Department of Social Security

Research Report No 134

Earnings Top-up Evaluation: Effects on Low Paid Workers

Part One

Survey of Low Paid Workers

Alan Marsh, Augusta Stephenson and Richard Dorsett

Part Two

Econometric Analysis - Assessing Employment Effects: Employment History Analysis

Peter Elias

A report of research carried out by the Policy Studies Institute (PSI) and the Institute for Employment Research (IER) at the University of Warwick on behalf of the Department of Social Security

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CONTENTS

LIST OF TABLES

LIST OF FIGURES

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Part One

The programme of studies undertaken to evaluate the Earning Top-up (ETU) pilot scheme was a team effort. At PSI, Claire Callender, Louise Finlayson and Reuben Ford each contributed to earlier work in this series before moving on to new posts elsewhere. Steve Lissenburgh, Alison Smith and Michael White all contributed to the present programme. At the Department of Social Security Nicola Croden, Sharon Jones, Elaine Squires, Rebecca Stanley and Daphne White gave able and enthusiastic support to the project.

Part Two

Evaluation of the Earnings Top-up Pilot Scheme is a large and multi-faceted research project coordinated by the Policy Studies Institute (PSI) and undertaken for the Department of Social Security. The surveys that provided the data for the research findings presented here were designed, commissioned and undertaken by PSI.

The research from which this part draws has benefited considerably from discussion and comments provided by Alan Marsh and colleagues at PSI, Abigail McKnight at the Centre for Analysis of Social Exclusion, London School of Economics, Jill Vincent and colleagues at the Centre for Research in Social Policy, University of Loughborough and from staff in Analytical Services Division, Department of Social Security. I am particularly grateful to Matthew Greenslade and Matthew Johnson for their help in providing information from the cross-benefits database.

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LIST OF ABBREVIATIONS

DSS	Department of Social Security
DWA	Disability Working Allowance
ETU	Earnings Top-up
FC	Family Credit
HB	Housing Benefit
IS	Income Support
JSA	Jobseeker's Allowance
NMW	National Minimum Wage
UB	Unemployment Benefit

PREFACE

Earnings Top-up (ETU) was an in-work benefit available to low paid workers without children. ETU was piloted from October 1996 to October 1999 in eight areas across Britain. This volume is part of a set of seven final reports from the evaluation of the ETU pilot. (Baseline statistics were published in 1999, in DSS Research Report No. 95, and interim evaluation findings were published in March 2000, DSS Research Reports Nos. 112 and 113).

The evaluation was conducted by researchers at the Policy Studies Institute (PSI), the Centre for Research in Social Policy (CRSP) at Loughborough University and the Institute for Employment Research (IER) at the University of Warwick. Outline details of the evaluation are provided in this report. Further information on the evaluation can be found in the six other final reports from the ETU evaluation:

Earnings Top-up Evaluation: The Synthesis Report (Marsh, A., 2001, Department of Social Security Research Report No. 135). This report draws together the main results of the evaluation in one volume. The aim of this report is to provide a relatively short and non-technical overview of the evaluation's conclusions drawn from all strands of the evaluation. It is intended that this will help readers identify the sources to which they can turn for fuller information on the evaluation.

Earnings Top-up Evaluation: Employers' reactions (Lissenburgh, S., Hasluck, C and Green A., 2001, Department of Social Security Research Report No. 132). This report is in two parts. The first presents findings from the surveys with employers carried out by PSI during the ETU pilot. It explores employer's experiences of ETU focusing on wage effects and hours worked. The second part is econometric analysis, undertaken by IER, which considers the effects of ETU on employers' behaviour and the recruitment process.

Earnings Top-up Evaluation: Effects on Low Paid Workers (Marsh, A., Stephenson, A., Dorsett, R and Elias, P., 2001, Department of Social Security Research Report No. 134). This report is in two parts. The first section, by PSI, presents findings of the surveys conducted with low paid workers and ETU recipients throughout the pilot. It explores the characteristics of these workers and the effect that ETU had on their lives and examines the reasons for non take-up of ETU among eligible workers. The second part, by IER, analyses the same data to explore the wider labour market and potential long-term effects of ETU.

Earnings Top-up Evaluation: Qualitative Evidence (Heaver, C. Roberts, S. Stafford, B. and Vincent, J. 2001, Department of Social Security Research Report No. 133). This report presents the findings of qualitative research conducted by CRSP as part of the evaluation of ETU. The report has three parts focusing on ex-recipients of ETU, self-employed recipients and unsuccessful ETU applicants.

Earnings Top-up Evaluation: Staff Views (Vincent J., Heaver, C., Roberts, S. and Stafford, B., 2001, Department of Social Security In-house Research Report No. 74). This report presents the findings of the staff panels drawn from the eight pilot areas, and from central administrative/ processing staff from the Benefits Agency and Employment Service staff over the three years of the pilot. The report focuses on staff's views of ETU and the way in which it operated within the pilot areas. It also considers changes over time from the beginning of the pilot to its end in 1999.

Earnings Top-up Evaluation: Labour Market Conditions (Green, A. 2001, Department of Social Security In-house Research Report No. 75) This report, by IER, draws out the contrasts and similarities in labour market conditions across local areas included in the ETU pilot.

Previously published research in the ETU series include:

Low Paid Work in Britain (Marsh, A., Callender, C., Finlayson, L., Ford, R., Green, A and White, M., 1999, Department of Social Security Research Report No. 95). This report presents the findings from the first surveys conducted prior to the introduction of Earnings Top-up, with employers low paid workers and medium term unemployed people. Baseline data on the characteristics of these groups are presented, including health and education, wage expectations, earnings, wage setting behaviour and recruitment. Preliminary information on the labour market profiles of the evaluation areas is also included.

The First Effects of Earnings Top-up (Finlayson, L., Ford, R., Marsh, A., Smith, A., and White, M., 1999, Department of Social Security Research Report No. 112). This report presents the findings from surveys conducted in 1997, almost one year after the introduction of ETU with employers, low paid workers, medium term unemployed people and ETU recipients. The report presents interim analysis of the first effects of ETU over this period.

Piloting Change (Vincent, J., Abbott, D., Heaver, C., Maguire, S., Miles, A., Stafford, D., 1999, Department of Social Security Research Report No. 113). This report presents the interim findings from three components of the ETU qualitative research: two group discussions with Employment Service and Benefits Agency staff; face-to-face interviews with ETU recipients; and telephone interviews with employers.

This report consists of two parts, both of which provide crucial evidence that informs the conclusions of the evaluation of ETU:

Part One, by **Alan Marsh**, **Augusta Stephenson** and **Richard Dorsett** contains the findings of the surveys conducted with low paid workers and ETU recipients throughout the ETU pilot. It explores the characteristics of these workers and the effect that ETU had on their lives and examines the reasons for non take-up of ETU among eligible workers.

Part Two, by **Peter Elias** presents the econometric analysis. This outlines the same data as in the first part of the report to explore the wider labour market and potential long-term effects of ETU.

SUMMARY

Part One - Survey of Low Paid Workers

Chapter 1 - ETU: the benefit and the evaluation programme

Earnings Top-up - Earnings Top-up (ETU) was an in-work benefit for people without dependent children, introduced in October 1996 in eight areas for a three-year pilot period. Its main objectives were to improve the incentive for unemployed people to take low-paid work, and to help low-paid workers remain in work by raising their incomes relative to out-of-work support. ETU was paid at a fixed rate for 26 weeks to people working 16 or more hours per week, with a premium for 30 hours or more. The maximum payment was reduced by 70p for each pound of income above the earnings thresholds. It was payable at two different rates, Scheme A and Scheme B, each in four areas, and rates also differed between couples, single people aged 18-24, and single people aged 25 or over (Table 1.1). (Section 1.2)

The ETU evaluation - The eight test areas were matched with four corresponding control areas. All the areas were chosen for their high level of unemployment, high number of job vacancies and high proportion of low-paid vacancies. They represented four types of labour markets: large towns, major urban, seaside, and rural areas (Table 1.2). As part of the programme of evaluation research, several surveys of low-paid workers and ETU recipients were carried out (Figure 1.1) (Section 1.3)

The progress of ETU - The projected caseload was reached after 14 months, and the caseload stabilised in mid-1998 at around 24,000. In March 1999, 46 per cent of recipients were single over 25s, 40 per cent single under 25s, and 14 per cent couples. From April 1999, when the National Minimum Wage (NMW) was introduced, the caseload declined, mostly at the expense of young single recipients, consistent with NMW increasing their wages above their limited ETU entitlement (Figure 1.2). Women were a slight majority and the proportion of self-employed recipients rose from seven per cent to 12 per cent during the evaluation period. (Section 1.4.1). At August 1999, prior to claiming ETU, 18 per cent of recipients had been claiming Jobseeker's Allowance or Income Support, a fall of seven per cent since April 1998 (Section 1.4.4)

Despite measures intended to balance the caseloads in the two schemes, Scheme B attracted more customers than Scheme A (Figure 1.3), largely because of the very high caseload in Sunderland (major urban area B) - Scheme A recipients only outnumbered those in Scheme B in the rural areas. In particular, Scheme B attracted far more young single people than Scheme A (Figure 1.5). Furthermore, northern industrial regions contained many more recipients than southern seaside areas (Figure 1.4). (Section 1.4.2)

Hours and wages were relatively stable for most of the pilot period, but following the introduction of NMW, the average gross weekly earnings of employees claiming ETU increased slightly, while the average hours worked declined (Table 1.5). This indicates that some employees working longer hours had become ineligible for ETU when their hourly rate rose. (Section 1.4.3)

Chapter 2 - Claims and recipients

Key characteristics of ETU recipients - A small majority of the sample were women, and ETU receipt was concentrated among young and single people (Table 2.2) (Section 2.3.1). Half had no formal housing costs, 42 per cent were living in their parents' home (Table 2.3). ETU counted as assessable income for Housing Benefit (HB) claims, but there seemed little conflict. Only one-third were tenants (Table 2.3) and among those who remained eligible recipients of ETU at interview, only 43 per cent would receive more HB if they ceased to receive ETU (Table 2.6). (Section 2.3.2)

Just 17 per cent had a health problem (Table 2.7, Section 2.3.3), but levels of education and training were low. The highest academic qualification of half the respondents was at GCSE level and almost all the rest had no academic qualifications. Almost one-third overall had no qualifications of any kind (Table 2.8). Eleven per cent of respondents were unemployed at interview (Table 2.10), but 90 per cent of those who remained in work of 16 or more hours had a permanent job, though just five per cent were in a managerial, professional or technical occupation (Table 2.11). Forty-four per cent worked part-time (Table 2.12), but only eight per cent had changed their hours as a result of claiming ETU. (Section 2.3.5)

Some of the ETU recipients had financial problems - 29 per cent were in 'severe hardship' (Table 2.17). Those in non-working households were worse off than those who remained eligible, but those in working households which had become ineligible were better off than the rest (Table 2.18). (Section 2.3.6)

Claiming ETU - One-third of respondents had become ineligible for ETU by their interview, and 13 per cent of those who remained eligible no longer received ETU. Of those no longer eligible, half were no longer in work of 16 or more hours (Table 2.20), but the other half worked longer hours for higher pay than those who remained eligible (Table 2.21) (Section 2.4.1). Delays in claiming were fairly rare and most delay was caused by uncertainty. The most common reason for applying for ETU was that the respondent had just found out about it – getting a new job came third. Word of mouth was a very important source of information, though over one-third had been told about ETU by an official (Table 2.23). However, knowledge levels regarding the rules were low. (Section 2.4.2)

Did ETU make a difference? - Half of those taking their job since ETU's introduction had been aware that they might qualify (Section 2.5.1). Of these, 56 per cent would have accepted the job at the wages offered without ETU. Of the remainder, 43 per cent would have asked for longer hours (Section 2.5.2). Just 15 per cent of the few who discussed it with their employer at the time felt ETU had made a difference to their getting a job, and just six per cent of workers receiving ETU would stop working if they ceased to get it. Half said they would continue their present job, though half of those would want more money or hours. However, 72 per cent of respondents felt that without ETU they would have had to cut back or could not have managed at all. Those who started their job before ETU's introduction were just as likely to find it indispensable as those who did not. (Section 2.5.3)

Chapter 3 - The impact of Earnings Top-up on workers-in-work

Britain's low-paid workers - Spells of unemployment were common among the low-paid workers and only two-thirds remained in work of 16 or more hours per week at interview (Table 3.1). A quarter were ineligible for ETU because neither they (nor a partner if they had one) were working 16 or more hours. However, employment histories were similar in the pilot and control areas (Table 3.2) (Section 3.3.1). Median pay rates had risen among the workers-in-work since 1996, but hours of work had fallen sharply (Table 3.6). One in six workers appeared to be below the National Minimum Wage and net weekly wages were typically between £100 and £140 a week. (Section 3.3.5)

Respondents tended to be either young, single and living with their parents or older couples who owned their home outright or still had a small mortgage (Section 3.3.2). Few were tenants, less than a fifth paid rent and only a third of these received Housing Benefit (Table 3.4). Overall, only three per cent of those working 16 or more hours per week continued to get Housing Benefit in work. (Section 3.3.3)

Women were a small majority (Table 3.3). Rates of illness and disability were high - 28 per cent had a long-term health problem (Table 3.3) - and, in addition, these respondents were poorly educated. More than half had no qualifications (Table 3.3), rising to eight out of ten among older workers, while the young rarely had more than basic or vocational qualifications. (Section 3.3.2)

The economic and social profile of workers did not differ significantly between Scheme A, Scheme B and Control Areas, nor between the 1996 and 1999 samples, except that the later sample contained more older workers (Table 3.3). (Section 3.3.2)

Awareness, eligibility and claiming - Awareness of ETU was low and falling – only 29 per cent had heard of a new benefit for working people without dependent children (Table 3.8). Even in places where ETU was more popular, two-thirds were unaware of it and fewer could name

ETU. (Section 3.4.1). The effectiveness of networks as sources of information had risen since 1997 to 44 per cent, but 29 per cent had been told by the DSS, Employment Service or Benefits Agency. (Section 3.4.2)

Overall, 47 per cent of current workers in the pilot areas qualified for ETU, 39 per cent in A and 54 per cent in B (Table 3.12). However, if B rates were available in Scheme A, B and Control areas, about half the sample would have qualified in each area, underscoring the all-important similarity between them (Table 3.12). (Section 3.5.2)

Eight out of ten low-paid workers still in work of 16 or more hours at interview had never claimed ETU. Current receipt was concentrated among older single women, while receipt among couples and home-owners was rare. (Section 3.6.2). The proportion of *eligible* workers claiming ETU rose from the 18 per cent found in the 1997 follow-up sample, but remained low at 23 per cent overall: 14 per cent in Scheme A and 30 per cent in Scheme B (Table 3.14). (Section 3.6.3)

Chapter 4 - Eligibility and claiming ETU: why did so many low-paid workers fail to take up their entitlement to ETU?

Take-up among couples - The small proportion of couples among the ETU caseload was due to non-take-up among eligible working couples, not to a lower rate of eligibility. Eligible couples were about as numerous as the eligible single workers were, but only 10 per cent of them claimed their ETU compared with 37 per cent of single people. In Scheme B single people had a take-up rate of 43 per cent, which was much more in line with expectations, especially since the new benefit had had so little public promotion. (Section 4.2.1)

Modelling take-up rates - Multivariate analysis indicated that, other things being equal:

- Eligible workers who took up their entitlement to ETU were young, single workers, many of them living in Sunderland and Doncaster. They worked shorter hours and so had lower earnings, higher entitlements and felt hard up. Often they had experience of claiming other income-tested benefits such as Housing Benefit and Family Credit or came from families who did. (Section 4.3.3)
- Eligible workers who failed to take up their entitlement to ETU were couples, especially dual-earner couples, and older people who either owned their own homes or lived in some other arrangement rather than as homebuyers or tenants. Additionally one of them might be receiving a disability benefit. They lived in a Scheme A area or in Bournemouth. They had no experience of claiming other income-tested benefits, had slightly higher earnings and so were entitled to slightly lower amounts of ETU and they were used to managing on a low income. (Section 4.3.3)

In addition, the lack of publicity was crucial. In the first six months it was limited to non-electronic media and then it vanished altogether, leaving it to official and informal networks to inform workers of ETU. Few eligible non-claimants were aware of the benefit. Geographical and social isolation were important factors in inhibiting claims among eligible workers. In geographical terms, eligibility under Scheme A was confined to too small a band of the lowest incomes. This meant that eligibility was too sparsely scattered to support adequate networks of informal information that would prompt others to claim. In social terms, lowest-paid older couples, dual earners, homeowners, people with disabled partners and so on were all groups isolated from streams of information that would prompt claiming a new in-work benefit, even in Scheme B areas. (Section 4.3.3)

Skill transfer was also important. It is highly significant that claiming ETU was both need-driven and associated independently with prior experience of claiming income-tested benefits, especially in claiming Housing Benefit and Family Credit. Those picking up their entitlements, as well as being young, single and connected to information sources, were the lowest-paid of eligible workers and sensitised to news of a subsidy by the experience of hardship. (Section 4.3.3)

Chapter 5 - Job retention among ETU workers

Workers interviewed before the introduction of ETU were followed up twice, first in 1997 and again in 1998. Alongside them, ETU recipients interviewed in 1997 were also followed up in 1998. (Section 5.1)

There was no evidence that workers left their jobs at a slower rate in the Scheme A or B areas compared with the Control areas. Nor was there direct evidence of people claiming ETU and so hanging on to their jobs longer. Furthermore, there was no indirect evidence of job retention being better in the presence of ETU in the Scheme A or B areas compared with the Control areas. (Section 5.4.2)

Nor was there any retrospective evidence in the 1999 surveys that workers in the Scheme A or B areas had had better or more secure work histories, either directly as a result of receiving ETU or by working in a more secure employment market that was now underwritten by wage subsidy.

Chapter 6 - Examining wage and substitution effects using administrative data

Department of Social Security (DSS) records of awards of ETU and of Family Credit were examined for two possible effects resulting from the introduction of ETU (Section 6.1):

- A wage effect - The wage bargaining position of everyone at the bottom end of the wage distribution might become weaker. Employers might respond to the increasing numbers willing to work for very low wages by buying labour more cheaply, that is low wages might become lower or remain steady.
- A substitution effect - ETU recipients might move into jobs currently occupied by low-paid workers with children claiming FC if few new jobs were created by the introduction of ETU.

In practice, there are reasons why we might not expect to find such effects as a result of the ETU pilot scheme (Section 6.1):

- Around seven in 10 ETU recipients were already in work when they applied for the benefit, giving employers less scope to reduce wages than they would have if they were fixing the wage of a new job.
- Both the number of claims and the proportion of eligible workers who claimed were relatively low. It is unlikely that the wage bargaining and employment position of low-paid workers would have been weakened by the introduction of ETU at this take-up and take-up rate.
- Though FC recipients also occupied the low-paid end of the labour market, they worked for wages which were, on average, higher than the wages of those claiming ETU and they were different populations in many respects. ETU would not necessarily have significant effects on the slightly different labour market they occupied.

Administrative data on the wages of ETU recipients themselves offered no conclusive evidence that employers responded to ETU by holding down the wages of ETU recipients (Section 6.2.1). However the failure of ETU recipients' wages to rise across the evaluation period to April 1999, particularly among couples, suggests that it should not be ruled out as a possibility.

In the Family Credit wage data, similar trends occurred both before and after the introduction of ETU and in pilot areas, control areas and areas outside the evaluation alike. That is, they showed no significant effect on the wages earned by FC recipients in the same workforces as those chosen for the ETU pilot, compared with the control areas and with the rest of Britain (Section 6.2.2). Wage data for employed lone mothers on FC, who typically earned lower weekly wages than other employees on FC and might therefore be the most vulnerable to an ETU wage effect, gave no indication of a downward pressure on their wages caused by the introduction of ETU. This was true generally and also specifically within Sunderland where ETU had penetrated a significantly larger proportion of the low-paid workers without children than it had elsewhere.

There was no evidence from the data as a whole of a substitution effect occurring among FC recipients in the pilot areas. This was true for both FC recipients as whole and specifically for employed lone mothers receiving FC whose weekly wages were on average lower than those of other employees receiving FC and therefore closer to those of ETU recipients (Section 6.3).

The administrative data - Overall, evidence taken solely from administrative data would have concluded that ETU was on balance a success. In particular, data on the wages of ETU recipients offered no conclusive evidence that employers had responded to ETU by lowering or holding down the wages of workers in the low-paid end of the labour market, although it could not be ruled out. The Family Credit data showed no significant effect of ETU on the wages earned by FC recipients in the ETU pilot areas. Nor was there any evidence of ETU eligible workers replacing FC eligible workers in the pilot areas at lower wages. (Section 7.1)

The surveys of ETU recipients and the workers-in-work - Earnings Top-up reached the people it was intended to reach – the lowest-paid workers with little education, small housing costs and a record of unemployment - but it did not reach enough of them. However, those it did reach were glad to have it and there was evidence that it met need. (Sections 7.2 and 7.3)

Explaining non-take-up and its implications for policy - A large proportion of non-take-up among eligible workers was accounted for by:

- the absence of main-media publicity;
- the sparse distribution of eligibility under Scheme A; and
- the social and economic isolation of older couples and their lack of claiming-skills. (Section 7.4.2)

The much higher take-up rate among those already attuned to the benefit system - younger low-paid single workers and tenants living in Scheme B areas - indicated that a new version of the benefit could be more successful, especially one that:

- allowed for the introduction of the National Minimum Wage with adjusted thresholds;
- adopted a shallower taper like Working Families' Tax Credit, that is one which was withdrawn at a lower rate against income above the earnings threshold;
- was backed by national television and radio advertising which would penetrate the relative isolation of poorly paid older couples, especially dual earner couples and those who have their own homes, or work in residential settings. (Section 7.5)

Such a benefit or tax credit would extend eligibility to large numbers of lower-paid workers, especially so if the estimates of the take-up rate for ETU from the workers-in-work surveys were accurate. Evidence from the surveys of ETU recipients suggests that they were accurate. (Section 7.6)

Job retention - No evidence was found to encourage the view that people kept the jobs they had more easily because of support from ETU, though qualitative research found that some people said they would find it hard to cope without ETU (Heaver et al, 2001). (Section 7.7)

Conclusion - There was little evidence from the evaluation surveys of ETU recipients and workers to oppose the view that most of the expenditure on ETU in the pilot areas went to people who:

- would anyway have done the jobs they did; or
- took the jobs they would have taken;
- worked the hours they would have worked; and
- worked for the wages they would have otherwise accepted. (Section 7.8)

Part Two - Econometric Analysis

This part presents results from a study of the wider labour market and possible long-term effects of the Earnings Top-up (ETU) pilot scheme. Designed to assist single people and couples without children to move into and retain low-paid employment, the scheme has the potential to create higher levels of employment. Substitution and displacement mechanisms, through which the employment of recipients of ETU may reduce employment opportunities for non-recipients, could counteract this effect. Using survey data, a statistical analysis of the duration of employment and non-employment spells is conducted to examine for substitution and displacement effects. No statistically significant effects can be detected within the data.

In terms of the potential longer-term impacts of the scheme, some interesting findings emerge. It appears that the earlier experience of employment, in the five years preceding the scheme, is significantly lower on average for scheme participants compared with a sample of low-paid workers. Most interestingly, as the scheme winds down there is no immediate return to the pre-scheme low employment rates demonstrated by ETU recipients. While it remains too early to conclude that the scheme raised the long-term average employment rate among those who participated, it does appear to be the case that the scheme affects the propensity of the ex-participants to remain in employment beyond the lifetime of the scheme itself.

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Part One • Survey of Low Paid Workers

Alan Marsh, Augusta Stephenson and Richard Dorsett

1 EARNINGS TOP-UP: THE BENEFIT AND THE EVALUATION PROGRAMME

1.1 Introduction

This report is part of a series of publications presenting the results of the final stage of the Earnings Top-up (ETU) Evaluation project and it focuses on the surveys of workers-in-work and ETU recipients. Two other reports in the series give the results from parallel surveys of unemployed people (DSS Research Report No. 131) and of employers (DSS Research Report No. 132). This first chapter provides a brief outline of the Earnings Top-up (ETU) pilot evaluation and the part played by the surveys of workers-in-work and ETU recipients, and goes on to describe the progress of the new benefit during the three years of the pilot scheme.

1.2 Earnings Top-up

ETU was introduced in October 1996 in eight areas of the country for a three-year pilot period. It was an in-work benefit for people without dependent children. The two main objectives of ETU were to improve the incentive for unemployed people to take low-paid work of 16 or more hours a week, and to help low-paid workers stay in work and avoid unemployment by raising their incomes relative to out-of-work support. The aim was to make work pay for low-paid workers without children in the way that Family Credit had made work pay for working parents. The last new claims were taken before 6th October 1999 but those with a claim in payment at that date were allowed to make two subsequent renewal claims. The last claim ended in September 2000.

There were two different versions of ETU called Scheme A and Scheme B and the rules differed for each of three groups of clients: couples, single people aged 18 to 24, and single people aged 25 or over (Table 1.1). It was available to employed and self-employed people who worked 16 or more hours per week in jobs lasting at least five weeks. Like Family Credit, it was paid at a fixed rate for a period of 26 weeks and an additional amount was payable to those working 30 or more hours a week (£11.05 per week). The maximum amount of benefit payable was reduced by 70 pence for each pound of income above the earnings thresholds. It was not available to full-time students or people with savings of more than £8,000. Eligibility for couples was based on the incomes of both, excluding certain social security benefits, and only one member of a couple could claim.

Table 1.1 ETU payments and thresholds - 1999/2000

	Single 18 - 24	Single 25+	Couples
Scheme A			
Maximum ETU payment	£24.40	£30.00	£49.85
Earnings threshold	£51.70	£62.45	£80.65
Scheme B			
Maximum ETU payment	£24.40	£30.00	£60.15
Earnings threshold	£80.65	£80.65	£80.65

Note: the maximum ETU payment is payable up to the earnings threshold and then reduced by 70 pence for each pound of income above the earnings threshold.

1.3 The ETU evaluation

The programme of evaluative research was designed to compare the eight test areas (four were assigned Scheme A and four Scheme B) with four more areas chosen as control areas of corresponding type. Research in these 12 areas was carried out at different points from 1996, prior to the introduction of ETU, to 1999 when it ended (Table 1.2). The areas were selected because they had high levels of unemployment, high numbers of job vacancies and high proportions of low-paid vacancies. These were areas where ETU was expected to have the most impact. Four types of labour markets were also selected: major urban areas, large towns, seaside areas, and rural areas.

The two main target groups for ETU were the existing low-paid workers and unemployed people. For the first group, ETU may have encouraged them to remain in work rather than returning to unemployment, perhaps by encouraging them to accept a new job at lower wages when their existing employment ceased, for example. Unemployed people could have been encouraged to consider a job that paid less than they would normally have accepted. If people were more able to accept low-paid work then this could, in turn, have impacted on the decisions employers made about recruitment and wages. The evaluation of the effects of ETU therefore included the corresponding field surveys of low-paid workers in-work and unemployed people. Alongside these were similar field surveys of ETU recipients and telephone surveys of employers (Figure 1.1). The evaluation programme also included studies of local labour market conditions, carried out by the Institute for Employment Research at the University of Warwick, in-depth interviews with key participants, carried out by the Centre for Research in Social Policy at Loughborough University, and analysis of official administrative statistics.

Table 1.2 ETU pilot area groups and types

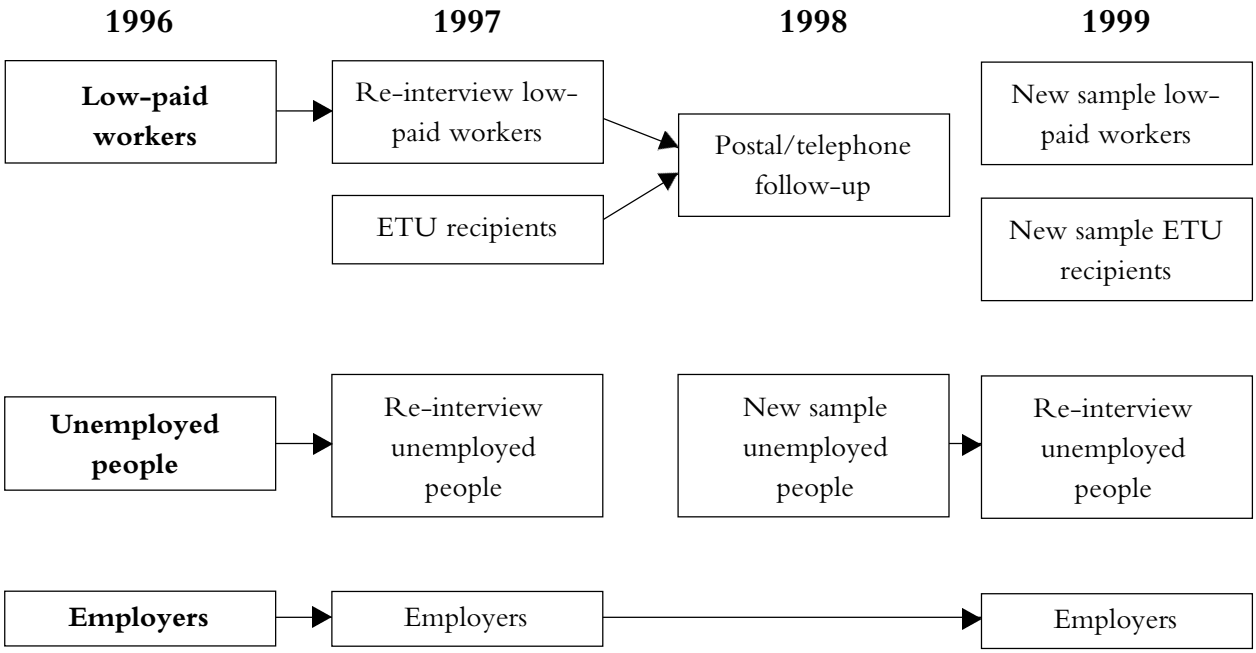
Area	Scheme A	Scheme B	Control Area
Major urban area	Newcastle upon Tyne	Sunderland	Middlesbrough, Hartlepool and Stockton
Large town	Barnsley, Castleford, Pontefract, Wakefield and Dewsbury	Doncaster	Rotherham and Worksop
Seaside area	Southend	Bournemouth	Southampton and the Isle of Wight
Rural area	North Wales (Bangor and Caernarfon, Conwy and Colwyn, Denbigh, Dolgellau and Barmouth, Holyhead, Porthmadog and Ffestiniog, Pwllheli, Shotton, Flint and Rhyl, Wrexham)	Perth and Crief, Dumbarton, Stirling	South Wales (Hay on Wye Brecon, Llanwrtyd Wells, Tredegar, Ebbw Vale, Pontypool, Monmouth, Abergavenny and Cricklehowell, Cwmbran, Llanelli, Burry Port, Llandeilo and Llandovery)

The 12 areas selected for the ETU pilot contained about one in nine of the working population in Britain. The surveys of workers-in-work and, later, the ETU recipients carried out for the evaluation of the Earnings Top-up pilot included the first large-scale surveys carried out in Britain of the lowest-paid workers without children living in 12 of the lowest-paid areas. For this reason alone they are a valuable resource. Their purpose in the ETU evaluation project was:

- to provide direct observation of how the benefit was affecting those who received it;
- to show who among the lowest-paid might benefit from ETU;
- to estimate the take-up rate among those eligible for the benefit;
- to investigate why some eligible workers failed to claim their benefit;
- to estimate whether ETU helped low-paid workers remain in jobs longer than is typical of the lowest paid.

The first four aims were addressed by the new samples of workers and recipients in 1999, the last by the 1998 follow-up surveys of the workers and recipients interviewed in 1997.

Figure 1.1 ETU evaluation surveys



There were three main reasons for selecting new samples of workers and recipients in 1999. First, even if other things remained the same, the effect of ETU may have varied over time as the benefit became more established and people became more aware of it. Second, the 1997 survey of workers was a follow-up survey of the pre-introduction survey in 1996. For this reason it could not provide valid estimates for the target population of workers in 1997. This was particularly important with respect to the take-up rate among workers eligible for ETU and so the 1999 survey is the only properly valid estimate of the take-up rate that will be available. Third, substantial changes in the labour market and benefit system over the previous two years may well have resulted in compositional changes in the target groups for the new benefit.

As in 1996, the survey of workers-in-work was derived from the National Insurance Contribution Records. Further selection by a doorstep sift carried out by interviewers framed the sample as one 'in-range' of ETU. That is, their earnings were at or a little above the point at which their eligibility for ETU ended. The surveys of ETU recipients were taken from Administrative Records of the current caseload but boosted the proportion among them who had entered ETU from claimant unemployment from about one in six to one half. Chapter 2 deals with this new survey of ETU recipients. The remainder of the report deals with the surveys of workers-in-work. Meanwhile, this chapter goes on to provide a summary of the administrative data collected by the Department of Social Security (DSS) Statistical Enquiry. It describes the progress of Earnings Top-up from its inception in October 1996, but with a focus on September 1999. September 1999 was chosen because it was the last full month in which new claims were accepted and showed the situation as it was at the end of the pilot evaluation proper (see Section 1.2).

1.4 The progress of ETU

1.4.1 The caseload and types of recipient

Figure 1.2 illustrates the progress of the ETU caseload to January 2000. Following the introduction of ETU in October 1996, the number of awards rose rapidly until April 1997 and then increased at a slower rate until mid-1998 when it levelled out at around 24,000, a figure considerably higher than the projected 20,000 for the end of the three year pilot scheme, this projected caseload having been reached after about 14 months.

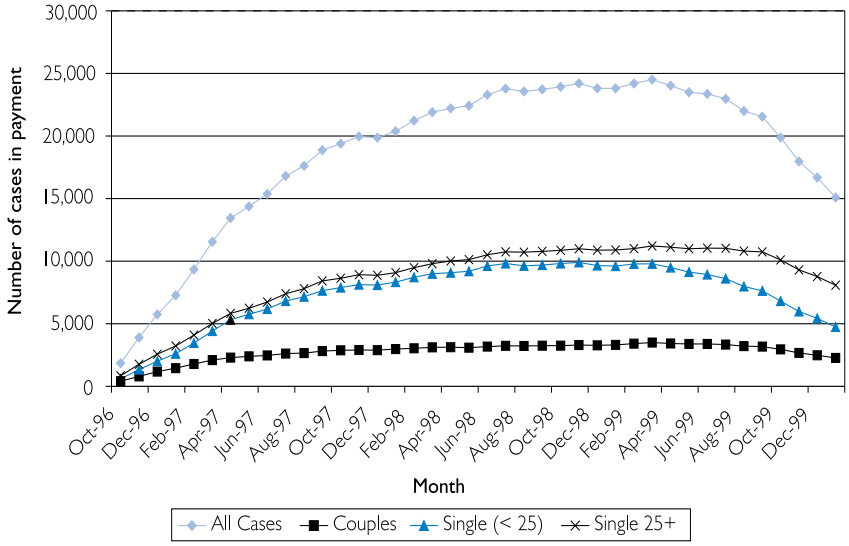
The highest caseload was reached in March 1999, immediately prior to the introduction of the National Minimum Wage, at which point there were 24,503 claims for ETU in payment. Of these just 3,499 were couples (14 per cent), 9,792 were single people aged under 25 (40 per cent) and 11,212 were single people aged 25 or over (46 per cent).

Following the introduction of the National Minimum Wage, the number of claims in payment began to fall and by September 1999, when the last new claims were accepted under the pilot scheme, the caseload had fallen back to 21,557, which was closer to the initial estimates. This decline was predominantly among young single recipients - the proportion of recipients from this group had fallen from 40 to 35 per cent. The proportion of older single recipients had consequently reached half, with the proportion of couples remaining steady at 15 per cent. This would be consistent with the new legislation increasing wages, pushing young single people out of eligibility, while the entitlement of the other groups, with their higher wages, thresholds and maximum payments, was less affected.

When new claims ceased being accepted, the caseload went into sharp decline among all three groups and in January 2000 the number of cases in payment was just 15,088.

The caseload grew and declined at a much more gentle rate among couples than among single people and never exceeded 3,500 (Figure 1.2). Indeed, at the end of the three year pilot (September 1999) there were nearly six times as many single recipients as couples. Almost as many men as women received ETU throughout the pilot period despite the much higher proportion of women in low-paid jobs as many such women have working partners and their joint incomes disqualify them from ETU. Twelve per cent of recipients were self-employed at September 1999, when the last new claims were accepted. However, this proportion had increased steadily across the period from the start of the pilot (seven per cent in November 1996) to March 1999 (10 per cent) after which it began to increase at a faster rate. This was most likely a reflection of employees' earnings rising relative to those of the self-employed with the introduction of the National Minimum Wage.

Figure 1.2 The progress of the ETU caseload by January 2000 by recipient type



Source: Earnings Top-up Statistical Enquiry, ASD, DSS

1.4.2 Geographical differences in caseload

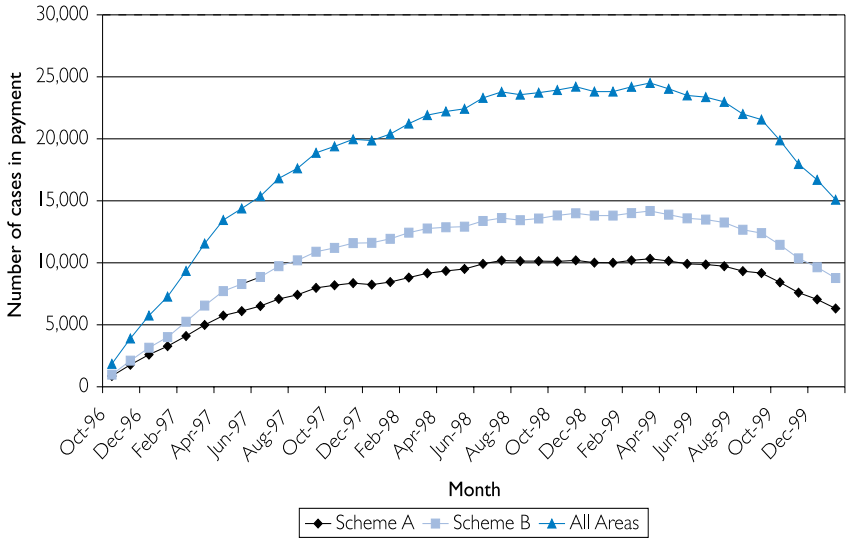
Scheme B had a higher earnings threshold for single people than Scheme A, that is they could earn more before passing out of eligibility, and so it was expected that Scheme B areas would contain a higher proportion of eligible people and thus produce a greater number of recipients per head among the working population. The design of the pilot scheme aimed to balance this by more or less halving the population in scope geographically in Scheme B areas when defining the qualifying postcode areas. However, Scheme B still attracted more customers than Scheme A: 57 per cent (12,392) compared with 43 per cent (9,165) of the total caseload at the end of three years (Figure 1.3). This gap opened up during the first year of the pilot and remained fairly static until March 1999 after which the caseload in Scheme B decreased slightly more quickly than the caseload in Scheme A.

Across the pilot period, much of the difference between Scheme A and Scheme B was accounted for by the numbers receiving ETU in Sunderland (the Scheme B major urban area), nearly twice as many as in the corresponding Scheme A area of nearby Newcastle. Only in the two rural areas did the Scheme A recipients (North Wales) outnumber the Scheme B recipients (Perthshire, Scotland). The numbers claiming either version also differed by type of region. Compared to the industrial regions of the North, the 'seaside' areas of the South - Southend and Bournemouth - had very few ETU customers. Figure 1.4 represents the situation at the end of the three year pilot.

In September 1999, 62 per cent of awards were renewals and only 27 per cent were new (Table 1.3), a proportion which had been falling across

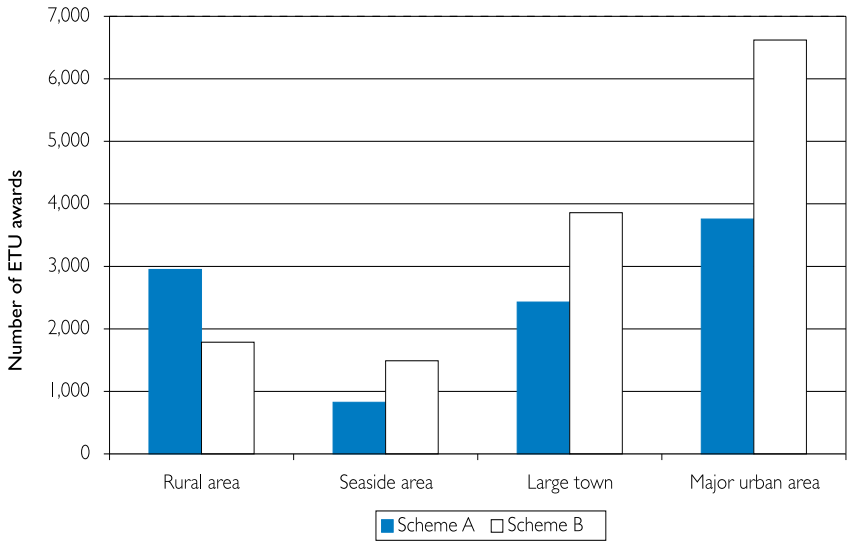
the pilot period. For most of the period, Sunderland, as well as having the highest number of awards, also had the highest percentage of renewals (68 per cent in September 1999) and Scheme B had a larger proportion of renewals than Scheme A.

Figure 1.3 The progress of the ETU caseload by January 2000 by scheme type



Source: Earnings Top-up Statistical Enquiry, ASD, DSS

Figure 1.4 ETU awards in payment by pilot area in September 1999



Source: Earnings Top-up Statistical Enquiry, ASD, DSS

Despite the higher rate of benefit paid to couples in Scheme B, more couples claimed in Scheme A throughout the evaluation (1,718 compared with 1,460 in September 1999) and couples were a larger proportion of recipients in Scheme A than in Scheme B (19 per cent compared with 12 per cent in September 1999) (Figure 1.5). At the end of the evaluation, more than half of recipients in Scheme A areas were single and aged 25 or over (56 per cent), while 46 per cent of Scheme B recipients met this

description. Almost half of awards in Scheme B areas were to single people under 25 (43 per cent) while the equivalent proportion in Scheme A areas was just 26 per cent. These differences had become very slightly more pronounced since the introduction of the Minimum Wage, presumably as it had a slightly greater effect on the single under 25s in Scheme A areas due to the lower thresholds reducing ETU eligibility as wages rose.

Table 1.3 Number and type of ETU awards by area in September 1999

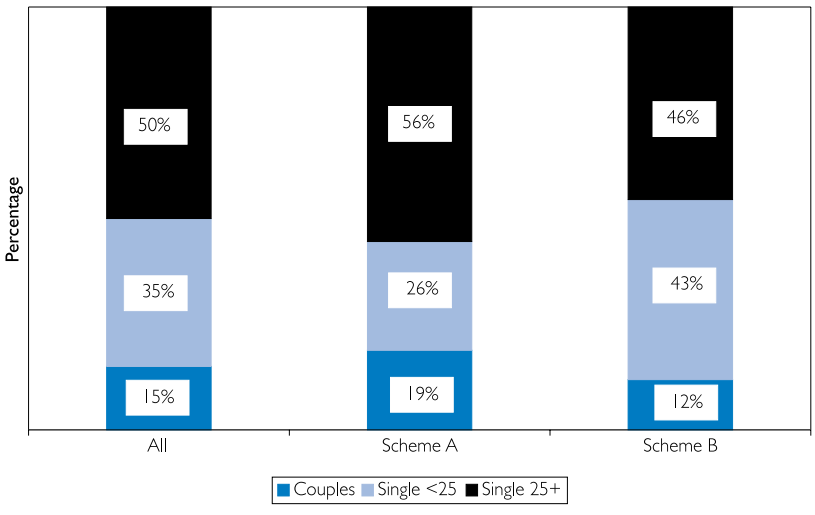
Row percentages

	Scheme type	No. of awards	New awards	Renewals	Subsequent
Major urban area					
Newcastle upon Tyne	A	3,299	32	59	9
Sunderland	B	5,737	22	68	10
Large town					
Barnsley, Castleford, Pontefract, Wakefield and Dewsbury	A	2,151	28	62	10
Doncaster	B	3,342	25	64	11
Seaside area					
Southend	A	751	30	62	7
Bournemouth	B	1,430	34	55	11
Rural area					
North Wales	A	2,692	32	56	12
Perth and Crief, Dumbarton, Stirling	B	1,544	27	61	12
All Scheme A		8,893	31	59	10
All Scheme B		12,053	25	64	11
Total ETU awards in September 1999		20,946	27	62	11

Note: new awards are made to people who have never received ETU before. Renewal awards are those following on immediately from a previous award without a break. Subsequent awards are those where there has been a previous award but there has been a break between claims.

Source: DSS ETU Statistical Enquiry

Figure 1.5 Percentage of ETU awards by scheme and client type in September 1999



Source: Earnings Top-up Statistical Enquiry, ASD, DSS

1.4.3 Hours, pay and awards

The average gross weekly earnings of ETU recipients at 30th September 1999, when the last new claims were accepted, were £83.13 and the average hours worked were 28, amounting to an hourly wage of £3.00 (Table 1.4)[1]. Recipients were on average earning slightly more money than they had been in March 1999 but for a shorter working week - the average weekly wage had increased by £2.12 and average weekly hours had decreased by two - implying that for some low-paid workers in full-time jobs the Minimum Wage had pushed their income beyond their ETU threshold.

To see this effect more clearly one has to look at the wages and hours of employees only, the self-employed being ineligible for the Minimum Wage (Table 1.5). The average gross weekly earnings of employees were £88.72 for a 27 hour week, which works out at an average hourly wage of £3.33, below the Minimum Wage of £3.60 for people aged 22 or over, but above the lower rate of £3.00 paid to those aged 18-21. Employees receiving ETU were on average earning slightly more money (£3.37), but for a shorter working week (by two hours) than prior to the introduction of the Minimum Wage[2], showing that employees working longer hours had become ineligible for ETU when their hourly rate rose. However, it appears that not all single employees claiming ETU in Scheme A areas were being paid at the Minimum Wage rate, especially the under 25s, the very people whom one would expect to see move out of eligibility in largest numbers due to their low earnings threshold and maximum payment. Had they been paid at the legal rate, the ETU caseload would have dropped more steeply than it did among this group.

