewing ended. They were typically low-paid clerical, sales, service, distribution or unskilled production workers, earning an average of just £100 per week. A narrow majority were women. The exclusion of people with dependent children split the sample by age into young workers and the later middle-aged. The younger were typically single, the older were typically single-earner couples, often relying on women's wages. Relatively few were found in owner-occupation; most were low-cost tenants or lived with relatives, often their own parents.

This data on housing tenure led to an important finding: the majority of the low-paid workers had no housing costs and the rest contributed only small amounts. Few had the kind of housing costs that would see them carry into work large entitlements to Housing Benefit – certainly nothing of the order that would swamp the effects of ETU in providing new incentives to work. This means that their in-work incomes will nearly always be larger than their incomes out of work, and with ETU they will be larger still. This in part may account for their modest wage expectations in a new job and perhaps also their relative satisfaction of what many admitted were jobs with few prospects.

3.1 Introduction

The second main aim of extending in-work benefits to those without dependent children is to improve incentives to move into work of 16 hours or more a week (DSS, 1995).

This chapter provides analyses concerning the baseline ETU unemployed sample, together with some comparisons with the parallel sample of employed people (Chapter Two), and (at some points) with earlier surveys of unemployment. The results are preceded with a brief account of the design, sampling and fieldwork for this strand of the evaluation, and a brief comparison with other recent surveys of the unemployed. Descriptive results are then outlined.

As with the workers-in-work sample, there is a potential source of confusion which should be stressed at the outset. The 'unemployed sample' refers to those sampled from the Departmental Central Index (DCI) file as unemployed in April 1996. By that date, they had been claiming out of work benefits for more than 25 but less than 66 weeks. By the time they were interviewed for this survey (on average about four months later), many of them had obtained jobs, while others had moved into some form of economic inactivity. This movement mirrors the workers-in-work sample who were identified on a central record system (NIRS file) as employed during the preceding year, many of whom had become unemployed or inactive by the time of the survey. We will continue to refer to the 'unemployed sample' or to the 'employed sample' according to their original sample membership and not to their current employment status. The reason for this is simple: the samples were representative (within the limits set in each case) at the time of sampling, but this is not necessarily the case for any current economic activity status. Change in economic activity status is, of course, an outcome of the greatest interest in this study.

To illustrate and underline this point further, Table 3.1 shows the employment status at time of interview for the unemployed sample. This is broken down by gender and by marital status; it is comparable with Table 2.2 in Chapter Two. In the case of the unemployed sample, rather more have left their sampled status as 'unemployed' to employed, retired or something else, leaving just 64 per cent of the sample unemployed and seeking work at the time of the survey interview.

3.1.1 The analyses

There are two main reasons for considering the characteristics of the unemployed sample in a descriptive way. The first, as with any study of unemployment, is to obtain a preliminary view of the degree and nature

of labour market disadvantage likely to be experienced by the sample. The second is to consider how far the particular criteria for the ETU programme – that is, the exclusion of those with dependent children and the restriction of the sample to twelve areas of the country – affects other characteristics in the obtained sample.

It is, of course, essential for future analysis to have as comprehensive an understanding as possible of individuals' disadvantages, since these need to be correctly controlled in order to net-out the effects of ETU. Failure to understand and control them would lead to a biased analysis which could either over-state or under-state the impact of ETU. Further, the extent and nature of these disadvantages may help to explain issues such as take-up or non-take-up of the benefit. A descriptive exploration of the data helps to ensure that possible disadvantages or related influences are not overlooked.

Table 3.1 Unemployed sample: Employment status at time of interview, by sex and marital status

(column percentages)	MEN			WOMEN			
	Has Partner	Div/Sep/ Widow	Single	Has Partner	Div/Sep/ Widow	Single	ALL
Employed (16+ hours)	10	3	13	23	4	13	11
Employed (<16 hours)	1	3	1	8	7	7	3
Self-employed	3	1	3	2	0	1	2
Govt. training	2	2	3	1	1	4	2
Claimant unemployed	45	71	68	24	41	60	57
Unemployed no claim	16	4	4	20	5	1	7
Full-time education	1	0	2	0	0	1	1
Temporary sick	2	1	1	8	2	1	2
Long-term sick or disabled	16	14	5	8	25	10	11
Housework	0	1	0	4	0	0	*
Retired	4	1	0	2	13	1	2
Other	2	0	1	1	1	*	1
Base	423	181	794	132	177	284	1991

* less than 0.5 per cent but greater than 0

3.1.2 The sample The usual sources for samples of (claimant) unemployed individuals are either the National Unemployment Benefit System (NUBS), or the Joint Unemployment and Vacancies Operating Statistics (JUVOS). JUVOS was not a possibility here, however, because it would not yield a sufficiently large sample in each ETU pilot area, and access to NUBS proved impossible in the time available. Therefore, it was decided to draw the sample from the Departmental Central Index (DCI) at the Department of Social Security. This uses a somewhat different definition of claim duration from that used in NUBS/JUVOS, and contains other types of claimants apart from the unemployed. However, the difference in start dates of claims was not expected to be large, and it was considered possible to

draw the sample in such a way as to identify unemployed claimants, including those on government training programmes.

The sample was taken from those with 26-65 weeks of unemployment at the point of sampling. This duration-band constituted about 20-25 per cent of all claimant unemployed in each of the twelve localities. However, because of the different sizes and unemployment rates of the localities, different sampling fractions had to be calculated for each, in order to equalise the sample size across them.

An important difference from the employed sample has to be noted at this point. The employed sample was drawn by a multi-stage procedure, which first of all selected within-locality spatial clusters on a probability-proportional-to-size (PPS) basis, and then selected an equal number of individuals within each cluster. To simplify both fieldwork, and comparability between the employed and unemployed samples, the unemployed sample took the clusters defined for the employed sample as given. It was therefore not a PPS sample. Accordingly, numbers of individuals were drawn from each cluster in proportion to the numbers unemployed there. The imposition of the employed clusters on the unemployed sample creates some sample bias (likely to be small), which can be corrected by weighting.

As explained more fully in Appendix B, two complications arose for the analysis. First, the overall achieved sample size was 1,991 compared to a planned total of 2,400 (i.e, it was 83 per cent of the target sample). However, preliminary work in statistically modelling various aspects of the data indicated that the sample remained statistically adequate for the task ahead (see Section 3.5). Second, there was an unusually large proportion of economically inactive claimants in the sample, partly due to the sampling frame used which included disability claimants. This economically inactive group might be of considerable interest for ETU.

3.2 How distinctive is the ETU unemployed sample?

The exclusion of people with dependent children may be expected, in general, to produce a sample with characteristics that differ in important respects from previous surveys of unemployment. Differences to be expected include lower variability in benefit entitlements, a polarisation of the age distribution with an exceptionally low proportion from the prime-age groups, and a large proportion of older single people, who may on average be particularly disadvantaged.

As described above, the unemployed sample for the ETU study was confined to those without dependent children, consistent with ETU eligibility requirements. It was also designed to concentrate on those claimants most likely to be responsive to the new benefit. These were expected to be those in 'medium-to-long-term' unemployment, defined

as a qualifying (incomplete) claimant period of 26-65 weeks. This sample is most similar, among previous studies, to the Restart Cohort Study sample (White and Lakey, 1992), which considered the inflow to 26 weeks of unemployment. Although 26 weeks was the lower band considered in the ETU sample, it was from 26 weeks onwards that a marked slowing of the exit rate from unemployment became visible. A further marked slowing of the exit rate next became visible for those with two or more years of unemployment. Thus, you would not expect to find large differences between a 26-week inflow sample, and one drawn from the 26-65 week band. A limited range of comparisons are made below between the characteristics of the ETU sample, and those of the Restart survey sample, and they have generally been found to be similar except where directly affected by the exclusion of claimants with dependent children from the ETU sample. Such differences will shortly be described. Where this source does not provide comparative information, a 1992 survey of the unemployed stock excluding those with a claim of less than three months, conducted as part of the 'Employment in Britain' study, is sometimes useful (White et al., 1995).

A further question is how far the ETU unemployed sample could be expected to differ from other kinds of sample which are commonly considered when analysing unemployment. Consideration of this question will be helpful in assessing how far the characteristics of the sample obtained were in line with expectations, and hence in focusing on any issues which were contrary to expectation.

For example, this sample might be expected to differ considerably from an inflow sample to unemployment. Inflow samples generally contain large proportions of young people and those with qualifications and skills in demand, and many of these get jobs quickly. So the ETU sample would be expected to have considerably less advantageous characteristics than an inflow sample.

The ETU sample would also be expected to differ from the stock of all unemployed claimants, but these differences would go in two different directions which might partly balance out. On the one hand, their characteristics would on average be less advantageous, from a labour market viewpoint, than those with periods of unemployment of less than 26 weeks for the reasons just noted. On the other hand, their characteristics would be less disadvantageous than those with longer periods of unemployment (say 1.5 years plus). Since there are more people in the stock of unemployed with below 26 weeks unemployment than with 1.5 years or more of unemployment (the ratio is about 3:2), on balance one would expect the ETU sample to be somewhat more disadvantaged than the stock as a whole, although not greatly.

To test this reasoning, some comparisons can been made with the flow and stock figures published from the JSA evaluation study (Bottomley et al., 1997) (Table 3.2) though we must also bear in mind that our sample were all seen prior to the introduction of the Jobseeker's Allowance which came in at the same time as ETU in October 1996.

Table 3.2 Comparison of the ETU unemployed sample with the JSA unemployed samples

(cell percentages)

	ETU unemployed sample	JSA Flow sample	JSA Stock sample
Female	30	34	26
Married	28	37	37
Widowed/divorced/ separated	18	10	14
Living independently	56	56	63
No educational qualifications	56	39	48
No vocational qualifications	60	49	54
Aged under 25	32	37	31
Aged 45+	37	20	23
In job at interview	18	37	22
Inactive at interview	26 (16)	11 (9)	9 (7)
No recent job application	32	n/a	25
Base	1991	1,740	3,349

(Bracketed figures exclude those on disability/sickness benefits).

In general, these comparisons were in line with the expectation that the ETU sample would be slightly more disadvantaged than the whole unemployed stock, and considerably more disadvantaged than the unemployed inflow.

All but two of the differences between the ETU and Jobseeker's Allowance stock samples are within ten percentage points. Of these, one was simply explained: the particularly large proportion of people aged 45-plus in the ETU sample is a consequence of excluding those with dependent children.

This left just one difference which is substantially out of line, and hard to explain: the proportion in an *inactive* economic status at interview. Here the ETU result has almost certainly been inflated by the 'leakage' of disability claimants into the sample (drawn from the DCI instead of the more usual NUBS). However, even after excluding disability or Incapacity Benefit claimants, the inactivity rate was more than twice as high in ETU as in the Jobseeker's Allowance stock sample.

To what extent could this be the result of the higher proportion of over-45s in the ETU sample, just referred to? This was tested in a multivariate analysis (see section 3.5, Table 3.31). It was found that age was associated with reduced economic inactivity, but the effect was rather small, and statistically significant only in the case of women; it would account for only a small part of the observed difference between the samples.

The lag between sampling and fieldwork was longer for the ETU study than for the Jobseeker's Allowance study, by about two months. This would make some further contribution to the difference, but on the basis of previous experience (see White, 1983: Table III.2), a small one.

Yet another possibility was that the relatively high inactivity rate in the ETU sample reflects economic conditions in the selected areas where the survey took place (whereas the Jobseeker's Allowance study was a national sample). It should also be noted that the inactivity rate for the Jobseeker's Allowance stock sample was lower than for the Jobseeker's Allowance flow sample, which was contrary to expectation.

Thus, the ETU sample differed from previous samples of the unemployed by focusing on the claim duration of 26-65 weeks, as well as by excluding those without dependent children. This generated a number of predictable differences from an inflow or a stock sample of unemployed claimants. Some initial comparisons with results from the Jobseeker's Allowance evaluation were broadly in line with these predictions, except for one anomalous result; the extent of inactivity. A number of possible contributory factors have been reviewed, but as yet a convincing explanation has not been found.

It is also important, for the eventual aims of the study, to be able to bring together information from the employed and unemployed samples, to understand the workings of ETU for its complete set of potential clients – those in scope of the benefit. This raises the issue of how far the two samples are homogeneous. This is not an entirely straightforward question, since the unemployed sample may be experiencing a temporary shift towards disadvantage which artificially separates them from the employed sample. The analyses below provide a comparison of the two samples.

3.3 The unemployed in the ETU evaluation areas

3.3.1 Gender

An initial point, affecting all other comparisons, was that the employed and unemployed samples differed substantially in their composition by gender: only three in ten of the unemployed were women but they were the majority among the employed sample (Table 3.3). It will generally be desirable, therefore, when making comparisons between the samples, to do so separately for men and women.

Table 3.3 Gender composition of unemployed and employed samples

(column percentages)

	Unemployed sample	Employed sample
Female	30	56
Male	70	44
Base	*1991*	*2316*

3.3.2 Human capital

While 'human capital' has a particular technical sense in economics, it is used here simply as a convenient label for such variables as educational qualifications, skills, experience and job tenure, that are likely to enhance a person's value in the labour market.

Table 3.4 shows the highest educational qualification obtained in each sample. Somewhat more than half of the unemployed sample lacked educational qualification of any kind. Nearly 12 per cent had an A-level or higher, and 18 per cent an O-level or equivalent. Results for the employed sample were similar in overall terms, but whereas the male unemployed sample was slightly less qualified than the male employed sample, the reverse applied in the case of women.

The overall proportion without any educational qualification was virtually the same as reported for the 1989 Restart Cohort Study, despite several intervening years of rising qualification rates in Britain.

For a national comparison, it is convenient to consider those with a qualification at O-level equivalent or above, as published by the General Household Survey. The national figure (for 1995) was 56 per cent for the population aged 16-69. The corresponding figure for the unemployed sample was 28 per cent and for the employed sample 33 per cent. This suggests a fairly severe level of educational disadvantage for both ETU samples.

Table 3.4 Highest educational qualification

(column percentages)

	Unemployed		Employed	
	Men	**Women**	**Men**	**Women**
Degree or equiv.	5	7	5	3
A-level or equiv.	6	8	7	5
O-level or equiv.	17	20	24	22
CSE-level or equiv.	15	14	17	13
NONE	57	52	48	57
Base	*1398*	*593*	*1011*	*1305*

The unemployed sample also resembled the earlier Restart sample in the proportion who had some kind of vocational qualification. This was 34 per cent (31 per cent for the 1989 Restart sample). The present survey collected fairly detailed information about the types of vocational qualification held, and these are summarised in Table 3.5. Since it is

notoriously difficult to obtain clear or precise information about vocational qualifications from respondents, the categories are inherently very rough.

This table, and the figure of 34 per cent given above, does not include those who said they had a nursing qualification or other professional qualification. In some classifications, these are counted among higher educational qualifications rather than among vocational qualifications (though they were not included in Table 3.4 above). They amounted to 5.5 per cent of the unemployed sample and 6.4 per cent of the employed, evenly spread by gender. (This additional group has been included in the figure for comparison with the Jobseeker's Allowance sample shown in Table 3.2).

Table 3.5   Summary of vocational qualifications

(cell percentages)

	Unemployed		Employed	
	Men	**Women**	**Men**	**Women**
Apprenticeship	9	1	9	1
RSA or similar	5	17	7	15
City & Guilds	21	13	22	14
ONC or OND	4	1	4	1
HNC or HND	3	1	4	1
TEC or BTEC	5	5	5	5
Other, including HGV	4	2	5	1
Base	1398	593	1011	1305

Note: an individual may have had more than one type of qualification and so be counted several times.

As well as educational qualifications, the survey collected information about educational deficits (functional difficulties with basic skills of reading, writing and numeracy) and – for those aged under 25 only – about prior truanting from school. The proportions stating that they were seriously affected by problems of reading, writing or numeracy were quite small – in the region of five per cent in each case. However, truancy was reported by a very substantial proportion of the under-25s, amounting to 46 per cent of the unemployed sample and 40 per cent of the employed, with higher proportions of former truants among young men than among young women (Table 3.6)[17]. Approximately one in three of those who reported truanting in the unemployed sample said they did so 'frequently'; the corresponding proportion in the employed sample was around one in four. A substantial amount of research evidence exists showing links between truancy and later employment, economic and social problems, even after allowing for educational attainment (Casey and Smith, 1995). This, accordingly, is another indication of disadvantage.

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[17] The question wording was 'School pupils do not always attend every class they should and stay out of school instead. Did you ever do this at school?'. The figures quoted in Table 3.6 represent the reply 'yes' to this question.

Table 3.6 Truanting among under-25s

(cell percentages)

	Unemployed		Employed	
	Men	**Women**	**Men**	**Women**
Truanting reported	49	40	43	36
Base	444	192	293	316

While qualifications tend to be the strongest predictors of favourable outcomes in the labour market as a whole, job experience may be a better predictor at the bottom of the labour market where qualifications matter less. Work history information was limited to the past five-and-a-half years (from the beginning of 1991 to interview in mid-1996), which provides a picture of recent experience. However, this is not a valid comparator with the employed sample since it is biased by the current employment status. For the unemployed sample only, the figures were as follows (Table 3.7).

Table 3.7 Proportion of time in various labour market statuses (since end 1990) - unemployed sample

(column percentages)

	Men	**Women**	**ALL**
Full-time employment	27	29	28
Part-time employment	1	5	2
Self-employment	4	1	3
Claimant unemployment	38	27	35
Non-claimant unemployed.	5	4	5
Full-time education	10	12	10
Sick	7	9	8
Other	8	13	9
ANY EMPLOYMENT	33	35	33
Base	1398	593	1991

While no comparators for these figures are available, it can hardly be doubted that to have spent only one-third of the past five years in employment, the same proportion unemployed and only half the remaining time doing anything that would improve their attractiveness to any employer, indicates a very weak competitive position in the jobs market for the unemployed sample as a whole.

Health or ill-health can also be considered as an aspect of human capital since it may limit paid work in various ways, or be a source of discrimination. Table 3.8 below shows that there was substantially more illness, of a persistent type, in the unemployed sample than in the employed. Unemployed women were more likely to have had persistent illness than were unemployed men but there was no difference by gender in the employed sample. The overall proportion experiencing persistent illness in the unemployed sample, 35 per cent, was virtually the same as in the earlier Restart survey.

If those currently receiving disability benefit are excluded, the difference between the unemployed and employed samples is reduced but does not completely disappear: for men and women combined, 25 per cent of the unemployed sample and 21 per cent of the employed sample reported persistent illness but not receipt of disability benefits.

Table 3.8   Persistent illness in the unemployed and employed samples

(cell percentages)

	Unemployed		Employed	
	Men	**Women**	**Men**	**Women**
Persistent illness	33	42	24	22
Base	1398	593	1011	1305

3.3.3 Life-cycle   Because those with dependent children were excluded from the survey, it was expected that there would be an abnormally low proportion from the prime-age groups, when children are being born and brought up, and that the sample would be concentrated among younger and older individuals.

However, the unemployed sample was *not* markedly skewed towards younger people (compared with previous experience). Just under one third (32 per cent) of the present unemployed sample was under-25, almost the same as in the 1989 Restart survey (34 per cent). The expected reduction of respondents in the prime years was found, with only 30 per cent being aged 25-44 (compared to 43 per cent in Restart), but the shift was towards *older* age bands. In fact, 37 per cent of the unemployed sample was aged 45 or over (compared to 23 per cent in Restart). The same shift was even more marked in the case of the employed sample, where no less than 44 per cent of the sample were aged 45-plus (Table 3.9).

Table 3.9   Age groups of unemployed and employed samples

(column percentages)

	Unemployed	Employed
16-24	32	26
25-34	18	19
35-44	12	10
45-54	20	24
55-64	17	21
Missing/not valid	2	1
Base	1991	2316

Crossing gender by age, for the unemployed sample only, we obtain Table 3.10. The sexes had equal proportions of under-25s, but there were fewer women aged 25-34 and somewhat more aged 45 or more.

Table 3.10 Age group by gender – unemployed sample

(column percentages)

	Men	Women
16-24	32	32
25-34	20	13
35-44	12	13
45-54	19	23
55-64	17	18
Missing/ not valid	1	1
Base	1398	593

The exclusion of households with children resulted, as would be expected, in a marked drop in the proportion of people in couples for the unemployed sample, compared with the Restart survey. There were 28 per cent in the present survey, and 47 per cent in Restart; conversely, there were 18 per cent separated, divorced or widowed (Restart, ten per cent) and 54 per cent single (Restart, 43 per cent).

The proportions in different categories of marital status differed markedly between the two ETU samples. The employed sample had considerably more couples and correspondingly fewer in the other two categories, and this difference between the samples was particularly marked in the case of women (Table 3.11).

Table 3.11 Marital status of unemployed and employed samples

(column percentages)

	Unemployed		Employed	
	Men	Women	Men	Women
In couple	30	22	40	48
Separated/ divorced/widowed	13	30	8	17
Single	57	48	53	36
Base	1398	593	1011	1305

Since marital status can be an important factor for employment chances, and was likely to be the single major influence on benefit entitlement in the present survey, it was worth analysing it by age as well as by gender. For men and women alike, most of those under 35 in the unemployed sample were single. For men only, the majority were still single in the 35–44 group, while above 44 the majority were married. For women, the largest proportion from 35 on was the separated, divorced or widowed. This is illustrated in Figure 3.1.

Although not having children to look after, respondents might still have had care responsibilities for their spouse or another adult. Quite a sizeable minority (eight per cent) of the unemployed reported that they were in this position, but there were 10 per cent in the employed sample. Higher proportions of women than of men were carers in both samples, and those under 35 had a slightly lower probability of being carers (table not shown).

3.3.4 Households   Household composition has been found, in previous research on unemployment, to offer one of the most important clusters of variables that determine entry into the labour market. Part of the reason is financial, with the availability of sources of income other than the individual's own earnings capacity being largely determined by household structure and activity. In addition, the members of a household provide direct support and links to wider social networks, which are of crucial and increasing importance for job search as unemployment is prolonged (Daniel, 1990).

The stereotype of household formation is that young people remain in the parental home until finding a stable partner, when they establish a separate household. The stereotype was maintained up to a point with the unemployed sample, since 91 per cent of those living in the parental home were single (Table 3.12). However, the stereotype did not extend to those living independently, less than one half of whom were married or with a partner. There were large numbers living independently who remained single, or who were separated, divorced or widowed. In broad terms this picture applied more strongly for women than men. Some 56 per cent of the men living independently were in couples compared with only 32 per cent of women living independently. This difference was attributable to the much higher proportion of women who were separated, divorced or widowed.

The employed sample came closer to the stereotypical picture, with the majority of the respondents who lived in independent households being in couples. This was almost as true of women (66 per cent) as it was of men (71 per cent), even though here too there were more separated, divorced or widowed women than men.

Table 3.12 Proportion living independently by marital status, unemployed and employed samples

(column percentages)

	Independent Household	Living with parents	Living with others
(a) Unemployed			
Couples	48	2	16
Separated/ divorced/ widowed	26	7	24
Single	27	91	60
Base	*1107*	*821*	*63*
(b) Employed			
Couples	68	6	53
Separated/ divorced/widowed	18	5	15
Single	15	89	32
Base	*1387*	*876*	*53*

Table 3.13 considers marital status in relation to the number of employed workers in the household (excluding the respondent; other workers were mostly spouses or parents). Whereas 61 per cent of the unemployed

sample had no other employed person in their household, the proportion was only 42 per cent for the employed sample; gender made no difference here.

Figure 3.1 Marital status and age-group by gender in the unemployed and employed samples
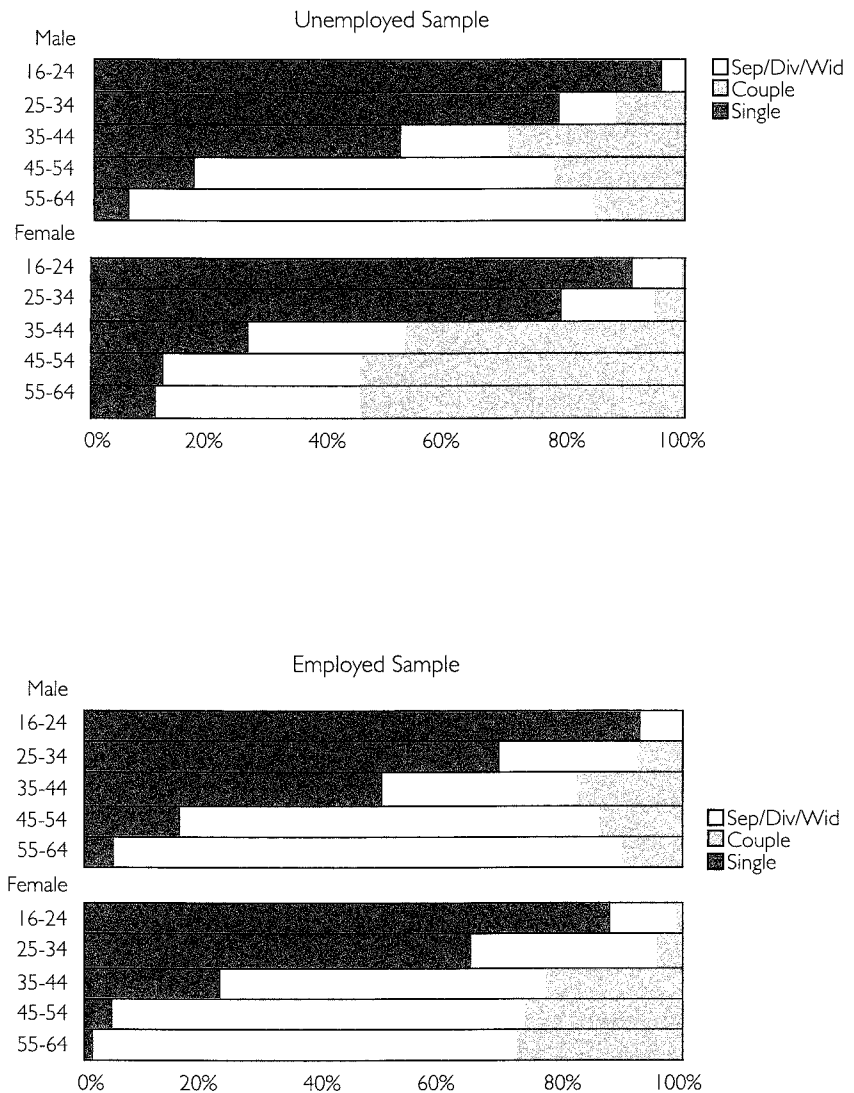
It is often assumed that polarisation into two-earner and no-earner couples results from the treatment of partner's earnings in benefits. However, it can be seen from Table 3.13 that the difference between the samples in this respect persisted irrespective of marital status. It was those who were separated, divorced or widowed who were least likely to have had other earners in the household.

The separated, divorced and widowed were also most likely to be living alone (table not shown): in the unemployed sample, 71 per cent did so

(compared with 25 per cent of single people), and in the employed sample, 53 per cent did so (compared with 16 per cent of single people).

Table 3.13 Other workers in household by marital status – unemployed and employed samples

(Row percentages)

	None	One	Two or more	Base
(a) Unemployed				
Couples	56	38	6	555
Separated/ divorced/ widowed	85	11	4	358
Single	56	21	23	1078
(b) Employed				
Couples	37	50	13	1019
Separated/ divorced/ widowed	71	22	7	296
Single	39	26	35	1001

3.3.5 Tenure and housing   The relationship between workers' housing tenure, their entitlement to in-work benefits, and their consequent incentives to work, is complex. Entitlement to Housing Benefit, which pays all or most of tenants' rent during spells of unemployment, can nevertheless be carried into work. Such entitlement can persist unabated for new job entrants for a month to help tide them over the awkward shift of benefit regimes that work entry entails. If their wages are low – and low entry-level wages are common among social tenants leaving Income Support for the labour market – entitlement to some HB will persist. Rising real rents and falling entry-wages have made this persistence more common. Mortgage-payers, by contrast, face less favourable terms of transition to work. They get help with their mortgage interest payments while on IS, but receive no equivalent help in work. On the other hand, mortgage-payers more often enter work at wages that vault them clear of entitlement to any in-work benefits anyway. But in the case of the majority – the tenants staying on in-work benefits – a problem could arise with their relationship to ETU. Small entitlements might simply replace larger amounts of residual entitlement to HB and even CTB too. A key element may be the proportion of likely claimants who have few housing costs, typically younger people still living with their parents.

The proportion living in a parental household was similar in both samples (around 45 per cent of the men and one-third of the women). Another similarity between the samples was the proportions making no rent contribution to parents they lived with (Table 3.14). The main differences in individual tenure between the two samples came among those living independently.

The unemployed included considerably fewer who owned their accommodation outright, and fewer who were buying on a mortgage. This difference was present for both men and women, but appeared to be more marked in the case of women. The unemployed conversely included more who were renting than in the case of the employed sample.

Since moves between renting and buying can be assumed to be infrequent, these housing characteristics appear to represent fairly long-term differences in circumstances between unemployed and (low-paid) employed groups. Furthermore, 13 per cent of the unemployed sample were having all their rent covered by Housing Benefit, whereas this happened only for two per cent of the employed sample. In this case, however, changes in receipt could take place in the short-term.

Table 3.14 Housing tenure of respondent – unemployed and employed samples

(column percentages)

	Unemployed		Employed	
	Men	**Women**	**Men**	**Women**
Parental home - rent free	12	11	13	11
Parental home - paying rent	33	22	34	21
Owns outright	10	10	14	18
Owns with mortgage	12	14	16	22
Rents - 100% HB	11	17	3	2
Rents - no or partial HB	15	20	14	19
Other/missing data	7	7	8	7
Base	*1398*	*593*	*1011*	*1305*

Note: HB = Housing Benefit

Next, classifying housing by tenure, irrespective of who was the head of household, underlines the distinction made above[18]:

- 20 per cent of the unemployed lived in properties owned outright compared with 29 per cent of the employed sample;
- 29 per cent of the unemployed sample lived in properties being bought on a mortgage compared with 37 per cent of the employed sample;
- 38 per cent of the unemployed sample were in social tenancies (employed sample, 25 per cent) and 12 per cent were in privately rented accommodation (employed sample, six per cent).

3.3.6 Housing costs   As we have seen in the last chapter, housing costs are of considerable interest to the evaluation of ETU[19]. They may have incentive or disincentive effects through Housing Benefit or mortgage interest support, and they are likely to interact with ETU effects.

Gross housing costs (that is, ignoring the effects of benefits) appeared somewhat higher in the unemployed sample than in the employed. As would be expected, once benefits were netted out, the positions of the two samples were reversed with the unemployed having lower net housing

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[18] This takes account of the housing tenure of those respondents living in the parental home (the first two rows of table 3.14).

[19] At the present stage, no attempt has been made to estimate housing costs where these were missing, but this will be attempted in future analyses. For the present analyses, a few cases with outlying or improbable values have been excluded, as is the case with all other financial variables.

costs. These figures are summarised in Table 3.15a. They include the people with no housing costs, chiefly those who were living with parents, and who have already been noted in the previous section.

Table 3.15a Housing costs, gross (excluding effects of benefits) and net (including the effects of benefits)

Figures are mean pounds per week

| | Unemployed | | Employed | |
	Men	Women	Men	Women
Gross housing costs	£26.20	£29.50	£22.60	£21.50
Base	1264	544	927	1207
Net housing costs	£16.10	£14.70	£19.60	£19.60
Base	1248	535	917	1196

The median and upper and lower quartiles for the same housing cost variables are shown in table 3.15b[20].

In the unemployed sample, 81 per cent of renters were receiving Housing Benefit, with an average weekly amount of £45.50. (Across all renters, including those getting no Housing Benefit, the average weekly Housing Benefit amount was £37.00). In the employed sample, nearly one in three (31 per cent) received Housing Benefit and the average payment was £35.70 per week (and higher for men, £40.50, than for women, £31.10).

Mortgage interest subsidy (through Income Support) was received by a relatively small number (128), most of whom (107) were in the unemployed sample and were joined by the remainder sampled as workers but who had lost their jobs. For the unemployed, these payments in respect of mortgages were on average somewhat higher than for housing benefits (averaging £52.80 per week). Differences in the amounts reported by men and women were quite small. The number from the employed sample obtaining mortgage interest support was too few (21) for the average to be reliable. These were mostly cases where the individuals had moved, subsequent to sampling, into unemployment, sickness or retirement.

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[20] The median is the value of the person who occupies the middle position (the 50th percentile) in the distribution. Similarly, the lower quartile is the value of the person who occupies the 25th percentile and the upper quartile is the value of the person who occupies the 75th percentile.

Table 3.15b Quartiles of housing costs, gross (excluding effects of benefits) and net (including the effects of benefits)

Figures are pounds per week

	Unemployed		Employed	
	Men	Women	Men	Women
Gross				
Lower quartile	0	1	0	0
Median	20	23	20	20
Upper quartile	37	42	34	34
Base	1264	544	927	1207
Net				
Lower quartile	0	0	0	0
Median	10	6	17	16
Upper quartile	23	20	30	32
Base	1248	535	917	1196

3.3.7 Receipt of benefits

In view of the widely varying current activity status of the unemployed sample (Table 3.1), it was of interest to assess their receipt of benefits at the time of interview. Table 3.16 summarises this in terms of receipt of monetary benefit, excluding Housing Benefit.

Table 3.16 Receipt of benefit by the working status at interview in the unemployed sample

(Row percentages)

Status At Interview	Any benefit	No benefit	Base
Full-time employed (16+ hours)	7	93	220
Part-time employed (<16 hours)	65	35	65
Self-employed	8	92	39
Govt. training	98	2	46
Claimant unemployed	96	4	1134
Unemployed, no claim	25	75	144
Full-time education	21	79	19
Temporary sick	82	18	39
Long-term sick or disabled	86	14	216
Looking after home/family	67	33	6
Retired	69	31	45
Other	61	39	18

By far the largest category of benefit was Income Support (the date of the 1996 survey fieldwork preceded the introduction of the Jobseeker's Allowance). A minority of the respondents reported themselves as receiving Unemployment Benefit. Both types of benefit are reported in Table 3.17, which includes a small number of cases - less than four per cent - where the benefit was said to come from the partner's status rather than, or as well as, the respondent's (note that there can be some overlap between the two types of benefit).

In general, these results suggest that most of the claims were related in the expected ways to employment status. The group with the most complex claiming pattern were the long-term sick or disabled. Surprisingly, while two-thirds of them were claiming Income Support, which is perhaps as might be expected, only 61 per cent were claiming some kind of disability benefit. All but seven per cent were receiving either Income Support or disability benefits. Also, the long-term sick or disabled group constituted only 54 per cent of all those stating they received disability benefits. The majority of the remaining disability claimants classified themselves as unemployed rather than long-term sick or disabled. These points indicate that long-term sickness or disability is not a simple or homogeneous category whether considered from a benefit viewpoint or a labour market viewpoint.

Table 3.17 Receipt of Income Support and Unemployment Benefit in the unemployed sample

(cell percentages)

Status At Interview	IS	UB	Base
Full-time employed (16+ hours)	(3)*	(2)*	220
Part-time employed (<16 hours)	47	8	65
Self-employed	4	4	39
Govt. training	65	2	46
Claimant unemployed	82	17	1134
Unemployed, no claim	12	4	144
Full-time education	16	0	19
Temporary sick	44	0	39
Long-term sick or disabled	69	1	216
Looking after home/family	33	17	6
Retired	36	2	45
Other	0	0	18

*These are either data-errors or people so recently on benefit that they report themselves 'receiving ...'

A few may also leave partners receiving contributory JSA.

