

**Department for Work and Pensions**

**Research Report No 520**

# **Implementation and second-year impacts for New Deal 25 Plus customers in the UK Employment Retention and Advancement (ERA) demonstration**

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A report of research carried out by a research consortium consisting of three British organisations (the Policy Studies Institute, the Office for National Statistics and the Institute for Fiscal Studies) and MDRC, a US-based non-profit social policy research firm, which is leading the consortium on behalf of the Department for Work and Pensions

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# Contents

Acknowledgements .....	ix
The Authors.....	x
Glossary of terms.....	xiii
Abbreviations and acronyms .....	xv
Summary .....	1
1 The ERA scheme for New Deal 25 Plus participants: background and implementation .....	11
1.1 Introduction .....	11
1.2 Summary of first-year impacts.....	13
1.3 Policy background .....	15
1.4 Research on retention and advancement in work .....	18
1.5 Design of the ERA programme.....	20
1.5.1 <i>Work-related services</i> .....	22
1.5.2 <i>Financial incentives</i> .....	22
1.6 The ERA evaluation.....	25
1.6.1 <i>Site selection</i> .....	25
1.6.2 <i>The ND25+ target group</i> .....	27
1.6.3 <i>The random assignment design and the intake process</i> ....	28
1.6.4 <i>Key research areas</i> .....	30
1.6.5 <i>Data sources</i> .....	31

1.7	Characteristics of the ND25+ research sample.....	32
1.8	Timeline of ERA implementation .....	34
1.9	The remainder of this report .....	37
2	Implementation of ERA .....	39
2.1	Introduction.....	39
2.2	Programme implementation and delivery .....	40
2.2.1	<i>The structure and management of ERA</i> .....	41
2.2.2	<i>Staff training and support</i> .....	42
2.2.3	<i>Delivering out-of-work support</i> .....	43
2.2.4	<i>Delivering advancement support</i> .....	44
2.2.5	<i>Monitoring in-work support</i> .....	45
2.2.6	<i>The promotion of ERA in the districts</i> .....	46
2.3	The strength of the ERA programme over time .....	46
2.4	Programme delivery as ERA came to an end.....	48
2.4.1	<i>Weaning customers off ERA</i> .....	48
2.4.2	<i>Post-ERA customer contact</i> .....	49
2.4.3	<i>ERA staff reductions</i> .....	49
2.5	Conclusions .....	50
3	Use of ERA post-employment services and financial incentives .....	51
3.1	Introduction.....	51
3.2	Pre-employment support .....	52
3.3	Patterns of engagement with Jobcentre Plus among working customers .....	53
3.3.1	<i>In-work contact with Jobcentre Plus</i> .....	54
3.3.2	<i>Patterns of engagement among the programme group</i> .....	56
3.4	Support with retention .....	60
3.4.1	<i>Help dealing with problems that made work difficult</i> .....	60
3.4.2	<i>Re-employment efforts</i> .....	61
3.4.3	<i>EDF payments</i> .....	62

3.5	Support with advancement.....	64
3.6	Customers' receipt of ERA's in-work financial incentives .....	66
3.6.1	<i>Employment retention bonus</i> .....	66
3.6.2	<i>Training fees and bonus</i> .....	70
3.7	Comparison with the New Deal for Lone Parents customer group ....	75
3.8	Conclusions .....	77
4	Impacts of ERA on labour market outcomes and benefits receipt.....	81
4.1	Introduction.....	81
4.2	Overview of findings.....	82
4.3	The expected effects of ERA .....	83
4.4	ERA's impacts on work and earnings .....	83
4.5	Impacts on benefits receipt .....	89
4.6	Impacts on retention.....	90
4.7	A descriptive look at jobs held by the programme .....	92
4.8	Effects across districts .....	95
4.8.1	<i>Labour market and benefits outcomes</i> .....	95
4.8.2	<i>Receipt of incentives</i> .....	98
4.9	Conclusions .....	100
5	Impacts across subgroups.....	101
5.1	Introduction.....	101
5.2	Economic impacts across subgroups.....	101
5.3	Receipt of incentives across subgroups.....	108
5.4	Conclusions .....	111
6	Conclusions .....	113

Appendix A	Data sources.....	115
Appendix B	Non-response analysis for the two-year customer survey.....	119
Appendix C	Implementation features of ERA districts.....	133
Appendix D	Customers' contacts with Jobcentre Plus, receipt of help and advice, and receipt of Emergency Discretion Fund.....	139
References	.....	145

## List of tables

Table 1	Effects of ERA on employment, earnings and benefits receipt for ND25+ customers within two years after random assignment.....	9
Table 1.1	Staff and services available to ERA (programme group) and non-ERA (control group) customers.....	21
Table 1.2	Demographic profile of ND25+ customers randomly assigned between October 2003 and April 2005 .....	33
Table 3.1	ND25+ ERA bonus recipients' assessments of the influence of employment retention bonuses on their decisions concerning employment .....	58
Table 3.2	Receipt of in-work help or advice from Jobcentre Plus staff within two years after random assignment among ND25+ customers who worked .....	61
Table 4.1	Effects of ERA on employment and earnings within two years after random assignment for ND25+ customers, estimated from administrative records.....	86
Table 4.2	Effects of ERA on benefits receipt within two years after random assignment for ND25+ customers, estimated from administrative records.....	89
Table 4.3	Effects of ERA on employment dynamics within two years after random assignment for ND25+ customers, estimated from administrative records.....	91
Table 4.4	Characteristics of the current or most recent job held by the ND25+ ERA group within two years after random assignment.....	93
Table 5.1	Effects of ERA on employment and earnings within two years after random assignment for ND25+ customers, estimated from administrative records, by subgroup .....	103
Table 5.2	Effects of ERA on benefits receipt and payments within two years after random assignment for ND25+ customers, estimated from administrative records, by subgroup .....	106
Table 5.3	Bonus receipt rates for ND25+ customers, estimate from administrative records, by subgroup.....	109

Table A.1	Data sources used for the ERA process and impact studies.....	116
Table B.1	Survey response rates for ND25+ customers, 24-month customer survey .....	120
Table B.2	Survey respondent sample size for ND25+ customers, by customer group and district .....	120
Table B.3	Comparison of impacts on the benefits receipt and employment of the full, fielded, and respondent samples for ND25+ customers, estimated using administrative records.....	122
Table B.4	Comparison of impacts on the benefits receipt and ..... employment of the full sample by cohort for ND25+ customers, estimated using administrative records.....	125
Table B.5	Comparison of the baseline characteristics of the full, fielded, and survey samples for ND25+ customers.....	127
Table B.6	Ordinary least squares estimates from a model predicting survey response.....	129
Table C.1	Implementation features of ERA districts.....	133
Table D.1	Effects of ERA on job search advice or help received among ND25+ customers within two years after random assignment.....	139
Table D.2	Frequency of various types of in-work contact with Jobcentre Plus staff among ND25+ customers who worked within two years after random assignment.....	140
Table D.3	Receipt of ERA Emergency Discretionary Fund (EDF) payments among ND25+ customers .....	141
Table D.4	Receipt of ERA employment retention bonuses among ND25+ customers.....	142
Table D.5	ND25+ ERA customers' receipt of ERA training fee assistance and training completion bonuses.....	143

## List of figures

Figure 1.1	Map of the six ERA districts.....	26
Figure 1.2	Random assignment process for ND25+ customers.....	29
Figure 1.3	Timeline and national benefits policy context of the ERA demonstration, 2003/07.....	36
Figure 3.1	Patterns of contact with Jobcentre Plus staff among ND25+ ERA customers who worked within two years after random assignment.....	55
Figure 3.2	Receipt of EDF payments among ND25+ ERA customers within two years after random assignment.....	63
Figure 3.3	Awareness and receipt of employment retention bonuses among ND25+ ERA customers within two years after random assignment.....	67

Figure 3.4	Awareness and receipt of ERA training fee assistance and training completion bonuses among ND25+ ERA customers within two years .....	71
Figure 4.1	Control group employment rates over the first two years after random assignment for ND25+ customers, estimated from administrative records.....	84
Figure 4.2	ERA group and control group employment rate trends over the first two years after random assignment for ND25+ customers, estimated from administrative records.....	87
Figure 4.3	Effects of ERA on employment, earnings, and benefits receipt within two years after random assignment for ND25+ customers, estimated from administrative records, by district .....	96
Figure 4.4	Receipt of ERA work and training bonuses within two years after random assignment for ND25+ customers, estimated from administrative records, by district (ERA group only).....	99



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# Glossary of terms

<b>Advancement Support Adviser (ASA)</b>	Employment specialist holding a position specifically created as part of ERA. These individuals provide ERA participants with continuing advice and assistance intended to help them overcome obstacles to steady employment and find pathways to better job opportunities and higher wages.
<b>Employment Retention and Advancement programme (ERA)</b>	A demonstration programme offering a combination of employment counselling services and financial supports to certain recipients of Government benefits or lone parents claiming Working Tax Credit (WTC). Its purpose is to help people stabilise and improve their work situations.
<b>Income Support (IS)</b>	Benefit available to low-income adults working less than 16 hours per week.
<b>Jobcentre Plus</b>	The UK governmental institution, an agency of the DWP, which provides help and advice on employment and training for people who can work and financial support for those of working age who cannot.
<b>Jobseeker's Allowance (JSA)</b>	Benefit available to unemployed individuals who are actively seeking work.
<b>New Deal programme</b>	The UK's main welfare-to-work initiative. New Deal services include the development of individual action plans outlining customers' work goals and job search assistance and training to help them achieve these goals.

<b>New Deal 25 Plus (ND25+)</b>	Mandatory New Deal programme that serves longer-term unemployed people (mostly males) over the age of 25, specifically those who have been unemployed and receiving JSA for at least 18 out of 21 months.
<b>New Deal for Lone Parents (NDLP)</b>	Voluntary New Deal programme that serves lone parents (mostly females) who are in receipt of IS.
<b>Personal Adviser (PA)</b>	Employment specialists, working in Jobcentre Plus offices, who provide job advice and assistance to New Deal customers who were not randomly assigned to the ERA programme group.
<b>Post-Employment Team (PET)</b>	A group of ASAs whose sole task in the ERA programme is to work with in-work customers.
<b>Technical Adviser (TA)</b>	Staff position specifically created as part of ERA. These individuals, posted in each ERA district, ensure that ERA services are delivered in accordance with the policy design and provide general support for the evaluation effort.
<b>Working Tax Credit (WTC)</b>	Lone parents working less than 30 hours per week are eligible to receive this credit.

# Abbreviations and acronyms

ADF	Adviser Discretion Fund
ASA	Advancement Support Adviser
CTC	Child Tax Credit
DWP	Department for Work and Pensions
EDF	Emergency Discretion Fund
ERA	Employment Retention and Advancement programme
FACS	Families and Children Survey
FC	Family Credit
FIS	Family Income Supplement
GCSE	General Certificate of Secondary Education
GMS	Generalised Matching Service
HB	Housing Benefit
IB	Incapacity Benefit
IS	Income Support
JOT	Job Outcome Target
JSA	Jobseeker's Allowance
JUVOS	Joint Unemployment and Vacancies Operating System
ND25+	New Deal 25 Plus
NDLP	New Deal for Lone Parents

PA	Personal Adviser
PET	Post-Employment Team
QAF	Quality Assurance Framework
TA	Technical Adviser
WASC	Work Advancement and Support Center demonstration
WFTC	Working Families' Tax Credit
WPLS	Work and Pensions Longitudinal Study
WTC	Working Tax Credit



# Summary

## Introduction

This report presents new findings on how an innovative post-employment programme in Britain is affecting the employment, earnings and benefits receipt of long-term unemployed individuals. This initiative, called the Employment Retention and Advancement (ERA) demonstration programme, is being carefully evaluated through a large-scale randomised control trial. ERA offered a unique combination of financial incentives and in-work support designed to help individuals sustain and advance in the labour market. The demonstration targeted three groups: unemployed lone parents, lone parents working part-time, and long-term unemployed individuals receiving Government benefits. While a companion report<sup>1</sup> presents effects for lone parents, this report focuses on the experiences of the long-term unemployed group, most of whom are men.

An earlier evaluation report, published in 2007, showed that, despite significant positive effects for lone parents, ERA's effects for the long-term unemployed group were mixed and uncertain after one year of follow-up. For this group, the programme had shown no effects overall on employment or earnings but there were suggestions of positive effects in some districts. The new evidence presented here, covering two years of follow-up, continues to show that ERA's effects were limited. Although the programme increased overall employment rates and reduced benefits receipt in year 2, these effects were small. However, final assessment of ERA's effectiveness for this group must await longer-term follow-up.

The results presented here should be regarded as interim in nature for several reasons: Advancement in work is a gradual process that can take several years to unfold and this is likely to be particularly true for this target group of long-term unemployed people. More than half of this group did not work during the period observed and thus, could not benefit from ERA's post-employment services, and many of those who did work did not do so until the second year of follow-up. Furthermore, ERA services were available for 33 months. By the end of the second

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<sup>1</sup> Riccio et al., 2008.

year of follow-up, many ERA customers had not yet had an opportunity to take full advantage of the programme's in-work guidance and incentives and many had not yet completed their training activities. The evaluation will continue to track the work and benefits outcomes of the study's participants for several more years.

The long-term unemployed group consists of long-term recipients of Jobseeker's Allowance (JSA), a cash benefit available to unemployed individuals who are actively seeking work. These individuals, because of their reliance on JSA for 18 or more consecutive months, are also mandated to participate in the New Deal 25 Plus (ND25+) programme, an employment assistance programme for the longer-term unemployed aged 25 and older.

This target group represents a small fraction of the working-age population. In 2006/07, for example, around 105,000 people entered ND25+.<sup>2</sup> In addition, the majority of those who commence a claim for Jobseeker's Allowance do not continue on for 18 or more months and are mandated to join ND25+. In 2004/05, for example, only about six per cent of JSA claims reached 18 consecutive months. Nonetheless, it is a quite distinct group from the lone parent target groups in the evaluation and one that faces severe labour market disadvantages.

For example, about 80 per cent of the ND25+ sample are male and 16 per cent belong to an ethnic minority. Many lack skills or have outdated skills, a short or patchy work history and transport difficulties. More than a third have no educational qualifications at all and almost half had not worked in the three years before they entered the demonstration. Nationally, about 30 per cent of ND25+ participants report that they are suffering from some long-term illness or disability, while others have criminal records, drug or alcohol dependence or mental or physical health problems.<sup>3</sup>

The ND25+ group in the ERA evaluation had lower employment and earnings than the lone parents over the same follow-up period and programme staff found it somewhat more challenging to engage them in services. Although the results from ERA to date have been less positive for this group, improving their employment retention and advancement remains an important policy challenge. Nationally, this group has been found to have relatively low employment retention rates, with only one in four ND25+ participants leaving benefits for sustained work.<sup>4</sup>

## The ERA model and evaluation

ERA – started in 2003 and administered by Jobcentre Plus – was envisioned as a 'next step' in British welfare-to-work policies. The programme built on Britain's

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<sup>2</sup> In contrast, the working-age population in the UK totals about 30 million people.

<sup>3</sup> Adebowale, 2004.

<sup>4</sup> Adebowale, 2004.

New Deal programme (also administered by Jobcentre Plus), which offers job placement help and other pre-employment assistance to out-of-work recipients of Government benefits. To the existing pre-employment New Deal services, ERA added a new set of financial incentives and job advisory services following customers' entry into work. By offering this unique combination of services, the programme aimed to help low-income individuals who entered work sustain employment and advance in the labour market.

The demonstration was aimed at three groups that have had difficulty getting and keeping full-time work or advancing to more secure and better-paid positions:

- 1 lone parents (mostly women) who receive Income Support (IS) and volunteer for the New Deal for Lone Parents (NDLP) programme;
- 2 longer-term unemployed people over the age of 25 (largely men) who receive JSA and are mandated to enter the ND25+ programme; and
- 3 lone parents who are already working part time (between 16 and 29 hours a week) and are receiving Working Tax Credit (WTC).

For the two New Deal customer groups, ERA began with job placement and other pre-employment assistance, largely following the same procedures as the regular New Deal programme. This assistance was expected to last for up to nine months. The programme then continued into a unique post-employment or 'in-work' phase, expected to last for at least two years.<sup>5</sup> During that phase, ERA's job coaches, known as Advancement Support Advisers (ASAs), were expected to help customers avoid some of the early pitfalls that sometimes cause new jobs to be short-lived and to help them advance to positions of greater job security and better pay and conditions – at their current employer or a new one. ERA also offered special cash incentives and other resources to promote these goals, including:

- an employment retention bonus of £400 three times a year for two years for staying in full-time work (at least 30 hours per week for 13 out of every 17 weeks, which is about 75 per cent of the time);
- training tuition assistance (up to £1,000) and a bonus (also up to £1,000) for completing training while employed; and
- access to emergency payments to overcome short-term barriers to staying in work.

ERA operated in six very diverse regions of the UK: East Midlands, London, North East England, North West England, Scotland and Wales. Within these districts,

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<sup>5</sup> Although the original design of the programme envisioned that the post-employment phase would last for a maximum of two years, those who entered work sooner could receive more than two years of post-employment adviser support. In fact, WTC customers who were already working when they entered ERA could receive post-employment adviser support for their full 33 months of participation in ERA. However, receipt of the financial incentives was limited to the two-year maximum.

qualifying members of the three target groups were invited to volunteer for the limited number of ERA openings. To provide everyone who expressed interest with a fair and equitable chance to participate in the programme, a lottery-like process was used to select those who were eligible. After completing an informed consent process, half the volunteers were assigned randomly to the ERA programme group and the remainder to a control group. Individuals assigned to the control group could continue to receive whatever provisions they were normally entitled to receive from Jobcentre Plus. Intake into the study took place from October 2003 to April 2005. Over 16,000 people were randomly assigned during this period, making this study one of the largest randomised social policy trials ever undertaken in Britain.

ERA's success is determined by comparing the outcomes of the programme group (e.g. future average earnings) with the outcomes of the control group. Because the random assignment process created two groups with nearly identical background characteristics, on average, at the beginning of the study, the only difference between them was that one was offered the programme and the other was not. Thus, any statistically significant difference in future outcomes can confidently be assumed to have been caused by ERA. Such differences are referred to here as the programme's effects or 'impacts'.

The analysis relies on administrative data to estimate the programme's effects. Employment and earnings data were obtained from the Work and Pensions Longitudinal Survey (WPLS) matched to data from Her Majesty's Revenue and Customs (HMRC) agency. Benefits data were obtained from the Department for Work and Pensions (DWP). Data from two waves of a customer survey are used primarily to describe individuals' experiences with, and participation in, the programme while employed.<sup>6</sup> To provide a richer understanding of the Jobcentre Plus offices' experience of implementing ERA, customers' efforts to find work and advance and their responses to the in-work assistance that ERA offered, the analysis also uses qualitative research involving in-depth interviews with ERA staff and customers.

DWP, working with Jobcentre Plus staff in each of the study districts, managed the overall implementation of ERA and is overseeing the evaluation. The study is being conducted by a research consortium that includes the Policy Studies Institute, the Institute for Fiscal Studies, the Office for National Statistics, and MDRC (a New York City-based research organisation experienced in conducting large-scale random assignment tests of new social policies).

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<sup>6</sup> In contrast to the analysis for the lone parent customers groups, the survey data are not used to estimate the programme's effects. Lower survey response rates for the ND25+ group, coupled with the fact that the survey sample consists of a cohort of early entrants into the programme, resulted in a survey sample that is not sufficiently representative of the full sample. The survey data were deemed adequate, however, to provide a rough gauge of participation in the programme.

## ERA's implementation and delivery of in-work assistance

The main focus of this report is on in-work support, since that was the key feature that set ERA apart from typical Jobcentre Plus services. In addition, the first-year report documented that the extent and type of pre-employment support received differed little between the ND25+ programme and control groups. However, when considering ERA's effects on in-work assistance, it is important to keep in mind that less than half of the ND25+ customer group worked during the two-year period and was able to take advantage of these supports and services.

Perhaps the biggest challenge for ERA staff (principally the ASA and their frontline managers) was learning how to help working customers meet employment and retention goals after they took jobs, when all of the staff's previous training and experience, as well as the organisational and programmatic focus of the Jobcentre Plus system that housed the programme, was focused on helping customers find jobs. Indeed, job placement was the primary measure of staff and office performance. Thus, in the delivery of services to all three target groups, ERA posed a challenge to existing Jobcentre Plus delivery structures and staff skill sets.