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[1] Hourly wage rates were not included in the administrative data and have been calculated using average weekly wage and hours.

[2] Hours and wages had been relatively stable for most of the pilot period prior to the introduction of the National Minimum Wage (see Chapter 6).

Table 1.4 Average earnings, hours worked and ETU received in September 1999

	Average gross earnings £ per week	Average hours worked per week	Average ETU award £ per week	Percentage receiving max. ETU	Average gross earnings £ per hour
All	**83.13**	**27.72**	**26.29**	**42**	**3.00**
Couples	99.52	29.96	39.57	32	3.32
Single – under 25	82.12	29.34	21.80	39	2.80
Single – 25+	79.03	25.91	25.58	48	3.05
Scheme A	**70.66**	**26.33**	**27.12**	**41**	**2.68**
Couples	95.05	29.97	37.86	36	3.17
Single – under 25	59.93	27.63	21.83	32	2.17
Single – 25+	67.35	24.52	25.91	47	2.75
Scheme B	**92.33**	**28.74**	**25.69**	**43**	**3.21**
Couples	104.82	29.96	41.61	27	3.50
Single – under 25	91.84	30.08	21.78	43	3.05
Single – 25+	89.59	27.16	25.28	48	3.30

Source: DSS ETU Statistical Enquiry.

Note: Hourly wage rate has been calculated using average weekly wage and hours

Table 1.5 Employees' average earnings and hours worked in September 1999

	Average gross earnings £ per week	Average hours worked per week	Average gross earnings £ per hour
All	**88.72**	**26.65**	**3.33**
Couples	110.60	28.64	3.86
Single – under 25	84.21	29.07	2.90
Single – 25+	86.10	24.12	3.57
Scheme A	**77.13**	**24.38**	**3.16**
Couples	107.22	28.25	3.80
Single – under 25	62.98	26.84	2.35
Single – 25+	74.49	21.83	3.41
Scheme B	**96.50**	**28.17**	**3.43**
Couples	114.34	29.08	3.93
Single – under 25	92.93	29.99	3.10
Single – 25+	95.82	26.03	3.68

Source: DSS ETU Statistical Enquiry.

Note: Hourly wage rate has been calculated using average weekly wage and hours

The average amount of benefit paid to cases current at the end of the three-year pilot (September 1999) was £26.29 per week (Table 1.4), down slightly since the introduction of NMW prior to which it had been rising. Average awards by status were £39.57 for couples, £21.80 for single people under 25 and £25.58 for single people aged 25 and

over. Average awards for Scheme A were slightly higher than for Scheme B at £27.12 and £25.69 respectively[3]. Overall, 42 per cent of claims were for the maximum award. Older single people were more likely to receive the maximum amount (48 per cent), a fact consistent across the evaluation period. It would appear that this was due to them working shorter hours on average (26 hours) than younger single people (29 hours) and couples (30 hours).

1.4.4 Previously unemployed recipients

Administrative data also show that at August 1999, prior to claiming ETU, around seven in 10 ETU recipients had been working in the job on which they based their claim (69 per cent). Just 17 per cent moved onto ETU directly from JSA and a further one per cent from Income Support. This figure of 18 per cent moving in from claimant unemployment had fallen since April 1998 when it was one-quarter (23 per cent from JSA and two per cent from IS). Since the main aim of ETU was to assist more unemployed people into low-paid work, this may be counted a disappointment. It may also reflect only a drop in the stock of unemployed people. It is also possible that ETU assisted more people to move from a job that ended to a new job without a spell of claimant unemployment.

1.5 Summary

This chapter described the introduction of two versions of Earnings Top-up (Scheme A and Scheme B), as a three-year pilot scheme to extend wage supplementation to workers who have no dependent children. A programme of research was carried out over four years to evaluate the effectiveness of the new benefit in improving the lowest-paid workers' incentives to get and keep paid work. The new benefit swiftly reached its expected caseload, especially in its more generous form, attracting a high proportion of young single workers. Take-up was higher in the industrial North East and low in the two 'seaside' towns in the South. The introduction of the National Minimum Wage reduced take-up in the final months of the pilot, raising weekly wages beyond entitlement. But many younger workers receiving ETU appeared to continue to be paid well below the minimum rate per hour.

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[3] This is despite the *design* of Scheme B being more generous than that of Scheme A. Scheme B contains a much higher proportion of single people aged under 25 than Scheme A (Figure 1.5), who receive smaller awards than older singles and couples (Table 1.4).

2 CLAIMS AND RECIPIENTS

2.1 Introduction

This chapter presents detailed data derived from two surveys carried out in the summers of 1997 and 1999 for which respondents were sampled as current ETU recipients. The focus of the chapter is the more recent survey of over 1000 recipients, but it refers to changes which have occurred since the former (Finlayson et al, 2000). Section 2.3 describes the characteristics of these recipients, followed by their experiences of claiming ETU (Section 2.4) and Section 2.5 looks its effects.

2.2 Weighting and non-response

2.2.1 Weighting

As the sample was drawn from administrative records, the opportunity was taken to select proportionately more of a group of recipients of particular interest: those who had moved from unemployment into a job in which they claimed ETU. In practice, this meant those who were receiving JSA immediately before claiming ETU were over-sampled[4]. According to administrative statistics, for every ETU recipient who was unemployed immediately prior to claiming there were at least another four who had been in work, compared with a ratio in the sample of 1:1.5, and the sample was therefore re-weighted to the proportions found in the administrative data. This re-weighting exercise also compensated for differing sampling fractions in the ETU pilot areas[5]. The survey, then, provides a representative sample of two groups of people: all ETU recipients at the time of sampling (the weighted whole sample) and ETU recipients who were previously unemployed (by selecting the entrants from unemployment and weighting only for the different area sampling fractions).

2.2.2 Non-response

The 1999 survey successfully interviewed 1,039 respondents: a response rate of between 73 and 82 per cent, compared with between 81 and 88 per cent in 1997 (Table 2.1). Since no information was collected from non-respondents, analysis of any bias introduced by non-response is not possible. However, as in 1997, the interviewed sample of ETU recipients differed from the picture obtained from administrative statistics quoted in Chapter 1 in two crucial aspects: we interviewed more women and more couples. The interviewed sample had 58 per cent women and 42 per cent men, compared with the almost equal 52-48 per cent ratio reported in administrative data. Also 20 per cent in our sample had a partner compared with around 15 per cent in the administrative data. As

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[4] The sample included a very small number of people who had been claiming IS, rather than JSA, before working and claiming ETU. In this chapter all entrants to ETU from unemployment will be called JSA entrants.

[5] The sample was drawn equally from all eight ETU areas but the number of ETU recipients was not the same in all areas. Therefore, the weighting gives more weight to respondents from Sunderland, for example, than to those from Southend.

the weighting ensured that the selected sample was representative of all ETU recipients and the differences were very similar in 1997 this suggests that women and couples were more likely to be traced and to agree to an interview.

Table 2.1 Response analysis for ETU recipients' surveys 1997 and 1999

Column percentages

	1997		1999	
	Base	**Percentage**	**Base**	**Percentage**
Issued sample	*2688*	100	*1696*	100
Not contacted				
Moved/untraceable/dead/empty	*235*	9	*274*	16
Not available after 5 or more calls (4 in 1997)	*191*	7	*148*	9
Contacted but not interviewed				
Refused	*158*	6	*144*	8
Other reason for non-interview	*114*	4	*91*	5
Achieved interviews	*1990*	74	*1039*	61
Response rate (upper limit)	*2262*	88	*1274*	82
Response rate (lower limit)	*2453*	81	*1422*	73

Note: Upper limit response rate excludes all those not contacted and so calculates the proportion of completed interviews as a proportion of the contacted eligible. Lower limit response rate includes those not available after 4/5 calls.

2.3 Key characteristics of Earnings Top-up recipients

2.3.1 Gender, age and marital status

Table 2.2 shows the socio-demographic characteristics of respondents in 1997 and 1999. The majority of respondents were women (58 per cent) - men were only in the majority among 25-34 year olds (53 per cent) and were just one-third (32 per cent) of 45-54 year olds. However entrants from unemployment tended to be male (56 per cent), particularly in Scheme B areas (59 per cent, compared with 53 per cent in Scheme A), and this reflects the larger proportion of men who claim benefit as unemployed.

ETU receipt was concentrated among young workers. Two-fifths of respondents were under 25 years old, despite the maximum ETU payment for single under 25s being set lower than for older single people. Indeed, one-quarter of respondents were aged between 18 and 20 (24 per cent). However, nearly half of respondents in Scheme B areas were aged under 25 (48 per cent) compared with less than one-third (30 per cent) in Scheme A, which is most likely to be a reflection of the considerably higher earnings threshold in Scheme B for this age-group. In 1997, entrants from unemployment tended to have been slightly older but this was not the case in 1999.

ETU had also predominantly attracted single people - four-fifths of respondents did not have a partner. Though Scheme B areas had had a smaller proportion of couples in 1997, this gap had disappeared in 1999. Over two-fifths of those without a partner (44 per cent) were aged under 25, while a similar proportion of those *with* a partner (42 per cent) were aged 45 or more. However, even among 45-54 year olds only one-third had a partner (34 per cent).

Table 2.2 Socio-demographic characteristics of ETU recipients 1997 and 1999 by ETU area

Column percentages

	JSA entrants						All ETU recipients					
	Scheme A		Scheme B		All		Scheme A		Scheme B		All	
	1997	1999	1997	1999	1997	1999	1997	1999	1997	1999	1997	1999
Gender:												
Male	58	53	57	59	57	56	43	43	41	40	42	42
Female	42	47	43	41	43	44	57	57	59	60	58	58
Age group:												
Under 25	30	33	36	42	34	38	35	30	48	48	43	40
25-34	25	27	28	21	27	23	18	20	18	15	18	17
35-44	16	15	16	16	16	15	16	18	11	16	13	17
45-54	21	20	15	18	17	19	23	24	17	17	19	20
55+	7	6	5	3	6	4	8	9	6	4	7	6
Marital status:												
Partner	22	18	16	17	19	17	25	22	17	19	21	20
No partner	78	82	84	83	81	83	75	78	83	81	79	80
Unweighted base	*488*	*204*	*464*	*197*	*952*	*401*	*1007*	*557*	*983*	*482*	*1990*	*1039*

Base: all respondents

2.3.2 Household composition and housing tenure

Household type

Table 2.3 shows respondents' household composition in 1997 and 1999. The relative youth of the respondents was reflected in their household arrangements. Nearly half (43 per cent) shared a home with their parents but no partner, a quarter lived alone, and 14 per cent shared with just their partner. These proportions were very similar to those in 1997.

A smaller proportion of respondents in Scheme A shared a home with their parents (without a partner) - 35 per cent compared with 49 per cent in Scheme B - and a larger proportion lived alone (30 per cent compared with 21 per cent). Again, it is likely that this reflects the relative youth of respondents in Scheme B areas - just six per cent of those aged 45 or more shared a home with their parents but no partner, compared with three-quarters of under 25s.

Although ETU is a benefit for childless people, two per cent of respondents had dependent children in their household at the time they were interviewed. It is likely that this reflects the six month claim period, during which time circumstances can change without affecting receipt of ETU, though no respondents had children living with them in 1997. One-quarter (26 per cent) of respondents had children (including those no longer of dependent age) living elsewhere and the majority of these respondents were women (62 per cent). This proportion was as high as one-third in Scheme A areas (compared with one-fifth in Scheme B areas), again probably due to the fact that Scheme A respondents had an older profile – one per cent of under 25s had children living elsewhere, compared with 63 per cent of those aged 45 or more.

Table 2.3 Household type and housing tenure of ETU recipients 1997 and 1999 by ETU area

Column percentages

	All ETU recipients					
	Scheme A		Scheme B		All	
	1997	1999	1997	1999	1997	1999
Household type:						
Lives alone	27	30	23	21	24	25
Lives with parents, no partner	36	35	49	49	44	43
Lives with partner only	18	16	11	12	14	14
Other	19	18	17	19	18	18
Housing tenure:						
Lives with parents, no rent	10	9	9	9	9	9
Lives with parents, pays rent	29	26	45	38	38	33
Rents (Local Authority/ Housing Association)	29	29	23	22	26	25
Rents privately	10	11	7	8	8	10
Mortgage	11	9	9	9	10	9
Owns outright	8	8	5	4	6	6
Other/missing	3	8	2	10	3	9
Unweighted base	*1007*	*557*	*983*	*482*	*1990*	*1039*

Base: all respondents

Housing costs

For the purposes of ETU evaluation, probably the most important aspect of recipients' circumstances was their housing tenure. The baseline report (Marsh et al, 1999) suggested that the majority of likely ETU customers interviewed in 1996 had little in the way of housing costs and corresponding entitlements to Housing Benefit (HB) that would reduce the value of ETU as an incentive to work as it is taken into account

when calculating HB entitlement. Few of them, especially the unemployed, had large mortgages whose interest support payments from IS would be foregone in work. Nor did the remainder pay the kinds of rents that would disrupt the role intended for ETU by having the new benefit simply replace people's continuing entitlement to HB in work. Large proportions of potential recipients in 1996 were young and lived with their parents, or lived in circumstances where they made only small contributions to their accommodation.

This was reflected in the samples of ETU recipients drawn in 1997 and 1999 (Table 2.3). Of the 1999 respondents, half (48 per cent) had no formal housing costs (down slightly from 53 per cent in 1997), that is they lived in their parents' home (42 per cent) or, more rarely, owned their home outright (six per cent), although one-third of respondents were paying board to their parents. Just nine per cent of respondents had a mortgage and 35 per cent rented their home.

The proportion without formal housing costs was higher in Scheme B than Scheme A (51 per cent compared with 43 per cent), again likely to be a reflection of age (Table 2.3). A smaller proportion of JSA entrants were home-owners - seven per cent compared with 15 per cent overall, but they were no less likely to have formal housing costs. In terms of age, only among the over 35s did the majority have formal housing costs (Table 2.4). Those in couples were much more likely to have such costs than single respondents - 76 per cent were tenants or had mortgages, compared with 36 per cent of single people (Table 2.5).

Living with parents

Nearly half the respondents (42 per cent) lived in their parents' home (Table 2.3), down slightly from 47 per cent in 1997. This was true of three-quarters (74 per cent) of the under 25s (down from 83 per cent in 1997) and nearly half of those aged between 25 and 34 (44 per cent) (Table 2.4). Over half the young respondents who lived in their parents' home were happy with this arrangement (57 per cent), but this had fallen from two-thirds in 1997. Over one-quarter (29 per cent) would have preferred to live alone (among JSA entrants this was just 21 per cent), up from one-fifth in 1997, and 13 per cent wished to live with other people. However, half thought they would find it very difficult to manage an independent household financially, one-third believing they would be in deep trouble (34 per cent). They were, however, more optimistic than the 1997 recipients had been - one-quarter thought they could manage, compared with under a fifth in 1997.

Table 2.4 Type of housing costs by age group of ETU recipients 1997 and 1999

Column percentages

	16 - 24		25 - 34		35 - 44		45 - 54		55+		All	
	1997	1999	1997	1999	1997	1999	1997	1999	1997	1999	1997	1999
Lives with parents, pays no board	16	15	9	10	3	2	2	2	1	0	9	9
Lives with parents, pays board	67	59	37	34	19	14	2	3	2	0	38	33
Tenant, pays rent	11	13	36	34	49	47	47	50	48	40	30	31
Tenant, pays no rent	1	2	3	3	6	3	3	4	1	8	4	3
Mortgage	1	3	12	5	13	15	22	20	18	15	10	9
Owns outright	*	*	1	1	5	8	18	15	24	15	6	6
Other/missing	3	8	2	12	5	9	5	5	6	20	3	9
Proportion with some formal housing costs#	13	18	51	42	68	65	72	74	67	63	44	43
Unweighted base 1	*726*	*376*	*416*	*192*	*293*	*177*	*399*	*220*	*156*	*72*	*1990*	*1037*
Proportion of tenants receiving HB#	39	42	51	50	59	54	49	44	54	[52]	50	48
Unweighted base 2	*125*	*62*	*184*	*76*	*163*	*92*	*218*	*117*	*68*	*36*	*758*	*383*

Cell percentages

* <0.5 per cent

Figures in brackets are calculated on a base of less than 50.

Base 1: all respondents

Base 2: all tenants

Tenants and Housing Benefit

ETU is counted as income in the calculation of entitlement to Housing Benefit (HB) so the entitlement to HB of tenants (who made up only 35 per cent of the overall sample and 49 per cent of JSA entrants) would in most cases have fallen when they began to receive ETU. In general, those with the lowest HB awards or the highest ETU awards would have lost the largest proportion of their HB because of ETU receipt. Just half (48 per cent) received HB when they were interviewed (Table 2.4) and only nine per cent had all their rent paid in this way. Sixteen per cent of all tenants said that, when they first got ETU, they had expected to get HB but could no longer get it.

A higher proportion of tenants in Scheme A than in Scheme B received HB (56 per cent compared with 40 per cent), because their average incomes were lower in order to meet the different eligibility rules of the two Schemes. Tenants who had come to ETU from unemployment were also more likely to receive HB (54 per cent). Single people were more likely to receive HB (53 per cent of tenants) than were couples (38 per cent of tenants) (Table 2.5), probably because their awards of ETU were lower on average.

Table 2.5 Type of housing costs by partnership status of ETU recipients 1997 and 1999

Column percentages

	Single		Partnered		All	
	1997	**1999**	**1997**	**1999**	**1997**	**1999**
Lives with parents, pays no board	11	11	2	1	9	9
Lives with parents, pays board	47	40	4	3	38	33
Tenant, pays rent	27	27	43	51	30	31
Tenant, pays no rent	2	3	5	3	4	3
Mortgage	6	6	26	22	10	9
Owns outright	4	5	14	9	6	6
Other/missing	3	9	7	10	3	9
Proportion with some formal housing costs#	35	36	74	76	44	43
Unweighted base 1	*1570*	*836*	*420*	*203*	*1990*	*1039*
Proportion of tenants receiving HB#	55	53	40	38	50	48
Unweighted base 2	*532*	*271*	*226*	*112*	*758*	*383*

Cell percentages

Base 1: all respondents

Base 2: all tenants

The respondents were not asked whether they had been entitled to Housing Benefit prior to claiming ETU, or how much they had been entitled to. Nor is data available on how much their income and rent were at the time when they put in their claim for ETU. It is therefore impossible to calculate whether and by how much their gain in ETU was offset by losses in Housing Benefit. However, it is possible to examine, for some respondents, the interaction there would be between HB and ETU if receipt of ETU ceased (Table 2.6).

As has been noted, just one-third of the respondents were tenants (35 per cent). Just over half of these (58 per cent) remained eligible recipients of ETU at the time they were interviewed (one-fifth of all respondents).

Just two-fifths (38 per cent) of this group were eligible for HB when they were interviewed, however, if ETU receipt ceased this would rise to half (51 per cent), suggesting that a minority had lost all their HB entitlement as a result of claiming ETU. Less than half the group (43 per cent) would see their HB entitlement increase if they stopped receiving ETU. One in 10 overall would gain less than £5 and just five per cent would gain over £20 in Housing Benefit. Among those whose entitlement to Housing Benefit *would* increase if they stopped receiving ETU, other things being equal, the average amount of that increase would

be £13. On average, then, a tenant who was still an eligible recipient of ETU would lose a net amount of £23 if (s)he ceased to receive ETU, or an average of 82 per cent of the current value of his/her ETU.

Table 2.6 Housing Benefit interactions with ETU withdrawal 1999

Cell percentages

	Single	Couple	<45 yrs	45+ yrs	Male	Female	All
Entitled to HB with ETU	27	63	44	30	41	36	38
Entitled to HB without ETU	32	92	55	42	62	44	51
Would gain HB if lost ETU	27	76	47	36	51	37	43
Net loss as percentage of ETU	86	70	78	86	79	83	82
Unweighted base	*155*	*59*	*113*	*101*	*80*	*134*	*211*

Base: tenants who were eligible recipients of ETU at time of interview

Single people seemed to have more to gain from ETU than couples when HB was taken into account. Only one-quarter (27 per cent) of single people in this group were eligible for HB at interview, rising to one-third (32 per cent) if ETU receipt ceased. Only one-quarter (27 per cent) would see a gain in HB if they lost ETU and their net loss on average would be 86 per cent of their ETU. In contrast, nearly two - thirds (63 per cent) of couples in this group were eligible for HB at interview, rising to 92 per cent if ETU receipt ceased. Three-quarters (76 per cent) would see a gain in HB if they lost ETU and their net loss on average would be only 70 per cent of their ETU. However, this analysis is based on a small number of couples and the results should be treated with caution.

Older people had slightly more to gain from ETU than younger ones. Nearly half (44 per cent) of those aged under 45 were eligible for HB at interview, rising to 55 per cent if ETU receipt ceased. Half (47 per cent) would see a gain in HB if they lost ETU and their net loss on average would be only 78 per cent of their ETU. In contrast, less than one-third of those aged 45 or more (30 per cent) were eligible for ETU at interview, rising to 42 per cent if they lost ETU. Only one-third would see a gain in HB if they lost ETU (36 per cent) and their net loss on average would be 86 per cent of their ETU.

Women had slightly more to gain from ETU than men. Two-fifths of men were eligible for HB at interview, rising to 62 per cent if ETU receipt ceased. Half (51 per cent) would see a gain in HB if they lost ETU and their net loss would be 79 per cent of their ETU. However, just over one-third of women (36 per cent) were eligible for HB at interview, rising to 44 per cent if ETU receipt ceased. Only just over one-third (37 per cent) would gain HB if they stopped receiving ETU and their net loss on average would be 83 per cent of their ETU. Again, it should be noted that the analysis is based on a small number of male recipients.

Housing arrears and difficulties moving into work

Problems with housing costs were common among tenants in this sample. Nearly one-third of respondents paying rent (29 per cent) had rent arrears, whether or not they received HB, although only two per cent of those with a mortgage had fallen behind with payments (falling from one in 10 in 1997). Over half (55 per cent) of tenants and mortgage holders, that is one-quarter (24 per cent) of the whole sample, had experienced difficulties with housing costs in the past when moving into work. Forty-two per cent had, specifically, past experience of rent or mortgage arrears which they found difficult to pay when moving off benefit and into work. Such problems with unexpected rent arrears has traditionally been an area of difficulty reported by parents moving between IS and FC. This was specifically addressed by the introduction in 1995 of a four-week run-on of HB in work before in-work entitlement was re-assessed.

Those in Scheme A were more likely to have current rent arrears - one-third, compared with one-quarter (24 per cent) in Scheme B - as were those coming to ETU from unemployment (35 per cent).

The majority of those paying rent (69 per cent) knew that Housing Benefit could be available for working people - only one in 10 thought it was definitely not available. However, less than half the whole sample (43 per cent) knew this and Scheme B respondents were less likely to know (35 per cent, compared with 54 per cent in Scheme A). This could reflect the fact that only one-quarter of respondents living with their parents knew (27 per cent), which may have been another factor that deterred them from living independently.

2.3.3 Health

Table 2.7 refers to the health of the respondents in 1997 and 1999. Health problems are increasingly found among low-paid people in Britain though only 17 per cent of these respondents said they had a long-term illness or disability. However, among those reporting such problems, 71 per cent (12 per cent of all respondents) said this affected their work, that is their health problems placed limits on the amount or kind of work they could do or made it more difficult for them to get another job. This had risen from just over half (55 per cent) in 1997. Despite this, just seven per cent of those with a problem (one per cent of respondents) received disability benefit.

Respondents in Scheme A were more likely to have a long-term health problem (23 per cent, compared with 13 per cent in Scheme B), though this was not so among JSA entrants. It is likely that this reflects the difference between the two Scheme populations in terms of age - just eight per cent of under 25 year olds had a health problem, compared with 28 per cent of those aged 45 or more (Table 2.7).

Five per cent of respondents looked after someone else who was ill or disabled, and this was more common among those in couples, 10 per

cent of whom were carers, compared with four per cent of single people. However, among JSA entrants caring responsibilities were evenly spread between couples and single people.

Table 2.7 Health problems by age group of ETU recipients 1997 and 1999

Cell percentages

	16 - 24		25 - 34		35 - 44		45 - 54		55+		All	
	1997	1999	1997	1999	1997	1999	1997	1999	1997	1999	1997	1999
Has long-term illness or disability	11	8	16	17	25	22	26	29	23	27	18	17
Has health problem that affects work	5	5	10	14	14	14	15	21	15	22	10	12
Receives disability benefits	*	*	1	2	1	1	2	1	0	5	1	1
Unweighted base	*726*	*375*	*416*	*191*	*293*	*177*	*399*	*219*	*156*	*72*	*1990*	*1034*

Base: all respondents

2.3.4 Education and training

School attendance

Nearly all the respondents (81 per cent) had left school at the minimum school leaving age that applied at the time, a proportion ranging from three-quarters of 45-54 year olds to 89 per cent of 35-44 year olds. Over one-third of those aged under 25 (37 per cent) had experience of truancy in their final year at school. This rose to nearly half of those coming to ETU from unemployment (48 per cent).

All respondents were asked whether they had gone on to any other full-time education after leaving school or sixth form college. One-quarter (23 per cent) had done so (including one-fifth (21 per cent) of those who left school at the minimum age). This was strongly associated with age - 35 per cent of under 25s and 29 per cent of those aged 25-34 had done so, compared with less than 12 per cent of older groups.

Training courses

Since leaving school, one-third of respondents (35 per cent), including 44 per cent of men under 25, had been on a course designed to give them skills they might use in a job rather than a qualification. However, only one-third of young men coming to ETU from JSA had been on such a course. Prominent among these courses were Youth Training Schemes and office and business skills courses. Nearly one in 10 (nine per cent) had attended a government training scheme or Employment Service programme during the previous year, including 19 and 14 per cent respectively of men and women under 25. Not surprisingly, those coming to ETU from unemployment were more likely to have done so (23 per cent). One-quarter (23 per cent) of respondents (including 32 per cent of under 25s and specifically 35 per cent of men under 25) had begun but not completed a course that was meant to lead to a qualification. Four per cent of respondents had applied for a course but not been given a place.

Qualifications

Half the respondents (48 per cent) had a highest academic qualification at GCSE level (equivalent to O level and CSE level combined), but most of the other half (45 per cent of respondents) had no academic qualifications (Table 2.8). This rose to 84 per cent of people aged 45 or over whereas the vast majority of people aged under 25 (84 per cent) had some academic qualifications (Table 2.9).

Half the respondents (46 per cent) had vocational qualifications, more commonly younger respondents and those who also had academic qualifications - only 14 per cent of respondents had only vocational qualifications. Overall, nearly one-third of respondents (31 per cent) had no qualifications at all, a figure rising to around half or more among those aged 35 or over (Table 2.9).

Table 2.8 Educational qualifications of ETU recipients 1997 and 1999 by ETU area

Column percentages

	JSA entrants						All ETU recipients					
	Scheme A		Scheme B		All		Scheme A		Scheme B		All	
	1997	1999	1997	1999	1997	1999	1997	1999	1997	1999	1997	1999
Highest academic qualifications:												
Degree	5	5	3	3	4	4	4	2	2	1	3	1
A level	6	3	8	4	7	4	6	5	8	6	7	6
O level	23	23	24	20	24	21	22	20	29	23	26	22
CSE level	15	22	18	29	17	26	17	19	22	31	20	26
None	52	48	45	43	48	45	51	54	39	39	44	45
Vocational qualifications:												
Yes	45	54	48	44	46	48	44	44	48	48	46	46
No	55	46	52	56	54	52	56	56	52	52	54	54
Neither academic nor vocational qualifications#	36	29	29	34	32	32	38	38	27	25	32	31
Unweighted base	*488*	*204*	*464*	*197*	*952*	*401*	*1007*	*557*	*983*	*482*	*1990*	*1039*

Cell percentages

Base: all respondents

Respondents in Scheme A were less likely to have qualifications - 38 per cent had none, compared with one-quarter in Scheme B - and in particular, academic qualifications - over half (54 per cent) had none, compared with 39 per cent in Scheme B (Table 2.8). In particular, the proportion with no academic qualifications rose to 64 per cent in Newcastle and 57 per cent in Southend, and was at its lowest in Sunderland and Doncaster (39 and 33 per cent respectively). This is likely to be related to the high proportion of young people claiming ETU at the Scheme B rate, who were more likely to hold some lower-level school qualifications than older workers. However, this was not true of JSA entrants among whom Scheme B respondents were less likely to have

qualifications (34 per cent had none, compared with 29 per cent in Scheme A), particularly vocational ones (44 per cent, compared with 54 per cent) (Table 2.8).

Table 2.9 Educational qualifications by age group of ETU recipients 1997 and 1999

Column percentages

	16 - 24		25 - 34		35 - 44		45 - 54		55+		All	
	1997	1999	1997	1999	1997	1999	1997	1999	1997	1999	1997	1999
Highest academic qualifications:												
Degree	2	1	6	5	2	3	2	0	1	0	3	2
A level	10	9	7	4	4	4	4	1	3	5	7	6
O level	39	28	30	28	16	15	10	12	9	8	26	22
CSE level	33	46	27	29	8	11	2	3	0	0	20	26
None	16	16	30	35	70	67	82	83	87	87	44	45
Vocational qualifications:												
Yes	60	58	49	51	34	35	28	30	25	34	46	46
No	40	42	51	49	66	65	72	70	75	66	54	54
Neither academic nor vocational qualifications#	8	8	21	22	51	46	65	62	71	58	32	31
Unweighted base	*726*	*376*	*416*	*192*	*293*	*177*	*399*	*220*	*156*	*72*	*1990*	*1037*

Cell percentages

Base: all respondents

Literacy and numeracy

One in 10 respondents had problems with either literacy (seven per cent), or numeracy (one per cent), or both (two per cent) and such problems were not confined to a particular age-group. As a consequence, half of these respondents (49 per cent, or five per cent of all respondents) said that they found it difficult to write to an employer for a job, while over one-third (38 per cent) said it was difficult to get a promotion at work, and one-fifth (19 per cent) felt that it was difficult for them to cope with a job at all.

Respondents in Scheme B were less likely to have numeracy or literacy problems (seven per cent, compared with 14 per cent in Scheme A). Among JSA entrants, the proportions having literacy and numeracy related problems in their work and home life were higher among those who said they lacked these skills.

Driving licences

In almost every study of flows into work, having a driving licence is related to increased chances of people getting and keeping paid work, independently of other factors such as education and sex. Only half these respondents (48 per cent) had a driving licence and the same proportion had access to a vehicle for their own personal use.

Respondents in Scheme B were slightly more likely to have a driving licence or access to a vehicle (50 per cent, compared with 45 per cent), but only 38 per cent of those coming to ETU from unemployment had a driving licence and only 37 per cent had access to a vehicle. People with a partner were more likely to have regular access to a vehicle (68 per cent) than single recipients (42 per cent).

2.3.5 Employment

Nearly all the respondents (84 per cent) were still in work when they were interviewed (Table 2.10). Two per cent were in work of less than the 16 hours required for ETU eligibility. One in nine (11 per cent) had become unemployed since the sample was drawn and three per cent described themselves as ill or disabled at the time of their interview.

Respondents aged 45 or over were more likely than younger people to have remained in work of 16 or more hours - 90 per cent had done so.

One-fifth (19 per cent) of the (weighted) sample had come to ETU directly from unemployment (Table 2.10) and unlike in 1997 there were notable differences between these respondents and the others. Over one-quarter of those coming to ETU from unemployment were no longer in work of 16 or more hours (27 per cent) and one-fifth (19 per cent) were now unemployed.

Table 2.10 Work characteristics 1997 and 1999

Cell percentages

		Unweighted base	Still in work of 16+ hours	Entered ETU directly from JSA
All	1997	*1987*	88	18
	1999	*1037*	84	19
Single men:				
<25	1997	*320*	88	16
	1999	*144*	84	25
25-44	1997	*287*	85	32
	1999	*156*	80	29
45+	1997	*90*	78	26
	1999	*53*	89	33
Single women:				
<25	1997	*348*	88	11
	1999	*186*	84	15
25-44	1997	*279*	90	20
	1999	*150*	80	18
45+	1997	*253*	94	13
	1999	*145*	92	14
Couples:				
18-44	1997	*200*	87	18
	1999	*109*	76	18
45+	1997	*210*	95	17
	1999	*94*	90	15

Base: all respondents

Types of work

Virtually all of those working 16 or more hours (93 per cent) were employees and the remaining seven per cent were self-employed – just over half the self-employed proportion reported in the administrative data for September 1999. The self-employed are notoriously more difficult to find at home for an interview. Two-thirds of respondents (63 per cent) were single and employed for 16 or more hours per week, however only 54 per cent of those coming from unemployment fell into this category due to the higher proportion of single non-workers. Among couples, single earners outnumbered dual earners by more than 2:1, though in Scheme A this rose to more than 3:1. Dual earner couples, then, were 32 per cent of younger couples, 21 per cent of older couples, but only six per cent of recipients overall. Nearly one-fifth of respondents in dual earner couples were self-employed (18 per cent).

The vast majority of those still working 16 or more hours (90 per cent) had a permanent job, seven per cent had a temporary job and four per cent a fixed term job. However, less than three-quarters (71 per cent) of those coming from unemployment said they had a permanent job and over one-fifth (22 per cent) said their job was temporary. Men were less likely than women to have a permanent job, though still 84 per cent of them did so (up from three-quarters in 1997).

Most respondents (78 per cent - down from 85 per cent in 1997) worked in commercial firms and most of the remainder worked for local authorities. Sixty-one per cent worked for enterprises with 25 or fewer employees, 40 per cent for firms employing 10 or fewer, up from one-third in 1997. Only 14 per cent worked for large firms with more than 200 employees, but this compared with less than 10 per cent in 1997. Trade union membership was low at only one in 10, however among JSA entrants the figure was just four per cent.

Occupation

Employees' occupations (most recent in the case of those who were no longer working) were well-distributed across the range (Table 2.11). However, just five per cent described their work as managerial, professional or technical, while one-fifth provided protective or personal services (21 per cent).

Those living in Scheme B were roughly equally distributed among the non-managerial occupations. However, as many as one-quarter of those living in Scheme A areas were in protective or personal services, while just eight per cent worked in craft and related services.

Table 2.11 shows the wide variations in occupation by partnership status, sex and age. One-third of young single men were in craft jobs (34 per cent), while around the same proportion of men aged 25-44 (32 per

cent) and 45 or more (37 per cent) were plant or machine operatives. In contrast, single women were concentrated in protective and personal services (33, 23 and 31 per cent). Over one-quarter of young single women (28 per cent) were secretaries. Respondents with partners differed by age only on their propensity to work in sales – over one-fifth of those aged under 45 (22 per cent) did so, compared with just six per cent of those who were older.

Table 2.11 Employees' current or most recent occupation 1999

Column percentages

	Single						Couples		All
	Men			Women					
	<25	25-44	45+	<25	25-44	45+	<45	45+	
Managerial/professional/technical	6	2	[10]	5	4	2	6	4	5
Clerical and secretarial	12	9	[3]	28	11	4	18	18	15
Craft and related	34	8	[3]	2	6	7	10	13	11
Protective and personal services	11	7	[17]	33	23	31	13	15	21
Sales	10	12	[3]	21	18	20	22	6	16
Plant and machine operatives	13	32	[37]	3	6	6	19	18	12
Other	14	29	[27]	7	31	29	12	25	20
Unweighted base	*132*	*116*	*39*	*184*	*135*	*131*	*89*	*74*	*900*

Base: all employed and formerly employed respondents

Figures in brackets are calculated on a base of less than 50

This reflects large differences between the sexes and lesser variations among age-groups. Around twice the proportion of women compared to men were in clerical or secretarial jobs (18 and 10 per cent) and sales (21 and nine per cent), and the proportion of women in protective and personal services was almost three times that among men (28 and 10 per cent). Conversely, the proportions of men in craft and plant operative jobs were five times those among women (22 and four per cent had craft jobs, and 25 and five per cent had plant operative jobs). Under 25s were more likely than other age-groups to be in clerical and secretarial jobs (22 per cent) and craft jobs (14 per cent), and less likely to be plant or machine operatives (eight per cent).

Those recruited to ETU jobs from unemployment were more likely to be in managerial, professional or technical roles (14 per cent), considerably more likely to be in craft roles (38 per cent) and less likely to be plant and machine operatives (one per cent). It is likely that this is a reflection of the changing labour market. The availability of technical jobs is increasing, while the availability of plant and machine work is diminishing.

Hours of work

The average hours worked by those still in work of 16 or more hours were 30 per week (mean). This figure from the survey data was slightly higher than the 28 hours shown in the administrative data for September 1999.

Forty-four per cent worked part-time (16-29 hours per week) and 56 per cent worked full-time (30 or more hours per week) (Table 2.12). Men were more likely to be working full-time than part-time (68 per cent worked 30+ hours), especially young single men (83 per cent worked 30+ hours). Women, overall, were just as likely to be working part-time as full-time (52 and 48 per cent respectively), but only women aged 45 or more were *more* likely to be working part-time (66 per cent). Two-thirds of younger respondents in couples worked full-time, while only half (48 per cent) the older ones did so. Overall, 59 per cent of workers aged 45 or more worked part-time, while 70 per cent of the under 25s worked full-time.

Table 2.12 Full-time and part-time work 1999

Row percentages

	Unweighted base	16-29 hours	30+ hours
All working 16+ hours	*844*	44	56
Male	*378*	32	68
Female	*466*	52	48
Single men aged <25	*117*	17	83
Single men aged 25-44	*121*	51	49
Single men aged 45+	*42*	[44]	[56]
Single women aged <25	*151*	40	60
Single women aged 25-44	*120*	50	50
Single women aged 45+	*127*	66	34
Couples aged <45	*82*	34	66
Couples aged 45+	*84*	52	48
Has long-term illness or disability	*156*	53	47
Does not have long-term illness or disability	*688*	42	58
Has health problem which affects work	*108*	58	42
Has health problem which does not affect work	*48*	[43]	[57]

Base: all respondents still working 16 or more hours

Figures in brackets are calculated on a base of less than 50

Half of workers (49 per cent) worked 30-40 hours, with just 13 per cent working the minimum 16 hours (up from eight per cent in 1997) and eight per cent working more than 40. Only single men under 25 worked around the national average with 35 hours a week and one in 10 of them worked more than 40 hours (down from 15 per cent in 1997). Single women over 25 averaged only 26 hours a week and 16 per cent worked only the minimum 16 hours required by ETU rules. In general, the older the respondent, the fewer hours they worked.

Half of those in Scheme A were working part-time (49 per cent), while nearly two thirds of those in Scheme B (63 per cent) were working full-time. Respondents in Scheme B worked longer average hours than those in Scheme A - 31 compared with 28 (mean). More than half (55 per cent) in Scheme B worked 30-40 hours, compared with just 40 per cent in Scheme A, and a higher proportion in Scheme A worked the minimum 16 hours (17 per cent), compared with 10 per cent in Scheme B.

Those coming into ETU from unemployment were no more likely to work part-time or full-time than the recipients' sample overall, however they were less likely to work 30-40 hours (41 per cent) and more likely to work over 40 hours (14 per cent).

It would seem that shorter hours were also associated with poor health, though not among JSA entrants. Fifty-three per cent of respondents with a long-term illness or disability were working part-time, compared with 42 per cent of those in good health. Among those with a health problem, 58 per cent whose problem affected their work were part-timers, compared with only 43 per cent of those whose problem did not affect their work (however the unweighted base was small, Table 2.12).

There is little evidence of a tendency among respondents to move between full-time and part-time work as a result of claiming ETU, or that they were reducing their hours at all in response to wage supplementation. The vast majority of both groups (89 per cent of part-timers and 95 per cent of full-timers) said they had not changed their hours as a result of claiming. Only two per cent of those working full-time said they had increased their hours, while four per cent of part-timers said they had reduced their hours. Eight per cent overall had changed their hours as a result of claiming ETU. Responses of this kind were most common in Bournemouth and Southend where 13 per cent had increased their hours and five and three per cent had reduced them.

Pay

Leaving aside the self-employed, the average weekly net pay of those working 16 or more hours was £95.93 (mean), giving a net hourly rate of £3.38 (Table 2.13). These figures were higher than those in the administrative data for September 1999 of £88.72 per week and £3.33 per hour. However, the sample includes those who have passed out of eligibility for ETU since the sample was drawn (32 per cent of respondents) and whose wages tend to be higher (see Table 2.21 in Section 2.4.1). Table 2.13 shows that hourly wages had risen since 1997, no doubt in response to the introduction of the National Minimum Wage in April 1999, as well as to annual wage inflation.

Single men overall earned a similar amount to single women, typically £96 a week compared with £92, but they worked longer hours and

their net pay per hour was lower, ranging from £3.08 for the under 25s to £3.38 for 25-44 year olds (Table 2.13). These figures compared with between £3.21 and £3.59 for the women. (Note: some bases are small when the data is subdivided by sex, marital status and age). Recipients in couples earned more, as the ETU rules allowed, averaging £106 a week. This compared with £110.60 per week reported in the administrative data for September 1999. The official figures are gross earnings and our figures are net, but at these wage levels deductions for tax and National Insurance would be small.

The older the respondent, the smaller their average weekly pay, as a result of the hours they worked - under 25s took home £100 per week, compared with £90 among 45-54 year olds and £84 among those aged 55 or more. However, those aged under 25 had a relatively low rate per hour at £3.15.

Those employees coming to ETU from unemployment received very similar mean net weekly and hourly wages - £93.56 and £3.30 - for very slightly longer hours. Those respondents who had their job prior to the introduction of ETU earned on average £3 per week (or 13p per hour) more than those who got their job afterwards, which does not suggest that employers were pushing wages down in response to the new benefit.

Table 2.13 Employees' wages and working hours 1997 and 1999

		Unweighted base	Mean hours/ week	Mean wage/ week (£)	Mean wage/ hour (£)
All	1997	*1547*	31	85	2.86
	1999	*773*	29	96	3.38
Single men:					
<25	1997	*254*	36	86	2.49
	1999	*108*	35	106	3.08
25-44	1997	*209*	34	86	2.73
	1999	*96*	27	86	3.38
45+	1997	*52*	32	90	2.91
	1999	*38*	[28]	[81]	[3.14]
Single women:					
<25	1997	*280*	33	80	2.56
	1999	*151*	31	95	3.21
25-44	1997	*224*	27	80	3.08
	1999	*111*	27	97	3.52
45+	1997	*216*	25	78	3.16
	1999	*121*	24	85	3.59
Couples:					
18-44	1997	*141*	32	100	3.17
	1999	*75*	33	111	3.51
45+	1997	*171*	31	99	3.36
	1999	*73*	29	101	3.68

Base: Current employees

Figures in brackets are calculated on a base of less than 50

Those in Scheme B received higher mean net weekly wages than those in Scheme A - £102, compared with £87 - and these differences undoubtedly arose from the different benefit thresholds. Thus, those receiving ETU at Scheme B rates worked longer hours at similar average wage rates (£3.40 compared with £3.36) to achieve higher final earnings. Within Scheme B there was very little variation in mean reported earnings, however in Scheme A Newcastle and Southend residents averaged £80 and £85 per week respectively, compared with £91 and £95 in Castleford and North Wales (Table 2.14).

The tendency for young men to work longer hours at lower rates of pay per hour, compared with older women who work short hours for better rates, was part of a trade-off between hours and pay rates that the rules of ETU allowed. Those working the minimum 16 hours were paid £3.59 per hour net. In contrast, those working more than 40 hours a week got only £2.62 an hour, on average. Those working the more usual 30-40 hours a week averaged £3.14 an hour net.

Table 2.14 Employees' wages and working hours by ETU region 1997 and 1999

		Unweighted base	Mean wage/ week (£)	Mean wage/ hour (£)	Mean hours/ week
Newcastle	1997	*212*	77	2.86	29
	1999	*95*	80	3.45	25
Castleford	1997	*219*	82	2.78	31
	1999	*106*	91	3.29	28
Southend	1997	*158*	84	3.03	30
	1999	*91*	85	3.42	27
North Wales	1997	*175*	76	2.62	31
	1999	*109*	95	3.26	31
Sunderland	1997	*213*	90	2.84	32
	1999	*90*	102	3.39	31
Doncaster	1997	*221*	88	2.86	33
	1999	*102*	103	3.41	32
Bournemouth	1997	*153*	95	3.05	33
	1999	*86*	97	3.55	28
Perth	1997	*196*	88	3.16	30
	1999	*94*	102	3.34	31

Base: Current employees

Work satisfaction

Virtually all of those working 16 or more hours (91 per cent) said they liked their work and over two-thirds (69 per cent) said it was the kind of work they wished to continue with in the future (74 per cent in Scheme A, 67 per cent in Scheme B). Though this meant nearly one-third wished to change their occupation only one-fifth (21 per cent) were actively looking for a new job. This rose to 28 per cent among those coming from unemployment. Of this fifth, 60 per cent were looking for a particular job (64 per cent in A, 57 per cent in B) (up from 46 per cent in

1997). Again, those coming from unemployment were less likely to be looking for a particular job - 50 per cent.

Respondents aged 45 or older were more likely to be happy in their current occupation (78 per cent) than the other respondents, and they were less likely to be actively looking for a new job (13 per cent).

Target and acceptance wages

The average target wage of these 'job-seekers' was £164.44 for 38 hours (£185 for a 39 hour week for men and £150 for a 37 hour week for women). These compared with £160 for a 40 hour week for men and £125 for a 39 hour week for women in 1997. However, 83 per cent thought it would be difficult to get this and over half (57 per cent) thought they would have to take a job paying less (though not by so much as in 1997). On average they would accept £132.38 for a 34 hour week (£141 for 37 hours for men and £127 per 33 hour week for women). Again, this compares with £100 for a 39 hour week for men and £90 for a 35 hour week for women in 1997.