3.3.8 Income other than own earnings

Income received when not working, according to standard economic theory, enters into the calculation of reservation wages and hence affects labour supply and job search choices. Rent or mortgage subsidies have been discussed in the preceding section. The other main elements of non-wage income were unemployment and welfare benefits, partner's earnings, savings, and miscellaneous other income such as from renting rooms. This section concerns these elements of income, and all figures exclude housing benefits.

Three quarters of the unemployed sample were receiving some social security benefits at the time of interview, with virtually no difference here between men and women. The proportion in the employed sample was 29 per cent, and again there was no gender difference. Table 3.18 shows the average amounts reported; there was no difference between men and women in the unemployed sample, but women from the employed sample reported significantly greater payments than the men.

Retirement pensions were included in the list of benefits (since partners may have been receiving these even though the respondent was of working age), but as a few of the figures given under this heading were large, it may be that some respondents included occupational as well as state pensions. The table was re-calculated excluding retirement pensions to assess the upper limit of any bias resulting from this. This reduced the average benefit amount for men in the unemployed sample to £56.40, and for women to £55.70. In the employed sample, the male average fell to £53.10, and the female more substantially to £59.00; there were 65 women in this part of the sample with partners receiving pensions.

Table 3.18 Average benefit amounts (all types), for those receiving benefits at the time of the interview

Figures are in pounds per week

	Unemployed sample, still unemployed		Employed sample, now unemployed	
	Men	Women	Men	Women
All benefits, mean payment per week	£57.70	£57.50	£54.90	£65.10
Base	1043	437	296	374

There was a substantial number of disability benefit recipients in the unemployed sample, and their payments were higher on average than the average benefit receipt figures shown above. The apparent differences between the employed and unemployed samples here should be treated with caution because of smaller numbers (Table 3.19).

Table 3.19 Average sickness or disability benefit amounts, for those receiving these benefits at the time of interview

Figures are in pounds per week

	Unemployed		Employed	
	Men	Women	Men	Women
Mean payment per week	£83.50	£81.60	£80.20	£70.30
Base	147	93	23	30

Turning to partner's earnings, it must be borne in mind that the employed sample was screened on the doorstep to eliminate, as far as possible, anyone with a high-paid partner. This filter was not, however, applied to the unemployed sample, so there might be some bias in cross-sample comparisons.

There were indeed some unemployed women with high-paid partners, but they were very few. Indeed, altogether there were few respondents in the unemployed sample who had employed partners: less than five per cent of the sample. Even among the employed sample, the figure rose to only a little more than 15 per cent. Table 3.20 summarizes the mean income from partner's earnings, for those where this was a source of household income.

Table 3.20 Average earnings of partners who were employed

Figures are in pounds per week

	Unemployed		Employed	
	Men	Women	Men	Women
Mean earnings per week	£83.70	£190.40	£96.00	£140.60
Base	67	20	161	201

The quartiles are perhaps more interesting, and these are shown in Table 3.21, amalgamating men and women in each sample.

Table 3.21 Quartiles (rounded to nearest £5) of partner's earnings

	Unemployed	Employed
Lower quartile	£35	£75
Median	£95	£125
Upper quartile	£145	£150
Base	89	367

This suggests that, even among the few employed partners in the unemployed sample, there was a concentration with very small earnings. Overall, then, partners' employment was an insignificant element of household income for all but a small minority of the unemployed.

The proportion of the unemployed with 'other income', such as from renting rooms, was slightly larger (seven per cent), and closer to the position in the employed sample (11 per cent). As before, a few outlying values were excluded from the analysis (Table 3.22).

Mean income from these other sources was, for those receiving any, of a similar order of magnitude to earnings of partners, but the dispersion was greater. One half of recipients (in both samples) obtained £50 or less, but the means were inflated by a minority of large values. The amounts were similar across the unemployed and employed samples, but larger figures, on average, were reported by men in both samples. Overall, other income was scarcely more important for the household income of the unemployed than was partner's earnings.

Table 3.22 Average receipts from 'other income'

Figures are in pounds per week. Those with no 'other earnings' are excluded.

	Unemployed		Employed	
	Men	Women	Men	Women
Mean earnings per week	£102.50	£72.30	£110.50	£77.70
Base	93	34	101	158

The final item to be considered in this section is savings (Table 3.23). Nearly one in four (23 per cent) of the unemployed sample reported some savings, but this was considerably less than in the case of the employed sample (40 per cent). The mean amounts, for those with some savings, were similar across samples, being just above £1900 for the unemployed

and about £2150 for the employed. Unemployed women had substantially lower savings than unemployed men or than employed women.

Table 3.23 Average savings

Figures are in pounds.

| | Unemployed | | Employed | |
	Men	Women	Men	Women
Mean savings	£2093	£1429	£2102	£2187
Base	327	128	406	515

These average values of people's savings are increased by a few who reported large amounts, so they are not really typical. A quarter of the unemployed who had any savings had £50 or less, and half had £300 or less. Only the upper quarter had more than £1,700 in savings, while only a few - four per cent of the unemployed and nine per cent of the employed - had more than £3000.

3.3.9 Indicators of hardship

The greater dependence on benefits of the unemployed sample, and their generally lower receipts of non-benefit, non-wage income, suggest that they were more likely to experience financial and material hardship than in the case of the employed sample. Indicators of hardship are usually studied because of a concern for equity, but recent research has suggested that high levels of hardship may reduce individuals' capacity to search effectively for work (Bryson, Ford and White, 1997).

The great majority of both samples, but slightly more among the unemployed, stated that they had worries over money (Table 3.24). Slightly more than one half of the unemployed sample said that these worries occurred almost all the time or quite often, men and women equally.

Table 3.24 Frequency of worries over money

(column percentages)

| | Unemployed | | Employed | |
	Men	Women	Men	Women
Almost all the time	31	36	26	22
Quite often	20	20	18	18
Only sometimes	25	25	27	29
Never	24	19	30	31
Base	1398	593	1011	1305

Difficulties in repaying debts were also slightly more prevalent among the unemployed than the employed sample; women from the employed sample were least likely to experience this type of problem (Table 3.25).

Table 3.25 Frequency of difficulties in the repayment of debts
(column percentages)

| | Unemployed | | Employed | |
	Men	Women	Men	Women
Almost all the time	9	10	6	3
Quite often	12	13	8	8
Only sometimes	29	24	31	27
Never	51	53	55	62
Base	*1398*	*593*	*1011*	*1305*

A third question asked how well the respondent was managing her or his finances (Table 3.26). The majority felt that they were at least '*getting by all right*', but more of the unemployed felt that they had difficulties managing. Gender differences were once again slight.

Table 3.26 How well individuals were managing financially
(column percentages)

| | Unemployed | | Employed | |
	Men	Women	Men	Women
Manage very well	8	10	10	14
Manage quite well	14	19	20	26
Get by all right	47	45	49	46
Don't manage very well	14	7	9	5
Have some financial difficulties	14	15	10	7
Am in deep financial trouble	4	4	2	2
Base	*1398*	*593*	*1011*	*1305*

Overall, the expectation that the unemployed sample would experience greater hardship appeared to be borne out. However, the differences were not great, and one could equally interpret the results as indicating that the low-waged employed sample experienced hardship to nearly the same extent as the unemployed. The message such a conclusion holds for the study of work incentives may be interesting. It does not suggest to the unemployed that waged incomes leave people all that better off than life on benefit.

Given that many of the unemployed sample were young, an interesting issue was whether hardship is reduced by living in the shelter of the parental home. In general, this was found to make surprisingly little difference; however, those living at home generally appeared better off, especially in avoiding problems of debt, and particularly in the case of women. For example, in the unemployed sample, 69 per cent of women living with parents had never had problems repaying debts, but of those living independently, only 46 per cent had avoided debt repayment problems. The corresponding proportions for men were 54 per cent and 49 per cent. Conversely, 27 per cent of the female unemployed sample living independently had difficulties of debt repayment '*almost all the time*' or '*quite often*', but this fell to 13 per cent for those living with their parents.

3.4 Job search activities and networks

Job search was a central focus for the evaluation, since changes in search behaviour constitute one of the main channels through which ETU can affect the labour market.

At the time of the interview, 18 per cent of the unemployed sample were in a job or waiting to take up a job; 57 per cent were claiming benefit and actively seeking work; and 26 per cent had not (recently) been actively seeking a job. The inactive proportion (defined as those who had not sought a job during the previous four weeks) was 22 per cent in the case of men but 36 per cent in the case of women.

To interpret these figures, it has to be borne in mind that the average time between sampling (unemployed as at April 1996) and interview was four months. The transition rate into jobs during this period was closely similar to that from the Employment in Britain study of 1992, interviewed after a similar time-lag (White et al., 1995).

The 1992 survey of unemployed people just cited, which used a similar criterion of active search, as well as a similar follow-up period from sampling, reported nine per cent currently inactive. Part, though not all, of the difference in activity rates between the present study and the past surveys can be accounted for by the proportions receiving various forms of disability benefit. These constituted 14 per cent of the unemployed sample (12.7 per cent of men and 17.9 per cent of women). This can be contrasted with a proportion of about five per cent in the Restart survey, where the follow-up period was longer (six months instead of four).

Even after excluding those with disability benefits, the currently inactive amounted to 13 per cent of men and 23 per cent of women. Of those with disability benefits, 13 per cent of men were actively seeking (and four per cent were in jobs), but only three per cent of women were actively seeking, and three per cent were in jobs.

The measure of activity, as noted above, was based on search over the last four weeks before interview. It is known that many people switch between active search and periods of inactivity, and indeed many jobs are obtained following periods of inactivity (Bryson and White, 1996). A question later in the interview asked whether the respondent envisaged looking for a job in the future. One in three of those classified as inactive thought that they would, while two thirds thought not.

Among those currently searching for employment, wide variations of search intensity were observed, as is usual in surveys of unemployment. Useful indicators of search intensity are the amount of time spent in looking for work, and the number of job applications made. It must be borne in mind, however, that both measures – and especially the latter – may also reflect other factors such as self-confidence. These questions were asked both of those currently seeking work, and of those in work:

in the latter case, the questions were worded to refer to the period when they were seeking work immediately before obtaining their job.

The distribution of search hours is shown in Table 3.27 below. The median was in the 4-5 hours per week bracket, for both men and women. This seems a little below previous experience, which suggests a 'normal' figure in the region of 5-6 hours per week (Layard, Nickell and Jackman, 1991).

Table 3.27 Hours per week spent looking for jobs

Unemployed sample, currently active job-seekers and those in a job. For those in a job, period referred to is prior to obtaining the job.

(column percentages)

	Men	Women
I hour or less	9	15
2-3 hours	22	25
4-5 hours	21	18
6-9 hours	14	16
10-14 hours	13	9
15-19 hours	6	3
20 or more hours	11	9
Don't know how many	5	6
MEDIAN	4.9	4.6
Base	1055	337

The frequency of job applications (Table 3.28) gave a rather stronger indication that this sample might have had an unusually low search intensity. Thirty-two per cent of currently active jobseekers (including those back in work) had made no application in the previous four weeks. This can be contrasted with 14 per cent in the corresponding category in the Restart survey. Similarly, less than 50 per cent had made between one and nine job applications, compared with 70 per cent in the Restart survey. However, 21 per cent of the present survey's jobseekers had made ten or more applications, compared with 15 per cent in the Restart survey, so there seems to be some polarisation of search activity.

Table 3.28 Number of job applications in a four-week period

Unemployed sample, currently active job-seekers and those in a job. For those in a job, period referred to is prior to obtaining the job.

(column percentages)

	Men	Women
None	30	38
1-2	15	15
3-5	23	18
6-9	10	8
10-19	10	10
20 or more	11	10
MEDIAN	3	2
Base	1023	345

These apparently low rates of application could result from heterogeneity in the sample, by comparison with one which was confined strictly to current claimant unemployment. Indeed, only 57 per cent of the unemployed sample described themselves as *claimant* unemployed by the time of the survey interview. However, there was hardly any difference between the claimant unemployed and the remainder, in terms of the job search intensity measures just outlined[21].

Job refusals constituted another aspect where ETU might have an impact. The proportion refusing any job (out of current jobseekers, and those in work) was five per cent of men and eight per cent of women, roughly one third of the rate of job acceptance or one quarter of all offers received. This relates to the preceding period of six months. Several other studies, including the Restart survey, have reported similar refusal rates among unemployed samples.

An explanation which has sometimes been advanced for the difficulties of the long-term unemployed is lack of social networks which would assist them to find jobs. A group of questions which addressed this issue found little evidence of a lack of such contact. For example, 60 per cent of the unemployed sample saw relatives (other than those they lived with) at least weekly, and 70 per cent saw friends at least weekly. The employed sample reported similar frequencies of contact.

Table 3.29 Proportion who meet work-mates or former work-mates socially - unemployed and employed samples
(column percentages)

	Unemployed	Employed
At least monthly	28	38
Less often than monthly	18	28
Never	54	34
Base	1985	2311

However, there were strong indications that the social networks of the unemployed sample contained fewer *employed* people compared with the employed sample. Over one half (54 per cent) said that they *never* met work-mates or former work-mates socially, while the corresponding figure for the employed sample was 34 per cent (Table 3.29). Some 40 per cent of the unemployed sample said that unemployed people constituted at least half of their friends, but this figure dropped to 21 per cent of the employed sample (Table 3.30). If, as might reasonably be assumed, employed people are more useful for providing information about vacancies, then the unemployed sample was evidently at a disadvantage.

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[21] Those who were not claimant unemployed and did not describe themselves as active jobseekers, were wholly excluded from the present analysis.

Table 3.30 Employed and unemployed friends of respondents-unemployed and employed samples

(cell percentage)

	Unemployed	Employed
Employed are the minority	51	30
Unemployed are the majority	41	21
Base	1991	2316

3.5 Analysis of labour market behaviour and outcome among the unemployed

So far, this chapter has concentrated on the characteristics of the unemployed. But what were the implications of these characteristics for the introduction of ETU? ETU aims to alter the labour market behaviour of those who claim it by changing the ratio of in-work to out-of-work incomes. Three sections below address important concerns in this regard: the current labour market behaviour of the unemployed; their likely components of the income they would receive in work; and how respondents perceived their likely mix of income sources in work.

3.5.1 Rationale for analysing labour market behaviour

ETU could affect an equation describing labour market behaviour and outcomes in several ways. By identifying a set of significant influences on behaviour and outcomes prior to the introduction ETU, the strength of a causal interpretation for ETU effects in the subsequent analysis can be greatly increased.

An important aim for ETU is to test its effects on the transitions into employment for unemployed people. ETU may prove particularly useful for the long-term unemployed, for whom the job market seems to work poorly. Increased rates of transition to employment as a result of ETU could come about in three main ways:

a By making it rational for individuals to accept jobs at lower wages – hence increasing the range of jobs which people apply for, and the acceptance rate for job offers.

b By offering the prospect of higher income conditional on working – thus increasing job search intensity through an incentive effect.

c By increasing the flow of vacancies (at low wages) from employers, since they will perceive or expect an increased supply of people willing to take such jobs.

Of these, (c) is outside the scope of this preliminary analysis (in due course it will be addressed through the employer data from the evaluation). However, the ideas underlying (a) and (b) can be examined as part of the initial analytical investigation.

The findings presented in this section come from multivariate modelling of the unemployed sample, in which the effects of numerous variables on the outcome are simultaneously evaluated. The main purpose of the models was to test the capacity of the sample and the survey measures used for assessing the issues of interest to the ETU evaluation. Several 'time models' were estimated to examine the current determinants of

economic activity; the rate of entry into employment; job-search intensities; and wage expectations.

Technical description of the multivariate methods used is kept to a minimum, although some information of this sort is provided in footnotes, and a full account of all the models and their coefficients are given in Appendix E. When considering the effect of any one variable in the models presented, we mean the effect of that variable net of the influences of all the other variables included in the model.

3.5.2 Analysis of activity or inactivity

Attention has already been drawn to the presence of a substantial group of people among the unemployed who appeared to be economically inactive (that is, they were not actively looking for paid work). This is potentially a most interesting group, as one of the effects of ETU might be to raise the activity of this group thereby widening the potential customer base of ETU well beyond simply current jobseekers. The estimation of this model predicts the probability of an individual in the unemployed sample being active and seeking work at the time of interview. Individuals are assumed *not* to seek work because:

- it is not worth their while (they would earn too little, or they have sufficient non-work income to meet their needs);
- there are practical constraints preventing them from seeking work (for instance, they are sick, or their time is taken up looking after someone else);
- it is too hard for them to find a job (the 'discouraged worker' effect).

Results from the analysis are discussed chiefly in terms of a combined analysis[22] for men and women, before considering separately differences between men and women in what influenced their labour market activity. The significant effects from all three analyses are summarised in Table 3.31.

Sickness

By far the strongest influences on current economic activity, reducing the probability of being active, were current sickness and the proportion of time spent as sick during 1991-96. These had a dominant place in the analysis. It was therefore confirmed that sickness was a very important factor in the high levels of inactivity observed in the unemployed sample (which, as we noted earlier, may have been an effect of the sampling frame used). Sickness is most simply interpreted as a 'barrier' to activity, although other interpretations are possible. Certainly this finding mirrors recent research on lone parents, at least 10 per cent of whom seem permanently locked out of the labour market by ill-health (Finlayson and Marsh, 1998).

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[22] The dependent variable is binary, taking values 1 (active) and 0 (inactive). The analysis was carried out by non-linear regression, assuming a probit distribution. The model statistics were: N = 1942; log likelihood= -789.6; chi-squared for fit = 675.5 on 28 d.f.

Women   Apart from sickness, the largest influence on activity or inactivity was gender. Women were less likely to be active jobseekers than men. There are several possible explanations. One possibility, for women of child-bearing age, is pregnancy (see White and McRae, 1989). This cannot be checked with the available information, but will be checked at the follow-up interview. More generally, women may be deterred from job search by their acceptance of household roles. However, women who were single (neither married nor cohabiting) were no more likely to be active jobseekers than married women, nor were women who were carers less likely to be active; these findings point against an explanation based on household barriers to working. The low wages on offer to unemployed women (see below) are a more plausible explanation for their lower levels of economic activity.

For women, there was one other factor of significance; this was the amount of other non-wage income available, which decreased the probability of their remaining an active jobseeker. This income came from a variety of sources, including grown-up children, rents, investments, and so on. Perhaps surprisingly, women's activity was unaffected by partner's earnings, but this may have been because so few unemployed women had partners in employment. Men were equally likely to report receiving 'other income' but it did not affect their activity levels in the same way.

Men   There were several further influences on men's probability of being active jobseekers. They were more likely to be active if they had a recent work-history with numerous short events, rather than few longer ones[23]. This may reflect a greater willingness to take temporary jobs or generally to be more 'flexible'. Men were also more likely to be active if they had frequent contacts with their friends. Both men who were in the social rented sector, and those who had mortgages, were more likely to remain economically active than those who owned their property outright.

Other factors   The only other influence which appeared significant for both men and women was age, with activity levels falling off in the older age groups. However, this effect was relatively minor and was more marked for women than for men.

There was no indication, for either men or women, of differences in activity rates in the unemployed sample between the various ETU pilot and control areas, nor by whether the area was in an urban, rural or seaside location.

Other than sickness, past and present, the analysis did not throw up any factor which would account for the high overall level of inactivity in the

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[23]   The significant variable in the model, NACTS, is the number of separate events in the work history, including spells of employment unemployment, inactivity etc.

unemployed sample, especially in one containing so many men. If anything, then, it underlines concern about the possibility of a declining activity rate. If this results from low wage offers in the job market, the potential for an ETU effect on increasing activity rates could be considerable.

The presence of a fairly substantial group of currently inactive individuals, including claimants of disability benefits, in the unemployed sample may give some cause for concern. This may have partly resulted from the unavoidable use of the DCI sampling frame in place of the NUBS sampling frame. However, the preliminary analyses were broadly reassuring in this respect. It was shown that the inactive individuals could be included in or excluded from analyses without much impact on the results obtained. Further, there were indications that many of the inactive group were 'discouraged workers' - that is, their lack of success in finding a job had discouraged them from actively looking any further - who could be influenced by ETU. So their presence in the sample may turn out to be of practical value.

Table 3.31 Summary of influences on the probability of remaining an active jobseeker - the unemployed sample

Variable	Combined analysis (male and female)	Male	Female
Gender	women -	n.a	n.a
Persistent illness	-	-	-
Percentage of time off sick, 1991-96	-	-	-
Age	-	n.s	-
Other non-wage income	-	n.s	-
Number of events in work-history, 1991-96	+	+	n.s
Driver	+	n.s	n.s
Contacts with friends	+	+	n.s
Mortgage or social renting	+	+	n.s

Note: - reduces activity; + increases activity; n.a=not applicable; n.s=not significant at 95 per cent confidence level

3.5.3 Analysis of entry to employment

The rate of entry to employment can in principle be measured in a variety of different ways. In many circumstances, the most informative measure is the time taken from starting unemployment to entering employment (often referred to, more technically, as the hazard rate). In the present survey, the relatively short period between sampling and fieldwork made this less useful. Instead, it was decided to focus on employment status at the time of the survey interview. This measure had the great virtue of being as simple and free of error as possible.

The presence of a large group of inactive people, however, complicates the analysis of entry to employment. Should they be included or excluded from such an analysis? If they are inactive, it might be argued, they can hardly get into jobs. The presence of a large inactive group in the analysis

could bias the result. However, past research (White et al., 1995; Bryson and White, 1996) has shown that many people do move out of inactive unemployment into jobs without overt job search. For example, family members or friends may find a job opening for the unemployed person, or the long term sick may recover and return to a job informally held open for them. Also, nearly one in three of the currently inactive in the unemployed sample said they expected to become active jobseekers in the future. Therefore, if the inactive were to be excluded from the analysis of job outcomes, this could bias the results by failing to take account of people who would subsequently seek or obtain jobs.

To deal with this complication, analysis of entry into jobs at the time of interview was conducted in three ways[24]. The first approach was to include everyone, including those who were currently inactive, in the analysis of job entry. The second was to exclude those who were on some kind of sickness or disability benefit at the time of the interview, on the grounds that these would usually be excluded in a sample of claimant unemployed. In the third analysis, a type of sample selection model was introduced, in which those currently inactive were excluded from the analysis of job entry, but the results were adjusted to minimise any bias resulting from their exclusion[25].

It turned out that the results from all three approaches were closely similar, with one exception. In the analysis with the whole of the unemployed sample, the probability of being in a job was reduced if the individual reported persistent illness or disability. When those on disability benefits were removed from the sample, this effect disappeared. The effect of sickness or disability was also not significant in the sample selection model which excluded the currently inactive. The interpretation, then, is that sickness or disability operates chiefly by increasing inactivity, but has no additional effect on employment chances for those remaining active.

Since, with this exception, the analyses were similar in their results, we focus below on the findings as they appeared from the sample selection model[26]. We also, in this case, use results for men and women combined, rather than considering the sexes separately. The results for men and women were broadly similar, but less clear in the case of women because

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[24] The dependent variable is binary, taking the values 1 (in job) and 0 (not in job). The probit analysis was used.

[25] The technique is similar to the sample selection method for analysing wages while taking account of the absence of wage data for those who are not in jobs. Here, however, the outcome variables are binary (active/inactive; in a job/not in a job) and the appropriate model is the bivariate probit. This is a two-stage estimation procedure which incorporates an estimate of the correlation between the unobserved influences on the two outcomes.

[26] The statistics for the bivariate probit model are: N = 1942; log likelihood = -1420.8; correlation of residuals = 0.66.

of a smaller sample size. Table 3.32 provides a summary of the influences on the probability of being employed for the combined unemployed sample.

Recent work experience   The most powerful variable in this analysis was *recent employment experience*, measured by the percentage of time spent employed in the period 1991–96. The more experience unemployed people were able to offer, the sooner they returned to work. This is consistent with the widely held assumption that employers use applicants' employment record as a screening device for recruitment. The dominant effect of this factor could constitute a barrier for ETU. If employers remain resistant to the recruitment of people with poor recent employment records, the impact of ETU-induced changes in their search behaviour or reservation wages may be weakened. Other interpretations are, however, possible: for example, a poor recent employment record could reflect low employment motivation or unmeasured barriers to working.

Flexibility   Another positive factor was the number of changes of status which had taken place in the past five years or so (measured by the number of separate events in the work-history), which might (tentatively) be an indicator of 'flexibility'. (In the previous section, we noted that this was also an important influence on continuing activity of job search).

Education and training   The longer-term 'human capital' variables were surprisingly weak influences on job entry chances. Having an A-level or equivalent qualification provided a significant advantage over having no qualifications, but the other qualification levels were inconsequential. Vocational qualifications also failed to improve job entry, while a professional or nursing qualification was actually associated with *lower* entry rates to jobs. Previous participation in government programmes was also linked to lower job entry rates. The general lack of positive benefit from education and training might be a selection effect, with those who turn their human capital to good advantage not appearing in a sample of unemployed.

A valid driving licence was found to have a positive influence on the probability of being employed at interview.

Sex, age and household structure   Women were more likely than men to get jobs (despite also being more likely to become inactive); this has been a consistent finding of recent years (White et al, 1997, Chapter 9). Another familiar finding was that job entry for both men and women fell with increasing age.

A factor often found to be important for labour market behaviour and outcomes is marital status. Here though it was not related, as such, to job entry. To explore this further, an alternative analysis was carried out in which the 'married' variable was split between married people who had

working spouses and married people with non-working spouses[27]. Because of benefit structures, it is generally assumed that a non-working spouse would depress job search incentives for the unemployed. Here, however, a non-working spouse in fact made job entry *more probable*.

The total number of employed people in the household (including any partner but not the respondent) was also positively related to the respondent's probability of returning to employment[28]. A plausible interpretation is that other employed people in the household (such as parents or non-dependent offspring) help to provide contacts with the job market and to maintain a norm of employment. Consistent with this was the finding that those in the unemployed sample who had many contacts with their friends were also more likely to be observed in a job than those with relatively few contacts.

Housing and household finance
Housing variables, which are also potentially related to social security benefits, produced only one significant result, and again one which was hard to explain. It appeared that private-sector renters among the unemployed sample were the least likely to be observed in work at interview.

Some other financial variables failed to accord with standard interpretations of work incentives or disincentives. Both savings[29] and 'other' non-work income would be expected to reduce job entry (because of the predictions of labour supply theory) but neither of these were linked reliably to job entry in the present case. The financial aspects of the results, therefore, were puzzling. Further work of this kind, for example, combining all the separate indicators into an integrated 'potential out-of-work income' variable, will produce a clearer picture. This is planned for the next stage of analysis, using the 1996 and 1997 follow-up data.

ETU area
Finally, and of special concern for this study, differences in job entry by ETU areas were considered. ETU pilot areas (A and B) were combined and jointly contrasted with the control areas. There was some indication that the rate of job entry might be higher in the ETU pilot areas (A and B), but this effect was only at the borderline of statistical significance and

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[27] To obtain a clear interpretation, another variable representing the number of employed people in the household (excluding the respondent) was alternately omitted from or included in this analysis. This made no difference to the results described.

[28] When the employment of the spouse is also included in the analysis, this 'nets out' the effect of the spouse from the effect of total household employment. There is, therefore, no virtue in deducting the spouse's employment from the household employment.

[29] Savings were represented in two ways in alternative versions of the model: first as a continuous variable, and then as dummies for 'high' (£5,000 or more) and 'moderate' (£500–£4,999) savings.

could be a chance result[30]. However, a separate analysis for the men in the unemployed sample produced a more clearly significant difference between areas[31] (there was no indication of a difference for the female part of the sample). Also, on replacing the overall ETU pilot area variable with separate variables for Scheme A and Scheme B areas, the effect for Scheme B areas was even more significant, while that for Scheme A areas was non-significant, though in the same direction[32].

These are estimates of net effects after taking account of many other individual differences. The gross job entry rates were, in fact, quite similar across the ETU evaluation areas, with Scheme A areas having 17.2 per cent employed, Scheme B areas having 16.2 per cent, and control areas having 15.5 per cent employed at interview. A possible interpretation is that the sample in ETU pilot areas (A and B) had somewhat more disadvantageous characteristics which were not included in the measures at this stage of the project, but some local factors were working against these disadvantages in a relatively effective way, though we have, as yet, no direct evidence for this supposition (though an in-depth analysis of the local labour markets constitutes a strand of the ETU evaluation) .

It is tempting to interpret this as an anticipatory ETU effect. For example, if ETU had been advertised and promoted effectively before launch, this could have affected the performance of local Employment Service offices or the attitudes of unemployed claimants. If however there was an anticipatory ETU effect, it would be expected to be stronger close to the launch of ETU and weaker at earlier dates[33]. So the hypothesis could be tested through the interaction between ETU pilot areas (A and B) and date of interview. This interaction, when added to the model, proved to be non-significant. The interpretation of an anticipatory ETU effect was therefore not supported. Rather, it seems there may be some underlying difference in job market effectiveness between the areas, with Scheme B areas being somewhat more effective than the rest. And, of course, any one result may be a statistical anomaly.

Overall, the analysis of job entry after unemployment produced some expected results, but as many which were unexpected and hard to explain.

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[30] The probit coefficient for ETU pilot areas (A and B) was 0.15 and the t-statistic was 1.88, $p<0.07$.

[31] The probit coefficient for ETU pilot areas (A and B) was 0.22 and the t-statistic was 2.06, $p<0.04$.

[32] The probit coefficient for the ETU Scheme B areas was 0.28 and the t-statistic was 2.21, $p<0.03$.

[33] Those interviewed in the last two months of the survey were significantly more likely to be employed than those interviewed in the first two months. This is as expected (irrespective of ETU) since, unless new jobs are extremely unstable, there will be a gradual shift towards employment over time. Also, after the summer period, firms may increase recruitment in the build-up to Christmas.

These findings provide pointers to aspects of the analysis which can be investigated in more depth as the evaluation proceeds.

Table 3.32 Summary of influences on the probability of being employed at the time of the interview - unemployed sample, combined analysis for men and women.

Variables increasing probability of being employed

The percentage of **time spent employed**, 1991-96 (extremely strong influence)
The **number of events** in the work history, 1991-96
Education - Having 'A' levels or equivalent
Gender - Women were more likely to be employed than men
Age - Younger people were more likely to be employed
Being **married** with a spouse who is **not working**
Having **Other employed earners** in household
Having relatively **frequent contacts with friends**
Having a **driving licence**
Living in **Scheme A or Scheme B areas** (borderline effect)*

Variables reducing probability of being employed

Education - Having nursing/other qualifications
Previous participation in government programme
Housing tenure - Private renter

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* This effect was found to be significant for men and stronger for men in Scheme B areas

3.5.4 Job-search processes and wage expectations	We have already stressed the potential value of understanding processes of job search. This section of multivariate results for the unemployed sample focused on this area. Two related aspects were examined, (a) job-search intensity, and (b) wage expectations.

Job-search intensity	Job-search intensity may be important for the efficiency of the labour market, and for wage flexibility. Job-search theory (Barron and Mellow, 1979) suggests that search intensity falls with rising reservation wages but rises with higher average wage offers. ETU could be expected to affect search intensity both by reducing reservation wages and by changing jobseekers' perceptions of the value of jobs on offer. The survey contained several questions relevant to the issue of search intensity. Reservation wages - what workers would actually accept when they took a job - could not be directly measured through the survey questions, but a related indicator was the individual's report of the lowest wage she or he would be willing to consider: this we refer to as their 'wage expectations'.

In addition to those in the unemployed sample remaining out-of-work, questions about search intensity were asked of people now in work, though it was decided to exclude this latter group from the analyses reported here, since they were asked about wage expectations in a different sense. For the analyses of search intensity, it was also necessary to exclude both

the currently inactive (who were not asked these questions) and those not providing information about wage expectations (since this was a potentially important explanatory variable). For the analyses of wage expectations, some of the currently inactive were restored, since they were asked the wage questions if they expected to resume job-search sometime in the future.

For all these analyses, then, the numbers were considerably reduced, which made results for men and women combined more reliable than separate analyses. It is the overall results which are reported here. However, the separate runs for men and women suggested that there may well be substantial differences in search behaviour between the male and female samples, which we will be better able to analyse at the follow-up[34].

In previous research, reasonably clear explanatory models have been developed for two measures of search intensity, hours per week spent searching, and number of applications made (for hours, see White et al., 1995; for applications, see White and Lakey, 1992). Here, however, the results for hours of search proved unreliable for the baseline data[35], and we therefore focused on the more satisfactory results obtained for number of job applications. Table 3.33 summarises the numbers of job applications made by the unemployed sample (including those who had since found employment). Three out of ten men and nearly four out of ten women had made no job applications over a four-week period.

Table 3.33 Number of job applications in a four-week period
- Unemployed sample, currently active jobseekers and those in a job. For those in a job, period referred to is prior to obtaining the job.

(column percentages)

	Men	Women
None	30	38
1-2	15	15
3-5	23	18
6-9	10	8
10-19	10	10
20 or more	11	10
Base	1023	345

To carry out the multivariate analysis, the number of job applications made over a four-week period was collapsed into three categories (0=no applications, 1=1-5 applications, 2=6 or more applications). This resulted in three groups of roughly similar size. The analysis simultaneously compared those who made 1-5 applications ('moderate' application rate)

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[34] At the follow-up, we will be able to use data from both waves, increasing reliability through a panel analysis.

[35] This was indicated by poor goodness-of-fit statistics for the overall models obtained. Poor results could arise for a variety of reasons, including misreporting by respondents or the omission of important variables from the model.

with those who made no applications; and those who made six or more applications ('high' application rate) with those who made no applications. This method[36] allowed the influences on moderate rates of application to be different from the influences on high rates of application. The significant results from the analysis are summarised in Table 3.34.

Moderate rates-vs-none

Those making applications at the moderate (1–5 applications) rate differed from those making none: they were younger, on average, with lower non-wage income and lower wage expectations. Other variables which were near the borderline of statistical significance were gender, with women less likely[37] to make a moderate number of applications; persistent illness, which acted similarly; and having an A level qualification or equivalent, which had a positive effect on moderate intensity search.

High rates-vs-none

Making applications at a high rate (six or more applications) was similarly affected by age and gender, but high rates were not affected by non-wage income and wage expectations. Instead, human capital variables came to the forefront. All those with educational qualifications, especially at GCSE/O level and A level, were more likely to have a high application rate, and this was also true of those who had participated in government programmes for the unemployed. A high job application rate was also more likely among those who had spent a greater proportion of time in employment since 1991.

The job application rate was unaffected by living in ETU pilot areas combined (A and B) compared with living in the control areas. However, a key pointer for ETU was contained in the significant effect of wage expectations on job-search activity. There appeared to be many people approaching the labour market with a very low level of search-intensity, possibly because the wages they saw on offer provided them with insufficient incentive relative to their wage expectations. By increasing the return from low-waged jobs, ETU might be expected to shift some of these into at least a moderate level of search intensity.

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[36] This was a multinomial logit model. The model statistics were: N = 873; log likelihood = -878.1; chi-squared for fit = 675.5 on 64 d.f.

[37] The phrase 'less likely' is loosely used here. This type of analysis produces estimates in the form of relative odds. These are related to probabilities, but not in a direct manner.