### **ERA's implementation, which faced difficulties in the first year of operation, improved considerably over time, as staff grew more skilled and confident in delivering a post-employment intervention.**

Not surprisingly, it took considerable time and effort for ERA district staff, whose previous experience had focused on helping the unemployed find jobs, to learn to incorporate strategies that involved building a partnership with customers that extended into work and was to last for at least two years after job placement. For advisory staff, retention and advancement support meant proactively engaging customers beyond traditional Jobcentre Plus routines, anticipating the needs of working individuals and promoting job progression. In the early days of the programme, staff were unfamiliar with what was entailed in providing post-employment support and had difficulty keeping working participants fully engaged in the programme. Moreover, there were tensions between the central job placement goals of Jobcentre Plus and the post-employment focus of ERA. Over time, the programme grew considerably stronger as technical assistance efforts were intensified, staff training was improved and DWP's oversight and accountability mechanisms were strengthened to support ERA's goals

A new set of challenges arose in the third year of programme operations, as the operational phase of the demonstration began to wind down. As customers began to reach the end of their 33-month tenure and began to exit the programme (in July 2006) on a rolling basis, many staff were reassigned to other posts but not necessarily at an even pace. Some staff caseloads thus grew to levels much higher than intended and many customers were assigned a new ASA. Thus, for some customers, the continuity and intensity of in-work assistance began to suffer. Several indicators suggest that ERA reached its peak performance level in most districts towards the end of 2005 and into the first half of 2006 (near the end of

the two-year follow-up period covered by the impact analysis presented in this report).

Overall, the districts' implementation of the ERA model demonstrates that it was feasible to operate ERA as a Jobcentre Plus initiative, although not easy. The challenges of keeping working customers engaged in the programme and providing them with high-quality career guidance were ongoing. These challenges underscore the importance of assigning the role of the ASA to staff who have the capacity to deliver a service that is more complicated than the normal job placement assistance of Jobcentre Plus. It is also critical to provide those staff with more extensive training and manager support and to motivate and recognise their accomplishments with performance assessments tailored to retention and advancement outcomes.

**Working ND25+ customers in ERA were much more likely than those in the control group to receive retention-related and advancement-related help or advice from Jobcentre Plus staff.**

Customers in the ERA group who worked at some point within the two-year follow-up period received a substantial post-employment intervention from Jobcentre Plus. This intervention differed in both content and intensity from what they would have experienced had ERA not existed (as evidenced by comparisons with workers in the control group). For example, among ND25+ customers in ERA who got jobs, 47 per cent reported on the customer survey that, while they were employed, they had received help or advice from Jobcentre Plus (meaning primarily the ERA programme) that was related to staying employed or advancing. The rate for the control group was much lower, at 12 per cent. Assistance for the control group was likely to have been obtained through customer-initiated, informal interactions with Jobcentre Plus staff, since it was not a funded element of the regular ND25+ programme. The most common types of support received from staff were help finding an education or training course, developing long-term career goals and finding a better job. Interviews with staff indicated that many working customers had temporary work contracts and sought assistance finding new work as these contracts ended.

At the same time, qualitative data point to a number of challenges that Jobcentre Plus staff encountered in operating the ERA model in the real world. For example, although most working ERA customers had some in-work contact with their ASAs, the nature and quality of the support they received varied substantially, ranging from the simple processing of bonuses and perfunctory interactions to specialist advancement action planning. The advisers also differed in how proactive they were in reaching out to their customers, in keeping participants engaged in the programme, in their capacity to provide helpful guidance on advancement issues and even in their marketing of the financial incentives. Over time, though, advisers on the whole became more skilled in delivering in-work support and administering ERA's incentives.

**There were particular challenges in serving ND25+ customers, relative to lone parents, owing to their lower employment rates and rates of re-engagement with the programme once they were in work.**

Over the two-year period, less than half of ND25+ customers entered work. As such, the majority of this target group was never eligible for ERA's post-employment supports, the part of the programme that distinguished it from the services typically available through Jobcentre Plus. In addition, relative to serving the two lone parent groups, staff reported that they had greater difficulty engaging ND25+ customers in services once they were in work. According to staff, there were a variety of reasons for this: ND25+ customers' desire to be independent of Jobcentre Plus, which many associated only with claiming benefits; a greater ethos of self-reliance; lower awareness of available in-work supports; and, finally, less interest in advancement, as many ND25+ customers viewed obtaining a steady job as accomplishment enough.

**Although staff used the Emergency Discretion Fund more for lone parents than for the ND25+ group, they saw the value of this fund as a retention tool.**

ERA customers who entered work could receive assistance from an Emergency Discretion Fund (EDF) to take care of minor, short-term financial emergencies that might prevent them from continuing in work. Financial payment records indicate that 12 per cent of the ND25+ programme group members who worked received EDF assistance. Most customers who received these payments received just one. Total payments averaged £230 per recipient. These funds were most commonly used for transport-related expenses, such as car repairs and petrol. Staff mentioned reliable transport as an important job retention issue for ND25+ customers.

**Most ND25+ ERA customers were aware of ERA's financial incentives, although many did not meet the conditions for receiving them.**

When interviewed 24 months after entering the study, most ND25+ customers in ERA (86 per cent) said that they knew about the programme's employment retention bonus. Yet, about two-thirds did not receive any of these bonus payments – largely because they did not meet the necessary conditions for the reward (i.e. sustaining full-time work for at least 13 out of 17 weeks in a given payment period). However, among those who ever worked full-time during the follow-up period, about 70 per cent received at least one bonus payment and about 50 per cent received two or more payments.

Although awareness of the bonus for completing an ERA-approved training course while employed was also fairly high, rates of take-up were low. Sixty-two per cent of the ERA group knew of this bonus, while only four per cent received a payment. In addition, only six per cent received ERA payments to help with training fees or tuition during this period. These rates were not much higher for ERA customers who worked full-time during the follow-up period.

## ERA's impacts on employment and earnings

**During the second year after beginning ERA, ND25+ customers were somewhat more likely to work than they would have been without the programme. However, ERA had no effect on their earnings.**

Overall, during the full two-year period, 44.2 per cent of ND25+ customers in ERA were employed, compared with 42.2 per cent of the control group (Table 1).<sup>7</sup> This effect of two percentage points over the full period is driven by effects that began to emerge in year 2. In that year, 33.9 per cent of the ERA group worked, compared with 31.3 per cent of the control group, for a difference of 2.6 percentage points. This effect in year 2 is quite small in size and longer follow-up will be needed to assess whether it increases or fades over time.

ERA had no effect on earnings over the 2005/06 tax year. Administrative data on earnings are not available by calendar year and thus cannot provide evidence of effects on earnings in year 1 compared to year 2. The tax year covers year 1 earnings for customers randomly assigned late in the intake period and year 2 for customers randomly assigned early in the intake period.

A district-level analysis was conducted to assess whether the general conclusions reached for the pooled sample held across all districts or whether ERA seemed to have had more positive effects in some districts. The results suggest some variation by district but this variation is due, in large part, to oddly negative effects in Wales. The negative effects on employment in this district appear to stem, in part, from staff shortages in delivering ERA's pre-employment services, with the result that the control group was likely to receive more intensive pre-employment assistance and had higher rates of job entry. The results highlight the importance of not losing sight of pre-employment services, even within a programme that is largely directed towards post-employment services. This is particularly relevant for the ND25+ sample, for whom retention and advancement depend on receiving adequate support to find employment in the first place.

### **ERA increased employment in year 2 by encouraging job entry during that period, rather than by increasing employment retention.**

Among ND25+ customers who entered work during the first year of the follow-up period, half worked for less than 12 consecutive months. ERA had no effect on this or on other measures of retention. Instead, ERA's effect on employment rates was attained by increasing and speeding up entry into work and not by prolonging employment for people who obtained jobs earlier on. In other words, ERA encouraged more customers who would not have otherwise worked during the two-year period to enter work during the second year.

### **ERA's effects on benefits receipt**

#### **ERA produced small savings in payments for JSA in year 2. It also somewhat reduced the use of Incapacity Benefit (IB).**

All individuals who entered the study were receiving JSA from the start. By the end of the two-year follow-up period, the rate of benefits receipt had dropped by

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<sup>7</sup> Administrative data do not cover some types of employment, e.g. self-employment and low-hours jobs, and likely understate employment rates to some extent.



almost 60 per cent among both the programme and the control groups, due to factors not related to ERA. Nonetheless, ERA produced some additional savings in Government payments. At the end of year 2, for example, 42.2 per cent of the programme group were receiving JSA, which is a statistically significant 2.6 percentage points lower than the control group rate (Table 1). The average total amount of JSA payments in year 2 was lower for the ERA group by £72 relative to the control group – a five per cent drop. In addition, ERA produced statistically significant, albeit small, reductions in the proportion of ND25+ customers receiving IB over the two-year period (not shown).

**Table 1 Effects of ERA on employment, earnings and benefits receipt for ND25+ customers within two years after random assignment**

<b>Outcome</b>	<b>ERA group</b>	<b>Control group</b>	<b>Difference (impact)</b>	<b>P-value</b>
<b>Employment and earnings</b>				
<b>Ever employed during (%)</b>				
Year 1	35.8	35.0	0.7	0.526
Year 2	33.9	31.3	2.6**	0.020
Years 1-2	44.2	42.2	2.0*	0.082
Average earnings during 2005/06 tax year (£)	2,848	2,679	169	0.235
<b>Benefit receipt</b>				
<b>Average number of months receiving JSA in</b>				
Year 1	7.9	7.9	0.0	0.879
Year 2	5.4	5.7	-0.4***	0.003
Years 1-2	13.3	13.6	-0.3*	0.070
Receiving JSA in month 24 (%)	42.2	44.7	-2.6**	0.027
<b>Average JSA payment received in</b>				
Year 1	2,267	2,274	-7.0	0.862
Year 2	1,433	1,505	-72*	0.062
Years 1-2	3,700	3,779	-79	0.254
Sample size = 6,782	3,424	3,358		

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

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

Rounding may cause slight discrepancies in calculating sums and differences.

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

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

JSA = Jobseeker's Allowance.

## ERA's impacts by customer subgroups

**ERA's effects in general did not vary across different types of customers, including more disadvantaged customers, those with fewer qualifications and ethnic minorities.**

Overall, ERA's effects did not vary consistently with the background characteristics of ND25+ customers that are typically associated with the degree of success in the labour market. For example, there was no strong evidence suggesting that ERA had larger or smaller impacts for customers with more, rather than less, previous work experience or for those with more, rather than fewer, barriers to employment.

## Conclusions

Although ERA had no effect on earnings, it did lead to a small increase in employment rates in year 2, an effect that appears to derive from encouraging job entry in year 2 among those who would not have otherwise worked. Still, the findings after two years for the ND25+ group are discouraging, especially when compared with those for lone parents.

ND25+ customers differed from the two lone parent groups in that they faced more severe barriers to work, which contributed to their much lower employment rates. Less than half of this group worked at all during the two-year period. The fact that fewer of them were able to take advantage of ERA's in-work supports may help to explain the programme's limited effects for this group but it also highlights the importance of pre-employment supports. ERA was not designed to provide more pre-employment support than that typically offered, which may not be enough for many of these individuals.

In addition, staff found it more difficult to engage working ND25+ customers in the programme than their lone parent counterparts. Some customers wanted limited involvement with Jobcentre Plus once they were employed, for example, while others did not feel that they needed assistance. ND25+ customers as a whole were also more difficult to engage in advancement services. According to staff, many of these customers, who had been out of work for long periods or had cycled in and out of temporary jobs, felt that obtaining steady work was good enough.

Longer-term follow-up is needed, first, to assess whether ERA's effects for this group increase over time and, second, to understand how ERA might affect customers' journeys towards advancement, as those journeys continue to unfold after customers exit ERA. Current plans call for the evaluation to continue tracking outcomes for the programme and control groups until five years have passed from the time that customers entered the study. The next set of evaluation results is due to be published in early 2009.

# 1 The ERA scheme for New Deal 25 Plus participants: background and implementation

## 1.1 Introduction

This report evaluates a scheme designed to help long-term unemployed people enter, keep, and advance in, paid employment. It is the second of two reports presenting the latest findings from the UK Employment Retention and Advancement (ERA) demonstration. The ERA experiment is using a random assignment research design to test the effectiveness of an innovative method of improving the labour market prospects of low-paid workers and long-term unemployed people. ERA targeted three groups:

- **long-term unemployed** people (25 years of age and older) receiving Jobseeker's Allowance (JSA) and required to participate in the New Deal;
- **unemployed lone parents** receiving Income Support (IS) and volunteering for the New Deal for Lone Parents (NDLP) welfare-to-work programme; and
- **low-paid employed lone parents** working part-time and receiving Working Tax Credit (WTC), which supplements the income of working families.

A companion report provides evidence of the programme's effectiveness over a two-year period for the two lone parent groups.<sup>8</sup> This report presents results for the long-term unemployed New Deal 25 Plus (ND25+) group.

The ERA programme operated within Jobcentre Plus offices and attempted to go beyond the services that Jobcentre Plus typically offers to the long-term

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<sup>8</sup> Riccio *et al.*, 2008.

unemployed, which are mostly focused on job placement assistance. ERA was designed to help participants enter and remain in full-time employment and then to advance in work. It included two main features: (1) employment advice to support customers for two years after entering employment and (2) a set of financial incentives to encourage the take-up and retention of full-time work and the completion of training opportunities while employed. Participants who were not working when they entered the programme first received welfare-to-work assistance to help them find jobs. This process was expected to last nine months or less, after which participants who had entered work were entitled to two years of in-work support. In practice, nearly everyone was allowed to remain eligible for ERA's support and financial incentives for 33 months.

ERA was implemented as a research demonstration project in six areas across the UK between October 2003 and October 2007. Whereas labour market initiatives of this kind have tended, in the past, to be evaluated using comparative research designs, which compare areas where the programme was piloted with similar areas where it was not, this demonstration project relied on a random assignment research design. Over the course of a little more than a year, 16,000 eligible participants in the six areas were randomly assigned to a programme group, who were offered the new ERA services and incentives, or to a control group, who were not.

Because they share the same average characteristics and live and work in the same places, the control group represents the counterfactual – what happens to eligible people who receive no ERA services but continue instead with their normal treatment under, in this case, ND25+. By comparing their subsequent outcomes, such as their employment rates, earnings and benefits receipt patterns, with those of the programme group, the evaluation will determine the extent to which ERA achieved its core goals. If the programme group does better, then their improvement is unlikely to be associated with anything other than their treatment in the ERA scheme.

ERA was designed from the outset as a random assignment or demonstration project by a team commissioned by HM Treasury and located in the Cabinet Office. This design process, including all the background and theoretical considerations, was published in detail in a previous report.<sup>9</sup>

The Department for Work and Pensions (DWP) managed the overall implementation of ERA and is overseeing the evaluation. A research consortium headed by MDRC (headquartered in New York City) and including the Policy Studies Institute, the Institute for Fiscal Studies and the Office for National Statistics carried out the study in the UK.

This introductory chapter, much of which is drawn from earlier reports on ERA,<sup>10</sup> briefly recaps the earlier findings, explains the policy background of ERA, reviews

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<sup>9</sup> Morris et al., 2003.

<sup>10</sup> See Dorsett et al., 2007; Hall et al., 2004; Hoggart et al., 2006; and Walker, Hoggart and Hamilton, 2006.

the literature previously published on retention and advancement, describes the ND25+ group targeted by ERA and the service delivery model and explains the random assignment design and the various methods used to evaluate the programme.

Building on the analyses begun in earlier reports, especially that on the first-year impact findings,<sup>11</sup> this report continues the story of ERA's implementation through its third and fourth years of operation, which ended in autumn 2007. The report goes on to examine ND25+ participants' use of ERA's in-work services and financial incentives and shows the effects of the programme on their labour market behaviour and other outcomes, including their earnings and benefits receipt within the first two years following random assignment.

## 1.2 Summary of first-year impacts

The following summary highlights the most important effects of ERA for all three target groups after participants had spent their first 12 months in the programme:

- The staff assigned to ERA, called Advancement Support Advisers (ASAs), found their new jobs quite challenging, because their work departed from the prevailing target-driven 'work-first' organisation of Jobcentre Plus. The staff training effort had to be increased and renewed to reorient ASAs to focus primarily on their customers' retention and advancement.
- The majority of working ERA customers received advice and were aware of the advantages ERA offered, particularly the financial incentives attached to their retention of full-time work. They knew less of the training incentives.
- Customers starting ERA from the NDLP group earned substantially more than their counterparts in the control group, largely because they were more likely to work full-time.<sup>12</sup>
- The WTC customers in ERA were also more likely to work full-time, compared with their control group counterparts, though they did not earn substantially more.
- ERA increased the proportion of customers combining training or education with work, especially among the WTC group.
- ERA's impacts on ND25+ customers were less certain and more mixed than those for the lone parents.
- Both New Deal ERA groups (NDLP and ND25+) showed slightly lower receipt of benefits compared with their control groups.

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<sup>11</sup> Dorsett *et al.*, 2007.

<sup>12</sup> Throughout this report, references to earnings exclude ERA retention or training bonuses, tax credits and other in-work benefits.

ERA's implementation was improving during the second and third years of service delivery. Following early high turnover, ASA teams stabilised and, in some districts, formed specialised Post-Employment Teams. In general, the focus on retention and advancement goals intensified. This report will examine the impact of ERA on ND25+ customers as the project gained focus and gathered pace and then came to an end.

Box 1.1 summarises the findings in the second-year report for the lone parent target groups.

**Box 1.1 Second-year findings for lone parent participants: New Deal for Lone Parents and Working Tax Credit recipients<sup>13</sup>**

**Implementation**

- ERA's implementation, which was problematic in the first year of operation, improved over time, as staff grew more skilled and confident in delivering a post-employment intervention.
- Working lone parents in ERA were much more likely than those in the control group to receive retention-related and advancement-related help or advice from Jobcentre Plus staff.
- Advisers made significant use of the Emergency Discretion Fund (EDF) to help secure participants' attachment to work.
- Most ERA customers were aware of ERA's financial incentives, although many did not meet the conditions for receiving them.
- ERA had small positive effects on lone parents' efforts to improve their work situation or earnings at their current job or to look for a new job.

**Employment and earnings**

- Within the first two years, ERA lone parents earned substantially more than they would have without the programme.
- ERA's positive earnings impacts resulted largely from the fact that the programme increased the proportion of lone parents working full-time.
- ERA increased the amount of time that lone parents worked full-time but more by accelerating entry into such jobs than by improving retention.
- Other than its effects on full-time employment, there is little evidence so far that ERA helped lone parents advance to 'better' jobs.

**Training**

- ERA lone parents – especially WTC customers – were more likely than the control group to combine training or education and employment.

<sup>13</sup> See Riccio et al., 2008.

**Box 1.1 (continued)****Benefits receipt**

- ERA produced small savings in out-of-work payments of Income Support for NDLP customers. It also reduced the use of Housing Benefit among both lone parent customer groups.

### 1.3 Policy background

ERA was envisioned as a potential next step in Britain's 'welfare-to-work' policy, which has been evolving since the early 1970s, when the Government began supplementing the wages of working families to help them overcome the cycle of unemployment and in-work poverty. Larger out-of-work benefits and falling tax thresholds had left many families with children with only a small difference between their incomes in or out of work.<sup>14</sup> Family Income Supplement (FIS), an in-work benefit available to families with children, was introduced in 1971 to increase the cash value of working. This benefit remained in place for 17 years, marking the start of a strong British commitment to wage supplementation, which, although initially targeting parents, is now important for low-paid people without children. Subsequently, the Government set an overall target to raise the proportion of the working-age population who are in paid work at any one time from a typical annual average of between 74 and 76 per cent, to 80 per cent.

Beginning in 1999, the Labour administration shifted in-work financial support from the benefits system to the tax system. Tax credits are designed to 'make work pay' by providing enough incentive to work while meeting the increasing challenge of keeping low-paid workers' standards of living comparable with those of the working majority who have higher earnings. They also compensate low earners for the increasingly regressive effects of a greater use of indirect rather than direct taxation. In 1999, the Government introduced Working Families' Tax Credit (WFTC), which offered larger wage supplements, as well as a credit to help cover most of the cost of childcare. It was also underpinned by the National Minimum Wage, which took effect in the same year. In 2003, WFTC was divided into its adult and child components as two separate payments:

- **WTC**, which became the first major tax credit also available to low-paid workers without dependent children; and
- **Child Tax Credit (CTC)**, which simplified support so that families with children would have a clearer idea of how much they could expect to receive in and out of work.

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<sup>14</sup> In the 1960s an administrative device called the 'wage stop' prevented families from receiving more in benefits than they had had in wages but did not count in-work expenses such as travel costs.

Tax credits remain the Government's key policy to combat child poverty by increasing parents' incentives to become and remain employed and by maintaining work incentives for all low earners. In addition, relevant to long-term unemployed people, a programme of **active case management** was delivered through the New Deal, or welfare-to-work, programmes.<sup>15</sup> These programmes include mandatory requirements for unemployed people receiving JSA to actively seek work, as well as increased access for lone parents to work-focused advice and encouragement. These services are delivered mostly through Jobcentre Plus, Britain's public benefits and workforce development system.

Evaluative research on these aspects of the welfare-to-work strategy has reported broadly favourable outcomes. Nonetheless, there was growing concern about the sustainability of the low-wage jobs that long-term unemployed people typically took and their potential for income growth. The current New Deal programmes focus on job placement rather than in-work support. The New Deal for Disabled People (NDDP) offers the most post-employment support and the NDLP offers some. But ND25+ offers limited and short-term in-work support to help customers retain work and none to support advancement.