Scheme B respondents had a higher acceptance wage than those in Scheme A - £135 for 35 hours compared with £128 for 34 hours. In comparison, those coming from unemployment were prepared to work longer hours for less money. Their target wage was £159.50 for 39 hours, but as many as 90 per cent of them thought it would be difficult to get that wage and two-thirds (65 per cent) thought they'd have to take a job paying less. Their acceptance wage was £126 for 35 hours, that is lower wages for slightly longer hours.

Work history

Since 1993, respondents had on average spent just over two-thirds (69 per cent) of the period in work and 13 per cent claiming unemployment benefit (Table 2.15). However, the large majority (63 per cent) had not been claimant unemployed at all during this time (and the median percentage was zero).

Table 2.15 Differences in ETU employment by area 1997 and 1999

Cell percentages

			Mean proportion of period since 1991/93 in:	
		Unweighted base	Employment	Claimant unemployment
Scheme A	**1997**	***1007***	**65**	**15**
	1999	***557***	**68**	**16**
Newcastle	1997	*281*	61	15
	1999	*135*	62	19
Castleford	1997	*286*	65	16
	1999	*154*	74	14
Southend	1997	*216*	69	15
	1999	*111*	73	18
North Wales	1997	*224*	66	12
	1999	*157*	69	13
Scheme B	**1997**	***983***	**69**	**11**
	1999	***482***	**69**	**10**
Sunderland	1997	*269*	66	10
	1999	*123*	67	10
Doncaster	1997	*283*	71	12
	1999	*130*	71	9
Bournemouth	1997	*194*	62	13
	1999	*113*	73	15
Perth	1997	*237*	77	9
	1999	*116*	71	11
All	1997	1990	67	13
	1999	1039	69	13

Base: all respondents

There was little difference between the two Scheme areas, A and B, in relation to time spent in work, although respondents in Newcastle had spent a smaller proportion of this period working (62 per cent) compared to other regions (Table 2.15). However those in Scheme A had on average spent longer in claimant unemployment (16 per cent, compared with 10 per cent in Scheme B), perhaps due to those in Scheme B being relatively young. Respondents in Newcastle and Southend had spent a particularly long time unemployed (19 and 18 per cent of this period) (Table 2.15).

Not surprisingly, JSA entrants had spent less time in work and more time claiming unemployment benefit than respondents overall. On average, they had been in work for just half (51 per cent) of this period and claimant unemployed for more than one-quarter (27 per cent). There was little difference between Scheme A and Scheme B in these respects, however those in Castleford had spent longer on average in work (60 per cent) and those in Southend had spent less time in work (40 per cent) and considerably more in claimant unemployment. In fact, on average, they had spent more time claiming unemployment benefit (52 per cent) than working.

2.3.6 Financial situation

Problem debt

One-quarter of respondents had problem debt (see Appendix A), 13 per cent having one such debt and 12 per cent having more. Eight per cent were behind with payment for one bill[6], and one in 10 were behind with more than one bill. Seven per cent were behind with repayments on one loan, and two per cent were behind with repayments on more than one.

Those in Scheme A areas were more likely to have problem debt - 31 per cent compared with 21 per cent in Scheme B (though the difference had narrowed from 50 per cent in 1997) - and more likely to have more than one problem debt (17 per cent compared with eight per cent). In two Scheme A areas, Newcastle and Castleford, around one-fifth (20 and 19 per cent) reported two or more problem debts (twice the average), and one-third (35 and 34 per cent) had at least one such debt. This was more than twice the proportion in Doncaster or Bournemouth. Scheme A respondents were more likely to be behind with bills (24 per cent, compared with 12 per cent in Scheme B), most likely reflecting the greater proportion of Scheme B respondents who lived in their parents' home. (Just 14 per cent of respondents aged under 25 had problem debt, compared with one-third of those aged 45 or more.)

Financial anxiety and managing

One-third (34 per cent) had recently been worried about money almost all the time (Table 2.16). Over half (55 per cent) reported that they got by alright but 15 per cent had some financial difficulties or were in deep financial trouble.

The proportions reporting that they worried about money 'almost all the time' were above a third in all areas except Scheme B areas Perth (29 per cent) and Doncaster (27 per cent). Scheme A respondents were also slightly more likely to report that they had financial difficulties or were

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[6] Includes bills for electricity, gas, other fuel, Council Tax, insurance policies, telephone, television/video rental/HP, other HP, and water charges.

in deep financial trouble (19 per cent compared with 12 per cent) (Table 2.16) - in North Wales the proportion managing poorly was closer to a third (32 per cent). Again this is likely to be related to living arrangements and hence age - nearly half of older respondents (43 per cent) worried about money almost all the time, compared with just 29 per cent of young respondents.

Table 2.16 Financial situation of ETU recipients by ETU area 1997 and 1999

Column percentages

	Scheme A		Scheme B		All	
	1997	1999	1997	1999	1997	1999
How often have you been worried about money during the last few weeks?						
Almost all the time	33	36	26	33	29	34
Quite often	24	22	22	21	23	22
Only sometimes	27	27	35	29	32	28
Never	16	15	16	17	16	16
Taking everything together, which of these phrases best describes how you are managing financially these days?						
I manage very well	5	3	3	3	4	3
I manage quite well	19	18	20	19	20	18
I get by alright	49	52	60	58	56	55
I don't manage very well	11	9	6	9	8	9
I have some financial difficulties	12	15	9	8	10	11
I am in deep financial trouble	4	4	1	4	2	4
Unweighted base	*1007*	*554*	*983*	*482*	*1990*	*1036*

Base: all respondents

Hardship

A counter-intuitive finding in Family Credit research was that eligible non-recipients were better off than recipients, despite having less income at the point of interview (Marsh and McKay, 1993). They were consistently about half as likely as recipients to experience 'severe hardship' (see Appendix A for an explanation of the Family Credit hardship measure referred to here). Given their more favourable social profile (for example better-educated, home-owning couples earning more than the recipients earned) this was not too surprising. It followed that eligible non-recipients had enjoyed higher trend income. This had allowed them to accumulate more of the stocks of consumer durables and other resources that supported their living standards and to avoid debt during what often turned out to be a temporary stay in the lowest income stratum.

A new hardship measure was constructed for the current study (see Appendix A). Half the respondents in this sample (49 per cent) experienced little or no hardship, while 29 per cent were in severe hardship

(Table 2.17). Receiving ETU did not appear to make any difference to the welfare of those households which were still eligible for ETU, although the number of eligible non-recipients was very small and this should be treated with caution (Table 2.18). However, those households which had passed out of eligibility and had no one in work at the time of interview were considerably worse off on this measure - half (48 per cent) were in severe hardship. Conversely, those who had passed out of eligibility but still had income from earnings were better off than the other groups - 58 per cent experienced little or no hardship.

Table 2.17 Hardship by partnership status, sex and age 1999

Column percentages

	Single						Couples		All
	Men			Women					
	<25	25-44	45+	<25	25-44	45+	<45	45+	
No hardship	33	30	28	36	18	17	12	15	25
Little hardship	28	18	30	25	28	21	24	20	24
Some hardship	20	19	18	21	22	26	23	26	22
Severe hardship	19	33	25	18	32	36	42	39	29
Unweighted base	*144*	*156*	*53*	*186*	*150*	*145*	*109*	*94*	*1037*

Base: all respondents

Hardship also varied by partnership status, sex and age (Table 2.17). Single men and women aged under 25 were less likely to be in hardship than others (61 per cent experienced little or no hardship), probably because of the high proportion who were living in their parents' home. Older single men were also less likely than single women over 25 and couples to be in hardship, though the base for this group was very small. Couples were particularly badly off. Just 36 and 35 per cent experienced little or no hardship, and as many as 42 and 39 per cent were in severe hardship. Overall, only two-fifths of older respondents avoided hardship, compared with 57 per cent of young people.

Table 2.18 Hardship by household eligibility for ETU and work status 1999

Column percentages

	Eligible recipient	Eligible non-recipient	No longer eligible: in-work	No longer eligible: out-of-work	All
No hardship	22	23	32	19	24
Little hardship	24	29	26	23	25
Some hardship	26	23	17	10	22
Severe hardship	27	26	25	48	30
Unweighted base	*548*	*85*	*173*	*166*	*972*

Base: all households

These differences may explain why one-third of Scheme A respondents were in severe hardship (34 per cent), compared with one-quarter in Scheme B as Scheme A had fewer young respondents (Table 2.19). There was little variation within Scheme A areas, although North Wales respondents had been less successful at avoiding hardship than the other regions. However Bournemouth and Doncaster had smaller proportions in hardship than the other two Scheme B areas, and the proportion in Doncaster in severe hardship was half that in Sunderland and Perth.

Differences between JSA entrants and the rest were minimal with regard to their financial situation, however they were slightly more likely to be in severe hardship (34 per cent) than the overall proportion of 29 per cent.

Table 2.19 Hardship by partnership status and ETU area 1999

Column percentages

	Scheme A			Scheme B		
	Single	**Couple**	**All**	**Single**	**Couple**	**All**
No hardship	26	11	23	29	16	26
Little hardship	22	26	23	27	19	25
Some hardship	19	24	20	23	24	23
Severe hardship	33	40	34	22	41	25
Unweighted base	*440*	*115*	*555*	*394*	*88*	*482*

Base: all respondents

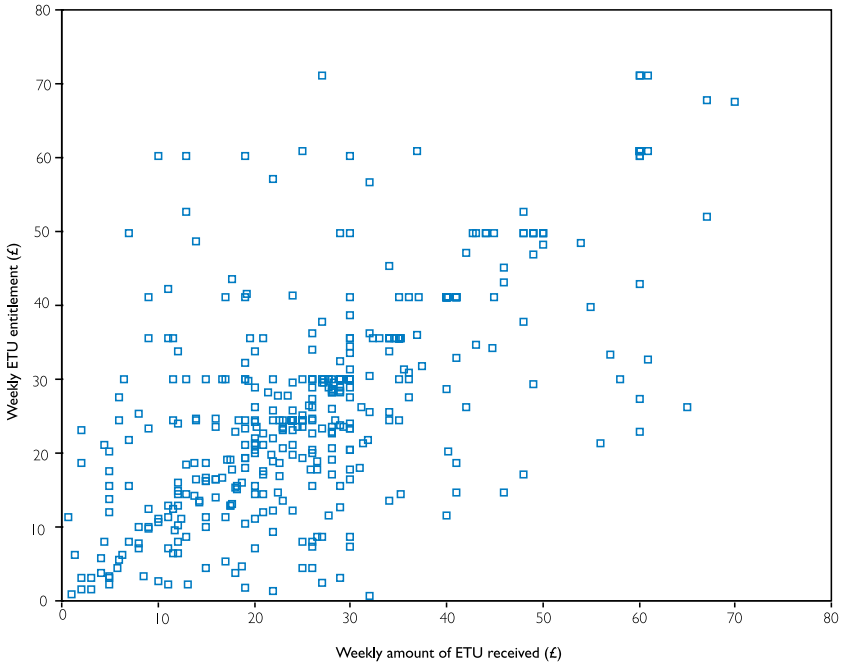
2.4 Claiming ETU

2.4.1 Continued eligibility for ETU

Calculated eligibility

ETU awards were made for six-month periods and therefore a change in respondents' circumstances did not immediately affect the amount of ETU they received (Figure 2.1). Respondents continued to receive ETU until the end of the six-month claim even if they were no longer working and just three-quarters of those who were still receiving ETU remained eligible (77 per cent).

Figure 2.1 ETU entitlement (among those eligible at interview) and receipt (among those in receipt at interview) 1999



One-third (32 per cent) of the respondents were calculated to have become ineligible for ETU by the time they were interviewed (up from 22 per cent in 1997), however four per cent of respondents were ineligible Scheme A residents who would still have been eligible under Scheme B rules. (A greater proportion of respondents in Scheme A had become ineligible (nine per cent), however they would all have been eligible under Scheme B rules.) Three-quarters of respondents aged 45 or more remained eligible at interview, compared with only 58 per cent of those aged under 25, and a much higher proportion (43 per cent) of JSA entrants were calculated to have become ineligible than respondents overall (up from 36 per cent in 1997).

Over half (56 per cent) of those who were ineligible had already stopped receiving ETU (up from 42 per cent in 1997), and this rose to 64 per cent of JSA entrants.

Receipt of ETU at interview

Around one-quarter (27 per cent) of respondents said they and their partner were no longer receiving ETU when they were interviewed (up from 16 per cent in 1997), but this rose to 36 per cent among JSA entrants. The sample was drawn in April so this represents a rapid rate of departure. However, almost one-third of those who had ceased to receive ETU were still eligible to do so (31 per cent) (down from 37 per cent in 1997). This figure was only 22 per cent among JSA entrants. Thirteen per cent of those who remained eligible were no longer receiving ETU (up from seven per cent in 1997).

The eligible non-recipients were not asked why they had ceased to receive ETU and the small size of the group (unweighted n=85) makes further analysis to uncover the reasons unwise. A discussion of the reasons for non-take-up is given in Chapter 4, based on eligible non-recipients in the low-paid workers samples. However, the group focused on in the current chapter are set apart from the majority of eligible non-recipients by dint of being *ex*-recipients, and it cannot be assumed that the explanations for lapsed receipt are the same as those for entitlement which has not so far been taken up.

Non-eligible respondents

Table 2.20 shows the economic status of respondents who were calculated as being no longer eligible for ETU at the time of their interview, by ETU area and gender. Half of those no longer eligible for ETU were no longer in work of 16 or more hours per week (48 per cent). One-quarter were unemployed and claiming benefit (up from six per cent in 1997), while eight per cent were ill or disabled and five per cent were working less than 16 hours. Compared with 29 per cent in 1997, just one person said he was on a Government training scheme in 1999 as such schemes had by then ceased to run.

Men were slightly more likely than women to be unemployed and claiming benefit (28 compared with 23 per cent). A slightly larger proportion in Scheme B had ceased work of 16 or more hours (51 per cent, compared with 45 per cent) and they had, for the most part, become claimant unemployed. However, this gap was smaller than in 1997. The lower earnings thresholds in Scheme A would have taken workers out of ETU eligibility at lower wages than in Scheme B. As many as two-thirds (64 per cent) of ineligible JSA entrants had ceased work of 16 or more hours and over one-third were unemployed and claiming benefit (35 per cent), while one in 10 was ill or disabled.

Those who were ineligible but remained in work of 16 or more hours per week had most likely moved out of eligibility due to a rise in their weekly income. In some cases this rise would have resulted from becoming a dual earner household. Seventeen per cent of those who had become ineligible but were still working 16 or more hours had a partner who also worked these hours, compared with an overall figure of only seven per cent among all those working 16 or more hours.

Table 2.20 Economic status at interview of respondents calculated as no longer eligible for ETU by gender and ETU area 1997 and 1999

Column percentages

	Men		Women		Scheme A		Scheme B		All	
	1997	1999	1997	1999	1997	1999	1997	1999	1997	1999
Working 16+ hours / week	47	52	51	52	54	55	43	49	49	52
Working <16 hours / week	2	7	10	3	6	7	7	3	6	5
Unemployed and claiming benefit	6	28	6	23	5	23	7	28	6	25
Ill-health or disability	1	8	2	8	2	6	2	9	2	8
Full-time education	3	0	10	2	5	0	7	3	6	1
Government training scheme	41	1	18	0	26	1	31	0	29	*
Other	*	6	3	11	2	8	3	9	2	8
Unweighted base	198	177	230	177	222	212	210	142	432	354

Note: * <0.5 per cent

Base: all respondents no longer eligible for ETU at interview

Most continuing workers who moved out of eligibility would have done so as a result of a rise in weekly wages. Table 2.21 shows that ineligible 16+ workers were paid considerably more per week, on average, than those who remained eligible.

It is likely that some of them experienced this rise in wages due to the introduction of the National Minimum Wage (NMW) in April 1999. It was noted in Chapter 1 that there was a decline in the ETU caseload after its introduction and that this decline was predominantly among young single people, suggesting that NMW increased wages among this group and pushed many out of eligibility for ETU (Section 1.3.1). Consistent with this, among the group in the sample who were no longer eligible but who were still employed 16 or more hours per week, single men under 25 were disproportionately represented. They were 20 per cent of ineligible 16+ hours employees, but only 15 per cent of 16+ hours employees overall.

However, it is probable that many people increased their weekly wages independently of NMW. Table 2.20 shows that half (49 per cent) of the respondents who had become ineligible by interview in the 1997 study, two years prior to the introduction of NMW, were still working 16 or more hours and were thus likely to have become ineligible by virtue of a pay increase. The equivalent 1999 proportion was very similar (52 per cent). Furthermore, when ineligible respondents still employed for 16 or more hours were asked whether NMW had affected their rate of pay per hour, only 29 per cent said that it had.

Table 2.21 Average weekly wages and hours worked by calculated eligibility for ETU of working respondents 1997 and 1999

	Men				Women			
	Eligible		Ineligible		Eligible		Ineligible	
	1997	1999	1997	1999	1997	1999	1997	1999
Mean weekly wage (£)	83	85	124	140	78	86	115	123
Mean hours worked per week	37	31	39	38	30	27	35	34
Unweighted base	*566*	*272*	*86*	*89*	*875*	*364*	*117*	*88*

Base: all respondents still working 16+ hours

2.4.2 The experience of claiming

Unsuccessful claims

Just under one in 10 (nine per cent) respondents no longer receiving ETU had applied for ETU and been turned down (down from about a fifth in 1997), the vast majority of them only once. Most were informed that they had too much income.

Reasons for claiming and delaying a claim

Three-quarters of respondents had claimed as soon as they first thought they might be able to get ETU, but half of those who delayed had delayed by two months or more. As has been found with FC, this indicates that much non-take-up of benefits among eligible respondents in cross-section surveys is attributable to delays in claiming, with those who delay either claiming eventually or moving quickly out of eligibility.

Recipients in Newcastle were less likely to let time pass before claiming while those in the Scheme B areas were more likely to do so (Table 2.22). Respondents aged under 25 were slightly more likely to have delayed than other age-groups (30 per cent). As many as 85 per cent of JSA entrants had applied immediately and only 14 per cent had waited two months or more.

The reasons given by those delaying their claim were mainly uncertainty - 38 per cent were not really sure they would be entitled to ETU - but 22 per cent said that they had been unaware of ETU at time they delayed (down from 30 per cent in 1997). JSA entrants were more likely to say they had delayed for no particular reason (19 per cent) and less likely to have done so because they were unsure of their entitlement (24 per cent).

Nearly half the respondents said their main reason for applying for ETU had been that they had just found out about it (46 per cent), while one-quarter (23 per cent) cited a fall in wages and one-fifth (19 per cent) that they had just got a new job.

Those in Scheme A were slightly less likely to say it was because they were earning less money (19 per cent compared with 27 per cent in

Scheme B). JSA entrants were most likely to say that getting a new job had prompted their claim (40 per cent), while 32 per cent cited finding out about ETU and 23 per cent a fall in wages. JSA entrants in Scheme A were more likely to say they had just found out about it (36 per cent compared with 28 per cent in Scheme B) and less likely to cite a new job (34 per cent compared with 45 per cent).

Table 2.22 Delays in claiming ETU by ETU area 1997 and 1999

Row percentages

			When put in claim for ETU	
		Unweighted base	As soon as aware	Let time pass
Scheme A areas				
Newcastle	1997	*281*	67	33
	1999	*135*	85	15
Castleford	1997	*286*	81	19
	1999	*154*	74	26
Southend	1997	*216*	76	24
	1999	*111*	80	20
North Wales	1997	*224*	80	20
	1999	*157*	72	28
Scheme B areas				
Sunderland	1997	*269*	74	26
	1999	*123*	70	30
Doncaster	1997	*283*	75	25
	1999	*130*	77	23
Bournemouth	1997	*194*	73	27
	1999	*113*	79	21
Perth	1997	*237*	77	23
	1999	*116*	72	28

Base: all respondents

Sources of information about ETU

Sources of information prompting ETU claims divided broadly into three categories: media, professional, and informal sources, however unlike in 1997 the media hardly figured in respondents' answers. This was not surprising, given that the official advertising had been withdrawn in the spring of 1997. Thirty-six per cent of respondents had been told about ETU in a DSS office or Jobcentre, 22 per cent by friends or neighbours, 15 per cent by workmates, and 10 per cent by relatives (Table 2.23). However, 60 per cent of JSA entrants had heard from the first of these sources, 13 per cent from friends or neighbours and 10 per cent from workmates, whereas in 1997 very few had had any information from informal sources.

Newspaper and magazine advertisements were more often cited by those in the oldest age-group (eight per cent, compared with less than one per

cent in other age groups). However, older respondents were less likely to give workmates as a source (10 per cent, compared with 15 and 18 per cent in other age groups). Word of mouth was most important among the under 25s – nearly one-third said they had heard from friends and neighbours (30 per cent), 16 per cent had heard from relatives, and only one-quarter (26 per cent) had been told in a DSS office or Jobcentre.

Informal word of mouth was particularly important in Sunderland, which had the highest take-up of ETU across the pilot period (Section 1.3.2). It showed relatively high proportions hearing about ETU through friends (29 per cent), workmates (23 per cent) and relatives (13 per cent). Only one-fifth of respondents in Sunderland (21 per cent) said they had been told about ETU in the Jobcentre or DSS office. This was less than half the proportion in most other regions, for example 44 per cent in nearby Newcastle which had a similar proportion coming to ETU from JSA as Sunderland. Respondents in Scheme B areas overall more often cited informal sources than those in Scheme A (though the proportions coming to ETU from JSA were similar). This word of mouth information would have been facilitated by Scheme B's higher density of eligible workers in the smaller geographical areas, compared with Scheme A.

Very few people had had trouble filling in the forms (eight per cent). However, as with FC recipients, there was a low level of knowledge of the rules of the benefit. Only two per cent could identify the withdrawal rate of 70p in the pound from a prompt card and just 59 per cent could give 16 hours as the minimum required to qualify. Those aged under 25 were slightly less likely than the other age-groups to be able to give the 16 hours minimum (52 per cent).

2.5 Did ETU make a difference?

2.5.1 Awareness of ETU

Only half of employees and former employees who entered work post-ETU recalled that when they took the job they had been aware that they might qualify for ETU (up from 43 per cent in 1997) - 29 per cent of all respondents (Figure 2.2). Of these only two-fifths (40 per cent) had an idea of how much ETU they might be entitled to - just 17 per cent of all employees recruited post-ETU. Just over half of the amounts they gave in reply were accurate (56 per cent) (down from 67 per cent in 1997).

The youngest respondents were considerably less likely to have been aware of ETU when they took their job (40 per cent) than other age-groups. However, among JSA entrants over two-thirds (68 per cent) had been aware that they might qualify for ETU, those living in Scheme B areas being better informed in this respect than those in Scheme A (72 per cent compared with 61 per cent).

2.5.2 Wage offers

Among the already small proportion who had been aware of ETU when they accepted their job, just over half (56 per cent - up from 43 per cent in 1997) said they would still have been able to accept the wages offered without the prospect of ETU. This figure was higher in Scheme B (60

per cent) than Scheme A (50 per cent). Nearly three-quarters of respondents under the age of 25 would still have taken the job (71 per cent), presumably because they tended not to need so much income as older people as most lived in their parents' home.

Of the remainder, 57 per cent felt they would have turned down the job altogether (down from two-thirds in 1997), while 43 per cent would have had to ask for longer hours (up from one-third in 1997). Those in Scheme A were more likely to have turned the job down (64 per cent compared with 50 per cent in Scheme B), probably because they were on average working for lower wages.

Table 2.23 Source of information about ETU by region 1999

Column percentages (multiple response)

	Scheme A areas					Scheme B areas			All
	Newcastle	Castleford	Southend	N.Wales	Sunderland	Doncaster	Bournemouth	Perth	
Told in DSS office/Jobcentre	44	44	48	39	21	42	53	24	36
Friends, neighbours	14	20	8	17	29	25	18	33	22
Workmates	8	10	3	6	23	25	3	12	15
Relatives	9	8	8	9	13	8	5	14	10
Employer	3	2	3	6	4	6	3	1	4
Publicity display in Jobcentre	5	5	2	3	3	0	10	2	4
Newspaper, magazine advert	1	4	9	5	2	0	0	7	3
Advert not TV, radio, newspaper/magazine	2	1	4	2	2	1	1	3	2
Leaflet through door	3	0	2	2	*	0	1	3	1
Letter from DSS addressed to you	0	2	4	3	0	0	1	2	1
Welfare rights worker	1	0	4	0	0	*	0	3	1
TV adverts	0	*	0	1	0	2	0	2	1
Article in newspaper/magazine	0	1	0	0	0	1	1	0	*
Citizen's Advice Bureau	1	0	2	1	0	0	0	0	*
Item on radio	2	0	0	0	0	0	0	0	*
Item on TV	1	1	0	0	0	0	0	0	*
Radio adverts	0	0	0	0	0	0	0	1	0
Other	11	10	8	13	7	2	6	1	8
Unweighted base	*133*	*153*	*105*	*146*	*122*	*113*	*111*	*79*	*962*

Base: all respondents

The people who felt that they could *not* have accepted their wage offer without the prospect of ETU were asked to guess how much they would have had to have been offered before they could have accepted their job on the basis of wages alone. On average, in 1999, ETU was worth £25 a week to employee recipients and earnings were around £88 per week in ETU jobs. If members of this sub-set of recipients were similar in most respects to the others, their answers to the question ought to average about £113 a week. In fact, the average estimate was £118 a week but the range was large. The gap between the wage thought necessary in the

absence of ETU and the wage earned when interviewed averaged £39. However, if these estimates were given as gross wage figures, with approximate reductions for income tax and National Insurance contributions, the individual average wage-gap is reduced to £30 a week, close to the £25 a week actually made up by ETU. This implies that, among the minority who actually thought about it, and who also made a pragmatic choice between accepting a job with ETU and perhaps not working at all at that time, a fairly accurate financial estimate was made. The trouble with such a conclusion is that while the averages look fairly persuasive, the range was very wide.

In addition, less than one-third of those recruited since the start of ETU and who had been aware of it had discussed it with the employer at the time (31 per cent). Among this minority, four-fifths had brought the subject up themselves (78 per cent). So if employers had been bidding down their wage offers in response to their recruits' new opportunity to claim ETU, only a small handful of them felt it an advantage to discuss such a bargain directly with their job applicants, at least as ETU recipients recalled the event. Among JSA entrants, slightly more (38 per cent) had discussed it with their employer. They were just as likely to have raised the subject themselves, however the unweighted base for this sub-group was just 69 and this point should be treated with caution.

2.5.3 The impact of ETU

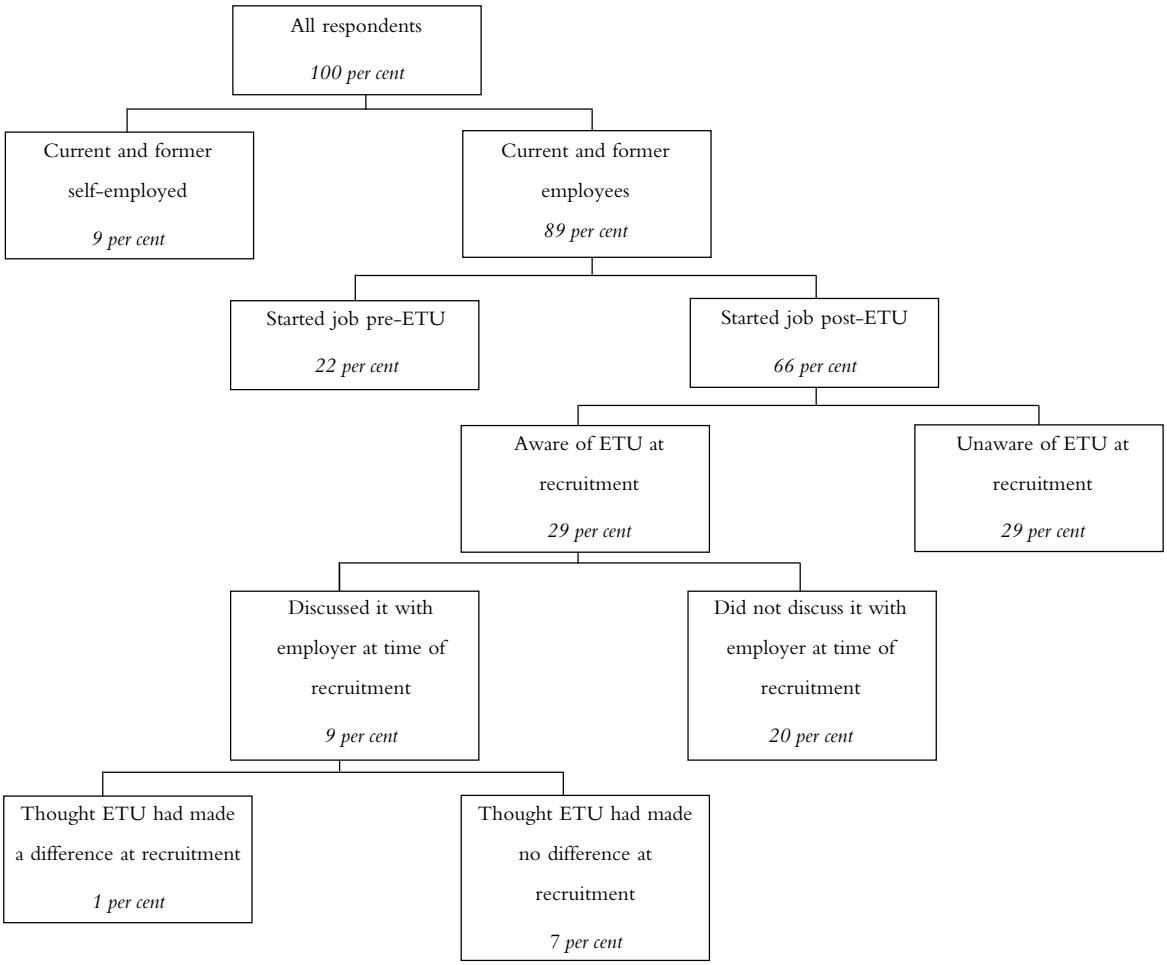
Post-ETU recruits who had been aware of ETU and had discussed it with the employer during the recruitment process (nine per cent of all respondents) were asked: *'Do you think you got the job because you could also get ETU or did this make no difference?'*. This wording allowed for the possibility that the respondent might have been indifferent to ETU but thought the new employer might have been prompted to offer work at low wages knowing that ETU was available to new recruits. Fifteen per cent (down from one-fifth in 1997) felt that ETU had made a difference – two per cent of all those recruited post-ETU introduction and one per cent of all respondents (Figure 2.2). However, among JSA entrants (who had been aware of ETU and discussed it with their employer) this rose to 21 per cent of those asked. (The unweighted base for these JSA entrants was just 71 and this point should be treated with caution).

Respondents who were still working 16 or more hours and still in receipt of ETU were asked what they would do if they could no longer get ETU. Half (50 per cent, compared with 55 per cent in 1997) said they would continue in their current job, 41 per cent said they would try to get a different job, and six per cent said they would cease working altogether. Of those who would continue in their present job, half would ask their employer for more money or longer hours (48 per cent).

Less than one-third of those aged 45 or more said they would try to get another job, compared with 43 per cent of under 25s. Conversely, one in 10 of the older group said they would stop work for a while, compared

with just two per cent of the youngest respondents. Those in Scheme A were also slightly more likely to say they would stop work (nine per cent) than those in Scheme B (four per cent), which is not surprising, since those in A areas were typically collecting lower earnings, which would be less viable in the absence of a supplement.

Figure 2.2 Awareness and impact of ETU at recruitment



Finally, all the current recipients were asked how they felt they would manage financially without ETU and those no longer receiving it were asked how they would have managed without it. Nearly three-quarters (72 per cent) said they would only manage if they cut back a lot or they couldn't manage at all. Just five per cent said they could manage without cutting back.

Scheme B respondents were slightly more confident of managing without ETU than those in Scheme A. Nearly one-third (30 per cent) of them felt they could manage without cutting back at all or just a little, compared with 25 per cent in Scheme A. Again, this is not surprising since Scheme B respondents had higher average weekly earnings. However, it is also likely to have been influenced by the higher proportion of young single people in Scheme B (43 per cent compared with 26 per cent). The

proportion who could not have managed was strikingly lower among single people under the age of 25, most of whom would fall back on the support of their parents' home. People who came in from JSA were just as likely to say they could not manage as others, as were those who had started their job *before* the introduction of ETU.

It is probable that, like most people, many ETU recipients adjusted their expenditure to increases in their income fairly rapidly, and then came to depend on the new level. Others may have been using the extra income from ETU to repay debts they had accumulated before ETU was available. But the extent to which they financially needed the benefit is in contrast with the lack of evidence for any real influence exerted by ETU in easing people into jobs. If all those entering jobs after the introduction of ETU said they could not do without it, and all those entering jobs before it said that they could manage, then this would be clear evidence that ETU was capturing a new group of workers for whom the supplement had made a real difference. But the gap is too small: pre- or post-ETU worker, the majority seem to find ETU indispensable.

2.6 Summary

A small majority of the sample were women and ETU receipt was concentrated among young and single people. Half had no formal housing costs as many lived in their parents' home. ETU counted as assessable income for Housing Benefit (HB) claims, but there seemed little conflict - a minority were tenants and few eligible recipients would gain in HB if they ceased to receive ETU.

Health problems were fairly rare, but levels of education and training were low. Half had only basic academic qualifications, but almost one-third had no qualifications of any kind. Eleven per cent were unemployed at interview, but almost all those still working had a permanent job, though very few were managerial, professional or technical. Just under half worked part-time, but very few had changed their hours as a result of claiming ETU.

ETU had not eliminated financial problems. Those working 16 or more hours managed better than those out-of-work, but those in working households which had raised their income above ETU thresholds were better off than the rest.

One-third had moved out of eligibility by their interview, and 13 per cent of eligible respondents were non-recipients. Of those no longer eligible, half were no longer in work, but the remainder worked longer hours for higher pay than those who remained eligible. Delays in claiming were fairly rare and most delay was caused by uncertainty. The most common reason for applying for ETU was finding out about it. Word of mouth was a very important source of information about ETU, though over one-third had been told by an official. However, knowledge levels regarding the rules were low.

Half of those taking their job since ETU's introduction had been aware that they might qualify. Of these, just over half would have accepted the job at the wages offered without ETU. Of the remainder, 43 per cent would have asked for longer hours. A small minority of the few who discussed it with their employer at the time felt ETU had made a difference to their getting a job, and very few working recipients would stop work if they ceased to get ETU while half would continue their present job, though half of those would want more money or hours. However, nearly three-quarters of respondents felt that without ETU they would have had to cut back or could not have managed at all, and those who started their job before its introduction were just as likely to find it indispensable.

3 THE IMPACT OF EARNINGS TOP-UP ON WORKERS-IN-WORK

3.1 Introduction

The surveys carried out for the evaluation of the Earnings Top-up pilot included the first large-scale surveys carried out in Britain of the lowest-paid workers living in 12 of the lowest-paid areas. For this reason alone they are a valuable resource. Their purpose in the ETU evaluation project was:

- to show who among the lowest-paid might benefit from ETU;
- to estimate the take-up rate among those eligible for the benefit;
- to investigate why some eligible workers failed to claim their benefit;
- to estimate whether ETU helped low-paid workers remain in jobs longer than is typical of the lowest paid.

This chapter will deal with the first two questions - the customer base for ETU among workers and the take-up rate. The next chapter will deal with non-take-up among workers eligible for ETU and the following Chapter 5 will deal with the question of job retention.

3.2 The samples of 'workers-in-work'

Four surveys of workers-in-work were carried out in each of the 12 pilot and comparison areas. The first interviewed a large sample of workers (2363 of them) in 1996 in the months prior to the introduction of ETU. The second and third surveys re-contacted the 1996 respondents in 1997, when they were interviewed again, and in 1998 when they were asked to complete a postal questionnaire or in some cases were contacted by telephone. The fourth survey interviewed a new cross-section sample of workers (n=1582), similar to the 1996 survey.

The method of sampling for the workers-in-work survey involved use of the National Insurance records to select from each area a sample of people of working age whose reported earned incomes were between £30 and £180 a week. Comparison with other records allowed the removal of those claiming Incapacity Benefit and Child Benefit, either of which would have disqualified recipients from ETU. The remaining sample was then screened on their doorsteps by interviewers for households still without children, earning in their present or last job less than £140 a week in 1996 and £160 a week in 1999 for single people and £200 a week for couples in 1996, £205 in 1999. The above-inflation increase in the single peoples' inclusion ceiling was to cope with the possible effects of the introduction of the National Minimum Wage in April 1999.

In this way, a sample of workers was identified who were 'within-range' of ETU and which ought, by 1999 to have contained a fair proportion actually claiming the benefit. It was a far more cost-effective method

than screening households in a doorstep sift without any prior identification. Earlier experimental attempts to pre-screen addresses using a postal questionnaire failed to provide acceptable response rates, even with the promise of a reward. But the use of the NIRS file had three weaknesses that should be noted:

- No wage estimates were possible for people who were employed but never earned more than the (£62 a week) lower limit for paying National Insurance Contributions. Someone paid what became the Minimum Wage of £3.60 an hour for an ETU-qualifying 16 or 17 hours a week would still be under the 1997-98 NIRS contribution floor. Very few men but about a fifth of women working less than 16 hours per week earned below the NIRS floor and these would have been a small but important part of the ETU customer base.
- The time lag between the collection of National Insurance records and our interviewers arriving on someone's doorstep could be up to two years. This meant that the final sample in 1999 had very few people under 20. This too omits a small but important section of the ETU customer-base - the 18 and 19 years olds and this question is discussed in more detail later in this chapter.
- As well as growing older during the time lag between sampling and interviewing, others would have improved their earnings, or started a family, for example. On the other hand, those who remained in scope were those who might reasonably be thought of as persistently low-paid people living continuously in low-paid areas. These were exactly the people we hoped to encounter since they were likely to form the core of a customer base for ETU.

The first survey in 1996 and the 1997 follow-up were reported in Marsh et al (1999) and Finlayson et al (2000). This chapter will concentrate on results from the new cross-section survey, comparing new findings with the earlier work. In this way we hope to see the full story of how ETU may have assisted low-paid workers on its introduction and how these effects may have changed over the three-year period of the pilot. The results from the second postal and telephone follow-up survey will be examined separately in Chapter 5 because it involved both the 1996-97 workers sample and the 1997 sample of ETU recipients together.

3.3 Britain's low-paid workers

3.3.1 Economic activity in the sample

Current activity

A case could have been made for screening out from the 1999 workers sample anyone not in a job for 16 hours a week or more, since they would not have qualified for ETU. But a sample selected on their earlier earnings performance and then re-selected as persistently low-paid workers, should have a lot to tell us about the stability of their labour market participation too. So the doorstep screener selected people for interview on the basis of their wages from their current or last job. Since they were known to be earning in the previous year, there was little risk

of picking up longer-term unemployed people of the kind deliberately sampled for the parallel surveys of unemployed people.

There was little change over the three years in the profile of economic activity in the 12 pilot areas taken together (Table 3.1). As in 1996, only about two-thirds (65 per cent) of the 1999 sample were in jobs whose hours met the Earnings Top-up threshold of 16 or more a week - 68 per cent among women and 61 per cent among men. Some of those who had become unemployed turned out to have partners who were in work and so 75 per cent of the sampled households might have potentially qualified for ETU.

Among the working households a third of the men but only four per cent of the women were self-employed. Compared with 1996, this represented an increase in self-employment among working men from a fifth to almost a third. This alone might have depressed take-up rates for ETU among eligible workers because in 1997 self-employment was associated with non-take-up of ETU. A further five per cent of men and nine per cent of women were working less than 16 hours per week.

Table 3.1 Employment status by sex

Column percentages

Current economic status	Men		Women		All	
	1996	1999	1996	1999	1996	1999
Employed 16+ hours each week	48	46	70	65	60	57
Employed <16 hours each week	3	3	7	8	5	6
Self employed 16+ hours each week	10	15	3	3	6	8
Self-employed <16 hours each week	4	2	1	*	2	1
Government training	1	2	0	0	0	1
Claimant unemployed	21	16	8	5	14	10
Unemployed, not claiming	6	5	3	4	4	4
Full-time education	1	2	1	1	1	2
Temporary sickness (less than 6 months)	2	2	1	1	2	2
Permanently sick/disabled	1	4	2	3	2	4
Looking after the home	-	0	1	2	1	1
Retired	2	2	3	7	3	5
Other	0	1	0	1	0	1
Base	*1052*	*685*	*1311*	*895*	*2363*	*1580*

Claimant unemployment was common. Twenty-one per cent of men were unemployed and seeking work and most of these (16 per cent of men) were claimant unemployed and receiving JSA. The corresponding rates among women were smaller: nine per cent seeking work and five per cent receiving JSA. These rates were a little lower than among the 1996 sample when 27 per cent of men and 11 per cent of women were

unemployed. The follow-up interview survey in 1997 found more than a third of the under 25 year olds and more than two-thirds of the over 25s who were unemployed in 1996 still without work.

Of the remainder, only small numbers had found their way into education and training, a few were unwell (six per cent overall), and seven per cent of the women had 'retired' which was an increase from only three per cent in 1996.

Previous participation in work

During the 18 to 22 months or so between January 1998 and their interview, less than two thirds (65 per cent) of the sample of workers had spent all that time in work of 16 hours or more per week, averaging 78 per cent of the time in work. Among those in work of 16 or more hours when interviewed 11 per cent had spent some time since January 1998 out of work. Among the unemployed, claimant and non-claimant alike, a third (34 per cent) had had no work since January 1998. It is important to note, as Table 3.2 shows, that these rates of economic activity were almost identical in the Scheme A, Scheme B and Control areas.

Table 3.2 Participation in work of 16+ hours per week, January 1998 to interview, by area

Column percentages

	Scheme A	Scheme B	Control
No work since Jan 98	12	11	12
Some work	26	21	23
Always in work	62	68	64
Average proportion of time spent in work of 16+ hours (%)	77	80	77
Base	*541*	*574*	*475*

3.3.2 Key characteristics of the sample

Table 3.3 examines six key measures that are commonly associated with employment - sex, age, marital status, education, health and housing tenure. The 1999 sample shared many characteristics in common with the 1996 sample. Even among a group of workers without dependent children, women were still a small majority among the lowest paid (57 per cent). The absence of parents from the sample also left the age distribution 'bi-modal' - most respondents were either under 25 or over 45 but in 1999 fewer were in the younger age group than in 1996 (35 per cent compared with 45 per cent). As a result, the 1999 sample had more who were homeowners (42 per cent), more who had some long-term illness or disability (28 per cent) and fewer, though still a large proportion, living with their parents (32 per cent).

Overall the picture confirmed that the sampling method found a group of people within range of ETU: poorly educated workers, more than half of whom had no educational qualifications, high rates of illness and recurrent unemployment.

3.3.3 Housing tenure, rent and Housing Benefit

The issue of housing tenure, paying rent and eligibility for Housing Benefit is of considerable importance in estimating the incentives to work provided by ETU. Income from ETU counts against workers' entitlements to Housing Benefits so there may be workers entitled to Housing Benefit in these estimates who would not be entitled to it if they were claiming ETU.

Surveys of low-income families with children find high proportions of social tenants, which marks them out from better-off families. Among the very lowest-paid workers without children, in contrast, far fewer tenants of any kind are found. In the 1999 survey, only 18 per cent had a tenancy in their own right and only 19 per cent had any liability to pay rent on their own account. Many low-paid childless workers were older owner-occupiers who had small outgoings. Many others were living with their parents or in some other arrangement, reflecting their youth and their incomes which were generally too low to support a tenancy.

Thus few qualified for amounts of Housing Benefit that, among the lowest-paid workers, would clash with their entitlement to ETU. And not all of these took up their entitlements. Among the tenants, only a third claimed Housing Benefit while a quarter apparently failed to claim Housing Benefit they were entitled to claim - a take-up rate of 59 per cent (Table 3.4). These figures were much the same in the ETU A, B and C areas except that the take-up *rate* of Housing Benefit was slightly higher in the ETU B areas (64 per cent) compared to the A and C areas (57 per cent) though the proportion receiving benefit was almost the same.

The figures in Table 3.4 are very similar to those obtained from the 1997 follow-up survey taken when ETU had had a chance to influence entitlements to Housing Benefit (Finlayson, et al 2000, page 49, Table 3.7). The overall take-up rate was slightly higher in 1997 at 67 per cent. The amounts of rent in 1999 that would be assessable for Housing Benefit, that is after applying all relevant premia and disregards, averaged £44 a week. This figure did not differ significantly in the Scheme A and B areas and the Control areas, nor between those continuing in work compared with those now out of work.

Table 3.3 Key characteristics of workers sample in 1996 and 1999

Column percentages

	Workers survey 1996	Workers survey 1999
Gender:		
Male	44	43
Female	56	57
Age-group:		
Under 25	26	22
25 – 34	19	13
35 – 44	10	10
45 – 54	24	31
55+	21	24
Partner status:		
No partner	56	53
Has partner	44	47
Highest educational qualification:		
Degree	4	5
A Level	6	6
O Level/GCSE	23	20
CSE Level	14	13
None	53	56
Long-standing illness or disability:		
Yes	23	28
No	77	72
Housing tenure:		
Owns accommodation	16	23
Mortgage	19	19
Living with parents	37	32
Tenant	19	18
Other/missing data	8	8
Base	*2315*	*1582*

With respect to work, on the other hand, very few workers still in work received any Housing Benefit. Twenty eight per cent of tenants in work appeared to be entitled to Housing Benefit and 18 per cent of them were receiving any. But these were only three per cent of all those working 16 or more hours in the sample. Two-thirds of these 34 recipients did not appear to be entitled to it (although this is a very small base size to work with), so the take-up rate was 36 per cent. Conversely, a slightly larger proportion - 22 per cent of working tenants - appeared to be entitled to some Housing Benefit but were not claiming it.