Table 3.34 Influences on 'moderate' and 'high job-search intensity

Combined analysis for men and women. Search intensity is represented by number of job applications in a four-week period. Both moderate and high intensity are compared with low intensity, that is, no job applications

Effects on the odds of moderate intensity search (1-5 applications)

Variable	Effects significant at 95% confidence level
Age	Odds higher for younger people
Other non-wage income	Higher as non-wage income decreases
Wage expectations	Higher with lower wage expectations

Variable	Effects significant at 90% confidence level
Gender	Higher for men than for women
Persistent illness	Higher for those with no illness/disability
Education	Higher for those with A-level qualification

Effects on the odds of high intensity search (six or more applications)

Variable	Effects significant at 95% confidence level
Age	Higher for younger people
Percentage of time spent spent employed, 1991-96	Increase as percentage rises
Government programme	Higher for previous participants
Education	Higher for those with GCSE/O level, A level or degree qualification

Variable	Effects significant at 90% confidence level
Gender	Higher for men than for women
Qualifications	Higher for those with CSE level

Wage expectations Respondents were asked to say how much in weekly take-home wages they would need to be offered before they considered a job worth taking (target wage). They were then asked how likely or unlikely it would be that they would actually find such a job, and, if they felt it unlikely, how much they might actually settle for in the end (acceptance wage). Wage expectations were calculated by taking the target wage (the offer that would make a job 'worth taking') by those who felt it likely they would receive such an offer, and the acceptance wage given by those who felt their first estimate was unlikely to come their way.

To assess wage expectations, it is possible to consider both weekly and hourly figures and details of these kinds are examined more closely in section 3.7.1. For the moment and for the sake of simplicity, the presentation was confined to their expected weekly wages. These are more relevant in terms of eligibility for ETU, and more comparable with actual wages reported by those in work in the sample. However, the model presented below included 'expected hours' as a control variable, which helps to make effects on weekly wages more comparable across

individuals wanting to work different hours. A few cases with outlying or implausible values in their data were excluded.

The mean net weekly wage expectation for the group so defined was about £122. This was substantially higher than the average current wage reported for those who were in work when interviewed from the two samples together (£100), and even higher compared to the wages earned at interview by those obtaining jobs after being sampled among the unemployed (£97). This comparison may not, however, be an entirely reliable guide, since individuals with a particular wage in mind are known often to have accepted lower wages, involving fewer hours, in the hope of increasing hours and wage income later. The significant influences on wage expectations are summarised in Table 3.35[38].

ETU area

The most directly interesting of these findings was that jobseekers in Scheme A areas had significantly higher wage expectations (after allowing for all background characteristics) than those in Scheme B or in the control areas (there was no significant difference in wage expectations between Scheme B and control areas). Analysis described in section 3.5.3 showed that the job entry rate in ETU pilot areas (A and B) was higher for unemployed men, but in that case the effect seemed stronger in Scheme B areas. This difference in wage expectations appeared in the raw averages, which were as follows:

- Scheme A areas   £127.30
- Scheme B areas   £116.40
- Control Areas   £121.40

It seems implausible that the result in Scheme A areas could have been influenced by the preparatory build-up for the introduction of ETU, since that should have worked to lower wage expectations. None the less, we tested this in the same way as for job entry rates, and with the same result: there was no sign that the Scheme A area effect was stronger as the implementation of ETU drew nearer. The difference in wage expectations by area appears to have been prior to and independent of ETU.

Other influences on wage expectations

The remaining influences shown in Table 3.35 contain little that was surprising. People with higher qualifications, either degree or professional, had higher wage expectations. So too did people with a driving licence, who would be able to search over a wider area to find a suitable job provided, of course, they had access to a motor vehicle. Wage expectations, like actual wages, initially rose with age but then fell as workers grew older. This was one factor that depressed the average wage sought by the unemployed sample: there were relatively few people in

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[38] This was an ordinary least squares (OLS) regression model of the log weekly wage. Model statistics were: N = 1024; d.f = 989; adjusted R-squared = 0.37.

the middle, higher-earning years because the majority of such people have children and/or earning partners. People with actual or potential housing costs in the form of rents or mortgage payments sought higher wages than those with outright ownership or living with parents. Those who were married also sought higher wages, but having extra earners in the household reduced the wages they sought.

One final finding, which accords with some previous research (McLaughlin, Millar and Cooke, 1989; Marsh and McKay, 1993), was the relationship of debt and wage expectations. Those with significant problems of debt (about 20 per cent of the group analysed) required higher wages, on average. Hence debt seems to act as a barrier to re-entering employment.

Table 3.35 Influences on weekly wage expectations among jobseekers in the unemployed sample
Combined analysis for men and women

Variable	Effects significant at 95% confidence level
Gender	Men had higher wage expectations
Age	Expectations increased with age initially, then decreased
Qualifications	Degree or professional qualification increased wage expectations
Driving licence	Drivers had higher wage expectations than non-drivers
Housing tenure	Those with a mortgage or renting had higher wage expectations than outright owners or living with parents
Other earners	Higher if no additional earners in household
Debt	Having debts increased wage expectations
ETU area	Higher wage expectations in Scheme A areas
Variable	**Effects significant at 90% confidence level**
Marital status	Married people had higher wage expectations
Other non-wage income	Wage expectations increased with additional non-wage income

In practice, earnings is the main criterion for eligibility for ETU, so it was useful to begin by considering influences on the earnings received by those at the bottom of the income distribution: large samples of such workers are not commonly available for analysis in this way. Those influences which raised earnings could be regarded as 'incentives' to labour supply and job-search, while those which depressed earnings were 'disincentives' that might have been expected to have the opposite effect on labour market behaviour. These incentives and disincentives might well have been altered by ETU.

Initially, we assumed that the employed and the unemployed were a broadly homogeneous set of workers, but that women's and men's wages

were better considered separately. We therefore estimated the influences on wages for all **currently** employed men, whether from the employed or unemployed sample, and did this separately for women. One of the main questions of interest was whether the people from the unemployed sample who were getting jobs were receiving similar wages to those in continuing employment.

Less than one half of the total sample (unweighted) were currently employed at the time of the survey. The earnings of those currently employed might give a biased view of the earnings *capacity* for the sample as a whole: some might have done better when they got a job, or have done worse. A standard method of dealing with this is known as the sample selection method (Heckman, 1979; Maddala, 1983). First, we performed an analysis to explain any differences between those currently in work and those currently out of work at the time of the survey[39]. Certain results of this analysis were then used to adjust the earnings analysis to make it more representative of the whole sample[40].

Since the samples were selected from those in the lowest-paid jobs or those who were disadvantaged jobseekers, the variation in earnings was naturally very much curtailed. Many factors which greatly affect earnings in the general labour market will be concealed in such a narrow sample. One should not expect to obtain a model of earnings which is as strong as in a general sample of the labour force[41].

The results confirmed this expectation: the proportions of this restricted variation in earnings accounted for were generally rather low, and some standard variables of wage analysis, such as educational attainment, did not exert their usual effects in improving wages. None the less, a number of useful points emerged. The three most important were as follows:

i. For both men and women, the dominant influence on weekly earnings was simply hours worked. Inclusion of a simple dummy variable contrasting part-time workers (less than 16 hours per week) with full-time workers (16-plus hours per week), was sufficient to increase the variance explained by the model from about 15 per cent to about 35 per cent.

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[39] More precisely, we model differences between those current employees who reported full wage information, and those who were out of work, while those who had missing wage information, or were self-employed, are excluded from the analysis.

[40] In essence, this adjustment takes account of unobserved influences on employment which also affect earnings. Analyses of employment and earnings are thereby made consistent.

[41] For women, the model statistics were: N = 1010, d.f. = 968, adjusted R = squared = 0.14. For men, N = 607, d.f = 566, adjusted R-squared = 0.09. Note that, because of the sample selection adjustment, this is not an OLS regression and the R-squared values are only indicative.

ii. People from the unemployed sample, who had got into work, were on average paid appreciably <u>less</u> than the current workers from the employed sample. This remained a significant factor after controlling for other characteristics such as qualifications and occupational and industry group. For men, the difference was 14 per cent less for new entrants; for women it was 25 per cent[42]. Unemployed re-entrants to work, therefore, were clearly near the bottom of the wage distribution.

iii. There was no indication of differences in earnings levels between the ETU Scheme A areas, ETU Scheme B areas, and control areas. There was also no effect by date of interview.

Other findings of interest are summarised in Table 3.36. Human capital influences were generally weak, but stronger for men than for women, with both job tenure and vocational qualifications having some positive impact on earnings. Age was also important for men (but not for women), with earnings increasing with experience initially, but then falling back for older workers. Women's earnings (but not men's) were positively affected by the amount of time they had spent in employment since the end of 1990. They also earned more, on average, if they had prior experience of Family Credit.

There were some important earnings differentials by industry and occupation. Among women, there was a significant wage advantage to those in the health services, while earnings were depressed by working in 'other services' or hotels and catering. The lowest-paid occupational group for women was 'other occupations', which covered a range of lower-skilled jobs mostly in services, and 'sales occupations', which covered mainly routine jobs in distribution.

For men, manufacturing and transport offered the best earnings on average, while the lower wages were found in education, health and 'other services'. Occupationally, the lowest male earnings were found in sales.

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[42] In terms of raw means, the difference was much smaller, only three per cent overall. The multivariate analysis takes into account the characteristics of those getting jobs, and so brings out more clearly the underlying difference between those established in jobs and the recently unemployed.

Table 3.36. Selected results from models of weekly earnings. (pooled workers from the unemployed and employed samples)

(The measure of earnings used was log net weekly pay. Effects noted were significant at least at the 95% confidence level.)

Variables that increased earnings:

Women	Men
% time employed, 1991-96	Age (prime aged worker)
Experience of Family Credit	Job tenure
Health service job	Any vocational qualification
	Manufacturing job
	Transport job

Variables that reduced earnings:

Women	Men
Unemployed sample	Unemployed sample
Sales occupation job	Sales occupation job
Other occupation (low-skilled)	Health service job
	Age (older worker)

Notes: The results are from an analysis omitting hours worked from the explanatory variables. Industry groups are compared with 'other services'. Occupational groups are compared with 'management, professional and associate professional' (SOC groups 1-3 combined)

3.6 Financial incentives among out-of-work households

This section examines how much financially better off in work the unemployed might become if they were to find jobs at their preferred or 'acceptance' wages and, having found such work, what difference claiming ETU would make to their final incomes in work. The questions tackled include:

• Which respondents would be better off in work and by how much?
• Who would be entitled to ETU?
• What difference do housing costs make to the 'better off in work' estimates?
• What difference would ETU receipt make to the 'better off in work' estimates?

To undertake these analyses, it was necessary to make some assumptions about the level of in-work incomes. The approach adopted here was to use respondents' estimates of the minimum weekly pay they would accept in work, and the hours they would be prepared to work for this pay. This enabled us to see how much each respondent felt they needed as a 'minimum in-work income' to be able to justify the effort of working. Later, we look at how the availability of ETU could alter the balance of earnings-to-benefit in this in-work income.

Mention should first be made of the out-of-work respondents who were not included in the following analyses. Although there were 1938 out-of-work respondents with valid income information available for analyses, only 1366 quoted an acceptance minimum wage in work. Only for these

respondents could target wages and incomes in work be estimated in order to say something meaningful about the likely impact of ETU. The majority of the 572 excluded were people who said they were not currently looking for work and would not in the future (for whom ETU is unlikely to make a difference), and some who said they wanted to be self-employed. The self-employed are not excluded from receipt of ETU but they would find it more difficult than most to predict future 'earnings'.

Some respondents sought to work hours each week which were below the minimum qualifying for ETU - 16 per week - and these respondents were included in early analyses. These respondents would have nil estimated in-work benefit entitlement - although some might retain Income Support while working short part-time hours.

As ETU is awarded at the benefit unit level, all calculations were undertaken at the benefit unit level. Where the benefit unit included the respondent's partner, it was assumed that changes in respondents' working status produced no immediate changes in the employment participation of the partner. Actual and estimated incomes presented are those of the benefit unit.

3.6.1 Wages and final incomes in work

The mean minimum in-work incomes were derived from the questions described above and are presented in Table 3.37. This figure appears in the first column of Table 3.37. Four estimates were then derived:

The second column shows the mean income which would arise if this minimum wage was received in work together with that portion of their unearned and other income which would be retained if the person was working their preferred hours (and earning their acceptance wages) rather than being out of work. This is an estimate of their 'final' income in work when receiving their minimum acceptance wages.

The third column simply gives the proportion of respondents for whom this resultant net income in work was greater than their actual income out of work.

The fourth column gives the proportion of respondents for whom the resultant income, less housing costs but with any help received with housing costs in work, was greater than their out-of-work income, again less housing costs but plus any help received with housing costs when out of work. Since full rent and council tax and some or all mortgage interest payments are commonly met out of work, but only part of rent and council tax expenditure is met in work, the proportion better off in work is reduced.

The final column gives the mean difference between in-work and out-of-work incomes.

Although the minimum wages respondents were prepared to accept were low, they were typically not as low as the earnings those in work from the workers-in-work sample received. There is some evidence here to suggest that out-of-work respondents had higher wage expectations or needs which priced some out of the low paid work the workers-in-work had accepted[43]. Given that the mean anticipated hours to be worked for the acceptance wages in Table 3.37 is 34, respondents would be working for £3.30 per hour in wages, on average. Older men and couples had the highest expectations. There was generally little difference between minimum net income and acceptance wages. Older single women and couples were most likely to have unearned income to add to their earnings, largely comprised of benefits portable into work, like widows' benefit and partners' state pensions. For all out of work, estimated final incomes in work averaged just £12 more than acceptance wages.

The majority (87 per cent) of out-of-work respondents stated minimum wage rates which would make them better off in work and it is perhaps surprising that 13 per cent looked for wages which would leave them out of pocket. These were made up of a handful of single men, and rather more single women. One in five both of single women and potential sole-earners in couples were prepared to accept wages in work which would leave them worse off than their out-of-work incomes.

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[43] It is worth noting an apparent anomaly in income differences in work. Among those currently in work, earnings were lower than the acceptance wages of the currently out of work. The hypothesised net gain from work would be expected to be greater for those out of work - based on their acceptance wages. But the incentive is smaller for the out of work. This is because the hypothesised out-of-work incomes of the currently employed are lower than the actual out-of-work incomes of the unemployed. The unemployed have access to more benefits and other income, which are portable into work, than the employed.

Table 3.37 Minimum acceptance in-work incomes by respondent type

	Minimum acceptance wage (£)	Minimum net income in work (£)	Proportion better off in work (%)	Proportion better off in work, net of housing costs (%)	Mean difference between incomes in and out of work (£)
ALL OUT OF WORK	112	124	87	84	44
Single male, under 25, not working 16+ hours	99	101	93	93	44
Single male, 25 or over, not working 16+ hours	127	133	93	89	35
Single female, under 25, not working 16+ hours	92	91	82	81	45
Single female, 25 or over, not working 16+hours	96	113	78	72	41
Couple, no earner working 16+ hours or more	130	169	79	74	60

The average net gain looked for in work was £44, with only couples as a group looking for substantially more (£60). This £44 may seem high, but it was equivalent to just £1.30 of *additional* income per hour worked. The net gain of £44 was, co-incidentally, an amount exactly comparable to the income difference achieved (in 1994) by lone parents in work on Family Credit compared to their out-of-work incomes (Marsh, Finlayson and Ford, 1997).

Older single men had relatively higher out-of-work income and would therefore see a smaller net gain in work despite higher wage expectations. They also said they were prepared to supply more hours to achieve this income difference (a mean of 37 hours each week). This means these men would be working for a net gain of less than £1.00 per hour worked. At the other extreme, couples - with greater household needs - looked for a much higher return (an average net gain of £1.80 per hour worked).

So from Table 3.37 we can see what sort of return out-of-work respondents wanted from their efforts when they returned to work. They were prepared to work full-time hours, on average, for the equivalent of less than half average hourly earnings for their area (see Green, 1997). They sought a final income gain of around £40 per week if they did not have partners, and about £60 if they did.

Taking housing costs into account How much better off respondents would be in work depends on outgoings as well as income. Table 3.38 illustrated that once housing costs were taken into account, fewer would see a net gain from work. Housing Benefit acts as a substantial subsidy for renters in work, but a minority of respondents pay rent and thus qualify. Council Tax Benefit represents another, smaller subsidy to most low-income earning households. When incomes in and out of work, net of housing costs and these respective benefits are compared, 84 per cent were better off in work on their minimum acceptance wage. More than a quarter of older single women and single earners in couples would not be better off in work, once the

additional housing costs they would have to meet were taken into account.

The tenure which is typically most likely to lose out in net income when moving into work are those with mortgage liabilities. In work, there is no direct help available for mortgage costs. Out of work, on Income Support, mortgage holders can receive a full reimbursement of their mortgage interest payments. One reason underlying differences in the proportions better off between customer groups are the underlying tenure differences between customer groups (Table 3.38).

Table 3.38 Tenure and in-work incomes by respondent type

	Base	Home owners	Live with parents	Renters	Own with mortgage	Others
Row percentages						
ALL OUT OF WORK	615	7	48	29	10	6
Single male, under 25, not working 16+ hrs	110	1	85	11	-	4
Single male, 25 or over, not working 16+ hrs	147	6	47	31	8	9
Single female, under 25, not working 16+ hrs	63	3	71	22	1	4
Single female, 25 or over, not working 16+ hrs	115	9	23	47	15	6
Couple, no earner working 16+ hrs or more	180	21	2	39	31	8
Base		43	295	178	62	37
cell percentages						
Proportion better off in work, net of housing costs	67	92	77	77	86	

Table 3.38 illustrates the dominance of residence with parents as a tenure type. This was particularly strong among young single respondents, but also older single men. Renting was more common than living with parents for two groups: older single women and couples. Older single women and couples were the groups where mortgages were most likely. Outright home ownership was negligible for most groups except couples.

The final row of Table 3.38 indicates how important tenure was in influencing likely in-work income differentials. Housing costs were irrelevant to the proportions identified as better off among those who lived with parents. There are no identifiable housing costs to compare in and out of work. Preliminary analyses suggested that few among the out of work made significant financial contributions to their parents for living with them, and the best assumption we could make was that those who did pay would face identical housing costs when in work, making no difference to the levels of in-work and out-of-work income. It is possible that parents 'charged' more to children who worked (or encouraged working children to move out), but this would need to be tested once longitudinal data is available next year.

A quarter of renters, and a quarter of mortgage payers were calculated to be worse off in work on their acceptance wages, as were just over a third of outright owners.

Outright owners had no attributable differences between in and out-of-work housing costs apart from relatively small changes in entitlement to Council Tax Benefit. One third were worse off both before and after housing costs were taken into account. That outright owners would be out of pocket at all was somewhat surprising, but stemmed from two related findings. One, that most were couples and thus had high out-of-work entitlements. Moreover, half of these 'worse off in work' owner occupier respondents were women, and women in particular tended to report a low acceptance wage. One in five such owner-occupier households had income from a retirement pension, for example, and might need a relatively low income from work to make it worth their effort. Another one in five claimed widows' benefits[44]. Two thirds of 'worse off in work' owner occupiers had an acceptance wage of less than £60.

Renters by contrast, quoted much higher acceptance wages, half of those 'worse off in work' quoted figures in excess of £100 per week. Still one in six were worse off due to a low acceptance wage, however. The problem for the remaining five per cent - which made them unable to achieve an in-work income in excess of out-of-work income once housing costs were taken into account - was that Housing Benefit in work covered less than half the rent costs these respondents had to meet. Rents - and consequently Housing Benefit out of work - averaged £44 per week. Housing Benefit in work for those 'worse off in work' averaged just £19 per week. This £23 average increase in weekly outgoings was a significant proportion of their acceptance wage (26 per cent on average) and meant such respondents had anticipated final incomes in work which were lower than out of work.

Contrary to expectations, mortgage holders were no more likely than renters to be predicted worse off in work once housing costs were taken into account. Again the majority predicted 'worse off' (one in six of all with mortgage liabilities) were in this position because of a low acceptance wage. For another five per cent, the loss of mortgage interest payments was the issue. Mortgage interest payments averaged £36 per week, and help out of work with mortgage interest payments through Income Support averaged £30 per week. Such help would not be available in work. While the loss of mortgage interest payments affected five in six mortgage holders, for just five per cent it was this which meant that they were calculated 'worse off in work' net of housing costs.

For those out of work and contemplating taking a job at their acceptance wage, but for whom housing costs reduced the financial incentive in such a move, ETU might help make up the difference.

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[44] Widows' benefits and retirement pensions count in full as income assessable for ETU claimants.

One way to assess the impact of ETU is to examine how the benefit would help claimants achieve these desired in-work incomes. More specifically, how it will fit into the combination of wage and other income that goes to make up the difference between the total out-of-work and in-work incomes that respondents seek. How much lower, therefore, would be the wages sought by respondents if ETU, rather than wages alone, made up the in-work income they said they sought.

The first stage of this analysis was to calculate the in-work entitlement to ETU, assuming wages in work matched the minimum wage expectations described above. As two schemes will operate, and Scheme B is more generous than Scheme A, ETU eligibility was calculated under each scheme. Initially, eligibility was calculated for all respondents, regardless of where they lived. The local availability of different ETU schemes is considered later.

Table 3.39 shows the proportion of respondents who would have been eligible for ETU if they were to receive their minimum wage expectation described above and still received their current unearned income, plus any of their benefits which they would still be entitled to receive in work.

Under Scheme A, half those currently out of work would qualify for ETU in work, while under Scheme B, the proportion was nearer two-thirds.

These potential levels of eligibility matched closely those of the workers-in-work sample had ETU been available at the time. That eligibility extended to at least half of all out-of-work respondents and in-work respondents pointed to a large potential customer base for ETU. All these respondents would be better off in work on their minimum acceptance wages with ETU than without it and would have an incentive to claim.

Table 3.39 ETU Eligibility in work given acceptance wages by respondent type

	Base	Proportion eligible for Scheme A rates (%)	Proportion better off in work with Scheme A (%)	Proportion eligible for Scheme B rates (%)	Proportion better off in work with Scheme B (%)
ALL OUT OF WORK	615	51	88	63	89
Single male, under 25, not working 16+ hours	110	65	93	77	93
Single male, 25 or over, not working 16+ hrs	147	37	93	52	94
Single female, under 25, not working 16+ hrs	63	72	84	81	85
Single female, 25 or over, not working 16+hrs	115	46	79	59	80
Couple, no earner working 16+ hours or more	180	48	82	54	84

It is important to remember that nearly nine in ten already expected to obtain minimum wages which would make their total in-work incomes higher, usually substantially higher, than their out-of-work incomes. Receiving ETU would just have raised their in-work incomes higher still. Of course, if jobs at substantially lower wages were accepted, ETU would not necessarily raise in-work income above out-of-work income levels.

The effect of housing costs

Taking into account housing costs raised the proportion gaining in work from 84 per cent (Table 3.38) to 86 per cent (Scheme A) or 87 per cent (Scheme B). So, generally, taking housing costs into account did not alter the impression given by Table 3.39 that the vast majority of households would be financially better off in work on their acceptance wages, and claiming ETU. Nonetheless a small proportion would be newly better off because ETU would help compensate for additional in-work housing costs.

3.6.3 Incentives in ETU Scheme A and B areas

Table 3.40 repeats the same analyses as Table 3.39, but solely for those who lived in areas where ETU would become available during the pilot. ETU rates were calculated according to the relevant Scheme (A or B) prevailing in each area. The results were broadly similar to the findings for the whole sample under Scheme A in Table 3.39, with half found eligible for ETU.

How many of the remaining unemployed people would have seen their net gain in work raised from a negative to a positive figure due to ETU? Table 3.40 indicates what proportions would be made better off in this way by the introduction of ETU. The effect was relatively small: most of the impact was in increasing the income of those who would already be better off in work if they received their minimum wage expectations. Marginally more were predicted better off in work with their combined minimum acceptance wages and ETU, with the most notable improvement among couples.

Table 3.40 ETU Eligibility in work in pilot areas, given acceptance wages

	Base	Proportion eligible for ETU (%)	Proportion better off in work with ETU (%)	Proportion newly better off with ETU (%)	Proportion newly better off excluding those who say they would not claim (%)
ALL OUT OF WORK IN PILOT AREAS	467	50	88	2	1
Single male, under 25, not working 16+ hours	87	60	93	1	1
Single male, 25 or over, not working 16+ hours	111	42	94	1	0
Single female, under 25, not working 16+ hours	45	55	84	2	1
Single female, 25 or over, not working 16+ hours	99	52	77	2	1
Couple, no earner working 16+hours or more	125	48	83	5	5

So, only a small proportion were made newly better off by the availability of ETU (the third column of Table 3.40) compared to their in-work income on minimum acceptance wages. This was partly because there was only a small proportion who placed their acceptance wages so low that they did not see a gain when in work without supplementation (13 per cent). Of this small proportion, two thirds would not actually qualify for ETU because their preferred hours were too few. Another three per cent would not qualify because their savings were too high. Of the remainder, some had very high out-of-work incomes, and many among those who did not have high out-of-work incomes stated acceptance wages which were too low to show a net gain from work, even with supplementation. Hence, on average, only one in six would newly see a gain from the availability of ETU.

The effect of housing costs
Table 3.41 repeats the analyses of Table 3.40, concerning who would be better off in work, but considers incomes in and out of work, net of housing costs. The proportions made better off in work with ETU were generally much the same as in the absence of ETU (Table 3.39). But among one key subgroup - couples with no earner - ETU seemed likely to make a difference. One in twelve would not gain from work in the absence of ETU, but would do so if they claimed the ETU their acceptance minimum wage made them entitled to.

Table 3.41 ETU Eligibility in work in pilot areas, given
acceptance wages, net of housing costs

	Proportion better off in work with ETU, net of housing costs (%)	Proportion newly better off, net of housing costs with ETU (%)	Proportion newly better off excluding those who say they would not claim (%)
ALL OUT OF WORK IN PILOT AREAS	86	3	2
Single male, under 25, not working 16+ hrs	93	1	1
Single male, 25 or over, not working 16+ hrs	93	1	1
Single female, under 25, not working 16+ hrs	82	1	1
Single female, 25 or over, not working 16+hrs	73	3	1
Couple, no earner working 16+ hrs or more	80	8	7

Who would actually claim ETU? Another question asked and examined in more detail below concerns the likely intention to claim a wage supplementation if one were made available. This was as explicit as we felt we could be without actually mentioning ETU itself to respondents. Note that even fewer would gain if stated intentions to claim an ETU were taken at their word (final columns of Table 3.40 and 3.41).

Pointing out that the existence of ETU made little difference to the likely proportions better off in work on a given set of wages is not to say that ETU would have a small impact on work incentives. Over half the out-of-work respondents would qualify for ETU and would thus see more substantial and stable incomes in work than is first apparent from their minimum wages expectation.

None the less one in seven respondents, rising to one quarter among older single women, expected a wage which even when combined with ETU would still leave them with an income in work which was less than what they currently received out of work.

Three quarters in such a situation were there principally because they quoted an acceptance wage below their current income out of work. Once housing costs had been taken into account, even with ETU, such households were very unlikely to be better off financially in work on such a wage.

Of the remaining others 'worse off' in work (n=30), a handful (three) were working part-time for wages higher than their acceptance wages, and the remainder were disqualified from ETU receipt on grounds of savings, or anticipated hours.

It was clear from Tables 3.39, 3.40 and 3.41, that a substantial proportion of respondents – particularly older single men, but also older single women and couples – looked for wages in a new job that would place them beyond the scope of ETU. Their acceptance wages typically exceeded the thresholds beyond which their personal entitlement to ETU would expire. To a large extent, this was to be expected, since the maximum qualifying wages for ETU are still low by average standards and respondents were anyway asked to say what wages they needed from work before they were given prior knowledge of any wage supplementation that might become available to them under ETU. They were simply estimating what income they would need to make it worth their while entering paid work. What might happen if they could combine ETU with their expected wages?

The answer to this apparently simple question is complicated by two factors:

* Like all other income-tested in-work benefits, ETU will be 'tapered', that is withdrawn or added against, respectively, increases or decreases in income, in this case at 70p in the pound.

* This calculation is based on household income, not just wages, and this income can include other benefits, in and out of work, whose entitlement responds to the new ETU income, also in a tapered calculation – typically HB and CTB.

The way to handle these complications was to focus on the outcome measure that we really wanted to explain. In our case, the most interesting figure was the 'better-off' calculation: if jobseekers were to achieve their expected wages (on average, £112 a week for all jobseekers – Table 3.37), how much better off would they be in work compared with their total out-of-work incomes? And we know already from Table 3.37 that the answer to this question for all of our sample of jobseekers was £44. Among the people we are most interested in – jobseekers intending to work 16 or more hours a week – this figure was higher at £56 a week – a figure very similar to the sort of profit from work that lone parents working 16 or more hours a week and receiving Family Credit can usually count on. What we then needed to do was to instruct the computer to 'award' our jobseekers the additional amounts of income that would be their entitlement if they got ETU. We could then work out what new (and obviously, lower) wage expectations our jobseekers could then embrace while at the same time maintaining that same £56 a week better-off in work they already hoped to get before ETU comes along.

This calculation provides a simple estimate of the maximum scope the unemployed will have to downwardly adjust their wage expectations in the light of the introduction of ETU. For the following tables, only those who qualified in principle by intending to work more than 16 hours a week were considered: those whose preferred hours were fewer

than 16 each week (15 per cent of respondents) were excluded. It is also worth noting at this point that 92 per cent of those intending to work 16 or more hours a week, actually intend to work more than 30 hours, which will qualify them for the additional £10 a week or so '30 hour bonus'.

Table 3.43 presents these 'maximum scope' estimates for all respondents under the differing qualifying rules for the A and B versions of the new benefit. The first column gives the new average wage expectations that would correspond to the same better-off-in-work outcome now that ETU has been added to their expressed expected wage. Thus our job-seekers no longer need the £121 a week they said they sought in a new job to achieve their £56 profit from work; they need only about £90 under the rules of Scheme A and only £80 under Scheme B. The second column calculates these revised wage expectations as a proportion of the earlier expressed values; overall this is £90 compared with £121, or about 70 per cent under Scheme A and only 62 per cent under Scheme B. These are very large reductions and point up the scope of ETU to impact on wage expectations and then, presumably, on actual wages. These calculations, remember, are net of housing costs too. There is strong evidence, therefore, from Table 3.42 that ETU has the capacity to enable nearly all those out of work, who are seeking work of 16 hours or more each week, to accept substantially lower wages in work than the minimum they would accept in the absence of ETU.

The calculations for women, especially the older women, are based on strikingly lower weekly wage expectation compared to men's. This is because the women expected to work shorter hours and, especially among the older ones, many had prior experience of Family Credit where, certainly for lone parents, their average working week would typically have been about 25 hours.

Another way of looking at the estimated impact of ETU was to calculate the wage our sample of jobseekers actually need to get in order to achieve any incentive to work, and then to compare this number with the same result obtained when ETU is added to the calculation. Table 3.42 summarises the minimum wage levels jobseekers needed to just break even compared with their out-of-work income.

	Base	Acceptance wage without ETU (£)	Mean preferred hours	Mean minimum wage needed to achieve the same profit from work (£)	New* minimum as a proportion of acceptance (%)	Mean minimum wage needed to achieve the same profit from work (£)	New* minimum as a proportion of acceptance (%)
ETU Scheme				A	A	B	B
ALL OUT OF WORK	467	121	37	89.70	70	80.00	62
Single male, under 25, not working 16+ hours	87	103	37	87.90	81	76.30	69
Single male, 25 or over, not working 16+ hours	111	130	39	99.00	72	92.90	67
Single female, under 25, not working 16+hrs	45	98	35	77.60	74	66.60	63
Single female, 25 or over, not working 16+ hours	99	113	36	65.40	54	60.30	50
Couple, no earner working 16+ hours or more	125	146.50	38	98.50	60	82.10	49

These percentages indicate the scope for deduction in acceptance wages if new ETU claimants were to enter work and maintain their hoped-for total in-work income

In many cases – and this is an important finding of itself – this number is not very large even without the intervention of ETU. Wages of just over £50 a week, on average, saw our jobseekers break into profit on entry to work, again with housing costs netted out, before anyone has offered them any ETU on top of their wages. For a typical 35 hour week, this was barely £1.50 an hour and below the levels that even the most rapacious employer might offer the most desperate jobseeker. For young single people, only £40 a week will see them into profit, while £75 for couples would still make them better off in work, on average. These figures explain why this sample of jobseekers had such low wage expectations. An average wage expectation of £121 a week suddenly seems quite large compared with the £50 or so they actually need to break even.

Small though these 'break-even' figures were, they almost vanished under the impact of ETU. Under Scheme A, wages of only £19.50 a week found the average jobseeker breaking into profit from work; under Scheme B, only £17.80 a week did this. Among the young jobseekers, about £10 a week in wages, or about 60p an hour for 16 hours a week took them into profit compared with their out-of-work incomes. The effect was more or less that of reducing the amounts in the first column of the table by the maximum amounts of ETU likely to be received. This had

some remarkable effects, for example:

- For some respondents (12 per cent under Scheme A, 13 per cent under Scheme B) by receiving their maximum ETU, they would get more in in-work benefits than they currently got in out-of-work income, so their minimum weekly wage needed to break even in work was zero;

- Many of the others (46 per cent under Scheme A, 59 per cent under Scheme B) would need wages between zero and their ETU applicable amount - the income level above which the amount of their ETU entitlement starts to be reduced;

- Only a minority (17 per cent under both schemes) would need still higher wages, which would be supplemented by less than maximum ETU;

- Only a quarter of the sample of jobseekers under Scheme A and only nine per cent under Scheme B would, in order to break even, need to get wages high enough to lift them clear of any entitlement to ETU.

Therefore, a high proportion of respondents seeking work of 16 hours or more each week would be better off in work - almost regardless of wage levels - if they claimed any ETU to which they become entitled. The main reason for this is very simple: so few of them had housing costs that would cause them to carry residual entitlement to HB and CTB into work, even at their very low wage expectations. They were already 'better-off in work' at their very modest acceptance wages, even before ETU entered their personal go-to-work calculation. With ETU, almost no-one could avoid making a profit from work at almost any level of starting wage that could reasonably be expected.

Table 3.43 Minimum wages required to be better off in work with ETU: income net of housing costs

	Base	Mean minimum wage needed to be better off in work without ETU (£)	Mean minimum wage needed to be better off in work (£)	New minimum as a proportion of wage expectation (%)	Mean minimum wage needed to still be better off in work (£)	New minimum as a proportion of wage expectation (%)
ETU Scheme		NONE	A	A	B	B
ALL OUT OF WORK	467	51.30	19.50	17	17.80	15
Single male, under 25, not working 16+ hours	87	40.40	9.10	10	9.00	10
Single male, 25 or over, not working 16+ hours	111	48.60	15.20	13	14.90	13
Single female, under 25, not working 16+ hours	45	40.70	10.90	12	10.60	11
Single female, 25 or over, not working 16+ hours	99	55.60	27.00	25	25.20	24
Couple, no earner working 16+ hrs or more	125	75.90	43.50	31	35.50	25

3.7 The components of
acceptance income in work:
how to judge a living wage

The simulations so far have concentrated on the incomes in work respondents could expect if they claim the benefits to which they were entitled. We can see that nearly all those out of work would be better off in work if they claimed ETU. The new benefit means they have a new or, more usually, an enhanced incentive to take up a low-paid job. We have shown how large the incentive would be if they took a job paying the minimum wage they expect from work, by calculating their entitlement to benefit in and out of work. This analysis suggests possible future changes in the behaviour of out-of-work respondents following the introduction of ETU. It clearly identifies those who could gain additionally if they entered work, and those who would lose out. However underlying the analyses are assumptions about the sources of income respondents would have available to them in work. If behaviour changes in response to incentives it will be respondents' perceptions of those incentives, rather than our assumed income composition, which are important. Respondents might not be aware of their entitlements, or our assumptions might oversimplify the complexities of their finances. Whatever the potential income gain from moving into work, it is their perception of the gain which matters, in the first instance[45].