Initially, only the Gateway provisions of ND25+ (a four-month period of job search, advice, training or other specialist help) were mandatory. It was soon clear that, despite the assistance offered by the New Deal, a substantial proportion of long-term unemployed people still did not get and keep paid work. This led to successive policy reviews and consequent attempts to increase the scheme's 'pace and purpose' and to refocus its strategy to help more of its most disadvantaged customers.<sup>16</sup> There were also pilot projects for more specialised interventions. For example, the StepUP pilot scheme placed very long-term unemployed people who had emerged from ND25+ without paid work into a subsidised job for a year. The results of StepUP were qualified by high rates of non-participation, but one study suggested that, for those who did participate, the programme might have helped improve their persistence in work and discouraged a return to benefits:

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<sup>15</sup> JSA is a conditional cash benefit available in Great Britain to unemployed individuals who are actively seeking work. Recent workers who built up entitlements while employed can receive contribution-based JSA for six months, unaffected by other household income, but other JSA recipients have their household income assessed. JSA rules do not allow someone to leave work voluntarily without losing benefits. IS is an (almost) unconditional out-of-work benefit typically received by lone parents who are unemployed or working less than 16 hours a week. Entitlement to IS is assessed against other income and its value varies with family size and composition.

<sup>16</sup> See, for example, Adebowale, 2004.



*'Once in employment, participants were more motivated and confident about their ability to find and maintain another job. Most were keen not to return to the routine of signing on.'*<sup>17</sup>

The ERA programme shifted the focus of service delivery towards sustaining and progressing in employment, in addition to job placement. ERA offered both pre-employment and in-work support to assist low-waged and unemployed individuals to maintain full-time, steady jobs with better working conditions and at the same time to help them leave the cycle of moving between work and spells receiving Government benefits.

ERA's policy relevance for the ND25+ group has grown since its design was conceived in 2002. A DWP paper published in October 2005, acknowledged the importance of retention and progression in work, in addition to job placement, as the next stage in welfare reform.<sup>18</sup> More recently, in October 2006, a paper was published discussing the importance of both pre-employment and in-work support in combating child poverty and reinforcing Government policy to reach the 2010 target of a 50 per cent reduction from 1999 poverty levels. This paper explicitly recommended rolling out ERA as a national programme, should the evaluation find it to be successful.<sup>19</sup> In December 2006, the final report of the Leitch Review of Skills, which considered the UK's long-term skills needs, signalled the importance of focusing on sustainability and progression in work and called attention to the ERA project.<sup>20</sup> As part of the response to the Leitch recommendations, two new Public Service Agreement (PSA) indicators, one for retention and one for progression, have been put in place.<sup>21</sup>

The Government's recent command paper, *Ready for work: full employment in our generation*, published in December 2007,<sup>22</sup> introduced a set of reforms that will reunite Jobcentre Plus services for their unemployed customers, essentially combining the various New Deal provisions into a single programme or a Flexible New Deal (FND). All the mandatory New Deal schemes (essentially all the New Deals, except those for lone parents, disabled people, and partners) will provide greater flexibility and more personalised support for people of all ages seeking work, including self-employment. Action is promised *'...to help people break the cycle of short-term work and end repeated long-term unemployment and benefit claims'* together with *'...a skills screen...'* to identify any potential basic literacy, language and numeracy skills needs at the start of every claim for JSA. People with the longest duration on benefits will be targeted for earlier support

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<sup>17</sup> Bivand et al., 2006.

<sup>18</sup> Department for Work and Pensions, 2005.

<sup>19</sup> Harker, 2006.

<sup>20</sup> HM Treasury, 2006.

<sup>21</sup> See [http://www.hm-treasury.gov.uk/media/A/5/pbr\\_csr07\\_psa2.pdf](http://www.hm-treasury.gov.uk/media/A/5/pbr_csr07_psa2.pdf), and [http://www.hm-treasury.gov.uk/media/5/9/pbr\\_csr07\\_psa8.pdf](http://www.hm-treasury.gov.uk/media/5/9/pbr_csr07_psa8.pdf)

<sup>22</sup> Department for Work and Pensions, 2007.

and there will be pre-employment training and basic skills provision that support further development and progression in work. The system will become more flexible and customer-centred. For all customer groups, it will move more swiftly to intervention in training and preparation, as well as mixing public and private sector provision and following through after job placement. There is now a widespread recognition, based upon growing research evidence, that individuals' barriers to work do not all vanish once they get a job and that continued post-employment support is an attractive policy option.

#### 1.4 Research on retention and advancement in work

A literature review conducted before the ERA demonstration began found that, although some research existed on low-wage workers' difficulties with retention and advancement in work, as described in this section, there was relatively little hard evidence on what policies improve outcomes, especially for people recently on benefits. Job retention and advancement are important concerns for a significant portion of the labour force. While about nine out of ten workers remain in work steadily, recurring unemployment and lack of advancement are common among disadvantaged and low-paid workers.<sup>23</sup> Many become entrenched in a 'low-pay, no pay cycle', in which they shift repeatedly between low-wage work and unemployment. Often these individuals seek Government benefits to supplement their income. Paid work, therefore, is often a temporary solution to poverty, as jobs are frequently not sustained, thus resulting in **recurrent poverty**.<sup>24</sup> Hence, what has been termed 'the low pay, no pay cycle' is an important driver of recurrent poverty.

In the face of the restructuring of labour markets over the past 30 years, certain forms of work and income insecurity have grown, particularly at the lower end.<sup>25</sup> For example, although overall employment has fallen dramatically– and along with it, ND25+ caseloads – many households are finding it difficult to maintain an adequate standard of living with just one earner. Lone parents re-entering work are particularly vulnerable to problems with job retention<sup>26</sup> and low-skilled men fare little better. Those with low-level skills and poor educational qualifications have been particularly badly hit by the labour market shift from manual to service industries.<sup>27</sup> The predominance of casualised employment at the bottom end of the labour market has contributed to repeated movements between work and benefits.<sup>28</sup> Reflecting this, around two-thirds of JSA claims each year are repeat claims.<sup>29</sup>

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<sup>23</sup> Morris *et al.*, 2003.

<sup>24</sup> Kemp *et al.*, 2004; Smith and Middleton, 2007.

<sup>25</sup> Dean and Shah, 2002; McDowell, 2003.

<sup>26</sup> Hales *et al.*, 2000; Evans *et al.*, 2004.

<sup>27</sup> Gregg and Wadsworth, 1999; Nixon, 2006.

<sup>28</sup> Furlong and Cartmel, 2004; Carpenter, 2006.

<sup>29</sup> Evans, 2007.

People who struggle to retain employment and to advance in work can face a multitude of barriers to finding and keeping well-paid jobs. Many in the ND25+ group face severe labour market disadvantages, such as lack of suitable jobs, lack of skills and/or outdated skills, lack of suitable training, a short or patchy work history, transport difficulties, lack of confidence, lack of motivation to work and employer prejudices regarding age and work history. About 30 per cent say they are suffering from some long-term illness or disability. Forty per cent have low education levels, with only a basic qualification (meaning they have completed examinations taken around age 15 or 16 but have not completed further education) or no educational qualifications at all. Some of the long-term unemployed also have criminal records, drug or alcohol dependence, learning difficulties, mental or physical health problems or are simply resistant to re-engagement in paid work.<sup>30</sup> Moving frequently between work and benefits may have a 'scarring' effect, because individuals who spend more than a few weeks unemployed have been shown to experience chronic difficulty in re-establishing themselves in the labour market.<sup>31</sup>

The literature on job retention indicates that low-wage workers leave employment for a variety of reasons. Some have short-term contracts, which workers often accept because the labour market seems to offer few other opportunities. There is also evidence that many leave work voluntarily. Some low-wage workers see an unfavourable contrast between the kinds of work they feel able to do and the jobs they get. Importantly for ERA, the literature suggests that individuals' barriers to employment often persist after they enter work. There is also a growing concern regarding low-wage workers' prospects for advancement. Wage inequality in the UK has risen since the 1980s,<sup>32</sup> while wage mobility has declined.<sup>33</sup> These trends indicate that few low-wage workers move into better jobs. They remain, instead, at junior levels in jobs requiring few higher-level skills, which are often part-time or temporary and which tend to offer few opportunities for training.<sup>34</sup> Conditions that threaten job retention also often present barriers to advancement in work. Research shows that employees earning the lowest wages and whose working conditions are poor, are generally less able to negotiate better working conditions for themselves<sup>35</sup> and are actually more likely to return to benefits than to improve their earnings.<sup>36</sup> Poor prospects for advancement are also associated with decisions to leave work, which worsen the 'scarring' effect and have implications for such workers' future labour market participation.

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<sup>30</sup> Adebowale, 2004.

<sup>31</sup> Arulampalam, 2001.

<sup>32</sup> Machin, 1999.

<sup>33</sup> Dickens, 2000b; Stewart and Swaffield, 1999.

<sup>34</sup> Dickens, 2000a.

<sup>35</sup> Dex and Smith, 2001.

<sup>36</sup> Dickens, 2000b.

ND25+ participants who do find work are widely believed to have some of the poorest retention records. Official statistics showed a persistently low proportion of ND25+ participants leaving benefits for a paid job; with estimates ranging from one-third to 40 per cent. But among those who did enter work, over 40 per cent of this group were unemployed again a year later.<sup>37</sup> The National Employment Panel (NEP) worried about the lack of sustained employment:

*'Only 25 per cent of participants [in ND25+] move from benefit into sustained, unsubsidised jobs.<sup>38</sup> Almost half (46 per cent) of those who leave the programme end up back on welfare.'<sup>39</sup>*

(italics in original)

More recent reviews<sup>40</sup> have concluded that among certain low-paid and insecure workers, the 'low-pay, no pay' cycle persists, even during this most recent period of high UK employment levels: '[T]here now appears to be a widespread consensus that progression in the labour market is as important in terms of economic competitiveness and social justice as is ending worklessness,' stated a recent research review. The review went on to cite ERA's first findings and concluded: 'While there has been success in recent years in raising the employment rate, there is an increasing concentration of unemployment and low-paid temporary work as a result of a combination of the type of work that [long-term unemployed people] are able to access and the barriers that they face in progression to more stable employment.'<sup>41</sup> Establishing long-term unemployed people as permanent full-time workers with proper terms and conditions of service was the considerable task given to the Jobcentre Plus staff that worked on the ERA project.

## 1.5 Design of the ERA programme

The ERA programme was designed to test a method to improve job retention and advancement among low-income individuals. The primary policy aims of ERA were to:

- **promote a work-based welfare policy**, building on the progress made by increased wage supplementation and the active case management of the New Deal;
- **interrupt the 'low-pay, no pay cycle'** and so lessen the 'scarring effect' of unemployment;

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<sup>37</sup> Hall et al., 2004.

<sup>38</sup> The NEP went on to cite a range of such outcomes between 14 per cent and 33 per cent for the worst- and best-performing districts.

<sup>39</sup> Adebowale, 2004.

<sup>40</sup> See, for example, Nunn et al., 2007.

<sup>41</sup> Carpenter, 2006, cited by Nunn et al., 2007.

- **improve ‘job matching’** by placing customers in work that is likely to suit them in the longer term, which may include changing employers after beginning work;
- **provide longer-term ‘treatment’** for barriers to work by continuing to provide support after customers begin working and encounter barriers, such as transport, childcare or reversals in health; and
- **reduce in-work poverty** by promoting work advancement and training opportunities.

The Cabinet Office team devised the ERA demonstration project to offer services beyond those already offered by the New Deal.<sup>42</sup> Table 1.1 summarises the staff and services available through ERA, compared with the services available to ND25+ customers who are not in ERA. The following section outlines the ERA model as designed. Chapters 2 and 3 discuss how the design was implemented.

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

Feature	ND25+	
	ERA (Programme)	Non-ERA (Control)
<b>Job coaching staff</b>		
• PA: Personal Adviser		PA
• ASA: Advancement Support Adviser	ASA	
<b>Eligible for New Deal pre-employment services</b>		
• Job placement assistance	✓	✓
• Advice on training and increasing skills		
<b>Mandatory participation in New Deal pre-employment services</b>	✓	✓
<b>Eligible for in-work support</b>		
• Coaching on advancement in current position and/or finding a better job	✓	
• Rapid re-employment services when necessary		
<b>Eligible for in-work bonuses</b>		
• <b>Retention bonus:</b> Up to six payments of £400 for each period when customers work 30 or more hours per week for 13 out of 17 weeks	✓	
• <b>Training Bonus:</b> Tuition payment of up to £1,000 if training undertaken while working; if training is successfully completed, £8 for every hour of training, up to £1,000		
<b>Eligible to receive Adviser Discretion Fund (ADF) money</b>	✓	✓
• Pre-employment funds available to help customers obtain work		
<b>Eligible to receive Emergency Discretion Fund (EDF) money</b>	✓	
• In-work funds available to help customers stay employed		

<sup>42</sup> For a detailed discussion of the design process, including all the background and theoretical considerations behind the ERA design, see Morris *et al.*, 2003.

### 1.5.1 Work-related services

Customers who were assigned to the ERA programme were to work with an ASA for a maximum of 33 months over both pre-employment and in-work periods. The ASAs were drawn largely from the pool of PAs already working at Jobcentre Plus in the selected districts, who were provided with training on how to deliver ERA services. Research with these ASAs and remaining PAs showed that they did not differ significantly in their composition or in their broad approach to their work.<sup>43</sup>

ERA was designed so that in the pre-employment stage, ASAs coached their ERA customers to consider the advancement opportunities of a job before taking it and to try to identify work that would be a good fit with their skills and interests. Once in work, support should continue in order to help customers address any continuing or new barriers and to help them advance in their work, for example, through higher pay, more hours, a promotion, better pension provision or by finding a better job. ASAs were to listen carefully for any signs of difficulty in work but also to help customers envision advancement even when they were not experiencing difficulties.

To guide their work with customers, ASAs were to develop an Advancement Action Plan which set out job search, retention and advancement steps for each ERA customer. The plan, reviewed at each face-to-face meeting, was individually tailored for the customer to:

- balance short-term requirements with longer-term ambitions and goals;
- incorporate local labour market opportunities;
- lay down steps to achieve goals; and
- connect to other services to address special barriers.

ASAs also had an EDF, which was a pool of up to £300 per customer to divert minor financial emergencies that threatened to prevent a customer from continuing in work, such as the need for special clothing, new tools, car repairs or help with short-term childcare problems. It became available only when a customer was in employment of 16 hours or more per week. The EDF was separate from the pre-employment ADF, which was available to PAs as well as to ASAs (in other words, to both non-ERA and ERA advisers) to make purchases that would help out-of-work customers obtain a job or accept a job offer.

### 1.5.2 Financial incentives

In addition, the ERA programme included financial incentives – separate from the EDF – designed to promote retention and advancement. These financial incentives, as well as the EDF funds, were tax-free and did not count as income against entitlement to tax credits or Housing Benefit.

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<sup>43</sup> See Chapter 3 of Dorsett *et al.*, 2007.

### *Retention bonus*

To motivate customers to enter full-time work or to make the transition from part-time to full-time work and to encourage them to do so earlier than they might have otherwise considered, ERA offered up to six payments of £400 for each period when customers worked 30 or more hours per week<sup>44</sup> for 13 out of 17 weeks.<sup>45</sup> This amounted to £2,400 for a customer who received all six payments.<sup>46</sup> Customers were required to provide evidence of their employment and hours by showing wage slips and to come into the office to claim their retention bonus. This provided another opportunity for face-to-face contact with their ASA.

### *Training bonus*

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

In addition, customers who successfully completed an approved course received an additional bonus of £8 for every hour of training completed, up to a maximum of £1,000 (or 125 hours). It was paid only for training within the 33-month ERA service period, so the courses must have been completed within this time for customers to receive the bonus.<sup>47</sup>

The primary hypothesis of ERA's design is that a mix of job coaching and financial incentives, including adviser support while customers are employed as well as beforehand, can have a positive impact on individuals' job retention and advancement. Before entering employment, customers would be advised to find good jobs with prospects for advancement; once they were in work, they would be offered continuous close support as well as financial incentives to encourage them to stay in work and take up training opportunities. The in-work support

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

<sup>45</sup> This provision accommodates the likelihood that many workers may lose jobs and offers an incentive for quick re-employment.

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

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

would also help them to continue to resolve any barriers to work they might have. The design envisioned that these strategies would result in higher retention and would make advancement more likely.

The development of the programme was inspired by a similar demonstration, the US ERA programme, which was already being implemented in several US states. Launched in 1999, the US ERA demonstration tests a variety of retention and advancement programmes and has many features that are similar to the UK demonstration (see Box 1.2). The US ERA demonstration is directed by MDRC. Many of the early findings from the US project informed the implementation of the UK ERA programme.

**Box 1.2 Description of the US ERA project and the Work Advancement and Support Center demonstration (WASC)**

**US ERA:**

Launched in 1999, the US ERA project is evaluating the effectiveness of 16 very different programme approaches located in eight US states. The programmes' aims and target populations vary, as do the services they provide. Some of them focus on advancement, i.e. helping low-income workers move into better jobs by offering services such as career counselling, education, training and financial incentives. Others focus on both placement and retention, and aim to help participants, mostly 'hard-to-employ' people (such as welfare recipients with disabilities or substance abuse problems), find and hold jobs. Finally, other programmes have mixed goals and serve a variety of populations.

**WASC:**

In an effort to help US workforce development and welfare systems meet the needs of low-wage workers and their families, MDRC developed the WASC demonstration. This project aims to test the feasibility and effectiveness of establishing WASC units – locations where staff would target low-wage workers for employment retention and advancement services in combination with education about and easier access to financial work supports – in 'one-stop' employment centres in four communities around the country. The establishment of WASC units began in 2005.

A related demonstration project, the WASC demonstration, was launched in the US in 2005, two years after the UK ERA programme began (see Box 1.2). MDRC designed and is evaluating WASC, and findings from both the US and UK ERA programmes have informed its implementation. Like the UK ERA programme, both US projects are being assessed through randomised control trials.



## 1.6 The ERA evaluation

### 1.6.1 Site selection

Six Jobcentre Plus districts from the national total of 50 were chosen to be a part of the demonstration, each selected strategically so that the programme would be tested in several different types of areas.

At the time when districts were selected for the ERA programme, a new integrated service model had been introduced but had not been fully implemented. This was a very large operation to integrate the work of the Benefits Agency and the Employment Service into a single service. It was decided that the ERA districts would be drawn only from those, half the total, where the new model had been operating for a minimum of six months prior to the start of ERA, so that they would be relatively stable administratively by the time ERA began. From 25 eligible districts, six were chosen to meet the following criteria:

- all were to be districts with a large number of customers expected to enter ND25+ and NDLP;
- some were to be districts with a substantial proportion of ND25+ and NDLP entrants from an ethnic minority background;<sup>48</sup>
- the districts were to be spread across varied regions encompassing some urban, some semi-urban, and some rural regions.

Based on these criteria, one district was chosen in each of the following regions:

- East Midlands;
- London;
- North East England;
- North West England;
- Scotland;
- Wales.

Figure 1.1 shows the approximate locations of these six districts.

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<sup>48</sup> Information on the number of ethnic minority customers by Jobcentre Plus district was obtained from the New Deal Evaluation Database.

**Figure 1.1** Map of the six ERA districts



The districts vary considerably in terms of size, population characteristics and the local economy. For example, the population ranges from under 320,000 in the Welsh district to nearly a million in the East Midlands district.<sup>49</sup> The more urban

<sup>49</sup> Office for National Statistics.

districts – those in London and North West England – also have relatively high ethnic minority populations. Unemployment rates in recent years varied substantially across the six districts. They were lowest in the East Midlands, Scotland and Wales (roughly four to five per cent in 2003/06) and highest in North West England (peaking at about nine per cent in 2005).<sup>50</sup> Three of the six districts (London, East Midlands and North East England) saw unemployment rates begin to climb in 2006, following national trends. See Chapter 2 of the companion report for more information on the demographic and economic characteristics of the six districts.<sup>51</sup>

### 1.6.2 The ND25+ target group

ND25+ is a mandatory programme introduced in 1998 to assist long-term unemployed people back into work. In total, about 750,000 people have entered ND25+ and about 300,000 of these were recorded as leaving the scheme for paid work. The typical caseload is about 60,000 participants at any one point in time.

As discussed above, the first two years of ND25+ were disappointing, with low rates of re-engagement. Following a series of improvement trials and pilots in 2000, a 're-engineered' ND25+ was introduced in April 2001. The programme now targets individuals over the age of 24 who have been on JSA for 18 out of 21 months or more (although about a quarter are given 'Early Entry' on special grounds, such as recent release from prison or exceptional leave to stay in the UK). ND25+ customers work with a Jobcentre Plus PA until they begin employment. Whereas the earlier form of ND25+ mandated entrants only to the 'Gateway', they are now required to participate in all four stages of job preparation:

- an initial interview and assessment;
- a four-month 'Gateway' period that combines job search, advice, training or other specialist help;
- a 13-week 'Intensive Activity Period' (IAP) of training, work placement and job search; and
- a six-week 'Follow-Through' of continuing advice and support.