Similar figures in the 1997 follow-up survey gave rise to speculation that continued entitlement to Housing Benefit may be blocking working tenants' incentives to claim ETU, which would simply replace their Housing Benefit. Among working tenants who had no entitlement to Housing Benefit, only 17 per cent were receiving any Earnings Top-up. Among working tenants who were entitled to Housing Benefit (receiving it or not) almost exactly the same proportions were receiving ETU: 18 per cent. It is unlikely, therefore, that this part of the evaluation, at least, will uncover evidence that ETU is being ignored because workers simply continued to claim Housing Benefit. If anything is to be shown, it is merely that there is some tendency to be an eligible non-recipient of both benefits.

Table 3.4 Eligibility for Housing Benefit by ETU area

	Scheme A	Scheme B	Control areas	All
Percentage of whole sample in rented accommodation and responsible for housing costs#	21	18	17	19
Base	*554*	*595*	*433*	*1582*
Among tenants paying rent:				
Claiming Housing Benefit+	33	34	33	33
Eligible for HB but not claiming+	25	18	25	23
Not eligible for HB+	41	49	41	44
Eligible rent when greater than zero (mean per week)	£43.76	£42.25	£46.22	£43.81
Base	*107*	*103*	*69*	*279*

= Cell percentages

+ = Column percentages

3.3.4 The target groups for ETU

The rules of eligibility for ETU made important distinctions between workers who were under 25 and those older, and between single people and couples. Table 3.5 divides the 1996 and 1999 samples using these distinctions and further divides them by men and women among single people and between households whose hours of work qualified them for ETU or not. The two profiles are very similar, each showing a small concentration of sample members into working women over 25 and, more surprisingly, dual earner couples. Twice as many dual-earners were self-employed (16 per cent) compared with the overall rate (eight per cent) but this does not account for their unexpected presence among the lowest earners. More of the men in single-earner couples were self-employed (27 per cent).

Table 3.5 Summary of the 1996 and 1999 samples by sex, age, marital status and employment

Column percentages

	Workers sample 1996	Workers sample 1999
Working 16 hrs or more each week:		
Single male, under 25	7	6
Single male, 25 or over	8	7
Single female, under 25	9	6
Single female, 25 or over	12	13
Dual earner couple, under 45 years	7	6
Dual earner couple, 45 years or older	13	16
Man works 16+ hours, woman not in work	5	5
Woman works 16+ hours, man not in work	9	10
Not working 16 or more hours each week:		
Couple, no earner working 16+ hours or more	8	10
Single male, under 25,	5	6
Single male, 25 or over	7	6
Single female, under 25	3	3
Single female, 25 or over	5	6
Base	*2315*	*1582*

On the other hand, it is worth bearing in mind that more than a fifth of the 1996 and 1999 samples were single people in their early 20s. This is a large proportion but still not as large as it should be for a sample designed to capture potential and actual ETU customers. Among the parallel sample of ETU recipients, 40 per cent were under 25. This shortfall of the youngest workers in this sample is due to the sampling method, which allowed a two-year gap between identification and interview. As a result, only one per cent of the workers' sample was under 21 compared with 24 per cent among the ETU recipients' sample. Conversely, 10 per cent of the workers sample were over 60 compared with only one per cent of the recipients.

It may still seem surprising that a sample designed to capture the lowest-paid households without children should have netted so many dual-earner couples. They were nearly a third of all the working households (32 per cent). As noted above, a higher proportion of them were self-employed and self-employed people often report low incomes, occasionally none. In this sample, 20 per cent of working two-earner couples were self employed compared with 12 per cent of workers overall and four out of ten of the now-unemployed said they were self-employed in their last work. But dual-earner couples were still nearly a quarter of the employees working 16 or more hours (24 per cent). This is mainly because we deliberately allowed into the sample dual-earners both of whom earned

less than £200 a week. They were 'within range' of ETU in the sense that if one of them were to lose their job, they would stand a good chance of qualifying for ETU as a new single-earner couple.

There were no significant differences in the relative distributions of these ETU target groups among those in work compared with those out of work. More importantly, there were no significant differences in these distributions in the Control Areas compared with the ETU Scheme A or the Scheme B areas.

3.3.5 Hours, wages and incomes

The 1999 survey was carried out in the months following the introduction of the National Minimum Wage in April 1999. A young single worker living in a Scheme A area paid the NMW for a typical working week of 36 hours would actually clear the maximum threshold for entitlement to ETU. Workers in Scheme B would qualify along with the couples, but the band of qualifying incomes was still quite small. For example, no single person working 30 hours a week or more in Scheme B areas qualified for ETU above £131 a week. Under Scheme A, working less than 30 hours, entitlement ran out at only £87 per week.

Overall, the median rate of pay per hour in 1999 was £3.82, up substantially from £3.37 in 1997 and £3.15 in 1996. No direct conclusions may be drawn from these comparisons, if for no other reason than the selection band for the inclusion of single people was raised from £140 to £160 a week. But it may be interesting that low-paid workers in these areas following the introduction of the minimum wage were working substantially fewer hours. There was a striking reduction in hours worked by those working 16 or more hours in the 1999 sample, down to 32 per week from 36 in 1996 and 37 in 1997. This resulted in the net weekly incomes of these workers remaining the same.

Table 3.6 Median wages and hours of work in 1996, 1997 and 1999: employees working 16+ hours

	1996	1997	1999
Hourly wage (£)	3.15	3.37	3.82
Usual weekly wage (£)	107.00	115.38	117.27
Usual weekly hours	36	37	32
Base	*1431*	*1053*	*818*

Almost a third (32 per cent) of the 1999 sample worked short hours and these were distributed evenly across the range from 16 to 25 hours a week. Another 32 per cent were grouped in the more familiar 35 to 40 hours range while 12 per cent worked longer hours.

The figure for hourly pay was estimated by dividing respondent's usual hours of work into their usual weekly pay. This is net pay, after all

deductions for tax and National Insurance contributions, though at these levels of income such deductions were small. On the other hand, we had so few respondents aged under 21, the possible effects of the lower rate of the NMW of £3.00 per hour for the under 21s can be ignored.

Exactly a third of the employees working 16 or more hours in the sample had a result from this calculation that lay between £3.00 (allowing for net effects) and £3.60 per hour while 12 per cent were paid less and 53 per cent were paid more. The lower band below £3.00 per hour net included four per cent of the sample who were still receiving less than £2 an hour and eight per cent receiving between £2 and £3.00 an hour.

Table 3.7 maps out the hours worked, weekly wages and the estimated rate per hour received for the three main target groups defined by ETU rules (couples, and single people under 25 or older). The single people are then divided between men and women and the couples between one and two earner couples. There are really too few single-earner male-led working couples in the sample because more than three quarters of single-earner couples are led by a female worker (77 per cent). This data is then presented separately for the Scheme A, Scheme B and Control areas.

Men, particularly the under 25s, worked the longer hours for the smaller rates of pay while women, particularly the older single women and the (mostly female) single earner couples worked the shorter hours for higher rates. This pattern is reproduced very consistently across the three areas. The only statistically significant differences within these target groups is that the young single women in the Control areas were working longer hours than those in either the Scheme A or B areas (36 versus 32). Also, when all the working men from the couples are added to the single working men, those in the Control areas seemed to work longer hours than those in the Scheme B areas, though not significantly longer than those in the Scheme A areas (39 versus 35 and 37 hours a week, respectively).

The span of time between the period of activity between March 1997 and March 1998 when these workers established their low-paid credentials to be sampled for the 1999 survey, defines the period when the ETU pilot scheme became established. It could be argued that, irrespective of the proportion in the samples Scheme A and Scheme B areas who turned out to be receiving or who had received ETU, the impact of the new benefit would be seen in the hours and pay of these continuing low-paid workers. The pattern of hours and pay might differ between the Scheme A, Scheme B and Control areas. This might be true irrespective of the introduction of the National Minimum Wage, which occurred equally in all areas. If, for example, the effect of ETU was to cause workers to receive lower wages, or to work shorter hours, some of these effects might be visible in differences between these three samples. But there

are no consistent or systematic differences of these kinds to report. This is not in itself conclusive evidence that ETU had not affected the pay and hours of the continuing body of those working 16 or more hours per week in the pilot compared with the Control areas; only that there is no evidence where you might have expected to find some.

3.4 Awareness of ETU

3.4.1 Levels of awareness

Evidence of the impact of ETU over this period that might have been expected to arise more obviously is that awareness of the benefit would have grown. Overall in 1997, 34 per cent of the economically active respondents had heard of *'a new social security benefit, introduced last year in some parts of the country that pays extra money to some people who work and who have no dependent children living with them'*. By 1999 the proportion spontaneously aware of ETU - who answered 'yes' to the question - had *fallen* to 29 per cent. On the other hand, the proportions who knew about 'a benefit..' and could go on to name it as ETU (or something reasonably similar) remained about the same at 13 per cent compared to 12 per cent in 1997. As in 1996, awareness was higher in Scheme B areas (34 per cent were aware of the benefit and 24 per cent knew it was called ETU) compared with Scheme A areas (23 per cent and 13 per cent respectively). Awareness had fallen most in the Scheme A areas, from 30 to 23 per cent (Table 3.8).

Table 3.7 Hours and wages by ETU 'target group' and area

	Scheme A			Scheme B			Control Areas			All		
	Hours	**Wage**	**Rate**	**Hours**	**Wage**	**Rate**	**Hours**	**Wage**	**Rate**	**Hours**	**Wage**	**Rate**
Single men, under 25	[37]	[131]	[3.64]	[38]	[127]	[3.46]	[38]	[135]	[3.56]	37	131	3.55
25 and over	[34]	[119]	[3.70]	[35]	[106]	[3.31]	[47]	[132]	[3.27]	37	117	3.47
Single women, under 25	[32]	[121]	[3.83]	[32]	[118]	[3.74]	[36]	[121]	[3.43]	33	121	3.43
25 and over	31	115	3.85	31	110	3.74	[30]	[107]	[3.87]	30	111	3.82
One-earner couples	29	116	4.28	28	108	3.93	[26]	[102]	[4.02]	28	109	4.07
Two-earner couples:Resp	35	122	3.79	31	119	4.03	33	126	4.02	33	122	3.94
Partner	33	120	3.94	34	126	4.30	36	129	3.93	34	125	4.06
All	33	120	3.86	31	114	3.78	33	119	3.83	32	117	3.82
Base		*35*			*32*			*22*			*89*	
		33			*30*			*16*			*79*	
		45			*21*			*26*			*92*	
		66			*68*			*41*			*175*	
		51			*63*			*34*			*148*	
		83			*91*			*61*			*235*	
		83			*84*			*72*			*239*	
All		*313*			*305*			*200*			*818*	

Figures in brackets are calculated on a base of less than 50

It was the two seaside towns, which had the smallest take-up of the benefit, which also had noticeably the least awareness of ETU compared with the other areas in their respective Schemes (Table 3.8).

Table 3.8 Awareness of ETU among workers still economically active, by area

Cell percentages

	Aware of introduction of benefit		Names benefit as ETU		Base	
	1997	1999	1997	1999	*1997*	*1999*
Newcastle	32	21	12	14	*125*	*114*
Castleford & Wakefield	27	28	12	10	*163*	*127*
Southend	23	13	7	4	*70*	*55*
North Wales	35	23	17	12	*106*	*90*
Sunderland	42	38	27	30	*130*	*102*
Doncaster	42	33	27	29	*169*	*185*
Bournemouth	27	25	9	15	*64*	*75*
Perth	36	29	23	25	*103*	*93*
Scheme A areas	30	23	12	13	*464*	*386*
Scheme B areas	39	34	24	24	*466*	*455*
All economically active	34	29	18	20	*930*	*841*

3.4.2 Sources of information

How surprising the fall in awareness is found may depend on the view taken of the power of local networks to continue to spread the news of a new benefit, on the one hand, compared with the likely effect of the withdrawal of advertising after the first six months of the ETU pilot, on the other. There is some evidence of a rise in the effectiveness of networks and a fall in the recall of any advertising. Those who knew about ETU from local networks, featuring information handed on by workmates, relatives and friends, rose as a proportion of those who knew anything at all about ETU from 30 per cent in 1997 to 44 per cent in 1999. Those recalling advertisements fell from 35 to 22 per cent and these included six per cent who thought they had seen advertisements on the television, of which there have been none. Those whose source was the DSS grew from 19 to 29 per cent while small numbers recalled items, not advertisements, in news broadcasts or other media referring to ETU. Three respondents wryly recalled being interviewed in one of the earlier surveys.

3.5 Eligibility for ETU

The upward movement in employment and wages between 1996 and 1999 lowered the 'strike rate' for the sift survey from 17 to 13 per cent of issued addresses, despite increasing the single person's wage ceiling from £140 to £160 a week. Interviewers found only about a quarter earning

wages low enough to leave them eligible for interview among people identified as low-paid workers in 1997-98 even when the remaining parents in the sample had been identified and eliminated. Among these barely two-thirds were still in work that might qualify them for ETU. This further restricted the numbers of persistently low-paid workers available for analysis and their wages were often above the small range qualifying for ETU, especially among single people in the Scheme A areas.

The uncontrolled variation between those sifted into the 1999 survey compared with the 1996 survey makes some comparisons difficult because some changes in economic conditions may have removed in disproportionate amounts some kinds of workers from eligibility for interview, or added others such as the recently unemployed. In this way the qualifying population of workers-in-work will be different, so differences in the proportion eligible for the benefit may not be strictly interpretable as true changes.

This section will look at eligibility in three stages:

- To determine the distribution of qualifying incomes (rather than wages alone).
- To estimate the corresponding rates of eligibility for ETU.
- To estimate the take-up rate of ETU among eligible workers.

3.5.1 Assessable incomes

Table 3.9 summarises all the income reported by respondents that counted against their eligibility for ETU. This was done for all those working 16 or more hours a week, including the self-employed, and then for employees alone. These include earnings from partners (for work of any hours per week) and some partners' pensions.

For many this was a simple calculation since all the income they had was their wages. Young single men in Scheme A areas, for example, earned £131 a week and had no other income, on average. By coincidence, £131 was also the wage above which the ETU entitlement of young single people working at least 30 hours a week ceased (the 'run-out point'). Young women had less income, typically £127 a week. The couples' incomes added up to more. The 'single earners' sometimes had other earnings from work of less than 16 hours or pension entitlements, typically raising their assessable incomes by an additional £35 a week. Two earner couples were selected on the basis that neither exceeded £200 a week but, by another coincidence, had total incomes averaging exactly £200 a week *between them*. Usually this was income solely from wages.

Removing the self-employed, who were almost all concentrated among the older men and the couples, made no significant difference to these average figures.

The same differences between target groups were reproduced in each of the three areas and overall there were no significant differences at all in assessable incomes between them.

Table 3.9 ETU Assessable income by ETU 'target group' and area (£s per week)

	Scheme A		Scheme B		Control Areas		All	
	All workers	Employees only	All workers	Employees only	All workers	Employees only	All workers	Employees only
Single men, under 25	[131]	[131]	[124]	[125]	[119]	[121]	125	126
25 and over	[113]	[117]	[112]	[112]	[98]	[109]	109	114
Single women, under 25	[116]	[116]	[102]	[104]	[118]	[117]	113	113
25 and over	127	130	119	121	[123]	[126]	123	126
One-earner couples	151	150	150	155	[122]	[121]	144	145
Two-earner couples	207	211	190	197	205	205	200	204
All	151	151	150	148	144	144	147	148
Base	*36*	*36*	*36*	*35*	*29*	*28*	*106*	*99*
	41	*34*	*43*	*32*	*28*	*20*	*112*	*86*
	47	*47*	*26*	*25*	*27*	*27*	*100*	*99*
	71	*68*	*75*	*72*	*49*	*46*	*195*	*186*
	56	*51*	*76*	*66*	*45*	*37*	*177*	*154*
	96	*84*	*108*	*89*	*78*	*63*	*282*	*236*
All	*347*	*320*	*364*	*319*	*256*	*221*	*967*	*860*

Figures in brackets are calculated on a base of less than 50

3.5.2 Rates of eligibility

The eligibility for ETU of the benefit unit in which each respondent lived[7] was calculated based on their employment status, hours of work, incomes, savings, partnership/family status and area of residence. A partner's employment might leave a benefit unit eligible for ETU even while the respondent remained unemployed. About five per cent of the working sample qualified on the basis of a partner's occupation rather than their own.

Even though every effort was made to collect all relevant information which might relate to the ETU calculation, calculated eligibility may not match true eligibility for several reasons (van Oorschot, 1991; Corden, 1983). There may be differences in the information which respondents give to benefit officials compared to survey interviewers, for example, in the periods over which earnings are measured. Respondents may not volunteer the same information to officials as they did to interviewers, in favour of either. In any comparison between ETU amounts received and calculated entitlements, some discrepancy would be expected since ETU payments run on for six months, regardless of change in circumstances, and so information used to calculate entitlement may be collected up to six months before the information recorded by the survey.

[7] The benefit unit was either the respondent, if single, or the respondent and their partner if in a couple.

Nonetheless the calculated ETU entitlements and amounts actually received (among those in work and receiving benefit) correlated well (r=0.72, sig>0.0001, see also Figure 2.1).

A close correspondence between amounts of ETU eligibility and amount received might be no more than should be expected from a well-conducted survey, especially when small movements in income between application and interview are allowed for. But it is a valuable finding because it means that measures of eligibility for ETU among *non*-recipients may be accepted with the same confidence. This is true of the fact of eligibility among non-recipients and of the amounts forgone. It makes no sense to say that the survey measured eligibility well among those receiving ETU and poorly among those who did not. It is however possible to say that in some cases eligible non-recipients were aware of other income that they did not want to report and that this is itself the reason for their not applying for benefit.

The incomes given in Table 3.9 are translated into rates of eligibility for ETU in Tables 3.10 and 3.11. Table 3.11 simply divides the ETU-assessable income into those who would qualify for a maximum award, those who had incomes between that maximum-award threshold and the point at which, for them, their entitlement for ETU runs out, and those above. These two points, the threshold and run-out points, vary between Scheme A and Scheme B and between single respondents under 25 or older and for couples.

Table 3.10 ETU entitlements by 'customer group' for respondents in ETU areas

	ETU entitlement								
	Proportion eligible (%)			**Of those entitled: mean amount (£)**			***Base***		
	1996	**1997**	**1999**	**1996**	**1997**	**1999**	***1996***	***1997***	***1999***
Single male <25 working 16+ hours	35	24	32	15.10	13.90	19.05	*86*	*92*	*72*
Single male 25+ working 16+ hours	60	39	56	17.40	16.10	21.70	*100*	*116*	*84*
Single female, <25, working 16+ hours	50	34	40	16.40	20.20	17.26	*105*	*86*	*73*
Single female 25+ working 16+ hours	60	48	48	17.30	19.60	18.28	*152*	*147*	*146*
Dual earner couple <45 years	30	23	41	26.00	31.50	42.37	*78*	*84*	*64*
Dual earner couple, 45+ years	38	24	39	35.70	36.80	43.85	*190*	*193*	*157*
Man works 16+ hours, woman not in work	64	33	[54]	36.20	29.70	[32.99]	*59*	*69*	*48*
Woman works 16+ hours, man not in work	51	49	63	38.70	32.40	33.38	*104*	*109*	*102*
All	48	35	45	25.30	24.80	28.80	*874*	*896*	*746*

Figures in brackets are calculated on a base of less than 50

Table 3.11 ETU assessable income compared with maximum award thresholds and run-out points where eligibility expires

Row percentages

	Scheme A			Scheme B		
	Below threshold	Between threshold and run-out	Above threshold	Below threshold	Between threshold and run-out	Above threshold
Single Under 25	4	19	77	24	29	47
Single 25 plus	6	35	59	21	40	39
One earner couple	11	46	43	13	51	36
Two earner couple	5	32	63	9	27	64
Base		*83*			*62*	
		106			*109*	
		98			*105*	
		53			*74*	

ETU was made more valuable in the Scheme B areas for single people by raising their maximum award threshold respectively for the under 25s and older single people from £52.70 and £62.45 to a universal £80.65. This had the effect of raising the proportion qualifying for a maximum award from four to 24 per cent among the under 25s and from six to 21 per cent among older single people. Run-out points were so low in Scheme A areas that more than three-quarters of young singles exceeded the qualifying incomes. Overall, 47 per cent of currently employed or self-employed workers in Scheme A and B areas together qualified for ETU, 39 per cent in the Scheme A areas and 54 per cent in Scheme B as summarised in Table 3.12. In the Control areas, the same 47 per cent would have qualified under Scheme B.

Table 3.12 Calculated eligibility for ETU: among 1999 workers

Cell percentages

	Scheme A areas	Scheme B areas	Control areas
Calculated eligibility in 1999			
Eligible for ETU	39	54	-
Not eligible but would be eligible if Scheme B applied	17	-	47
Total eligible if Scheme B applied	56	54	47
Base	*347*	*364*	*256*

This overall figure is a little lower than the estimated eligibility rate among the 1996 sample: 45 per cent of the working sample in Scheme A and Scheme B areas would have been eligible for ETU compared with 48 per cent in 1996. The latter figure fell to 35 per cent among the remaining workers in 1997.

Under Scheme B, 67 per cent of workers were notionally eligible in 1996 compared with 54 per cent in this 1999 sample. The rate of eligibility if Scheme B were universal was almost the same in Scheme A and B areas: 56 and 54 per cent respectively. Among remaining workers in 1997, the corresponding figures were 43 and 44 per cent (Finlayson et al., 2000 pp52).

Rates of eligibility for ETU were highest among single-earner couples where the partner was out of work altogether (rather than working less than 16 hours or self-employed) at 61 per cent. Among working single people they were lower at 45 per cent and lower still among dual-earner couples who both worked more than 16 hours a week at 36 per cent. Overall, men were less likely to be eligible (42 per cent) than were women (50 per cent). Among the single workers, those over 24 were more likely to be eligible (56 per cent among men, 48 per cent among women) compared with those under 25 (32 per cent among men, 40 per cent among women). But these differences are largely driven by the differing arithmetic of eligibility and incomes.

3.5.3 Amounts of ETU entitlement

Overall, those in scope of ETU were entitled to receive £28.80 a week. Following three years of uprating, this was more or less equivalent to the £25.30 that the 1996 sample would have been entitled to had ETU then been available. It is similar to the £24.80 the remaining eligible workers would have been able to claim in 1997.

Within each ETU target group, rates of eligibility and the value of entitlements were similar in 1999 compared with the earlier surveys (Table 3.9) except that single women's rates of eligibility had dropped from 56 to 45 per cent. The value of entitlements among dual-earner couples was much higher at £42 a week compared with £26 in 1996, but these are small samples.

3.6 Claiming ETU

3.6.1 Claiming in 1997

When the 1996 respondents were re-interviewed in 1997, the proportion eligible for ETU had sunk from 34 to 27 per cent in the Scheme A areas and from 67 to 44 per cent in the B areas. This was due to the greater likelihood that eligible people would leave eligibility by raising their incomes, acquiring earning partners or having children. Fewer of the ineligible people in 1996 moved in the opposite direction by 1997. However, very few of the remaining eligible workers in 1997 had managed to claim the new benefit - less than seven per cent of the working sample in the Scheme A and B areas together were receiving ETU when interviewed. Since 35 per cent remained eligible, this represented a

take-up rate (recipients and new recipients as a proportion of the eligible population) of 18 per cent. Coincidentally, perhaps, this was exactly the take-up rate of Disability Working Allowance in its first year (Berthoud and Rowlingson 1996)[8].

Together these changes in eligibility and the low take-up rate suggested that:

- Eligibility for ETU might be a short-lived condition: Overall, the proportion of workers eligible for ETU in pilot areas dropped from 48 per cent to 35 per cent in less than a year. This happened despite some considerable turnover in who was in employment. Half of the workers found eligible in 1996 (47 per cent) were calculated to be ineligible by 1997 and just under a third (32 per cent) of those entitled in 1997 were calculated as ineligible in 1996. Many in work, and many of those returning to work, saw improvements in earnings that took them beyond the reach of ETU.
- The eligible population of low-paid workers might be a lot larger than originally estimated, particularly since the caseload had risen to its predicted final total of 20,000 in just 18 months.
- Few people had heard of it. Only 30 per cent of eligible non-recipients said they had heard of a new benefit for people in work and half these did not remember what it was called.

3.6.2 Claiming in 1999

The 1999 sample was new - or as new as its design allowed - whereas the 1997 sample was a follow-up survey. It was reasonable to expect the newer sample to allow a closer correspondence between eligibility and receipt of benefit, the benefit itself having had two more years to bed down. On the other hand, the evidence seen above that awareness of ETU had fallen might point in the other direction.

Overall, the take-up of ETU rose but remained low. Among the current workers and self-employed people, the proportion of workers actually receiving benefit rose from seven per cent in 1996 to 13 per cent in 1999. This was despite the higher inclusion wages for single workers. ETU was a little more popular in Scheme B areas where 18 per cent of current low-paid workers received it compared with only seven per cent in Scheme A areas. Nor had the previous three years built up a customer base of earlier recipients of ETU. Among those continuing in work, only five per cent recalled ever receiving ETU while a further two per cent had applied and been rejected. Thus, eight out of ten low-paid workers still in work of 16 or more hours when interviewed had never claimed ETU (87 per cent under Scheme A, 72 per cent under Scheme B).

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[8] Although this compares with 57 per cent for Family Credit in the period April 1988 to December 1989 (DSS, 1993) and 'about half' for Family Income Supplement in its second year (DSS, 1978).

Nor is there a stock of former customers among those who were without work of 16 or more hours when interviewed. Fewer of them had ever received ETU: five per cent in Scheme A areas and 13 per cent in Scheme B.

The proportion receiving ETU when interviewed was the same among men and women. Among single people the proportion differed little, other than in ways associated with differences in assessable income which have previously been described. This led to a concentration of recipients among older single women; 30 per cent of those working were receiving ETU and they made up nearly half (46 per cent) of all the recipients found in the workers survey. In contrast, receipt among couples was rare. Only four per cent of working couples were receiving ETU and five per cent had received it in the past compared with 19 per cent of single workers receiving ETU and six per cent in the past. Correspondingly receipt was also rare among homeowners, almost all of whom were couples.

3.6.3 The take-up rate of ETU

We can now bring together the estimates of the rate of eligibility for ETU with the rates of take-up to estimate the take-up *rate* among eligible workers. The take-up rate was calculated as the proportion of ETU recipients (plus those who appeared eligible and who had recently submitted a claim which was being processed) among the total who were eligible for the benefit at the time of interview. This means that current recipients of ETU who were no longer eligible - typically those whose incomes rose since they claimed ETU - were taken out of the calculation. This divided the sample into four groups: eligible and ineligible recipients, eligible non-recipients and ineligible non-recipients. Table 3.13 shows the distribution of these four groups in Scheme A and Scheme B areas for those still in work of 16 or more hours. Table 3.14 shows the take-up rates among all eligible workers and among employees.

Table 3.13 Eligibility for ETU and receipt by Scheme

Column percentages

	Scheme A	Scheme B
A. Eligible recipients	5	16
B. Ineligible recipients	1	2
C. Eligible non-recipients	34	38
D. Ineligible non-recipients	60	44
Base - all in full-time work, inc.s/emp.	*361*	*385*

Although more were receiving benefit in 1999 than in 1997, more were eligible for benefit too, so the take-up *rate* rose less. It rose from 18 per cent in 1997 to 23 per cent of eligible workers in 1999.

Table 3.14 Take-up rate by Scheme

Cell percentages

	Scheme A		Scheme B		Schemes A and B	
	All eligible	Employees only	All eligible	Employees only	All eligible	Employees only
Take up rate	14	16	30	31	23	24
Base	*140*	*114*	*207*	*172*	*347*	*286*

Note: Take up rate = eligible recipients / eligible recipients + eligible non-recipients

Among the parallel sample of unemployed people interviewed both in 1998 and 1999, only 44 respondents were in work and eligible for ETU by the time of their 1999 interview: 23 of them were receiving ETU.

As in 1997, the take-up rate was higher in Scheme B areas compared with Scheme A: 30 per cent compared with 14 per cent. In 1997, the corresponding figures were 23 per cent and 11 per cent. So under Scheme B at least, the take-up rate was beginning to reach the kind of levels that it was thought Family Income Supplement (the forerunner of Family Credit introduced in 1971) reached in its first few years.

On the other hand, a benefit intended to supplement the wages of the very lowest-paid workers that fails to reach seven out of ten of those entitled to receive it in its more generous form, cannot be said to be doing its job. It might still be doing a very special job of encouraging into work a lot of people, especially young people who were unemployed and who then rapidly increased their earnings under ETU to take them beyond eligibility. This would depress take-up rates in cross-section surveys because a significant proportion of recipients would quickly become ineligible. But the proportion of ineligible workers among the recipients is quite small - 15 per cent among this sample and 11 per cent among the larger parallel sample of current recipients who were still in work. If they were included in the estimate on the grounds that they were eligible only a few weeks ago (or at least the DSS found them so) then take up rates would rise to 19 per cent and 45 per cent respectively in Scheme A and Scheme B areas. But this in turn legitimately leads to speculation about how many of the ineligible *non*-recipients might also have been eligible a few weeks ago.

3.7 Summary

Though suffering the loss of some of the sample to time-lag and a low response rate, the sampling strategy located adequate numbers of persistently low-paid workers living in the low-pay areas designated by the ETU pilot. Spells of unemployment were common among them and a quarter would not have qualified for ETU because neither they nor a partner were working 16 or more hours a week.

The lowest-paid workers without children were either young, single and living with their parents or were older couples who had either bought their homes or still had a small mortgage. Less than a fifth of the sample paid rent and only a third of these received Housing Benefit. Overall, only three per cent of those working 16 or more hours per week continued to get Housing Benefit in work.

There were more women than men among these lowest-paid workers, but still more than four out of ten workers were men.

The economic and social profile of workers did not differ significantly between Scheme A, Scheme B and Control Areas.

Median pay rates had risen from £3.15 an hour to £3.82 among the workers-in-work since 1996 but hours of work had fallen sharply from 36 to 32 hours a week. One in six workers appeared to be below the National Minimum Wage. Net weekly wages were typically between £100 and £140 a week.

Awareness of ETU was low and falling. Even in places where ETU was more popular, two thirds were unaware of in-work benefits for people without children and few could name ETU.

If ETU B were available in Scheme A, B and Control areas, about half the sample would have qualified for benefit in each area, underscoring the all-important similarity between them. The proportion of eligible workers claiming ETU rose from the 18 per cent found in the 1997 follow-up sample, but remained low at 14 per cent in Scheme A and 30 per cent in Scheme B: 23 per cent overall.

4 ELIGIBILITY AND CLAIMING ETU: WHY DID SO MANY LOW-PAID WORKERS FAIL TO TAKE UP THEIR ENTITLEMENT TO ETU?

4.1 Introduction: the Family Credit inheritance

There is a literature on the take-up of income tested benefits (Corden, 1983,1987, 1995; Corden and Craig, 1991; Marsh and McKay, 1993; McKay and Marsh 1995; van Oorschot, 1991) and research has implicated a wide range of factors that discourage people from claiming social security benefits. Some of these, such as the fear of being mistakenly accused of fraud that apparently discourages many elderly people from claiming additional Income Support, are not relevant to the problems encountered in persuading younger people to claim in-work benefits. The most important of the factors which were found to be relevant to Family Credit (FC), the in-work benefit for families with children equivalent to ETU, are explained below as they relate to FC.

- **Family structure**: lone parents are consistently more likely to claim Family Credit compared to couples.
- **Need**: families may not claim before they feel they can no longer afford essential goods and services if they rely on their wages alone.
- **Low entitlements**: families entitled to only small awards can overlook or ignore them. They may especially be unaware of the rules securing an award unchanged for six months, which would make a claim for small weekly amounts much more worthwhile.
- **Other psychological factors** such as past disappointment at being turned down for benefit and fear of stigma, though this is the rarest reason. The internal dynamics of low-income couples has also been implicated. Women, who are required to be the recipient in couples, are said to be unwilling to expose their partners as poor providers.
- **Time**: some families delay claiming long enough to show up in cross section surveys as eligible non-recipients, but eventually they do claim, usually successfully. Other families moved swiftly out of eligibility by earning more, becoming two-earner families or sometimes by losing their jobs altogether. Again, ignorance of the six month rule, which is the same in ETU as it is in Family Credit, was an important factor.
- **Awareness**: Family Credit is well known, but as already shown, ETU had a visibility problem among non-recipients.

The take-up rate of Family Credit was far higher than that apparently achieved by ETU: 72 per cent compared with 14 per cent and 30 per cent in the Scheme A and Scheme B areas. And the child premiums in Family Credit put qualifying incomes a whole pound an hour higher than those earned by ETU recipients. So we should not necessarily expect that factors that discouraged a minority of eligible families from claiming Family Credit will be the same as those discouraging the majority of eligible workers from claiming their ETU.

In 1997 structural factors were the most important in discouraging take-up of ETU among those surviving from the 1996 sample of low-paid workers and still eligible for the new benefit. A multivariate model of workers' failure to claim ETU pointed clearly to the failure of dual earner couples to claim their entitlement. Among single earner couples however, those with a female worker were also less likely to claim and those with a male worker more likely. Eligible single workers were more likely to claim than were couples, especially the younger workers and the women. Lower entitlement reduced the failure to claim only slightly. Other things held constant, being a driver and being self-employed also lowered workers' propensity to claim their entitlements to ETU.

This research on the 1997 sample was hampered by small numbers because both entitlement and take-up were low. Although the overall sample size was smaller still in this 1999 survey, entitlement was similar and take-up was larger. It therefore provided a 1999 sample of 347 people who were entitled to receive ETU at the point of interview, 23 per cent of whom had a claim in payment or (in just three cases) were waiting to hear about a claim they had made. The next section examines the differences among these 347 workers between ETU recipients (who continued to be eligible for ETU) and eligible non-recipients.

4.2 Recipients and eligible non-recipients in the workers' sample

4.2.1 Structural influences

In 1999 structural factors were again the most important and will be described first because they frame all the other explanations and so have to be controlled for.

Single people and couples

The most significant finding, which the evidence so far will have suggested, was that the take-up rate among single workers was higher than among couples. In fact it was nearly *four times* higher at 37 per cent compared with only 10 per cent among couples.

The failure of couples to claim is a strange finding if, as we shall see, the role of awareness is important. You would think two heads better than one in waking up to the opportunity to increase weekly incomes by a significant fraction. And it was a significant fraction too since eligible couples were forgoing far more cash than the singles were. On the other hand, two heads are not as good as one if both have to be convinced of their entitlement before one of them claims. If very low-paid couples without children occupy social locations that jointly isolate them from the sources of information or the examples that prompt claiming in single people, then it is possible that they might tend to reinforce each other's disbelief in their eligibility for a benefit that neither have encountered before.

The above inconsistencies will leave us struggling somewhat to explain why take-up was so low among eligible couples since comparisons with

Family Credit are not going to be that helpful. One factor was consistent in that the take-up rate varied among couples between 14 per cent among single-earner couples and only six per cent among the dual-earner couples. Very low reported incomes among dual-earner couples are surprising, and in past research they have been linked to self-employment[9]. However, only 15 per cent of these dual-earner couples were self-employed, similar to the rate among single-earner couples (11 per cent). Nevertheless, they certainly had some extraordinarily low wages, with respondents reporting usual wages of £94 a week and their partners £60. But their wage earning was asymmetrical, so they averaged only £102 a week between them. Those in the Scheme A areas shared £119 a week and those in the B areas only £94 - only half the wage above which their eligibility for ETU would cease (their 'run-out point') which was about £180 per week.

Among the eligible single workers, the take-up rate was the same among men who were younger or older than the 25+ age-break introduced by the differing rules of eligibility: exactly 30 per cent. But among single women there was a large difference: 21 per cent among the younger women under 25 but 51 per cent among those older. The joint effects of age and sex and marital status on the take-up rate of ETU are shown in Table 4.1. It should be noted that the numbers in each of these groups, except couples aged over 45, are very small and the proportions should therefore be interpreted with caution.

Table 4.1 Eligible non-recipients by ETU target group

Cell percentages

	Men			Women			Couples	
	Under 25	**25 to 44**	**Over 44**	**Under 25**	**25 to 44**	**Over 45**	**Under 45**	**Over 45**
Percent who were eligible non-recipient of ETU	[30]	[26]	[38]	[27]	[53]	[50]	[20]	6
Base	*23*	*31*	*16*	*29*	*32*	*38*	*46*	*132*

Figures in brackets are calculated on a base of less than 50

Clearly the group which brought down the overall take-up rate were the large numbers of older couples who made up 38 per cent of all eligible families and had a take-up rate of only six per cent. When these were removed from the sample the take-up rate among the rest went up from 23 to 34 per cent. This figure would have been 20 per cent in Scheme A areas and 43 per cent in Scheme B areas, which begins to look quite respectable for a new income-tested in-work benefit that had received so

[9] Self-employed couples reporting little or no income have often turned out to have expenditure patterns close to the national average.

little public promotion. Again, and unlike the result found in 1997, self-employment was not implicated. If all the self-employed were removed, the overall take-up rate rose from 23 to 24 per cent and among everyone except the older couples it still rose only from 34 to 35 per cent (see also Table 3.14).

Again, to emphasize, the older ETU-eligible couples had extremely small wages and incomes, averaging £106 a week for respondents, £35 a week for their partners and had ETU-assessable incomes averaging only £110 a week between them. It is hard to believe that they did not have some other income that they were not telling interviewers of, which they were topping up with short hours working. But there was little evidence for such short hours activity: among all couples over 45 and in employment, the men worked 35 hours a week and the women 29, and even among dual earner couples the figures were the same: 36 for men and 30 for the women, on average. These hours for husbands and wives combined averaged 49 hours a week, which means that these eligible dual-earner couples were working for barely more than £2 an hour between them.

There was little evidence of other income among the eligible non-recipients. There was little from testable sources such as pensions or income-based Jobseeker's Allowance among partners, for example. The result of this was that they had ETU-assessable incomes that were about the same as the recipients': £104 a week compared with £98, on average.

Alternatively, it might be supposed that eligible non-recipients of ETU were receiving, or had partners who were receiving, non-testable disability benefits such as Incapacity Benefit or Disability Living Allowance. Or they were with partners receiving contribution-based Jobseeker's Allowance. Few among the recipients were receiving such benefits (1.4 per cent) since, if they were, they probably ought to have been claiming Disability Working Allowance and not Earnings Top-up. DWA would have been worth far more to them. Fewer of the recipients were married to people who were receiving any disability benefits but one in ten of eligible non-recipients had partners who got non-tested disability benefits, averaging just over £81.54 a week. This may have been one source of discouragement to claim, either because it reduced need to the point when they were not alert to the need to increase income or because they feared its loss if they claimed another benefit. On the other hand, people adept at claiming one benefit, especially one so complicated as, say, Disability Living Allowance, ought to be among the first to work out that ETU was something extra they could get. Worse, from their point of view, they would rarely surrender the value of their disability benefit because it would not count against their ETU.

Housing tenure and occupations

Research on Family Credit take-up also showed that other structural factors were important. Eligible non-recipients of Family Credit had consistently more favourable social profiles compared with the recipients. In particular, they were noticeably better educated than the recipients (or perhaps not as poorly educated) and they were more likely to be homeowners. In these data, eligible non-recipients of ETU had the same education levels as the recipients. They were more likely to be homeowners, but not by a large margin: 42 compared to 32 per cent. Among these, however, a much greater proportion of the eligible non-recipients owned their homes outright: 58 compared to 32 per cent.

It was also noticeable that eligible non-recipient couples were three times more likely to live in 'other' tenure arrangements which in their case often meant some kind of grace-and-favour arrangement associated with their work. However, the proportions of both groups living in such accommodation were very small - 16 per cent of eligible non-recipients and five per cent of recipients.

It is possible that eligible non-recipients simply do different jobs, which somehow isolate them from the streams of information travelling around the employment networks inhabited by the recipients.

Table 4.2 Occupations of recipients and eligible non-recipients of ETU

Column percentages

	Recipients	**Eligible non-recipients**
Cleaners, domestics, porters, car cleaners	18	13
Personal services: care workers, hairdressers	16	19
Shop workers	15	15
Cooks, waiters, bar workers	12	10
Clerical, receptionists, data entry work, cashiers	10	16
Assembly, sewing, factory workers	6	8
Distribution, warehouse workers	5	7
Labourers and gardeners	5	4
Drivers	5	2
Other sales	4	3
Construction, plumbers, electricians, floor-layers (mostly mates and apprentices)	3	0
Other workers	2	4
Base	*568*	*330*

Among couples, and even among singles in Scheme A, there were really too few recipients to allow reliable comparisons - 80 people cannot be broken down into occupational groups. To meet this shortfall, all the members of the parallel sample of ETU recipients who were still in work

and whose earnings kept them within eligible bounds, were added to the sample. Table 4.2 shows a special coding of the jobs undertaken by recipients and eligible non-recipients.

The lowest-paid workers shared a predictably narrow range of mostly unskilled jobs. They were cleaners (the men cleaned cars and factories, the women cleaned offices, schools, hospitals and homes) or carers, often in old people's homes, clerks, cooks, waitresses, bar staff or shop assistants. There was a small tendency for eligible non-recipients to be more numerous among the clerical staff and receptionists, but otherwise their occupational profile was very similar.

4.2.2 Levels of entitlement

One of the most consistent findings in research on Family Credit has been that unclaimed entitlements were smaller than those claimed. In PSI's 1999 Study of Families with Children the take-up rate for Family Credit was only 43 per cent among those entitled to less than £20 a week in benefit (the average entitlement among recipients was over £60 a week). Among those entitled to over £80 a week, the take-up rate was 88 per cent (Marsh, McKay, Smith and Stephenson, unpublished). It is not suggested that eligible non-recipients were deliberately calculating that they would get only a few pounds a week and deciding it was not worth bothering about. But they had higher wages and, as follow-up studies have shown in the past (McKay and Marsh, 1995), often moved swiftly up the income range over the few weeks and months following their interview. They typically had higher trend incomes over time and so scored lower on various measures of hardship than did the Family Credit recipients, even though the recipient families had the higher incomes at the time of asking.

ETU is different. The take-up rates of ETU shown here are a mirror image of Family Credit rates and so the majority of people eligible for ETU were non-recipients. And we have already noted that:

- the one substantial group who had the largest entitlements (because the rules make them the largest) had the lowest rates of take-up: the older and the dual-earner couples; and
- recipients and eligible non-recipients of ETU had the same assessable incomes and so were likely to have similar entitlements.

Table 4.3 Levels of entitlement to ETU among recipients and eligible non-recipients (£s mean)

	Scheme A			Scheme B		
	Single under 25	Single 25+	Couple	Single under 25	Single 25+	Couple
Eligible recipient	20.34	24.20	36.02	19.67	23.67	44.14
Eligible non-recipient	[12.35]	[16.90]	30.94	[21.60]	[20.21]	44.45
Base	*50*	*140*	*55*	*147*	*186*	*67*
	18	*32*	*71*	*21*	*35*	*90*

Base: workers-in-work eligible for ETU plus weighted sample of continuing and eligible ETU recipients (Unweighted n=895)

Figures in brackets are calculated on a base of less than 50

Table 4.3 provides the average weekly entitlement to ETU of eligible recipients and non-recipients, separately for single people under and over 25 and for couples, in Scheme A and Scheme B areas. This division of the sample controls for the differences in entitlements created by the rules.

Under Scheme A eligible non-recipients, as expected, were entitled to consistently smaller awards of ETU than were the continuing recipients. But the differences were not large, ranging from about £8 a week among single people under Scheme A and only about £3 among couples. Under Scheme B there were no consistent differences. Again, however, these results should be treated with caution owing to the small size of several of the bases.

4.2.3 Need

The measure of hardship used in Chapter 2 with regard to ETU recipients (Section 2.3.6) was also applied to the workers sample (see Appendix A for an explanation of the measure). Happily for the design of the study, the distribution of hardship scores did not differ between Scheme A, Scheme B and Control areas. This however conceals a difference evident when the sample is divided by couples and single people (Table 4.4). In Scheme B and the Control areas, single people were almost twice as likely as couples to experience what we have called severe hardship. In Scheme A areas single people were slightly better off and couples slightly worse off, leaving singles and couples in those areas recording similar levels of hardship[10].

[10] The reader will note the considerable differences between Table 4.4 and Table 2.19. These tables are *not* comparable. Table 4.4 describes hardship among low-paid workers of whom less than half were eligible for ETU (many of whom may never have been eligible) and the vast majority of whom had never claimed ETU. Table 2.19, in contrast, describes hardship among a very different group of whom: all had received ETU in the very recent past, more than two-thirds remained eligible and the majority continued to receive ETU. As it would appear that claiming ETU is linked to (perceived) need, one should not be surprised to find that a sample containing current and recent recipients shows a greater degree of hardship than a sample containing very few current and recent recipients.

Hardship was distributed fairly evenly around differing social groups in the sample but there were one or two interesting exceptions. People listed as 'tenants' but who were really in some non-paying arrangement often for temporary accommodation, other than their parents' homes, had very high hardship scores. Half of them were in severe hardship, which is probably why they were not in a position to pay anyone any rent. By contrast, homeowners and older couples (who were often homeowners too) were rarely in hardship. This, of course, located hardship in sectors of the sample having the higher take-up rates of ETU, particularly among the tenants, and freedom from hardship in sectors with the lowest take-up rates, that is, among older couples and homeowners. Table 4.5 examines the distribution of hardship among recipients and non-recipients of ETU.