In our calculations of the financial incentive to work, we made sure we included all the ('disregarded') out-of-work income respondents were entitled to keep while in work. A minimum income in work was estimated as their minimum acceptance wage, plus any disregarded income, plus any in-work benefit entitlement We assumed that the difference between the resulting in-work and out-of-work incomes represented the incentive the individual required to make working worthwhile.

If we are to replicate this approach based on perceived in-work income, we need to know what sources of income respondents feel they will be able to draw on in work and how much they expect to receive. Our survey questionnaire contained direct questions about how respondents perceived the different components and amounts of in-work income. It also asked those out of work and in work how they would respond to the introduction of an ETU. Using these data, we should be able to move a little closer to learning how respondents actually see incentives arising, and what difference the availability of a top-up like ETU might make. This section looks at how people work out their likely total income in work.

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[45] Economists are entitled to argue that people who mis-perceive their advantage in work and make a mistake - typically accepting work that gives them no profit from their enterprise - will revert to unemployment. On the other hand, there is plenty of evidence to suggest they do not revert (Kempson, 1996).

3.7.1 Income from work The methods used to assess minimum acceptable wages in work have already been described (Section 2.9). Among those out of work at the time of interview (regardless of whether they were sampled as workers-in-work or unemployed) who said they were currently looking for work, or would in the near future, the minimum wage they expected in work averaged £122 per week, with a median value of £110. The stated amounts were concentrated around these parameters, with the lower quartile at £90 and the upper quartile at £150. The distribution was also quite lumpy. More than a fifth said exactly £100, for example, and 13 per cent said £150. Four per cent were unable to quote a figure – which, interestingly, was much lower than among lone parents, a quarter of whom could not quote a figure (McKay and Marsh, 1994, p.17).

The wage alone does not indicate the individual's anticipated returns from work. Those out of work, seeking employment, must set against in-work income other expenses incurred necessarily in work but not when out of work (such as travel to work costs). Sixty one per cent of out-of-work jobseekers thought they would need to meet such costs at an average amount of £21.60 per week (median £19.00). Across all job-seekers (including those predicting zero expenses) the average was £13.30.

Jobseekers were also asked whether they would have to meet any additional 'one-off' expenses, such as buying new clothes, for work, over and above usual in-work expenses. Just under half (47 per cent) said they would face such costs. Thirty eight per cent said they would not, while the rest were unsure. Of those who foresaw such costs, the median amount was £100. The mean was high (at £190.30) because of a small number who quoted very high start up costs. Only a quarter of respondents gave a figure higher than the mean, and 88 per cent said £200 or less. Exactly what the eleven people who quoted figures between £1000 and £14500 were planning to do with the money was not asked. All were looking for – or prepared to accept – self-employed work. Perhaps the job they envisaged required specialised equipment, premises or a vehicle.

There is some limited evidence here that some of the out of work faced high in-work expenses or start up costs. Those in work were asked the same questions about the needs of their current employment. The median in-work expense was £10, and only a quarter met start-up costs (median £50).

3.7.2 Other sources of income when in work Those out of work and looking for work now or in the future were asked what sources of income besides wages they would draw on if they were working. The interviewer offered the respondent a set of cards, each bearing the name of a different potential income source. Through a series of questions, respondents separated income sources they felt they would receive when in work, from those they would not. Four in ten saw themselves drawing on an income source other than their earnings and their predictions are summarised in Table 3.44.

Table 3.44 Out-of-work respondents looking for work: likely income sources in work

INCOME SOURCE	Proportion in receipt of source	Mean among those in receipt of source	Median among those in receipt of source	Mean across sample
	%	Pounds per week		
Own minimum wage expectation[46]	100	127.90	110.00	127.90
Earnings of spouse/partner	10	97.60	82.50	5.70
Benefit of spouse/partner	5	44.20	46.00	1.33
Income Support	4	28.10	30.00	0.30
Maintenance payments	1	10.00	10.00	0.00
Housing Benefit	13	22.60	20.00	1.00
Council Tax Benefit	12	9.20	7.00	0.30
Other Social Security benefits	4	32.10	30.50	0.40
Rent from lodgers	3	53.10	35.00	0.60
Contributions from other household members	6	243.20	20.00	0.90
Student Grant	2	26.30	25.00	0.20
Pension	11	90.30	68.00	5.70
Some other source of income	7	66.20	30.00	2.10
None other than wages	61			
TOTAL INCOME[47]		147.20	120.00	147.20

Base: 615 respondents

Four sources were anticipated in almost equal measure, by around one in ten of the sample – partner's earnings; Housing Benefit; Council Tax Benefit and pensions. The most important of these in terms of amounts contributed were partner's earnings and pensions.

Generally, single people were more likely than couples to expect all their income to come from one source. The group least likely to see themselves drawing on income other than wages was young single women (74 per cent). Couples where the respondent was out of work, but their partner was in work, were the most likely to see themselves drawing on other sources. Less than a fifth expected to live on their wages alone.

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[46] Respondents were asked to consider the components of in-work income in the context of the amount they had already quoted as the minimum wage they would accept in work. After they had estimated the amounts of other income they would receive in work, they were asked again for the wages to be included in their in-work income package. Nearly all 1172 respondents gave the same figure on both occasions. However ten respondents gave a figure which was higher and seven respondents gave a figure which was lower. Thus the mean wage to be compared against other income sources is £127.90, rather than the mean acceptance wage which was £122.10. However, the medians for the two amounts were identical at £110.

[47] The mean for total income is the total income recorded for each respondent, divided by the number of respondents. This is not identical to the sum of the averages across the sample given in the last column (£146.50), because some respondents gave incomplete accounts. These respondents could contribute to averages for each source against which they gave an answer, but not to the average across all sources.

85 per cent of out-of-work women and 70 per cent of out-of-work men would expect to share in their working partners' earnings. It was not clear why a minority in couples would not expect this source to be available. It may have been an oversight, or represent a division in household income such that earnings were not expected to be pooled. The latter explanation might apply particularly where the partner's job was seen to provide supplementary rather than breadwinner income. Alternatively, those who did not include spousal earnings might expect their partners to stop working when they found a job. Interestingly, in only a fifth of couples where both partners were out of work did the respondent expect to share in partners' earnings. This was the group most likely to expect to share in partner's benefits.

The group most likely to expect to share earnings with Income Support was young single men – but the proportion was small (five per cent). Out-of-work women in couples were the most likely to expect some income from maintenance payments, but again the numbers involved were small (just four per cent).

An unusual finding concerns Housing Benefit. Such support was fairly uniformly expected across 'customer' groups (around four to 14 per cent), and of course was most likely to be anticipated by renters (27 per cent). However, a fairly large proportion of those currently living with their parents expected to receive Housing Benefit – 11 per cent of those who paid their parents and nine per cent of those who did not. Among those currently in receipt of Housing Benefit, 24 per cent expected the support to continue when they were in work. Nine per cent of those not currently in receipt expected to start receiving Housing Benefit when they moved into work. Possible explanations include:

- Respondents were confused by Housing Benefit rules, and failed to count current rent rebates received when out of work as Housing Benefit, but used the term to describe support received when in work. Also, some might not feel Housing Benefit was payable to those in work.
- Respondents expected to change their tenure as a consequence of entering work, or even to enter work once they had changed tenure. Those living with their parents might hope to move out once they had their own earnings.

The pattern for Council Tax Benefit more or less mirrored that of Housing Benefit. No group had a very high anticipated reliance on other social security benefits – most likely to intend to claim were no earner couples (seven per cent). 'Contributions from other sources' were most common among younger single men, and couples. These were most likely transfers between household members: parents and their grown-up children.

One important area of secondary income was pensions. The relatively high proportion of respondents expecting to combine a pension with earnings suggests this income source was not synonymous with retirement. Eleven per cent of older single women expected to combine pensions and earnings for example. Findings for couples were more equivocal, however, since we could not be certain whether earnings and pension would accrue to the same, or a different, partner. Nineteen per cent of out-of-work women with working partners, nearly a third of out-of-work men with working partners and 21 per cent of no earner couples anticipated combining any future earnings with pensions.

How benefit units intended to combine income from different sources was important for a full understanding of how employment related income influences incentives. However, the overwhelmingly important finding from Table 3.44 was that the majority of respondents expected their earnings from work to constitute their sole income source. Correspondingly, 87 per cent (£128) of the average £147 they expected from work would come from their acceptance minimum wage.

3.7.3 How do respondents'
acceptance in-work incomes compare
with their current incomes?

Out-of-work respondents' average current net income was £80.10[48]. The above analysis indicates that they expected an average income in work of £147.20. This suggests that on average respondents expected to gain £67.10 by moving into work, or to almost double their incomes. It could be argued that this 'incentive' should be adjusted to take into account the expected in-work expenses described above. Doing this reduces the incentive to £48.80 - still a 60 per cent gain on out-of-work income. Of course, this net gain (or financial incentive to work) was unevenly distributed. It was generally higher for men than for women and higher for couples than for single people (Table 3.45). Out-of-work men in couples whose partner worked had particularly high expectations.

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[48] Respondents were asked about all potential sources of income in work, including Housing Benefit and Council Tax Benefit. A standard definition of net income would exclude these 'housing-cost' related incomes. The current estimate of net income includes Housing Benefit and Council Tax Benefit, so it is comparable to the combined sum of respondents' predictions for in-work income.

Table 3.45 Expected net gain from work by out of work 'customer' group

	Acceptance in-work income less current income (£)	Adjusted for in-work expenses (£)	Number
means			
ALL	67.10	48.80	1234
Single male, under 25, not working 16+hrs	50.90	29.30	300
Single male, 25 or over, not working 16+hrs	74.30	59.20	396
Single female, under 25, not working 16+hrs	53.00	41.70	116
Single female, 25 or over, not working 16+hrs	39.90	30.00	122
Man works 16+ hours, woman not in work	80.50	65.50	25
Woman works 16+ hours, man not in work	154.20	139.40	60
Couple, no earner working 16+hrs or more	74.20	44.80	212

Overall, 89 per cent expected to gain by moving into work at their acceptance wage, 84 per cent after adjusting for in-work expenses. On the same adjusted basis, 27 per cent expected a gain of £40 or less. Twenty eight per cent expected a gain of £40-£80, and 29 per cent expected to gain by more than £80.

In comparison with findings reported earlier based on in-work benefit entitlements and disregards, the proportions expecting to gain from work were remarkably similar. The adjusted mean gain here, £48.80, corresponds closely to the £44 mean gain in Table 3.31.

3.7.4 What difference would expected gains from work make?

These out-of-work respondents were then asked how their financial position would change - taking into account work expenses - if they got this level of take home pay. A fifth said they would be much better off or very much better off. A full 42 per cent said 'a little better off' while a quarter felt they would be in more or less the same financial position. So nearly two-thirds had given wages which they felt would tip the balance towards being better off, and 85 per cent anticipated being no worse off in work with their minimum acceptance wage.

It was interesting to note that some respondents - when forced to consider the lowest reward they would accept for working - chose a wage level they felt would make them worse off in work. Eight per cent felt they would be 'a little worse off', with four per cent 'much' or 'very much' worse off. Three per cent could not say either way.

So most respondents expected an in-work income higher than their current income and most thought they would be better off on their minimum acceptance wage. But did these expectations align with the financial incentives calculated above?

The answer – by and large – was yes. Table 3.46 presents the calculated expected gains from work for respondents grouped by how much better off they thought they would be in work. Three-quarters of those whose expected take home pay plus likely other in-work income was £80 above its present level thought they would be 'a little', 'much' or 'very much' better off. However, just one third of those who were calculated to lose income in work anticipated being in the same categories. A consistent pattern emerged for intervening levels of gain suggesting a strong association between anticipated monetary gain and expectations of being 'better off'.

Table 3.46 'Better off' expectations against calculated total income gains in work
(adjusted for in-work expenses)

If you get [wage] how will your financial position change, compared with now?	Calculated gain in in-work income, less in-work expenses			
	Negative	£0-£20	£40-£80	£80+
	Column percentages			
Very much better off	1	2	5	16
Much better off	4	9	17	22
A little better off	31	46	52	35
More or less the same	37	30	17	19
A little worse off	15	8	6	5
Much worse off	7	3	1	2
Very much worse off	3	2	1	0
Don't know	2	1	0	1
Base	186	335	335	322

3.8 Summary

The unemployed sample has been compared with previous studies of unemployment in a number of broad respects. The sample was limited to the twelve ETU evaluation areas and excluded those with dependent children. These limits had some further immediate consequences: fewer people in marital couples, fewer in the prime years of family formation. But there were not as many young people as expected, and rather more in the older age groups (especially among women). There were large proportions of separated, divorced or widowed people in the unemployed sample, again especially among women.

Despite these induced differences, the present unemployed sample looked similar to previous samples in terms of qualifications and skills. It was also similar in terms of the incidence of general sickness and disability, and yet a notable difference from past experience was the high proportion in receipt of disability benefits, indicating a greater incidence of more severe and persistent disability.

This high level of disability receipt, which may have partly been a consequence of the sampling frame used, formed part but not all of the explanation for another important feature. This was the relatively low level of search activity among the unemployed sample, compared with previous experience. But after excluding those on disability benefits, there were quite high proportions who were not currently seeking work. And even after excluding the currently inactive, there were quite high proportions making only a few job applications, or none at all.

A partly overlapping and sometimes differing set of comparisons was made between the unemployed sample and the employed sample. In making these comparisons, a complication was that the unemployed sample consisted more of men than women, while the employed sample consisted more of women than men.

One issue that could be explored by this means was how far the unemployed sample was disadvantaged, even relative to a very low-waged employed sample. Overall, the unemployed sample did appear to be relatively disadvantaged. They showed meagre 'human capital' in educational qualifications, skills or job experience; mustered fewer household workers (excluding the respondent, and irrespective of the respondent's marital status); fewer social contacts with the world of employed people; small financial resources; and experienced relatively more hardship. The unemployed had lower levels of home ownership and were more concentrated in the rented sector. And, of course, benefits, including housing subsidies, were a much larger and enduring element in household income.

Economic activity was low compared to other experience of samples of unemployed people. Economic activity appeared to be depressed by high rates of sickness. Recent history of temporary work, and social exchanges increased the chances of men's activity. Among the fit, the strongest influence on work entry was recent employment experience. Women – if economically active – tended to find work more easily, especially if they had a non-working spouse. ETU pilot areas appeared to experience greater movement into work.

Better education, more experience and age all influenced the likelihood of making job applications. Minimum acceptance wages were £122 a week and were lower in Scheme B areas. Better education, holding a driving licence and being neither especially old nor young all raised wage expectations. Most expected to be better off in work, by an average of £44 each week. At these wages, half would qualify for ETU Scheme A, two-thirds for Scheme B. A wage as low as £80 each week when combined with any attributable ETU entitlement would still achieve the preferred total incomes respondents sought.

Even before the introduction of ETU, some of the unemployed held expectations of supplementing their wages. The most commonly anticipated sources of other income were Housing Benefit, Council Tax Benefit, pensions and partners' earnings. Only a quarter of renters expected to get Housing Benefit, however. Eighty seven per cent of income was expected to come from wages - gains were thus *expected* to be £49 each week, close to the calculated gains based on acceptance wages, which averaged £44 each week.

4 THE SURVEY OF EMPLOYERS

4.1 Introduction

The labour market effects of ETU are likely to be complex and offer the greatest challenge to research. It is possible that employers may become aware of ETU and adjust their behaviour as a consequence, either by targeting their recruitment on those eligible for the benefit or by holding down or reducing their wage offers. Experience with Family Credit suggests that employers are unlikely to adopt a conscious strategy of this kind (Calendar et al, 1994), though they may. It is more likely that the effect will come via the operation of the labour market at the local level. ETU, by increasing the number of people willing to come forward for relatively low paying jobs, will make it less likely that employers will need to increase wages in order to attract labour. There should be a moderating effect on wages throughout the local labour market, not just among employers of ETU recipients. This means, however, that individual employers need not know about the existence or operation of the benefit for it to have an effect on their wage-setting behaviour or other aspects of the conditions of employment they offer, such as hours of work. Their wage setting behaviour would simply respond to changed market conditions. Employer awareness and knowledge of ETU may, of course, accelerate the process.

4.1.1 *The analyses*

The main objective of the employers strand of the ETU pilot evaluation is:

* to assess the impact on employers' wage-setting and labour recruitment behaviour of providing universal in-work wage supplementation (DSS, 1995a).

The survey of employers aims to investigate change in wage and employment flows over the evaluation period and to explore how these changes were affected by employer perspectives of the benefit system, and in particular ETU. In addition, employer responses to labour supply changes, in particular the hours of work offered to low paid employees, will be examined.

This chapter reports findings from the first survey of employers and provides baseline data against which to assess the impact of ETU following its introduction in the eight pilot areas. It is a descriptive account of these employers' employment practices and awareness of social security benefits before the introduction of ETU. The chapter concentrates on four key issues: the characteristics of the employers; pay and the extent of low pay; recruitment and job turnover; and the experience of and attitudes towards social security benefits, especially in-work benefits.

The sample of employers was drawn from the British Telecom 'Connections in Business' database. The survey consisted of telephone interviews with employers in the twelve ETU evaluation areas. A total of 2,400 employers were interviewed in the Summer of 1996 just prior to the introduction of ETU. The overall response rate was 78 per cent (Appendix B). Further surveys of employers will be conducted in the twelve pilot areas nearly a year after introduction of ETU in 1997, and during the last year of the ETU pilot in 1999. Some employers will be interviewed at all points to provide longitudinal data. In addition, establishments newly opened following the introduction of ETU will be included in these surveys in order to investigate the effect of ETU on the provision of employment.

The survey of employers covered all industries but care was taken to obtain a sufficient number of interviews in those industries within which lower levels of pay were known to predominate. The survey was also structured to provide an adequate representation of large as well as small establishments. Two sets of weights were applied to the results to take account of firstly, the distribution of establishments' industrial sector and size (establishment basis) and secondly, the numbers of people employed within three typically low-paid job types: semi/unskilled; skilled/craft; and clerical/sales employment (employment basis). This allowed an analysis of the workforce (employment) as well as the employing unit (establishment)[49].

4.2 Characteristics of the employers

4.2.1 Type of industry and sector

Industrial distribution

If ETU is to have any impact on employers, it is likely to have its most noticeable impact in traditionally low-paid industries. Furthermore, any initial impact may be discernable in these industries before it diffuses more widely in the labour market. Therefore, the following industries were over-sampled (corrected by weighting in the analysis):

- distribution, hotels, restaurants and catering;

- 'other services' (personal and social services, public and private);

- 'other manufacturing' (including clothing and food).

The industrial distribution of the 2,400 employers surveyed is shown in Table 4.1. A quarter of all establishments (unweighted) were in hotels and catering, a sixth (16 per cent) were in distribution, a seventh (14 per cent) in 'other services' and an eighth (13 per cent) in manufacturing/power. The remainder were spread fairly evenly between the other key industries, though there were fewer cases in public administration and education.

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[49] The weight applied and hence the unit of analysis is shown at the bottom of each table and is made clear in the text where necessary.

Type of sector   The overwhelming majority of employers (87 per cent) were in the private sector. The remaining public sector employers were in public administration, education and health. Not surprisingly, there were variations by the size of establishment. A greater proportion of medium-to-large establishments (25 employees or more) were in the public sector compared with small establishments.

Location of customers/clients   Around four out of five employers operated in their immediate locality servicing local customers, two out of five provided goods and services regionally, three in ten had a national clientele, while one in six operated internationally.

The employers' ETU area group (A, B or C) made no difference to the geographical spread of their client base but the type of ETU area they operated from, their industry and size of establishment, did. Employers based in seaside areas were more likely than those located in large urban areas, for example, to have a national clientele (35 per cent compared with 24 per cent respectively). Moreover, the larger the establishment, the wider the geographical spread of its client base. For example, establishments with 200 or more employees were four times as likely as those with under five employees to have international clients. Employers in particular industries also had quite distinctive client bases. Not surprisingly, public service establishments operated primarily within their immediate locality while those in manufacturing and transport were most likely to have a national and international clientele.

Table 4.1   Industrial distribution
(column percentages)

	Unweighted	Weighted	Base
Agriculture/mining/construction	5	7	127
Manufacturing/power-water	13	13	303
Distribution	16	22	383
Hotel/catering	24	15	575
Transport/communications	4	6	105
Finance/business services	11	15	261
Public administration	2	1	42
Education	3	3	77
Health/social services	8	9	191
Other services	14	9	336
	=100%	=100%	2,400

[weight: establishment]

Type of Organisation   Nearly half of the establishments surveyed were part of a larger organisation and, of those, 22 per cent were their organisations' Head Office branch (11 per cent of all employers). Establishments in rural (40 per cent) and seaside (44 per cent) areas were less likely than those in large (57 per cent) and small (51 per cent) urban areas to be part of a larger organisation. Similarly, the smaller the establishment, the less likely they were to be

part of a larger organisation. Twenty-eight per cent of establishments with less than five employees, for example, were part of a larger organisation compared with 85 per cent of establishments with 200 or more employees. Establishments in some industries were much less likely than those in others to be part of a larger organisation. For instance, employers in agriculture/mining/construction (31 per cent) were the least likely to form part of a larger organisation while those in public administration (94 per cent) were the most likely.

4.2.2 Number of employees and *types of jobs* *Size of workforce*

The number of employees in each establishment varied by industry: establishments in hotel and catering had the smallest workforces with an average of 31 employees (unweighted) while those in public administration had the largest with an average of 293 employees (Table 4.2).

Table 4.2 **Average number of employees by industry** *(mean)*

	Unweighted	Weighted	Base
Agriculture/mining/construction	53	18	*127*
Manufacturing/power-water	141	44	*303*
Distribution	51	19	*383*
Hotel/catering	31	12	*575*
Transport/communications	65	22	*105*
Finance/business services	57	21	*261*
Public administration	293	98	*42*
Education	143	42	*77*
Health/social services	93	32	*191*
Other services	35	11	*336*
All employers	**67**	**24**	**2,400**

[weight: establishment]

Types of jobs

It will be recalled that the sample of employers was selected to over-represent those employing potential ETU recipients, namely, those at the lower end of the occupational hierarchy. Employers were asked in particular about people they employed in the following job types[50]:

- semi/unskilled;
- skilled/craft;
- clerical/sales.

The most significant factor impacting on the mix of job types was the establishments' industry. Employers in hotels and catering were more likely than employers in any other industry to employ semi/unskilled employees - 89 per cent did so. Over four out of five (83 per cent) educational establishments employed skilled/craft workers which was higher than any other industry, while employers in public administration (87 per cent) were the most likely to employ clerical/sales staff.

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[50] These three job types will be discussed in detail in the remainder of this chapter, where the unit of analysis will be employment in each job type.

Gender composition of workforce

Overall, total employment was divided equally between male and female employees. The proportion of female employment was therefore slightly greater than national figures, where 44 per cent of those of working age in paid employment are women (Sly et al., 1997). This was perhaps not surprising since the survey was concentrated in the low-paid sector where women are known to predominate.

Predictably, the majority (70 per cent) of clerical/sales employment was female while the majority (67 per cent) of skilled/craft employment was male. Semi/unskilled employment divided equally between women and men. By far the largest differences by gender were associated with employers' industry. There was considerable evidence of horizontal occupational segregation by gender, which is the disproportionate representation of women in certain occupations. For example, women formed the majority of clerical/sales jobs in all industries with the exception of agriculture/mining/construction. By contrast, the majority of skilled/ craft employees were men except in education and health. Similarly, the majority of semi/unskilled workers were men in all industries except distribution, hotel and catering, education, and health, even though men and women were equally distributed in semi/unskilled employment overall.

4.2.3 Hours of work

In order to be eligible for ETU, people must work at least 16 hours each week. An extra credit (worth £10.55 in 97/98) is available with ETU for those working 30 hours or more each week. On average, employees worked 37 hours per week. There was little variation in the average number of hours worked by ETU Scheme or by the type of ETU area. The average number of hours employees worked varied more substantially by the size of the establishment they worked in (Table 4.3a) and by industry (Table 4.3b).

The larger the employer, the greater hours semi/unskilled employees worked, on average. For example, those working in small establishments (under five employees) worked an average of 30 hours compared to the 38 hours worked by those in larger establishments (200 or more employees). This positive relationship was also evident among clerical/ sales staff but the overall differences in hours were not as great. The relationship between average hours and size of establishment did not hold for skilled workers, amongst whom there was little diversity in the average hours worked, varying between 37 and 39 hours (Table 4.3a).

Semi/unskilled employees in hotel and catering and 'other service' sectors worked the shortest number of hours per week, on average – 33 and 31 hours respectively. There was less variation in average hours worked by industry in the other job types (Table 4.3b).

Table 4.3a Hours of work in each job type by size of establishment

Skilled/unskilled employment					(Row percentages)
	1-15 hrs	16-29 hrs	30+ hrs	Mean	Base
2-4 employees	46	19	35	30 hours	186
5-10	37	25	38	33 hours	325
11-24	30	21	49	35 hours	403
25-49	18	26	57	36 hours	250
50-99	19	19	62	37 hours	229
100-199	15	15	70	37 hours	162
200+	7	13	80	38 hours	131
All	**18**	**18**	**63**	**37 hours**	**1686**

Skilled/craft employment					(Row percentages)
	1-15 hrs	16-29 hrs	30+ hrs	Mean	Base
2-4 employees	11	13	76	37 hours	139
5-10	10	9	80	38 hours	277
11-24	5	9	85	39 hours	344
25-49	7	12	82	39 hours	228
50-99	3	9	88	38 hours	212
100-199	3	9	87	39 hours	169
200+	4	8	88	38 hours	132
All	**5**	**9**	**85**	**38 hours**	**1501**

Clerical/sales employment					(Row percentages)
	1-15 hrs	16-29 hrs	30+ hrs	Mean	Base
2-4 employees	31	23	46	34 hours	174
5-10	23	24	53	36 hours	274
11-24	19	21	60	37 hours	364
25-49	12	16	72	37 hours	243
50-99	9	18	73	37 hours	243
100-199	13	14	73	37 hours	191
200+	8	14	77	37 hours	150
All	**14**	**18**	**68**	**37 hours**	**1639**

[weight: employment in job type]

Table 4.3b Hours of work in each job type by industrial sector

Skilled/unskilled employment *(Row percentages)*

	1-15 hrs	16-29 hrs	30+ hrs	Mean	Base
Agriculture	4	3	94	39 hours	93
Manufacturing	1	5	94	39 hours	234
Distribution	22	23	54	37 hours	198
Hotel/catering	42	29	28	33 hours	529
Transport	10	11	79	39 hours	67
Finance	18	14	68	38 hours	121
Administration	15	45	39	38 hours	16
Education	42	24	34	35 hours	49
Health	20	36	44	35 hours	137
Other services	43	20	38	31 hours	241
All	**18**	**18**	**63**	**37 hours**	**1686**

Skilled/craft employment *(Row percentages)*

	1-15 hrs	16-29 hrs	30+ hrs	Mean	Base
Agriculture	-	1	99	39 hours	88
Manufacturing	1	3	97	39 hours	257
Distribution	5	5	90	40 hours	158
Hotel/catering	12	19	69	39 hours	360
Transport	2	1	97	41 hours	63
Finance	1	4	95	39 hours	127
Administration	9	12	80	37 hours	23
Education	12	22	66	35 hours	65
Health	9	20	70	37 hours	143
Other services	18	13	69	38 hours	217
All	**5**	**9**	**85**	**38 hours**	**1501**

Clerical/sales employment *(Row percentages)*

	1-15 hrs	16-29 hrs	30+ hrs	Mean	Base
Agriculture	4	12	85	38 hours	98
Manufacturing	3	6	92	37 hours	265
Distribution	33	26	41	37 hours	311
Hotel/catering	20	25	55	38 hours	244
Transport	6	7	87	38 hours	81
Finance	5	12	83	37 hours	208
Administration	4	19	78	37 hours	38
Education	9	20	71	36 hours	59
Health	7	33	60	37 hours	133
Other services	15	19	66	36 hours	202
All	**14**	**18**	**68**	**37 hours**	**1639**

[weight: employment in job type]

The '16 hours' threshold did not impact on the three job types equally. Overall, 18 per cent of semi/unskilled employees worked less than 16 hours a week and so would be ineligible for ETU on the basis of hours worked, as did 14 per cent of clerical/sales workers, but just five per cent of skilled/craft employees.

The proportion of each type of worker who would be excluded by the hours-rule was similar by ETU area group (A, B or C) and type of area but varied greatly by establishment size and industry. Those workers who would be least likely to qualify for ETU because they worked less than 16 hours a week were semi/unskilled employees in establishments with less than five employees - over four in ten were affected. The highest proportion of these ineligible semi/unskilled workers were found in hotels and catering, education, and other services. By contrast, those most likely to meet the hours minimum were skilled/craft employees working in establishments with more than 50 employees and those in agriculture/mining/construction, finance and manufacturing (Tables 4.3a and 4.3b).

Given the extent of occupational segregation by gender and the propensity for women to work shorter hours than men, women are more likely to be working less than 16 hours a week and therefore would be more likely to be ineligible for ETU on the basis of hours worked.

4.3 Pay and the extent of low pay

One of the objectives of the ETU evaluation is to assess the potential 'wage effect' of the benefit. There is the possibility that ETU will have a depressing effect on wages, either by employers directly reducing wage offers or, more likely, by employers simply responding to an increase in the labour supply at lower wage levels. The survey of employers provides information on local labour market wages within the ETU pilot areas and will provide information on wage dynamics over the course of the evaluation.

The behaviour of establishments is dependent, of course, on the autonomy of individual employers to set their own wage rates. Nationally agreed wage levels will not respond to a pilot scheme of ETU in eight areas (though they could if ETU were to be introduced nationally). Thus it was important to ascertain what factors influenced pay levels and the extent to which employers were able to determine their own wage rates.

4.3.1 Factors influencing pay levels

The way in which pay levels were set and the influences on this could impact on the role of ETU in encouraging change in pay levels. Employers were asked, therefore, about a range of influences on the levels of pay offered in their establishment (Table 4.4).

Employers' most frequent response was that it was '*the pay individuals are willing to work for*' that influenced their wage-setting behaviour - seven out of ten mentioned this. This behaviour could be important if ETU,

by acting as a supplement to low wages, were to reduce the pay individuals were willing to work for. The second most frequently mentioned factor influencing employers' wage setting strategies was '*the pay offered by other local employers*' - over half (56 per cent) of the establishments mentioned this. Again this may be important in terms of the 'wage-effect' of ETU. Individual employers need not know about the existence of ETU for the benefit to have had an effect on their wage setting behaviour - they may simply respond to the behaviour of other employers in their local labour market and reduce their wage levels accordingly.

The third most frequently cited influence on levels of pay was the '*availability or scarcity of labour*' - cited again by nearly half of the employers (48 per cent). The introduction of ETU may increase the supply of labour at lower wage levels by encouraging more people into low paid jobs as a result of the top-up function of ETU. An increase in labour supply would reduce wage offers, other things being equal. Taken together, the three most common influences on wage levels suggest that there is potentially considerable scope for ETU to impact on employers' wage-setting behaviour.

The remaining factors which influenced employers' pay levels are less likely to be associated with reduced wage levels following the introduction of ETU. '*National agreements and national pay trends*' influenced the levels of pay offered in 46 per cent of establishments. ETU is unlikely to have an effect on these employers' pay levels given that they do not have localised control over their wage-setting behaviour. It is of course possible that if ETU was introduced nationally and had a very large take-up that wage levels would be influenced eventually. '*Local negotiations with trade unions*' influenced just 11 per cent of establishments and once again, would be unlikely to lead to a downward movement in wage levels[51].

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[51] Wage levels, in any case, tend to be higher in unionised workplaces compared with non-unionised ones (Stewart, 1995).

Table 4.4   Factors influencing levels of pay

	National agreements and national pay trends	Pay offered by other local employers	The availability or scarcity of labour	Your own local negotiations with Trade Unions	The pay individuals are willing to work for	Base
All	**46**	**56**	**48**	**11**	**69**	**2,091**
Scheme A	48	56	46	11	68	691
Scheme B	43	57	52	10	72	698
Control	46	53	44	11	67	702
Urban large	50	50	44	12	66	501
Urban small	50	54	39	14	66	527
Rural	44	58	52	11	70	547
Seaside	41	59	53	8	73	516
2-4 employees	34	55	46	6	81	323
5-10	43	59	48	9	69	427
11-24	51	54	46	9	67	473
25-49	57	56	49	15	58	276
50-99	62	54	56	28	54	247
100-199	74	49	50	31	50	188
200+	67	49	45	57	51	155
Agriculture	45	52	44	8	72	111
Manufacturing	36	59	54	14	72	275
Distribution	49	54	48	10	66	325
Hotel/catering	37	62	48	4	75	487
Transport	42	69	53	16	69	89
Finance	34	64	52	7	76	229
Administration	100	25	25	32	39	39
Education	58	40	33	16	56	72
Health	73	47	44	18	54	170
Other services	47	47	40	11	75	294

[Weight: establishment]

There was little difference in the overall pattern of pay determinants between ETU Scheme areas and control areas. However, there were larger differences by type of ETU area. For example, employers in rural and seaside areas were more likely than employers in other areas to be influenced by other employers in their local labour markets (58 per cent and 59 per cent respectively), the supply of labour (52 per cent and 54 per cent) and the pay individuals are willing to work for (70 per cent and 73 per cent). Thus, there is potentially greater scope for employers in the rural and seaside areas to adjust their wage offers as a result of ETU compared with employers in urban areas.

The factors most likely to influence employers' pay levels also varied considerably by the size of the establishment. The smaller the establishment, the greater the influence of the pay individuals were willing

to accept: four out of five small establishments (under five employees) were influenced in this way compared to just a half of large employers (200 or more employees). By contrast, the pay levels of larger employers were greatly influenced by national agreements and local trade union bargaining. Two-thirds of employers with 200 or more employees said their pay levels were influenced by national agreements and well over half (57 per cent) by local negotiations with trade unions compared with just one-third (34 per cent) and one in twenty of employers with under five employees, respectively.

Given the association between the size of establishment and the factors influencing pay levels, it is not surprising that all establishments in public administration, which also had the largest workforces on average, relied on national agreements and a third on local trade union negotiations in determining their wage offers. They too were the industry least likely to be affected by all other potential influences on levels of pay. Thus, wage levels in this sector would probably be the least likely to be affected following the introduction of ETU in the pilot areas. By contrast, establishments in hotel and catering, which had the smallest workforces on average, were one of the least likely to be dependent on national agreements and trade union negotiations (37 per cent and four per cent respectively). Thus, there is greater potential for ETU to have an effect on wage offers in the hotel and catering industry.

4.3.2 Wage policy autonomy   The influences on pay levels were just one element in the overall determinants of employers' wage offers. Another was the extent to which employers could in fact set their own wage levels, or whether they were laid down by the head office of their organisation. Just over half (53 per cent) of the employers in the survey did not form part of a larger organisation and therefore had independence in their wage-setting behaviour. In addition, 11 per cent of employers surveyed were Head Office branches and, presumably, set the levels of pay for their own establishment. The remaining employers (37 per cent overall) were branches of a larger organisation and they were asked about their freedom to set rates of pay. In particular, they were asked whether the rates of pay they offered when recruiting were laid down by their head office, agreed between local management and their head office, or decided themselves by local management.

Overwhelmingly, the rates of pay offered by the branches of larger organisations when recruiting were laid down by Head Office (62 per cent). A fifth were decided by management locally. Thus, if wages are determined outside the pilot areas, this lack of independence in setting wage offers may dampen the potential 'wage-effect' of ETU in these branches. Though, again, if ETU were to be introduced nationally, this restriction in wage-setting behaviour may not dampen any ETU 'wage-effect', as wage offers set by Head Office would eventually be affected.