This re-engineered ND25+ was evaluated in 2001 and 2002 by IFS Research, which carried out several hundred semi-structured interviews, meetings and group discussions with staff, providers, clients and employers.<sup>52</sup> Those in a position to judge agreed that, despite '*...a difficult start...*', there had been improvements. But it was not until 2002 that the programme started to work '*...along the lines initially intended*'. Staff in particular were said to be unanimous in this view: The programme offered more and was now more client-centred and tailor-made than before. The newly mandatory IAP had given the programme more 'bite', they said.

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<sup>50</sup> Office for National Statistics.

<sup>51</sup> Riccio et al., 2008.

<sup>52</sup> See Winterbotham, Adams and Kuechel, 2002.

For ERA, the important aspect of this evaluation was that ND25+, as a programme, was not judged fully operative or effective until a point little more than a year before the first customers were randomly assigned into ERA.

Nationally, about 80 per cent of ND25+ customers are men, though the number of women entering the scheme has been increasing; 13 per cent belong to an ethnic minority.<sup>53</sup> It is also important to bear in mind that an increasing minority have children living with them. In this ERA sample, 16 per cent had dependent children; their work incentives will be similar to those of lone parents, as they rely on larger amounts of tax credits.

Clients with multiple disadvantages may represent at least a quarter of the current caseload, totalling about 100,000 entries a year. At least a third of these are on their second, or even their third, time around the system.

For those who become employed through ND25+ but who subsequently lose their job, the rules for rejoining the New Deal vary according to the length of the work spell. If they were employed for 13 or fewer weeks, then they would automatically return to JSA and the ND25+ regime. However, if they were employed for more than 13 weeks, they would be eligible only for JSA and would have to fulfill the usual requirement for fortnightly visits to Jobcentre Plus to 'sign on'. They would not be eligible for ND25+ advisory support.

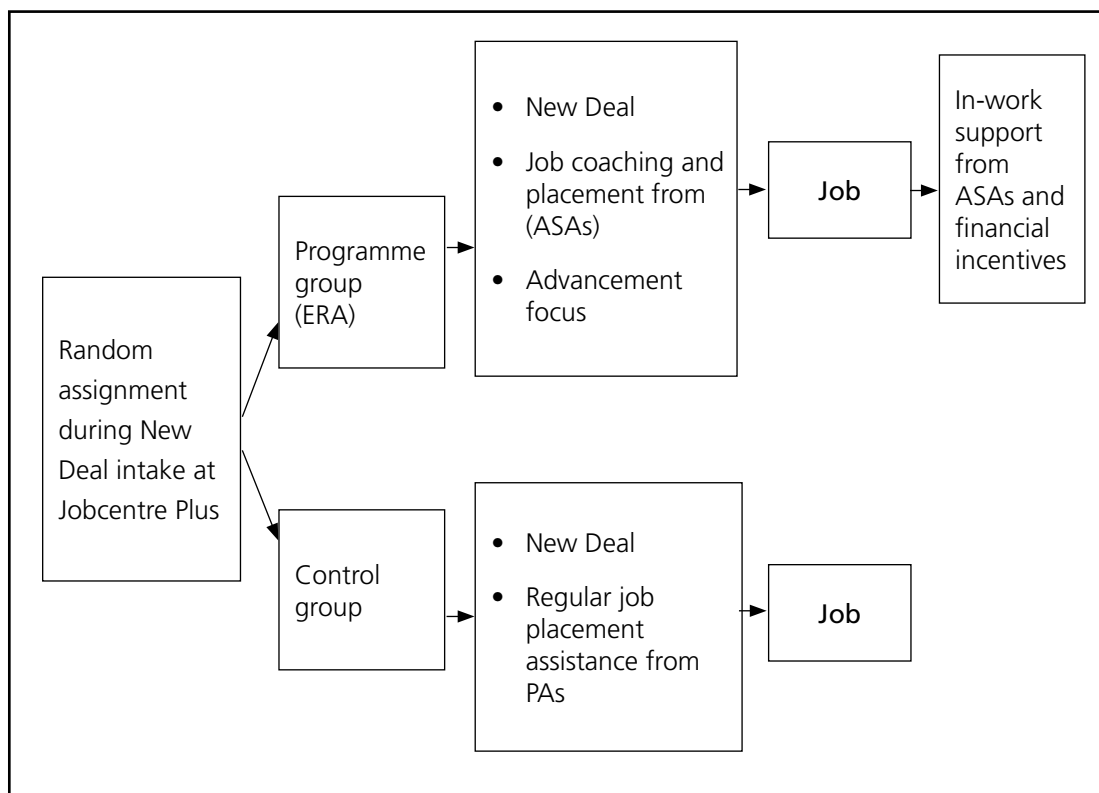
Although the ND25+ group was targeted for the evaluation because of its poor retention records, it is important to place the size of this group in context. In 2006/07, for example, about 105,000 persons entered ND25+, out of a total working-age population of about 30 million. In addition, only a minority of those who commence a claim for JSA continue on for 18 or more months and are mandated to join ND25+. In 2004/05, for example, only about six per cent of JSA claims reached 18 consecutive months. Nonetheless, it is a group that faces severe labour market disadvantages and one that might benefit from ERA.

### **1.6.3 The random assignment design and the intake process**

Figure 1.2 illustrates the random assignment process. When customers came into Jobcentre Plus offices, basic demographic information was recorded and they were told of the possible advantages of participating in the ERA programme. They were then invited to enter the demonstration and were told that they had a 50 per cent chance of being selected for ERA services.

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<sup>53</sup> Hall *et al.*, 2004.

**Figure 1.2 Random assignment process for ND25+ customers**

Some customers, initially up to a quarter of ND25+ entrants to whom the offer was made, declined it, though later this proportion fell sharply when greater mention was made of the financial incentives. Those refusing were often those most keen to sever their links with the benefits system as soon as they got a job. Those who went through a process of informed consent and accepted were assigned by a computerised algorithm to the programme group or to the control group.<sup>54</sup> Of the, approximately, 16,000 customers randomly assigned, 41 per cent were ND25+ customers.

<sup>54</sup> A special study conducted by the Institute for Fiscal Studies as part of the ERA evaluation, carefully examined the issue of non-participation and its implications for interpreting the results of the main impact study. That analysis assessed how representative ERA study participants are of the full eligible population by first documenting the incidence of non-participation and then testing for the presence of any systematic differences between non-participants and participants in terms of observed characteristics and subsequent outcomes. The analysis found some differences of these kinds, especially among the ND25+ group, which had the larger proportion of non-participants overall. However, the report concluded that those who participated in ERA were not so different from the non-participants such that the study's impact analysis would have produced different conclusions had the non-participants been included in the random assignment sample (See Goodman and Sianesi, 2007).

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

Given the pioneering nature of this initiative, a special study, published in 2006, was undertaken to describe and capture lessons from the implementation of the random assignment process itself, including staff and customers' reactions.<sup>55</sup> The study found that, although the process was not without its challenges, and although it appears, with hindsight, that some procedures could have been implemented better, the random assignment process generally proceeded well, especially considering the scale of the ERA programme. Most customers and staff viewed the process as fair. This experience showing that random assignment is practical in a UK context has encouraging implications, even beyond the ERA demonstration.

#### 1.6.4 Key research areas

The evaluation of ERA is divided into three research strands:

- **A process study:** The purpose of the process study is to understand how ERA was implemented 'on the ground' – whether it was implemented as envisioned in its design, particular implementation challenges and any differences in service delivery across the six sites. It is intended to provide insight into possible reasons for the programme's impacts, or in some aspects, its lack of impacts.
- **An impact study:** The impact study uses customer surveys as well as administrative data to compare the service receipt, employment, earnings, benefits receipt and other outcomes for ERA customers with those of the control group customers. For example, it examines whether programme group customers worked more than control group customers during the ERA service period, and whether the earnings of the programme group were higher than those of the control group.
- **A cost and cost-benefit study:** The cost study examines the total cost of implementing ERA, by adding up the total expenditures associated with operating it. It also provides a foundation for a cost-benefit study, which will seek to understand the net economic gains or losses generated by ERA by comparing the costs of the programme with the financial benefits it induces. This strand of the evaluation is not reported in this volume.

This report focuses on the first two strands: It updates the assessment of ERA's implementation provided in earlier reports and it examines, in detail, ERA's impacts over the 24 months following random assignment for the ND25+ group. Longer-term impact findings and a full cost-benefit analysis will be presented in future reports.

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<sup>55</sup> Walker, Hoggart and Hamilton, 2006.

### 1.6.5 Data sources

The ERA evaluation uses a rich and varied set of quantitative and qualitative data to assess ERA's implementation and effectiveness. Table A.1 provides summary descriptions of each of these data sources.

Researchers conducted multiple rounds of qualitative interviews with both staff and customers from 2004 to spring 2007. These data form the bulk of the implementation and process analysis of ERA but this analysis also relies on weekly diaries that Technical Advisers (TAs) kept from the beginning of random assignment to June 2005, as well as on data collected on site visits and observations made at various points throughout the course of ERA. It also draws upon findings from the two staff surveys presented with the year 1 results.<sup>56</sup>

A survey was administered to customers 12 months after their date of random assignment (between December 2004 and February 2006) and again at their 24-month anniversary (between November 2005 and March 2007). However, in contrast to the year 1 impact report and the year 2 analyses of outcomes for the two lone parent groups, survey data are used in this report only to provide a rough gauge of programme participation and service use. All other quantitative analyses, including the estimation of programme impacts on employment, earnings and benefits receipt, rely on administrative data. Employment and earnings administrative records data were obtained from the Work and Pensions Longitudinal Survey (WPLS) matched to data from HM Revenue and Customs. It should also be noted that the WPLS earnings data pertain only to the 2005/06 tax year (which began in April 2005 and ended in March 2006). For many sample members, this roughly corresponds to the second relative year after random assignment but for some it largely covers their first relative follow-up year. Benefits receipt data were obtained from DWP.

The survey data are not used to estimate programme impacts for several reasons (see Appendix B for more details). The response rates to the first-year survey were significantly lower than those obtained from the lone parents and low contact rates looked set to continue for the second year, compounding the non-response problem. A decision was made to reallocate survey resources and field a larger sample of the WTC group, a group with a smaller first-year fielded sample but with a much higher response rate than the ND25+ group. As a result, the ND25+ fielded sample represents a smaller early cohort of customers randomly assigned between December 2003 and March 2004. Thus, effects estimated using the survey sample may not generalise to the full sample of ND25+ customers. In fact, an analysis of survey response finds some evidence of this type of 'cohort bias'. Most importantly, however, the response analysis also found evidence to suggest response bias more generally, meaning that effects estimated for survey respondents cannot be generalised even to the narrow cohort from which the survey was fielded. For these reasons, the survey data are not used to provide

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<sup>56</sup> Dorsett *et al.*, 2007.

experimental estimates of the programme's effects. However, these data are used in Chapter 3 to provide a look into patterns of programme participation while in work, since this analysis is non-experimental and is meant to provide a general assessment of customers' interaction with the programme.

Finally, the process study uses DWP administrative data on the financial incentives to measure the proportion of ERA programme group customers who received the employment retention and training bonuses, the EDF and training fees.

## 1.7 Characteristics of the ND25+ research sample

As shown in Table 1.2, the ND25+ customers in ERA had characteristics similar to the national pattern: ND25+ customers in the research sample are largely older men – 82 per cent are male, nearly half are age 40 or older and 84 per cent are age 30 or older. Sixteen per cent have dependent children at home, while more have children who live elsewhere. Sixteen per cent are ethnic minorities – a higher proportion of ethnic minorities than either of the two lone parent groups in ERA. More than a third have no educational qualifications at all. The largest proportion (46 per cent) lives in social housing; 30 per cent live in private housing. Less than a quarter of the ND25+ customers have a driving licence and access to a vehicle. Two-thirds cite barriers to work, 44 per cent had no work experience in the three years before random assignment and only 20 per cent say they worked more than a year during that time. Among a group unemployed for 18 months or more, the duration of unemployment itself also constitutes a considerable barrier to work, in many cases accumulating years out of work.



**Table 1.2 Demographic profile of ND25+ customers randomly assigned between October 2003 and April 2005**

<b>Characteristic</b>	<b>Percentage</b>
<b>Gender</b>	
Male	81.6
Female	18.4
<b>Age</b>	
Under 30	16.2
30-39	36.3
40 or older	47.6
<b>Age of youngest child<sup>a</sup></b>	
No children	84.6
Under 7	8.4
7-11	2.9
12-16	2.4
17 or older	1.7
<b>Race/ethnicity</b>	
Ethnic minority	16.4
White	83.6
<b>Education (highest qualification obtained)<sup>b</sup></b>	
None	35.8
GCSE	27.7
A-level	23.0
Other	13.5
<b>Housing status<sup>c</sup></b>	
Family	23.9
Social	45.7
Private	30.4
<b>Number of months worked in three years prior to random assignment</b>	
None	44.2
1-12	33.7
13+	22.1
<b>Cohort</b>	
Early (October 2003 - May 2004)	47.8
Late (June 2004 - April 2005)	52.2
No driving licence or lack of access to vehicle	76.8
Has barriers to work <sup>d</sup>	63.2
Severely disadvantaged <sup>e</sup>	20.0
Sample size	6,782

Continued

## Table 1.2 Continued

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

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

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

- <sup>a</sup> Child's age is asked only for children who are living with the customer.
- <sup>b</sup> Participants who have General Certificate of Secondary Education (GCSE) qualifications refers to those who have passed a series of examinations in a variety of subjects, usually taken at age 15 or 16. Participants with A-level qualifications have passed a series of more advanced examinations usually taken around age 18 or older. Those with no qualifications have completed neither series of examinations.
- <sup>c</sup> Family housing refers to situations where the customer is living with their parents or other friends or relatives. Social housing refers to housing in which the local authority (local government) or a private housing association is the landlord. Private housing refers to owner-occupied housing or housing that the customer rents privately.
- <sup>d</sup> Barriers to work include housing, transport, childcare, health, basic skills or other problems.
- <sup>e</sup> Severely disadvantaged refers to those participants with GCSE qualifications or lower, no work in the three years prior to random assignment and at least one barrier to employment.

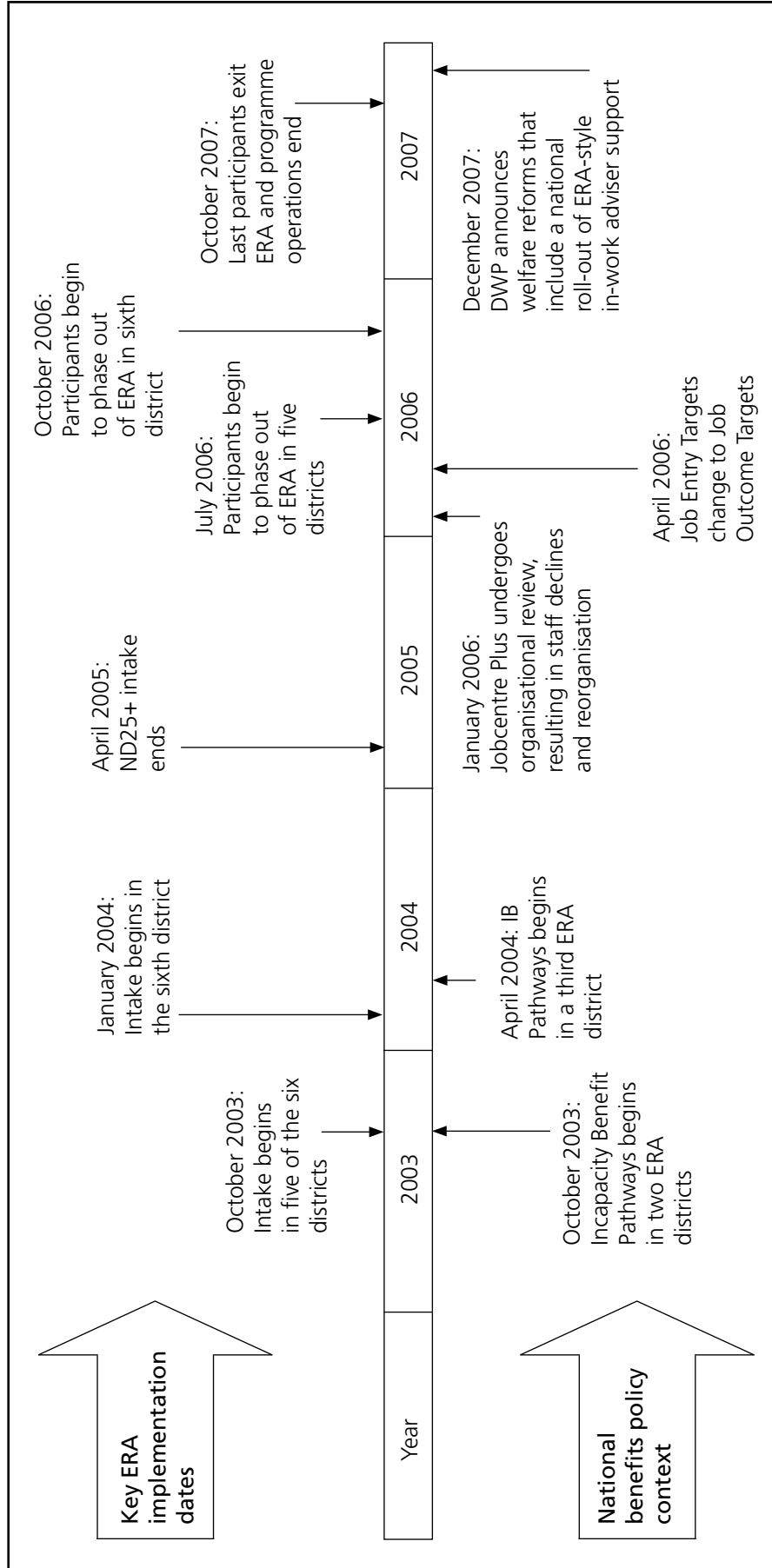
ND25+ customers vary little across the districts in their educational background but vary more in their housing status and prior work experience (see Table 1.3). Again, none of the districts has clearly more or fewer disadvantaged customers. However, customers in North West England may be slightly more disadvantaged; relatively high percentages live in social housing and lack significant previous work experience. Both North West England and North East England have a higher proportion of ND25+ customers living in social housing (around half), while London is on the low end at around a third. North West England and London have high proportions of customers who did not work any months in the three years prior to random assignment. They also have the smallest proportion of customers who worked only 13 months or less. These two districts – the more urban districts – also have higher concentrations of ethnic minority ND25+ customers. Customers in Scotland, on the other hand, show relatively high levels of work experience; over a quarter reported that they worked 13 months or more in the three years before random assignment.

## 1.8 Timeline of ERA implementation

DWP was responsible for managing the implementation of the ERA demonstration. It was in charge of overseeing site selection, establishing guidance on service delivery, overseeing a training strategy, selecting and overseeing the evaluators, and monitoring service delivery in the sites. It developed a special project team to carry out programme implementation functions and to work closely with the sites. It also assigned an evaluation team to work with the research contractors and monitor the evaluation.

Random assignment began in October 2003 in five of the six ERA sites and in January 2004 in the sixth site (see Figure 1.3). Intake for the New Deal groups was extended to last a year, though the last few customers were enrolled in April 2005. Following their 33-month service period, the first customers moved off the programme beginning in July 2006, and the last customers phased out in October 2007.

**Figure 1.3 Timeline and national benefits policy context of the ERA demonstration, 2003/07**



Several other policies affecting Jobcentre Plus coincided with the implementation of ERA. Figure 1.3 highlights a few of these policies. In 2003 and 2004, the Pathways to Work pilot, an employment programme for recipients of IB and disabled recipients of IS, began in three of the six ERA districts. Although this intervention does not directly affect ERA customers, it was a priority programme for districts and district resources and so may have affected the attention and funding dedicated to ERA during that first year before funding for ERA was ring-fenced.<sup>57</sup> In addition, DWP implemented important changes in staffing and performance goals. In January 2006, Jobcentre Plus underwent an organisational review, which resulted in staff reductions and reorganisation.

## 1.9 The remainder of this report

The remainder of this report is organised as follows:

- **Chapter 2** discusses programme operations, updating the findings from previous reports. It highlights the continued evolution of ERA over time and also the challenges encountered as operations finally came to an end in autumn 2007.
- **Chapter 3** reports on the patterns of programme participation, service receipt and take-up of the financial incentives over the first two years after random assignment. Drawing on qualitative as well as quantitative data, it focuses on customers' experiences once employed and compares the patterns of in-work service receipt among the working customers in ERA with the experiences of workers in the control group.
- **Chapter 4** describes the impacts of ERA on employment, earnings, and benefits receipt over the two years after random assignment. It focuses first on effects for the full sample, pooled across the six districts, and then on the districts separately.
- **Chapter 5** analyses the variation in ERA's effects across key customer subgroups. It considers whether the programme's effects are broadly based or concentrated among particular types of customers.
- **Chapter 6** offers conclusions about the report's findings for the ND25+ group.

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<sup>57</sup> Ring-fencing, as the name implies, meant setting aside staff and/or resources specifically for ERA.