Table 4.4 Hardship by ETU area, by partners

Column percentages

	Scheme A			Scheme B			Control areas		
	Singles	**Couples**	**All**	**Singles**	**Couples**	**All**	**Singles**	**Couples**	**All**
No hardship	43	43	43	37	50	43	34	45	39
Little hardship	26	26	26	25	25	25	25	22	24
Some hardship	15	15	15	16	13	14	19	21	20
Severe hardship	16	15	16	22	13	18	22	12	17
Base	*312*	*242*	*554*	*297*	*297*	*595*	*225*	*208*	*443*

Table 4.5 Hardship by eligibility and claiming ETU

Column percentages

	ETU recipients	**Eligible non-recipients**	**Higher income**	**Out of work**	**All**
No hardship	24	43	47	39	41
Little hardship	20	25	26	23	24
Some hardship	23	16	14	16	16
Severe hardship	33	16	12	22	19
Scale items:					(Cell percentages)
Had unmet needs	49	41	36	40	39
Worried about money	60	36	39	47	41
Managed poorly	29	16	14	21	16
Had trouble with debts	27	12	11	13	13
Had utility etc. debt	21	8	9	9	9
Had personal debt	7	3	3	5	4
Mortgage arrears among payers	8	1	4	3	3
Rent arrears among tenants	37	13	11	20	17
Base	*98*	*267*	*739*	*467*	*1582*

Workers receiving ETU were worse off than everyone else. They were twice as likely to record severe hardship compared with the eligible non-recipients even though they had total incomes at least 20 per cent higher than the eligible non-recipients had. More than half (56 per cent) of ETU recipients passed the third point of the scale (some hardship) and a third of them passed point three (severe hardship). The corresponding figures among eligible non-recipients were 32 and 16 per cent. The same was found in every survey in PSI's Programme of Research into Low Income Families and in the 1999 Study of Families with Children. The difference in this ETU data is that the ETU recipients were worse off even than those who were now out of work, on average were[11].

Table 4.5 also shows separately the components of the hardship scale. The widest difference lay in anxiety about money, which appears to have been prompted in many cases by higher levels of current debt and by a record of chronic debt. Anxiety, rather than stoically going without goods, would also be associated with an alertness to claim benefit.

Thus it is possible to say that claiming ETU was likely to have been prompted by need and was inhibited by the relative absence of need. Eligible non-recipients had much lower incomes than those who exceeded their ETU threshold, but said they experienced only similar levels of hardship compared to the better off respondents. Strangely, this was true of the least well off too: the out-of-work respondents. But our ETU recipients were receiving benefits and had higher incomes than the eligible non-recipients and the out-of-work people. So it must be said either that receiving ETU does not much relieve the hardship that helped prompt its claim, or that the initial levels of hardship prior to the claim were even deeper.

4.2.4 The role of awareness

We established earlier that levels of awareness of ETU were low and falling. If you take a strict view of the relationship between awareness and claiming, then it is quite surprising that as many claimed as did. Even some recipients could not remember its name when challenged to do so in an interview. However, you should need only a vague notion that extra cash might be available in order to prompt an enquiry that is then rewarded with the right information about what to do.

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[11] Again, the reader will note the considerable differences between Table 4.5 and Table 2.18 and again should be aware that the tables are not comparable. Table 4.5 divides its sample into 'ETU recipients' and three groups of non-recipients, while Table 2.18 divides its sample into two groups of eligible respondents and two groups of ineligible respondents. But more importantly, the respondents referred to in Table 2.18 are a *very specific group* – all of the minority not currently receiving ETU had been recipients in the very recent past. In contrast, the vast majority of respondents in Table 4.5 had never claimed ETU and many had never been eligible. As it would appear that claiming ETU is linked to (perceived) need, one should not be surprised to find that a sample containing current and recent recipients shows a greater degree of hardship than a sample containing very few current and recent recipients.

Less than a quarter (23 per cent) of eligible non-recipients of ETU said that they had heard of '*….a new benefit introduced in some parts of the country that pays extra money to some people who work and have no dependent children living with them*'. It is possible to wonder whether respondents all heard the negative in the question '…*no* dependent children…' but generally people tend to have heard of Family Credit. Cases making this error should have said 'yes' and then gone on to give the wrong identification. But only 15 per cent of eligible non-recipients went on to give a name to the benefit they recalled and they all called it Earnings Top-up or something codeably similar, not Family Credit.

Among eligible non-recipients, the distribution of recognition of ETU, or its lack, followed the same broad pattern as the recipient population. That is to say, among target groups where both take-up and the take-up rate were high, so awareness of ETU was higher among eligible non-recipients. Where it was lowest, so the eligible non-recipients were least likely to be aware. Only 15 per cent of the dual-earner couples, for example, were even vaguely aware of ETU but 28 per cent of the single eligible non-recipient workers knew about it.

These variations apart, the overall low level of awareness would make it quite hard to criticize anyone who said that the main reason that ETU had a low take-up rate among eligible workers was simply that too few of them had ever heard about it.

Such a view would be strengthened by evidence that the majority of those who had heard about it also had experience of it. Eleven per cent of the eligible non-recipients had previously received ETU. So had eight per cent of the much larger group of higher income workers and nine per cent of those out of work. Just three per cent of eligible non-recipients had thought about applying and six per cent had sent in an application and had been turned down, usually because they earned too much.

Combining these figures, 13 per cent of eligible non-recipients had had some experience of ETU, and so had eight per cent of the higher income respondents and nine per cent of those now out of work.

This meant that 80 per cent of the whole sample of workers (87 per cent under Scheme A and 73 per cent under Scheme B) had no experience of ETU and 85 per cent of these (73 per cent of the whole sample) had no knowledge of it. On the other hand, some of the people who had experience of it failed to recognise that ETU was being referred to in the question:

> *'A new social security benefit, introduced last year in some parts of the country that pays extra money to some people who work and who have no dependent children living with them. Have you heard of the introduction of this benefit?'*

Table 4.6 summarises this position.

Table 4.6 Experience and knowledge of ETU

Column percentages

	Scheme A	Scheme B	All in ETU areas
Experience and recognition	9	21	15
Experience but no recognition	4	6	5
No experience, some recognition	13	11	12
No experience, no recognition	74	62	68
Base	*434*	*500*	*934*

In the 1980s Anne Corden found sufficient people among eligible non-recipients of FC who had applied and been turned down, to suggest that those she called 'disappointed applicants' were an important part of the explanation of why they did not claim. This is not the case among those who failed to claim ETU. Too few had heard of it, let alone ever applied.

4.3 Modelling take-up rates

4.3.1 The 1997 model

The 1997 survey took the significant bi-variate factors that were associated with being an eligible non-recipient of ETU and entered each into a regression model. Since being an eligible non-recipient or not is a binary variable, the appropriate technique was logistic regression. Table 4.7 shows the model that best fitted the data in 1997 (Finlayson et al 2000, pp57).

The 1997 model was dominated by the social structural factors. Readiness to claim was higher among the young and single and the married male workers (who were also the younger couples), lower among the (older) female married workers, lowest among the dual-earner couples, the self-employed and workers with driving licences, and those entitled to small amounts of ETU. This result aligned quite well with experience of Family Credit whose eligible non-recipients were typically home-owning couples, self-employed, and entitled to smaller amounts.

Table 4.7 Logistic regression prediction of who did not claim their entitlement to ETU in 1997

	Coefficient	Probability not in receipt of ETU
ETU 'customer' group 1997		
Single male, under 25, working 16+ hrs	-0.8541	77%
Single female, under 25, working 16+	-1.1364	72%
Single female, 25 or over, working 16+	-1.0863	73%
Dual earner couple, under 45 years	8.7906	100%
Dual earner couple, 45 years or older	2.8455	99%
Man works 16+ hours, woman not in work	-1.4821	64%
Woman works 16+ hours, man not in work	2.4106	99%
Driver in 1996	0.8851	95%
ETU entitlement in 1997 (per pound)	-0.0695	80%#
Self-employed	2.5427	99%
Constant	2.0564	
Probability of reference individual not being in receipt of ETU		89%

Notes: the 'reference individual'[12] was a single man aged 25 or over, an employee who was not a driver, and who had an ETU entitlement of £10 per week

= Effect of increasing entitlement by £10

But following the Family Credit experience, there were some notable absentees among the variables that made up the best model for a failure to claim ETU. Housing tenure, for example, is important in the Family Credit setting. Among families entitled to Family Credit, the social tenants were far more likely to claim, other things being equal. And of course the one variable that is likely to explain a large proportion of non-take-up among eligible workers - their awareness of ETU - has to be left out of any equation since it has to be assumed that the recipients were aware of it. This is true even if some of them failed the recognition test we set them.

4.3.2 The 1999 model

Analysis of the 1999 data began with a reconstruction of the 1997 model. The result was similar, though simpler. Entering the same variables as in 1997 again divided the single workers from the couples, naming the older single women as most likely to claim, other things being equal, and older dual-earners and women in sole-earner couples as least likely to claim. But this time neither low levels of entitlement nor self-employment were significant independent influences on the failure to claim. The only significant 1997 non-structural variable to retain significance in the same equation in 1999 was the possession of a driving licence, which again inhibited claiming.

[12] The 'reference individual' is a theoretical individual with known characteristics and a known probability of being an eligible non-recipient. It allows us to see the effect on that probability of changing each characteristic independent of other factors.

Again, the problem with the 1999 data was that the workers-in-work survey alone provided too few ETU recipients (just 80 out of 347 eligible workers) for this kind of multivariate analysis. It was possible, on the other hand, to take from the survey of ETU recipients all those still in work and still eligible for ETU and add them to the recipients in the workers sample, first applying the re-weighting system used for the recipients survey. Both samples may be treated as independent random samples of ETU recipients and combined. This provided a sample of 644 recipients and 267 eligible non-recipients.

The next step was to add to the 1997 model all the 1999 variables that were associated, if only in a small way, with claiming and not claiming ETU. As well as age, sex and marital/partnership status, these included:

- housing tenure;
- self-employment;
- the possession of a driving licence;
- amounts of entitlement to ETU;
- whether or not the worker was working 30 or more hours a week (which drew an additional £11.05 a week);
- hardship;
- qualifications (academic and vocational);
- temporary work;
- homeworking;
- prior experience of claiming Family Credit;
- and which of the eight ETU pilot areas respondents lived in.

Age and amounts of ETU entitlement were entered as continuous variables. Hardship was dichotomised at the second point on the scale. The remaining were all categorical variables each of whose values were transformed into binary variables and entered separately, omitting one. These missing categories, for example living with parents, having no academic qualifications, living in Perth, and so on made up the reference category. The method used was to subtract the least significant variable at each iteration.

4.3.3 The outcome of the 1999 model

The result of the 1999 model is given in Table 4.8. With the advantage of the larger sample, the outcome provided a comprehensive description of what encouraged or discouraged eligible workers in claiming their ETU.

Marital/partnership status

Social structural variables remained important. Having a partner more than doubled the probability of being an eligible non-recipient. Independently of simply being in a couple, being a member of a dual-earner couple had the same effect, hence the observed difference that all

eligible couples were four times more likely to be eligible non-recipients than all eligible singles were. In addition, being older added to the probability that eligible workers failed to claim their ETU, independently of the fact that single eligible workers were on average younger than those with partners.

Table 4.8 Logistic regression on being an eligible non-recipient of ETU

	Coefficient	Predicted probability	
Household receives disability benefit	1.53	75%	**
Couple	1.25	69%	***
Dual earner	1.23	69%	***
'Other' housing tenure	1.00	64%	**
Homeowner (no mortgage)	0.64	55%	*
Has driving licence	0.41	49%	*
Age (per year)	0.02	39.8%	***
Eligible amount (per £)	-0.02	38.7%	**
Working 16-29 hours a week	-0.43	30%	*
In hardship (> scale point two, 0-7 scale)	-0.77	23%	***
Doncaster	-0.61	26%	*
Sunderland	-0.96	20%	***
Renter receiving HB	-0.87	21%	**
Past experience of FC	-1.00	19%	***
CONSTANT	-1.28		
Reference probability		*39.2%*	
Observed probability		*29.0%*	

Base = Workers-in-work eligible for ETU plus weighted sample of continuing and eligible ETU recipients (Unweighted n=895)

Significance levels: *<0.05>0.01 **<0.01>0.001 ***<0.001

Note: The 'reference individual'[13] was a younger-than-average woman living in Perth. She worked 30 or more hours a week in a permanent job outside the home, had no qualifications, lived with her parents, experienced little or no hardship, was eligible for a larger than average amount of ETU, had no past experience of Family Credit, nor of disability benefits and had no driving licence.

Housing tenure

Holding constant this very large gulf in claiming behaviour between singles and couples, housing tenure remained important. People who owned their own homes (rather than still paying a mortgage) and people in 'other' tenure arrangements being much less likely to claim. The latter included people, often couples again who lived in an institutional setting and worked as wardens or other care workers, or appeared to be some kind of domestic servant. In contrast, renters who received Housing Benefit were much less likely to be eligible non-recipients of ETU. This is a particularly interesting finding. Receipt of ETU among the minority of workers who were both eligible for ETU and paying rent reduced

[13] The 'reference individual' is a theoretical individual with known characteristics and a known probability of being an eligible non-recipient. It allows us to see the effect on that probability of changing each characteristic independent of other factors.

their entitlement to Housing Benefit and so reduced their incentive to claim it. It probably reflects a tendency either to claim both benefits, and to continue to claim both benefits even if they might no longer be entitled to Housing Benefit having claimed their ETU, or to be an eligible non-recipient of both benefits. Claiming benefits, like a lot of other things learned by experience, is a transferable skill, and ***skill transfer*** turns out to be a key theme in explaining take-up and non-take-up.

Entitlement to benefit: ETU and other benefits

Confirming this point regarding skill transfer, prior experience of claiming Family Credit was the strongest individual prompt to claim ETU. In the combined sample, a fifth of recipients (22 per cent) had prior experience of Family Credit, some of them as children in recipient households, compared with one in nine (11 per cent) eligible non-recipients. Among those selected solely in the workers-in-work sample, those with prior experience of Family Credit had a take-up rate for ETU of 36 per cent compared with 21 per cent among those with none. Among couples those with prior experience of Family Credit had a similar profile compared with those with none, but among singles they were concentrated among older single women, four out of ten had claimed Family Credit in the past, suggesting the presence of former lone parents. They would have had a great deal of skill transfer to bring to ETU.

But the skill transfer hypothesis cannot be generalised to people's experience of all other social security benefits. It was shown earlier that the relatively small number of households receiving disability benefits were almost all eligible non-recipients of ETU. Despite being wholly a characteristic of couples, receipt of disability benefits too was a strongly independent influence that discouraged otherwise eligible couples from claiming their ETU. It is possible that they did not realise they could be entitled to more benefit without losing what they already had.

The amount of entitlement to ETU also remained important. Smaller amounts of entitlement for ETU discouraged eligible workers from claiming, in line with repeated findings with other benefits, especially Family Credit. Though the differences shown earlier (Table 4.3) were small and largely confined to Scheme A areas, their significant effect on take-up remained independent of other factors, especially so since it is so pre-determined by the values of other variables that are also in the equation. Some of these cross-cut the familiar finding of low entitlements begetting low take-up. Couples have much *higher* entitlements but a far *lower* take-up-rate, for example. Conversely, people working more than 30 hours a week get a bonus of £11.05 a week added to their entitlements, but it was those working between 16 and 29 hours a week that had the higher take-up rates. This last – working shorter hours – was also an independent element in the same equation. This indicated that there were some

people in the sample attracted to ETU as a means of working shorter hours, which may be typical of women who had other caring responsibilities at home, for example.

Hardship

That hardship remained as an independently significant factor in the equation was of special interest. If nothing else, it was evidence that ETU was reaching people who needed it. Or at least it was reaching people who were aware they needed it, and who worried about not being able to pay their debts. But again it raised the puzzle that having got their ETU they ought to have been in less difficulty. They ought at least to have been on a par with both the eligible non-recipients and the out of work respondents. But their living standards remained significantly lower, indicating a long hangover of financial stress pre-dating their entry to ETU. Among the eligible workers, their relative poverty remained a significant difference even after all other factors were held constant. It was equally true in Scheme A and Scheme B areas, for example.

Area

On this last point, it is also impressive that the two urban-industrial Scheme B areas still boasted a higher take-up rate among eligible workers than eligible workers elsewhere after all other factors were taken into consideration. Living either in Doncaster or Sunderland halved the probability of being an eligible non-recipient.

This is not because different kinds of workers lived under the respective Schemes. Nor it is due to the arithmetic of eligibility, not directly so at any rate. In fact an argument can be made that the arithmetic might have favoured a higher take-up rate among eligible workers under Scheme A because, among the single workers at least, they had smaller incomes than did Scheme B's eligible workers (£79 a week compared with £87 a week). Given that need was implicated in being more alert to claiming ETU it followed that Scheme A workers should have been keener to claim their chance to top-up their very small incomes, even with the modest Scheme A allowances.

Instead it highlights a second key theme in explaining take-up and non-take-up: ***recipient density*** and awareness. In the absence of advertising after the first six months of the pilot, leaving it to official and informal networks to inform workers of ETU, recipient density was crucial. Scheme B areas were half the size of Scheme A areas so that entitlement to ETU at the higher wages under Scheme B would still produce similar caseloads in each area. Even so, Scheme B still attracted more customers, in total, and this difference was established right from the start. Forty per cent more Scheme B recipients than Scheme A recipients (14,000 compared to 10,000) were occupying half the geographical and population

space occupied by Scheme A recipients. More than that, the majority of the Scheme B recipients were squeezed into Sunderland and Doncaster which, being urban concentrations, were geographically far smaller than the Bournemouth and Perth B-areas. Doncaster in particular consists of a large number of small towns and (ex-) pit villages joined together. Once the caseload was established, a worker's chances in Doncaster and Sunderland of knowing someone else who was claiming ETU, or meeting someone who knew about it from someone they knew was claiming, were probably at least three times better than among those living elsewhere. It was shown earlier that personal contact became a relatively more important source for those aware of ETU. After nearly three years, this connection between recipients per acre, as it were, and awareness of the benefit, probably caused the higher-rate Scheme B to be more effective in penetrating its potential customer base in its industrial heartland.

Furthermore, in social terms, the same arguments can be made for low-paid older couples, dual earners, homeowners, people with disabled partners and so on. These characteristics are all badges of isolation from the streams of information that are live and current among younger single people and tenants.

In geographical and social settings where eligible workers were rare, these official and informal networks could not possibly work as they do for other benefits like Family Credit and Housing Benefit.

4.4 Summary

The small proportion of couples among the ETU caseload was due to non-take-up among eligible working couples, not to a lower rate of eligibility. Only 10 per cent of eligible couples claimed their ETU, compared with 37 per cent of single people.

Multivariate analysis indicated that, other things being equal:

Eligible workers who took up their entitlement to ETU were young, single workers, many of them living in Sunderland and Doncaster. They worked shorter hours and so had lower earnings, higher entitlements and felt hard up. Often they had experience of claiming other income-tested benefits.

Eligible workers who failed to take up their entitlement to ETU were couples, especially dual-earner couples, and older people who either owned their own homes or had some living arrangement other than homeowner or tenant. Additionally one of them might be receiving a disability benefit. They lived in a Scheme A area or in Bournemouth in Scheme B. They had no experience of claiming other income-tested benefits, had slightly higher earnings and so were entitled to slightly lower amounts of ETU and they were used to managing on a low income.

Lack of publicity was crucial, leaving it to official and informal networks to inform workers of ETU and few eligible non-claimants were aware of the benefit. Geographical and social isolation were important factors in inhibiting claims. In geographical terms, eligibility in Scheme A was too sparsely scattered to support adequate networks of informal information that would prompt others to claim. In social terms, lowest-paid older couples, dual earners, homeowners, people with disabled partners and so on were all groups isolated from streams of information that would prompt claiming a new in-work benefit, even in Scheme B areas.

Skill transfer was also important. It is highly significant that claiming ETU was both need-driven and associated independently with prior experience of claiming income-tested benefits, especially in claiming Housing Benefit and Family Credit.

5 JOB RETENTION AMONG ETU WORKERS

5.1 Introduction

The aim of this section is to examine what effect, if any, ETU has had on job retention. The analysis is based on the original 1996 sample of low-paid workers, members of which were re-interviewed in 1997. A booster sample of ETU recipients was also interviewed at this stage. Respondents to all these samples were followed up with either a postal questionnaire or a telephone interview in 1998.

Between them, these samples permit an assessment of changing employment status over a three-year period, beginning before the introduction of ETU in the pilot areas. Most revealing is the analysis based on postal respondents who were interviewed in 1997 since their questionnaire contained sufficient information to construct a month-by-month work history for the period of interest. For this reason, these respondents will be the focus in the following analysis.

5.2 Response rates

The analysis of response rates is complicated due to the number of surveys carried out on low-paid workers and ETU recipients. A full discussion is provided in Appendix B. Overall, examination of the profile of respondents to the 1998 follow-up surveys reveals quite a close match to that of the 1997 re-interviewees, although there are some significant differences. These differences do not necessarily invalidate subsequent analysis, which aims to compare the pilot ETU areas with the comparison areas, so long as the bias is common to both. In fact, for most characteristics, there was no significant difference between the pilot and comparison groups. Unemployed claimants in the pilot areas provided an important exception, however; they were more likely than those in the comparison areas to participate in the 1998 follow-up surveys.

The extent to which this will prejudice later analysis is not clear for two main reasons. First, the focus of this section is on job retention and, as such, will consider only those individuals who were in paid employment in 1996. By this reasoning, those unemployed in 1996 do not feature and hence their differential response across pilot and comparison areas is not an issue. Second, being unemployed in 1996 is a temporal characteristic. The tendency for lower response rates among this group does not signify that the unemployed are less likely to respond, only that those who were unemployed *in 1996* are less likely to respond. Hence it is difficult to predict the effect of this non-response on other analyses. However, there is a scenario in which the effects of this non-response will have to be considered. If one is willing to assume that being unemployed in 1996 is an indicator of the likelihood of being unemployed at the time of the 1998 survey, the lower response rate can be interpreted as a higher propensity for non-response amongst the unemployed. This

will have a bearing on any analysis that seeks to investigate the effect of ETU on job retention since those outside the pilot area who become unemployed will fall out of the sample due to non-response. This will result in the comparison area sample becoming disproportionately composed of those who have remained in work. In this scenario, results on the effect of ETU on job retention will have to be regarded as a lower bound.

5.3 Characteristics of the 1998 sample

Having weighted in the booster sample (see Appendix B), some descriptives of the resulting pooled sample of 1998 respondents are set out below. Table 5.1 sets out the employment status. Clearly, the majority of the sample are in paid work or self-employed. This is possibly partly a consequence of the tendency, suggested earlier, for those in work to respond to the surveys.

Table 5.1 Employment status of the 1998 sample

	Valid Percent
Working, in a paid job or self employed	83.2
Unemployed and looking for work	3.8
In full-time education	0.5
On govt training or employment scheme (inc NEW DEAL)	0.5
Out of work because of sickness or disability	4.6
Looking after the family or home	1.4
Retired	6.1
Base	*2031*

Note that this classification does not distinguish between work of less than 16 hours and 16 hours or more per week. However, further inspection revealed the average number of hours worked to be 34, with seven per cent of those working being employed for fewer than 16 hours. Average take-home pay was £71 per week.

5.4 Modelling job retention

The aim in the remainder of this section is to understand which characteristics are linked to job retention. A particular focus is on the role of ETU. In order to do this; month-by-month work histories were constructed for all members of the 1998 sample. Unfortunately, since this information was not available for those who were interviewed by telephone in 1998, these respondents have been dropped from subsequent analysis. Furthermore, it was not possible to construct monthly histories for other variables. In view of this, respondent characteristics and circumstances as they existed at the time of the 1997 interview are assumed to remain constant over the duration of the work histories.

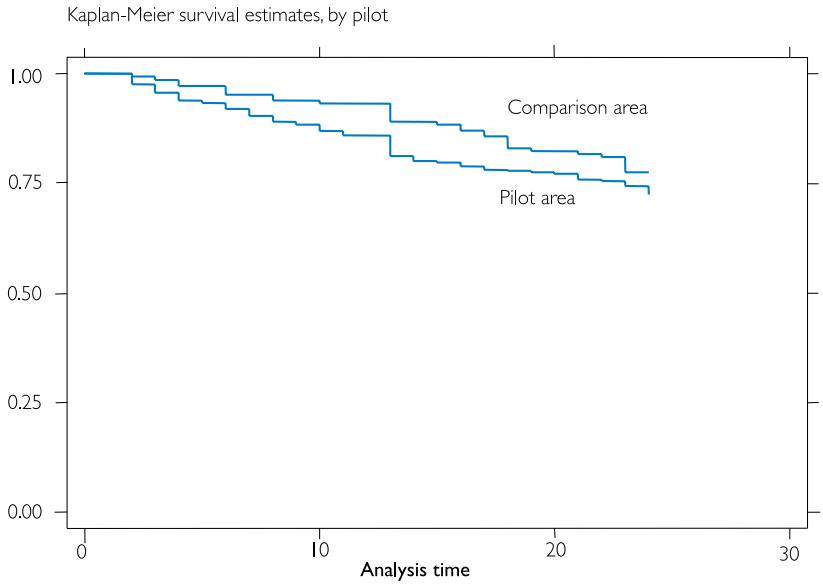
ETU was introduced in the pilot areas in October 1996. The analysis that follows takes this as its starting point. Since the focus is on job retention, only those who were in work at this point are included in the sample. Furthermore, non-respondents to the postal survey were

excluded. The analysis that follows examines how long respondents remained in employment and investigates what characteristics and circumstances influenced this.

5.4.1 Descriptive findings

Eventually, a sample comprising 1065 respondents (1019 unweighted) who were working in October 1996 and who had work histories that were satisfactory for analysis was identified. By the end of the observation period (September 1998) 280 (297 unweighted) had exited from employment. Figure 5.1 shows the cumulative movements out of work over this two-year period. This type of graph is often referred to as a 'survival curve' because it represents what proportion survive in the initial state (here, full-time employment) as time progresses. It is a purely descriptive presentation of the movement out of work and does not incorporate any statistical adjustment for other factors which may exert an influence.

Figure 5.1 Movements out of work by whether in ETU pilot area



Two lines are shown in Figure 5.1: one relating to those who were in the pilot areas and one relating to those in the comparison areas. From this simplistic depiction it appears that those in the pilot areas move out of employment more quickly than those in the comparison areas. However, there are other characteristics of the respondents that are important in influencing job retention and the differences shown in the graph cannot be interpreted as the effect of ETU. Indeed, the natural inference to draw from Figure 5.1 is counter-intuitive since it suggests that being in the pilot area is likely to speed movement into non-employment. In order to examine what role if any is played by ETU in determining job retention; one must control for other sources of variation between the samples. This is done through multivariate analysis.

There is another point worth noting from Figure 5.1. While the movements out of work are fairly small in most months, there is a marked step at month 13. This corresponds to the period where data were taken from the postal questionnaire rather than the face-to-face interview. There are at least two possible reasons for an abrupt change at this time. First, while the face-to-face interviews distinguished between work of less than 16 and 16 or more hours per week, no such distinction was drawn in the postal questionnaire. In the absence of other effects, one would expect this to cause a jump in the empirical survival function since, beyond this point, those working only fewer than 16 hours would be included with those working 16 hours or more. In actuality, the proportion of people who work fewer than 16 hours is sufficiently small to allow us to ignore this effect. Second, and more important, the step may reflect a bias in the response to the postal questionnaire, with those more likely to stay in work not responding to the survey. Although this contradicts the earlier finding that those in work are more likely to respond than those out of work, this was based on characteristics as they existed in 1997.

5.4.2 Statistical analysis of influence on job exit

The preceding discussion has provided a description of the movements out of work for those who were observed to be working 16 or more hours per week in October 1996. As noted, a more revealing insight is possible by carrying out a multivariate analysis of these movements. By so doing, full account can be taken of simultaneous influences on job exit and hence a more focused analysis of the effects of the variables of interest may be achieved. In particular, we are interested in those variables relating to ETU. In this section, the estimation results are presented and discussed. The details of the model are left to Appendix C.

The variables in the analysis were included to capture the effects of a broad range of personal, demographic and labour market characteristics as they existed at the time of the 1997 interview. These included three variables relating to ETU, gender, age, tenure type, self-assessed health, long-term illness, partnership status and employment status of partner where relevant, educational qualifications, professional and vocational qualifications, whether the respondent can drive, whether the respondent felt their employer regarded their job as permanent or temporary, occupational classification, industrial classification and usual weekly earnings in 1997. A monthly variable was also included to allow for the possibility of the rate of exit changing over time. Lastly, in view of concerns about a possible bias of results arising from the postal questionnaire, a variable was included to indicate whether observations for a given individual in a given month were taken from the face-to-face interview or the postal questionnaire.

ETU variables

The main result from the analysis was that ETU appeared to be unrelated to job exit and therefore, by association, to job retention. Three variables were included with the aim of investigating this effect: one variable indicating whether the respondent lived in one of the areas in which ETU was being piloted under the Scheme A provision, an analogous variable for Scheme B and a variable indicating whether the respondent was receiving ETU in 1997. The first two of these variables were included to capture any differences between the pilot areas and the comparison areas that were unrelated to ETU receipt. The third variable captured the effect of receiving ETU at the time of the 1997 interview on subsequent job retention. For all three of these variables the effect was insignificant. The inference from this is that the receipt of ETU has no discernible effect on job retention for the members of our sample.

As an aside, it is possible that the introduction of ETU so affected the state of the local labour market that the circumstances for all workers in the area changed regardless of whether they claimed ETU. This might be the case where, for example, there is evidence of substitution effects with non-recipients becoming less competitive vis-à-vis those in receipt of ETU and hence more likely to exit employment. These wider effects are not separately identifiable from the effects of other differences in the characteristics between the three types of area. However, the estimation results suggest that these wider effects are not significant.

Age

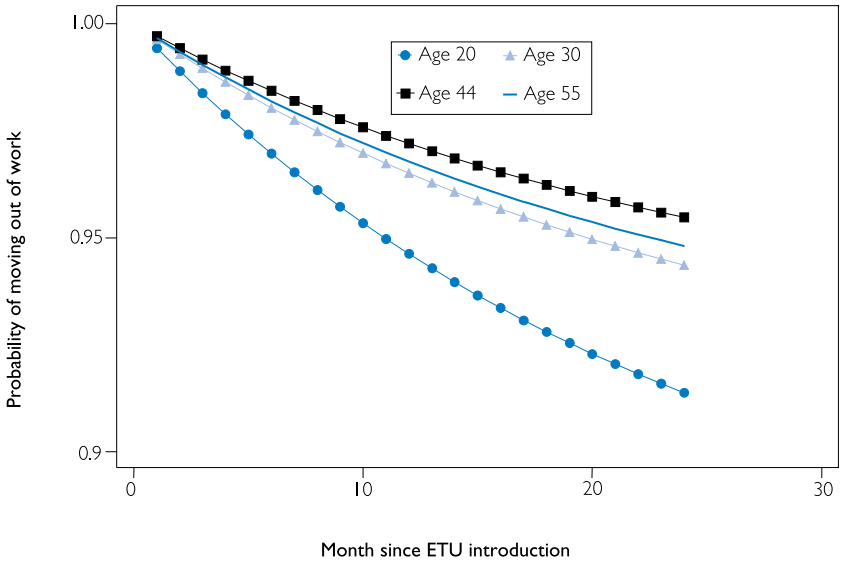
It is also interesting to consider the influence of other characteristics. First, we note the effect of age. The age structure of the sample is unusual in that it is bipolar. This is a consequence of the eligibility criteria for ETU which exclude those with children. The effect of age on job retention is non-linear. Older respondents are less likely to exit employment, although this effect tails off reaching a minimum at age 44. Respondents older than this become more likely exit employment.

This can be shown by means of a modelled survival curve. This is simply the statistical analogue to the empirical survival curve in Figure 5.1. In other words, the curves in Figure 5.2 depict the month-by-month probability of exiting employment controlling for factors which affect this exit rate. The charts are based on an 'average' individual, where the average characteristics are the sample means. Thus the curves are best interpreted as relating to job exit at the aggregate level, since their interpretation at the level of the individual may be confusing given the inclusion of categorical variables such as gender. Influences arising from the sample design rather than attributable to personal characteristics have been excluded. In particular, the variable indicating whether employment history information was taken from the postal questionnaire

has been excluded. This has the effect of removing the sharp drop in month 14 which featured in Figure 5.1. By selectively altering the value of the variables of interest, we can map out the survival curves for particular characteristics.

Figure 5.2 presents the survival curves for respondents of different ages. As noted, the youngest respondents (those aged 20) are more likely to move away from employment than their older counterparts. This is depicted in the diagram by a steeper survival curve indicating a more rapid change in status with time. For those aged 30, the gradient of the survival curve is less steep. This is also true for those aged 44. This age was chosen since it corresponds to the age at which the likelihood of job retention is at a maximum. The negative effect of age on job retention beyond this age is illustrated in Figure 5.2 by the line relating to those aged 55. For these respondents, the risk of job exit increased.

Figure 5.2 Survival function by age



Given the unusual age distribution of the sample, it is revealing to explore whether other influences on job exit vary with age. This was examined by dividing the sample into those under the age of 40 and those aged 40 and upwards. The dividing point of 40 was chosen since an informal examination of the age distribution revealed this as a natural break point. The model results (presented in Appendix C) point to a number of significant differences between the two sub-samples, justifying their separate treatment. Of particular interest is the finding that for those over the age of 40, being in one of the Scheme B pilot areas significantly reduces the chance of leaving employment. However, actual receipt of ETU in 1997 has no effect. Two possibilities deserve comment. First, the labour market for those aged over 40 may be stronger in the Scheme B areas than in the other areas. This may be as a result of the introduction of ETU under Scheme B or it may not: this cannot be discerned from the data. Second, it may be the case that, although the effect of claiming

ETU at the time of the 1997 interview has no significant effect, those aged over 40 in Scheme B areas have an increased tendency to claim in later months.

Personal characteristics

There are some significant effects among the non-ETU-related variables. Also interesting are some effects that are not significant. For example, the results suggest there is no difference between males and females. Similarly, health appears to have little influence with self-assessed health being statistically insignificant. Having a long-term illness is also insignificant. Intriguingly, though, inspection of the results by age reveal that this insignificance is the result of the conflation of two significant but opposite effects. For those under the age of 40, having a long-term illness appears to speed exit from employment while for those aged over 40 the reverse is true. Considering housing tenure, those who rent but pay no rent are more likely to exit from employment than those with alternative housing arrangements. Partnership status has no effect on job retention and nor does the partner's employment status where relevant.

Education and skills

A number of variables were included to capture education and skills. In terms of educational qualifications, the only significant influence was found to be associated with having a degree. This increased the probability of exiting employment. This tendency for those with higher qualifications to exit from employment was mirrored in the vocational qualifications, with possession of a professional qualification or, particularly, a HNC/HND qualification being associated with moves out of employment. Having an apprenticeship qualification has a similar effect. One possible explanation for this may be that these respondents exited their low-paid jobs in order to recommence the education or training which resulted in their qualifications.

Employment

Not surprisingly, those who, in 1997, felt their job not to be permanent were more likely to have left employment. These influences are very large and very significant. Among occupations, salespeople were significantly more likely than other type of workers to have left work, while managers and professionals were less likely. Type of business also played a role; those working in business and financial services in 1997 were less likely to have stayed in work. Finally, usual weekly earnings in 1997 were an important influence on job retention: those with higher wages were more likely to stay in work.

5.5 Summary

This chapter has examined the issue of job retention among ETU workers using information from the 1998 follow-up surveys. Approximately one quarter of those working in October 1996 exited from employment at some point during the two-year period of observation.

Statistical modelling showed ETU to have no effect on job retention, although there was some evidence of a positive effect among older workers in the Scheme B areas.

Other characteristics were found to be associated with job retention:

- The effect of age is such that individuals in their mid-forties are the most likely to remain in work; individuals younger or older than this tend to leave employment more quickly.
- There appears to be no difference in job retention between men and women
- Those who are nominally tenants but are not required to pay rent move out of employment more quickly.
- Those with higher academic or vocational qualifications were more likely to leave employment.
- Salespeople were more likely than other type of workers to have left work, while managers and professionals were less likely.
- Those working in business and financial services in 1997 were less likely to have stayed in work.
- Those with higher wages were more likely to stay in work.

Finally, the possibility that the results have been distorted as a result of response bias cannot be ignored.

6 EXAMINING WAGE AND SUBSTITUTION EFFECTS USING ADMINISTRATIVE DATA

6.1 Introduction

This chapter uses data from Department of Social Security (DSS) records to test the effects of the introduction of ETU. These data came from two sources:

- records of awards of ETU from November 1996 to January 2000, when the pilot scheme had accepted no new applications for three months[14]; and
- records of awards of Family Credit from October 1995, a year before the introduction of ETU, to September 1999.[15]

The ETU records are compared in terms of pilot scheme type (A and B) and recipient type. For FC data, comparisons are made:

- between pilot Scheme A and pilot Scheme B;
- between the pilot schemes and four matched 'control' areas (C); and
- between the evaluation areas (A, B and C) and a five per cent sample of areas outside the evaluation.

6.1.1 The issues

The introduction of Earnings Top-up alongside Family Credit and Disability Working Allowance (DWA) completed the provision of wage supplementation to people working for low weekly wages in the experimental areas. The child and disability premiums associated with FC and DWA extended eligibility much further up the lower part of the wage distribution than ETU reached. That is, FC and DWA remained available at higher wages than was the case for ETU. However, there were many claiming the existing benefits, in particular lone mothers, who earned wages similar to those earned by ETU recipients. ETU was intended to increase the numbers of low-paid jobs available, and to reduce the stock of claimant unemployed as more people became willing to accept jobs at very low wages using ETU as a supplement. However, the possibility remained that universal wage supplementation would have effects predicted for it by classical economic theory.

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[14] ETU records provide information for all claims in payment in each month, so each recipient remains in the data for at least six months. Data about their wages and hours refers to information collected at the time when their current claim was first made.

[15] FC records provide information for either all fast-track claims beginning in each month, so each recipient appears only once ('flow'), or for all other claims current in each month, so that each recipient remains in the data for the duration of their claim ('stock').

A wage effect

Increasing the numbers of people willing to work for very low wages could weaken the wage bargaining position of everyone at the bottom end of the wage distribution, including those already subsidised by Family Credit. Employers would not need to know much about ETU to buy labour more cheaply but would merely respond to more favourable labour market conditions, from their point of view. Low wages would become lower or remain steady and, in effect, a large slice of the subsidy would travel through the workforce and end up with the employers.

A substitution effect

Should few new jobs be created by the introduction of ETU, newly-subsidised childless workers might move into jobs occupied by low-paid workers with children claiming FC, typically lone mothers.

In practice, there are reasons why we might not expect to find such effects as a result of the ETU pilot scheme. Firstly, around seven in ten ETU recipients were already in work when they applied for the benefit (Section 1.4.4) and ETU had very little influence over whether workers accepted a particular job (Section 2.5). Where ETU recipients were already in work, employers would have less scope to reduce wages than they would if they were fixing the wage of a new job.

Secondly, both the number of claims and the proportion of eligible workers who claimed (that is, take-up and the rate of take-up) were relatively low. The take-up rate among employed workers was estimated to be 24 per cent in 1999 (Section 3.6.3). Table 6.1 shows FC and ETU caseloads at August/September 1999, excluding the self-employed. It is questionable whether the presence of 18,000 ETU recipients could have any substantively significant effect on the employment of more than 68,000 FC recipients in the pilot areas. This is especially in doubt in Scheme A areas where FC recipients outnumbered ETU recipients by a ratio of 6:1 (ETU take-up rate was estimated at 16 per cent). It is unlikely that the wage bargaining and employment position of low-paid workers in general would have been weakened by the introduction of ETU given this take-up and take-up rate.

Table 6.1 ETU (all awards) and Family Credit (stock and flow) caseloads[16] (excluding the self-employed) by ETU area

	ETU (Sept. 99)	FC (Aug. 99)
Scheme A	7 388	45 574
Scheme B	10 996	22 920
Total	**18 384**	**68 494**

Sources: Family Credit administrative statistics and DSS ETU Statistical Enquiry

Thirdly, though FC recipients also occupied the low-paid end of the labour market, they worked for wages which were, on average, higher than the wages of those claiming ETU. Furthermore, they were different populations in many respects resulting from their key difference: ETU recipients did not have dependent children while FC recipients did. It follows that if ETU had a wage effect in the labour market occupied by low-paid workers without children, it would not necessarily also have significant effects, in terms of either wage or substitution effects, on the slightly different labour market occupied by low-paid workers with children. Indeed, if it did this would indicate a considerable problem.

It is possible to sum up the central question of the investigation by asking 'How many new jobs were created (or existing jobs preserved) at the expense of how large a wage effect?'. Here we look for evidence in wage and caseload trends. First we look at the ETU wages themselves. Then we look at the wages of the Family Credit recipients who were also on low weekly pay, comparing the ETU areas with the control and outside areas. Finally we look for the possibility of substitution effects by tracking the FC caseload in the pilot and control areas.

6.2 Wage effects

If employers in the pilot areas held steady or reduced their wage offers as a result of the introduction of ETU, the low-paid work done by ETU and FC recipients would have become relatively lower paid in the pilot areas over the months following its introduction. Thus, if the data showed a depression in wages or failure to rise in the pilot areas, while wages in the control and areas outside the evaluation continued to rise with inflation, an ETU wage effect could be indicated.

6.2.1 ETU recipients

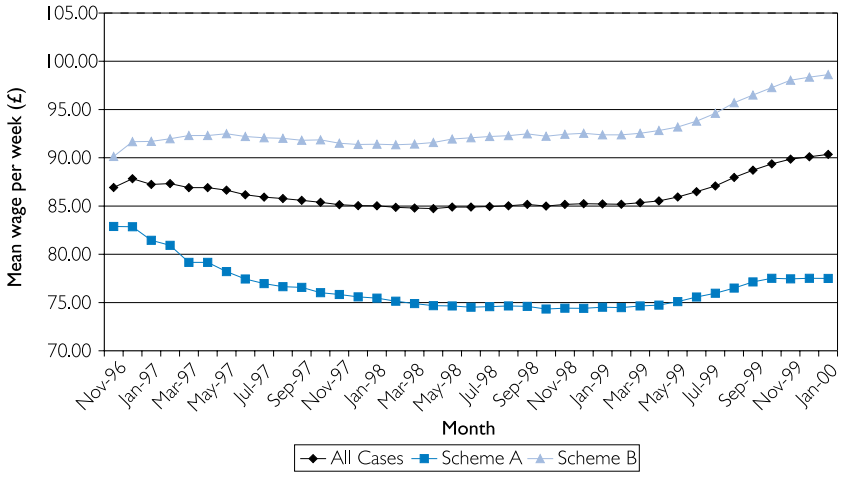
The ETU administrative data is limited in its usefulness because we have no 'control' group against which to compare ETU recipients. Caution must therefore be used in its interpretation.

[16] ETU and FC awards are classified by DSS along different lines - ETU awards are divided into new, renewal and subsequent awards, while FC awards are divided into flow and stock awards.

Figures 6.1-6.4 show the average weekly and hourly earnings of ETU recipients between November 1996 and January 2000. Figures 6.1 and 6.2 examine them by pilot scheme area (A and B), while Figures 6.3 and 6.4 show averages by recipient type, that is couples, single people aged 25 and over, and younger single people. Figures are based on all awards (new, renewal and subsequent) and exclude the self-employed whose income would not directly be affected by any reaction of employers to the introduction of ETU. Hourly wage rates were not included in the administrative data and have been calculated using average weekly wage and hours.

In the pilot areas as a whole, there was a very slight downward trend in the average gross weekly earnings of ETU recipients between December 1996, when it was £88, and the autumn of 1997 (Figure 6.1). Thereafter, average weekly earnings remained fairly static at £85 per week, until the introduction of the National Minimum Wage in April 1999. From this point weekly earnings began a gradual increase to a plateau in the winter of 1999 at £90.

Figure 6.1 Gross mean weekly wage of employed ETU recipients by ETU area



Source: DSS ETU Statistical Enquiry

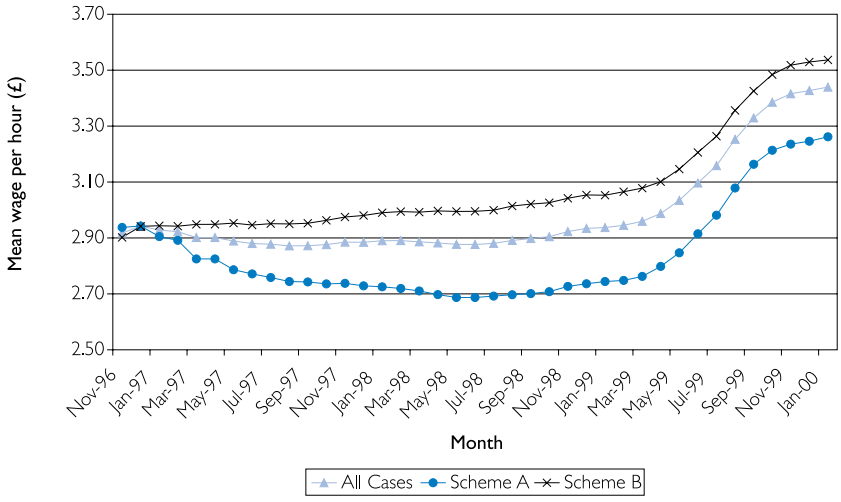
By pilot scheme area

Recipients in Scheme B areas earned significantly more per week on average than recipients in Scheme A areas, due to the differing qualifying rules of the two versions of the benefit, and this gap increased over the period of the ETU pilot scheme, from £7 in November 1996 to £21 in January 2000 (Figure 6.1). Similarly, the wage trends in the two schemes differed. In Scheme B, average weekly earnings remained stable at around £92, across the period to April 1999 and following the introduction of the Minimum Wage steadily increased to £99 per week. In contrast, the average weekly earnings in Scheme A experienced a downward trend from November 1996, when they were £83, until early 1998 and thereafter they remained stable at around £75 until the introduction of the Minimum Wage. After this they rose slightly to a plateau of £78.