To assess the potential wage effect of ETU, baseline data on average pay rates before the introduction of ETU were collected for the three job types. Not surprisingly, average gross hourly pay varied by type of job: semi/unskilled employees earned on average £4.20 per hour; clerical/ sales employees earned £5.07; and skilled/craft employees were paid £6.74 per hour worked (Table 4.5)[52]. Thus the average wage rates quoted by employers were substantially higher than those earned by the workers-in-work (Chapter 2) or sought by the unemployed (Chapter 3). The average wages offered by employers will be inflated somewhat by the inclusion of all industries in the survey, not solely low-paying industries. In addition, even within low-paying industries, there will be some employees earning moderate-to-high wages which will have been included in the average wage rates. In contrast, the vast majority of the workers-in-work were low-paid by definition, because of their initial inclusion in the sample.

Hourly pay levels within each job type were similar across ETU area groups and area types, with no area consistently paying higher wages for all three types of employees. There was, however, a significant pay variation by size of establishment, with larger employers paying higher hourly rates than smaller employers for both semi/unskilled and skilled/ craft employment. Taken together, job type and establishment size led to large differences in hourly rates. Skilled/craft employees in establishments with 100 or more employees were the best paid of all employees, receiving on average £7.63 per hour while semi/unskilled workers in establishments with less than 5 employees were the lowest paid at £3.41 per hour.

Again, differences were evident between industries, although no single industry consistently paid either the lowest or the highest wage rates. Semi/unskilled employees in the hotel/catering industry were paid the lowest wages – as little as £3.34 per hour on average, compared with the top going rate of £5.16 in manufacturing/power/water. The lowest paid skilled/craft employees also worked in hotel and catering – their hourly wage rate averaged only £4.36 compared to the £10.57 for those employed in education. The lowest paid clerical/sales staff were employed in distribution and were paid on average £3.92 an hour compared with the top rate of £5.86 for equivalent workers in manufacturing/power/ water. Thus, the two sectors which stand out as having some of the lowest and highest paid workers, respectively, were hotel and catering and manufacturing/power/water.

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[52] Eligibility for ETU is based on weekly income. The mean gross weekly pay reported in the three job groups was £155.55 for semi/unskilled employees; £188.28 for clerical/sales workers; and £257.53 for skilled/craft employees.

Table 4.5   Gross hourly pay of employees in each job type

(£'s mean)

	SEMI/ UNSKILLED	cell base	SKILLED/ CRAFT	cell base	CLERICAL/ SALES	cell base
All	**£4.20**	**1521**	**£6.74**	**1290**	**£5.07**	**1328**
ETU Scheme A	4.23	497	6.93	411	5.16	446
ETU Scheme B	4.15	502	6.51	432	4.90	448
Control areas	4.21	522	6.74	447	5.16	434
Urban large	4.11	370	6.99	299	5.01	324
Urban small	4.32	415	6.68	351	4.98	338
Rural	4.26	382	6.61	320	5.05	317
Seaside	4.04	354	6.69	320	5.19	349
2-4 employees	3.41	166	5.47	117	4.51	148
5-10	3.54	297	5.55	240	4.38	223
11-24	3.81	371	5.93	306	4.62	292
25-49	3.74	218	6.18	187	5.23	194
50-99	4.05	212	6.89	183	5.18	204
100-199	4.30	140	7.63	142	4.97	143
200+	4.85	117	7.63	115	5.79	124
Agriculture/mining/construction	4.84	80	7.00	80	5.78	83
Manufacturing/power/water	5.18	202	6.97	216	6.31	193
Distribution	3.82	169	4.95	129	3.92	262
Hotel/catering	3.34	515	4.36	330	3.96	215
Transport/communication	4.40	59	5.34	54	5.71	67
Finance/business services	3.93	102	7.60	99	5.86	153
Public administration	3.84	12	7.87	21	5.71	30
Education	4.07	33	10.57	46	5.81	41
Health/Social Services	3.84	127	6.21	126	5.19	114
Other services	3.50	222	5.73	189	4.90	170

[Weight: employment in job type]

Proportion paid less than £4 an hour

Of particular interest to the ETU pilot evaluation was the proportion of employees within each establishment paid less than £4 per hour, as they constitute the benefit's potential customer base if they met other requirements of the benefit. Half the semi/unskilled employees were paid less than £4 per hour, as were three in ten clerical/sales employees and one in seven (14 per cent) skilled/craft employees (Table 4.6).

Overall, as the size of the establishment increased, the proportion of employees paid less than £4 per hour decreased, in all three job types. For example, over three-quarters (77 per cent) of semi/unskilled employees in small establishments (less than five employees) were paid less than £4 per hour compared with around two in five (37 per cent) working in establishments with 200 or more employees. Again, looking at semi/unskilled employment, nearly nine in ten employees (87 per cent) in the hotel/catering industry were paid less than £4 per hour compared with a fifth in transport/communications. For skilled/craft employment, the greatest proportion of employees paid less than £4 per hour were in the

hotel/catering industries (41 per cent) while for clerical/sales employment, the greatest proportion of low-paid employment was found in distribution (61 per cent). By contrast, the lowest proportion of skilled/craft and clerical/sales employees paid less than £4 an hour were found respectively in public administration and manufacturing/power/water.

Looking at the gender composition of the industries with the highest density of low paid employment, we see that there was a higher proportion of female semi/unskilled employees in hotels/catering (64 per cent) and female clerical/sales employees in distribution (76 per cent). Therefore, for these types of jobs, a higher concentration of female employment was associated with a higher proportion of low-paid employment. This pattern was not repeated for skilled employment where women were the minority (43 per cent) in hotels/catering industries. These findings add weight to the idea that certain types of jobs are gendered, which may affect overall pay levels and hours of work, and therefore potential eligibility for ETU.

Table 4.6   Proportion of employees paid less than £4 per hour in each job type

(Cell percentages)

	SEMI/ UNSKILLED	cell base	SKILLED/ CRAFT	cell base	CLERICAL/ SALES	cell base
All	51	1705	14	1510	28	1646
ETU Scheme A	47	543	11	478	31	542
ETU Scheme B	56	573	20	511	27	548
Control areas	51	589	10	521	26	556
Urban large	57	412	10	349	30	406
Urban small	52	461	14	403	29	423
Rural	51	432	17	386	29	388
Seaside	44	400	11	372	25	429
2-4 employees	77	187	32	141	52	174
5-10	74	326	26	277	50	274
11-24	64	406	18	347	38	365
25-49	60	251	14	228	26	243
50-99	55	235	10	214	21	244
100-199	39	164	4	169	24	191
200+	37	137	11	135	14	155
Agriculture/mining/ construction	27	93	2	88	13	98
Manufacturing/Power/water	30	235	8	257	7	266
Distribution	61	203	19	160	61	313
Hotel/catering	87	535	41	362	57	244
Transport/communications	21	67	14	63	17	81
Finance/Business services	57	121	7	127	11	208
Public administration	47	17	*	23	9	39
Education	44	50	9	66	9	59
Health/Social Services	56	139	20	146	9	135
Other services	74	245	30	218	25	203

[Weight: employment in job type]
*Less than 0.5 per cent but greater than 0

4.4 Recruitment

4.4.1 Recruitment policy

One of the possible effects of ETU which we have discussed above was that it may act to depress wage offers. This, in turn, may affect recruitment and exacerbate the high job turnover associated with low-paid industries. On the other hand, ETU may make people more willing to come forward for lower paying jobs, helping to reduce recruitment difficulties at the lower end of the occupational hierarchy. There may also be a 'substitution' effect whereby employers target their recruitment on potential recipients of ETU in favour of non-ETU recipients.

Establishments were therefore asked about their recruitment policy and procedures. Single establishments and Head Office branches were assumed to have local autonomy in this respect but branches of larger organisations may have less independence in recruitment. Forty-three per cent of local branches had to follow procedures laid down by Head Office whereas 30 per cent of establishments had local autonomy in this respect and a further quarter could negotiate recruitment procedures between Head Office and local management. Overall, local branches had greater independence in setting their recruitment procedure than they had in setting their wage policy (see above).

4.4.2 Recruitment difficulties

Over a quarter of establishments (27 per cent) said they had experienced recruitment difficulties over the past year - that is, they were not able to get enough staff or the kind of staff they required. There was little variation in reported recruitment difficulties between ETU area groups or types of ETU area. Overall, the larger the establishment, the greater the difficulties reported: 38 per cent of large establishments (200 or more employees) said they had experienced recent difficulty in recruitment compared with 17 per cent of small establishments (less than five employees). Establishments in the hotel and catering sector experienced the greatest difficulties in recruitment - a third said they had done so - while those in public administration reported the least (15 per cent), which could again be related to the size of industry.

Overall, employers reported some difficulties recruiting clerical/sales staff (28 per cent), but had considerably more problems recruiting semi/unskilled employees (41 per cent) and skilled/craft employees (46 per cent). A larger proportion of semi/unskilled employment in establishments reporting recruitment difficulties were paid less than £4 per hour compared with establishments who reported no recruitment difficulties (58 per cent and 47 per cent of employment respectively). However, there was no association between low-pay and recruitment difficulties for skilled/craft and clerical/sales employment.

4.4.3 Job turnover

The low-paid sector is traditionally associated with high job turnover. Employers were asked about the number of people in each job type who had left their organisation or who had had their jobs terminated in the past 12 months and how many people they had recruited over the same period of time.

Three-quarters of establishments said they had recruited semi/unskilled employees over the past year, falling to about three in five employers who said they had recruited skilled/craft and clerical/sales staff. A greater proportion of establishments also said they had lost semi/unskilled workers (56 per cent) compared with skilled/craft and clerical/sales workers (both 40 per cent). The greatest turnover of employment, therefore, seemed to be in the semi/unskilled workforce.

We can also look at job turnover on an *employment* weighted basis. Table 4.7 shows recruitment and termination of employment as a percentage of total current employment in each job type. Semi/unskilled employment had higher turnover than the other job types: the equivalent of 48 per cent of the current semi/unskilled workforce had been recruited in the past year, on average, and the equivalent of 31 per cent of semi/unskilled employment had left. Skilled/craft employment had the smallest turnover with the equivalent of 26 per cent of the current skilled workforce having been recruited in the past year and the equivalent of 15 per cent terminating employment.

An important factor associated with the turnover rate in all three job types was the proportion of employees paid £4 or less per hour. As the proportion of low-paid workers rose, so did the job termination rates. This pattern was particularly dramatic for semi/unskilled employees. Where there were no employees earning less than £4, the termination rate was 18 per cent. As the proportion of low paid workers rose to 76 per cent or more of total semi/unskilled employment, the termination rate rose to 43 per cent of current employment.

Table 4.7 Recruitment and termination of employment – as percentage of current employment

(Cell percentages)

	SEMI/ UNSKILLED	SKILLED/ CRAFT	CLERICAL/ SALES
Recruitment	48	26	31
Termination	31	15	17
Base	1686	1501	1639

[Weight: employment in job type]

The type of ETU area also had some bearing on recruitment and turnover levels. Both the recruitment and turnover levels of semi/unskilled and skilled/craft employment in seaside areas were higher than in other types of ETU area, as were turnover rates amongst clerical/sales staff. Recruitment and turnover rates fell as the size of the establishment increased for all three job types. The highest recruitment and turnover rates among semi/unskilled workers were in finance/business; among skilled/craft workers in hotel/catering; and for clerical/sales staff they were found in the distribution industries.

4.5 Experience of and attitudes towards Social Security benefits

One of the aims of the survey of employers was to investigate any change in wage and employment flows over the period of the evaluation, and to determine how these changes are affected by employers' perspectives of the benefit system, and ETU in particular. Employers need not be aware of ETU for it to have an effect on their wage setting behaviour or other aspects of their conditions of employment. But knowledge and eventual experience of ETU may serve to accelerate the process. One of the essential elements of the research is to evaluate whether or not employers actively use ETU as a wage subsidy to hold down wage offers.

This section provides data on employers' awareness and experience of social security benefits before the introduction of ETU in the pilot areas, against which we can assess the impact of ETU as the evaluation progresses.

4.5.1 Awareness of benefits

Awareness of particular social security benefits

The degree of employers' awareness of particular benefits varied. Overall, employers were most familiar with Housing Benefit - 98 per cent said they had heard of it - followed by Family Credit (96 per cent); Council Tax Benefit (88 per cent); and Disability Working Allowance (DWA) (76 per cent). Not surprisingly, they were least acquainted with ETU - just a third said they had heard of it. However, given that ETU had not been introduced in the pilot areas at the time of the baseline survey and had received minimal publicity, this low level of awareness is to be expected, and perhaps some employers were even confusing ETU with other social security benefits or simply felt a need to claim knowledge when they had none[53].

It would appear that a greater proportion of employers had generally heard of particular social security benefits compared with previous research evidence. For example, a survey of employers conducted in 1993 found that 79 per cent of employers had heard of Family Credit (Calendar et al., 1994); this compares with 96 per cent of employers in the ETU baseline survey. It may well be the case that the general level of awareness of particular benefits amongst employers has risen over recent years. Family Credit, for example, was introduced in 1988 and has an ever-increasing caseload. However, a high level of awareness of benefits is to be expected since, unlike previous surveys, the ETU survey was specifically concentrated in areas with a high proportion of unemployment and low-paid employment - exactly the areas where ETU is expected to do good business.

The size of the establishment had little bearing on whether employers had heard of particular benefits except for Disability Working Allowance, where knowledge of Disability Working Allowance grew with size of

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[53] Indeed, a slightly higher proportion of employers in the Earnings Top-up 'control' areas said they had heard of Earnings Top-up compared with employers in the Earnings Top-up pilot areas.

establishment: 69 per cent of small employers (less than five employees) said they had heard of Disability Working Allowance compared with 85 per cent of large establishments (Table 4.8).

Establishments' industry had more of an influence on their familiarity with particular benefits, especially in relation to Council Tax Benefit, Disability Working Allowance and ETU. At one extreme, 95 per cent of employers in health/social services had heard of Council Tax Benefit and 87 per cent of them had heard of Disability Working Allowance. At the other extreme, awareness of Council Tax Benefit fell to 83 per cent of employers in manufacturing/power/water and awareness of Disability Working Allowance fell to 72 per cent in hotel and catering industries. Employers in hotel and catering also had the lowest levels of awareness of ETU (29 per cent) while those in public administration had the highest (45 per cent). These findings suggest that there may be a public/private sector divide in terms of awareness of certain social security benefits.

Somewhat surprisingly, the proportion of low-paid employment in each job type had generally little bearing on employers' awareness of particular benefits. There were mixed results. For example, there was a higher proportion of low-paid semi/unskilled employment in establishments who said they had heard of Family Credit and Council Tax Benefit compared with establishments who had not heard of these benefits. However, the reverse was true for Housing Benefit and Disability Working Allowance. For clerical/sales employment, a greater proportion of employees were low-paid in establishments who said they had not heard of Housing Benefit and Disability Working Allowance, even though these employees would be more likely to meet eligibility for these benefits while in work.

Table 4.8　　Awareness of social security benefits by size of establishment and industry - Percent who said they are aware of each benefit

(Cell percentages)

	Family Credit	Housing Benefit	Council Tax Benefit	DWA	ETU	Base
All	**96**	**98**	**88**	**76**	**33**	**2380**
2-4 employees	97	98	89	69	31	390
5-10	94	96	86	76	31	502
11-24	97	98	89	80	36	541
25-49	98	99	91	80	35	311
50-99	96	99	85	81	35	271
100-199	99	99	91	86	35	200
200+	99	100	92	85	33	162
Agriculture	95	97	86	72	35	125
Manufacturing	95	97	83	75	30	300
Distribution	96	97	89	75	31	382
Hotel/catering	96	97	86	72	29	567
Transport/comm	99	98	91	78	32	105
Finance/Business	97	97	88	76	36	255
Public Admin	100	100	93	83	45	42
Education	100	100	92	85	36	77
Health/Social Service	99	100	95	87	40	191
Other services	94	99	91	73	31	335

[Weight: establishment]

Awareness of in-work benefits

Employers were asked specifically if they were aware of the availability of in-work benefits for low-paid workers: three-quarters of employers said they were. There was very little difference in employers' level of awareness of in-work benefits by either their ETU area group or type of area. However, their awareness of in-work benefits grew with the size of establishment: nine out of ten large employers (200 or more employees) said they were aware of in-work benefits compared with seven out of ten small employers (less than five employees). Employers' awareness of in-work benefits was also influenced by their industry, ranging from three-quarters of employers in agriculture/mining/construction to nine out of ten in health/social services industries who said they had heard of them.

4.5.2 Involvement with benefits

Employers' general experience of in-work benefits

In addition to getting a sense of employers' awareness of in-work benefits, it was important to ascertain the extent of their actual exposure to them, as this may well impact on their attitudes towards these benefits.

Overall, three out of ten establishments said they had previous experience of in-work benefits. Establishments in the 'seaside' areas reported the least experience of in-work benefits (22 per cent) while those in large urban areas (36 per cent) reported the most. As the size of the establishment increased, so did their exposure to in-work benefits: more than twice as many large establishments (200 or more employees) as establishments with under five employees said they had had some prior involvement with in-work benefits (50 per cent and 21 per cent respectively).

Employers in health/social services industries reported the greatest experience of in-work benefits (38 per cent). Surprisingly, the industry which reported the greatest awareness of in-work benefits - public administration - reported the least experience of them (15 per cent). Overall, about two out of every five employers who were aware of in-work benefits also reported some actual experience of them.

Nature of employers' experiences of in-work benefits

Employers were asked the nature of their involvement with in-work benefits. Three-quarters of employers who reported experience of in-work benefits said they had completed a benefits claim form (31 per cent of all employers) and half said they had been in contact with the DSS to answer queries about their employees' benefit claim (27 per cent of all employers).

Extent of employers' difficulties with in-work benefits

Overall, most employers (82 per cent) said they had experienced no difficulties with employee benefit claims, though 13 per cent said they had experienced some or a lot of difficulties. Generally, employers with the greatest involvement with these benefits in terms of form filling and contact with the DSS, reported the most problems with benefit claims: over a quarter of them (27 per cent) reported they had experienced either some or a lot of difficulties.

Larger establishments were more likely than smaller ones to report difficulties with their employees' benefit claims. Among those who reported experience of in-work benefits, half of the largest employers (200+ employees) reported having difficulties compared with just one in ten employers with under five employees. Establishments in manufacturing who had experience of in-work benefits reported the greatest difficulties with benefit claims compared with other industries - as many as 44 per cent of them reported some or a lot of difficulties.

4.5.3 Employers' role in encouraging the take-up of in-work benefits

Advice on in-work benefits

If employers were to encourage take-up of in-work benefits, or indeed, they were to use the benefit system to help 'compensate' for their low wage offers, we might expect employers to advise their employees about their potential eligibility for in-work benefits (Table 4.9).

Table 4.9 Employer's role in encouraging the take-up of in-work benefits

(cell percentages)

	Advise employees about benefits	Base	Discuss hours of work with employees	Base[54]
ALL	18	2397	40	499
2-4 employees	16	396	47	62
5-10	19	511	40	100
11-24	19	542	40	115
25-49	17	313	42	62
50-99	22	273	20	61
100-199	27	200	32	59
200+	25	162	20	40
Agriculture	9	127	25	15
Manufacturing	13	303	16	50
Distribution	17	383	39	70
Hotel/catering	18	575	46	115
Transport/communications	23	105	23	23
Finance/Business services	20	261	53	56
Public Administration	18	42	13	9
Education	21	77	53	18
Health/Social service	25	191	43	55
Other services	23	336	48	88

[weight: establishment]

In fact, only about a fifth (18 per cent) of employers overall said that they advised their employees about eligibility for in-work benefits. This ranged from three out of ten employers with actual experience of in-work benefits to just 13 per cent of employers who reported no actual exposure to these benefits. Of those employers who said they offered advice to their employees, a quarter did so when employees were joining their establishment, a further quarter did so some time later on and nearly half said they offered advice at both times. Employers were more likely to say they gave advice to their employees the greater the number of people they employed. For example, around a quarter of establishments with over 100 employees said they gave advice on in-work benefits compared with 16 per cent of employers with under five employees. However, these small establishments were much more likely to give advice about eligibility for benefits, if at all, before an employee started working for them compared with larger employers. This, in turn, was likely to reflect the establishments' overall experience and awareness of these benefits and the fact that larger establishments may have specialist personnel functions who are involved in giving such advice. Surprisingly, those who said they offered advice on in-work benefits were no more likely to have low-paid employment than those who did not.

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[54] Some of the unweighted bases are small, so any interpretation must be treated with caution.

Employers in the public sector, especially in health/social services, were the most likely to say they offered advice to their employees on in-work benefit claims - a quarter did so, while those in manufacturing and agriculture were the least likely to offer advice (13 per cent and nine per cent respectively).

Advice on hours of work

To be eligible for ETU, individuals must work at least 16 hours a week and there is a credit for work of 30 hours or more. It was therefore important to ascertain if employers, when counselling their employees about their potential eligibility for in-work benefits, discussed hours of work. Overall, four out of ten employers said that they had discussed hours of work with their employees. Two out of five employers who said they gave advice to employees about benefit claims also said they had discussed with them the hours they should work to be eligible for these benefits. Half of those with experience of in-work benefits said they had discussed hours of work with their employees.

Although smaller establishments were less likely to advise their employees about benefit claims, when they did, they were more likely to say they discussed hours of work with them: employers with under five employees, for example, were more than twice as likely as the largest employers (200 or more employees) to say they had done so (47 per cent and 20 per cent respectively). What this finding suggests, along with the fact that small employers were the most likely of all to advise candidates about eligibility for benefits when joining the establishment, is that small employers could be more flexible in the hours of work they offered. Furthermore, employers who said they discussed hours of work with their employees had a higher proportion of low-paid employment in both semi/unskilled and clerical/sales jobs than those who had not discussed hours of work. This suggests that establishments with a greater concentration of low-paid jobs could offer greater flexibility in the hours of work they offered.

4.5.4 Attitudes towards social security benefits

Employers' attitudes to social security benefits could potentially impact on the take-up of in-work benefits and the extent to which they actively encourage their take-up. Employers' views may vary depending on whether or not they have actually employed people in receipt of these benefits. Employers were asked a general question about the impact of both out-of-work and in-work benefits on recruitment. They were then asked some more detailed questions about the effect, or potential effect, of in-work benefits on wage costs and working hours. For these questions, employers were divided into three groups: those who had some experience of in-work benefits; those who were aware of the these benefits but had no actual experience of them; and those who were neither aware of these benefits nor had any experience of them. The response of these three groups were compared to highlight the impact, if any, of their familiarity with in-work benefits on their attitudes towards social security benefits.

Nearly half of all employers (48 per cent) felt that '...the social security benefits which people can draw when they are unemployed make it harder for you to recruit people for certain jobs'. About one in eight (13 per cent) were unsure of the impact of out-of-work benefits. Employers who thought that out-of-work benefits contributed to their recruitment difficulties felt that it was particularly true for semi/unskilled employees. These difficulties were not necessarily related to the establishments' overall recruitment difficulties but were associated with the establishments' overall patterns of recruitment[55]. Seven out of ten employers who had earlier reported general recruitment difficulties said that out-of-work benefits created recruitment problems for them, compared with four out of ten who reported no overall recruitment difficulties.

Establishments of different sizes had divergent views on whether out-of-work benefits created difficulties for recruiting employees to specific job groups. For instance, the larger the establishment, the more likely they were to attribute their difficulties in recruiting unskilled/semi-skilled employees to out-of-work benefits: nearly nine out of ten (87 per cent) of large establishments (200 or more employees) held this view compared with about half (53 per cent) of establishments with under five employees.

There were also variations in the views held by employers depending on their industry. Employers in hotels/catering were the most likely to report that out-of-work benefits caused them recruitment difficulties (58 per cent), particularly in relation to semi/unskilled workers – nine out of ten identified these workers. Interestingly, this sector had the highest proportion of semi/unskilled employees to total employment, and had the greatest difficulties recruiting this job type compared with other industries. By contrast, employers in public administration were the least likely to say that out-of-work benefits led to recruitment difficulties for them (16 per cent). This follows the overall trend shown above where establishments in public administration were the least likely to say they experienced recruitment problems in all three jobs types, irrespective of social security benefits.

Employers who said that out-of-work benefits caused them problems in recruitment had a higher proportion of low-paid employment in each of the three job types. For example, in establishments who reported recruitment difficulties caused by out-of-work benefits, nearly two-thirds of semi/unskilled employment was low-paid compared with 37 per cent in other establishments.

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[55] It should be recalled that, irrespective of social security benefits, establishments experienced greatest difficulties recruiting skilled employees. However, semi/unskilled employment had seen the greatest overall recruitment and job turnover over the previous twelve months.

Employers were then asked whether they thought in-work benefits for low paid employees made it easier for them to recruit people to low paid jobs (Table 4.10). Over a third of employers who reported experience of in-work benefits said they did help them in their recruitment, compared with just 16 per cent of employers with no experience of these benefits but who were at least aware of them. After consideration, over a third of employers with neither awareness nor experience of in-work benefits thought in-work benefits could make it easier for them to recruit people to lower paid jobs, though a quarter did not know, nor could hazard a guess as to what effect in-work benefits would have on their recruitment. Employers who were unfamiliar with in-work benefits were as likely as those with some experience of them to perceive them as a positive influence on recruitment. However, employers' awareness of the benefits without actual experience of them tainted their view of the effectiveness of these benefits in helping recruitment. This has implications perhaps for the way in which ETU is publicised, since those with only a vague knowledge of in-work benefits had a less positive attitude towards them than those with no knowledge at all.

Once again, both the size of the establishment and its industry appeared to have had some impact on employers' attitudes towards the effects of in-work benefits on recruitment. Of those employers who reported some experience of in-work benefits, the smallest (under five employees) were the most likely to say that these benefits had helped recruitment (52 per cent) while medium-sized establishments (between 25-49 employees) were the least likely to think so (23 per cent). Differences between establishments by industry, however, were more pronounced. Turning first to those with exposure to in-work benefits, a half of establishments in agriculture/mining/construction held the view that in-work benefits had aided their recruitment to low paid jobs, in contrast to three out of ten establishments in the 'other services' sector. Yet again, establishments who were aware of in-work benefits but had no actual exposure to them reported less favourable views - just one out of ten in agriculture /mining/ construction, and two out of ten in 'other services' said that in-work benefits had any effect on their recruitment.

Of the employers who said they had experience of in-work benefits, those who thought in-work benefits had helped in their recruitment to low-paid jobs actually had a higher proportion of low-paid semi/unskilled employment than employers who did not think benefits had affected their recruitment. However, this was not the case for skilled/craft or clerical/sales jobs. Of the employers with neither experience nor awareness of in-work benefits, those who thought in-work benefits might help with their recruitment to lower paid jobs had a greater proportion of low-paid employment in both semi/unskilled and skilled/craft jobs than employers who did not think these benefits might help with their recruitment.

One of the concerns about ETU is that it may subsidise employers rather than low paid workers, and help employers depress wage levels (see section 1.5). Therefore, employers were asked if they thought in-work benefits had, or could, help to keep their wages down.

Once again there were marked differences in the attitudes of employers with and without exposure to in-work benefits (Table 4.10). Only half as many establishments with some experience of in-work benefits believed that in-work benefits could help to hold down their wage costs compared with employers with no exposure to these benefits (25 per cent compared with 45 per cent). But there was quite a lot of uncertainty: a quarter of establishments with no knowledge of in-work benefits were not sure what effect these benefits would have on their wage costs, and a fifth of those who were aware of these benefits but had no actual experience of them also did not know what effects they might have.

In-work benefits were said to have enabled a much greater proportion of smaller establishments with experience of in-work benefits to depress their wage offers than larger employers. For example, four out of ten small employers (under five employees) felt that in-work benefits had helped to keep their wages down compared with just one tenth of those with over 200 employees. Similarly, large employers with neither experience nor awareness of benefits were less likely than smaller ones to think that the benefits could have any effect on their wage offers.

There was also a private/public sector divide on views of the (potential) effect of in-work benefits on wages. Employers in the private sector with experience of in-work benefits were twice as likely to report that in-work benefits had sometimes helped to keep their wage costs down (27 per cent) than equivalent employers in the public sector (14 per cent). There was a similar divide between employers with no knowledge or experience of in-work benefits. Nearly half of these employers in the private sector (46 per cent) said that in-work benefits would make it easier to keep their wages down compared with just over a third (36 per cent) in the public sector. However, there was little difference between private and public sector establishments with knowledge though no experience of in-work benefits, a fifth of whom said that in-work benefits had sometimes helped to depress their wage offers. It was not clear quite how such employers made this connection other than by expressing their general view that the existence of in-work benefit may have exerted a downward pressure on their wage bill.

For those employers with experience of in-work benefits, or who were at least aware of them, their wage setting strategies and the extent to which they had local autonomy in their wage policy did not seem to influence their attitudes on the effects of in-work benefits on wages. However, this was not the case for employers with neither experience nor awareness of in-work benefits: a larger proportion of this group who

had greater local autonomy in wage-setting saw in-work benefits as having the potential to keep their wages down compared with those with less wage-setting autonomy.

Impact of in-work benefits on hours of work

Because of the '16 hours' rule for eligibility to ETU and other in-work benefits, it was important to discover whether employers thought that some employees tried to increase the number of hours they worked (to at least 16 hours a week) or if some employees reduced the number of hours they worked, including overtime (and hence their earnings) so that they would qualify for in-work benefits[56].

Over a quarter of establishments with experience of in-work benefits said that as a result of them, some employees had wanted to increase their hours of work, while over four out of ten reported that some of their employees had wanted fewer hours and a similar proportion had been unwilling to do overtime (Table 4.10). By comparison, employers with knowledge of these benefits but no actual experience of them were more likely to report a smaller impact on hours worked: a fifth believed that in-work benefits had led to some employees asking for an increase in hours (19 per cent), a decrease in hours (18 per cent) and made some employees unwilling to do overtime (20 per cent). Employers who were not aware of in-work benefits would also have no knowledge of the hours rules for eligibility and as expected, their attitudes on the potential effect of in-work benefits on hours worked diverged from the actual effects reported above. Around three in ten said they did not know what effect benefits to lower paid workers would have on the hours of work and overtime in their establishment.

As expected then, employers with less exposure to, or awareness of in-work benefits had less knowledge of the potential impact of them on the conditions of work. Of those employers who reported some experience of in-work benefits, the most marked effects of in-work benefits they reported concerned the wish of some employees to reduce the hours they worked and the unwillingness of others to work overtime - four out of ten employers reported this. Perhaps surprisingly, there were larger differences in the attitudes of employers who were aware of in-work benefits but had no experience of them and the actual effects as reported by employers with experience of in-work benefits. The former were more unsure about the overall effects of in-work benefits and reported a smaller effect on recruitment and hours of work.

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[56] Any manipulation of hours resulting from in-work benefits would, of course, depend on the flexibility of employers, while the impact on overtime may reflect the general opportunities for this type of work in each establishment.

Table 4.10 Attitudes towards in-work benefits

a. In your view, has/would the possibility of social security benefits to lower-paid workers possibly had/have any of the following effects on your organisation?

Has/would it sometimes.......?

(row percentages)

	EXPERIENCE			AWARE			NEITHER		
	Yes	No	DK	Yes	No	DK	Yes	No	DK
Made/ make it easier to recruit to lower-paid jobs	36	54	10	16	64	20	36	38	26
Helped/help to keep wages down	25	67	8	21	61	18	45	32	23
Made/make employees want to increase their hours	26	66	8	19	65	16	32	41	27
Made/make employees want to decrease their hours	42	52	5	18	66	16	28	41	30
Made/make employees unwilling to do overtime	45	50	6	20	64	16	42	32	26
Base	(875)			(1055)			(470)		

[Weight: establishment]

4.6 Summary   The baseline survey of employers has provided data on the characteristics of the employers surveyed; wage offers and the extent of low pay; recruitment and job turnover; and employers' awareness and experience of social security benefits in the twelve ETU evaluation areas before the introduction of ETU.

Central to the analysis of employers was the potential effect of ETU on wages levels. The greatest influence on employers' wage-setting policies, and one of considerable importance for ETU, was simply the pay individuals were willing to work for. If ETU enables workers to come forward for lower-paying jobs, this increase in labour supply may dampen wage offers. On the other hand, the majority of branches of larger organisations had to follow Head Office direction in wage-setting, which may tend to blunt any local ETU wage effect.

Most employees within the establishments surveyed worked familiar 37–38 hour weeks on average. However, one in ten worked less than the ETU threshold of 16 hours per week. Hourly wage rates varied by job type, size of establishment and type of industry. Half the semi/unskilled employees were paid less than £4 per hour worked, as were three in ten clerical/sales employees and one in seven skilled/craft workers. The

proportion of low-paid employees decreased as the size of the establishment increased.

Turnover of employment was particularly high in the semi/unskilled workforce. Job turnover increased as the proportion of low-paid employees (less than £4 per hour) within an establishment rose.

In general, there was a high level of general awareness of particular social security benefits among employers. Three-quarters of employers said they were aware of in-work benefits and three out of ten reported some previous experience of them. Those who reported experience of in-work benefits said that their most marked effects were on the hours worked by employees and employees' willingness to work overtime. Significantly, a quarter of employers with direct experience of in-work benefits said that such benefits had helped to keep their wages down. Nearly half of those with no previous experience of in-work benefits thought that they could have such an effect on their wage offers.

4.6.1 Future research

Future strands of the survey of employers will principally be concerned with the extent to which employers appreciate the existence of ETU, and the extent to which, whether or not they are aware of it, ETU gives rise to any change in their human resourcing policies and wage-setting. Specific questions concern whether or not ETU results in:

- a moderation in the rate of increase in wages;
- an increase in the supply of labour at any wage rate;
- a willingness in employers to accommodate (potential) employees who qualify for the top-up (for instance, by adjusting hours of work).

The findings from the subsequent waves of the employers survey will be compared to the baseline data presented above to determine whether any change in wage levels or employment follow the introduction of ETU in the eight pilot areas. The comparison will be made between the control areas and the pilot areas, distinguishing between the two Schemes, A and B. Any change in wage levels over the interval between surveys will be used in future analysis to identify whether the operation of ETU, or the employment of ETU recipients, has any apparent influence on wage offers. Similarly, any change in hours of work; recruitment and retention patterns; and employment levels will be investigated to determine any ETU effect. Awareness of ETU will also be compared between years, as will employers' own views on the likely, or actual, impact of ETU on their employment practices.

5 ETU AND FUTURE EXPECTATIONS

5.1 Future economic activity

The analyses so far in this report have told us how jobseekers and low income workers expect a top-up to fit alongside other sources of in-work income. They do not tell us how likely they expect such a situation to be.

At the end of the interview, respondents were asked what they thought was the most likely thing to happen to them in the next couple of years. Taking the two samples together, three quarters saw themselves in work: seven in ten working full-time, and another five per cent part-time. Fourteen per cent expected to be unemployed and 11 per cent said they would be doing 'something else'. Most common among anticipated destinations for these last respondents was retirement. A tiny number (16 respondents: 11 of whom were in couples), equivalent to just 0.3 per cent of the sample, anticipated they would not be working but looking after a family in a couple of year's time. Obviously very few anticipated leaving work to start a family but, given the very large number of young women in the sample, experience suggests that rather more might be caring for children in a couple of years time than actually plan to do so.

Respondents were asked at the same time whether they anticipated claiming benefits in the near future. Just over a quarter (28 per cent) thought they would be claiming benefit, two thirds thought they would not (64 per cent), and one in twelve were unsure.