## 2 Implementation of ERA

### 2.1 Introduction

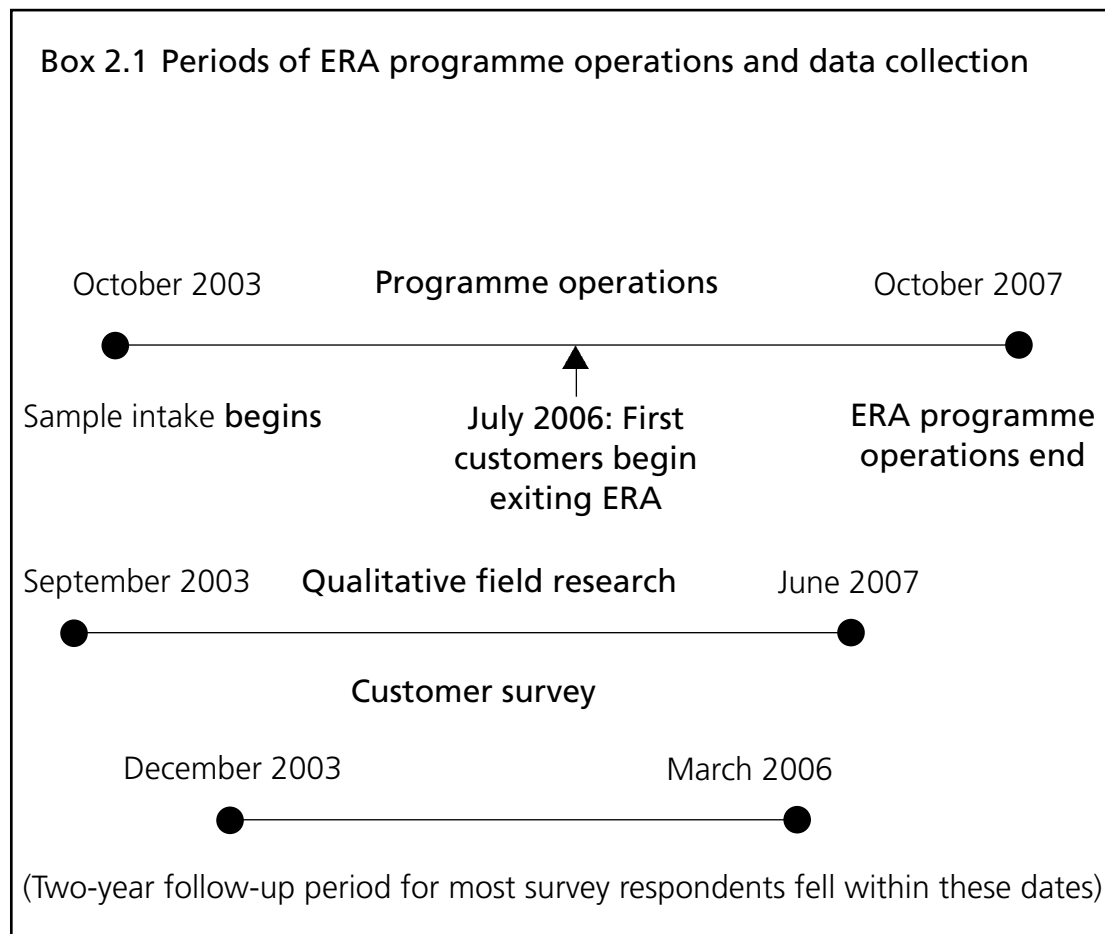
This chapter provides an overview of the Employment Retention and Advancement programme's (ERA's) implementation, building on a detailed exploration presented in an earlier evaluation report.<sup>58</sup> It describes the challenges of introducing a post-employment service into the six Jobcentre Plus districts and highlights critical changes and developments that helped to shape ERA's programme delivery to New Deal 25 Plus (ND25+) customers. Since the implementation story is largely a generic one for the three customer groups, the information presented here is similar to the material presented in the companion report on the New Deal for Lone Parents (NDLP) and Working Tax Credit (WTC) groups.<sup>59</sup> However, any procedures or events that differed for the ND25+ group are highlighted.

The main data sources for this analysis are qualitative interviews and focus groups with Advancement Support Advisers (ASAs) and interviews with ERA management staff. It is important to note that these data extend beyond the time period covered by the two-year impact data presented in Chapter 4. Whereas those impact data cover the experiences of participants through November 2006, the qualitative data cover programme operations through June 2007, by which time a substantial number of participants were reaching the end of their 33-month tenure in the programme. Programme operations ended a few months later, in October 2007 (see Box 2.1). Therefore, the available impact findings do not yet capture the full effects of ERA's operational phase or the last months of customers' involvement in the programme.

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<sup>58</sup> See Dorsett, *et al.*, 2007, which provides an in-depth assessment of the first two years of operating ERA.

<sup>59</sup> Riccio *et al.*, 2008.



Overall, the analysis suggests that ERA was largely implemented as designed, though with some qualifications. There were inconsistencies across districts, between offices and across staff within districts. The quality of implementation also varied over time. Implementation improved considerably between the first and second years of operation but the districts faced new challenges in the third year as the operational phase of the demonstration began to wind down.

## 2.2 Programme implementation and delivery

A fundamental issue for ERA was the Jobcentre Plus context in which the programme was delivered. The delivery of ERA post-employment services occurred within the parameters of an organisation that was primed to support job seekers up to the point of job entry but not beyond. ERA introduced a new dimension of working with Jobcentre Plus customers that required changes to delivery structures, resources, skill sets and monitoring and rewards systems. While ERA's staff were generally up for the challenge and championed the programme's aims, it is important to note these challenges. The ethos behind ERA essentially entailed a cultural shift within the organisation. (For a district-by-district summary of key implementation features, problems and accomplishments and significant events, see Table C.1.)



### 2.2.1 The structure and management of ERA

Because districts were given autonomy over how ERA was managed, somewhat different models for programme delivery emerged. The extent to which ERA delivery was affected by the Jobcentre Plus context was partly determined by whether a district established a centralised or decentralised management structure for operating ERA. The centralised system involved assigning overall responsibility for ERA across the whole district (which included multiple Jobcentre Plus offices) to a dedicated ERA manager, with local ASA managers overseeing frontline ERA staff. This made it easier to guide staff and hold them accountable for delivering ERA's retention and advancement agenda. In contrast, under the decentralised system, districts assigned responsibility for managing ERA frontline staff at the office level to non-ERA Jobcentre Plus managers. As a consequence, frontline staff were more likely to feel the pressure of conflicting demands – meeting Jobcentre Plus' job entry goals versus delivering ERA's post-employment services to employed customers. In this environment, there was a tendency to sideline ERA's assistance to working customers.

Centralised management was applied in two districts: East Midlands and Wales. A variant on the centralised structure involved adopting a Post-Employment Team. This was designed to ring-fence<sup>60</sup> staff to enable them to focus on delivering in-work support to working customers. This structure was implemented in two districts: London and North West England. As a consequence of this model, ND25+ working customers who subsequently lost their jobs, were assigned another adviser outside the Post-Employment Team. This practice disrupted the continuity of advisory support for these individuals.

Other changes in Jobcentre Plus management policies that were not directly related to ERA had significance for ERA delivery. For example, North East England and Scotland both experienced district reorganisation during the course of ERA, meaning that some local offices were reassigned from one Jobcentre Plus district to another. Indeed, some ASAs spoke of having multiple line managers over a three-year period. Changes in management structures and in staffing often disrupted ERA delivery, particularly when new managers did not embrace the post-employment ethos of ERA, when inexperienced ASAs were introduced or when ASAs took over the caseloads of advisers who moved off ERA.

ASA staffing levels were an issue throughout ERA delivery. In the interviews, ASAs who had high caseloads, some of whom were often the only ERA staff member in the office, said that they were unable to deliver ERA according to guidelines. Some

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<sup>60</sup> From the start of ERA, the districts were given extra resources so that the project would not undermine the work of Jobcentre Plus. However, these resources were not ring-fenced in the first year and were often used to fund non-ERA work. After ERA funds were ring-fenced, the district manager could not use them for any other Jobcentre Plus work. Likewise, an ERA ring-fenced ASA should not be allowed to undertake any other Jobcentre Plus activities.

districts (East Midlands and Wales) deployed peripatetic ASAs to cover a large rural area and these advisers experienced downtime while travelling to multiple offices, which detracted from time with ERA customers. Staff shortages were particularly acute in Wales, where, during the first year of implementation, there were only two peripatetic advisers available for members of the ND25+ programme group. Consequently, job placement and other pre-employment support were weaker for the programme group relative to that provided to the control group under the regular New Deal programme. This problem may have affected the volume of ERA ND25+ customers in Wales who entered work, as discussed in Chapter 4. Overall, districts took time to build up ASA staff and some districts suffered relatively more from this lack of resources.

### **2.2.2 Staff training and support**

Continuing support was critical to advisory and management staff, because ERA demanded new skills and re-allocation of resources. Yet training was not timely, nor was it delivered consistently to all advisers, particularly among staff who arrived later in the programme. Staff reported that no systematic training on best practices for delivering in-work support was provided within districts until post-employment workshops were organised in January 2005, when most advisers had been functioning in their ERA posts for approximately one year. ERA management and advisory staff alike identified this training as a significant turning point in programme delivery.

Other support was concentrated in the first two years of ERA delivery when Technical Advisers (TAs) and the Department for Work and Pensions (DWP) Project Team were in place. This was a function of ERA being a time-limited demonstration project. The deployment of a team of six TAs who worked closely with the evaluation contractors was an important and distinctive feature of the ERA demonstration. One TA was assigned to each district. It was their responsibility to ensure not only that the evaluation's random assignment procedures were properly implemented but also, alongside the DWP Project Team, to help train ASAs and to contribute ideas about good practice for delivering post-employment assistance to customers. In addition to their hands-on assistance, some TAs also supported ASAs by writing electronic newsletters and organising peer support through e-mail exchanges.

The TAs worked with the districts until June 2005 and some staff identified their departure as a significant juncture for ERA. As detailed in previous reports,<sup>61</sup> ASAs and local managers valued TAs not only as a key resource on programme rules and post-employment practices but also for the support they provided to staff, particularly to ASAs in districts that followed a decentralised delivery model. In these cases, the TAs helped to compensate for the lack of standardised focus and direction that might otherwise have been provided by a centralised ERA management structure. The frequency of district-wide ASA meetings, which were often organised by the TAs, also declined in some districts after they left the demonstration.

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<sup>61</sup> Hall et al., 2005; Dorset et al., 2007.

### 2.2.3 Delivering out-of-work support

As will be discussed in Chapters 3 and 4, a substantial number (just over half) of ND25+ programme group customers did not enter work within the two-year follow-up period and among those who found work, a notable number did not sustain employment while on ERA. In contrast, about 70 per cent of the NDLP group entered work and the majority of these lone parents remained in work during the same period. One implication of this is that ERA pre-employment services included disproportionately more ND25+ customers throughout the duration of the demonstration.

As stated previously, the types of pre-employment services offered did not qualitatively differ for ND25+ programme and control groups during the first year of the ERA programme.<sup>62</sup> ND25+ is a mandatory programme with a prescribed timetable of structured activities (as described in Chapter 1). In the first year of ERA delivery, ASAs had less confidence in the skills required of them by the programme and less time to promote retention and advancement within the New Deal regime. By the second year of operations, following the advancement training and positive changes to programme structures, advisers in some of the districts reported that they were discussing long-term goals and advancement strategies with their non-working customers.

However, there continued to be non-working ND25+ customers who were not involved in the programme, despite ASAs' efforts to engage them. In 2005, ASAs in some districts reported that, to prioritise in-work support, inactive ND25+ customers on ERA caseloads were shifted to the mainstream Jobseeker's Allowance (JSA) system. This suggests that those non-working ERA customers would have received the same treatment as their control group counterparts. On balance, therefore, the research evidence suggests that throughout the ERA demonstration, ND25+ customers who did not enter work received a pre-employment service that was similar to the mainstream New Deal.<sup>63</sup>

Also important for the ND25+ group was the support ASAs provided to those who lost a job. According to discussions with customers and advisers, this 're-employment' support generally focused on job search and customers tended to make an appointment with their adviser when they went into the office to claim their benefit payments. But practices did vary across districts and individuals. There were also different arrangements in districts where pre- and post-employment caseloads were divided between different advisory teams and there was some variation in how quickly advisers were alerted to the change in employment status. It tended to be the case that working customers who maintained contact with an adviser continued to stay in touch if they left work. Some customers who became unemployed confirmed that they had taken the initiative to alert their ASA to the change in their employment status. Yet it was also reported that ASAs were sometimes not aware that a customer had returned to JSA. This indicates that

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<sup>62</sup> See Chapter 3 in Dorsett *et al.*, 2007.

<sup>63</sup> The experience in Wales, mentioned previously, is a notable exception.

effective communication systems were not always in place, and that direct contact between customers and their advisers was sometimes necessary for customers to benefit from the range of ERA supports. Where contact was not maintained with working customers, re-employment support was sometimes delayed or absent.

#### **2.2.4 Delivering advancement support**

It was evident that ASAs' confidence in their ability to deliver post-employment support grew with experience. At first, ASAs were unfamiliar with what was entailed in providing post-employment support. As the programme progressed and they received specialised training, ASAs strengthened their skills and confidence in this area. A number of special guides, developed either by the TAs, the Project Team or independently within districts, helped to improve staff delivery of advancement-focused customer support. These included a 'motivation sheet', which aimed to identify an individual customer's motivation and could be used as a 'hook' for maintaining engagement and Advancement Action Plans, which were used to record customers' goals and strategies. Two districts, East Midlands and Wales, were relatively more proactive in promoting work retention and advancement concepts early in the implementation. Wales also introduced innovative advancement materials for use with non-working customers during the first year of implementation, although staffing shortages curtailed delivery to all ERA ND25+ customers.

The use of Advancement Action Plans is a good example of how the delivery of ERA improved over time. Although these plans were to be used from the outset, advisers largely ignored them during the first year of operations. They viewed them as an unnecessary administrative burden, as they duplicated the New Deal action plans already required for pre-employment customers. Generally, at that time, Advancement Action Plans were completed for customers only as they entered work. During the programme's second year of operation, most districts launched a big push to complete the plans for all customers, including those who were out of work and to house them on a shared computer drive that was accessible to all ASAs and managers.

Towards the end of ERA, Advancement Action Plans had served three main functions:

- **Monitoring ASAs' work:** Initially TAs and, latterly, managers, were able to use the action plans as a way of monitoring the post-employment services delivered by ASAs. The extent to which the managers utilised this opportunity varied across the districts, according to management structures and resources. It was generally more effective in centralised structures where time and expertise were available. In some districts, action plans were also reviewed to identify training support needs for staff development in conjunction with case conferencing and peer mentoring.

- **Managing caseloads:** ASAs used action plans to remind themselves of customers' details and to check whether agreed activities were being undertaken (by customers and staff). They allowed customers to be transferred more effectively between staff, when necessary, and also provided a means of tailoring contacts with customers to their individual circumstances.
- **Working with customers on advancement:** Some advisers also used action plans in their meetings with customers to develop advancement goals and collaboratively agree upon the steps needed to reach them. Goals and plans were then revisited, monitored and revised, if necessary, at each contact. Staff felt that this built commitment and motivation among customers and some ASAs, therefore, gave the customer a copy of the plan. ASAs also used the plans to develop creative thinking around advancement with customers and to 'think outside the box'.

### 2.2.5 Monitoring in-work support

ERA's implementation was further complicated and challenged by a performance system focused on Job Entry Targets that applied to all Jobcentre Plus advisers, including ASAs. This particular target-driven system, which assessed staff performance according to job placements, detracted from the post-employment focus of ERA and undoubtedly encouraged district managers to give limited attention to ERA. The system meant that ERA staff were under pressure to contribute towards job entries by concentrating on non-working customers. These included both ERA and non-ERA customers.<sup>64</sup>

Over time, there was rising acceptance in the districts that, as more customers entered the post-employment phase of ERA, the ASAs would be less effective at contributing to Jobcentre Plus business goals. But there were no targets developed that specified outcomes on retention and advancement. There was a general consensus among management that it was difficult to quantify advancement, given the broad meaning of the term. Rather, management focused on post-employment

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<sup>64</sup> The approach to rewarding job entries was modified in April 2006 with the national introduction of Job Outcome Targets (JOTs) in Jobcentre Plus. Under this system, credit is earned for benefit recipients who moved off benefits on their own, even without assistance from Jobcentre Plus, and for non-benefit recipients who obtained work through Jobcentre Plus self-help job search assistance. Evidence of job entry is obtained from Work and Pensions Longitudinal Study (WPLS) administrative records (see Chapter 1). Points are awarded when someone enters a new job, with more points attached to job entries for higher-priority customers. For example, helping an unemployed lone parent into work would earn 12 points, while helping an employed person change jobs would earn one point. Early evaluation findings indicate that the introduction of JOT has contributed to changes in the culture of delivery in Jobcentre Plus, including more team working and fewer competitive practices (Nunn et al., 2007). By the time these modifications took place, other changes in the delivery of ERA had served to strengthen the delivery of the post-employment programme.

procedures and quantifiable records on customer contact frequency, referrals and bonus payments, as well as on observing customer interviews and monitoring the content of Advancement Action Plans. The monitoring of procedures to deliver in-work support developed over time and was not standardised across districts. In spring 2005, some districts reported that they had established benchmarks for contacting working customers with guidelines on the content of interviews. These were described as 'objectives', as opposed to 'targets'. By 2006, according to staff survey data,<sup>65</sup> about half of responding ASAs reported that they had benchmarks or targets for contacting their working customers. Still, a majority (74 per cent) reported that they were generally in contact with their working customers at least three times over any six-month period. One manager also spoke of monitoring ASAs' post-employment work for health and safety reasons, so that she would be aware of when her staff were visiting customers outside the office and beyond Jobcentre Plus operational hours. Districts that were managed centrally were in a better position to consistently measure post-employment activity on a consistent basis.

### **2.2.6 The promotion of ERA in the districts**

The organisational context of Jobcentre Plus also posed problems for the way in which ERA was promoted within districts and supported by staff external to the programme. Across all districts, staff felt that ERA did not have a high enough priority within the remit of Jobcentre Plus. ERA staff attributed this to low senior management buy-in and to the mismatch between the job entry culture of Jobcentre Plus and ERA's emphasis upon in-work support.

Over time, the situation improved, as awareness of ERA spread and in response to efforts by the DWP Project and Evaluation teams to lift the programme's profile.<sup>66</sup> In general, however, local Jobcentre Plus staff perceived ERA as having low governmental priority throughout its implementation, particularly in those districts that followed a decentralised management structure and in comparison with the Incapacity Benefit (IB) pilots that were operating at the same time in the East Midlands, North East England and Scotland.

## **2.3 The strength of the ERA programme over time**

Over time, several steps were taken to improve ERA staff's capacity to assist their customers to meet their retention and advancement goals. In November 2004, the DWP Project Team ring-fenced the districts' ERA budgets and, in April 2005, the Project Team set up a new financial accounting system and an ERA performance-monitoring system within each ERA district. These changes helped to ensure that

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<sup>65</sup> Dorsett *et al.*, 2007.

<sup>66</sup> As outlined in Chapter 1, DWP established a special project team to guide ERA's implementation across the participating Jobcentre Plus districts, and it assigned an evaluation team to work with the research contractors and monitor the evaluation.

ERA resources were channelled onto the programme. During this time, Post-Employment Teams were also established in the London and North West England districts; some of the ASAs in the North East England, Scotland, and Wales districts were protected from mainstream Jobcentre Plus tasks through ring-fencing; and in the East Midlands, a second tier of ASA managers was introduced to provide more effective management support for ASAs. As mentioned previously, another important step was the specialised post-employment training for ASAs that the DWP Project Team, MDRC and an outside training expert organised in January 2005 to strengthen ASAs' capacity to engage and assist working customers.

These and other efforts seemed to pay off. In staff interviews, ASAs and ERA managers expressed the view that their delivery of ERA greatly improved over time, as they continually built on their experiences and developed a better understanding of how to help their customers, especially in relation to their advancement in work.

ERA's implementation also benefited when an increased number of ASAs were assigned to the programme. For example, higher staff levels enabled some districts to re-engage customers who had drifted away from the programme and were not taking advantage of any of the ERA services or incentives. However, some districts, notably Wales, faced continual problems with low staffing levels. This posed an obstacle to re-engagement as ASAs focused on customers who were already participating in ERA.

In many districts, changes in management structures influenced the strength of delivery over time. For example, ASAs in North West England felt that they had reached a peak with their delivery in January 2006, helped by ring-fencing, a Post-Employment Team and the basing of staff in one office. And in June 2007, the London Post-Employment Team said that the delivery of ERA in their district had constantly improved.

Overall, a number of operations, management and advisory staff identified a period of approximately one year's duration, spanning 2005 and 2006, as a period when ERA delivery was probably at its peak in most districts. However, in districts where the loss of the TAs in June 2005 was not compensated by additional ERA management, ASAs struggled to maintain momentum into 2006.

Across all the districts, while the level of staff enthusiasm and understanding of ERA grew significantly over time, the delivery of ERA could still have been improved. Although by early 2006 staff largely understood the nature of the treatment they should be providing in ERA, they were still constrained by time. Resources being allocated to ERA had improved but these changes were fragile and varied across districts.