Average gross hourly earnings in the pilot areas fell very slightly from November 1996 until the summer of 1997, after which they remained static at around £2.88 per hour (Figure 6.2), beginning to climb gently in the winter of 1998. After April 1999 when the National Minimum Wage was introduced, hourly wages began to climb steeply, levelling out at around £3.43 by the end of 1999.

However, as with weekly wages, there were differences between the two schemes with those in Scheme B areas earning more per hour on average (Figure 6.2). Again, this gap grew over the period from parity in December 1996 to 31p in May 1998, around which level it fluctuated for a year until it narrowed slightly after the introduction of the Minimum Wage. In Scheme B areas, there was a very slight upward trend in average hourly earnings during the period November 1996 to April 1999, an increase of 18p per hour overall. Thereafter, the rate of increase was sharper and by November 1999 the average had reached £3.52 after which it levelled off. Conversely, in Scheme A areas there was a downward trend to mid 1998, when it was £2.69, and thereafter hourly earnings began to rise steadily until April 1999. They subsequently rose sharply reaching £3.24 in November of that year, a level around which they remained.

Figure 6.2 Gross mean hourly wage of employed ETU recipients by ETU area



Source: DSS ETU Statistical Enquiry

Notes: Hourly wage rates were not included in the administrative data and have been calculated using average weekly wage and hours

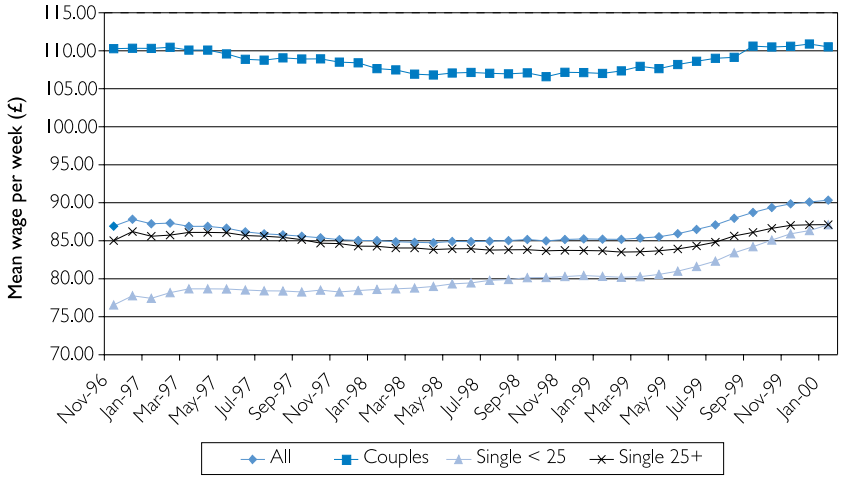
By recipient type

Relative earnings levels of the three client groups (couples, single people aged under 25, and single people aged 25 or more) also reflected the ETU rules. Couples earned considerably more per week than single people (Figure 6.3). Their average wages saw a very small decline from £110 at the beginning of the evaluation to around £107 through 1998

and finally climbed back to £111 in late 1999. Single people aged 25 and over, though earning substantially less, saw a very similar wage pattern, average earnings falling from £86 to £84 and remaining at that level until Spring 1999 and then rising gradually back to £87. Single people under 25 earned less still, however they did not see the very small decline in wages experienced by the other groups. By the spring of 1999, their weekly wages had risen slightly from £77 to £80, and thereafter they rose sharply to £87 in January 2000, matching those of older single people due to the introduction of the National Minimum Wage.

Couples also had the highest mean hourly wage (Figure 6.4). Initially steady at just under £3.50, between spring 1998 and spring 1999 it rose to £3.62. Following the introduction of the National Minimum Wage, it then rose sharply to reach £3.92 in January 2000. The trend among single people aged 25 and over was similar. Relatively steady until August 1998 it began a gentle rise to £3.22 prior to the introduction of the Minimum Wage, after which it rose sharply to reach £3.65 in November 1999, reducing the gap between older singles and couples. Younger single people earned considerably less per hour than either of these two groups. Their wage rate was steady at around £2.50, but after the introduction of the Minimum Wage it rose steeply, reaching £3.00 by January 2000.

Figure 6.3 Gross mean weekly wage of employed ETU recipients by recipient type



Source: DSS ETU Statistical Enquiry

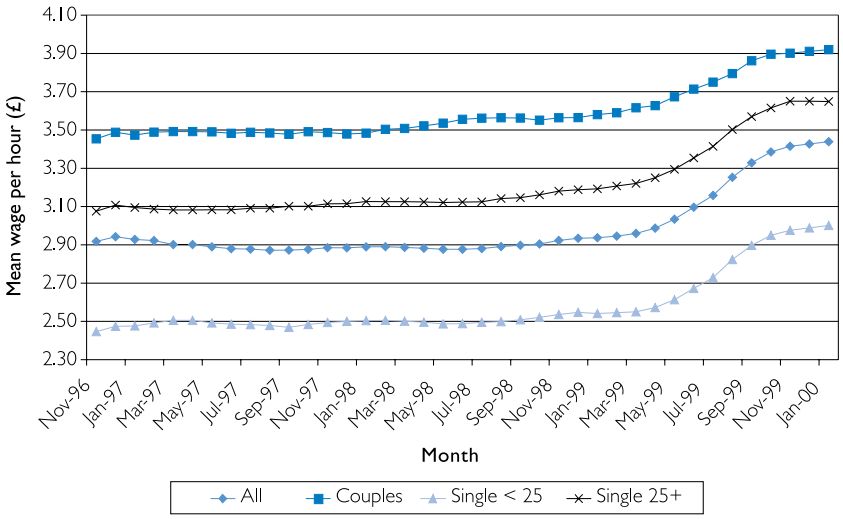
Explaining the trends

At face value, these trends appear to indicate a lack of wage growth in Scheme B areas and an actual decline in Scheme A, either of which might be associated with the wage subsidy provided by ETU.

However, the initial decline in Scheme A wages was most likely due to compositional changes in the ETU workforce in those areas. More single

under-25s were drawn into the scheme as the first few months went by at the expense of those in couples, and this would have brought average wages down. In January 1997 Scheme A recipients were composed of 25 per cent couples, 27 per cent single under 25s and 48 per cent single over 25s, but by November 1997 these proportions had changed to 19 per cent, 32 per cent and 50 per cent. A similar shift took place in Scheme B, but to a much lesser extent. This compositional effect is confirmed by the absence of such steep declines when the data is separated by recipient type.

Figure 6.4 Gross mean hourly wage of employed ETU recipients by recipient type



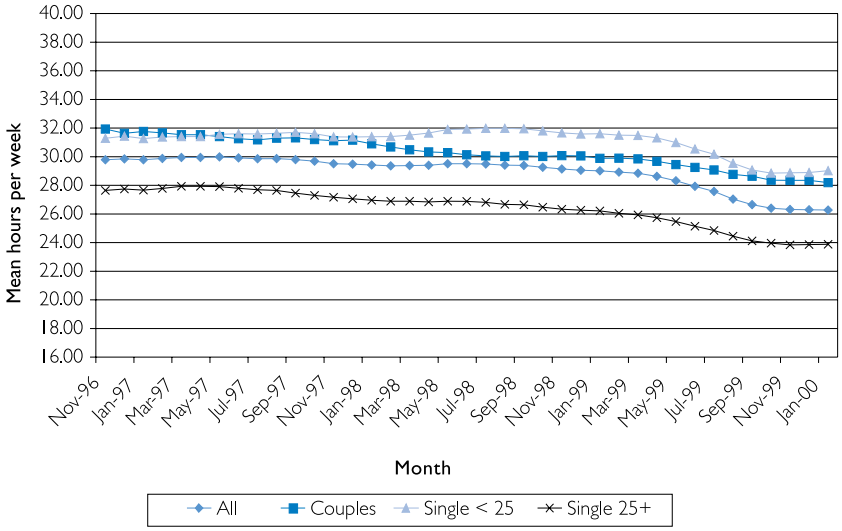
Source: DSS ETU Statistical Enquiry

Notes: Hourly wage rates were not included in the administrative data and have been calculated using average weekly wage and hours

Furthermore, due to the low earnings thresholds, a rise in wages could have pushed many recipients out of eligibility for ETU, leaving a caseload containing the lower-paid workers. Hence the average wages of eligible recipients would be unlikely to rise substantially over time as the earnings thresholds were up-rated at about two per cent per annum, below the rate of wage inflation. Renewal rates fell across the evaluation period, indicating that existing recipients' wages were rising over time and pushing them out of eligibility. It is true that recipients' mean hourly wages did show a rise as a result of the National Minimum Wage, but at that point the caseload and average hours declined as those working longer hours became ineligible. However, couples' average wages failed to rise in just the same way as those of other recipient groups, despite their higher maximum payments and, in Scheme A, higher earnings threshold, which made them less susceptible to such an effect. This indicates that static wage trends may also have been due to factors other than low earnings thresholds.

Thus, this administrative data offers no conclusive evidence that employers responded to ETU by holding down the wages of ETU recipients, but equally the series provides no firm evidence to rule it out.

Figure 6.5 Mean hours per week worked by employed ETU recipients by ETU area



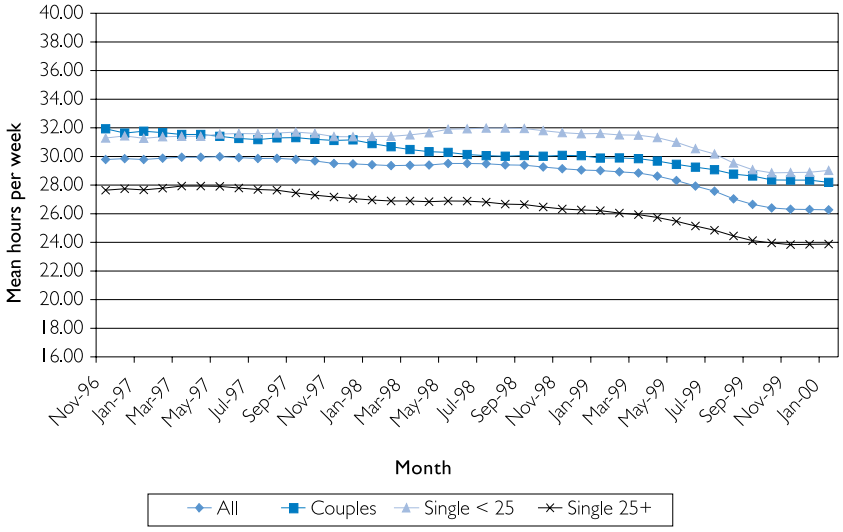
Source: DSS ETU Statistical Enquiry

Hours

Another fear associated with wage supplementation was that workers would simply reduce their hours in favour of more benefit. Figures 6.5 and 6.6 show recipients' average working hours per week.

In the pilot areas overall, employed recipients' average weekly working hours initially fluctuated between 29 and 30. After April 1999 they decreased, and remained at 26 after November 1999. Thus there is little evidence here that average weekly hours were affected by the availability of ETU, rather the effect on the hours of ETU recipients was seen with the introduction of the National Minimum Wage. After NMW, workers on longer hours increasingly ceased to qualify for ETU, especially in Scheme A areas.

Figure 6.6 Mean hours per week worked by employed ETU recipients by recipient type

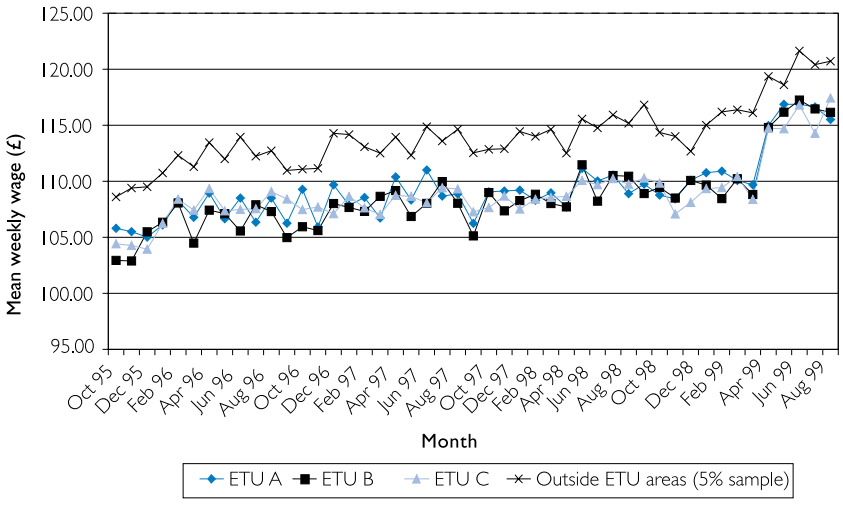


Source: DSS ETU Statistical Enquiry

6.2.2 Family Credit recipients[17]

Figures 6.7 and 6.8 show the average earnings of Family Credit (FC) recipients in the areas where ETU was introduced (A and B) and the control area of the evaluation (C), compared with a five per cent sample of FC recipients living outside these areas. The self-employed are included in this analysis due to the nature of the administrative data. Their incomes would not directly be affected by any response to ETU among employers, however they would not be immune from the effects of downward pressures on the wages of low-paid employees.

Figure 6.7 Mean weekly wage of Family Credit recipients by ETU area



Source: Family Credit administrative statistics

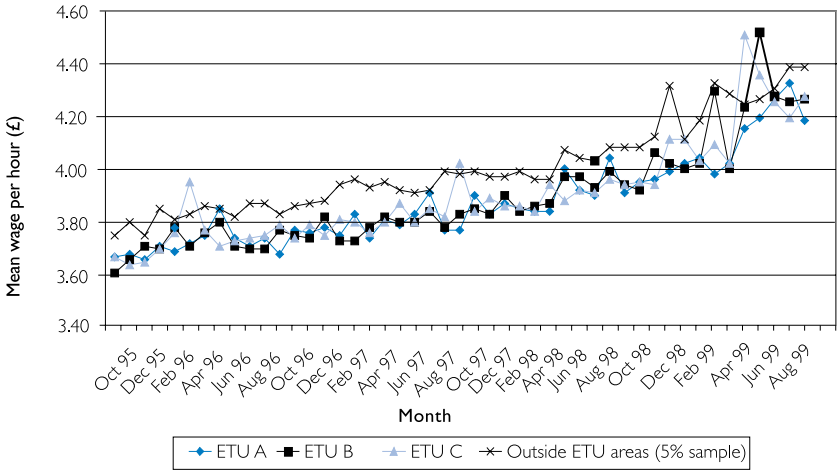
[17] Data are based on a flow sample of recipients whose new 'fast-track' claims for FC began in each month from October 1995 to August 1999.

Weekly and hourly earnings

The evaluation areas were chosen for their high proportions of unemployed people and greater numbers of vacancies in low-wage occupations. This is reflected in the relatively low levels of weekly and hourly pay of FC recipients in these areas compared with those outside the evaluation. The differential ranged from £3 to £7 per week across the period from October 1995 to August 1999. This provides useful confirmation that ETU was introduced in areas where it was likely to be needed most.

In all areas, the weekly and hourly earnings of FC recipients followed an upward trend during the year prior to the introduction of ETU and this continued over the period to August 1999. However, there was a large increase in the spring of 1999 in the ETU scheme and control areas (A, B and C) bringing wage rates there more closely into line with areas outside the evaluation, though these also saw a steeper increase at this time.

Figure 6.8 Mean hourly wage Family Credit recipients by ETU area



Source: Family Credit administrative statistics

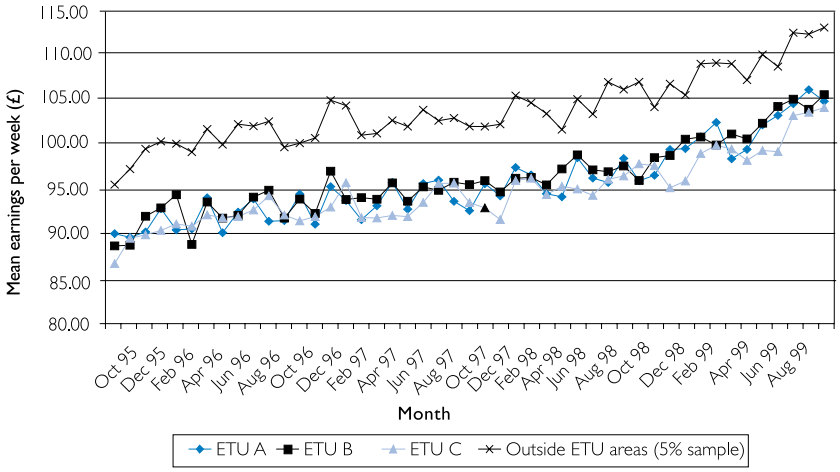
These figures do not point to a depression or reduction in the rate of growth in wage offers in areas A and B as a result of the introduction of ETU. Instead the data merely suggest that weekly and hourly earnings in all areas increased more sharply following the introduction of the National Minimum Wage, but slightly more so in areas with more low-paid employment.

Lone mothers in receipt of Family Credit

The weekly wages of employed *lone mothers* claiming FC were on average lower than those of other employees receiving FC and were therefore closer to those of low-paid workers eligible for ETU (Section 6.1.1). Thus if any FC recipients would be affected by the introduction of ETU, it might well be the lone mothers.

Figures 6.9 and 6.10 show the average earnings of lone mothers in receipt of FC in the ETU scheme and control areas (A, B and C) compared with a five per cent sample of lone mothers on FC outside these areas.

Figure 6.9 Mean weekly wage of employed lone mother Family Credit recipients by ETU area

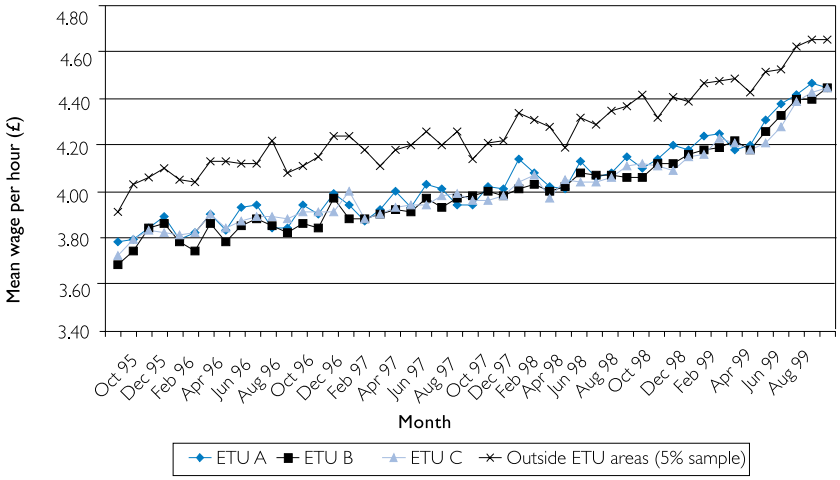


Source: Family Credit administrative statistics

In all areas, the average earnings per week and per hour of lone mothers receiving FC followed an upward trend during the period October 1995 to August 1999. The rate of growth in weekly earnings appears to have increased around the end of 1998 and growth continued at this new rate for the remainder of this period, while the rate of growth in hourly wages increased sharply after March 1999. These increases were actually **more** pronounced within the ETU areas (A, B and C) than outside them.

Therefore, Figures 6.9 and 6.10 do not point to a reduction in weekly or hourly earnings of lone mothers receiving FC in any of the areas during this time. Neither does it suggest that the rate of growth in weekly or hourly earnings decreased in any of these areas. Thus a group thought particularly vulnerable to a wage effect from ETU continued instead to participate in the general rise in wages experienced by lone parents and by other FC recipients outside the ETU areas. The data again suggests that the introduction of the National Minimum Wage caused wages to increase, and that in areas of particularly low wages it had a greater impact than elsewhere.

Figure 6.10 Mean hourly wage of employed lone mother Family Credit recipients by ETU area



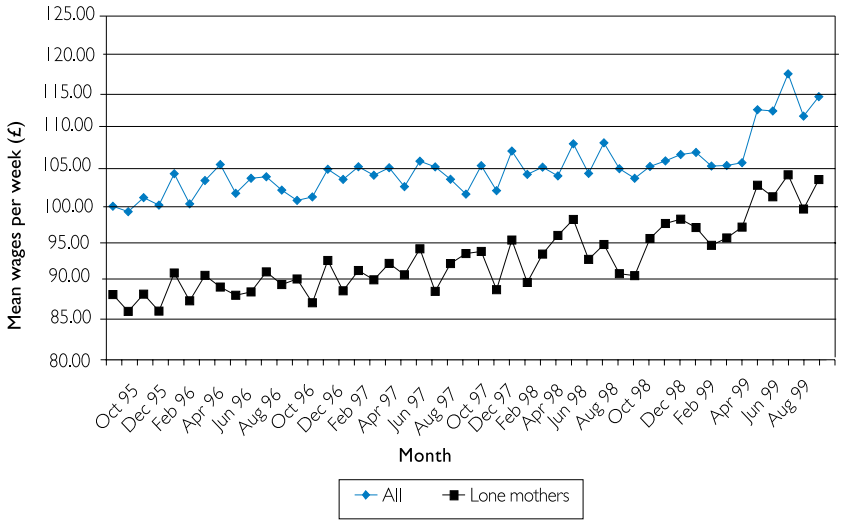
Source: Family Credit administrative statistics

Sunderland

Sunderland turned out to be a key area of success for ETU, and both take-up (the number of claims) and the *rate* of take-up (the proportion of eligible workers who claimed) were high. In September 1999 it had 27 per cent of all awards (5,737) shared among about eight per cent of the ETU-exposed population. Thus, if ETU were to have an effect, it would be particularly visible in this region. We looked at Sunderland recipients overall, and a further check looked specifically at the lone mothers claiming FC in Sunderland. Extending the earlier argument, these formed potentially the most vulnerable group in the one place where ETU captured a significant fraction of the lowest-paid workers without children.

Figures 6.11 and 6.12 show the average earnings of FC recipients in Sunderland, separately for all recipients and lone mothers. The self-employed are included in the analysis of FC recipients as a whole due to the nature of the administrative data, but have been excluded from the analysis of lone mothers.

Figure 6.11 Mean weekly wage of Family Credit recipients in Sunderland



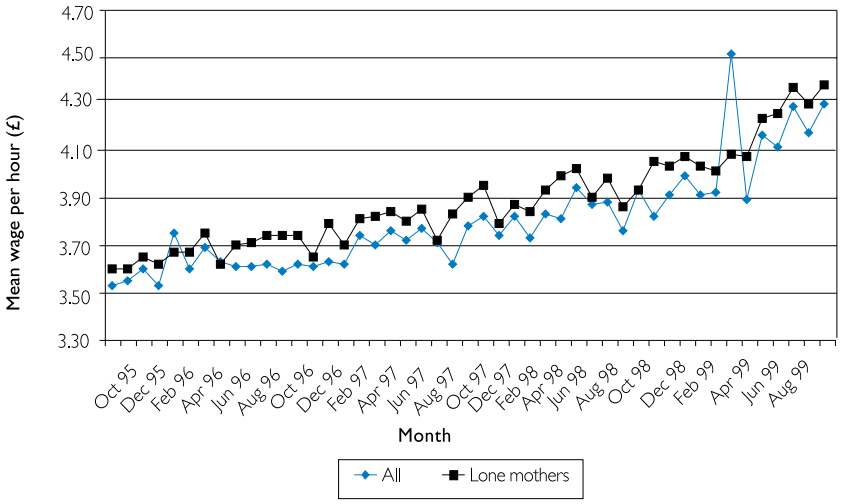
Source: Family Credit administrative statistics

The average weekly earnings of FC recipients followed a gradual increase over the period October 1995 to March 1999. In April 1999 there was a sudden jump from £106 to £113 due, in all probability, to the introduction of the Minimum Wage. Thereafter earnings fluctuated around this higher level. The average weekly earnings of employed lone mothers also followed a gradual increase over the period until April 1999 when their average weekly earnings leapt from £97.80 to £103.40, at which higher level they remained for the rest of this period.

Similarly, the average hourly earnings of all FC recipients in Sunderland and lone mothers as a separate group followed an upward trend across the period October 1995 to August 1999, which was particularly steep from spring 1999 onwards.

Thus, Figures 6.11 and 6.12 do not point to a reduction in wage offers during the ETU evaluation among FC recipients in Sunderland as a whole or lone mothers as a group. Nor do they suggest that the rate of growth in hourly earnings decreased.

Figure 6.12 Mean hourly wage of FC recipients in Sunderland



Source: Family Credit administrative statistics

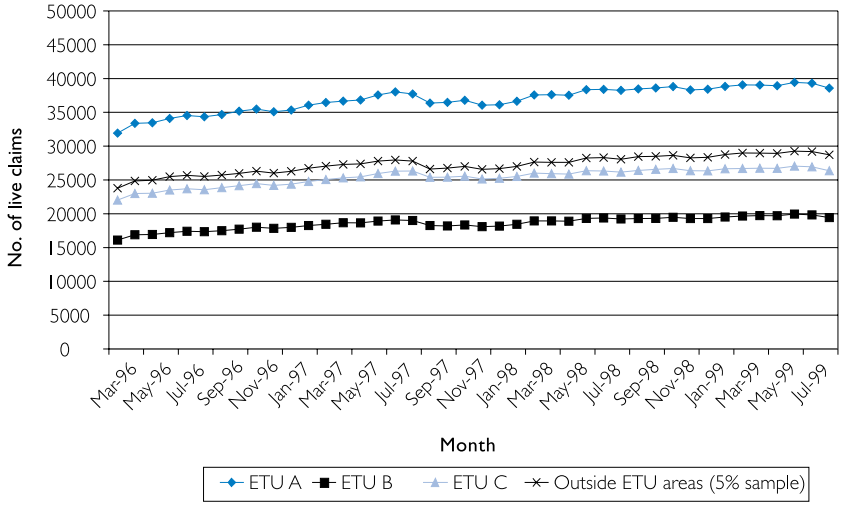
6.3 Substitution effect

Had employers in the pilot areas targeted their recruitment on people eligible for ETU at the expense of existing non-eligible low-paid employees, the FC caseload would have decreased in the pilot areas (A and B) as the ETU caseload rose. The exit rates from the labour market of FC recipients would have increased beyond the rates prior to the introduction of ETU and their entry rates would have decreased compared with the control areas (C) and areas outside the evaluation (D).

6.3.1 Overall Family Credit caseload[18]

Figure 6.13 shows the FC caseload in the ETU pilot areas. The self-employed, who would have been unaffected by any substitution effect, are excluded.

Figure 6.13 Family Credit caseload (excluding the self-employed) by ETU area

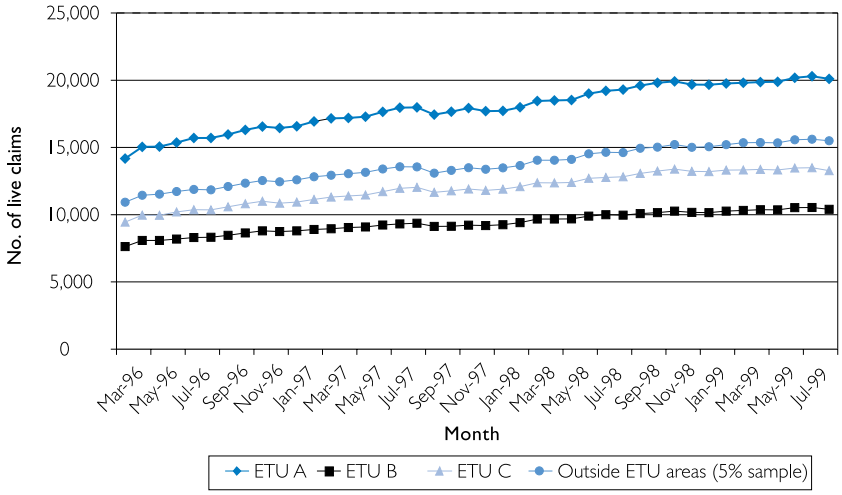


Source: Family Credit administrative statistics

[18] Data are based on a stock sample of recipients, that is awards are not new, or are new but without 'fast-track' status.

In all areas, the FC caseload followed an upward trend during the period March 1996 to August 1997, 10 months after the introduction of ETU in the pilot areas. The caseload dropped back slightly until March 1998 after which it rose slightly again and then remained fairly constant. There was no overall reduction in the numbers on FC in the pilot areas, and the caseload in the control areas and outside the ETU areas mirrored that in areas A and B. This indicates that there was no ETU substitution effect that impacted significantly on FC recipients who shared the low-paid end of the labour market with ETU recipients.

Figure 6.14 Lone mothers Family Credit caseload (excluding the self-employed) by ETU area



Source: Family Credit administrative statistics

6.3.2 *Lone mothers' caseload*

The weekly wages of employed *lone mothers* claiming FC were on average lower than those of other employed FC recipients and were therefore closer to those of low-paid workers eligible for ETU. Thus if any FC recipients would be affected by the introduction of ETU, it might well be the lone mothers. Figure 6.14 shows the FC lone mothers caseload in the ETU pilot areas compared with the control areas and with the five per cent sample of the rest of Britain. Again, the self-employed, who would have been unaffected by any substitution effect, are excluded.

In all areas, the FC lone mothers caseload followed a slight upward trend during the period March 1996 to August 1997. Following this it levelled out until early 1998 after which it began to climb again until late that year when it levelled out once more. There was no overall reduction in the numbers on FC in the pilot areas, and the caseload in each area continued to grow at its previous rate in the year following the introduction of ETU. This indicates that there was no ETU substitution effect that impacted significantly on lone mothers in receipt of FC.

6.4 Summary

Administrative data on the wages of ETU recipients themselves offered no conclusive evidence that employers responded to ETU by holding down the wages of ETU recipients. However the failure of ETU recipients' wages to rise across the evaluation period to April 1999, particularly among couples, suggests that it should not be ruled out as a possibility.

ETU could have depressed the wages of ETU recipients without significantly affecting the wages of FC recipients, and in the Family Credit wage data, similar trends occurred both before and after the introduction of ETU and in pilot areas, control areas and areas outside the evaluation alike. That is, they showed no significant effect on the wages earned by FC recipients in the same workforces as those chosen for the ETU pilot, compared with the control areas and with the rest of Britain. Wage data for employed lone mothers on FC, who typically earned lower weekly wages than other employees on FC and might therefore be the most vulnerable to an ETU wage effect, gave no indication of a downward pressure on their wages caused by the introduction of ETU. This was true generally and also specifically within Sunderland where ETU had penetrated a significantly larger proportion of the low-paid workers without children than it had elsewhere.

With regard to an ETU substitution effect, by which ETU eligible workers may have replaced FC eligible workers at lower wages, there was no evidence from the data of this occurring among FC recipients in the pilot areas. This was true for both FC recipients as a whole and specifically for employed lone mothers receiving FC whose weekly wages were on average lower than those of other employees receiving FC and were therefore closer to those of ETU recipients.

The lack of evidence in the ETU and FC administrative data for wage and substitution effects as a result of the introduction of ETU in the pilot areas should not come as a surprise for three reasons. Firstly, around seven in ten ETU recipients were already in work when they applied for the benefit, giving employers less scope to reduce wages than they would if they were fixing the wage of a new job. Secondly, the number of claims and the proportion of eligible workers who claimed (that is, take-up and the rate of take-up) were relatively low. This made it unlikely that the wage bargaining and employment position of low-paid workers in general would have been weakened by the introduction of ETU. Thirdly, though FC recipients occupied the low-paid end of the labour market along with ETU recipients, they worked for wages which were, on average, higher than the wages of those claiming ETU. Furthermore, having dependent children unlike ETU recipients, they were a different population in many respects. That is, they occupied a slightly different position in the labour market.

7 CONCLUSIONS

7.1 The administrative data

7.1.1 The caseload and types of recipient

Evidence taken solely from administrative data would have concluded that ETU was on balance a success. Take-up grew rapidly and exceeded its projected caseload early in its second year. Attention would have been drawn to the large numbers of single people, particularly young single people who were in work and claiming ETU. Their very low wages were raised by Scheme A from £60 to £82 a week and by Scheme B from £92 to £114, on average. Little surprise would have been expressed at the relative absence of couples from the caseload. Although more generously treated by the rules, they would have been expected to earn more.

7.1.2 Geographical differences in caseload

ETU would have appeared most successful in the areas where it would have been expected to thrive - in the industrial areas of the North East. Elsewhere, the steep wage gradient leading from London left too many in Southend and Bournemouth out of scope of the narrow qualifying range of ETU while in rural areas like Perth information networks were probably too stretched to cope with the absence of nationally-based television and radio promotion.

7.1.3 Previously unemployed recipients

Disappointment might have been expressed that the proportion of recipients arriving straight from Jobseeker's Allowance had failed to maintain its initial growth, falling back again to only 18 per cent. But this might have been attributed to the falls in the overall stock of unemployed people during the three-year period of the ETU pilot.

7.1.4 Wage and substitution effects among the low-paid workforce

Fears that employers would respond to ETU by lowering or holding down the wages of workers in the low-paid end of the labour market would have been allayed considerably by the Family Credit wage data. These showed no significant effect on the wages earned by FC recipients in the same workforces as those chosen for the ETU pilot, compared with the control areas and with the rest of Britain. Nor did administrative data on the wages of ETU recipients themselves offer conclusive evidence that employers had responded to ETU in this way, although the failure of ETU recipients' wages to rise across the evaluation period to April 1999, particularly among couples, would have sustained concern over this issue. However it is hard to imagine any 'wage effect' that would seriously have diminished the substantial gains in income made by ETU recipients.

Concerns about a substitution effect, by which ETU eligible workers may have replaced FC eligible workers at lower wages, would also have been dismissed by the lack of evidence from the administrative data of this occurring among FC recipients in the pilot areas.

7.1.5 Conclusions from the ETU administrative data

On balance, then, a developed form of ETU, no doubt following the same lines as the development of Family Credit into Working Families' Tax Credit, would have recommended itself as an effective extension of wage supplementation to people without children. The introduction of the National Minimum Wage in April 1999 has presented a challenge to design. Higher qualifying thresholds and a reduced taper might bring larger numbers into scope than first intended by the ETU experiment, for example. But few would doubt that ETU had provided a sound template for policy. The question asked in the remainder of the report is whether there is evidence from the surveys of ETU recipients or from the surveys of workers-in-work, that would add or subtract from this conclusion.

7.2 The surveys of ETU recipients

7.2.1 Respondent characteristics

The surveys of ETU recipients in 1997 and in 1999 indicated that the new benefit was taken up by the people you would expect to find in the lowest-paid occupations. Those interviewed corresponded to the profile of recipients known from administrative statistics; they were, after all, respectively a one-in-seven and a one-in-twelve sample. They worked predominantly in low-skilled jobs, often in protective and personal services. Women were in the majority but only marginally so. Therefore the problems addressed by policy towards these lowest-paid workers were not gender-specific. Indeed they were more concerned with the small accumulation of human capital among recipients – most had only basic academic qualifications or none, and one in ten had literacy and/or numeracy problems. Half had no driving licence, one in six had health problems, and all lived in areas where work could be hard to find for people like them. It was clear that ETU was topping up the wages of those people shown, in many other studies, to have a lot of trouble getting and keeping paid work.

Though determined by the arithmetic of eligibility for ETU, those claiming the benefit did earn very small wages, typically less £100 a week. Some of those working the longest hours averaged less than £3.00 an hour. Despite this, the great majority of low-paid workers maintained a strong attachment to their job and to work in general.

There was more evidence in the survey of recipients that ETU was reaching people who needed it. For example, hardship was fairly common among recipients, especially among couples, in terms of the frequency of problem debts, anxiety about money and having basic unmet needs. This finding matched well with the majority view of recipients that they would find it difficult to manage without getting ETU even if they stayed in work.

7.2.2 Eligibility and receipt

The surveys of recipients also confirmed that eligibility for ETU could be short-lived. Some recipients' incomes had moved beyond eligibility and a quarter had left ETU altogether before interviewers tracked them down. This kind of instability is not surprising among people claiming a

complicated in-work benefit, especially since so many of its recipients were young and single. In terms of the effectiveness of the benefit, it might be more worrying if large numbers of young people had claimed ETU in 1996 and the same people were all still claiming it in 1999. It was intended to bring people into low-paid work as a transitional phase, assisting their movement into better paid jobs. Certainly those who had left eligibility and stayed in work were earning significantly more.

7.2.3 Did ETU meet its objectives?

At this point, then, the view that on balance ETU was doing what it was designed to do would have largely been supported by the two field surveys of recipients. It was going to workers in marginalised low-skilled jobs who had the same social profile common to people who have had so much trouble staying in paid work in Britain over the past 20 years. Because the majority of recipients were not tenants, the delivery of the benefit was unobstructed by any real competition from Housing Benefit, or by the complexities of claiming.

The first doubts about the real efficacy of ETU were voiced by the recipients themselves. The great majority of employees had started their job after ETU had been introduced. Half of them had been aware of ETU at the time of their recruitment and only 17 per cent of all recipients had any idea of what they might be allowed to claim. Little of this was discussed with the new employer and almost none had the impression that ETU had somehow created the opportunity they had been able to take. It is fair to suggest that most recipients would have been working in their jobs without ETU.

7.3 The workers-in-work

7.3.1 Respondent characteristics

Though difficult in execution, the sampling strategy located persistently low-paid workers living in the low-pay areas designated by the ETU pilot. Spells of unemployment were common among them and at interview a quarter would not have qualified for ETU because no one in the household was working 16 or more hours a week.

The lowest-paid workers without children were a plausible customer base for ETU and reflected many of the profile characteristics shown by the recipients' sample. They were young, single and living with their parents or they were older couples who had either bought their homes or still had a small mortgage. Again, the path of ETU was unobstructed by Housing Benefit since less than a fifth of the sample paid rent and only a third of these received Housing Benefit. Overall, only three per cent of full-time workers continued to get Housing Benefit in work. Like the recipients, a small majority were women.

7.3.2 Awareness, eligibility and take-up rates

Awareness of ETU in the Scheme A and B areas was low and falling. Even in places where ETU was more popular, two thirds were unaware of in-work benefits for people without children and few could name ETU.

If ETU B had been available in Scheme A, B and Control areas, about half the sample would have qualified for benefit in each area. The proportion of eligible workers claiming ETU rose from the 18 per cent found in the 1997 follow-up sample, but remained low at 14 per cent in Scheme A and 30 per cent in Scheme B: 23 per cent overall. This, after three years, was a disappointment. But there were some important qualifications.

The survey discovered that the relative absence of couples from the ETU caseload was due to non-take-up among eligible working couples, not to a lower rate of eligibility. Eligible couples were about as numerous as the eligible single workers were. But only 10 per cent of eligible couples claimed their ETU compared with 37 per cent of single people. In Scheme B single people had a take-up rate of 43 per cent, which was much more in line with expectations, especially since the new benefit had had so little public promotion.

7.4 Explaining take-up rates

In addition to this wide difference in take-up rates between single workers and couples, the survey was able to go on to provide a detailed and persuasive explanation of why some eligible workers took up their benefit and others did not.

7.4.1 Summary explanation of take-up and non-take up

The following factors were found to encourage and discourage claims for ETU, operating independently of one another.

- **Eligible workers who failed to take up their entitlement** were couples, especially dual-earner couples, and older people who either owned their own homes or lived in some other arrangement rather than as homebuyers or tenants. Additionally one of them might be receiving a disability benefit. They lived in a Scheme A area or in Bournemouth. They had no experience of claiming other income-tested benefits, had slightly higher earnings and so were entitled to slightly lower amounts of ETU and, anyway, they were used to managing adequately on a low income.
- **Eligible workers who did take up their entitlement** were young single workers, many of them living in Sunderland and Doncaster. They worked shorter hours and so had lower earnings, higher entitlements and felt hard up. Often they had experience of claiming other income-tested benefits such as Housing Benefit and Family Credit or came from families who did.

7.4.2 Recipient density and skill transfer

This added up to an explanation of non-take-up that has some clear implications for policy and there were two clear themes in this explanation.

Recipient density

Crucially, publicity was sparse. In the first six months it was limited to non-electronic media and then it vanished altogether, leaving it to official and informal networks to inform workers of ETU. In geographical and

social settings where eligible workers were rare, these networks could not possibly work as they do for other benefits like Family Credit and Housing Benefit.

In geographical terms, in some areas such as Scheme A and the rural Scheme B areas, information streams and cues-to-enquire-and-claim such as meeting recipients or their relatives and friends or hearing about ETU in conversation were just too scattered. In Sunderland and Doncaster, workers' chances of meeting ETU recipients or hearing references to ETU were two-to-three times higher than elsewhere. Besides the arithmetic, the evidence from the qualitative studies is that, knowing they were on to a promising thing, officials in Sunderland and Doncaster pushed ETU far more actively than elsewhere (Vincent et al, 2000).

In social terms, the same arguments can be made for low-paid older couples, dual earners, homeowners, people with disabled partners and so on. These characteristics are all badges of isolation from the streams of information that are live and current among younger single people and tenants. Since older couples are clearly good managers, it should not be difficult to persuade them to pick up a subsidy once they are convinced by a credible high-profile advertising campaign they really are among those intended to benefit from ETU or a successor. The problem for policy is that they are people who are quite settled in work and need no additional encouragement to continue what they have been doing for years.

Skill transfer

It is highly significant that claiming ETU was both need-driven and associated independently with prior experience of claiming income-tested benefits. Those picking up their entitlements, as well as being young, single and connected to information sources, were the lowest-paid of eligible workers and sensitised to news of a subsidy by the experience of hardship.

7.5 The implications of non-take-up for policy

Though persuasive, we have a better explanation of non-claiming than we have of claiming. Those answering the discouraged description – older dual earning couples and so on – were almost all non-recipients. Those encouraged – young, single, hard-up, experienced applicants – still fell short of a take-up rate of, say, 50 per cent, which might have been ruled a satisfactory level under the circumstances of the pilot scheme.

But they did not fall far short, and we do know who the non-recipients were. A lot of them could be eliminated right away simply by disregarding Scheme A, which would anyway be buried beneath full compliance with the National Minimum Wage. A new 'B-plus' version of ETU would

be required that:

- allowed for the introduction of the National Minimum Wage with adjusted thresholds;
- adopted a shallower taper like Working Families' Tax Credit, that is one which was withdrawn at a lower rate against income above the earnings threshold;
- was backed by national television and radio advertising which would penetrate the relative isolation of poorly paid older couples who have their own homes, or work in residential settings.

B-plus would almost certainly look forward to a take-up rate of between 50 and 60 per cent after a year or so. The evidence for this conclusion is that young single people in Scheme B were not that far short of 50 per cent take-up without the advertising. The view taken of the remaining non-take-up might also be influenced by the evidence that within its limitations ETU, like Family Credit, still managed to get to the lowest-paid workers who appeared to need it most.

7.6 How do we reconcile low take-up rates with high take-up?

7.6.1 Size of eligible population

We are left with a puzzle: if ETU had such a low take-up rate, how did 24,000 people manage to receive it at the peak of its popularity? Particularly since econometric estimates had promised a peak caseload of about 20,000. It is uncertain what take-up rate was assumed in this estimate but it is likely to have been higher than 23 per cent. There are really only three explanations:

- there were more eligible workers in the eight pilot areas than expected, the National Minimum Wage notwithstanding; or
- this survey's estimate of the take-up rate is too low; or
- some combination of these two factors.

If the take-up rates in this survey are accurate, then divided into the known caseloads of 10,000 and 14,000 respectively, they suggest the eligible population of low-wage workers without children in the Scheme A areas was 74,000 and in Scheme B areas it was 47,000. These estimates correspond to known caseloads of Family Credit recipients of 44,000 and 22,000 respectively, which, at a take-up rate of 72 per cent, would translate into eligible populations of 61,000 and 31,000 respectively.

These Family Credit caseload figures confirm that the low-paid working population of Scheme A was twice that of Scheme B. They also show (as proportions of the national caseload of 785,000) that the low-paid population with children in the pilot areas was 8.4 per cent of the low-paid population with children nationally. If these ratios were the same for the lower-paid population without children, this suggests a national eligible population for ETU of 1.41 million compared with the Family Credit eligible population of 1.09 million. This would leave seven per cent of the working population eligible for ETU compared with five per cent for Family Credit. Thus, about one in eight British workers would

qualify for wage supplementation. And this is before any changes in the form of tax credits. Since Scheme A is clearly a non-starter, an estimate based solely on the survey evidence for Scheme B would project a national Scheme B eligible population of 1.67 million. A B-plus version to match Working Families' Tax Credit would have a larger eligible population than this. Again though it should be stressed that the mobility of half the target population and the remoteness of the other half, is likely to keep take-up rates below that achieved for Family Credit. Caseloads will, therefore, be smaller.

How accurate this short-cut method of grossing-up may be will wait further adjustment for assumptions about the relative size of the low-paid population with children compared with the lower-paid population without children. Family Credit recipients earn around a whole pound an hour more than ETU recipients did, for example.

7.6.2 Accuracy of take-up rates

Last, how accurate are the take-up rates estimated in this survey? It is still quite difficult to accept that so many older couples were living on incomes that really were as low as the survey measured, though many of them had only small outgoings. However, there is no real reason to believe that they responded very differently to the questionnaire compared to the recipients, for whom we have a strong verification of their eligibility and its amount.

However, other small adjustments could be made that would favour a higher 'true' take-up rate. The exclusion from the workers sample of two key low-paid group – people earning below the National Insurance Contribution threshold of £62 a week and young people aged 18 to 20 - may have depressed take-up rates. Adjustments in favour of a higher estimate would reduce projected caseloads considerably. If, for example, the 'true' take-up rate was 40 per cent in Scheme B, the projected national eligible population for Scheme B would be reduced to 1.25 million.

7.7 Job retention

A strong argument in favour of extending wage supplementation to people without children was the evidence from Family Credit research which showed that it helped families, especially two-parent families, survive difficult times, such as sudden overtime reductions, without leaving their jobs and falling onto Income Support or JSA.

The design of the pilot scheme was a good test of this function, but there was no evidence that workers left their jobs at a slower rate in the Scheme A or B areas compared with the control areas. There was no direct evidence of people claiming ETU and so hanging on to their jobs longer. Nor was there indirect evidence of job retention being better overall in the presence of ETU in the Scheme A or B areas compared with the control areas. Nor was there any retrospective evidence in the 1999 surveys that workers in the Scheme A or B areas had had better or more secure work histories either directly as a result of receiving ETU or by

working in a more secure employment market that was now underwritten by wage subsidy.