Encouragingly, the majority of each 'customer' group in Table 5.1 expects to be working full-time in the next couple of years, with one exception: older single women. This was particularly true among those sampled as unemployed: fewer than four out of ten of them felt that they would be working in two years time while a third thought they would still be claimant unemployed.

It is important to note a substantial proportion of respondents anticipated working while claiming benefit in the future. It could be argued that these were current recipients of Housing Benefit, Council Tax Benefit or Income Support who anticipated a continuation of their benefits on entry to work. Indeed Housing Benefit and Council Tax Benefit claimants were slightly more likely to anticipate working while claiming benefit than those not (15 per cent versus 11 per cent). But when all benefits were included, the proportion of current claimants anticipating working and claiming was similar (at 11 per cent) to the proportion of non-claimants who anticipated this position (13 per cent). Respondents were not asked what benefit they anticipated claiming to supplement their earnings, but as these questions followed directly on from those about a potential ETU, there might appear to be an anticipatory effect for ETU.

Table 5.1A Expected employment/benefit outcomes:
Unemployed sample

	Base	Working FT	Working PT	Unem- ployed	Retired	Something else	Unemployed and claiming benefit	Working, claiming benefit
						Row percentages	*Cell percentages*	
Single male, under 25, working 16+hrs	71	93	0	3	0	4	3	7
Single male, 25 or over, working 16+hrs	47	78	0	13	0	9	13	13
Single female, under 25, working 16+hrs	28	83	0	3	0	14	3	11
Single female, 25 or over, working 16+hrs	19	81	14	0	0	5	14	5
Single male, under 25, not working 16+hrs	353	81	3	10	0	7	10	8
Single male, 25 or over, not working 16+hrs	500	59	4	26	1	10	25	6
Single fem, under 25, not working 16+hrs	148	73	6	13	0	9	15	12
Single fem, 25 or over, not working 16+hrs	265	39	7	31	13	10	33	8
Dual earner couple, under 45 years	23	86	0	0	0	14	0	4
Dual earner couple, 45 years or older	33	81	8	5	5	1	3	8
Man works 16+ hours, woman not in work	51	55	8	27	2	8	10	6
Woman works 16+ hours, man not in work	77	41	7	38	5	9	17	0
Couple, no earner working 16+hrs or more	364	42	4	34	5	15	29	6

Table 5.1B Expected employment/benefit outcomes: Employed sample

	Base	Working FT	Working PT	Unem- ployed	Retired	Something else	Unemployed and claiming benefit	Working, claiming benefit
						Row percentages	*Cell percentages*	
Single male, under 25, working 16+hrs	165	91	1	3	0	5	4	11
Single male, 25 or over, working 16+hrs	188	93	2	3	0	2	4	15
Single female, under 25, working 16+hrs	220	94	1	2	0	3	3	16
Single female, 25 or over, working 16+hrs	286	91	2	2	3	1	3	21
Single male, under 25, not working 16+hrs	110	83	3	6	0	8	7	10
Single male, 25 or over, not working 16+hrs	147	74	7	13	3	3	14	13
Single female, under 25, not working 16+hrs	63	73	9	4	0	14	5	6
Single female 25 or over, not working 16+hrs	115	48	10	19	16	7	5	20
Dual earner couple, under 45 years	174	83	6	5	1	5	6	11
Dual earner couple, 45 years or older	320	80	8	4	5	3	5	13
Man works 16+ hours, woman not in work	117	75	3	9	4	9	7	18
Woman works 16+ hours, man not in work	219	75	9	6	7	2	7	9
Couple, no earner working 16+hrs or more	180	23	20	22	21	14	15	7

An analysis by area suggested that anticipation of working while claiming benefit was more likely to be due to interview-conditioning than knowledge from elsewhere of the impending introduction of a top-up. There was no obvious pattern in the prevalence of anticipation of working and claiming benefit. A quarter of respondents in North Wales (an ETU Scheme A area) expected to claim while working, compared to just nine per cent in Sunderland or Doncaster (ETU Scheme B areas) and 15 per cent in Middlesborough (a control area).

Among workers and jobseekers asked whether they would claim an in-work ETU, those who said 'yes' were five times more likely to expect to be working and claiming benefit than were those workers and non-workers who were not tempted by a top-up (16 per cent versus three per cent). There was less difference between 'yes' and 'no's in terms of their expectation of being in full-time work at all, at 27 per cent and 21 per cent respectively. In total, 11 per cent of the sample said 'yes' to ETU and expected to be in work in two years' time, claiming benefit.

Three quarters of unemployed claimants expected to enter work, as did three quarters of those on government training Schemes. More than half the unemployed non-claimants, those in full-time education, and those temporarily sick also expected to enter work. Aside from the retired, the most pessimistic were the long-term sick, just twelve per cent of whom expected to enter work. One in five unemployed claimants of Income Support or Unemployment Benefit expected to be working in two years' time.

5.2 Who would claim an ETU?

Those workers who were asked for a minimum acceptance wage were asked a cautiously-worded question which introduced the concept of wage supplementation (by drawing parallels with Family Credit and Disability Working Allowance). The question hypothesised the availability of 'a wage top-up' to the respondent, and asked respondents whether they would take less than their minimum wage expectation if they could combine a lower wage with a top-up or whether they would hold out for their preferred wage, disregarding a wage top-up.

Workers-in-work were also asked whether they would claim a top-up (as reported in Section 2.10), but the question did not directly link the top-up to a reduction in their current wage. Workers were effectively being presented with a 'no loss' scenario: an unconditional wage supplement which – if they were entitled – would increase their financial incentive to work. Some might have thought they would not be entitled, but it was interesting that a full 23 per cent said 'no' to a top-up from which they could only gain.

More conditional scenarios were ventured later in the interview. Workers in full-time work who said 'yes' to a top-up were asked whether they would prefer to lower their hours to qualify for a top-up. Thirty seven per cent said they would, which creates a potential concern over the deadweight cost of introducing ETU. We cannot be sure how precisely such ambitions may translate into action, either on an individual or an aggregate level, but a substantial minority clearly were keen to trade work for 'leisure' hours by claiming the new benefit, and so reduce the proportion of wages in their in-work income in favour of benefits.

Workers in part-time work who said 'yes' to a top-up were asked whether they would prefer to increase their hours to qualify for a top-up. Sixty eight per cent said they would, which was more encouraging, as these respondents would trade 'leisure' for work hours by claiming the new benefit, and increase the amount of wages in their in-work income. This hypothesised increase in labour supply would do little to offset the hypothesised decrease among full-time workers, because part-time workers represented fewer than one in ten workers-in-work.

The responses of workers-in-work are of interest as a comparison group alongside the out-of-work. It is useful to compare the anticipated in-work characteristics of the out-of-work sample against the known in-work characteristics of workers-in-work. But it was the responses of the out of work which were most of interest, since these were the people at whom ETU is aimed.

Among the potential jobseekers who gave a minimum acceptance wage, just under two thirds (63 per cent) said they would accept a lower wage plus top-up, leaving 37 per cent holding out for their minimum wage.

Multivariate analyses gave some further indications of the types of people likely to have said they were interested in an in-work income top-up. Financial necessity would certainly seem to have played a part. Those out of work with debt repayment problems, and those in work who felt they were managing poorly were more disposed to the top-up, as were those more familiar with the world of in-work benefits. It was those out of work who both knew that they could still claim Housing Benefit in work, and who felt that they were likely to be eligible, who were more disposed to claim. Likely eligibility would also seem to have influenced disposition to claim ETU, as those out of work anticipating lower earnings and workers on fewer hours were more inclined to say yes to a top-up.

6.1 Introduction   The study hypothesis is that over time those who live in areas where ETU is available will report economically favourable outcomes compared to those who do not. Four control areas where ETU is not available have been included in the study to act as a comparison with the two pilot versions of ETU (Scheme A and Scheme B)[57]. It was important that – before ETU was introduced – the sample interviewed in these control areas closely resembled those in the ETU control areas, since if other major differences existed, it might be these differences, and not the existence of ETU, which accounted for different economic outcomes. Such compositional differences could be controlled for in the analysis, but had to be determined at the outset.

The same arguments applied to another attempt to discern differences in outcomes between payment of ETU at the lower rate A and payment at the higher rate B. Respondents in the pilot areas for rate A should thus have similar initial characteristics to those in pilot areas for rate B.

This chapter concentrates on area comparisons. Three key issues will be addressed: the local labour market profiles of the eight ETU pilot areas and four control areas; a comparison of the key characteristics of the workers-in-work and unemployed samples between the pilot areas; and the differential applications for ETU by area.

The twelve evaluation areas which are the focus of this chapter were classified into three sets of area groups and four area types, as listed in Table 1.2.

6.2 Local labour market   The emphasis in this section is on comparing and contrasting the socio-
        profiles   economic and labour market profiles of the twelve local study areas. The key points from the local labour market analyses are presented below. These analyses drew on the 1991 Census of Population Local Base Statistics, the Labour Force Survey, New Earnings Survey and Annual Employment Survey, JUVOS unemployment claimant series and Employment Service vacancy statistics.

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[57] The twelve evaluation areas are either Travel to Work Areas (TTWAs) or groupings of TTWAs.

6.2.1 Socio-demographic structure

- The age profiles of most local areas were similar to the national average.

- Seaside areas and rural areas tended to have higher proportions of their population in the older age groups than the major urban areas and large towns.

- The incidence of lone parenthood tended to be higher in the major urban areas than in the other area types.

- In all twelve local areas the share of the population from ethnic minority groups was significantly lower than the national average.

- There were marked local variations in the incidence of limiting long-term illness, with the major urban areas, large towns and South Wales exhibiting shares of working age residents suffering limiting long-term illness well in excess of the national average.

- In terms of housing tenure there was a diversity of experience within each area type, but in general the seaside areas were characterised by lower than average proportions of households in the social rented sector and more in owner-occupation than nationally or the other nine local areas.

- An urban-rural distinction was apparent in patterns of car ownership, with lower car ownership levels in urban than in rural areas.

- The seaside areas were characterised by lower proportions of economically active residents in social classes IV and V than the other area types.

- While the major urban areas and large towns had higher than average proportions of households with no earners, the rural areas and seaside areas displayed slightly lower proportions of households with no earners than nationally.

6.2.2 Economic activity

- The major urban areas and large towns were characterised by larger than national average shares of economically active residents in unemployment and on Government schemes.

- The incidence of self-employment tended to be highest in the seaside areas and rural areas.

- With the exception of Southend and Southampton & the Isle of Wight, economic activity rates were lower than the national average in the local areas for both men and women.

- Sunderland and South Wales displayed the lowest economic activity rates for men of working age.

- The large towns, major urban areas and South Wales were characterised by much lower economic activity rates amongst men aged 50 years and over than the national average.

- The seaside areas exhibited the smallest declines over the decade to 1991 in male economic activity rates.

6.2.3 Employment

- Over the period from 1981 to 1993 a small overall decline in employees in employment disguised large losses of male full-time employees, a smaller increase in female full-time employees, and job gains for female and male part-time employees.

- The major urban areas and large towns suffered a net loss of employment over the period, larger than average decreases in male full-time employment, smaller than average percentage increases in female employment and larger than average increases in male part-time employees (from a low initial base).

- Seaside areas and rural areas exhibited a greater diversity of employment change, but in general the experience of change was more favourable than for the major urban areas and large towns.

- In North Wales, Bournemouth and Perth there were net gains in employees in employment between 1981 and 1991, and in Southend aggregate employment levels remained relatively stable.

- There were no simple patterns of variation within/across area groups.

- The service sector was dominant – in employment terms – in all twelve local areas.

- Some industries (for example, chemicals, mining, etc.) were of particular local importance in some areas but not in others.

- The large towns and Sunderland were characterised by significantly larger than average shares of employment in the energy and water sector (which included coal-mining).

- The rural areas were characterised by greater shares of employment in agriculture and other services, and much lower shares in the financial sector and transport & communications than nationally.

- The major urban areas and large towns tended to have smaller than average shares of employees in workplaces with less than 25 employees than nationally, while the seaside areas and rural areas had larger shares of employment in small workplaces.

- Large workplaces were more important in the major urban areas than other area types.

6.2.4 Unemployment

- The major urban areas and large towns displayed consistently higher than national average unemployment rates over the period from 1987 to 1996.

- The seaside areas exhibited slightly lower than average unemployment rates until 1991, and thereafter unemployment rates slightly higher than/similar to the national average.

- In the rural areas the incidence of unemployment was somewhat higher than the national average up to 1990, and similar to the Great Britain rate thereafter.

- Of the Scheme A areas Newcastle upon Tyne consistently recorded the lowest unemployment rate, while of Scheme B areas Castleford, Wakefield & Barnsley recorded the lowest rate.

- Southend suffered the greatest relative increase in the unemployment rate of any of the twelve local areas in the early 1990s.

- The major urban areas tended to display the largest concentrations of long-term unemployed, although the large towns (with the exception of Castleford, Wakefield & Barnsley) also were characterised by larger than average proportions of long-term unemployed amongst the unemployed.

- The seaside areas and the rural areas tended to have more unemployed within the shorter duration categories – a reflection of the more seasonal nature of employment opportunities in these areas.

- All three major urban areas were characterised by a greater than national average likelihood of becoming unemployed and a lower than average likelihood of ceasing to be unemployed.

- All three rural areas were characterised by a greater than average likelihood of becoming unemployed and ceasing to be unemployed (particularly in the summer period).

6.2.5 Earnings

- The main secondary data sources on earnings – the New Earnings Survey and the Labour Force Survey – have only a limited spatial disaggregation.

- The basic pattern of regional earnings differentials in Britain was one of a relatively steep wage gradient away from London, then the rest of the South East, to the rest of the UK.

- The Southend and Southampton TTWAs (both located in the Rest of the South East) displayed higher than average earnings than the other local areas.

- Variations in earnings were evident between TTWAs comprising the same local area.

- Large urban centres tended to display higher earnings levels than their hinterlands.

- Rural areas were generally characterised by low average earnings.

6.2.6 Overview of labour market profiles

- Of the area types the major urban areas and large towns were most similar in terms of socio-economic and labour market profiles – for example, higher than average unemployment rates, relatively low economic activity rates, low levels of car ownership, etc.

- There were some similarities between the seaside areas and rural areas – for example, service sector domination of the employment structure, older age profiles, greater than average likelihood of ceasing to be unemployed, etc.

- The seaside areas emerged as the most distinctive of the four area types.

- The most distinctive/dissimilar local areas within each area type were:

major urban area: Newcastle upon Tyne
(with a greater service orientation than the two other areas):

large town: Castleford, Wakefield and Barnsley
(with a lower incidence of unemployment than the other areas):

seaside area: Southend
(more akin to London 'subdominants' than seaside areas);

rural area: South Wales
(displayed many similarities with large towns [e.g. coalfields])

- There were often no simple patterns of variation within/across control areas.

6.3 Is there any difference in the samples between pilot and control areas?

6.3.1 Workers-in-work

There were few significant differences between Schemes found in the workers-in-work sample. One important difference between the Control and ETU pilot areas was the high proportion of respondents claiming disability related benefits. These were 12 per cent in the Control areas, compared to just seven per cent in area Scheme B and six per cent in area Scheme A. Area Scheme B, which included Bournemouth, was more likely than the other areas to contain state pensioners.

Only small differences were apparent in terms of household composition between Schemes (Table 6.2). There appeared little difference in tenure categories, qualifications, the extent of job seeking or job satisfaction between Schemes. More of the employed were actively seeking new jobs in area Scheme B (24 per cent) than area Scheme A (19 per cent) or C (20 per cent), but these differences were only marginally significant.

There was very little difference in the distribution of occupational groups between Schemes, but there was a significant difference between industry types. This seemed attributable to a high proportion employed in the hotel and catering industry in Scheme B (which included Bournemouth) and a very strong bias towards jobs in health in Control areas (21 per cent compared to twelve per cent in the other two areas). There was a significant difference in trade union membership, which was 26 per cent in Scheme B compared to 19 per cent in Scheme A. Trade union membership in Control areas was intermediate at 24 per cent.

Table 6.2 Distribution of employment, marital status, sex, age groups by area group: workers in work sample

Scheme	A	B	Control
Column percentages			
Single male, under 25, working 16+ hours	7	7	8
Single male, 25 or over, working 16+ hours	7	9	8
Single female, under 25, working 16+ hours	9	8	11
Single female, 25 or over, working 16+ hours	12	12	12
Single male, under 25, not working 16+ hours	5	6	4
Single male, 25 or over, not working 16+ hours	8	7	6
Single female, under 25, not working 16+ hours	4	2	3
Single female, 25 or over, not working 16+ hours	5	7	3
Dual earner couple, under 45 years	7	8	7
Dual earner couple, 45 years or older	13	14	12
Man works 16+ hours, woman not in work	5	5	5
Woman works 16+ hours, man not in work	9	8	11
Couple, no earner working 16+ hours or more	8	8	10
Base	*851*	*901*	*611*

6.3.2 Unemployed sample

There were few significant differences between control areas found in the unemployed sample. There were no significant differences in the proportions of respondents claiming disability related benefits. Marginally more in area Schemes B and C were claiming Income Support (66 and 65 per cent respectively, compared to 60 per cent in Scheme A. But there were no other significant differences in benefit receipt.

Only small differences were apparent in terms of household composition between the areas (Table 6.3). There appeared little difference in tenure categories, except that renters were rather more abundant in Scheme B (35 per cent) than Control areas (26 per cent) or Scheme A (29 per cent). And renters who were liable to meet some or all of their housing costs were more likely to be found in Schemes A and B (18 per cent in each) than Control areas (13 per cent).

There was no significant difference in qualifications or the extent of job seeking. However, among those currently seeking work in Scheme A, 14 per cent were seeking a part-time job of fewer than 16 hours each week, compared to seven per cent in Scheme B and five per cent in Control areas. Conversely 78 per cent of current seekers in Control areas were looking for a job of 30 hours or more, compared to 63 per cent in Scheme B and 58 per cent in Scheme A. Just 13 per cent in Control areas said the hours of the job did not matter, compared to 19 per cent in Scheme A and 23 per cent in Scheme B. These differences in hours preferences were very significant and future analysis must be careful to monitor how far movement into work is influenced by such preferences rather than the hours-related availability of ETU.

There was very little difference in the distribution of known occupational groups between area groups, nor between industry types. As among the worker-in-work sample, Scheme B had a high proportion (formerly) employed in the hotel and catering industry (14 per cent compared to eight per cent and 11 per cent in Scheme A and C respectively). But there was no similar strong bias towards jobs in health in Control areas (seven per cent in both A and C compared to 10 per cent in B). There was no significant difference in (former) trade union membership.

Thus, from the workers-in-work and unemployed samples, there were few marked differences between the populations of the area groups. There can be a reasonable level of confidence in the study to the extent that, based on 1996 characteristics, any later differences in employment rates, wages, final incomes and human capital, have arisen as a result of changes in those areas since 1996, including the introduction of ETU. Such differences as there are between areas will be simple to control for in the analysis. However, some important differences were observed, in benefit receipt, hours preferences and industry type. Subsequent changes in these areas, such as changes in disability or pension entitlements or restructuring of the health or hotel and catering industry will affect control areas by varying amounts. Later comparisons between areas will need to take these pre-existing differences into consideration.

Table 6.3 Distribution of employment, marital status, sex, age groups by area group: unemployed sample

Scheme	A	B	Control
Column percentages			
Single male, under 25, working 16+ hours	4	3	3
Single male, 25 or over, working 16+ hours	1	2	3
Single female, under 25, working 16+ hours	3	1	1
Single female, 25 or over, working 16+ hours	1	1	1
Single male, under 25, not working 16+ hours	18	16	21
Single male, 25 or over, not working 16+ hours	23	27	28
Single female, under 25, not working 16+ hours	9	8	8
Single female, 25 or over, not working 16+ hours	15	16	12
Dual earner couple, under 45 years	1	1	1
Dual earner couple, 45 years or older	2	2	2
Man works 16+ hours, woman not in work	2	1	1
Woman works 16+ hours, man not in work	2	2	2
Couple, no earner working 16+ hours or more	20	20	18
Base	*640*	*624*	*680*

7 CONCLUSIONS

This report has provided a baseline in 1996 from which to measure the likely effects of the introduction of ETU in October that year and any change that might follow. The ETU baseline study was designed to tell us more about the conditions of people in the very lowest parts of the income distribution - the very lowest-paid workers and the medium-to-long-term unemployed most likely to become customers of ETU- and to give a picture of the opportunities and difficulties that face them in getting and keeping paid work in the 12 areas of the pilot. The evaluation design was comprehensive, widening the frame of the baseline information to include the views and practices of local employers, and enriching the quantitative data reported here with a programme of qualitative, in-depth research with those who will administer and those who might receive the new benefit. All this information will be considered as the evaluation progresses in the context of a detailed understanding of the local labour markets that will be the sites of the control areas.

This report has shown that the baseline study achieved its main aims and provided some surprises too:

- The field surveys found good representative samples of the kinds of people we needed to interview: medium-term unemployed people looking for low-paid work and (the most difficult to sample) the lowest-paid workers-in-work, many of whom would later find themselves in scope of the new benefit.

- Members of these samples had many of the characteristics you would expect to find among the longer term unemployed and the lowest-paid workers: they were poorly educated young single people, many of them women, or older couples. Typically they had uncertain work histories but were often well-reconciled to their low-paid jobs, if they had one at all. Those seeking work seemed prepared to settle for wage-rates below half those typical for their areas.

- Other findings were more surprising; many of the unemployed were unwell and persistent poor health was found to be a barrier to paid work, just as it is among some lone parents. The members of the unemployed sample were all <u>medium-term</u> unemployed (6-36 months) and so stood apart in some of these health-related measures compared with studies of shorter-term unemployed workers.

- Whereas we expected to find the great majority of likely customers of ETU living as tenants, relatively few had rented households in the same way as the lowest-income families with children have rented households. The younger ones often lived with their parents and many others had only small housing costs. This has important implications for the likely working of ETU.

- We were also able to demonstrate what may be some of the likely effects of ETU on people's work incentives, using the measures in the field surveys. Large numbers appeared to be in scope of the new benefit. For example, accounting for all other entitlements and sources of incomes:
  - the majority of the medium-term unemployed in ETU-areas looked for wages that would leave them in scope of ETU;
  - the great majority of the unemployed who had got jobs by the time we interviewed them, had accepted wages well in scope of ETU;
  - the majority of those selected as low <u>earners</u> had total household incomes which would qualify them for ETU.

- Most of the workers were already seeing a profit from work before the introduction of ETU. Their in-work incomes were higher than would be the total of their entitlements out of work. For this reason, no more than seven per cent of the low-paid workers would find themselves newly better off in work if they claimed, in the sense that they made a loss in work at the time of their interview but would start to see a profit if they got ETU.

- One of the most important conclusions from the baseline surveys was that housing costs did not create a barrier to the new incentives to work subsequently created by ETU. Even after housing costs were taken into account, ETU would increase the incentive to work for most low-paid households. The new incentive was not lost beneath large entitlements to Housing Benefit carried into low-paid work. Most of those who remained without an incentive were the relatively rare mortgage-payers.

- Only tentative conclusions are possible at this stage but it seems fair to suggest that workers seeking low-paid jobs would have additional scope to lower their wage expectations in response to the availability of ETU.

- These findings can also be taken to suggest that the introduction of ETU will attract deadweight costs: workers-in-work will be picking up an additional allowance on top of wages that already leave them in profit compared to their out-of-work incomes. Do they really need this additional incentive to do the jobs they already do? Will job-seekers need an additional incentive to reconsider reservation wages that are already so low, to accept jobs they will take anyway?

- It is also possible to suggest that the baseline data obtained from employers does not oppose the idea that the introduction of ETU will influence both recruitment and wage-setting.

The next stage of the evaluation research programme will re-interview in 1997 the workers-in-work, the unemployed people and the employers seen at this first stage in 1996. In this way, the effects of the introduction of ETU in October 1996 will be assessed for the individuals most affected by it. The 1997 surveys will include new employers starting meanwhile and a large sample of people who claim the new benefit. This will provide

estimates, for example, of the number of new jobs ETU may help to create and how many existing jobs may continue longer - longer at least than they might otherwise have continued. Will we see faster flows from unemployment to employment, and slower flows in the opposite direction in the ETU areas compared with the control areas? It was significant that in these baseline surveys large numbers of people we had identified as low-paid workers had left work even before the interviewers found them, most of them to unemployment. Anything that would help them remain in work longer would be a major gain to maintaining higher rates of labour market participation. This retention-rate is likely to be the more significant aspect of ETU during the first year or so of the pilot; the creation of new jobs by employers as they become aware of an increased supply of new-subsidised jobseekers, is likely to build up more slowly.

In addition to these measures of the impact of ETU at the individual level of workers and employers, subsequent stages of the evaluation programme will address wider issues. It will allow estimates of the extent to which flows between employment and unemployment are modified by displacement and substitution effects. Encouraging someone to get or to remain in a low-paid job is not a gain if it excludes someone else from getting the same job they would otherwise have, or removes them from another one.

The programme of research involves five strands:

• Field surveys of low-paid workers-in-work.

• Field surveys of the longer-term unemployed.

• Surveys of employers.

• Analysis of official administrative statistics.

• Studies of local labour market conditions.

• In-depth interviews with key participants.

A.1 Large scale quantitative programme (Policy Studies Institute)

The performance of the new benefit will be examined by a survey design which tracks forward from baseline samples drawn before the pilot. These samples are re-interviewed periodically during the period of the pilot to gain an understanding of the opportunities perceived and taken up by individuals and employers during the pilot. Additionally, the researchers will seek both current and retrospective information from those interviewed at the end of the pilot period in 1999.

The extent to which these groups differ, over time and between each of the ETU pilot schemes and control areas, in terms of their composition, experience and behaviour in the labour market, will provide the main measures of the effects of ETU on workers, the unemployed and employers.

Surveys of low paid workers-in-work

It is important to understand how the whole low income population behaves in response to the introduction of this benefit. This includes both low paid workers eligible for benefit as well as those earning wages close to eligibility.

A sample of workers-in-work was interviewed before the introduction of ETU and this sample will be re-interviewed a year after introduction. Telephone and postal follow-up interviews will also be conducted with this group during the remaining years of the pilot. In addition, a sample of ETU applicants will be interviewed in 1997, and they too will be re-contacted by phone and postal interview.

A new cross-section sample of workers-in-work, including ETU applicants will be interviewed in 1999.

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[58] *Adapted from* 'ETU pilot programme of research' *DSS in-house report no. 15, compiled by A. Martin, May 1996.*

These surveys will identify the probability of people with relatively low skills continuing in paid work as a result of the introduction of ETU, rather than becoming unemployed. These surveys will include both those in receipt of ETU and those who do not apply for it and will provide estimates of the benefit take-up rate.

Surveys of unemployed people A sample of medium-to-longer term unemployed people will be interviewed in 1996, before the start of the pilot, and re-interviewed in 1997. In addition, a second sample of the unemployed will be interviewed in 1998 and re-interviewed in 1999.

These surveys will identify the extent to which ETU provides an incentive for the unemployed to move into work and to stay there. They will identify the incentive effects for those who apply for ETU, as well as why some people do not apply and move into work.

Surveys of employers Successive surveys of employers will be conducted in each of the twelve areas at three points:

○ just prior to the introduction of ETU in 1996;

○ a year after introduction in 1997;

○ during the last year of the pilot, 1999.

In each of these three years, 200 employers in each of the twelve pilot/control areas will be interviewed: that is 2,400 per survey and 7,200 in total during the pilot research. Some employers will be interviewed several times to provide longitudinal data and establishments newly opened since the introduction of ETU will be added to the sample.

Key issues addressed by the employers research are:

○ changes in wages and employment flows and how these changes are affected by employer perspectives of the benefit system;

○ employer responses to labour supply changes, especially the hours of work offered to low-paid employees.

The employers surveys will be the major source of information on local labour market wages and wage dynamics.

Analysis of DSS administrative data The information provided by applicants and recorded in the ETU database will be an important source of information. Analysis of the anonymised caseload will provide detailed information about ETU recipient population, their occupations, duration of claims, seasonality and wages. Additional questions have been included in the ETU application form to enhance this analysis.

Local labour market information This work will be conducted jointly with the Institute for Employment Research (IER) at Warwick University who will lead on data collection and analysis. Data will be fed from IER to inform Policy Studies Institute

(PSI) work and vice versa. The key issues for this central strand of the research are:

° the effects of the ETU upon wage setting;

° ETU as a cause of the substitution and displacement of labour (see paragraphs below);

° the positive creation of new jobs at low wages.

A.2 Local labour market analysis (Institute for Employment Research)

The main purpose of the local labour market analysis is to compile, analyse and synthesise local data from the range of secondary data sources for each of the eight pilot areas and four control areas. This will provide an overview of the operation of ETU within each local labour market and will facilitate comparison with the control areas. Information will be gathered on each area, before the pilot begins in October 1996, and then updated during the period of the pilot.

These local labour market profiles will, therefore, serve two main functions in the overall scheme of ETU evaluation:

° they will contribute to the creation of local baseline data for each area;

° they will generate evidence of the effects of the ETU on local labour markets by providing a series of 'snapshots' of the twelve areas from a different perspective to that provided by survey data alone.

Separate profiles of each local area will be constructed using key indicators designed to capture the main dimensions of labour market structure and experience. Using these indicators, comparative analyses of the local areas will be undertaken, highlighting the differences and similarities between each of the four 'types' of labour market (ie. major urban area; large town; seaside area; rural area), as well as variations between local areas within each scheme type. IER will also draw upon a large amount of previous research on the economic, social and demographic structure and change across Britain at the local labour market area level, in order to place the experience of the pilot areas in the context of broader trends for different types of local area.

Information will be drawn from the following sources:

° unemployment claimant statistics;

° labour force survey;

° 1991 Census of Population;

° job vacancies via jobcentres;

° Census of Employment/Annual Employer Survey;

° VAT registrations and deregistrations;

° New Earnings Survey;

° indices/classifications of economic conditions;

° information from local sources and surveys eg. from Training and Enterprise Councils.

In addition to these local labour market profiles, IER also propose to investigate 'substitution' and 'displacement' effects. Substitution could occur if an employer recruited a potential ETU recipient in favour of a non-ETU recipient. Displacement effects can occur where employers take advantage of an increased supply of labour to reduce labour costs, cut the price of products and services, and increase their market penetration at the expense of suppliers who face no excess supply of labour at similar wage rates. Whether or not some employers use ETU as a wage subsidy and maximise profits at the expense of the taxpayer and employers who choose not to do so, is an important question for the research.

To measure these effects, IER will use all the previous data sources mentioned above, plus data derived from the Policy Studies Institute large-scale quantitative programme of surveys of both employers, workers-in-work and applicants for ETU.

A.3 Qualitative programme of research (Centre for Research in Social Policy)

The Centre for Research in Social Policy (CRSP) has been commissioned to undertake a programme of depth interviews with a number of different groups (detailed below). The objectives of the qualitative strand are:

- to offer a 'process' evaluation of ETU to complement the 'impact' analysis being commissioned from PSI, ie 'how and why' people react to its introduction as well as 'what' the effects are;

- to better understand how the scheme is perceived and understood by actual and potential applicants and by those implementing it;

- to investigate the reasons for changes in the behaviour of the major groups affected by ETU ie. jobseekers, workers-in-work and employers;

- to provide accounts of how ETU is implemented in each pilot area including the interaction between local and central agencies and the way in which these factors might affect the impact of ETU;

- to complement statistical analyses of the labour markets undertaken by IER and PSI by providing narrative accounts of changes through the three years of the pilot.

Interview groups

Each set of interviews addresses different issues:

- eligible non-applicants - the reason for non-take-up of ETU;

- unsuccessful ETU applicants - why some people mistakenly apply for ETU;

- routes onto ETU - the different ways in which people come on to the benefit and the factors which influence their applying;

- routes off ETU - the employment destinations of ex-ETU recipients, to identify whether it has a long or short term impact in terms of labour market attachment;

- interviews with employers - employers' awareness of ETU, their attitudes towards it and their response to its introduction;

- the self-employed – the experience and perspectives of self-employed people and their reactions towards ETU;

- panels of Benefits Agency and Employment Service staff – this will inform how ETU is being operated locally, what issues and problems staff perceive to be important and whether there are any local variations in implementing the benefit.

APPENDIX B LAUNCHING THE ETU EVALUATION: PILOT WORK, SAMPLING AND FIELDWORK

B.1   The Employers survey

     B.1.1   Pilot work

Considerations of cost and effectiveness, based on recent experiences, decided in favour of a telephone survey, but one that used a 'lead-in' questionnaire. This was a self-completion 'jobs factsheet' that was sent in advance of the telephone call together with an explanatory letter. This document asked employers to set down answers to some of the more detailed questions about numbers of men and women employed in each of the three job types of interest: semi/unskilled employees; skilled/craft employees; and clerical/sales employees. It also asked for information on rates of pay and recruitment and job turnover.

A questionnaire was drafted and pre-tested on 200 employers in non-pilot areas using Computer Assisted Telephone Interviewing (CATI). These areas – Fylde, Liverpool, Fife and Leeds – were among those short-listed by the DSS for the main-stage ETU pilot, but were set aside in favour of the three sets of four areas finally chosen as A, B and C areas. The pilot was a success. In particular the 'jobs factsheet' speeded the interview significantly for larger employers and provided information that respondents had usually checked against records beforehand.

     B.1.2   Sampling

The sample for the main-stage was drawn form the British Telecom 'Connections in Business' database. A total of 6,000 establishments were drawn to achieve a target of 200 interviews in each of the twelve pilot areas – a total of 2,400 completed interviews in all. The survey of employers was concentrated in traditionally low-paid sectors and was structured to provide an adequate representation of large as well as small establishments. Therefore, large employers (employing 200 or more employees) were over-sampled, as were the following industrial sectors:

* distribution, hotels, restaurants and catering;

* other services (personal and social services, public and private);

* other manufacturing (including clothing and food).

     B.1.3   Response rate

The selected establishments were released into the system randomly within area. The target total of 200 interviews per area was achieved with a high response rate of 78 per cent (upper bound) over all areas (Table B.1). Employers appeared to see the point of the enquiry and were interested in the subject. A further incentive to employers was the offer of a free copy of key findings from the survey.

Table B.1 Analysis of response rate – employers survey

a. Non-completed contact	259
b. Refusals and quits	687
c. Invalid	1213
d. INTERVIEWED	2,400
	= 78 per cent of contacted eligibles
	= 72 per cent of (eligibles +not contacted)

Note: Invalid includes those establishments which had ceased trading since the time of sampling and those addresses which failed the interview screener (ie. not business addresses or sole trader enterprises)

B.2 The unemployed survey

B.2.1 Sampling

In general, an evaluation of a programme effect on unemployment is best pursued with the aid of a flow sample. This is because a stock sample, covering people ranging from very short to very long periods of unemployment, tends to be heterogeneous. Those who have been unemployed a long time not only have different characteristics from those with shorter periods of unemployment, but may well be engaged in a qualitatively different type of job search (for instance, one which faces a high degree of employer discrimination). In a stock sample of unemployment, duration effects on outcomes are typically very large. They are also hard to interpret since they proxy the effects of both observed and unmeasured influences. These variations by duration may interact with the effects of the programme, making it hard to identify the latter except by use of a massively large sample. A flow sample, focusing upon a relatively homogeneous job search process, increases the probability of detecting programme effects for a given sample size.

What flow sample should be chosen? As ETU is intended to have an impact particularly on long-term unemployment, it is reasonable to exclude flows through relatively short claiming periods. Further, there is a high exit rate from short periods, so if these were included there would be relatively few left unemployed by the time of the first survey interview.