## 2.4 Programme delivery as ERA came to an end

The improvements observed in ERA operations generally extended to the months when the first customers started to flow off the programme in July 2006.<sup>67</sup> Districts then found that the structures that had been put in place for the successful delivery of ERA, such as Post-Employment Teams and ring-fenced staff, were slowly dissolved as ERA approached an end. Many ASAs felt that the delivery of ERA weakened at that time.

One notable change in the delivery of ERA was the downsizing of the DWP ERA Project Team at the beginning of 2006. This made it more difficult to maintain central communication channels and contact among the districts began to decline. ASAs' morale also suffered as ERA approached its end. In the 2006 and 2007 discussions, ASAs expressed concern about their future positions within Jobcentre Plus, with some wishing to preserve the 'specialness' of the programme.

### 2.4.1 Weaning customers off ERA

All districts followed similar procedures for communicating to customers that their time on ERA was coming to an end. This was variously referred to as a 'weaning off' or 'disengagement' period. A letter typically relayed this at six months before the end date, again at six weeks before the end, and again once ERA had ended. ASAs prepared personalised letters for active customers and standardised letters for inactive customers. This was a labour-intensive task and some ASAs felt that their time preparing correspondence for customers who were not engaged in the programme could have been better spent with those who were actively participating.

Across districts, ASAs gave varying levels of information and advice to parting customers. In North West England, they distributed a 'disengagement folder' that contained frequently-asked questions about job preparation, job hunting, budgeting or direct debits for utilities. The plan was to integrate this pack into mainstream Jobcentre Plus services. Some districts invited customers in for an interview at the six-month stage and it was often the case that ASAs personally communicated with customers with whom they were in more regular contact. In North West England, ASAs also called in pre-employment customers to meet at the time of their six-month letter. During the interview, ASAs informed customers of the in-work support available through ERA to act as a work incentive.

ASAs reported that customers who responded to the letters most frequently requested support for training. Some ASAs actively marketed the unused training allowance to their customers. Some districts also made an active decision to push the training incentives towards the end of ERA.

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<sup>67</sup> October 2006 in the North West England district.



### **2.4.2 Post-ERA customer contact**

It was rare for ASAs to report continued contact with their ND25+ working customers who had completed their time on ERA. The districts neither encouraged nor discouraged post-ERA contact with customers. All advisers who participated in the spring 2007 focus groups confirmed that it was mainly their NDLP customers who sought advice post-ERA. All contact had been initiated by the customers. This outcome aligns with earlier reports on ND25+ customers generally being less open to in-work advisory support. (This is explored further in Chapter 3.) Some advisers felt that their ND25+ customers were reluctant to retain contact, either because they had negative attitudes towards Jobcentre Plus or because they desired 'independence' from the State.

Therefore, demand on staff resources for continued support post-ERA was not found to be a significant issue for any of the ERA customer groups.

### **2.4.3 ERA staff reductions**

Some of the key staff that were put in place to oversee ERA's random assignment process and early implementation were removed as the programme entered its next phase. As noted earlier, the district TAs left in June 2005 and this was followed by the dissolution of the DWP ERA Project Team starting in early 2006. At the programme delivery level, all districts reduced staff resources on ERA as customer caseloads dropped, starting from summer 2006. This primarily affected advisory staff but in some districts, particularly those following a decentralised structure, ERA staff, including managers, were increasingly pulled off working on ERA to resume other duties in Jobcentre Plus offices. Senior management made decisions to reduce staff numbers and/or the percentage of time spent on ERA in order to balance their staff resources. The message was clear that ERA was 'running down'. For their own job security, ASAs also voluntarily moved to other posts (inside and outside Jobcentre Plus) as they became available.

Because staffing was reduced, advisers had to take on the caseloads of departing ASAs. As a result, some reported that their caseloads became unmanageable. This was particularly evident in Wales, where, in March 2007, there was only one adviser peripatetically serving all 132 working ERA customers (all groups) in the district. In addition, as customer caseloads dwindled, ASAs increasingly took on mainstream Jobcentre Plus tasks, which focused their attention away from programme delivery. This was more of a problem in the districts that followed a decentralised management model.

ASAs commented on how difficult it was for them to establish working relationships with their newly transferred customers and how this affected the quality of service they could provide. Some felt that the remaining time was too short for them to put a face to a name:

*'I suppose I've got 90 odd, 70 of them are new to me...I spent three years looking at my caseload and knowing everything about everybody and now I'm looking at 70 names and they're names. I don't really know them at all...If you take over somebody else's customers, it's much more of an administrative process rather than a relationship.'*

ASAs who specialised by ERA customer group commented that, with reductions in advisory staff, it was not always possible to assign customers to like advisers. This meant that some ND25+ customers would be served by lone parent advisers. Some of these ASAs were uncomfortable with this arrangement and found it difficult to adapt support to customers who had been through the more structured JSA and New Deal regimes.

## 2.5 Conclusions

The ERA programme of retention and advancement support required a longer-term view and a proactive approach to ND25+ customers. The most significant challenge in ERA's implementation was establishing a focus on post-employment support within the New Deal and JSA regimes. ERA staff – the ASAs and team managers – had to learn new skills to deliver the service and had to do so in a context in which they often felt that their efforts were not generally appreciated and rewarded. In an important sense, therefore, the ERA programme suffered because it was a time-limited demonstration project.

Efforts were made, however, to improve implementation. The most important of these were to deliver specialised training to staff and to maximise the resources being allocated to ERA. By mid-2005 to early 2006, to varying degrees, ERA was being delivered as planned, though still not to its full potential. The final year of ERA delivery was characterised by some problems caused by the demonstration coming to an end but also by some customers making renewed efforts to take advantage of the programme – particularly the support for training – before their time on ERA ended. Perceptions of ERA from the viewpoint of ND25+ survey respondents are discussed in the next chapter, which highlights patterns of engagement in the programme and receipt of ERA services and financial incentives.

# 3 Use of ERA post-employment services and financial incentives

## 3.1 Introduction

This chapter explores New Deal 25 Plus (ND25+) programme group customers' involvement with Jobcentre Plus and, in particular, their receipt of the Employment Retention and Advancement programme's (ERA's) post-employment adviser services and financial incentives. In addition, through comparisons with the control group, the chapter illustrates how ERA changed the experiences that customers normally had with Jobcentre Plus once they were in work. Thus, along with Chapter 2, it provides evidence on the extent to which the ERA treatment model was delivered as envisioned.

The chapter focuses primarily on the post-employment phase of ERA, because the programme's distinctiveness is to be found largely in the services and incentives it offers to customers when they are in work. However, given that just over half of the ND25+ customer group did not enter work during the two-year follow-up period and a number of those who did enter work subsequently left, this chapter also briefly examines the out-of-work support offered to ERA programme group customers and how it differed from that offered to the control group.

The chapter shows that, as expected, rates of in-work contact and support from Jobcentre Plus were much lower for the control group than for the programme group. Still, as shown below, contacts between Jobcentre Plus staff and former customers in the control group did occur after customers took a job, though often informally and at customers' initiative. This chapter shows the nature and degree of such contacts that would normally occur in the absence of ERA, as reflected in the experiences of the ERA control group.

For a variety of reasons, some customers might have chosen not to respond to ERA's offer of in-work support or might not have been able to meet the conditions

necessary to receive the incentive payments. Implementation problems, such as those described in Chapter 2, might have also hindered take-up. A critical evaluation question, therefore, is: How much did working members of the programme group actually use ERA's post-employment support? This chapter addresses that question, showing the extent to which the programme group received in-work employment advice and other adviser support from Jobcentre Plus, as well as discussing the nature of that support. As will be seen, engagement with employed customers was quite substantial, particularly in comparison to that of the control group, although far from universal.

The chapter begins with a brief discussion of pre-employment support. Following this, it examines the extent and quality of contact and engagement of working ND25+ customers with Jobcentre Plus staff, comparing the programme and control groups to reveal the extent to which ERA generated patterns that differed from 'business as usual' for Jobcentre Plus. It then examines, more closely, the services working programme group members received, describing the types of help and support ERA advisers provided, as well as the delivery, take-up and uses of the programme's various financial incentives. Finally, the chapter compares rates of support received by ND25+ programme group customers with rates for the New Deal for Lone Parents (NDLP) group, discussed in the companion report.

Data used for this chapter come from both qualitative interviews with customers and staff, as well as quantitative data from the customer surveys. The customer surveys were administered at both the 12- and 24-month follow-up dates. However, as discussed in Chapter 1, the second-year survey includes only ND25+ customers who were randomly assigned between December 2003 and March 2004. Therefore, quantitative survey data used in this chapter reflect only an early cohort of participants.<sup>68</sup> These data include information on contact with, and help or advice received from, Jobcentre Plus staff, awareness of financial incentives and customers' assessments of the influence of the retention bonus. In addition, this chapter uses financial payment records to determine the take-up of the various financial incentives. These data are available for all programme group members.

### 3.2 Pre-employment support

While ERA's primary focus was on post-employment services and activities, ND25+ customers enrolled in the programme when they were out of work received pre-employment services that were also offered to the control group. As discussed in Chapter 2, qualitative data from staff and customers show that pre-employment services differed little for ND25+ programme and control groups during the first

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<sup>68</sup> As a test of the representativeness of this smaller survey sample, year 1 ERA service receipt rates were compared for the two-year respondent sample and the one-year respondent sample, which covers a broader cohort and was used in the first-year ERA report. The ERA service receipt rates were similar.

year of the ERA programme,<sup>69</sup> as Advancement Support Advisers (ASAs) struggled to prioritise retention and advancement within the New Deal regime. This changed slightly in the programme's second year, when there was a little more focus on discussing advancement in the pre-employment period. Data covering the full two years of follow-up (shown in Table D.1) show that the programme and control groups received similar levels of support for most types of help and advice when out of work. The exceptions to this were help to stay in or advance in future jobs, help setting up their own business and 'other' types of help or advice, for which greater numbers of programme group customers received support. This suggests that ERA programme group customers did receive slightly more retention- and advancement-focused help when they were out of work than control group customers<sup>70</sup> but overall, the extent and patterns of support received when customers were out of work were similar.

The main difference in the pre-employment period for programme and control group customers, then, was that programme group customers should have been aware of their eligibility for the employment retention bonus. As shown in the first-year follow-up report, ASAs were relatively successful in building awareness of ERA's in-work incentives during the pre-employment phase.<sup>71</sup> Therefore, any impact ERA might have on moving customers into work is most likely to be due primarily to the incentives provided by the employment retention bonus.

### 3.3 Patterns of engagement with Jobcentre Plus among working customers

The remainder of the chapter focuses on the post-employment support received by working programme group customers. However, it is important to note that only about half of the ND25+ programme group entered work and hence, became eligible for this in-work support. Separate analyses (not shown) show that there are some small key demographic differences between those who entered work and

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<sup>69</sup> Apart from the differences in favour of the control group in Wales, as discussed in Chapter 2. These differences are explored in more detail in Chapter 4.

<sup>70</sup> The survey asks about all help and advice received when out of work and is unable to distinguish support received prior to entering work and that received after leaving a job. The latter would be expected to differ more for programme and control group customers. Qualitative data suggest that the programme-control group differences on the receipt of help with staying in work or advancing in future jobs most likely stem from a combination of the two types of support. More detail is provided later in the chapter on re-engagement efforts when customers left jobs.

<sup>71</sup> Dorsett et al., 2007.

those who did not. Those who entered work had fewer barriers to employment<sup>72</sup> than those who did not. They were also younger, more likely to have educational qualifications and more likely to have worked in the three years before random assignment. This suggests that the population that was eligible for in-work support differed in important ways from the full ND25+ programme group and that these differences might also have influenced their receptivity to in-work support. This should be borne in mind when considering the level and types of in-work help and support received, which are discussed in the remainder of this chapter.

### 3.3.1 In-work contact with Jobcentre Plus

While the New Deal programme requires that ND25+ customers meet with Jobcentre Plus staff while they are out of work, there is no case management requirement after a customer becomes employed.<sup>73</sup> Survey data show that less than a third of control group members who worked during the two years after random assignment had any post-employment contact with Jobcentre Plus staff (Figure 3.1). In contrast, 74 per cent of customers in the programme group who worked within the first two years after random assignment had some form of contact with Jobcentre Plus while employed.<sup>74</sup> Similar levels of in-work support were seen for working programme group members in both the first and second years of the programme, while for working control group members, levels of contact were lower in the second year. This suggests that ERA substantially increased the level of in-work contact with Jobcentre Plus among working ND25+ customers, compared with what would have typically happened in the programme's absence. This finding is particularly noteworthy, given the problems that ASAs reported in keeping this group of customers engaged in the programme (as described over).

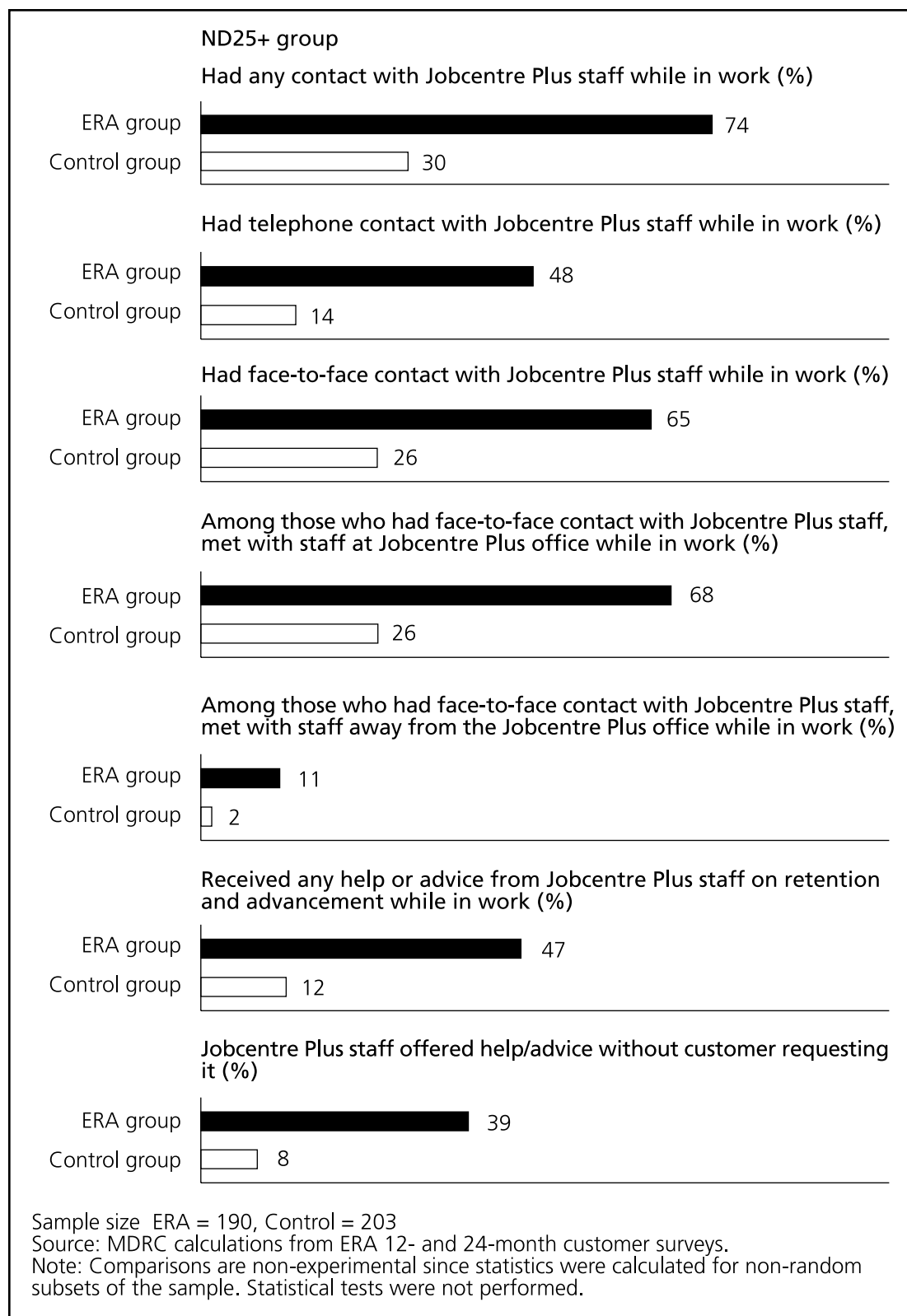
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<sup>72</sup> These barriers to employment include, for example, problems with housing, transport, childcare or health or a lack of basic skills.

<sup>73</sup> The exception to this rule occurs if the job is for less than 16 hours per week, in which case the individual continues to receive Jobseeker's Allowance (JSA).

<sup>74</sup> A small amount of this contact, for both groups, may reflect continuing enrolment in the New Deal programme while working less than 16 hours per week, rather than in-work support provided in a post-New Deal job.

**Figure 3.1 Patterns of contact with Jobcentre Plus staff among ND25+ ERA customers who worked within two years after random assignment**



Programme group members who worked were also more likely than those in the control group to report that they had received help and advice from Jobcentre Plus staff to assist them with employment retention or advancement. On this measure, 47 per cent of workers in the programme group said that they had received such help and advice while in work, while the rate was only 12 per cent for the control group (Figure 3.1).

In addition to experiencing a higher level of overall contact while in work, working programme group members experienced a higher frequency of in-work contact. For example, compared with working control group members, workers in the programme group were more than three times as likely to have had more than one or two face-to-face contacts over the two-year follow-up period (Table D.2). Working programme group members were also substantially more likely than those in the control group to have been contacted by an adviser without having requested contact and to meet with staff outside of the Jobcentre Plus office (Figure 3.1). These findings suggest that the frequency and variety of in-work engagement of programme group members were indeed different from 'normal' Jobcentre Plus practice.

### **3.3.2 Patterns of engagement among the programme group**

Qualitative data from customers and staff indicate that most programme group customers who maintained contact with Jobcentre Plus while in work, organised their contacts around receipt of the retention bonus. As described in the previous chapter, ASAs struggled with in-work contact, particularly in the early days of the programme. They were not sure how often to contact customers or how proactive they should be in cases where customers seemed uninterested. Advisers viewed this as a particular problem with the ND25+ customer group, since this group traditionally has very little contact with Jobcentre Plus once they enter work and leave benefits. The administration of the retention bonus, however, provided a convenient mechanism for ASAs to maintain contact (as was envisaged in the design of ERA), since customers received the bonus at regular intervals and (in most cases) were required to go into the office to fill out paperwork in order to receive it. It, therefore, gave ASAs a specific 'hook' to encourage customers to come in to the office and gave customers a specific reason to visit their ASA.

ASAs spoke of how contact organised around the retention bonus could also be used as an opportunity to promote other retention and advancement services. However, qualitative data suggest that there was considerable variety across advisers and customers in the nature of this additional support. There was also change over time as ERA 'bedded in'. In early interviews (autumn 2004), customers often spoke of posting in their pay slips (which were required for receipt of the bonus) and even those who went in to the Jobcentre Plus office with their paperwork often just left it there, in many cases not meeting with their ERA adviser. This was partly because taking time off work for meetings was a struggle for some customers but it was also because advisers took time to adjust their way of working to fit in with their customers' needs. As ERA progressed, advisers were more likely to visit



customers at their workplaces, near their work or outside office hours. They were also more proactive in using these meetings to talk to their customers about their work and about training possibilities.

Survey data at year 2 show that the majority (71 per cent) of those who received the employment retention bonus said that they talked with Jobcentre Plus staff about work and/or retention and advancement issues when they visited the office to pick up their bonus (Table 3.1). Nonetheless, qualitative data suggest that the quality and depth of these discussions varied among customers. In some cases, claiming the retention bonus did lead to discussions about work retention and advancement, but in other cases there was a very short and cursory discussion about work. The following comments illustrate this variability:

*'There's been a couple of times I've been going to go down in my dinner hour, and obviously she's on hers, so I've never been able to be in touch with her, I've left my pay slips,... When I have caught her, as I say, she's asked how I'm doing, had a quick word with her and that's about it.'*

*'He'd asked me how I was doing, how things were going, how could he help, was there anything I needed. I was actually enquiring about the retention bonus at the time, he said, "Oh great, no problem, this is what you need, bring it in", and I took everything that I needed to, and ... he also reminded me at the time that there is still money there should I want to do training or a course or anything.'*

**Table 3.1 ND25+ ERA bonus recipients' assessments of the influence of employment retention bonuses on their decisions concerning employment**

<b>Outcome</b>	<b>ERA group</b>
<b>'How much did this bonus influence your decision to work 30 hours or more per week?' (%)</b>	
A lot	31.0
A little	19.5
None	49.4
<b>'How much did the bonus encourage you to stay in full-time work?' (%)</b>	
A lot	31.8
A little	21.6
None	46.6
<b>Talked with Jobcentre Plus staff about work or work prospects when claimed bonus (%)</b>	<b>71.3</b>
<b>Topic discussed, for those who claimed a bonus (%)</b>	
Getting job with better pay or conditions	24.3
Increasing hours of work	6.8
How to negotiate a pay rise	4.9
How to get a promotion in present work	8.8
How to get a more permanent job or contract	13.7
Working out long-term career goals	23.3
Finding an education or training course	31.7
Other topics discussed	21.4
<b>Topic discussed, for those who talked with Jobcentre Plus staff when claimed bonus (%)</b>	
Getting job with better pay or conditions	34.7
Increasing hours of work	9.7
How to negotiate a pay rise	7.0
How to get a promotion in present work	12.7
How to get a more permanent job or contract	19.7
Working out long-term career goals	33.3
Finding an education or training course	45.2
Other topics discussed	30.6
<b>Sample size</b>	<b>185</b>

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

Similarly, there was variation in the extent to which ASAs maintained contact with customers between the scheduled bonus meetings. Resource issues (staff shortages, heavy workloads) made it difficult for ASAs to reach out proactively to all customers on their caseloads. However, as ASAs became more experienced, they also started to tailor the pattern of in-work contact to customers' needs. A benchmark of monthly contact for all working customers was set during 2005 in

some districts but was quickly relaxed as staff and customers developed their own routines. Those customers who had contact with their adviser between bonus meetings tended to be either individuals who were taking up training, whose contacts focused around sourcing training or organising training payments or those in temporary jobs who kept in contact to look for new work.