7.8 Conclusion

The report on the first phase of the evaluation surveys of ETU recipients and workers concluded that:

> *'There is little in the data to oppose the view that most of the first year of expenditure on ETU in the pilot areas has gone to people who would anyway have done the jobs they did, or who took the jobs they would have taken, working the hours they would have worked for the wages they would have otherwise accepted.'*
>
> (Finlayson et al, 2000)

On the basis of the second round of surveys of ETU recipients and workers-in-work, there is no reason to change this conclusion. We can add that no evidence was found to encourage the view that people kept the jobs they had more easily because of support from ETU.

Department of Social Security

Research Report No 134

Earnings Top-up Evaluation: Effects on Low Paid Workers

Part Two • Econometric Analysis - Assessing Employment Effects: Employment History Analysis

Peter Elias

8 INTRODUCTION

The Earnings Top-up (ETU) Pilot Scheme was designed to make low-paid employment more financially attractive. The scheme operated in eight localities within Great Britain between October 1996 and October 1999. Payment of a weekly wage supplement was made on a sliding scale to single persons and to married couples without children, who worked 16 hours a week or more and who earned below a threshold amount. Various rates of subsidy and thresholds applied to different groups and in different types of areas in which the scheme was piloted. Full details of the operation of the scheme can be found in Finlayson *et al* (2000)

One of the objectives of the scheme is to increase the employment opportunities at the low end of the skill distribution. However, substitution and displacement mechanisms[19] can operate within the wider labour market to reduce or even negate any employment-producing potential the scheme may have. The aim of this research is to determine, via the analysis of detailed work history information from a sample of participants and non-participants, whether there is evidence of such effects.

Chapter 9 focuses upon the issue of substitution and displacement arising from the scheme. Via graphical methods and through a multivariate statistical analysis of the duration of employment and non-employment spells, work history survey data are analysed for evidence of potential effects of the scheme on non-participants. The second part of the paper examines for potential longer-term impacts of the scheme. By taking advantage of the fact that the scheme has now ended, it is possible to examine the labour market behaviour of those who were participants, but are no longer, as the scheme winds down.

The plan of the paper is as follows. Chapter 9 describes the survey data used in this study, details the populations defined for sampling purposes, and examines the extent of attrition between the various follow-up surveys. Chapter 10 presents a graphical analysis of the employment histories of respondents to the various surveys, for the period January 1991 to July 1997. Chapter 11 presents results from an analysis of the duration of spells of employment and non-employment for persons who were

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[19] Substitution effects arise if ETU-recipient workers are employed at the expense of non ETU-recipients. Displacement effects are similar but work via competitive forces through the markets for goods and services. These effects, if present, operate to reduce employment opportunities for non ETU-recipient workers below what they would have been in the absence of the scheme.

participants in the scheme compared with those who were not. Chapter 12 considers the potential longer term impacts of the scheme and presents further information from administrative sources about the evolving employment status of ETU participants as the scheme winds up. Chapter 13 summarises and concludes the study.

9 THE SURVEY DATA

The data for this study derive primarily from three related sample surveys of ETU recipients and non-recipients. Prior to the introduction of Earnings Top-up in eight pilot areas in October 1996, a sample of *low-paid workers* was selected in these and four additional control areas and interviewed in the summer of 1996. This group was interviewed again in the summer of 1997. The sample was identified from 1994-95 National Insurance Records database as being in low-paid employment[20].

A second sample, termed the sample of *unemployed persons*, was also interviewed in 1996 and 1997. This sample was drawn from the records of those who had experienced lengthy spells of claimant unemployment (6-15 months) in 1995 and 1996.

The third sample, interviewed in 1997, consisted of *Earnings Top-up recipients* in the pilot areas, this sample being drawn from ETU administrative records.

A postal follow-up survey of the *ETU recipients* and *low-paid workers* sample members who were interviewed (or re-interviewed) in 1997 was carried out in December 1998. Figure 9.1 shows the relationship between the various surveys and details the numbers responding at each stage of data collection.

While further surveys of *ETU recipients* and *low-paid workers* were conducted in 1999 (See Marsh *et al.*, 2001), these samples were newly drawn and could not provide updates to the month-by-month information of labour market status required for this study. The analysis presented in Chapters 10 and 11 is limited, therefore, to an examination of the potential for substitution and displacement effects within the first ten months of the scheme. While this study is early in the three-year life of the scheme, it should be noted that participation in the scheme grew rapidly in this early period. By August 1997 the number of participants had surpassed two thirds of what would become the peak in the Spring of 1999.

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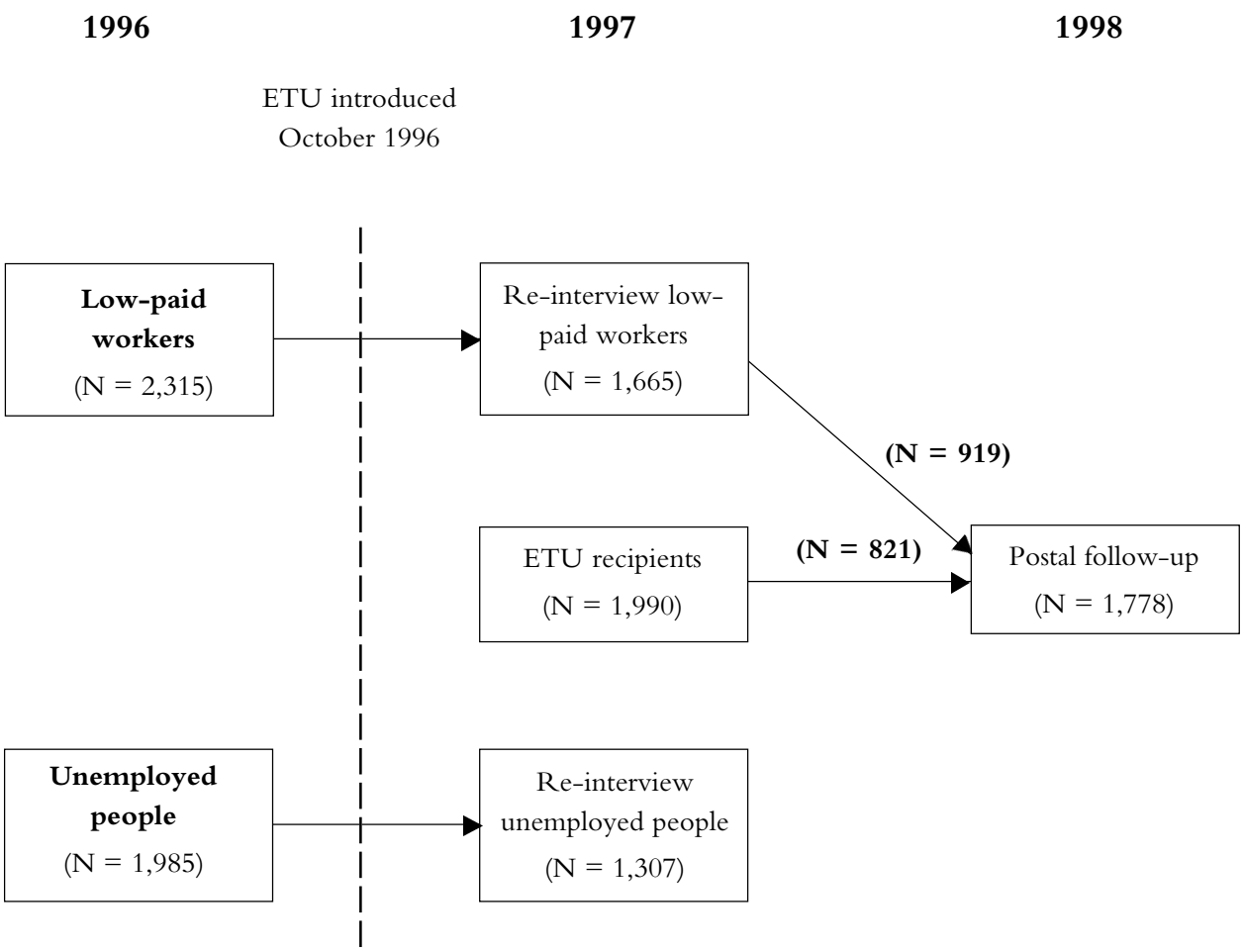
[20] For full details of sample selection methods, achieved sample sizes, survey response rates and a review of the basic characteristics of the respondents to these surveys, see Finlayson *et al.* (2000).

Figure 9.1 The relationship between various ETU evaluation surveys



Notes: 'Low-paid workers' identified from 1994-1995 National Insurance records database.
'Unemployed people' identified from National Unemployment Benefit records database.
'ETU recipients' identified from administrative records of ETU pilot scheme.
A small number (38) of the sample of unemployed people responded to the postal follow-up survey. These are not considered further in this study.

Sample attrition rates are fairly high. For the low-paid workers sample, 72 per cent of the 1996 sample responded in 1997. For the sample of unemployed persons, the rate of attrition is higher still, leading to a fall in sample size to 66 per cent. For the postal follow-up, only 55 per cent of the 1997 low-paid workers sample responded. For ETU recipients this rate was 41 per cent.

Information on the previous economic activity of respondents to the 1996 survey was collected via a series of questions structured as follows:

I would like to ask you some questions about paid work. May I just check, which of these best describes your current situation (READ OUT)

Employee, 16 hours a week or more

Employee, less than 16 hours a week

Self-employed

On a Government training scheme

Unemployed and claiming benefit

Unemployed and not claiming benefit

In full-time education

Temporarily sick/disabled (less than 6 months)

Temporarily sick/disabled (6 months or more)

Looking after the home/children

Retired

Other (specify)

When did you start your current spell of.....? (MONTH YEAR)

What were you doing immediately before that?

(CODE FOR EACH CHANGE OF ACTIVITY BACK TO JANUARY 1991, OR TO AGE 16 IF SOONER)

These questions generated a set of economic activity codes and start dates (including a start date for the activity held in January 1991). For the 'low-paid workers' and the 'unemployed' sample respondents who were re-interviewed, these data were updated from the date of the first interview to the date of the 1997 survey. For the new interviewees in 1997 (the 'ETU recipients' sample), work history data were collected for the entire period 1991 to 1997. The postal follow-up survey requested respondents to characterise their economic activity in each month from October 1997 to September 1998 using a collapsed version of the economic activity categories shown above. Interviews for the 1997 surveys were mainly held in the period July to September 1997. As a result, information about economic activity status in September and October 1997 is not available for some respondents to the postal follow-up survey.

The survey data files were merged and reconstructed into 'calendar files' (one record per month per respondent) for all months over which activities were recorded[21]. These records were then restricted to the period January 1991 to September 1997.

[21] The 1996 and 1997 surveys requested the dates of recent events in detail. Examination of these data showed that most respondents gave simply a month and a year when asked for the date.

Data on events that are recalled by respondents are subject to a progressive type of degradation, associated with memory loss, time 'compression' and possible censoring of information on particular types of events by respondents. Recent studies (Elias, 1997; Paull, 1998; Dex and McCulloch, 1998) have revealed the nature and extent of these errors. Of particular relevance to the present study are the findings in Elias (1997), indicating that information on spells of unemployment becomes unreliable if recalled more than two years after the event. The possible effect of this on the interpretation of results is addressed later in this part.

A useful way of summarising the individual month-by-month work histories is to show the average situation in each month from January 1991 to September 1997 for survey respondents.[22] Given the different procedures used to select potential respondents to the surveys, information is shown separately for each of the three survey groups (low-paid workers, unemployed persons and ETU recipients).

Two different versions of the scheme were piloted. These are termed Scheme A and Scheme B. Each scheme was operated in four of the pilot areas. Scheme B had a higher maximum credit for married couples without children than Scheme A. It also had a significantly higher earnings threshold for single claimants. The employment histories of each survey group are contrasted by scheme type (A or B) and also with the respondents in the four areas in which the scheme did not operate (Group C areas)

Figures 10.1 to 10.3 show the history of employment (employee and self-employed status) reported by respondents to the sample of low-paid workers. Figure 10.1 shows that in 'Group C' areas (areas in which the ETU pilot scheme was not running and which were selected for comparison purposes) the historical employment rates of respondents are about 5-7 percentage points higher than in the Scheme A or Scheme B[23] areas. When examining these employment rates by gender (Figures 10.2 and 10.3) it is apparent that this higher employment rate is due to the higher historical rate of employment reported by women in the Group C areas and that the diverging experiences of employment commenced almost two years before the onset of ETU.

Figure 10.4 shows similar information from the employment histories of the sample of unemployed persons. The effect of sample selection is seen as a sharp dip in the rate of employment of this group in late 1995 and 1996 (months 55-70). There is surprisingly little variation in the employment histories of the sample of unemployed respondents between the different types of area. Investigation of gender differences (Figures 10.5 and 10.6) shows that female 'Scheme B' respondents generally have a weaker history of employment than for respondents in Scheme A or the comparison areas.

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[22] Months are numbered such that '1'=January 1991 and '80' =August 1997. ETU was introduced in the pilot areas in month 70.

[23] Differences observed are mainly attributable to the varying length of employment as opposed to non-employment spells.

Figure 10.7 shows the employment histories of ETU participants. Here it can be seen that sample selection effects operate to raise employment rates towards the end of the period. This is because ETU participants are, by definition, in employment. The fact that employment rates peak at just over 90 per cent, rather than reaching 100 per cent, reflects the time interval between creation of the administrative record and the interview, in which period some respondents had become unemployed or had otherwise left paid employment. Scheme B respondents show a lower rate of employment in the three years prior to their participation in the ETU pilot, a finding that holds for both men and women (Figures 10.8 and 10.9).

While the analysis presented in Figures 10.1 to 10.9 is essentially descriptive, some interesting observations emerge. First, there appears to be a strong contrast in the early work histories of ETU recipients compared with the sample of low-paid workers (few of whom participated in the ETU scheme). From December 1990 to January 1994 the employment rate of the ETU participants is 20-30 percentage points lower than that shown for the corresponding period in the employment history of the low-paid workers sample. This may reflect the fact that the ETU participants' sample consists of a higher proportion of young people who were still in the education sector in this earlier period. This possibility is investigated further in Chapter 12. Comparison with the sample of unemployed persons is problematic, due to the high 'selection effect' which distorts the employment histories.[24] Nevertheless, it is interesting to note that the 'early' employment histories (i.e. about six years prior to the introduction of the scheme) of both the sample of unemployed persons and the ETU recipients are, on average, more similar than those of the sample of low-paid workers.

In summary, it appears that there are significant labour market effects contributing to the employment/unemployment profiles shown in Figures 9.1 to 10.8. Clearly, some analytical technique which can 'control' for varying labour market influences is required. The following section describes how this was achieved.

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[24] Sample selection effects will bias the employment histories of all three samples relative to a simple random sample of the population of persons of working age drawn in each locality. However, both the *ETU recipients* sample and the *low-paid workers* sample are selected conditional upon being observed in employment at the time the sample is drawn. The opposite is true for the sample of *unemployed persons*.

Figure 10.1 History of employment (sample of low-paid workers) by area type

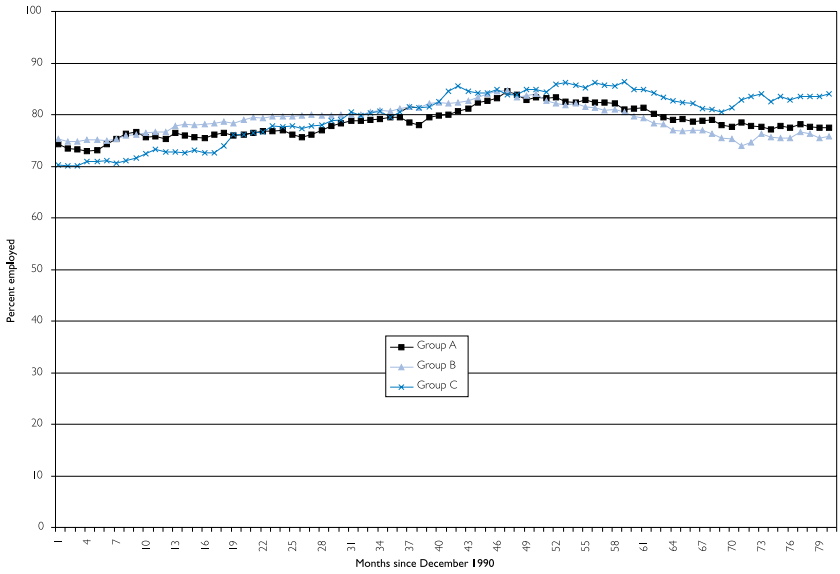


Figure 10.2 History of employment (sample of low-paid workers) by area type, males

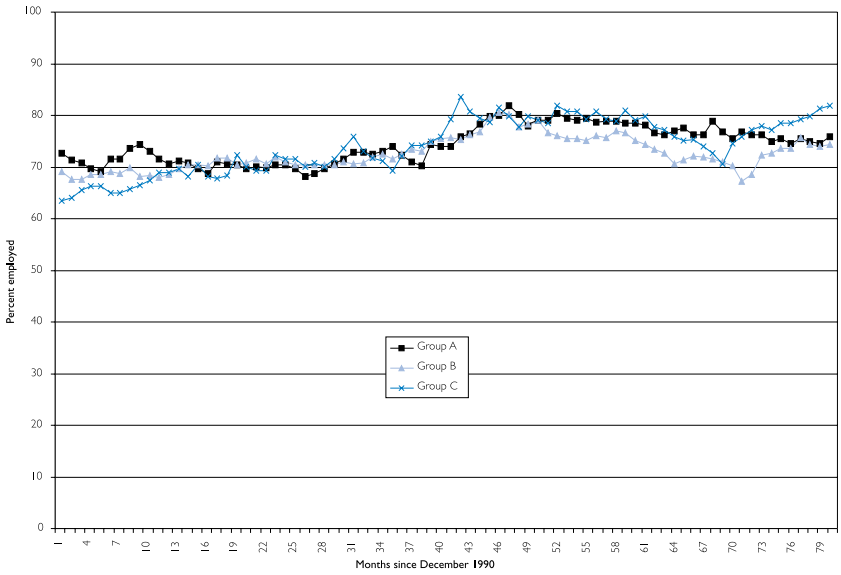


Figure 10.3 History of employment (sample of low-paid workers) by area type, females

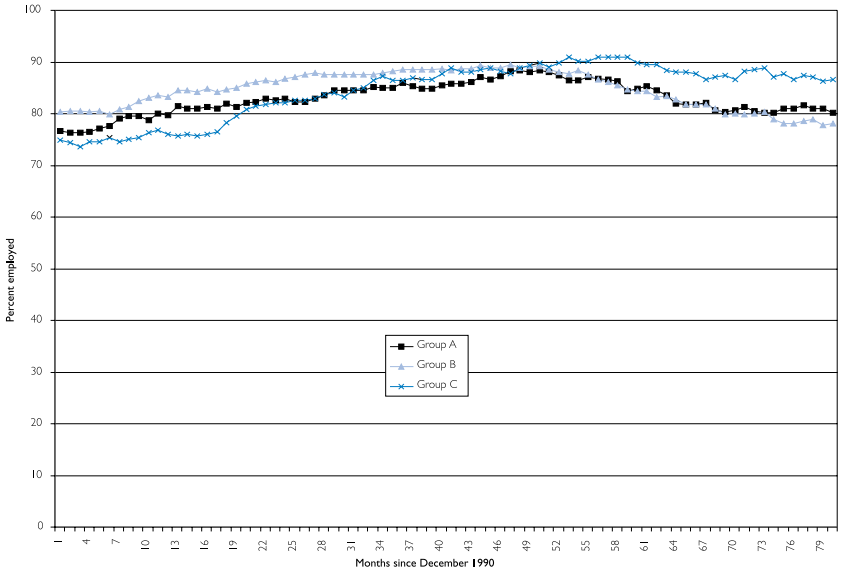


Figure 10.4 History of employment (sample of unemployed persons) by area type

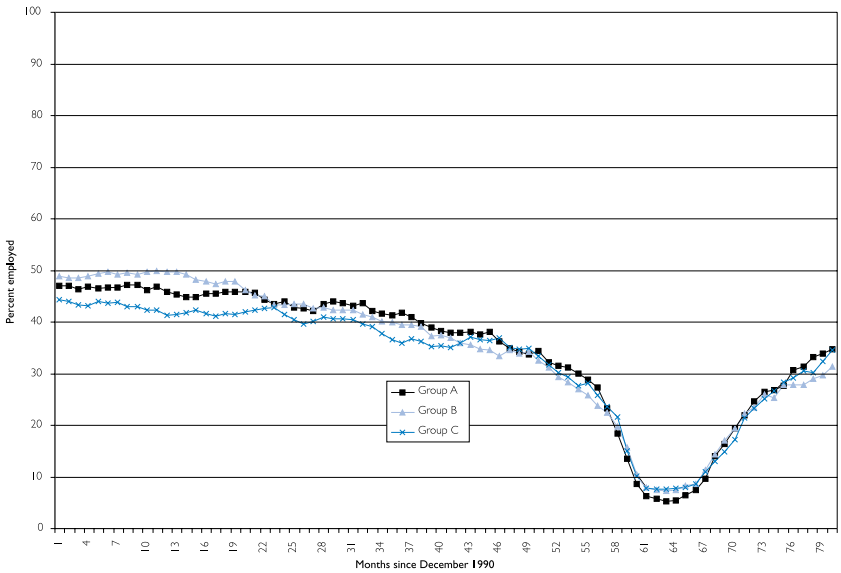


Figure 10.5 History of employment (sample of unemployed persons) by area type, males

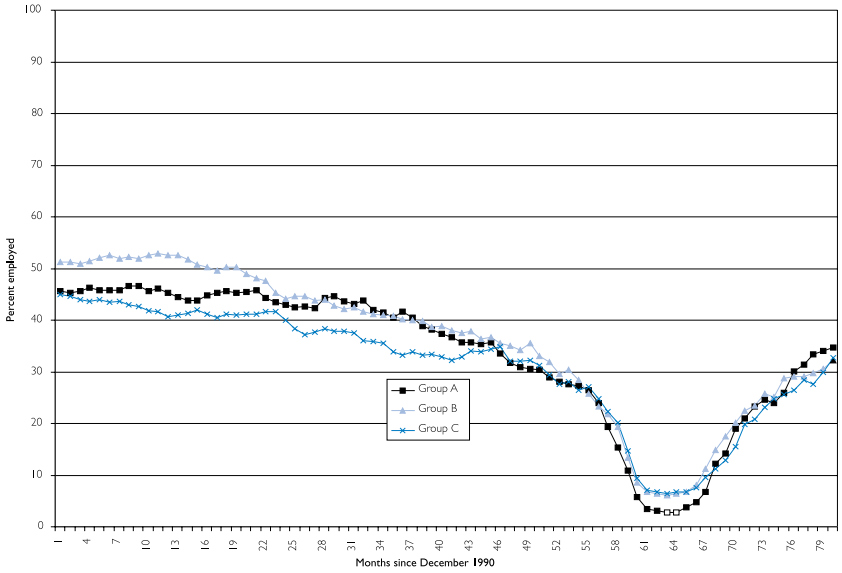


Figure 10.6 History of employment (sample of unemployed persons) by area type, females

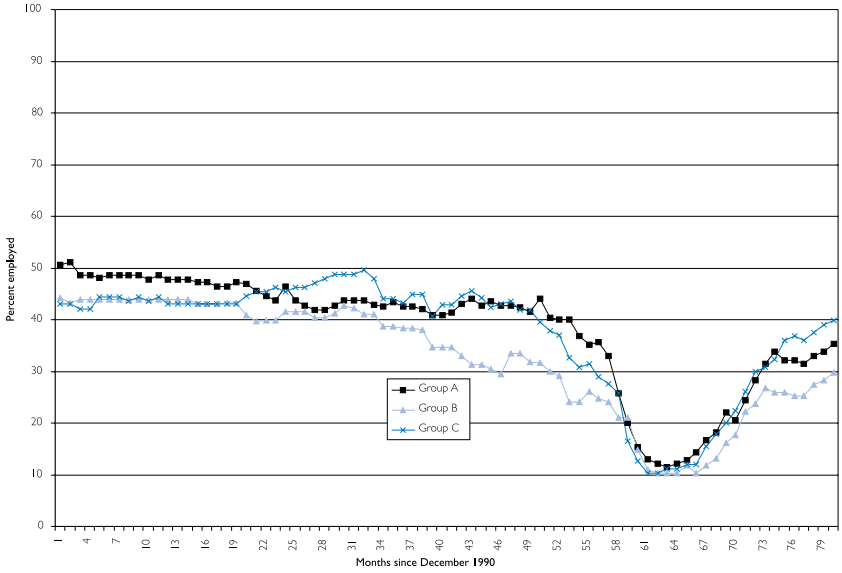


Figure 10.7 History of employment (sample of ETU recipients) by area type

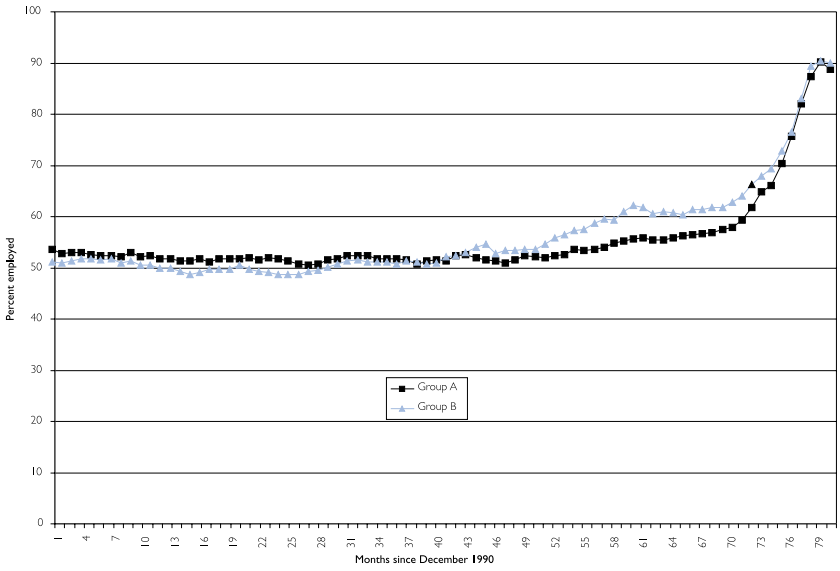


Figure 10.8 History of employment (sample of ETU recipients) by area type, males

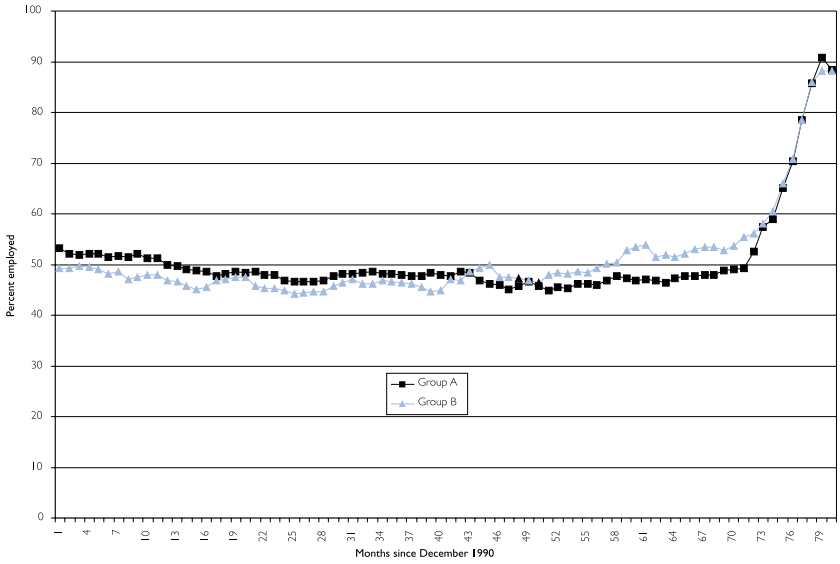
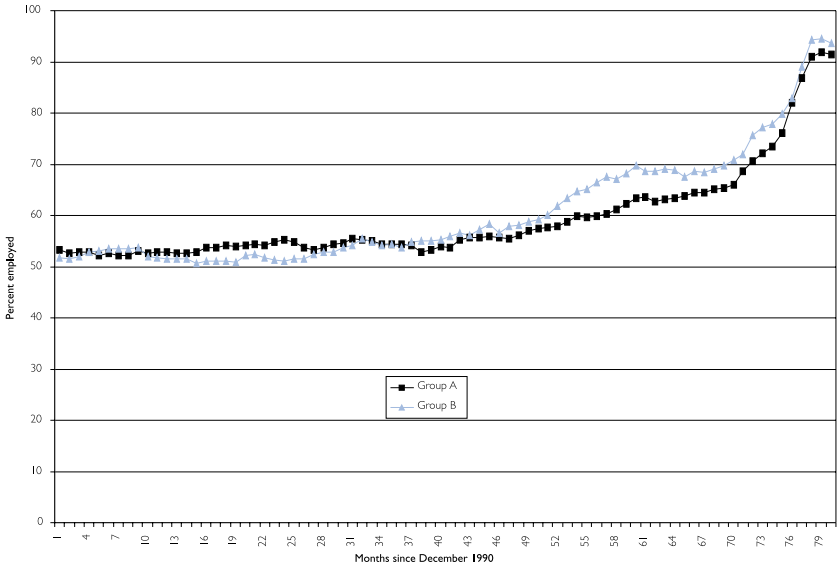


Figure 10.9 History of employment (sample of ETU recipients) by area type, females



11 STATISTICAL MODELLING OF THE DURATION OF SPELLS OF EMPLOYMENT AND NON-EMPLOYMENT

The preceding graphs indicate that there is a significant degree of variation through time in the work histories of survey respondents over the 6½-year period for which they gave work history details. A sharp contrast in the earlier experience of employment is evident according to the sample selection procedures adopted in each survey. In this section an attempt is made to identify systematic factors which relate to the probability that a spell of employment (and, conversely a spell of non-employment) will end in any particular month during the period from the start of the scheme in October 1996 to the date of the second survey in 1997. To test for differences due to participation in the scheme all work history data ('person-months') are pooled then split into participants and non-participants[25].

In modelling the dynamics of employment and non-employment over this 6½ year period, a number of factors need to be taken into account. These are:

- differing labour market conditions between the areas;
- differences in the prior experiences of employment and unemployment for survey respondents and the effect of these on subsequent movement into and out of employment;
- differences which may be attributed to the operation of rules governing eligibility for and the amount of ETU paid (Scheme A versus Scheme B, presence of a partner, savings etc);
- differences attributable to variations in the 'employability' of respondents (eg age, ethnicity, health, education, qualifications, skills, attitudes to work).

Two statistical models are developed. The first of these estimates the probability that an employed respondent ends a spell of employment in any particular month of his/her work history. The other is a corresponding model of the probability of a spell of non-employment ending.

Earnings Top-up is paid to qualifying persons who gain employment of 16 hours per week or more. A potential effect of ETU could be that it encourages people to seek and accept employment of 16 hours per week and over, with a corresponding reduction in the supply of workers seeking

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[25] The terms 'non-participant' and 'participant' are virtually synonymous with 'low-paid worker/unemployed persons' on the one hand and 'ETU recipient' on the other. Only five per cent of respondents in Scheme A and Scheme B areas of the surveys of low-paid workers and unemployed persons participated in the scheme. The analysis presented in this section focuses strictly upon those who were either non-recipients of ETU or recipients, regardless of the sample from which they were drawn.

and gaining employment at less than 16 hours per week. In addressing this issue, employment is defined *only* when it is for 16 hours per week or more. 'Non-employment' therefore includes the small proportion of workers who are working less than 16 hours per week.

If the introduction of ETU led to changes in labour market behaviour, these are likely to manifest themselves in a number of ways. First, it could make work a more financially attractive proposition than not working. This may appear initially as an increase in the probability of a spell of non-employment ending in the pilot areas in the period after October 1996. Secondly, it could make employment in low-paid jobs a more 'secure' option, helping to reduce the 'recycling' between 'low-pay' and 'no-pay' which characterises the work histories of those who are employed in low-paid jobs. If this occurs, it will be revealed as a decrease in the probability of a spell of employment ending. Both effects would be apparent in the pilot areas after October 1996 but not in the control areas.

Substitution and displacement effects may operate to moderate these desirable outcomes. Movement of individuals into ETU-supported jobs may be offset by an increase in the probability of an employment spell ending for those who are not in ETU-supported employment, or may decrease the probability of a spell of non-employment ending for those not eligible to receive ETU. Alternatively, or additionally, 'wage effects' may operate such that employers reduce wage levels on the assumption that sufficient labour will still be supplied at lower wage rates given the financial support received by individuals eligible for and subsequently claiming ETU. An important distinction, therefore, is between recipients and non-recipients of ETU.

Each model considers every month in an individual's work history as a separate observation, relating the prior work history up to that point in time to the status in that month. In addition, personal characteristics (most of which have to be treated as fixed over time but varying for each respondent) and labour market conditions (varying through time but common for all respondents within a particular labour market) are included.

The full set of covariates is:

- age (linear spline);
- gender;
- cumulative employment tenure recorded in work history;
- school leaving age;
- truancy;
- qualifications;
- ethnicity;

- health;
- housing tenure;
- cumulative duration and spells of unemployment;
- local area unemployment rates;
- family/household structure variables;
- literacy and/or numeracy problems;
- self assessed skills.

A dummy variable was constructed to represent the operation of the ETU schemes. This variable has the value zero for each month up to October 1996, then is set as a linear trend for each month from October 1996 to July 1997. With these variables the following hypotheses are tested:

For non recipients and in the period following the introduction of ETU, the probability of a spell of non-employment ending falls and the probability of a spell of employment ending rises in Scheme A and Scheme B areas, with no change in the comparison areas.

For recipients and in the period following the introduction of ETU, the probability of a spell of non-employment ending rises and the probability of a spell of employment ending falls.

Testing of these hypotheses relies then upon maintaining the distinction between recipients and non-recipients of ETU and examining for relevant changes after October 1996 in the probability of employment or non-employment spells ending in the ETU areas. Table 11.1 shows variation in the rate at which employment and non-employment spells end for recipients and non-recipients.

Table 11.1 Frequency of spells of employment or non-employment ending, by type of spell and by type of respondent (October 1996 - July 1997)

	Non-recipients		ETU recipients	
	Employment spells	Non-employment spells	Employment spells	Non-employment spells
No. of spells ending in period (%)	303 (1.8)	529 (3.3)	316 (2.0)	935 (16.6)
No. of person-months observed	16,711	15,943	15,642	5,625

As was evidenced in the graphical depiction of the employment histories of ETU recipients shown in Figure 10.7, the number of non-employment spells ending is proportionately lower than the spells of employment which end, indicative of the general increase in employment among this group of respondents. The sharp rise in employment indicated in Figure 10.7 is evidenced by the large number of non-employment spells ending for this sample; 16.6 per cent of all months of non-employment have a spell ending as opposed to 2.0 per cent of all months of employment marked by the end of a spell.

Appendix D, Table D.1 shows the estimated coefficients of the two logistic regression models that explore the correlates of these spells ending for the sample of 'non-recipients'. The termination of an employment spell appears positively correlated with being male, young (under 21 years) and being disabled. Negative effects (a lower probability of an employment spell ending) are noted for high attendance in final year of schooling, having a vocational qualification, assessing oneself as being 'good at working with people' and being an owner-occupier. The potential impact of ETU is modelled via a variable that represents a time trend from October 1996 in the pilot areas, but is set to zero in the comparison areas. This variable is designed to pick up the effects of the gradual introduction of ETU from October 1996 onwards. No significant effect can be detected.

For non-employment spells among this same group of respondents, the results effectively mirror the analysis shown for employment spells. Again, no statistically significant pilot/control differential appears to exist for the probability of a spell of non-employment ending.

For the ETU recipients, Appendix D, Table D.2 shows the estimated coefficients from a similar analysis. Here, the distinction between pilot and control areas is not relevant. Instead, the Scheme 'A' trend variable differentiates Scheme A from Scheme B areas via the use of a time trend dummy from October 1996 for the Scheme A areas. No significant difference can be detected in the incidence of either employment or non-employment spells ending is these two groups of areas. Fewer of the other variables are significant, although the scale and direction of effects indicated by the estimated coefficients are generally similar to those shown in the analysis for the re-interviewed sample.

In summary, therefore, this detailed investigation of the work histories of two groups of survey respondents for the period October 1996 to July 1997 does not reveal any significant variation between the ETU pilot and control areas in the movements into or out of employment. Any secondary effects of ETU (substitution and displacement effects), which may have operated to worsen the employment situation for non-participants at the expense of participants, are non-evident. Testing for 'within scheme effects', contrasting the employment dynamics for ETU participants in Scheme A with ETU participants in Scheme B, again fails to reveal any significant difference in movement into or out of employment which could be attributed to the different credits and thresholds associated with Schemes A and B.

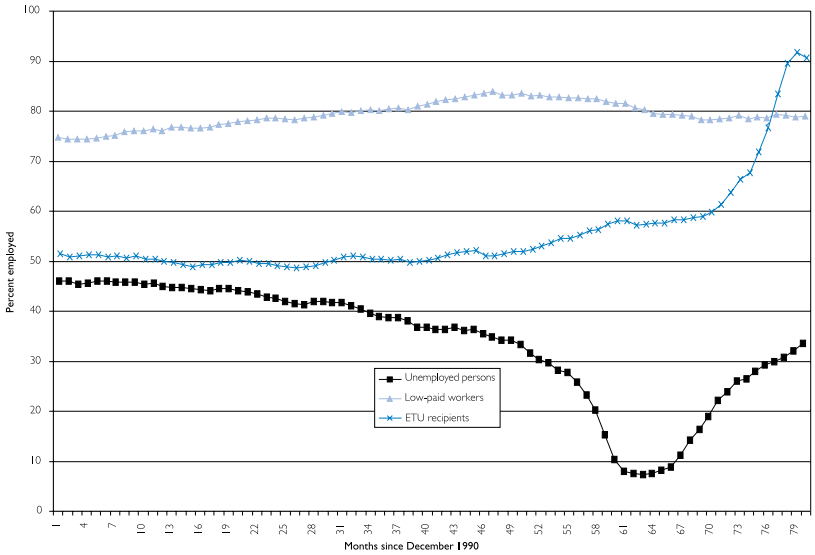
12 THE LONGER TERM IMPACTS OF ETU

The preceding section made use of the survey data to examine for evidence of the effects of ETU in terms of differences in the employment participation of recipients and non-recipients. This section investigates the potential longer-term impact of the scheme on recipients, particularly whether or not the scheme increases the extent to which people with a history of intermittent employment settle into more stable work patterns.

It is, as yet, too early to provide a definitive view on the above issue. To do so requires that a longer period of time should have elapsed since the scheme was introduced to determine these impacts. Instead two related approaches are used. First, a comparison is made between the early work histories of the sample of ETU participants, the sample of low-paid employees and the sample of unemployed persons. It was clear from the graphical analysis presented in section three that there are some fundamental differences in their early work histories. This section explores possible reasons for these differences. Secondly, use is made of the fact that the ETU scheme has now ended. No new claims were admitted after October 1st 1999. As existing claims come to an end it is possible to observe the subsequent benefit status of persons who previously received ETU.

An interesting finding to emerge from examination of the employment histories of respondents to the various surveys relates to the prior history of employment reported by the ETU recipients. Figure 12.1 combines the information by type of area as shown in Figures 10.1, 10.4 and 10.7 to summarise the average employment experienced each month for the three groups of survey respondents. This graph demonstrates that the average experience of employment in the period four to six years before the 1997 surveys is closer for the *ETU recipients* and the *unemployed persons* than it is for the sample of *unemployed persons,* with both of the former groups showing employment rates of 45-55 per cent in this period. In contrast, members of the sample of low-paid workers were, on average, working 75-85 per cent of the time in these same months.

Figure 12.1 History of employment by sample type (all respondents)



There are a number of factors which could explain these differences, possibly the most important of which is the variation in the age structure of the samples. Table 12.1 shows the age structure of each sample by gender. The ETU recipients are a younger sample of respondents than either the sample of unemployed persons or the sample of low-paid workers. Almost two thirds (64 per cent) of the men in the sample of ETU recipients and over half of the women (54 per cent) are aged under 35 years. This difference could account for a significant part of the 'employment gap' between ETU recipients/unemployed persons on the one hand and low-paid workers on the other in terms of their prior experience of employment. The youngest age group in each sample (16-24 year olds) is significantly more likely to have been in full-time post compulsory education (or in full-time compulsory education for those aged 22 years or less) at some time in the 6½ year period prior to their participation in these surveys. Excluding all 16-24 year olds from the analysis makes a crude adjustment for this effect. The result is shown in Figure 12.2. As is evident, the effect of removing all young persons from these samples is to raise the average employment reported in each earlier month for the three groups of respondents. Nonetheless, a similar difference remains between the average employment experienced by the unemployed and ETU recipients samples and that reported by the sample of low-paid workers.

Table 12.1 Age structure of samples by sex

Sample		Sex of respondent Male	Female	Total
Unemployed persons				
	16 -24 yrs	32.7	30.0	31.9
	25 - 34 yrs	18.0	12.8	16.4
	35 - 44 yrs	10.9	13.0	11.5
	45 - 54 yrs	21.1	25.3	22.3
	55 yrs and over	17.3	19.0	17.8
	Total	100.0	100.0	100.0
Low-paid workers				
	16 -24 yrs	29.2	21.9	25.1
	25 - 34 yrs	22.2	13.5	17.3
	35 - 44 yrs	8.4	9.9	9.2
	45 - 54 yrs	17.7	30.8	25.0
	55 yrs and over	22.5	23.9	23.3
	Total	100.0	100.0	100.0
ETU recipients				
	16 -24 yrs	40.4	38.9	39.6
	25 - 34 yrs	23.7	15.1	19.1
	35 - 44 yrs	13.7	17.6	15.8
	45 - 54 yrs	15.7	22.0	19.1
	55 yrs and over	6.5	6.3	6.4
Total		100	100	100

Note: Age groups are defined with respect to age at the time of the 1997 surveys.

Another possible explanation, related to the different age structure of these samples, is that the sample of low-paid workers consists predominantly of married (or cohabiting) couples whereas the samples of unemployed persons and ETU recipients are predominantly single. Given that many low-skilled single persons have a lesser degree of attachment to the labour market, this could yield the observed difference in their earlier employment histories. To test this hypothesis, the respondents shown in Figure 12.1 were divided into two groups, single persons and married (or cohabiting) persons. The employment histories of these two groups are contrasted in Figures 12.3 and 12.4. Again, the effect of age is clear. Single respondents, being generally younger, are more likely to be in full-time education in the earlier years. Interestingly, for married respondents the 20 percentage point gap remains between the early employment participation rates of ETU-recipients and the sample of unemployed persons on the one hand and the sample of low-paid workers on the other.

Figure 12.2 History of employment by sample (all respondents aged 25 and over)

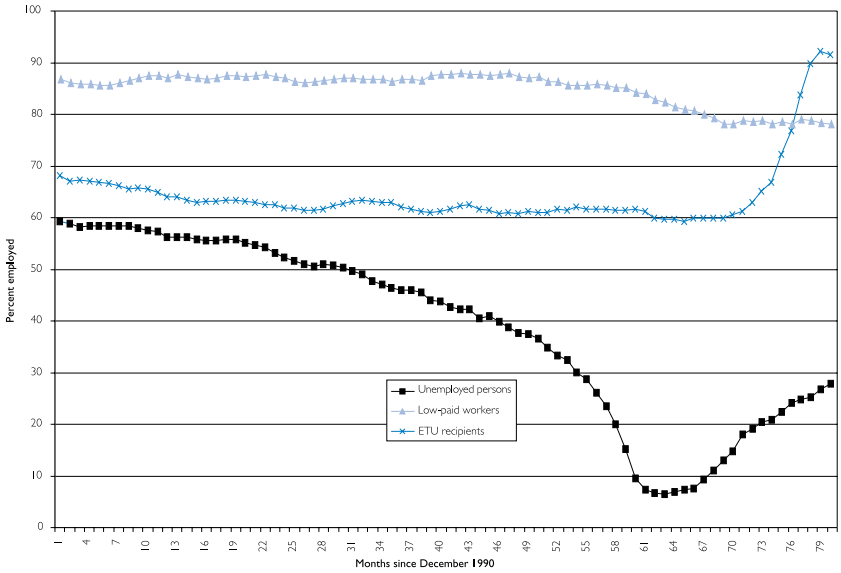


Figure 12.3 The evolution of employment by sample type, for single respondents

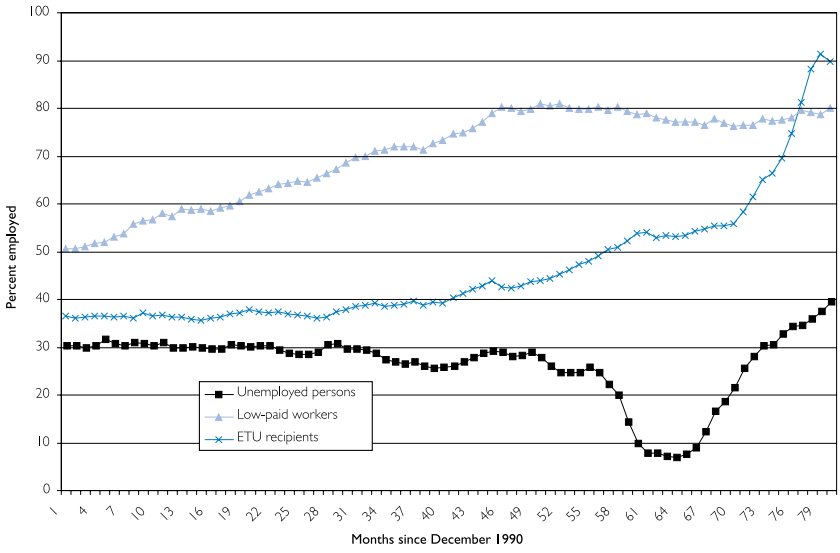
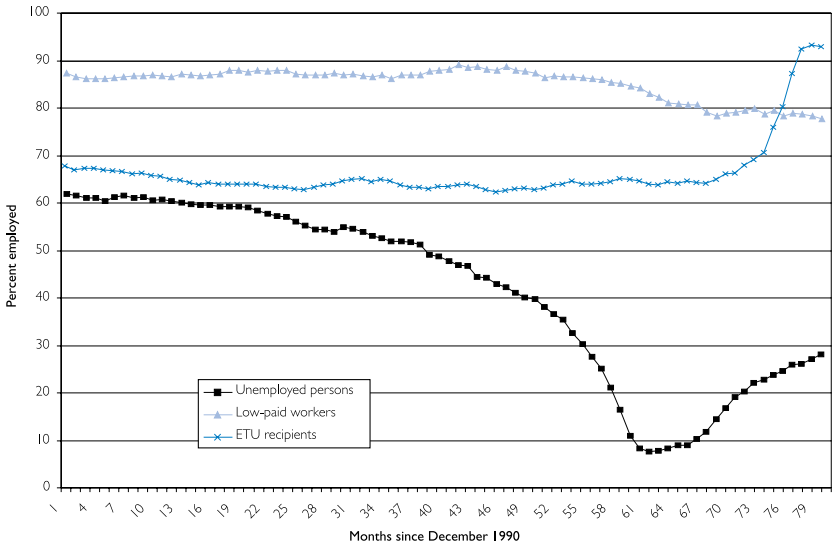


Figure 12.4 The evolution of employment by sample type, for married respondents



A further explanation for the difference between the employment participation in the early work histories of the sample of low-paid workers versus the others is that it could arise if the low-paid workers are a fairly heterogeneous group, consisting of a number of reasonably well-paid workers with very steady jobs and a number of very low-paid workers with intermittent employment histories. The profiles of employment participation rates shown for this sample in the preceding figures could represent an average of such employment histories, with average participation raised by a significant number of respondents with high participation rate profiles.