There are also practical arguments against sampling from the very long term unemployed (VLTU). The numbers available in any VLTU period short enough to approximate a flow are small; and the exit rate is extremely low. It would therefore be difficult to obtain a large enough sample to detect the impact of ETU in VLTU groups.

These considerations suggested that the most practical focus for the ETU evaluation would be on middling periods of unemployment. Given this general decision, the precise definition was arrived at on practical grounds, namely:

i. What was the smallest band which would yield an adequate sample size in all areas?, and

ii. Comparability with the unemployment statistics provided through the National On-line Manpower Information System (NOMIS).

On these grounds, the conclusion was to take the sample from those with 26-65 weeks of unemployment at the point of sampling.

This duration-band constituted about 20-25 per cent of all claimant unemployed in each of the twelve localities. However, because of the different sizes and unemployment rates of the localities, different sampling fractions had to be calculated for each, in order to equalise the sample size across them.

An important difference from the employed sample (see next section) has to be noted at this point. The employed sample was drawn by a multi-stage procedure, which first of all selected within-locality spatial clusters on a probability-proportional-to-size (PPS) basis, and then selected an equal number of individuals within each cluster. To simplify both fieldwork, and comparability between the employed and unemployed samples, the unemployed sample took the clusters defined for the employed sample as given. It was therefore not a PPS sample. Accordingly, numbers of individuals were drawn from each cluster in proportion to the numbers unemployed there. The imposition of the employed clusters on the unemployed sample creates some sample bias (likely to be small), which can be corrected by weighting.

The usual sources for samples of (claimant) unemployed individuals are either the National Unemployment Benefit System (NUBS), or the Joint Unemployment and Vacancies Operating Statistics (JUVOS). JUVOS was not a possibility here, however, because it would not yield a sufficiently large sample, and access to NUBS proved impossible in the time available. The Department of Social Security decided to draw the sample from their Departmental Central Index (DCI). This uses a somewhat different definition of claim duration from that used in NUBS/JUVOS, and contains other types of claimants apart from the unemployed.

However, the difference in dates was not expected to be large, and it was considered possible to draw the sample in such a way as to identify unemployed claimants, including those on government training programmes. PSI supplied the desired sampling numbers and structure, and DSS proceeded with the sampling in May 1996.

B.2.2 Response rate The calculation of a response rate for the survey of the unemployed sample is complicated by the fact that just over 10 per cent of the issued sample could not be processed within the fieldwork period (it being undesirable to extend that period beyond the introduction of ETU). If these were included in the response rate calculation, naturally that figure would be considerably depressed. In the circumstances it seems reasonable to set aside the unprocessed part of the sample in making the calculations. We then arrive at the overall figures shown in Table B.2. The response rate, calculated in the conventional way, was 64 per cent gross (including

non-contacts in the denominator) and 81 per cent net (excluding non-contacts). The true underlying response rate will lie within this range; non-contacts, if contacted, would have included many ineligible people but may also have included an above-average proportion of refusals.

Table B.2 Analysis of response rate - Unemployed sample

a.	Issued sample	7962
b.	Processed sample	7109
c.	Invalid address or moved/untraceable	1027
d.	Unavailable (died, ill/hospitalised, away throughout survey period)	142
e.	Not contacted (minimum of 4 recalls)	646
f.	Contacted (b-c-d-e)	5294
g.	Ineligible for survey	2851
		(54 per cent of contacts)
h.	Contacted and eligible	2443
		(46 per cent of contacts)
i.	Refusals	452
		(19 per cent of contacted eligibles)
j.	INTERVIEWED	1991
		= 81 per cent of contacted eligibles
		= 64 per cent of (eligibles + not contacted)

B.3 The workers-in-work survey

B.3.1 Sampling

The aim was to sample the 'within-range' population, or the potential customers of ETU. The sample was to comprise those who had jobs whose wages left them within range of a claim for ETU. That is, actually within range or potentially so, typically if their normal hours were reduced, bonus pay or overtime rates ceased, or a partner lost his or her job. The task was simplified even further by forgoing the sophistication of sampling in A and B areas according to the different ranges of incomes suggested by the different qualifying rules for the A and B versions of the benefit. The higher B benefit rules were used in all areas, which will provide a sound basis for 'grossing-up' in later analyses.

Thus, the target population was defined as single people earning less than £140 a week and members of couples who themselves earned less than £200 a week, while setting a similar ceiling on their partners' earnings. This potentially let into the sample some couples earning at least twice their ETU threshold but, in practice, this was not a problem (see Chapter Two).

The problem was that even in the pilot areas, chosen specifically as places where ETU would do good business, the defined population of those in-scope of the benefit was rare as a proportion of all households - certainly fewer than five per cent. This is quite beyond the range of a cold-calling doorstep sift by interviewers, at least in cost terms. Therefore, the feasible choice lay between two methods:

- a postal sift of randomly selected addresses;
- a sample frame that offered the chance to narrow the search on the basis of known earnings.

Both methods were tested simultaneously, within the four non-pilot areas - Fylde, Liverpool, Fife and Leeds.

B.3.2 Pilot work

Postal sift survey

For this pilot, 10,000 households were selected from the postcode address file, 2,500 in each area, and randomly divided into two. Half were sent a postal questionnaire enquiring about household structure, work, income, benefits and two attitudinal questions that might raise the interest profile of the survey among respondents. The second half of the pilot postal survey were sent the same questionnaire but their covering letter promised them a payment of £10 should they be selected for interview as a result of returning their form. The two postal surveys achieved final response rates of just 40 and 44 per cent respectively[59]. Given the additional attrition that follow-up surveys must accept, it was felt that a postal sift method of sampling for the workers-in-work main stage survey could not provide the accuracy needed.

The National Insurance Records System (NIRS) pilot

The Contributions Agency computer contains over 60 million records, each one unique to any British citizen or resident currently issued with a National Insurance (NI) number. These include about eight million who are dead but whose records still form the basis for insured benefits paid to their spouses. Earnings are notified to each record. Those not earning by reason of unemployment or childcare are awarded Credits instead. On the basis of these records, entitlement to Unemployment Benefit, Incapacity Benefit, and State Pensions are calculated.

The idea was that if these records could be interrogated and an estimate of weekly earnings established, this could form the basis for a new sampling frame of low paid workers.

Essentially, a computer specification was designed to find everyone with a postcode among more than 500 designated as making up the twelve ETU pilot areas, and sort them into postcode sectors that made up the Primary Sampling Units (PSUs). In each area, those who were under 18 and over 64, receiving Incapacity Benefit or, of course, dead, were excluded. The remaining records were interrogated for their 1995 earnings data and an estimate of weekly earnings made, allowing for Credits. Those exceeding the earnings limits, as previously defined, were excluded. The remaining total then formed a population that sampled PSUs proportionate to their 'size', that is, the number of low earners: 22 PSUs were sampled

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[59] Postal surveys had proved highly successful as a method of sampling in the PSI 'Surveys of Families with Children' (PRILIF), where response rates of more than 70 per cent were achieved.

in ETU pilot areas and 13 in control areas. The higher number in the pilot areas compared with the control areas reflected the need to follow-up enough who might actually go on to claim the benefit when it was introduced. The aim was then to sample in each PSU sufficient numbers to achieve 325 interviews in ETU pilot areas and 200 in control areas: 3,400 in total.

The sampling instructions that were devised to sample from the NIRS files are reproduced in Appendix 3.

However, this system could not identify those with children, and a plan to 'strain' the sample through Child Benefit records - which at least would eliminate the women with children - was abandoned under time pressures. Nor could it identify those with high earning partners, nor those working only part-time. Thus, interviewers would still have to conduct a door-step sift, to remove those with children and high earning partners from the main stage sample.

The whole method, from sampling NI records to screening on the doorstep, was piloted by selecting 1,000 contributors in the four non-pilot areas. Again, two methods were tried: half were approached directly and half were sent a screening postcard to return asking about work and children, to try to screen out parents. Disappointingly, fewer than half these postcards were returned, which meant that NOP interviewers would have to do the door step eliminations after all. On the other hand, those approached directly yielded a sample of people who were predominately still low paid workers. Eight out of ten earned less than £180 per week, and only one in five had more than one earner. Also, surprisingly, few had moved (about 13 per cent). Against these encouragements, more than a third had children and most of the second earners earned more than the ceiling for eligibility. But the outcome remained a plausible sample of low paid workers-in-work and a decision was made to use this sampling framework for the main stage survey.

B.3.3   Response Rate   The calculation of the response rate for the workers-in-work survey is shown in Table B.3. A total of 2,434 interviews were achieved, representing a response rate of 79 per cent.

Table B.3 Analysis of response rate - Workers-in-work sample

Addresses issued	19,379	100%
Moved		13%
Dead		*%
House empty		1%
Useable addresses	16,553	86% = 100%
Away all day		1%
Not available 4+ calls		4%
Not available <4 calls		3%
Refused		5%
Too ill		*%
Others not screened		3%
Sample screened	13,871	80% = 100%
Not eligible (children, earnings too high etc.)		78%
Eligible	2,987	22% = 100%
Refused		14%
Not available		7%
INTERVIEWED	2,434	79%

B.4   The outcome of the field surveys

B.4.1   Fieldwork

The aim was to interview 3,400 workers-in-work and 2,400 unemployed people. Subsequent loss to ineligibility was higher than hoped. In practice, it seems that it was not possible wholly to restrict the unemployed sample to those who were claimant unemployed. This manifested itself partly at the fieldwork stage, through a higher-than-expected proportion of the issued sample being screened out because of the presence of one or more dependent children. This suggests that the issued sample contained some who were receiving Income Support as lone parents. In addition, the achieved sample contained a sizeable proportion who described themselves as being on one or another type of disability benefit. Some of these may not have appeared in a NUBS sample, although others will be people who have changed the basis of their benefit since being sampled. In addition, larger than expected numbers of women with children or high earning partners appeared among the sample of workers.

Eligible respondents were found at just 39 per cent of the unemployed sample, or 46 per cent of the sample contacted and screened (60 per cent was expected) and 18 per cent of the workers (25 per cent was expected). In contrast, response rates among eligible people were high: 81 per cent for the unemployed sample and 79 per cent for the workers-in-work (see above).

These rates of loss reduced the overall numbers found and addresses held in reserve were deployed to boost the achieved sample. Even so, the unemployed sample fell short of its target of 2,400 to 2,000 and the workers sample from 3,400 to 2,400. Nor were these losses evenly distributed throughout the twelve areas. Whereas the large towns and conurbations all yielded samples close to the anticipated numbers of both unemployed and workers-in-work, the rural areas and especially the 'seaside' towns yielded sparse samples.

Figure B1 illustrates the number of achieved interviews in both the workers-in-work survey and unemployed survey, by ETU pilot area.

There was an additional complication, but one that proved of considerable interest. Ideally, all the unemployed people sampled would be interviewed shortly before the introduction of the benefit and, on average, they would be continuing their spell of unemployment. All of them would be actively looking for work. Equally, all the workers sampled should be continuing in their low-paid jobs right up to interview and through the introduction of the benefit. They were of course nothing of the kind. The sample was intended to be a flow sample and it was already flowing. Only 57 per cent of the unemployed sample were actively looking for work. The rest were temporarily sick, long term sick or disabled, or, interestingly, in work. Eighteen per cent had found jobs between being sampled in April and being interviewed in July, August and September. Far from being an inconvenient flaw in the sampling plan (though in a sense they were, of course) they showed clearer than anything the current state of entry-level jobs in these areas. They had accepted work and wages and conditions considerably inferior even to the low paid workers-in-work found in the other sample.

Figure B1 Survey fieldwork 1996: respondents in unemployed and workers-in-work samples

Survey fieldwork 1996: respondents in unemployed and workers in work samples
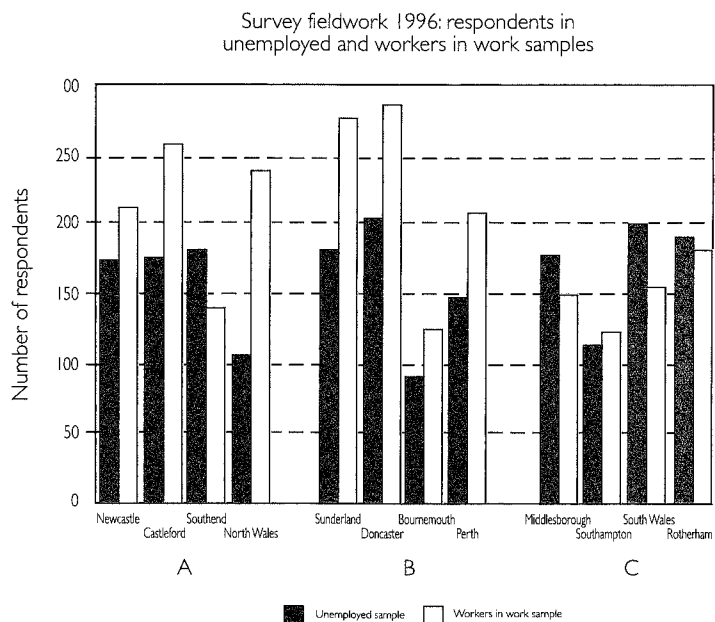
The second complication is the obverse of the first: only two thirds of the workers-in-work sample were still in full time work (16 or more hours a week). Three quarters of them, though, were still in low paid work. This is a considerable strength of the sample design. Whereas many cross-section surveys of the working population will find many low-paid workers who are only temporarily visiting the lower reaches of the income distribution, selection on the basis of their 1994-95 earnings record ensured that those found and interviewed in mid-1996 were those persisting in low-paid work over a considerable period. They are really typical of what should turn out to be the enduring customer base for ETU.

The rest of the workers sample were working part time, retired, sick, in education (though surprisingly few of them) but mostly unemployed and looking for work. These, together with their corresponding movers from the unemployed sample into work, provide a clear picture of the churning that inevitably goes on in these lowest-paid sectors of the job market. It is this process that we will observe more closely in the second phase of interviewing when all those seen in this first phase will be interviewed again.

A technical complication remains in that a satisfactory conclusion on how to weight the workers sample has not yet been reached. Both the employers sample (which over sampled some sectors and large firms) and the unemployed sample have quite complex but conceptually straightforward weighting systems. These take the estimates back to a closer approximation of their parent populations of employers and unemployed people that exist in the twelve ETU areas as a whole. Until we have learned more of the way the NIRS system records income data and how our sequential exclusions of, for example, Incapacity Benefit recipients effect the definition of the original population, it is not possible to devise a final scheme for weighting. A new paper of this topic will be prepared. Meanwhile, the evidence presented in this report certainly shows that we have found the kinds of people we were looking for, that is, the population in scope of ETU - its potential customer base.

1.   Select all contributors with the advised postcodes.

2.   Divide these into twelve separate files by the twelve consecutive
      lists of postcodes called AREAS. Report numbers of contributors
      in each file.

3.   Note the total number of postcode 'sectors' (ie the first part of the
      postcode plus the first digit of the second part: eg 'NE7 7', 'S73 8',
      'SS7 1' and so on) assembled for each file. This is the 'number of
      sectors'. Report numbers of contributors found in each postcode
      sector.

4.   Sort the records in each file by postcode order (SE1 8, SE1 9 and
      so on...) and carry out the following operations separately on each
      of the twelve files.

5.   Discard any known to be dead. Report numbers discarded.

6.   Discard all records younger than 18 and older than 63 years. Report
      numbers discarded.

7.   Discard from those remaining all those currently registered for
      Incapacity Benefit. Report numbers discarded.

8.   Among the remainder and for each contribution record, subtract
      from 52 the number of unemployed credits (or equivalent)
      registered to their record during 1994/5. Divide the result into
      the total earnings recorded for the same period. (eg: £12,400/
      (52-12)=£310 a week) This is the estimate of weekly earnings.
      Report the frequency of estimated weekly earnings as '0', then in
      £5 categories up to £180 a week, in £20 categories up to £360
      a week, and in a single category for those earning more. Provide
      categorical and cumulative frequencies, low to high.

9.   Provide a table of the above earnings distribution separately for
      men and women, for those aged 18-24, 25-45, and 46 and older,
      for employed and self-employed, for those with unemployed credits
      in 1994 and those with none, and for sex-within-age.

10.   Discard from the file all those whose estimate of weekly earnings is
      below £30 a week and above £180 a week. Report numbers
      discarded.

11. Sum the remaining cases and select a random number between 1 and this total. This is the 'starting point'.

12. Divide the number of sectors by three. Divide the result (truncated to nearest whole number below) into the number of records. This is the 'sampling interval'.

13. From the starting point (and including the starting point itself as a selection) select the record that occurs at the sampling interval successively through the file and back to the starting point. Note the postcode sector of each selected record.

14. Within each postcode sector noted at (13) and only in those postcode sectors, divide the total number of records by (n = the constant number of contributors we want to approach in each postcode sector, to follow). Use the result as a sampling interval to select n records.

15. Send all selected names and addresses in a suitable format to ASD(5).

16. For each record selected, create a rectangular data matrix (cases by variables) including the following:

NINO

Postcode

Age

Sex

Estimate of weekly number of unemployment credits recorded for 1994

Whether self-employed

Send these data to ASD(5) on a diskette.

Reminder: operations five through 16 are carried out separately on each of the twelve areas defined on the list of postcodes.

The following statistical tables provide further detailed information relating to the findings summarised in the text. Only final results are shown, all intermediate output being omitted. For example, in sample selection models, the model of the selector variable is suppressed, as are the OLS starting values.

ETU

Unemployment analyses

Reference list of variables used in analyses

Note: Means of variables are shown in the analysis tables.

Label	Meaning
ACTIV	Seeking work now / in past 4 weeks
AGER	Age (continuous variable)
AGESQ	Age squared
ALEV	Highest qualification is A-level
ANYVOC	Has some vocational qualification
CARER	Has a caring responsibility
CSELEV	Highest qualification is CSE-level
DEBT	Has problems over debt
DEGREE	Highest qualification is degree-level
DISBEN	Claiming some disability benefit
DRIVER	Holds current driving licence
ETU	Resident in an 'ETU' area
ETUA	Resident in ETU 'A' area
ETUB	Resident in ETU 'B' area
FCEXP	Has claimed or claims Family Credit
FEM	Female
HISAV	Has savings of more than 5000
HRSEXP	Hours of work sought (continuous)
HWAGEXP	Minimum hourly wage sought (continuous)
ILL	Has persistent illness or disability
INACTIV	Not seeking work now or in past 4 weeks
INTMO	Month of interview (continuous)
INTMO2	Interviewed in August 1996

Label	Meaning
INTMO3	Interviewed after August 1996
INVESTS	Has some investments
JOBAFTUE	In a job at the time of the interview
LIVPAR	Lives in parents' home
LNHWEXP	Log of minimum hourly wage sought (continuous)
LNWWPAY	Log of current weekly pay (continuous)
MARRIED	Marital status is married
MODSAV	Has savings >500 and <5001
NACTS	Number of events in work history
NEMP	Number of others employed in household
NJOBAPPS	No. of job applications: 0=none, 1=1-5, 2=6 or more.
OLEV	Highest qualification is O-level
OTHINC	Amount of 'other' income (continuous)
OUTLIER	Outlying values on this case (used for screening the data)
PROF	Has a nursing or other professional qual.
PT	Works 16-plus hours per week
Q129	How well managing financially (contin., high value indicates managing badly)
Q251B	How frequently meets friends (contin., high value means infrequent contacts)
RMORTS	Owns housing on mortgage
ROOWNS	Owns housing outright
RPRENTS	Rents housing privately
RSRENTS	Rents housing in social sector
RURAL	Area classified as rural in ETU scheme
RURAREA	Location rural acc. to interviewer
SCHREC	Has taken part in government scheme for unemployed people
SEASIDE	Area classifed as seaside in ETU scheme
SEPDIV	Marital status separated, divorced or widowed
SMTOWN	Location small town acc. to interviewer
SPEARN	Spouse's weekly earnings (continuous)
SPWK	Married, spouse in work
SPNOTWK	Married, spouse not in work
TNCUEPC	% non-claimant unemployed in work history
TOTJOBPC	% employed in work history
TOTSAV	Total savings amount (continuous)
TOTSICPC	% long-term sick in work history

Label	Meaning
TOTUEPC	% claimant unemployed in work history
URBLGE	Location large town acc. to interviewer
URBSML	Location small town acc. to interviewer
WORRY	Is worried about finances
WWAGEXP	Minimum weekly wage sought (continuous)

industry and occupation dummies:

Label	Meaning
MNFG	Manufacturing
CONSTR	Construction
DISTRIB	Distribution
HOTCAT	Hotels, catering
TRACOM	Transport and communications
BUSSERV	Financial and business services
PUBADM	Public administration
EDUCN	Education
HEALTH	Health and welfare services
NOSIC	No SIC stated
CLER	Clerical
CRAFT	Craft
PERSPROT	Personal and protective services
SALES	Sales assistants
MCOPS	Machine operatives
OTHLOW	Other (low-skilled)

ETU

Unemployment Analyses

1 Weekly earnings: pooled unemployed and employed samples.

Notes: (i) The dependent variable is the log of weekly pay. (ii) The method is two-stage sample selection, with selection on whether in work at the time of interview. (iii) Employed given weight of 2 to 1 relative to unemployed.

(a) Overleaf: results for WOMEN excluding variable PT

Sample Selection Model

Two stage   least squares regression   Weighting variable = QAII

Dependent variable is LNWPAY   Mean = 4.48366, S.D. = 0.4236

Model size:Observations = 1010, Parameters = 41, Deg.Fr. = 969

Residuals: Sum of squares = 143.168   Std.Dev. =   0.38438

Fit: R-squared = 0.17584,   Adjusted R-squared = 0.14182

            Note: Not using OLS. R-squared is not bounded in [0,1]

Model test: F[40,   969] = 5.17,   Prob value = 0.00000

Diagnostic: Log-L = -446.5146, Restricted(ß=0) Log-L = -565.1048

            Amemiya Pr. Crt.= 0.154,   Akaike Info. Crt.= 0.965

Standard error corrected for selection..... 0.38631

Correlation of disturbance in regression

and Selection Criterion (Rho)............. -0.15200

Variable	Coefficient	Standard Error	z=b/s.e.	P[Z z]	Mean of X
Constant	4.2488	0.19579	21.701	0.00000	
AGER	0.62884E-02	0.84772E-02	0.742	0.45821	0.6846E+05
AGESQ	-0.14819E-03	0.10144E-03	-1.461	0.14405	0.3094E+07
NEMP	-0.14993E-01	0.20063E-01	-0.747	0.45488	1303.
ILL	0.30240E-01	0.37093E-01	0.815	0.41493	490.2
CARER	-0.69840E-01	0.39272E-01	-1.778	0.07534	145.1
NACTS	-0.12768E-01	0.11893E-01	-1.074	0.28301	199.4
JOBDURI	-0.10283E-03	0.16799E-03	-0.612	0.54044	4580.
TOTJOBPC	0.18784E-02	0.66466E-03	2.826	0.00471	589.9
JOBAFTUE	-0.28765	0.60053E-01	-4.790	0.00000	815.0
ANYVOC	-0.17465E-02	0.29783E-01	-0.059	0.95324	70.30
DRIVER	0.17423E-01	0.25759E-01	0.676	0.49881	228.5
SPWK	0.51199E-01	0.55170E-01	0.928	0.35340	52.17
SPNOTWK	0.60605E-01	0.52351E-01	1.158	0.24700	0.2921E+05
SEPDIV	-0.40795E-01	0.54725E-01	-0.745	0.45600	0.1323E+05
RRENTS	-0.14429E-01	0.37130E-01	-0.389	0.69757	455.2
LIVPAR	0.49194E-01	0.45090E-01	1.091	0.27526	370.3
RURAL	-0.16106E-02	0.31355E-01	-0.051	0.95903	372.3
SMTOWN	-0.33124E-01	0.29784E-01	-1.112	0.26608	373.3
MNFG	0.12655	0.68011E-01	1.861	0.06279	118.2

Variable	Coefficient	Standard Error	z=b/s.e.	P[Z z]	Mean of X
CONSTR	0.18660	0.13310	1.402	0.16092	558.0
DISTRIB	0.11046	0.67004E-01	1.649	0.09925	424.2
HOTCAT	0.45461E-01	0.64845E-01	0.701	0.48326	556.1
TRACOM	0.11321	0.95611E-01	1.184	0.23638	179.0
BUSSERV	0.14001	0.74854E-01	1.870	0.06143	617.1
PUBADM	0.14355	0.80383E-01	1.786	0.07412	618.0
EDUCN	0.12730	0.68928E-01	1.847	0.06477	0.1257E+05
HEALTH	0.18427	0.59710E-01	3.086	0.00203	0.2115
NOSIC	0.98695E-01	0.96799E-01	1.020	0.30792	0.2333E-01
CLER	0.35829E-01	0.52238E-01	0.686	0.49278	0.2053
CRAFT	0.14609	0.77571E-01	1.883	0.05967	0.4303E-01
PERSPROT	-0.34185E-01	0.51181E-01	-0.668	0.50419	0.2317
SALES	-0.14838	0.60746E-01	-2.443	0.01458	0.1591
MCOPS	0.11617	0.65149E-01	1.783	0.07456	0.1011
OTHLOW	-0.18526	0.53036E-01	-3.493	0.00048	0.1649
NOSOC	0.13804	0.11924	1.158	0.24700	0.1244E-01
FCEXP	0.85490E-01	0.42286E-01	2.022	0.04320	0.1115
ETUA	0.13355E-01	0.31468E-01	0.424	0.67128	0.3603
ETUB	-0.28646E-01	0.32774E-01	-0.874	0.38209	0.3541
INTMO	0.74695E-02	0.14462E-01	0.516	0.60552	7.027
LAMBDA	-0.58719E-01	0.93261E-01	-0.630	0.52894	0.4292

ETU

Unemployment Analyses

1 Weekly earnings: pooled unemployed and employed samples.

Notes: (i) The dependent variable is the log of weekly pay. (ii) The method is two-stage sample selection, with selection on whether in work at the time of interview. (iii) Employed given weight of 2 to 1 relative to unemployed.

(b) Overleaf: results for WOMEN including variable PT

Sample Selection Model

Two stage   least squares regression   Weighting variable = QAII

Dependent variable is LNWPAY   Mean = 4.48366, S.D. = 0.4236

Model size:Observations = 1010, Parameters = 42, Deg.Fr. = 968

Residuals: Sum of squares = 111.286   Std.Dev. =   0.33906

Fit: R-squared = 0.35871,   Adjusted R-squared = 0.33155

            Note: Not using OLS. R-squared is not bounded in [0,1]

Model test: F[41,   968] = 13.21,   Prob value = 0.00000

Diagnostic: Log-L = -319.2968, Restricted(β=0) Log-L = -565.1048

            Amemiya Pr. Crt.= 0.120,   Akaike Info. Crt.= 0.715

Standard error corrected for selection..... 0.33921

Correlation of disturbance in regression

and Selection Criterion (Rho)............. 0.44537E-01

Variable	Coefficient	Standard Error	z=b/s.e.	P[Z z]	Mean of X
Constant	4.4870	0.17290	25.951	0.00000	
PT	-0.65605	0.38656E-01	-16.972	0.00000	0.6842E+05
AGER	0.48950E-02	0.74612E-02	0.656	0.51179	0.3092E+07
AGESQ	-0.11107E-03	0.89305E-04	-1.244	0.21361	3105.
NEMP	-0.75691E-02	0.17665E-01	-0.428	0.66830	490.9
ILL	-0.86247E-02	0.32726E-01	-0.264	0.79213	145.2
CARER	-0.35702E-01	0.34605E-01	-1.032	0.30221	197.1
NACTS	-0.92979E-02	0.10480E-01	-0.887	0.37498	4582.
JOBDURI	-0.60238E-04	0.14823E-03	-0.406	0.68447	503.0
TOTJOBPC	0.11304E-02	0.58823E-03	1.922	0.05464	901.9
JOBAFTUE	-0.14659	0.53664E-01	-2.732	0.00630	70.05
ANYVOC	0.11386E-01	0.26217E-01	0.434	0.66408	228.3
DRIVER	0.20803E-01	0.22665E-01	0.918	0.35870	52.51
SPWK	0.33349E-01	0.48584E-01	0.686	0.49245	0.2921E+05
SPNOTWK	0.26525E-01	0.46129E-01	0.575	0.56528	0.1323E+05
SEPDIV	-0.46942E-01	0.48178E-01	-0.974	0.32989	455.2
RRENTS	-0.24903E-01	0.32683E-01	-0.762	0.44607	370.2
LIVPAR	0.85565E-02	0.39751E-01	0.215	0.82957	372.3
RURAL	0.40696E-02	0.27587E-01	0.148	0.88272	373.3
SMTOWN	-0.22486E-01	0.26213E-01	-0.858	0.39098	118.3

Variable	Coefficient	Standard Error	z=b/s.e.	P[Z z]	Mean of X
MNFG	0.35678E-01	0.60229E-01	0.592	0.55360	558.2
CONSTR	0.10175	0.11754	0.866	0.38666	424.0
DISTRIB	0.35435E-01	0.59264E-01	0.598	0.54989	556.2
HOTCAT	0.14386E-01	0.57228E-01	0.251	0.80152	179.1
TRACOM	0.89664E-01	0.84333E-01	1.063	0.28768	617.0
BUSSERV	0.97474E-01	0.66075E-01	1.475	0.14016	618.1
PUBADM	0.47983E-01	0.71132E-01	0.675	0.49996	0.1257E+05
EDUCN	0.11800	0.60796E-01	1.941	0.05227	0.7932E-01
HEALTH	0.12462	0.52783E-01	2.361	0.01823	0.2115
NOSIC	0.15547E-01	0.85507E-01	0.182	0.85572	0.2333E-01
CLER	-0.51194E-01	0.46361E-01	-1.104	0.26948	0.2053
CRAFT	0.76402E-01	0.68541E-01	1.115	0.26498	0.4303E-01
PERSPROT	-0.98363E-01	0.45304E-01	-2.171	0.02992	0.2317
SALES	-0.16283	0.53585E-01	-3.039	0.00238	0.1591
MCOPS	0.46680E-01	0.57604E-01	0.810	0.41773	0.1011
OTHLOW	-0.16609	0.46794E-01	-3.549	0.00039	0.1649
NOSOC	0.15531	0.10516	1.477	0.13972	0.1244E-01
FCEXP	0.63166E-01	0.37227E-01	1.697	0.08974	0.1115
ETUA	0.72712E-02	0.27687E-01	0.263	0.79284	0.3603
ETUB	-0.35571E-01	0.28839E-01	-1.233	0.21743	0.3541
INTMO	0.12425E-02	0.12735E-01	0.098	0.92228	7.027
LAMBDA	0.15107E-01	0.82340E-01	0.183	0.85442	0.4292

ETU

Unemployment Analyses

1 Weekly earnings: pooled unemployed and employed samples.

Notes: (i) The dependent variable is the log of weekly pay. (ii) The method is two-stage sample selection, with selection on whether in work at the time of interview. (iii) Employed given weight of 2 to 1 relative to unemployed.

(c) Overleaf: results for MEN excluding variable PT

Sample Selection Model

Two stage least squares regression   Weighting variable = QAII

Dependent variable is LNWPAY Mean = 4.65100, S.D. = 0.3969

Model size: Observations = 604, Parameters = 41, Deg.Fr. = 566

Residuals: Sum of squares = 75.2742   Std.Dev. = 0.36468

Fit: R-squared = 0.15415,   Adjusted R-squared = 0.09438

              Note: Not using OLS. R-squared is not bounded in [0,1]

Model test: F[40,   566] = 2.58,   Prob value = 0.00000

Diagnostic: Log-L = -227.7724, Restricted(β=0) Log-L = -299.8084

              Amemiya Pr. Crt.= 0.142,   Akaike Info. Crt.= 0.886

Standard error corrected for selection..... 0.36494

Correlation of disturbance in regression

and Selection Criterion (Rho).............   -0.47455E-01

Variable	Coefficient	Standard Error	z=b/s.e.	P[Z z]	Mean of X
Constant	4.0374	0.25943	15.562	0.00000	
AGER	0.31549E-01	0.10820E-01	2.916	0.00355	0.7562E+05
AGESQ	-0.40577E-03	0.13723E-03	-2.957	0.00311	0.3182E+07
NEMP	0.13969E-01	0.22520E-01	0.620	0.53506	1466.
ILL	-0.23003E-01	0.39250E-01	-0.586	0.55784	620.2
CARER	0.19444E-01	0.72744E-01	0.267	0.78924	204.1
NACTS	-0.11785E-01	0.91985E-02	-1.281	0.20012	156.2
JOBDURI	0.61424E-03	0.23390E-03	2.626	0.00864	7040.
TOTJOBPC	-0.21410E-03	0.64725E-03	-0.331	0.74080	829.2
JOBAFTUE	-0.10875	0.53495E-01	-2.033	0.04205	1250.
ANYVOC	0.83473E-01	0.32930E-01	2.535	0.01125	63.38
DRIVER	0.61159E-02	0.40933E-01	0.149	0.88123	218.7
SPWK	0.73168E-01	0.69778E-01	1.049	0.29437	56.19
SPNOTWK	-0.39423E-01	0.64317E-01	-0.613	0.53991	0.1655E+05
SEPDIV	-0.14700	0.85646E-01	-1.716	0.08609	0.1763E+05
RRENTS	0.44073E-01	0.50069E-01	0.880	0.37873	460.2
LIVPAR	-0.73135E-02	0.53912E-01	-0.136	0.89209	231.5
RURAL	-0.79251E-01	0.40564E-01	-1.954	0.05073	293.3
SMTOWN	-0.25395E-01	0.37520E-01	-0.677	0.49850	338.3
MNFG	0.21110	0.76493E-01	2.760	0.00579	162.2

Variable	Coefficient	Standard Error	z=b/s.e.	P[Z z]	Mean of X
CONSTR	0.16605	0.96097E-01	1.728	0.08400	1003.
DISTRIB	0.14235	0.76541E-01	1.860	0.06292	483.2
HOTCAT	0.33021E-01	0.83499E-01	0.395	0.69250	684.1
TRACOM	0.24162	0.87191E-01	2.771	0.00559	167.1
BUSSERV	0.36777E-01	0.84781E-01	0.434	0.66444	679.1
PUBADM	0.18034	0.10120	1.782	0.07475	727.0
EDUCN	-0.13266E-01	0.15112	-0.088	0.93004	0.1592E+05
HEALTH	-0.16675E-02	0.94518E-01	-0.018	0.98592	0.5448E-01
NOSIC	0.18179	0.15985	1.137	0.25542	0.1108E-01
CLER	-0.54812E-01	0.70157E-01	-0.781	0.43464	0.1717
CRAFT	0.35542E-01	0.73115E-01	0.486	0.62689	0.1496
PERSPROT	-0.88088E-04	0.73377E-01	-0.001	0.99904	0.1404
SALES	-0.22401	0.79280E-01	-2.826	0.00472	0.9418E-01
MCOPS	-0.42462E-01	0.70954E-01	-0.598	0.54954	0.1958
OTHLOW	-0.51951E-01	0.72828E-01	-0.713	0.47563	0.1634
NOSOC	0.90132E-01	0.14021	0.643	0.52033	0.1477E-01
FCEXP	-0.16799E-01	0.56884E-01	-0.295	0.76775	0.1090
ETUA	0.11788E-01	0.42205E-01	0.279	0.78002	0.3361
ETUB	0.41256E-02	0.40559E-01	0.102	0.91898	0.4007
INTMO	0.67610E-02	0.16869E-01	0.401	0.68857	7.228
LAMBDA	-0.17318E-01	0.92372E-01	-0.187	0.85128	0.8292

ETU

Unemployment Analyses

1 Weekly earnings: pooled unemployed and employed samples.

Notes: (i) The dependent variable is the log of weekly pay. (ii) The method is two-stage sample selection, with selection on whether in work at the time of interview. (iii) Employed given weight of 2 to 1 relative to unemployed.