Not all customers maintained contact with Jobcentre Plus once they were employed. A quarter of ND25+ working participants had no in-work contact with Jobcentre Plus and around half said that they did not receive help or advice on retention and advancement once they were in work. Advisers generally reported much more difficulty maintaining engagement with working ND25+ customers, compared with the lone parent groups. They gave a number of reasons for this, including a lack of interest in advancement among their customers (see Section 3.5), a dislike of Jobcentre Plus and/or a desire to be 'independent', an ethos of self-reliance and little expectation of in-work support. Advisers also spoke about having to work harder to encourage continued contact among their ND25+ customers once they entered work, because the mandatory nature of the ND25+ programme (which customers followed before entering work) encouraged them to see Jobcentre Plus as a requirement rather than as a service which was of use to them. This is seen in the following discussion in an ASA focus group:

*'They do phone if there's a problem or if they need something, but...I think it's because when they've signed on for a long time, 18 months, they're just glad to see the back of the Jobcentre, you know. I think that's one thing that they just think, "Right"...'*

*'[They] think, "Well I'm glad to be rid of this place really", you know. I mean they want the money but they don't want to be – I suppose they just feel that's past, that's gone in my life, you know.'*

Qualitative data from customers suggest that negative attitudes towards advisers were uncommon among working programme group customers interviewed. Indeed, customers who progressed into work and maintained engagement with the programme spoke very positively of their relationship with their ASA, and some acknowledged that their experiences had challenged their negative preconceptions about Jobcentre Plus staff. Among those who did not maintain contact, the reason often given was that they did not feel that they needed any support. The idea of ongoing advancement coaching from ASAs was unfamiliar to them. Many customers said that they would not get in touch with an adviser unless they had a specific 'problem' in work or needed to look for a new job:

*'As I haven't actually had any major issues regarding my job, I've had no reason to actually call the adviser, so no, but I know that he's there if I did have a problem.'*

Some customers also found it difficult to maintain contact with Jobcentre Plus staff while in work because they worked long hours and/or did shift work.

In addition to customers' attitudes and beliefs, the actions of ASAs also contributed to the disengagement of some customers. Particularly in the early days of the programme, when ASAs were unfamiliar with in-work support and caseloads were sometimes higher than planned, customers who had not been in contact for some time often 'dropped to the bottom of the pile' in terms of ASAs' outreach work. Therefore, some customers who were not initially aware that in-work support was available might not have found out about it.

There were also some customers who moved between engagement and disengagement over the course of their time in the ERA programme. Some of this movement reflected changes in customers' circumstances. These included, for example, taking up or finishing training; retention problems, such as a job finishing; or dissatisfaction with work which might prompt a customer to make renewed contact. There were also other changes related to Jobcentre Plus capacity and staffing. For example, some customers had regular contact with an ASA which was disrupted if the adviser left; others were re-engaged when a new ASA took over their case. However, ASAs generally found it difficult to re-engage customers once they had lost contact with them.

### 3.4 Support with retention

This section looks at the retention-focused support offered to working programme group customers, including help dealing with problems at work or outside of work, efforts to encourage re-employment if customers moved out of work, and assistance provided through the Emergency Discretion Fund (EDF). The subsequent section then goes on to look at advancement-focused support.

#### 3.4.1 Help dealing with problems that made work difficult

The survey asked customers whether Jobcentre Plus staff assisted them with problems that made it hard for them to keep a job. Ten per cent of working programme group members received help dealing with problems at work (Table 3.2). While the receipt of such retention-focused support was rather low, it was twice as high for customers in the programme group than in the control group. The survey also asked working customers if Jobcentre Plus staff helped with any personal or family problems that made it hard for them to keep a job. Receipt of this support by working programme group members was even lower (six per cent) and was comparable to the rate for the control group.

**Table 3.2 Receipt of in-work help or advice from Jobcentre Plus staff within two years after random assignment among ND25+ customers who worked**

Outcome	ERA group	Control group
While in work, received help or advice dealing with personal or family problems that made job retention hard (%)	5.9	5.1
While in work, received help or advice dealing with problems at work (%)	10.4	4.7
<b>While in work, received any help or advice on (%)</b>		
Getting job with better pay or conditions	21.4	5.7
Increasing hours of work	15.5	4.8
Negotiating a pay rise	6.4	1.0
Negotiating better job terms, e.g. more convenient hours	6.2	2.6
Getting a promotion in present work	7.4	0.0
Getting a more permanent job or contract	11.3	3.8
Working out long-term career goals	23.7	6.0
Finding an training or education course	35.0	9.8
Other type of help	7.6	2.8
Any in-work help/advice	46.5	12.4
Sample size	190	203

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

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

Comparisons are non-experimental since statistics were calculated for non-random subsets of the sample. Statistical tests were not performed.

Qualitative staff and customer data paint a similar picture. Advisers generally felt that their ND25+ customers were more self-sufficient once in work than their lone parent customers. There were some instances of ND25+ customers contacting their advisers for help claiming tax credits and other in-work benefits, as well as with personal problems that were making work difficult but this was not common among the qualitative respondents. Some customers also spoke of valuing the support of their ASA in talking through problems they were going through at work but again this was relatively uncommon.

### 3.4.2 Re-employment efforts

Qualitative data from staff and customers suggest that the main form of retention-focused support for ND25+ working customers related to seeking new employment. In some cases, a temporary contract was finished or coming to an end, while in other cases a customer was seeking a better job. Hence, these activities could support both retention and advancement goals.

A significant proportion of ND25+ customers become unemployed after starting work, often because they had been employed in temporary contract work. Therefore, an important aspect of ASAs' retention-focused support with this customer group entailed intervention after a job finished in order to facilitate the transition back into work. A number of customers who were on temporary contracts continued to search for permanent work while they were employed, and others started to look shortly before their employment ceased. In other cases, ASAs contacted customers when they knew a contract was coming to an end in order to initiate re-employment efforts.

However, in some cases advisers were not aware in advance that a job was finishing (perhaps because of limited engagement with the customer while in work) and so could not start re-employment efforts until after the customer had returned to benefits, as in the following case:

*'Well, what happens is, the last time I finished a job, not this one, the one before, the adviser was on to me as soon as I signed back on. I didn't get on to him; he said, "I see that you have just signed on, so why don't you come back up to me?" So that's how I got that job there, very helpful.'*

Advisers commented that it was difficult to change the behaviour of customers by encouraging them to make contact before a job ended, because they were so used to 'cycling' between work and benefits:

*'When people are in this cycle of coming back on to benefit, I think despite your best efforts sometimes, no matter what you say, they will leave the job, come back to benefit, and then think about another job, and that is the problem. But I think you can try and educate people by slowly changing attitudes,...it does take time.'*

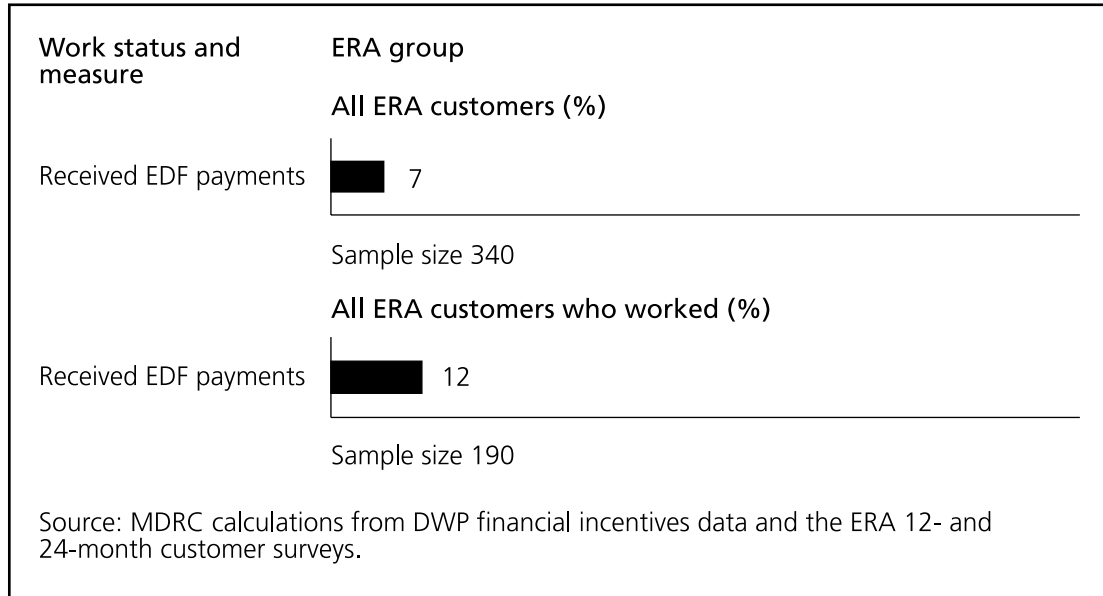
If customers did leave work, advisers felt that the eligibility rules for the retention bonus<sup>75</sup> assisted them in their re-employment efforts, since it allowed a window of time for customers to return to work without compromising the bonus. Yet ASAs also sometimes reported that they were not immediately aware that a customer had returned to JSA (as reported in Chapter 2) and by the time they were informed, the customer had lost eligibility for the bonus.

### 3.4.3 EDF payments

ERA customers who entered work could receive assistance from an EDF to take care of minor financial emergencies that might prevent them from continuing in work. Financial payment records indicate that only 12 per cent of all working programme group customers received EDF assistance (Figure 3.2). Two-thirds of all customers who received an EDF payment received just one, while just 13 per cent received three or more payments (Table D.3). For those who received EDF assistance, total per-person payments averaged £230.

<sup>75</sup> To receive the retention bonus, customers had to be in work for 13 out of 17 weeks.

**Figure 3.2 Receipt of EDF payments among ND25+ ERA customers within two years after random assignment**



The limited take-up of the EDF relates partly to difficulties with its delivery. At the start of ERA, advisers were uncertain about how best to use the EDF and they did not proactively promote its availability to customers as part of the ERA package. This was reflected in early interviews with customers (in autumn 2004), when very few knew of the availability of the EDF. Customers who received those funds did not request them straight away; rather, they learned about them only after having told their advisers that they were in financial difficulty, at which point the advisers may have indicated that a flexible pot of money could be used to help them. Although advisers became more confident about using the EDF, its use remained low among ND25+ customers.

Advisers also attributed limited use of the EDF to the fact that there was less need for it among ND25+ customers than among lone parents, because they did not have to pay childcare costs and also because they were generally more self-reliant (as discussed earlier) and were less likely to come to advisers for help with financial difficulties.

Financial payment records show that the most common uses of the EDF for ND25+ customers were for travel expenses, followed closely by work-related expenses, including tools, clothes and other equipment (figures not shown in tables). Reflecting this, those customers in the qualitative sample who had drawn on the EDF used it mainly for transport. One customer, for example, was helped with car repairs when he needed the car to get to work (a job further from home that was difficult to get to with public transport). This customer maintained regular contact with his adviser and saw the EDF as part of the package of support he was receiving from ERA, commenting:

*'Any obstacle that I've felt that I had, he's been there to offer a solution.'*

Another customer was struggling to afford to run the car he had bought with his retention bonus, and the emergency fund was used for petrol. In this case, the use of the EDF was like an extra wage supplementation.

ASAs also talked about the need for reliable transport as a common retention issue. In one case, a customer was about to leave his job because an employer had changed his hours of work and he could no longer get there on public transport. An EDF payment was processed at the same time as one of his retention bonuses and the adviser suggested that he spend the money on a car. Another example was where a customer had his bicycle stolen and was in danger of losing his job until the EDF was used to replace the bicycle.

Reflecting on the range of help available through ERA, one manager was certain that if it were used well, the EDF could make a difference to retention:

*'[The] one I think really makes a difference is the EDF, with the customer coming in saying, "I'm about to jack me job in, my car's off the road," "What's the matter with it?" "It needs two new tyres, you know, I travel so far to work," "Well, we'll give you EDF for two new tyres," [and] he stays in work.'*

### 3.5 Support with advancement

Turning to advancement-focused support, the survey data show that the most common types of help or advice received by working customers on advancement were help finding education or training, determining career goals, increasing work hours, and getting a job with better pay or conditions (Table 3.2). The least common forms of support were in getting a promotion, negotiating better job terms and negotiating a pay rise. Working programme group members received more than twice the level of support for each of these advancement efforts than working control group members. At the same time, the receipt rate of working programme group members was still quite low – only 35 per cent of these customers received help finding a training course, for example, which was the most common type of advancement support received.

The research evidence suggests that ASAs made more of an effort to promote advancement among ND25+ customers who claimed a retention bonus. Programme group members who received an employment retention bonus were asked about the help and advice they received when claiming the bonus at the Jobcentre Plus office. The survey data show that those who spoke with their adviser when picking up the bonus were more likely to get advancement-focused support than others (although this was still far from universal) (Table 3.1). The most common advancement topics discussed when customers were claiming a bonus were the same as those discussed by all working participants. However, the proportion of customers receiving advancement-focused advice was considerably larger for those who talked to their adviser when receiving the retention bonus than for all working programme group members.



Reflecting the relatively low levels of advancement support received by customers, qualitative data show that advisers found it difficult to promote the advancement agenda with many of their working ND25+ customers. Advisers distinguished a small subgroup among their customers who were very positive about training and advancement and took advantage of the incentives on offer. These were often customers who had an idea of where they wanted to go before starting on ERA and many of them were customers who took up self-employment. However, they also identified a large group of working customers whom they felt were happy with a 'steady job' and were indifferent towards the idea of advancing further. For example, speaking of one of her ERA customers, one ASA said:

*'He comes in and sees me every time his work retention bonus is due, and I talk to him about, "How's things in the job?" "You doing any more hours?" "No, everything's just the same." "Would you not like to do training?" "Would you not like to change your job to do something different?" No, he's quite happy,...but he had been unemployed a long, long time, and I think even for him to have a job is an achievement in itself, and he's just quite happy at that.'*

This reiterates the findings of earlier qualitative research on customers' attitudes to retention and advancement.<sup>76</sup> Advisers referred to having particular difficulty promoting advancement with older customers (50 or over), those who had worked all their lives in a particular industry and were not interested in re-skilling, and those who had difficult personal situations to overcome. However, it was not only these types of customers who were uninterested in advancement; younger customers could be, too, as one adviser commented:

*'I've got a couple of them, they are security guards...and they love it and they will go out and do the overtime, and they are on good wages, and they really enjoy it, and, you know, you speak about stuff to them, and "your goal", and whatever, and "I'm doing it!" Because they have been unemployed for quite a long time some of them, they have managed to get these jobs, they feel they are safe, they feel they are secure, they are bringing in a good wage, they're getting an increment...and for them it's all done for me basically, you know, there is obviously bits and pieces, they ring up and they want help with something,...but as far as [advancement], you know, they are just happy.'*

Many advisers felt that the notion of advancement envisioned in the ERA programme was not always relevant to such customers, who saw advancement as simply retaining work.

At the same time, as suggested in Chapter 2, ASAs grew more confident over time in their ability to deliver advancement support to customers. This was very evident in qualitative interviews with ASAs. In the first round of interviews (spring 2004), the majority of ASAs, when asked about how they promoted advancement with customers, mentioned only their marketing of the training incentives. In later

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<sup>76</sup> See Hoggart *et al.*, 2006.

waves of interviews, many ASAs had developed a more sophisticated and nuanced understanding of advancement and how to promote it among customers.

These later understandings and practices included the view that advancement could potentially mean a range of different things for different people and, hence, advisers' efforts should be individually tailored; also that advancement coaching could be effective if approached creatively, even among those customers who appeared initially to be unreceptive. The key, as several advisers commented, was to maintain the customers' engagement, since it took a considerable time to develop advancement work with some customers. Some ASAs felt that they had not had enough time to work on advancement effectively with some of their ND25+ customers, particularly if the customers had taken a lengthy period of time to get into work:

*'...[A] lot of them especially, they've been out of work, the New Deal 25, for a long time, and probably could do with another extra year added on to this, because...some of them are only just starting to ask for training,...and it's just a pity, [because] then, all of a sudden, "thank you very much, that's it, the end".'*

### 3.6 Customers' receipt of ERA's in-work financial incentives

In addition to in-work job coaching and financial support from the EDF, ERA offered a range of financial incentives designed to promote steady full-time employment and skills training while employed. Using survey and administrative data, this section describes the extent to which ERA programme group members received those incentives. Using qualitative data, it also describes how staff marketed the incentives to customers, how customers viewed the offer and responded to it and how the incentive payments were used by customers.

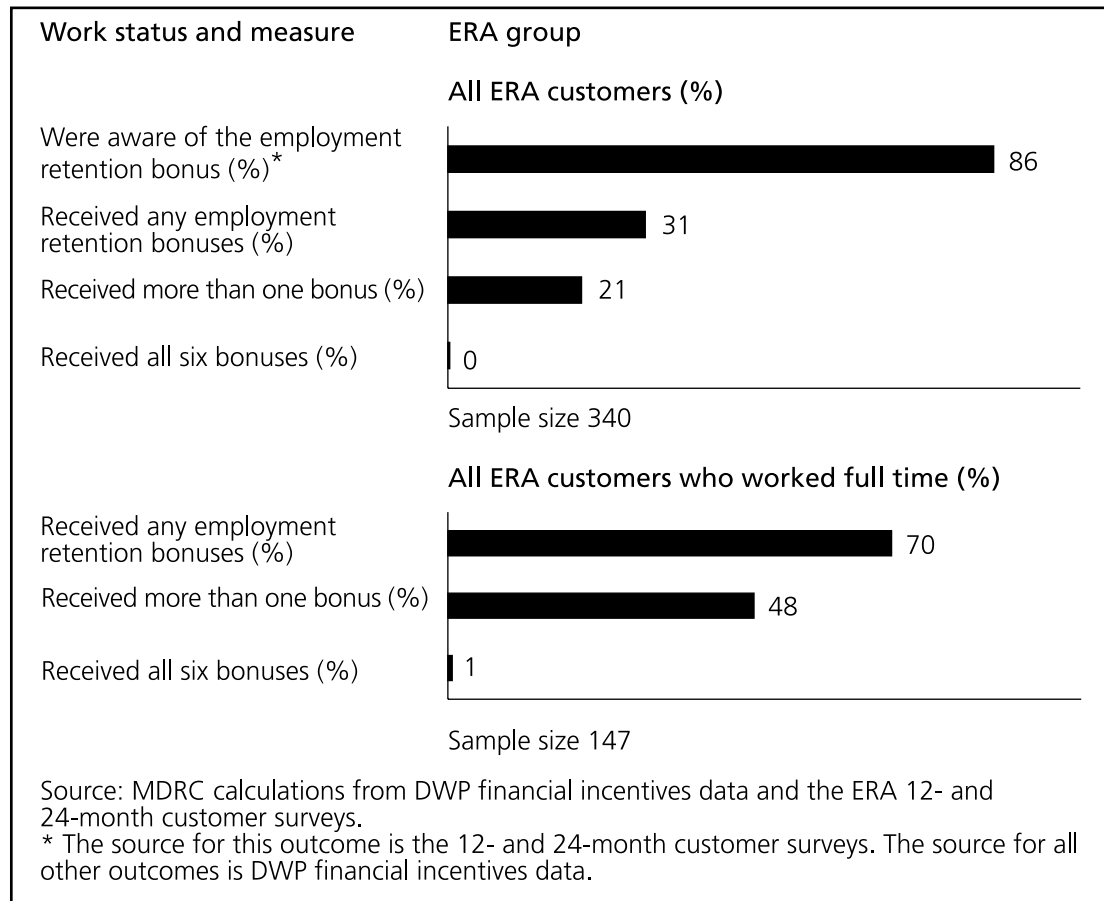
#### 3.6.1 Employment retention bonus

ERA customers could receive an employment retention bonus of £400, payable every 17 weeks, if they worked for at least 30 hours a week for 13 out of the 17 weeks. They could claim a maximum of six bonus payments.