To test this hypothesis the sample is restricted to all persons for whom gross hourly earnings could be computed from responses to the 1997 surveys. Figure 12.5 shows the employment rate profiles for the three groups of respondents who reported earnings. These differ somewhat from Figure 12.1, mainly in the profile of employment participation over the period 1996/97. This is due to the fact that respondents who reported hourly earnings had fairly recently held a job (or held one at the time of the interview). The median of hourly earnings was then computed for all respondents reporting earnings at the time of the 1997 survey. This was £3.44 per hour, compared with average hourly earnings for manual workers of £6.18 per hour in April 1996. The sample of low-paid workers was then divided into those who were in 'very low-paid employment' (below sample median hourly earnings) and 'low-paid employment' (above sample median hourly earnings). The employment participation profiles for the 'very low-paid' is contrasted with the 'low-paid' in Figure 12.6.

It is apparent from these profiles that division of the sample of low-paid workers between those who reported 'very low-paid' hourly earnings at the time of the 1997 survey and those who are above the sample median hourly earnings does not assist in understanding the difference in employment participation in the earlier period. In other words, there is no clear evidence that the sample of low-paid workers consists of a group of employees who can be characterised in terms of their hourly pay.

Figure 12.5 History of employment by sample type (all respondents reporting hourly earnings at time of interview)

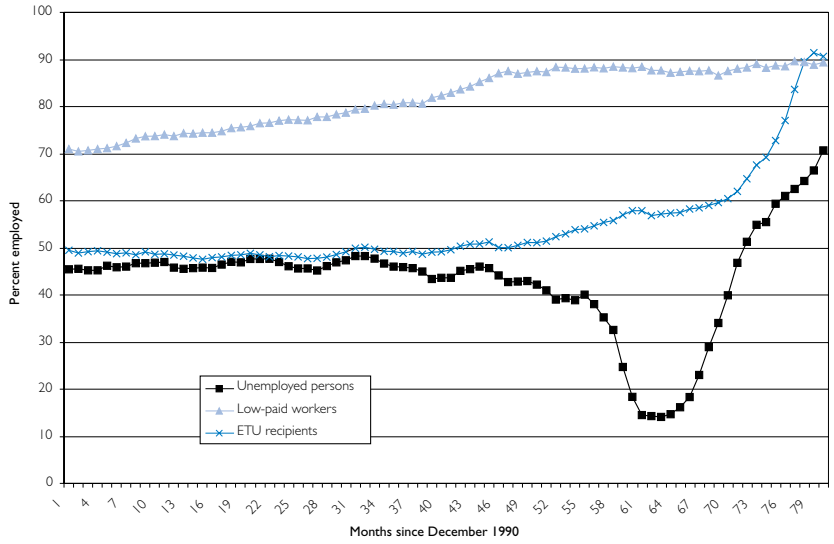
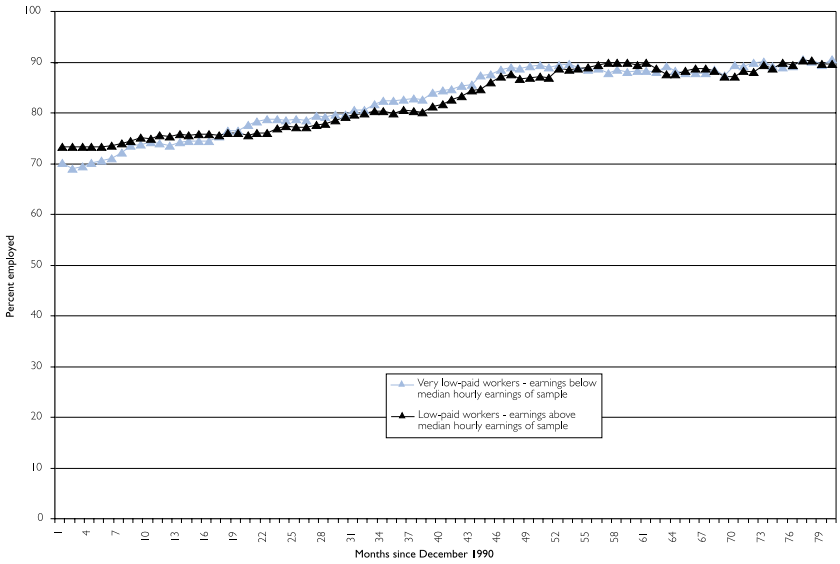


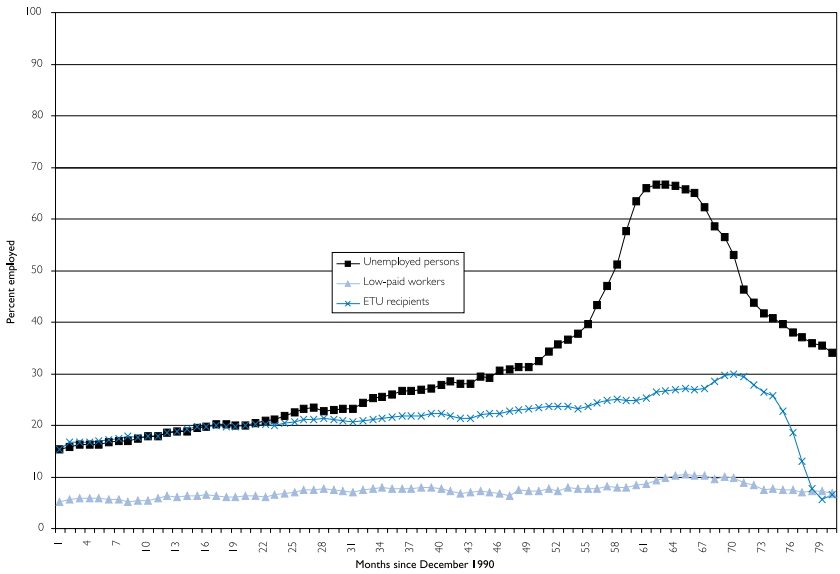
Figure 12.6 History of employment for low-paid workers reporting hourly earnings



Finally, Figure 12.7 examines whether or not the difference in previous employment participation rates between the low-paid workers sample and the ETU recipients/unemployed workers samples reflects a difference in the reported rate of claiming benefits for unemployment. To achieve this, use is made of the fact that respondents stated whether or not they were receiving unemployment benefits for each period in which they stated they were unemployed. The profile of reported benefit claims is shown in Figure 12.7.

From this analysis it appears, therefore, that the difference between the early work histories of ETU-recipients and the sample of low-paid workers arises because the ETU-recipients are more similar to the sample of unemployed workers - a group of respondents who have all had a very significant spell of unemployment in their work histories in recent years.

Figure 12.7 History of receipt of unemployment-related benefits

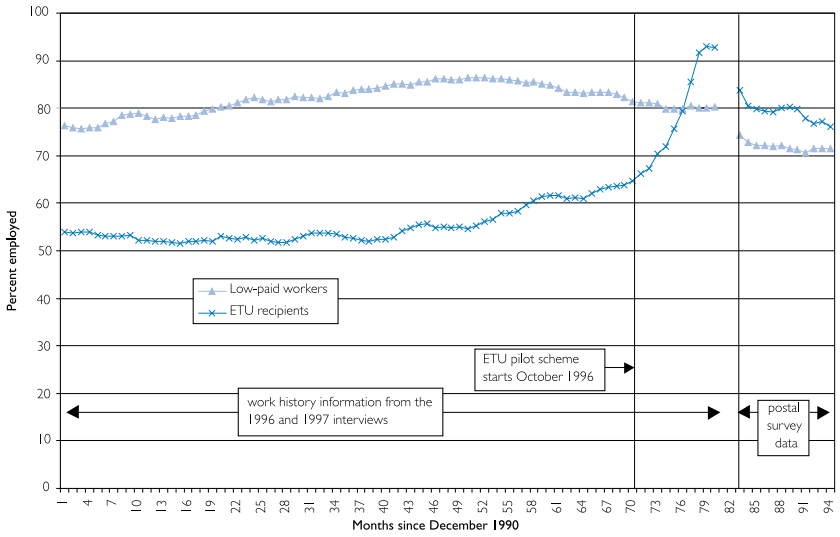


12.1 Analysis of the postal follow-up survey and administrative records

If, as appears, ETU has operated in such a way that it has attracted into employment persons who have had an intermittent record of employment in the past, the critical issue is whether or not the patterns of employment participation they displayed before taking part in the scheme reappear as they leave ETU. As was stated earlier, this issue cannot be fully addressed at this stage, because insufficient time has yet to elapse following the winding down of the scheme in the eight pilot areas. It is evident from Figure 12.1 that the rate of employment participation of ETU recipients was rising for approximately two years prior to their participation in the scheme. It is reasonable to assume, therefore, that in the absence of any lasting 'ETU-effect' which increases subsequent attachment to the labour market, it may take up to two years after the scheme ends for the employment participation rate to stabilise at a rate which no longer reflects the sample selection effect.

This section makes use of two sources of information used to update the employment profiles of participants and non-participants. The first of these makes use of information from survey respondents who were recontacted via the postal follow-up survey conducted in 1998. Figure 12.8 shows, for postal survey respondents only, the profile of their employment in each month from October 1997 to September 1998. Additionally, this figure includes the information these respondents provided in the earlier surveys, portraying their employment over the period January 1991 to July 1997. As expected, the aggregate rate of employment for the ETU-recipients interviewed in 1997 (and responding to the 1999 postal follow-up) falls from its peak of 93 per cent in August 1997 to 75 per cent as recipients lose their jobs or leave employment for other reasons. The rate of decline appears to have slowed considerably after December 1997, suggesting that the rate of employment among this group may remain significantly higher in the future than the rate of participation they displayed some two years before they joined ETU.

Figure 12.8 The employment histories of respondents to the postal follow-up survey

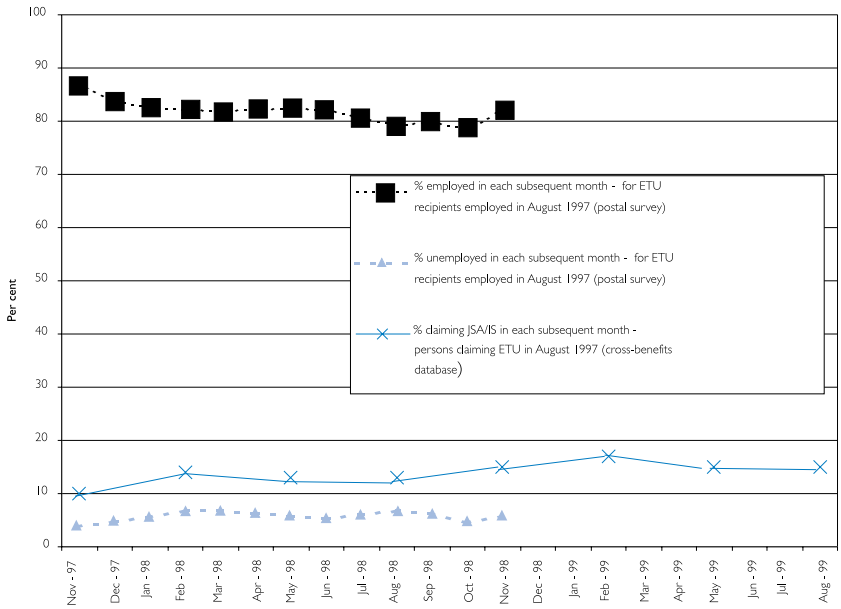


A second, and later, source of information about the post-ETU status of recipients is derived from analysis of the Department of Social Security cross-benefits database, derived from a five per cent longitudinal sample of all benefit records. This analysis was conducted by selecting all persons in the database who were in receipt of ETU in August 1997[26], then examining the benefits they received at three monthly intervals through to August 1999. Benefits which are unemployment-related (Jobseeker's Allowance and Income Support) indicate the extent of joblessness among this group of persons who received ETU in August 1997.

[26] August 1997 is selected to derive a 'cohort' of participants who can be likened to respondents to the survey of ETU participants, identified because of their participation in the scheme in summer 1997.

In August 1997 it is estimated that there were 18.8 thousand claims for ETU still active. By August 1999 only 4.9 thousand of these claims were still active. Of the 13.9 thousand claims which had ended, 2.4 thousand (13 per cent) had transferred to unemployment-related benefits. Figure 12.9 shows the evolution of unemployment-related benefits among this group over the period November 1997 to August 1999. This is compared with the recalled history of employment and unemployment for postal survey respondents who were employed and in receipt of ETU in August 1997. While the estimated percentage of respondents in receipt of unemployment-related benefits appears higher than the reported rate of unemployment from postal survey respondents, the important point to note is that there is no evidence of a continuing upward growth in the proportion of ETU-recipients who become unemployed as time elapses following their participation in the scheme. Looking back to Figure 12.7, it can be seen that almost one quarter of ETU-recipients stated that they were unemployed prior to their participation in ETU. There is, as yet, no evidence that this situation will reappear following the ending of the scheme.

Figure 12.9 Employment, unemployment and unemployment-related benefits for persons in receipt of ETU in August 1997



13 SUMMARY AND CONCLUSIONS

This study makes use of evidence collected by survey methods to evaluate the wider labour market and longer term effects of the Earnings Top-up Pilot Scheme, an in-work benefit paid to certain categories of low-paid workers and available in eight localities from October 1996 to October 1999. The evaluation methodology involves the collection of information from participants and non-participants in the eight pilot scheme areas and from non-participants in 'comparison areas' – localities in which the scheme was not available. A statistical comparison between these various groups allows certain conclusions to be drawn about the wider labour market effects of the scheme.

The term 'wider labour market effects' is used to refer to the impact of the scheme on non-participants. A consequence of measures that are designed to promote the employment of one group is that these might reduce employment for persons who are not eligible for them. Comparison of the movements into and out of employment for ETU-recipients and non-recipients as the scheme built up following its inauguration in October 1996 did not reveal any such effects which are statistically significant and which might be attributed to its operation.

The longer-term impacts of the scheme are assessed by examining the early work histories of those who participated in the scheme, comparing them with those who did not participate. Additionally, this part of the study takes advantage of the fact that the ETU Pilot Scheme has now ended, facilitating observation of the subsequent movement out of work for those who were participants. This investigation revealed that ETU-recipients had a weaker degree of attachment to the labour market than a sample of low-paid employees. Their employment profiles in the years prior to their participation appear similar to persons who had experienced a spell of long-term unemployment in the year preceding the start of ETU. Importantly, they display no sign of returning to their earlier levels of joblessness as the scheme now unwinds.

There are, however, a significant number of caveats that must be attached to these conclusions. First, the so-called 'comparison areas' may be fundamentally different from the scheme areas, invalidating their use for statistical comparison. Second, the survey samples used suffer from significant attrition over the period of the study, particularly for the postal follow up survey in 1998. Third, the problem of sample selection is endemic to this study. The original methodology for evaluation of the ETU Pilot Scheme envisaged that samples of low-paid workers and unemployed persons (i.e. potential ETU claimants) would be selected in 1996, then followed at intervals throughout the period that the scheme

operated. Due to the extremely low take-up rate among these two groups, this methodology was modified to include a sample of scheme participants and to vary the frequency and method of follow-up employed.

Despite these difficulties, the analysis presented here reveals a number of interesting findings. First, there is little evidence from these survey data to support the notion that the scheme operated to the detriment of non-participants. Among a sample of persons who were low-paid workers in 1994-95, there is no evidence that the scheme operated to reduce their later experiences of employment. While it does appear to be the case that a higher rate of employment is observed among previously low-paid workers in the comparison areas than in the scheme areas, the fact that this higher rate existed for two years prior to the scheme suggests that it is a structural effect and does not relate to the operation of ETU. Secondly, there is no evidence to suggest that previously unemployed persons had more difficulty regaining employment in the scheme areas than in the comparison areas. Multivariate analysis of the duration of spells of employment and non-employment by scheme participants and non-participants also fails to find evidence of any effects on the duration of such spells that can be associated with operation of the scheme. However, it is important to point out that even at its peak the scheme only covered between one and two per cent of the employed population in the areas in which it was piloted. It is unsurprising therefore that no statistically significant effects of its operation among non-recipients can be detected by survey methods.

In terms of the longer-term impacts, the conclusions presented here must remain tentative, simply because insufficient time has elapsed for longer-term impacts to become apparent. From an analysis of the early work histories of the three groups of survey respondents (two selected because of their participation in a spell of employment and one selected because of participation in a spell of unemployment) it is apparent that the early work histories of ETU participants bear more resemblance to the early employment experience of persons who have had a fairly lengthy spell of unemployment than to persons who were in low-paid employment in 1994-95. At the beginning of the decade, and discounting the effects of participation in full-time education on employment rates, the average employment rate of both ETU recipients and those persons who experienced a significant spell of unemployment in 1994-95 was approximately 60 per cent. For those in low-paid employment in 1994-95, the rate was about 25 percentage points higher. Some convergence in these rates is apparent in the period October 1997 to November 1998, but those who experienced a significant spell of employment in 1994-95 do not regain their earlier employment rates, whereas ETU recipients continue to display higher rates of employment than in their earlier work histories, possibly by between five and ten percentage points. Analysis of the benefits received by ETU-recipients as the scheme winds down does not reveal any evidence as yet of a return to the high rates of

unemployment that marked the work histories of ETU-recipients prior to their participation. This suggests that ETU did well to locate its target group (persons with a history of poor attachment to the labour market) and may well have an impact upon their attachment that outlives the scheme itself.

APPENDIX A PROBLEM DEBT AND HARDSHIP MEASURES

A1 Problem debt

For the purposes of this report, a person is defined as having a *problem* debt when:

- they have not kept up to date with payments for their electricity bill, gas bill, other fuel bills, Council Tax, insurance policies, telephone bill, TV/video rental or HP, other HP payments, or water charges (each counts as one problem debt); or
- they cannot manage the repayments on their credit, charge or store cards, that is they cannot meet the minimum monthly amount they have to repay; or
- they have rent or mortgage arrears; or
- they have not be able to keep up with repayments for a bank overdraft, a fixed term loan from a bank or building society (excluding mortgages), a loan from a finance company, a loan from a money lender or 'tally man', a loan from a friend or relative, or a loan or advance on wages from their employer.

A2 Hardship measures

Family Credit research showed eligible non-recipients to be 'better off' than recipients using a complex index of relative material hardship, on which they scored lower. The index assigned points to families who could not afford things that most other families could afford, who lived in poor housing circumstances, suffered a lot of financial anxiety, and fell into unmanageable debt. 'Severe hardship' was defined by exceeding a pre-set points total.

Measuring hardship among this sample of childless workers was more difficult. For example, few young workers maintain households in the way that families with dependent children have to. Ideas of household-based hardship, of families 'going without' and getting into household debt, are far more difficult to pin down for a young person living with parents or sharing a flat with friends.

A hardship measure was therefore constructed from seven basic measures. One point was scored for each of the following:

- The respondent said 'yes' to the question: 'Is there anything you really need to buy at the moment but which you just cannot find the money for?'.
- The respondent had fallen behind with at least one regular bill such as utilities, Council Tax, Water Charges, telephone, TV rental.
- The respondent had fallen behind on the repayments schedule for a loan or overdraft.

- The respondent said they worried about money 'quite often' or 'almost all of the time'.
- The respondent said that they 'don't manage very well', 'have some financial difficulties' or are 'in deep financial trouble'.
- The respondent said that over the past two years they have had debts that they have found hard to repay and that this situation occurred 'often' or 'almost all the time'.
- The respondent had fallen behind with rent or mortgage payments.

Not surprisingly, the tendency to score on one of these items of financial stress was correlated with the tendency to score on others, so they could be usefully combined into a single index:

Score 0 – no hardship

Score 1 – little hardship

Score 2 – some hardship

Score 3 or more – severe hardship.

APPENDIX B RESPONSE RATES AND WEIGHTING IN CHAPTER 5

B1 Response rates

The analysis of response rates is complicated due to the number of surveys carried out on low-paid workers and ETU recipients. Whereas in the analysis of the 1997 sample, it was sufficient to simply quote the 70 per cent response rate, there are a number of measures of interest in 1998. Overall, the postal and telephone interviews received a combined response rate of 51 per cent of the 1996 sample and 61 per cent of the 1997 follow-on sample. Postal respondents outnumbered telephone interviewees by four to one. The response rate to the booster sample was only 53 per cent. For the 1997 sample as a whole (i.e. re-interviewed 1996 sample plus booster sample), there was a 56 per cent response rate. Attempts were also made to contact those individuals sampled in 1996 who were not interviewed in 1997. The response rate for this group was predictably low at 27 per cent.

Given these relatively low response rates it would be unsurprising to find evidence of response bias resulting from differences in attrition across particular characteristics. This is examined through inspection of the changing representation of characteristics as they existed in 1996 (or 1997 in the case of the booster sample members). Since the 1998 questionnaires include only very limited demographic information, a comparison of changes in characteristics is not possible. Moreover, this is not the aim of this section of the analysis.

Table B.1 shows how response to the 1998 follow-up surveys is linked to 1996 characteristics. On the whole, the samples appear reasonably well-matched, since the differences never amount to more than a few percentage points. However, in some cases these differences are statistically significant, despite being only small. Significance is depicted by asterisks. Thus, a number of characteristics can be seen to be associated with increased likelihood of response to the follow-up surveys. Being female, older, partnered and owning accommodation all predispose the individual to responding to the follow-up surveys. Conversely, those renting in 1996 and those whose highest educational qualification is at CSE level are less likely to respond. In terms of the response bias associated with employment characteristics, the most important differences are among those who are employed for 16 or more hours per week in 1996 and those who are unemployed and claiming benefits. The former are more likely to respond, the latter less likely.

Hence, there is some cause for concern that the follow-up sample may not be representative of the 1996 sample (strictly, the sub-sample of 1996 respondents who took part in the 1997 survey). This does not necessarily invalidate subsequent analysis which aims to compare the pilot ETU

areas with the comparison areas so long as the bias is common to both. To investigate this, differences between the pilot and comparison areas were examined among the 1997 re-interviewees and the 1998 respondents. This revealed that for most characteristics, there was no significant difference between the pilot and comparison groups. However, there was one important difference in that unemployed claimants in the pilot areas were more likely than those in the comparison areas to participate in the 1998 follow-up surveys. The extent to which this will prejudice later analysis is not clear for two main reasons. First, the focus of this section is on job retention and, as such, will consider only those individuals who were in paid employment in 1996. By this reasoning, those unemployed in 1996 do not feature and hence their differential response across pilot and comparison areas is not an issue. Second, being unemployed in 1996 is a temporal characteristic. The tendency for lower response rates among this group does not signify that the unemployed are less likely to respond, only that those who were unemployed *in 1996* are less likely to respond. Hence it is difficult to predict the effect of this non-response on other analyses. However, there is a scenario in which the effects of this non-response will have to be considered. If one is willing to assume that being unemployed in 1996 is an indicator of the likelihood of being unemployed at the time of the 1998 survey, the lower response rate can be interpreted as a higher propensity for non-response amongst the unemployed. This will have a bearing on any analysis that seeks to investigate the effect of ETU on job retention since those outside the pilot area who become unemployed will fall out of the sample due to non-response. This will result in the comparison area sample becoming disproportionately composed of those who have remained in work. In this scenario, results on the effect of ETU on job retention will have to be regarded as a lower bound.

Table B.1 Response bias in the 1998 follow-up surveys to the 1997 re-interviewees

	1996/7	1998	Significance
Female	56	59	*
Age in 1996	39.4	41.2	*
Partner	44	48	*
Live with parents	36	36	
Long term illness	23	24	
Economic status: 16+ hours self-employed	7	7	
Economic status: 16+ hours employed	62	65	*
Economic status: <16 hours employed	5	5	
Economic status: <16 hours self-employed	2	3	
Economic status: government training	0	0	
Economic status: unemployed claimant	13	8	*
Economic status: unemployed non-claimant	4	4	
Economic status: full-time education	1	1	
Economic status: temporarily sick	1	1	*
Economic status: long-term sick	1	2	
Economic status: looking after home	1	0	
Economic status: retired	3	3	*
Economic status: other	0	0	
Qualifications: degree	4	5	
Qualifications: a-level	6	6	
Qualifications: o-level	23	23	
Qualifications: cse-level	14	13	*
Qualifications: none	53	54	
Housing owned	29	34	*
Housing mortgaged	37	38	
Housing social rented	25	21	*
Housing privately rented	6	4	*
Base	*2315*	*1174*	

Note: for legibility, no decimal places are given for the percentages in this table so very small differences are not always apparent, despite being significant in some cases.

As noted earlier, the response rate to the booster sample of ETU recipients was lower than that for the 1997 re-interviewees. This is unsurprising since one might imagine that those individuals who responded to the 1997 survey were more likely than those who did not to respond in 1998. Overall, the 1998 response rate to the booster sample was similar to the proportion of the original 1996 sample who responded.

Table B.2 below follows a similar format to Table B.1. It examines the changing composition of the sample defined in terms of those characteristics as they existed in 1997. A similar pattern exists to that in Table B.1. In particular, those in employment of 16 or more hours per week in 1997 are more likely to respond to the 1998 survey, while those who were unemployed and claiming benefits are less likely to respond. However, there are notable differences for some of the characteristics. Those in the booster sample tend to be younger and are less likely to be

partnered. Clearly, they are also more likely to be employed for 16 or more hours per week.

Table B.2 Response bias in the 1998 follow-up surveys to the 1997 booster sample

	1997	1998	Significance
Female	54	58	*
Age in 1996	34.3	35.9	*
Partner	21	22	
Economic status: 16+ hours self-employed	6	5	*
Economic status: 16+ hours employed	79	82	*
Economic status: <16 hours employed	2	2	
Economic status: <16 hours self-employed	0	0	
Economic status: government training	0	0	
Economic status: unemployed claimant	10	7	*
Economic status: unemployed non-claimant	2	2	
Economic status: full-time education	0	0	
Economic status: temporarily sick	1	1	
Economic status: long-term sick	0	0	
Economic status: looking after home	0	0	*
Economic status: retired	0	0	
Economic status: other	0	0	
Qualifications: degree	4	5	*
Qualifications: A-level	8	8	
Qualifications: O-level	24	26	
Qualifications: CSE-level	16	15	*
Qualifications: none	48	47	
Housing owned	17	22	*
Housing mortgaged	29	32	*
Housing social rented	38	34	*
Housing privately rented	13	10	*
Base	*1990*	*1049*	

Note: for legibility, no decimal places are given for the percentages in this table so very small differences are not always apparent, despite being significant in some cases.

B2 Weighting

The differences between the two samples are due to their different target populations. In order to pool the two samples, weighting is needed to bring the resulting sample into line with what is expected, in terms of key characteristics. Since the defining feature of the booster sample is that its members received ETU, the most appropriate weighting would be to maintain the profile of ETU receipt evident in the non-booster sample. Doing so would also adjust the profile of those characteristics associated with ETU receipt. Examination of those members in the non-booster sample who receive ETU suggests that their profile is quite similar to that of the booster sample presented in Table B.2. However, this is only indicative given the small number of individuals.

APPENDIX C ESTIMATION RESULTS FROM CHAPTER 5

C1 The estimation results

Four variants of the model are given. Column (1) gives the results for the fully parameterised model. That is to say, all the variables of interest are included regardless of their level of significance. This is refined by excluding insignificant variables to provide a more parsimonious specification. The model results for this specification are given in column (4). This is the preferred specification, and the one on which the commentary is based. However, as mentioned, some analysis was carried out on subsets of the sample; namely those aged under 40 and those aged 40 and above. The results for these models are presented in columns (2) and (3) respectively.

Table C.1 Duration model results

	(1) full sample	(2) Aged <40	(3) aged 40+	(4) full sample
Scheme A area	0.022	0.376	-0.593	0.053
	(0.10)	(1.04)	(1.67)	(0.25)
Scheme B area	0.007	0.522	-0.870	0.022
	(0.03)	(1.39)	(2.38)*	(0.10)
Receive Earnings Top-up in 97	0.073	-0.336	-0.043	0.169
	(0.21)	(0.68)	(0.07)	(0.51)
Female	0.262	0.837	-0.427	0.321
	(1.19)	(2.78)**	(1.07)	(1.63)
Age	-0.106	-0.262	-0.275	-0.102
	(1.87)	(0.81)	(0.59)	(2.14)*
Age squared	0.001	0.003	0.003	0.001
	(1.79)	(0.61)	(0.64)	(1.95)
Owner occupier	-0.114		3.215	
	(0.29)		(1.57)	
Lives with parents, no rent	-0.369	-0.647	4.973	
	(1.00)	(1.56)	(2.25)*	
Rents	0.042	0.079	3.753	
	(0.11)	(0.16)	(1.83)	
Rents but pays no rent	2.040	3.574		2.072
	(3.42)**	(4.26)**		(4.01)**
Owns with mortgage	0.091	-0.042	3.553	
	(0.24)	(0.07)	(1.74)	
Self-assessed health: fairly good	0.187	0.926	-0.172	
	(0.92)	(2.66)**	(0.52)	
Self-assessed health: not good	-0.028	-1.312	0.968	
	(0.07)	(1.60)	(1.62)	
Respondent has long-term illness	0.313	0.886	-0.780	0.361
	(1.41)	(2.66)**	(2.01)*	(1.79)

Continued

Table C.1 Continued

	(1) full sample	(2) Aged <40	(3) aged 40+	(4) full sample
Partnered	0.008	-0.303	0.083	
	(0.02)	(0.47)	(0.11)	
Separated/divorced/widowed	-0.052	1.595	-0.299	
	(0.13)	(1.99)*	(0.37)	
Partner's employment status 1997	0.018	-0.067	0.040	
	(0.61)	(0.70)	(1.06)	
Education: degree	0.701	1.374	1.998	0.612
	(1.72)	(2.36)*	(2.15)*	(1.79)
Education: A-level	0.165	0.746	-1.858	
	(0.42)	(1.42)	(1.18)	
Education: O-level	0.119	0.173	0.633	
	(0.43)	(0.40)	(1.28)	
Education: CSE-level	0.211	0.467	-0.253	
	(0.69)	(1.12)	(0.30)	
Qualification: professional	0.494	0.242	0.808	0.578
	(1.50)	(0.44)	(1.39)	(1.93)
Qualification: apprentice	1.098	0.288	1.689	1.080
	(2.89)**	(0.33)	(3.34)**	(3.03)**
Qualification: RSA	-0.055	0.017	-0.245	
	(0.21)	(0.05)	(0.47)	
Qualification: City & Guilds	-0.035	-0.402	0.826	
	(0.15)	(1.27)	(1.88)	
Qualification: ONC/OND	-0.877	-1.277	-1.252	-0.830
	(1.43)	(1.19)	(1.27)	(1.41)
Qualification: HNC/HND	1.333	-0.257	2.489	1.371
	(2.84)**	(0.34)	(3.04)**	(3.14)**
Qualification: TEC/BTEC	0.212	0.274		
	(0.57)	(0.64)		
Qualification: other	0.510	0.863	-1.653	
	(1.19)	(1.57)	(1.29)	
Respondent has driving licence	0.279	0.132	0.402	0.275
	(1.44)	(0.46)	(1.27)	(1.51)
Job lasting less than 12 months	1.930	2.518	3.287	1.895
	(7.26)**	(6.50)**	(5.03)**	(7.75)**
Job lasting between 1 and 3 years	1.532	1.470	2.387	1.600
	(4.49)**	(3.48)**	(2.54)*	(5.11)**
Occupation: manager/ professional	-0.470	-1.772	0.841	-0.592
	(1.22)	(2.62)**	(1.29)	(1.87)
Occupation: clerical	-0.273	-1.039	0.135	-0.317
	(0.81)	(2.00)*	(0.25)	(1.30)
Occupation: craftsperson	0.126	-0.411	-0.230	
	(0.32)	(0.81)	(0.27)	

Continued

Table C.1 Continued

	(1) full sample	(2) Aged <40	(3) aged 40+	(4) full sample
Occupation: personal protection	0.170	-0.576	0.416	
	(0.54)	(1.05)	(0.80)	
Occupation: sales	0.905	0.119	1.453	0.711
	(2.72)**	(0.23)	(2.71)**	(3.37)**
Occupation: plant operative	-0.137	-0.803	-0.163	
	(0.35)	(1.38)	(0.24)	
Industry: manufacturing and utilities	0.615	1.005	0.031	0.404
	(2.10)*	(2.23)*	(0.06)	(1.78)
Industry: construction	0.365	0.694	2.382	
	(0.71)	(0.98)	(2.24)*	
Industry: hotel and catering	0.611	1.933	-0.060	0.395
	(1.78)	(3.38)**	(0.11)	(1.38)
Industry: transport	0.083	0.330	0.145	
	(0.16)	(0.45)	(0.17)	
Industry: business services and financial	1.140	2.385	-0.208	0.930
	(3.02)**	(4.02)**	(0.31)	(2.92)**
Industry: public administration	0.391	1.494	-0.214	
	(0.91)	(2.00)*	(0.34)	
Industry: education	0.696	1.984	-0.265	0.511
	(1.58)	(2.38)*	(0.39)	(1.45)
Industry: health	0.250	0.647	-0.362	
	(0.74)	(1.07)	(0.75)	
Industry: other services	-1.059	0.133	-3.213	-1.301
	(1.60)	(0.16)	(1.61)	(2.13)*
Usual weekly earnings in 1997	-0.008	0.000	-0.023	-0.008
	(3.14)**	(0.01)	(4.60)**	(3.04)**
Correction for postal bias	1.746	2.304	1.457	1.726
	(5.44)**	(5.03)**	(3.00)**	(5.39)**
Month	-0.037	-0.077	0.038	-0.038
	(1.62)	(2.36)*	(1.15)	(1.70)
Constant	-3.825	-2.759	-1.227	-3.552
	(3.31)**	(0.61)	(0.10)	(3.88)**
Observations	19444	8733	10452	19487

Absolute value of z-statistics in parentheses.

* significant at 5% level; ** significant at 1% level

APPENDIX D ECONOMETRIC ANALYSIS METHODOLOGY

The dynamic impacts of a labour market programme on employment or unemployment are often measured via a partially static 'before and after' framework, choosing two particular points in time (for example, pre-programme and post-programme) and measuring whether a person is in the state of employment or unemployment at each point in time. For a number of reasons these states are defined to be mutually exclusive and are represented with a binary (0, 1) variable[27]. Information from a randomly selected group of programme participants and non-participants can be analysed in a multivariate statistical framework to explore the covariates of their labour market status via logistic or probit regression techniques. Tests for 'programme' effects involve a comparison of the degree of fit of the two models (participants and non-participants) and detailed study of the size and significance of the coefficients associated with covariates.

There are a number of difficulties with this approach. The first, and most obvious, is that participants and non-participants are not usually randomly selected for programme participation. Comparison between the two does not, therefore, represent a controlled experimental situation. 'Self-selection' into programmes may mean that participants are systematically different from non-participants, a feature that would invalidate simple comparative analysis. Various 'solutions' to this problem exist, from statistical correction for participation bias to the introduction of a scheme in a randomised manner (eg admission to a scheme at random) or the restriction of a scheme on a geographical basis, allowing for comparison between scheme and non-scheme areas. In the present study we make use of the latter approach via a feature of the design of the ETU evaluation, which included separate experimental or 'pilot' and non-experimental or 'control' areas.

A second problem with 'pre' and 'post' programme evaluation methods arises from the fact that the approach described does not make full use of the available information and ignores some of the fundamental processes at work in the labour market. For example, some people, particularly those with strong attachment to the labour market, may be unaffected by a programme designed to modify attachment. If such people are employed continuously between the points of observation, this raises the question of whether they should be included in the analysis and, if so, how? It may also be the case that the length of the time period between the two

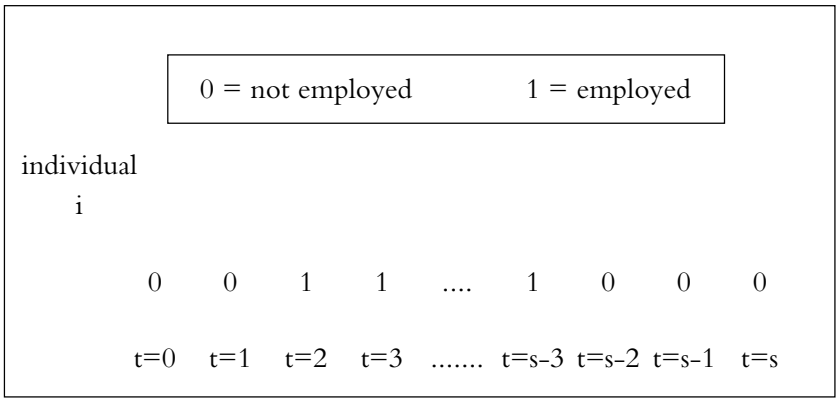
[27] Mainly for computational ease, but also because of the difficulty of extending a multinomial model into a multi-period framework.

observations, together with what has happened to a person in this period, could affect the probability of being employed or unemployed at the time of the second observation. Failure to take account of the dynamics of labour market behaviour and differences between changes in labour market conditions in pilot and control areas can impart serious bias to 'point-in-time' statistical models and can have consequences for the interpretation of results.

Statistical techniques have been developed to overcome these deficiencies in a number of ways. These usually involve the estimation of multi-spell duration models, which utilise all available information on the dynamics of labour market changes over a period of time. Such techniques have been developed to fit duration models to information on the length of spells of employment and unemployment, simultaneously dealing with what is termed 'unobserved heterogeneity bias'[28]. However, these models are sensitive to the mathematical specification of the so-called 'survivor function' - the shape of the curve used to describe the survival rate - or its complement, the hazard function (the probability of a spell ending in the next period given that it has lasted for a specific period).

These problems can be addressed in a number of ways. The technique adopted in the present study models as a *binary recurrent sequence* all of the information on spells of employment or non-employment in each individual's work history. This is described in the example below.

Consider an individual whose employment/non-employment experience can be recorded as a sequence of zeroes and ones over a length of time denoted as *s* periods.



At time period *2* the individual becomes employed, then remains employed until time period *s-3* (3 units of time from the end of the observation period). These zeroes and ones represent a binary recurrent sequence that describes the history and sequence of non-employment

[28] This is the effect of unobserved factors such as 'motivation to work' on the movement of people in and out of jobs and the potential effect of these factors on the estimated coefficients of duration models.

and employment for this individual. Modelling all such observations simultaneously, including information which describes the cumulative experience of the individual at each point in time, can overcome the problems which arise simply by choosing two arbitrary points in time and helps eliminate the problem of model specification which typically affects duration analyses.

Table D.1 Modelling the probability of a spell of employment or non-employment ending (non-recipient of ETU)

	Non-recipients			
	Employment spell end		Non-employment spell end	
	B	S.E.	B	S.E.
Male	0.432*	0.140	0.193	0.107
Age group				
16-21	0.331	0.370	0.297	0.283
22-24	0.007	0.380	0.316	0.297
25-34	0.020	0.245	0.190	0.176
35-44	Ref	Ref	Ref	Ref
45-54	-0.278	0.258	-0.126	0.181
55 and over	0.352	0.260	-1.425*	0.233
age not stated			-3.278	11.058
Minimum age school-leaver	-0.157	0.174	-0.110	0.125
Ever truanted	0.100	0.203	0.127	0.156
Attended all or most classes in final year	-0.528*	0.279	0.164	0.225
Highest qualification				
GCSE 'D' or below	Ref	Ref	Ref	Ref
GCSE A-C grades	-0.204	0.266	0.201	0.231
'A' levels	-0.487	0.402	-0.080	0.306
Vocational qual.	-0.428*	0.207	0.464*	0.181
Professional quals.	-0.447	0.299	0.369	0.235
No quals. reported	-0.255	0.222	0.388*	0.194
Reading difficulties	0.523	0.386	-0.019	0.283
Writing difficulties	-0.567*	0.296	-0.011	0.223
Numeracy difficulties	0.222	0.365	-0.293	0.260
Partner present	-0.004	0.151	0.167	0.120
Self assessed skills				
Good at constructing	0.095	0.129	0.095	0.099
Good at teaching	0.116	0.153	-0.062	0.116
Good with people	-0.273*	0.133	0.428*	0.105
Ethnicity				
White	Ref	Ref	Ref	Ref
Black	-4.034	8.438	0.396	0.769
Other	-3.802	6.987	-0.298	0.469

Continued

Table D.1 Continued

	Non-recipients			
	Employment spell end		Non-employment spell end	
	B	S.E.	B	S.E.
Housing tenure				
Owner occupier	-0.269*	0.127	0.349*	0.100
Other	Ref	Ref	Ref	Ref
Good health	-0.3612*	0.139	0.3024*	0.117
Disabled	0.345*	0.154	-0.685*	0.140
Pilot (trend)	0.001	0.002	-0.002	0.001
September 1996 status				
Spells of employment	0.195*	0.086	0.273*	0.067
Spells of non-employment	0.146*	0.071	-0.013	0.050
Cum. months employed	-0.033*	0.005	0.001	0.004
Cum. months non-employed	-0.007	0.005	-0.004	0.003
Unemployment rate in locality	0.109*	0.037	0.027	0.027

Note: S.E. = Standard error of estimated coefficient.

An asterisk indicates that a coefficient is statistically different from zero at the 95% confidence level.

Ref. = reference category

Table D.2 Modelling the probability of a spell of employment or non-employment ending (recipients of ETU)

	ETU recipients			
	Employment spell end		Non-employment spell end	
	B	S.E.	B	S.E.
Male	0.254*	0.126	-0.066	0.079
Age group				
16-21	-0.106	0.419	-0.295	0.242
22-24	-0.057	0.409	-0.369	0.244
25-34	0.372	0.206	-0.068	0.123
35-44	Ref	Ref	Ref	Ref
45-54	-0.186	0.219	0.039	0.132
55 and over	-0.248	0.306	-0.020	0.182
age not stated	-2.841	8.355	0.941	1.239
Minimum age school-leaver	0.003	0.171	-0.030	0.109
Ever truanted	0.305	0.216	0.196	0.139
Attended all or most classes in final year	0.02	0.339	0.208	0.198

Continued

Table D.2 Continued

	ETU recipients			
	Employment spell end		Non-employment spell end	
	B	S.E.	B	S.E.
Highest qualification				
GCSE 'D' or below	Ref	Ref	Ref	Ref
GCSE A-C grades	0.389	0.281	0.197	0.177
'A' levels	0.634	0.385	0.413	0.239
Vocational qual.	0.366	0.249	0.138	0.154
Professional quals.	0.608	0.326	0.217	0.205
No quals. reported	0.445	0.259	0.090	0.158
Reading difficulties	-0.077	0.378	-0.089	0.198
Writing difficulties	-0.505	0.335	0.299	0.163
Numeracy difficulties	0.179	0.318	-0.341	0.203
Partner present	-0.024	0.154	0.065	0.101
Self assessed skills				
Good at constructing	0.084	0.130	0.061	0.080
Good at teaching	-0.011	0.157	-0.004	0.094
Good with people	-0.321*	0.127	0.040	0.082
Ethnicity				
White	Ref	Ref	Ref	Ref
Black	-0.061	1.032	-0.412	0.621
Other	0.690	0.528	-0.275	0.375
Housing tenure				
Owner occupier	-0.408*	0.129	0.178*	0.080
Other	Ref	Ref	Ref	Ref
Good health	-0.148	0.142	0.249*	0.090
Disabled	0.269	0.157	0.053	0.101
Scheme A (trend)	0.000	0.002	-0.001	0.001
September 1996 status				
Spells of employment	-0.154	0.098	0.062	0.068
Spells of non-employment	0.292*	0.060	-0.023	0.042
Cum. months employed	-0.001	0.005	-0.007*	0.004
Cum. months non-employed	-0.006	0.005	-0.006	0.003
Unemployment rate in locality	0.204*	0.044	-0.147*	0.027

Note: S.E. = Standard error of estimated coefficient.

An asterisk indicates that a coefficient is statistically different from zero at the 95% confidence level.

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