(d) Overleaf: results for MEN including variable PT

Sample Selection Model

Two stage   least squares regression   Weighting variable = QAII

Dependent variable is LNWPAY   Mean = 4.65100, S.D. = 0.3969

Model size: Observations = 607,   Parameters = 41,   Deg.Fr. = 565

Residuals: Sum of squares = 45.7968   Std.Dev. = 0.29388

Fit: R-squared = 0.45071,   Adjusted R-squared = 0.41085

            Note: Not using OLS. R-squared is not bounded in [0,1]

Model test: F[41,   565] = 11.31,   Prob value = 0.00000

Diagnostic: Log-L = -96.2135,   Restricted(β=0) Log-L = -299.8084

            Amemiya Pr. Crt.= 0.142,   Akaike Info. Crt.= 0.455

Standard error corrected for selection.....   0.29509

Correlation of disturbance in regression

and Selection Criterion (Rho).............   0.11509

Variable	Coefficient	Standard Error	z=b/s.e.	P[Z z]	Mean of X
Constant	4.2205	0.20952	20.144	0.00000	
PT	-1.0647	0.58800E-01	-18.108	0.00000	0.7559E+05
AGER	0.25508E-01	0.87352E-02	2.920	0.00350	0.3180E+07
AGESQ	-0.33815E-03	0.11077E-03	-3.053	0.00227	2813.
NEMP	0.28574E-01	0.18193E-01	1.571	0.11627	621.0
ILL	-0.60600E-01	0.31741E-01	-1.909	0.05624	204.2
CARER	0.21170E-01	0.58680E-01	0.361	0.71827	153.1
NACTS	-0.87584E-02	0.74224E-02	-1.180	0.23800	7044.
JOBDURI	0.47295E-03	0.18857E-03	2.508	0.01214	752.7
TOTJOBPC	0.24604E-03	0.52218E-03	0.471	0.63751	1325.
JOBAFTUE	0.16306E-01	0.43643E-01	0.374	0.70868	63.12
ANYVOC	0.70171E-01	0.26584E-01	2.640	0.00830	218.4
DRIVER	-0.50900E-02	0.33029E-01	-0.154	0.87753	56.69
SPWK	0.79293E-01	0.56280E-01	1.409	0.15887	0.1655E+05
SPNOTWK	-0.27899E-01	0.51891E-01	-0.538	0.59082	0.1763E+05
SEPDIV	-0.11043	0.69108E-01	-1.598	0.11005	460.1
RRENTS	-0.47445E-02	0.40498E-01	-0.117	0.90674	231.2
LIVPAR	-0.33060E-01	0.43521E-01	-0.760	0.44747	293.5
RURAL	-0.58566E-01	0.32755E-01	-1.788	0.07377	338.3
SMTOWN	-0.20253E-01	0.30279E-01	-0.669	0.50358	162.3

Variable	Coefficient	Standard Error	z=b/s.e.	P[Z z]	Mean of X
MNFG	0.96760E-01	0.61957E-01	1.562	0.11835	1003.
CONSTR	0.64746E-01	0.77640E-01	0.834	0.40433	483.1
DISTRIB	0.81994E-01	0.61764E-01	1.328	0.18433	684.2
HOTCAT	-0.22973E-01	0.67352E-01	-0.341	0.73303	167.1
TRACOM	0.14163	0.70475E-01	2.010	0.04446	679.1
BUSSERV	0.71794E-01	0.68342E-01	1.051	0.29348	727.1
PUBADM	0.10424	0.81659E-01	1.277	0.20176	0.1592E+05
EDUCN	0.43278E-01	0.12179	0.355	0.72232	0.1293E-01
HEALTH	0.13783E-01	0.76161E-01	0.181	0.85639	0.5448E-01
NOSIC	0.37193E-01	0.12905	0.288	0.77319	0.1108E-01
CLER	-0.11505E-01	0.56588E-01	-0.203	0.83890	0.1717
CRAFT	0.67392E-01	0.58946E-01	1.143	0.25292	0.1496
PERSPROT	0.45444E-01	0.59184E-01	0.768	0.44257	0.1404
SALES	-0.47584E-01	0.64623E-01	-0.736	0.46153	0.9418E-01
MCOPS	0.39343E-02	0.57236E-01	0.069	0.94520	0.1958
OTHLOW	-0.10020E-01	0.58732E-01	-0.171	0.86453	0.1634
NOSOC	0.84128E-01	0.11298	0.745	0.45650	0.1477E-01
FCEXP	-0.42628E-01	0.45932E-01	-0.928	0.35336	0.1090
ETUA	0.27822E-01	0.34064E-01	0.817	0.41407	0.3361
ETUB	0.16196E-01	0.32735E-01	0.495	0.62076	0.4007
INTMO	-0.67511E-02	0.13633E-01	-0.495	0.62046	7.228
LAMBDA	0.33961E-01	0.74562E-01	0.455	0.64877	0.8292

ETU

Unemployment Analyses

2 Analyses of Economic Activity

Notes: (i) The dependent variable is scored 1 if the respondent is employed, or seeking work at the time of the interview or in the previous 4 weeks. (ii) The method is probit analysis.

(a) Overleaf: Analysis for male and female combined

Binomial Probit Model
Maximum Likelihood Estimates

Dependent variable	ACTIV
Number of observations	1942
Iterations completed	5
Log likelihood function	-789.5835
Restricted log likelihood	-1127.340
Chi-squared	675.5132
Degrees of freedom	28
Significance level	0.0000000

Variable	Coefficient	Standard Error	z=b/s.e.	P[Z z]	Mean of X
Constant	1.2899	0.20257	6.368	0.00000	
FEM	-0.34531	0.81262E-01	-4.249	0.00002	0.2992
AGER	-0.10246E-01	0.37737E-02	-2.715	0.00662	37.35
NEMP	-0.25105E-01	0.51351E-01	-0.489	0.62491	0.5772
Q251B	-0.41688E-01	0.15917E-01	-2.619	0.00882	2.641
ILL	-0.81528	0.77840E-01	-10.474	0.00000	0.3527
CARER	-0.15036	0.11969	-1.256	0.20900	0.8445E-01
NACTS	0.89266E-01	0.21586E-01	4.135	0.00004	3.230
TOTUEPC	0.79635E-03	0.11407E-02	0.698	0.48509	34.85
TNCUEPC	0.18693E-02	0.22304E-02	0.838	0.40198	4.519
TOTSICPC	-0.21392E-01	0.23548E-02	-9.084	0.00000	7.923
DEGREE	0.31617	0.18650	1.695	0.09002	0.5407E-01
ALEV	-0.16729	0.15326	-1.092	0.27505	0.6282E-01
OLEV	0.16522	0.11092	1.490	0.13635	0.1771
CSELEV	0.86114E-01	0.12240	0.704	0.48170	0.1498
PROF	-0.27340	0.15759	-1.735	0.08276	0.5767E-01
ANYVOC	0.12020	0.81347E-01	1.478	0.13953	0.3383
DRIVER	0.17311	0.81674E-01	2.120	0.03404	0.5180
SPWK	0.38984	0.21616	1.803	0.07131	0.4325E-01
SPNOTWK	0.40459E-01	0.10485	0.386	0.69958	0.2322
TOTSAV	0.24792E-04	0.19635E-04	1.263	0.20672	443.3
OTHINC	-0.24971E-02	0.10248E-02	-2.437	0.01483	5.445
ROOWNS	-0.19229E-01	0.15254	-0.126	0.89968	0.1004
RMORTS	0.16311	0.13696	1.191	0.23367	0.1437
RSRENTS	0.15193	0.11748	1.293	0.19594	0.2085
RPRENTS	0.10404	0.13784	0.755	0.45037	0.9526E-01
ETU	0.56038E-02	0.76475E-01	0.073	0.94159	0.6473
INTMO2	-0.49398E-01	0.87044E-01	-0.568	0.57037	0.5026
INTMO3	-0.85185E-01	0.10308	-0.826	0.40858	0.2266

ETU

Unemployment Analyses

2 Analyses of Economic Activity

Notes: (i) The dependent variable is scored 1 if the respondent is employed, or seeking work at the time of the interview or in the previous 4 weeks. (ii) The method is probit analysis.

(b) Overleaf: Analysis for female only.

Binomial Probit Model
Maximum Likelihood Estimates

Dependent variable	ACTIV
Number of observations	581
Iterations completed	6
Log likelihood function	-265.2072
Restricted log likelihood	-381.2399
Chi-squared	232.0654
Degrees of freedom	27
Significance level	0.0000000

Variable	Coefficient	Standard Error	z=b/s.e.	P[Z z]	Mean of X
Constant	1.1971	0.36717	3.260	0.00111	
AGER	-0.12572E-01	0.62504E-02	-2.011	0.04428	38.28
NEMP	-0.74220E-02	0.95988E-01	-0.077	0.93837	0.5284
Q251B	-0.21531E-01	0.27452E-01	-0.784	0.43284	2.935
ILL	-0.74287	0.13809	-5.380	0.00000	0.4062
CARER	-0.19225	0.20070	-0.958	0.33811	0.9811E-01
NACTS	0.63286E-01	0.38534E-01	1.642	0.10051	3.007
TOTUEPC	-0.14638E-02	0.20415E-02	-0.717	0.47338	27.22
TNCUEPC	0.64529E-03	0.40580E-02	0.159	0.87365	3.999
TOTSICPC	-0.24051E-01	0.50853E-02	-4.729	0.00000	9.149
DEGREE	0.25622E-01	0.29256	0.088	0.93021	0.6885E-01
ALEV	-0.13392	0.26553	-0.504	0.61401	0.7745E-01
OLEV	-0.13879E-01	0.19518	-0.071	0.94331	0.2014
CSELEV	0.84913E-01	0.23092	0.368	0.71309	0.1343
PROF	-0.18742	0.26433	-0.709	0.47830	0.6368E-01
ANYVOC	0.18753	0.15310	1.225	0.22062	0.2995
DRIVER	0.23946	0.14784	1.620	0.10530	0.4045
SPWK	0.66185	0.40996	1.614	0.10643	0.3442E-01
SPNOTWK	0.24005	0.18202	1.319	0.18722	0.1893
TOTSAV	0.12206E-03	0.82982E-04	1.471	0.14131	314.9
OTHINC	-0.67659E-02	0.30698E-02	-2.204	0.02753	4.229
ROOWNS	-0.14399	0.27315	-0.527	0.59810	0.9639E-01
RMORTS	-0.20052	0.24237	-0.827	0.40806	0.1652
RSRENTS	-0.25993	0.20132	-1.291	0.19666	0.2651
RPRENTS	-0.84599E-01	0.22500	-0.376	0.70692	0.1205
ETU	-0.73394E-01	0.14096	-0.521	0.60259	0.6867
INTMO2	0.12979	0.15221	0.853	0.39382	0.5318
INTMO3	-0.57349E-02	0.18789	-0.031	0.97565	0.2014

ETU

Unemployment Analyses

2 Analyses of Economic Activity

Notes: (i) The dependent variable is scored 1 if the respondent is employed, or seeking work at the time of the interview or in the previous 4 weeks. (ii) The method is probit analysis.

(c) Overleaf: Analysis for only.

Binomial Probit Model
Maximum Likelihood Estimates

Dependent variable	ACTIV
Number of observations	1361
Iterations completed	5
Log likelihood function	-510.3569
Restricted log likelihood	-726.5932
Chi-squared	432.4727
Degrees of freedom	27
Significance level	0.0000000

Variable	Coefficient	Standard Error	z=b/s.e.	P[Z z]	Mean of X
Constant	1.1536	0.24638	4.682	0.00000	
AGER	-0.82778E-02	0.50149E-02	-1.651	0.09881	36.95
NEMP	-0.29428E-01	0.62017E-01	-0.475	0.63514	0.5981
Q251B	-0.50392E-01	0.20031E-01	-2.516	0.01188	2.515
ILL	-0.87886	0.97685E-01	-8.997	0.00000	0.3299
CARER	-0.13167	0.15326	-0.859	0.39026	0.7862E-01
NACTS	0.10306	0.26770E-01	3.850	0.00012	3.325
TOTUEPC	0.18508E-02	0.14207E-02	1.303	0.19268	38.10
TNCUEPC	0.30316E-02	0.27369E-02	1.108	0.26799	4.741
TOTSICPC	-0.19949E-01	0.27290E-02	-7.310	0.00000	7.400
DEGREE	0.45342	0.25862	1.753	0.07956	0.4776E-01
ALEV	-0.26378	0.19379	-1.361	0.17346	0.5658E-01
OLEV	0.21295	0.14048	1.516	0.12955	0.1668
CSELEV	0.57193E-01	0.14688	0.389	0.69698	0.1565
PROF	-0.38498	0.20134	-1.912	0.05586	0.5511E-01
ANYVOC	0.12862	0.99107E-01	1.298	0.19437	0.3549
DRIVER	0.14947	0.10152	1.472	0.14094	0.5665
SPWK	0.12381	0.26382	0.469	0.63887	0.4702E-01
SPNOTWK	-0.15095	0.13909	-1.085	0.27782	0.2506
TOTSAV	0.84644E-05	0.20823E-04	0.406	0.68439	498.1
OTHINC	-0.10571E-02	0.12216E-02	-0.865	0.38687	5.965
ROOWNS	0.98146E-01	0.19024	0.516	0.60591	0.1021
RMORTS	0.37552	0.17375	2.161	0.03068	0.1345
RSRENTS	0.41871	0.15414	2.716	0.00660	0.1844
RPRENTS	0.21378	0.18154	1.178	0.23898	0.8450E-01
ETU	0.45582E-01	0.93178E-01	0.489	0.62471	0.6304
INTMO2	-0.96617E-01	0.10926	-0.884	0.37652	0.4901
INTMO3	-0.11797	0.12600	-0.936	0.34914	0.2373

ETU

Unemployment Analyses

3 Analysis of Entry to Job after Unemployment

Notes: (i) The dependent variable is scored 1 if the respondent is employed (including less than 16 hours or self-employment) at the time of the interview. (ii) The analysis is a bivariate probit sample selection model, with selection on economic activity (see also analysis 2). The method is full-information maximum likelihood. (iii) Only the results relating to job entry are shown in detail.

(a) Overleaf: results for men and women combined.

FIML Estimates of Bivariate Probit Model
Maximum Likelihood Estimates
Dependent variable   JOB/ACT
Number of observations   1942
Iterations completed   35
Log likelihood function   -1421.761
Selection model based on ACTIV
Means for vars. 1- 33 are after selection.

Variable	Coefficient	Standard Error	z=b/s.e.	P[Z z]	Mean of X
Constant	-1.7139	0.23925	-7.164	0.00000	
FEM	0.30647	0.96118E-01	3.188	0.00143	0.2593
AGER	-0.15727E-01	0.51951E-02	-3.027	0.00247	35.02
Q251B	-0.40735E-01	0.20543E-01	-1.983	0.04737	2.386
NEMP	0.15135	0.48563E-01	3.117	0.00183	0.6430
ILL	-0.19027	0.11371	-1.673	0.09426	0.2256
CARER	0.19229	0.16066	1.197	0.23135	0.6887E-01
NACTS	0.94227E-01	0.20813E-01	4.527	0.00001	3.518
TOTJOBPC	0.12831E-01	0.12272E-02	10.455	0.00000	36.31
DEGREE	0.13978	0.18902	0.739	0.45961	0.6395E-01
ALEV	0.36275	0.16423	2.209	0.02719	0.6535E-01
OLEV	-0.15307E-01	0.11498	-0.133	0.89410	0.2003
CSELEV	0.15057	0.11786	1.278	0.20141	0.1722
PROF	-0.51271	0.19164	-2.675	0.00746	0.5762E-01
ANYVOC	-0.27654E-01	0.86438E-01	-0.320	0.74902	0.3732
DRIVER	0.24329	0.91431E-01	2.661	0.00779	0.5418
SCHREC	-0.28684	0.10186	-2.816	0.00486	0.2614
MARRIED	0.17198	0.13955	1.232	0.21779	0.2579
SEPDIV	-0.12312	0.15413	-0.799	0.42438	0.1398
HISAV	0.42661	0.27285	1.564	0.11792	0.2389E-01
MODSAV	0.94040E-01	0.14267	0.659	0.50981	0.7660E-01
OTHINC	-0.36175E-02	0.24788E-02	-1.459	0.14446	4.416
ROOWNS	0.12704	0.18496	0.687	0.49220	0.9276E-01
RMORTS	0.50064E-01	0.15190	0.330	0.74172	0.1405
RSRENTS	0.16343	0.13832	1.181	0.23741	0.1651

Variable	Coefficient	Standard Error	z=b/s.e.	P[Z z]	Mean of X
RPRENTS	-0.40953	0.18346	-2.232	0.02560	0.9979E-01
URBSML	0.20222	0.99558E-01	2.031	0.04224	0.2944
RURAREA	0.12806	0.11624	1.102	0.27060	0.1841
SEASIDE	-0.10050	0.11332	-0.887	0.37514	0.2340
ETUA	0.16652	0.96777E-01	1.721	0.08531	0.3268
ETUB	0.14285	0.99485E-01	1.436	0.15103	0.3162
INTMO2	0.88198E-01	0.99421E-01	0.887	0.37502	0.4996
INTMO3	0.28154	0.11374	2.475	0.01332	0.2277

ETU

Unemployment Analyses

3 Analysis of Entry to Job after Unemployment

Notes: (i) The dependent variable is scored 1 if the respondent is employed (including less than 16 hours or self-employment) at the time of the interviews. (ii) The analysis is a bivariate probit sample selection model, with selection on economic activity (see also analysis 2). The method is full-information maximum likelihood. (iii) Only the results relating to job entry are shown in detail.

(b) Overleaf: Analysis for male only, with ETU areas coded as a single dummy variable.

FIML Estimates of Bivariate Probit Model
Maximum Likelihood Estimates
Dependent variable   JOB/ACT
Number of observations   1361
Iterations completed   34
Log likelihood function   -942.5940
Selection model based on ACTIV
Means for vars. 1- 31 are after selection.

Variable	Coefficient	Standard Error	z=b/s.e.	P[Z z]	Mean of X
Constant	-1.7074	0.29973	-5.697	0.00000	
AGER	-0.12652E-01	0.67401E-02	-1.877	0.06050	35.18
Q251B	-0.38856E-01	0.27551E-01	-1.410	0.15844	2.288
NEMP	0.88346E-01	0.58893E-01	1.500	0.13359	0.6433
ILL	-0.10390	0.17901	-0.580	0.56164	0.2211
CARER	0.44693E-01	0.23060	0.194	0.84632	0.6452E-01
NACTS	0.10424	0.26418E-01	3.946	0.00008	3.577
TOTJOBPC	0.12304E-01	0.15852E-02	7.762	0.00000	34.19
DEGREE	0.41614E-01	0.24883	0.167	0.86718	0.5503E-01
ALEV	0.50416	0.21444	2.351	0.01872	0.5693E-01
OLEV	-0.72677E-01	0.14641	-0.496	0.61962	0.1860
CSELEV	0.18089	0.14558	1.243	0.21402	0.1736
PROF	-0.35900	0.24803	-1.447	0.14779	0.5598E-01
ANYVOC	-0.40606E-01	0.10678	-0.380	0.70375	0.3786
DRIVER	0.26286	0.11938	2.202	0.02767	0.5740
SCHREC	-0.41147	0.13996	-2.940	0.00328	0.2751
MARRIED	0.46976E-02	0.19001	0.025	0.98028	0.2619
SEPDIV	-0.51062	0.21753	-2.347	0.01891	0.1214
HISAV	0.57073	0.36232	1.575	0.11521	0.2467E-01
MODSAV	-0.12153	0.18880	-0.644	0.51975	0.7685E-01
OTHINC	-0.34957E-02	0.28726E-02	-1.217	0.22364	5.332
ROOWNS	0.48246E-01	0.25579	0.189	0.85040	0.9108E-01
RMORTS	0.18996	0.20328	0.934	0.35007	0.1338
RSRENTS	0.88837E-01	0.17793	0.499	0.61758	0.1613
RPRENTS	-0.54848	0.28934	-1.896	0.05801	0.8824E-01
URBSML	0.18211	0.12631	1.442	0.14936	0.3055
RURAREA	0.20154	0.15334	1.314	0.18873	0.1727
SEASIDE	-0.24886	0.15202	-1.637	0.10161	0.2353
ETU	0.22310	0.10834	2.059	0.03946	0.6300
INTMO2	0.11582	0.12515	0.925	0.35475	0.4877
INTMO3	0.38859	0.14513	2.678	0.00742	0.2372

ETU

Unemployment Analyses

3 Analysis of Entry to Job after Unemployment

Notes: (i) The dependent variable is scored 1 if the respondent is employed (including less than 16 hours or self-employment) at the time of the interviews. (ii) The analysis is a bivariate probit sample selection model, with selection on economic activity (see also analysis 2). The method is full-information maximum likelihood. (iii) Only the results relating to job entry are shown in detail.

(c) Overleaf: results for men only, with ETU 'A' and 'B' areas coded as separate dummies

FIML Estimates of Bivariate Probit Model
Maximum Likelihood Estimates

Dependent variable	JOBACT
Number of observations	1361
Iterations completed	34
Log likelihood function	-941.6608

Selection model based on ACTIV
Means for vars. 1- 32 are after selection.

Variable	Coefficient	Standard Error	z=b/s.e.	P[Z z]	Mean of X
Constant	-1.6988	0.30014	-5.660	0.00000	
AGER	-0.13068E-01	0.67668E-02	-1.931	0.05347	35.18
Q251B	-0.39451E-01	0.27454E-01	-1.437	0.15073	2.288
NEMP	0.91044E-01	0.58988E-01	1.543	0.12273	0.6433
ILL	-0.93057E-01	0.17946	-0.519	0.60409	0.2211
CARER	0.45690E-01	0.23055	0.198	0.84291	0.6452E-01
NACTS	0.10466	0.26412E-01	3.963	0.00007	3.577
TOTJOBPC	0.12229E-01	0.15891E-02	7.695	0.00000	34.19
DEGREE	0.37622E-01	0.25032	0.150	0.88053	0.5503E-01
ALEV	0.49700	0.21507	2.311	0.02084	0.5693E-01
OLEV	-0.70874E-01	0.14618	-0.485	0.62779	0.1860
CSELEV	0.17733	0.14646	1.211	0.22599	0.1736
PROF	-0.35952	0.24851	-1.447	0.14798	0.5598E-01
ANYVOC	-0.34386E-01	0.10893	-0.316	0.75224	0.3786
DRIVER	0.26038	0.11980	2.173	0.02974	0.5740
SCHREC	-0.41040	0.14004	-2.931	0.00338	0.2751
MARRIED	0.87775E-02	0.19017	0.046	0.96319	0.2619
SEPDIV	-0.50404	0.21890	-2.303	0.02130	0.1214
HISAV	0.58326	0.36477	1.599	0.10983	0.2467E-01
MODSAV	-0.12592	0.18863	-0.668	0.50439	0.7685E-01
OTHINC	-0.34554E-02	0.28720E-02	-1.203	0.22892	5.332
ROOWNS	0.54186E-01	0.25693	0.211	0.83297	0.9108E-01
RMORTS	0.20038	0.20428	0.981	0.32665	0.1338
RSRENTS	0.93570E-01	0.17712	0.528	0.59730	0.1613
RPRENTS	-0.55031	0.28735	-1.915	0.05548	0.8824E-01
URBSML	0.17749	0.12689	1.399	0.16189	0.3055
RURAREA	0.21880	0.15464	1.415	0.15710	0.1727
SEASIDE	-0.25226	0.15189	-1.661	0.09676	0.2353
ETUA	0.16456	0.12696	1.296	0.19494	0.3131
ETUB	0.28000	0.12661	2.211	0.02701	0.3169
INTMO2	0.11424	0.12499	0.914	0.36072	0.4877
INTMO3	0.39244	0.14529	2.701	0.00691	0.2372

ETU

Unemployed Analyses

4 Analysis of Search Intensity – male and female combined, current job-seekers only

Notes: (i) The dependent variable is the frequency of job applications in the past 4 weeks, grouped as 0=none, 1=1-5, 2=6 or more. (iii) The method is multinomial logit. (iii) The first block of results in the table shows the effects on moderate intensity v. no applications, and the second block shows the effects on high intensity v. no applications.

Multinomial Logit Model
Maximum Likelihood Estimates

Dependent variable	NJOBAPPS
Number of observations	873
Iterations completed	5
Log likelihood function	-878.0547
Restricted log likelihood	-950.9126
Chi-squared	145.7158
Degrees of freedom	64
Significance level	0.0000000

Variable	Coefficient	Standard Error	z=b/s.e.	P[Z z]	Mean of X
(i) Effects on odds=1 v. odds=0					
Constant	1.2901	0.95464	1.351	0.17656	
FEM	-0.37281	0.21894	-1.703	0.08860	0.2279
AGER	-0.30803E-01	0.10593E-01	-2.908	0.00364	35.21
NEMP	0.24640E-01	0.11892	0.207	0.83585	0.5979
ILL	-0.37223	0.21340	-1.744	0.08111	0.2188
CARER	0.18376	0.35594	0.516	0.60567	0.5956E-01
NACTS	0.57166E-01	0.47111E-01	1.213	0.22497	3.428
TOTJOBPC	0.49852E-02	0.31469E-02	1.584	0.11316	30.22
SCHREC	0.77819E-01	0.19994	0.389	0.69712	0.2910
FCEXP	-0.36258	0.34942	-1.038	0.29942	0.7102E-01
DEGREE	-0.11818	0.40161	-0.294	0.76856	0.6300E-01
ALEV	0.87726	0.49583	1.769	0.07685	0.5613E-01
OLEV	0.27827	0.26614	1.046	0.29576	0.1982
CSELEV	0.94557E-01	0.28200	0.335	0.73739	0.1672
PROF	-0.25928	0.38928	-0.666	0.50538	0.6529E-01
ANYVOC	0.12250	0.19212	0.638	0.52371	0.3826
DRIVER	0.11368	0.20283	0.560	0.57514	0.5097
MARRIED	-0.93985E-01	0.31027	-0.303	0.76195	0.2520
SEPDIV	0.59561E-01	0.30208	0.197	0.84370	0.1501
HISAV	0.43689	0.64441	0.678	0.49779	0.2176E-01
MODSAV	-0.37961	0.34656	-1.095	0.27335	0.8133E-01
OTHINC	-0.11090E-01	0.51589E-02	-2.150	0.03158	4.632
ROOWNS	0.51942	0.38720	1.341	0.17977	0.9278E-01
RMORTS	0.53913	0.36318	1.484	0.13769	0.1260

Variable	Coefficient	Standard Error	z=b/s.e.	P[Z z]	Mean of X
RSRENTS	0.31180	0.29546	1.055	0.29130	0.1649
RPRENTS	0.40010	0.32951	1.214	0.22467	0.1134
DEBT	-0.28945E-01	0.22687	-0.128	0.89848	0.1970
RURAL	-0.63529E-01	0.23187	-0.274	0.78409	0.2222
SMTOWN	0.23686	0.20589	1.150	0.24996	0.3517
WWAGEXP	-0.43711E-02	0.20207E-02	-2.163	0.03053	120.8
ETUA	-0.14676	0.21681	-0.677	0.49846	0.3150
ETUB	0.34588	0.21763	1.589	0.11200	0.3150
INTMO	0.84760E-02	0.99335E-01	0.085	0.93200	7.959

(ii) Effects on odds=2 v. odds=0

Variable	Coefficient	Standard Error	z=b/s.e.	P[Z z]	Mean of X
Constant	1.2782	1.0134	1.261	0.20723	
FEM	-0.40588	0.23545	-1.724	0.08474	0.2279
AGER	-0.29798E-01	0.11566E-01	-2.576	0.00998	35.21
NEMP	0.48537E-02	0.12384	0.039	0.96874	0.5979
ILL	-0.40294	0.23284	-1.731	0.08354	0.2188
CARER	-0.17953	0.41236	-0.435	0.66329	0.5956E-01
NACTS	0.51198E-01	0.49706E-01	1.030	0.30301	3.428
TOTJOBPC	0.10574E-01	0.33567E-02	3.150	0.00163	30.22
SCHREC	0.52861	0.20672	2.557	0.01055	0.2910
FCEXP	0.78125E-01	0.35966	0.217	0.82804	0.7102E-01
DEGREE	0.76215	0.38488	1.980	0.04768	0.6300E-01
ALEV	1.3581	0.51368	2.644	0.00820	0.5613E-01
OLEV	0.89214	0.27490	3.245	0.00117	0.1982
CSELEV	0.51667	0.29342	1.761	0.07826	0.1672
PROF	-0.24244	0.39479	-0.614	0.53915	0.6529E-01
ANYVOC	0.10400	0.20166	0.516	0.60606	0.3826
DRIVER	0.12406	0.21629	0.574	0.56624	0.5097
MARRIED	0.95808E-02	0.33101	0.029	0.97691	0.2520
SEPDIV	-0.36708	0.34037	-1.078	0.28082	0.1501
HISAV	-0.80996E-01	0.73962	-0.110	0.91280	0.2176E-01
MODSAV	-0.49575E-01	0.34401	-0.144	0.88541	0.8133E-01
OTHINC	-0.68360E-02	0.44313E-02	-1.543	0.12291	4.632
ROOWNS	0.84559E-01	0.43052	0.196	0.84429	0.9278E-01
RMORTS	0.18837	0.38679	0.487	0.62624	0.1260
RSRENTS	0.44555E-01	0.32520	0.137	0.89102	0.1649
RPRENTS	0.26517	0.34990	0.758	0.44854	0.1134
DEBT	-0.73010E-01	0.24592	-0.297	0.76656	0.1970
RURAL	-0.26170	0.24462	-1.070	0.28471	0.2222
SMTOWN	-0.24158	0.22117	-1.092	0.27471	0.3517
WWAGEXP	-0.89413E-03	0.19546E-02	-0.457	0.64736	120.8
ETUA	0.18988	0.22376	0.849	0.39611	0.3150
ETUB	-0.53973E-01	0.23966	-0.225	0.82182	0.3150
INTMO	-0.10029	0.10651	-0.942	0.34640	7.959

ETU

Unemployment Analyses

5 Analysis of Wage Expectations, male and female jobseekers

Notes: (i) The dependent variable is the log of the minimum weekly wage sought. (ii) The method is OLS. (iii) The analysis includes both current jobseekers and those expecting to search again in the future, provided that they gave both minimum weekly wage and the hours to which this wage applied.

Ordinary least squares regression Weighting variable = ONE
Dependent variable is LNWWEXP Mean = 4.71151, S.D. = 0.4646
Model size:Observations = 1024, Parameters = 35, Deg.Fr. = 989
Residuals: Sum of squares = 134.940 Std.Dev. = 0.36938
Fit: R-squared = 0.38886, Adjusted R-squared = 0.36785
Model test: F[35, 989] = 18.51, Prob value = 0.00000
Diagnostic: Log-L = -415.3524, Restricted(β=0) Log-L = -667.4747

Variable	Coefficient	Standard Error	z=b/s.e.	P[Z z]	Mean of X
Constant	3.3208	0.17753	18.705	0.00000	
FEM	-0.95621E-01	0.28900E-01	-3.309	0.00094	0.2510
INACTIV	0.94470E-01	0.40841E-01	2.313	0.02072	0.9863E-01
HRSEXP	0.29749E-01	0.16939E-02	17.563	0.00000	36.84
AGER	0.14515E-01	0.70452E-02	2.060	0.03937	35.16
AGESQ	-0.15080E-03	0.88700E-04	-1.700	0.08911	1436.
NEMP	-0.31016E-01	0.15806E-01	-1.962	0.04972	0.5967
ILL	0.10127E-01	0.28789E-01	0.352	0.72502	0.2490
CARER	0.70864E-01	0.48850E-01	1.451	0.14687	0.6445E-01
NACTS	-0.53024E-02	0.62087E-02	-0.854	0.39309	3.401
TOTJOBPC	0.20428E-03	0.41328E-03	0.494	0.62111	30.19
DEGREE	0.17079	0.52015E-01	3.283	0.00103	0.6152E-01
ALEV	0.52340E-01	0.51324E-01	1.020	0.30783	0.6543E-01
OLEV	0.42921E-01	0.33979E-01	1.263	0.20653	0.1963
CSELEV	0.38524E-01	0.36603E-01	1.052	0.29258	0.1592
PROF	0.13581	0.50352E-01	2.697	0.00699	0.6445E-01
ANYVOC	0.90526E-02	0.25070E-01	0.361	0.71803	0.3740
DRIVER	0.55122E-01	0.26392E-01	2.089	0.03675	0.4971
MARRIED	0.80719E-01	0.42257E-01	1.910	0.05611	0.2412
SEPDIV	0.36789E-02	0.41869E-01	0.088	0.92998	0.1523
HISAV	-0.26120E-01	0.85082E-01	-0.307	0.75884	0.2246E-01
MODSAV	0.41329E-01	0.48349E-01	0.855	0.39266	0.7031E-01
OTHINC	0.87818E-03	0.46364E-03	1.894	0.05821	4.763
LIVPAR	-0.49291E-02	0.38208E-01	-0.129	0.89735	0.4287
RMORTS	0.10344	0.43258E-01	2.391	0.01680	0.1318
RSRENTS	0.97817E-01	0.38937E-01	2.512	0.01200	0.1709
RPRENTS	0.87032E-01	0.46277E-01	1.881	0.06001	0.1113

Variable	Coefficient	Standard Error	z=b/s.e.	P[Z z]	Mean of X
WORRY	0.21527E-02	0.28262E-01	0.076	0.93928	0.5654
Q129	-0.16896E-01	0.12152E-01	-1.390	0.16441	3.273
DEBT	0.72945E-01	0.32693E-01	2.231	0.02567	0.1973
RURAL	0.22296E-01	0.31071E-01	0.718	0.47300	0.2197
SMTOWN	0.21283E-01	0.27379E-01	0.777	0.43695	0.3545
ETUA	0.66641E-01	0.28701E-01	2.322	0.02024	0.3184
ETUB	0.11798E-01	0.29420E-01	0.401	0.68841	0.3125
INTMO	-0.11472E-01	0.13029E-01	-0.880	0.37859	7.954

Table E.1 provides the unweighted base numbers for the key target groups used in many of the tables in this report. These are provided separately for the Workers-in-work and the Unemployed sample. The numbers in bold indicate the key cells for workers-in-work who had remained in work at the point of interview and the members of the unemployed sample who were still out of work.

Table E.1   Unweighted sample bases for key survey
'target groups'

	Employed Sample			Unemployed Sample		
	A	B	C	A	B	C
Single male, under 25, working 16+ hours	57	60	48	29	19	23
Single male, 25 or over, working 16+ hours	63	79	47	11	13	22
Single female, under 25, working 16+ hours	77	70	66	21	5	10
Single female, 25 or over, working 16+ hours	103	108	72	7	10	4
Single male, under 25, not working	46	55	23	108	94	138
Single male, over 25, not working	64	62	39	140	159	183
Single female, under 25, not working	30	19	18	51	44	49
Single female, over 25, not working	46	61	16	87	94	78
Dual earner couple, under 45 years	56	74	44	9	9	6
Dual earner couple, 45 years or older	112	126	76	12	16	11
Man works 16+ hours, woman not in work	45	42	33	22	15	13
Woman works 16+ hours, man not in work	80	72	67	24	23	28
Couple, not working	66	71	59	118	118	114
Status not determined	6	2	3	1	5	1
TOTAL	851	901	611	640	624	680

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