##### *Knowledge and take-up of the employment retention bonus*

Most programme group customers, 86 per cent, said that they had heard of the employment retention bonus (Figure 3.3). However, only 31 per cent actually received a bonus. To an important extent, this relatively low rate reflects significant barriers to employment among ND25+ customers, many of whom had not entered work at all by the time of the two-year follow-up period. When the sample is restricted to only those customers who worked full-time at some point, the rate of bonus receipt climbed to 70 per cent, although only 48 per cent of the customers who were ever in full-time work received more than one bonus.

**Figure 3.3 Awareness and receipt of employment retention bonuses among ND25+ ERA customers within two years after random assignment**



Among all customers who did receive a bonus, the largest proportion (27 per cent) received just one; however, just over a fifth (22 per cent) received two bonuses and similar numbers received three (22 per cent) and four (18 per cent) bonuses (Table D.4). Only 11 per cent received five or more bonuses. It is important to note also that bonus receipt rates continued to climb after the two-year follow-up period that is the focus of this report.<sup>77</sup>

Seventy per cent of those who worked full-time received a bonus; this number was not higher, partly because some customers did not stay in work long enough to be eligible but also because some customers who were eligible for the bonus failed to claim it. According to staff interviews, the main reasons for this were that customers believed that there was a 'catch' somewhere or were reluctant to maintain contact with Jobcentre Plus once in work. In addition, some customers may not have been aware that they were eligible. Although awareness of the

<sup>77</sup> For example, looking at the period of ERA operations through July 2007 reveals that 34 per cent received a bonus over this extended period (Table D.4). In addition, of those customers who ever received a bonus during this period, 14 per cent received all six bonuses.

retention bonus was generally high (Figure 3.3), it was not universal. Moreover, in qualitative interviews, some recipients of the bonus indicated that they had not known about the incentive until their adviser reminded them.

### *How customers used the employment retention bonus*

In the qualitative interviews, customers talked about using the retention bonus in a number of different ways. These can be categorised into three main types of uses: to 'get by', for 'extras' and for work-related expenditure.

#### **To get by financially**

For many customers, the retention bonuses were used to supplement a low wage in order to 'get by'. For such customers, the bonus was 'swallowed up' by general living expenses. One customer, for example, indicated that the payments could '*make the difference between struggling to pay the bills and being able to pay the bills*'. In many of these cases, the incentive was consciously used to supplement low-paid work. Customers who used it in this way talked about being able to accept a poorly paid job and still be better off in work.

#### **For 'extras'**

Those who viewed the bonus as an 'extra' talked about being able to afford to go out or to buy things for their home. In these cases, the customers were glad to receive the bonus and it clearly improved their financial well-being but they thought that they would be able to manage without it. Hence, it could be described as a 'windfall'. As one customer put it, '*It's a bonus – I can manage on my wages*'. Some customers started off using the payments to pay off debts and then later used them for 'extras'.

#### **Work-related expenditure**

The most common work-related use of the incentives was to buy and/or maintain a car. As in the case of some of the EDF expenditures, customers felt that using the funds in this way helped them to retain their jobs. For one customer, the incentive enabled him to accept a job some distance from home, in the knowledge that he could use the money to '*keep the car on the road*'.

### *Did the retention bonus influence customer behaviour?*

Chapter 4 provides statistical evidence on the impact of ERA on customers' experiences in the labour market in the two years after random assignment. As will be seen, it shows that ERA led to a small increase in employment in year 2. However, the impact analysis cannot easily isolate the effects of the retention bonus from the other features of ERA with which it is bundled. It is possible to gain some insight into this, however, by exploring data on staff and customers' views on the influence of the bonuses. In general, the findings suggest that the bonuses were a relevant influence, but that it may have been tempered by other considerations of importance to customers.

Survey data show that customers varied as to whether they felt that the bonus influenced them to work full-time. About half of customers who received a retention bonus said that it had no influence at all on their decision to work 30 hours or more per week (Table 3.1), although almost a third (31 per cent) said that the bonus influenced their decision 'a lot'.<sup>78</sup> Customers' responses followed a similar pattern when they were asked whether the bonus offer encouraged them to stay in work.<sup>79</sup>

The qualitative data suggest that how well the bonus worked as an incentive to enter and retain work was related to the way in which individual customers used the bonus and their attitudes towards it. When they used it for 'extras', customers were clearly happy to be getting the extra money but usually said that it was '*not enough to stay in work*' if they wanted to leave for other reasons. This could be the case even when it may have influenced customers to move into work. One customer, for example, talked about ERA giving him the incentive to find work – '*If I could get £400 six times for nothing*' – and he took a night-time job shortly afterwards. He was then certain that if he found a job with more sociable hours elsewhere, he would take it, even if that might mean that he would lose his last three incentive payments.<sup>80</sup> Another customer changed jobs to move closer to home and was not able to work 30 hours in his new post. Not getting any more payments 'didn't bother' him, as the money was not as important as working closer to home.

As well as operating as an incentive to enter work, the qualitative research indicates that there were cases when the bonus acted as an enabler. This was clearest when the bonus payments were used for work-related expenditures:

*'The retention fund has enabled me to get a new job, literally, because without the car I couldn't, so the financial side is definitely the biggest thing.'*

When the payments were used to supplement poor pay, customers were more likely to say that it did make a difference in their decision-making. Firstly, it meant that they were able to accept a poorly paid job. For example, one customer who took a minimum wage job, said:

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<sup>78</sup> It should be noted that customers were asked in the survey if the retention bonus influenced their decision to take up work of 30 hours or more but they were not asked separately if it influenced their decision to work. Qualitative data suggest that some customers might have answered no to this question because they wanted to work over 30 hours (rather than part-time) anyway (in the absence of the bonus), even though they said that the retention bonus did influence their decision to work at all or to take a specific job.

<sup>79</sup> It is important to bear in mind that these are customers' self-reported perceptions about whether the bonus influenced them and are not an impact assessment.

<sup>80</sup> This customer was unclear about the conditions attached to receiving the payments and thought that he would lose his entitlement to them if he moved jobs.

*'I obviously had concerns when applying for it. Can I afford to take a job that is just basic wage? And thinking that, well, every four, five months, if I'm getting some extra money, that will come in handy.'*

There were also a number of cases where customers were motivated to stay in poorly paid work in order to claim the bonus payment.

One final category was customers who found work difficult, for whom the bonus provided an incentive to 'stick with it'. One customer found the first few weeks of work very difficult and felt the bonus to be an incentive to keep going:

*'I think maybe if the financial wasn't there, I might have turned round and said, "No, I've had enough". I know it sounds terrible, but money is a great incentive.'*

Another way in which the financial incentives appeared to change the behaviour of some of the ND25+ customers was in prompting them to agree to be randomly assigned to the ERA programme in the first place. When asked why they had been attracted to ERA, some customers spoke about the importance of the retention bonus. It is worth bearing in mind that these customers differed from the lone parents discussed in the companion report, in that they were being mandated onto the ND25+ programme rather than voluntarily requesting support to find work (as was the case for the NDLP customers). Given this, and some customers' negative experiences with New Deal, advisers found it more difficult to recruit ND25+ customers onto the ERA programme.<sup>81</sup>

### *Customers' reactions to the bonus ending*

While a number of ND25+ customers said that the bonus had encouraged them to enter work or to take a particular job, none of the customers interviewed said that they would stop working when the payments came to an end. This included those who spoke of accepting poorly paid work because of the extra money.

### **3.6.2 Training fees and bonus**

Two types of incentives were available in ERA to encourage the take-up of training. To be eligible for either of these training incentives, customers had to be working 16 or more hours per week. As the first incentive, ERA staff could authorise payment for customers' fees for training courses, up to a maximum of £1,000 per person for all courses. As the second incentive, ERA customers could receive a training completion bonus. This incentive paid £8 for every hour of training completed, up to a maximum of £1,000 (or 125 hours of completed training). The latter was paid to customers once they had successfully completed training. Both forms of incentive payments were to be made only for courses approved by ERA staff and could not include employer-provided, on-the-job training. Customers could, however, receive the completion bonus for courses that did not charge a tuition fee, if the course satisfied the other criteria.

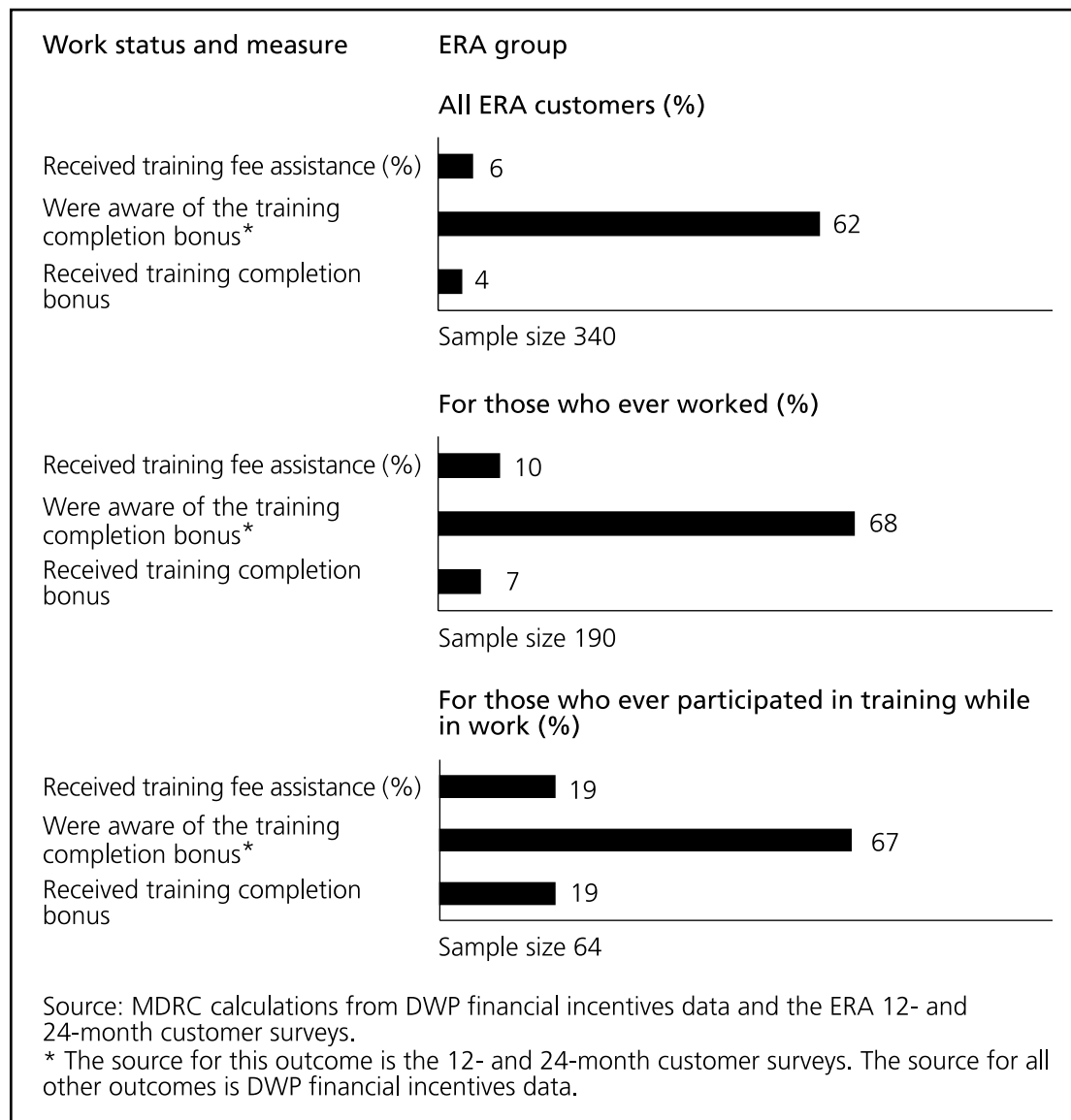
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<sup>81</sup> See also Walker *et al.*, 2006.

*Knowledge and take-up of the training fees and bonus*

Financial payment records for the programme group customer survey sample members indicate that just six per cent of all customers received assistance with training fees within the two-year follow-up period (Figure 3.4), although this figure rose slightly to ten per cent for the full period of ERA operations through to July 2007 (Table D.5). The amounts paid towards fees varied widely but for those who received this assistance, they averaged £395 (Table D.5).

**Figure 3.4 Awareness and receipt of ERA training fee assistance and training completion bonuses among ND25+ ERA customers within two years**



Looking just at those who had been in work at some point and reported that they had participated in training while in work, 19 per cent received training fee assistance. This indicates that the majority of customers who combined training and

work did not receive fee assistance through ERA.<sup>82</sup> One reason for this is that these customers were not necessarily working 16 hours per week while participating in training, one of the requirements for receiving the training fee assistance. It is also possible that much of this training was employer-provided, on-the-job training, which was ineligible for assistance. Lastly, some of these customers may have become disengaged from the programme and were not aware of the incentives. In partial support of this, customer survey data show that only 67 per cent of programme group members who combined training and work were aware of the training incentives<sup>83</sup> as of the second-year customer survey (Figure 3.4). This is a lower figure than for those who were aware of the employment retention bonus, and suggests that ASAs were less successful in marketing the training incentives among ND25+ customers.

Looking at receipt of the training completion bonus, a smaller proportion of ND25+ customers received this than received fee assistance. Financial payment records show that only four per cent of all programme group customers received a bonus within the two years after random assignment (Figure 3.4), rising to seven per cent when the full period of ERA operations through to July 2007 is considered (Table D.5).<sup>84</sup> Among those who received a training completion bonus, the majority (79 per cent) received just one training bonus during the two-year follow-up period, while just seven per cent received three or more bonuses. The average amount of each bonus was approximately £295, while the average amount of all bonuses received was £357 within two years (Table D.5).

### *Delivery of the training incentives*

As they did with regard to other aspects of post-employment support, ASAs talked about how the advice and help they were giving customers on training improved over time. In particular, they felt that they improved their skills in ensuring that the training was relevant to individual customers. In the later focus groups, staff noted that, in the early stages of ERA, they were so keen for customers to undertake training that they did not always consider whether a customer was really ready for the course or if it was the most appropriate course. As advisers became more

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<sup>82</sup> It is somewhat surprising that nearly one in five ND25+ customers in the programme group participated in training while working, given the many employment barriers this group often faces.

<sup>83</sup> This measure refers to awareness of the training assistance fees and the training completion bonus.

<sup>84</sup> These data show that around a third of customers who received assistance with training fees did not receive the completion bonus. This suggests that not all who took up the fee assistance successfully completed their training courses (within the timescale for eligibility) and indeed, there are examples of this in the qualitative data. Alternatively, some may have completed their training but failed to claim their entitlement. However, these results should be interpreted with caution, given the small sample sizes.



comfortable in delivering post-employment support, they also became more skilled at selecting appropriate training and motivating their customers to pursue training. They developed and shared their knowledge of training available locally and some mentioned particular techniques they used to market it to customers who were initially unreceptive. One adviser, for example, said that he asked his ND25+ customers to think about work colleagues who were a little bit *'higher up the ladder'* and, having established that the customers felt that they could also do that type of job, he talked to them about what training they would need to make that step.

Despite this growing expertise on marketing the training incentives, ASAs also felt that it was more difficult to promote the uptake of the training incentives among ND25+ customers, compared with the lone parent groups. This was primarily because ND25+ customers had a lukewarm response to the advancement agenda, as discussed earlier, and particularly to the idea of advancing by pursuing training. However, it also seemed to be partly because customers had difficulties combining full-time work with training, particularly if the work was shift work or required long hours. Some advisers also spoke about the prevalence of short-term contract work among their ND25+ customers, which made it more difficult for them to combine training with work:

*'I had a lot of people who did contract work,... they wanted to do a particular type of training that would lead to more permanent work, but it was getting everything done while they were in work. A lot of them worked all over the country... they just got a phone call and that was it, they were off, with maybe two weeks work. Now if I don't get to see them and do the paperwork... within that two weeks, I couldn't help them.'*

As customers began to reach the end of their 33-month eligibility for ERA, staff would again encourage them to take up training before the incentives on offer ran out. They usually began to remind customers of the offer six months before the end of their eligibility for the programme. Advisers thought that for some customers, this was like *'flogging a dead horse'*. However, as with the lone parent customers, they also felt that take-up of training for ND25+ customers did improve at this time and noted that some customers appeared to have been previously unaware of the training possibilities. There was some confirmation of this last minute take-up in customer interviews, too. For example, one customer took up an IT training course just before her eligibility was due to run out, stating:

*'The ERA runs out, I think it's January for me,... beginning of January it is. So if I wanted to do anything it would be best to get it sorted out now. So that's why I have decided it's time to do that.'*

Perhaps because of the strategy to promote training towards the end of ERA, just over a third of those customers that ever received training fee assistance or a completion bonus did so for the first time within the last nine months of their enrolment in ERA (Table D.5). This may have occurred simply because they had become established in work and were more receptive to the idea of training

and advancement. However, it is also likely that the combination of the financial incentives and continued encouragement from advisers – and reminders that time was running out – did indeed influence some customers to undertake training.

*How did the training incentives influence customer behaviour?*

Qualitative data suggest that ND25+ customers reacted in a number of different ways to the training opportunities that ERA offered. While a few enthusiastically embraced the training opportunities available, many felt that training was not something they were interested in, as they were more focused on the financial gains of employment and/or did not feel that they had the skills necessary to pursue training.

In qualitative interviews, customers who had undertaken training often said that the financial incentives had been very important to them, either by providing them with the financial means to undertake a course that they otherwise would not have been able to afford, or as an incentive which prompted them to look around to see what training was available. For example, one customer working as a receptionist said that she would not have been able to afford to take an IT course without the ERA payment for the course fees, because it was too expensive:

*'Honestly speaking, I don't think I would have done it if I didn't have ERA, because of the cost of it,...so it's nice to have ERA behind you to be able to get that qualification.'*

Another customer, working as a lorry driver, was spurred into looking into courses that he might take up, after being told that he had *'up to a thousand pound to do anything to better myself.'*

It was relatively rare, however, for customers to say that they had been motivated to take up or continue training because of the bonus completion payments they would receive at the end of the course. One customer who took up an IT course partly because the training fee payments were available later gave up the course. When asked why the bonus payments had not motivated her to continue, she said that the incentive effect of the bonus was overridden by the fact that the course was *'too much like hard work on top of a full-time job'*. What would have made a difference, to her, she stated, is if the employer had allowed her to complete the course during her working hours. However, as a new and temporary member of staff, she was not entitled to this, nor to any paid holidays in which she might have completed the course.

This example highlights a common barrier to customers' taking up training, despite the offer of the incentives: the constraints imposed by working hours. Some customers said that they would like to do training, but that they could not fit it into the hours they were working. For example, one customer who was working as an electrician, said:

*'[T]here is another few courses I could go and do, but it's trying to get the time to do them, because I've not been unemployed or anything since I [started work], so it's hard to. If I'm taking time off, I'd be losing wages to do a course, so it doesn't make sense just now...all the courses would benefit me are during the day, you know?'*

Another customer talked about how it was not until he had moved from his factory job working '12-hour days' to a standard hours day job, where he 'had the evenings to himself', that he was able to take up training in photography, an area of work that he wanted to move into in the future.

In some instances, advisers recommended that customers take unpaid leave to access training, and there were one or two examples of this in the customer interviews. However, as noted previously, this was often difficult for people undertaking temporary or agency work who only accrued holiday entitlement over a period of time. Customers were notably more likely to be undertaking training when it was supported by their employers.

In other instances, customers were not aware that training incentives were available, felt that they did not have the skills necessary to complete training or were simply not aware of what training they might benefit from. While ASAs were able to help in identifying courses, this support was not always proactively sought by customers or offered by advisers.

### 3.7 Comparison with the New Deal for Lone Parents customer group

This section compares overall levels of engagement and participation for the ND25+ and NDLP groups. Results cited below for the NDLP group are not presented in this report. See the companion report for participation rates for both lone parent groups (NDLP and Working Tax Credit (WTC)).<sup>85</sup>

#### *Engagement*

Overall, qualitative data from customers and, particularly, from staff indicate that the ND25+ customer group was the most difficult of the three target groups to engage in in-work support. There were a variety of reasons for this difficulty, which were mentioned earlier: the mandatory nature of the ND25+ regime; the lack of expectation of in-work support; an association of Jobcentre Plus with benefits claiming, which had negative connotations for many customers; an ethos of self-reliance; and fewer administrative problems with in-work benefits (for example, claiming the childcare portion of WTC) that required advisory assistance. Given this, it is perhaps surprising that the rate of in-work contact for working programme group members was only slightly lower for the ND25+ group than it was for the NDLP group – 74 and 81 per cent, respectively. This is especially noteworthy,

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<sup>85</sup> Riccio *et al.*, 2008.

given that workers in the ND25+ control group received a much lower level of in-work support than workers in the NDLP control group. Thus, it seems that the ERA programme did generate a considerable amount of additional in-work engagement of ND25+ customers. The offer of the retention bonus may have been at least partly responsible for this, given the positive views expressed towards the bonus by ND25+ customers and the fact that most customers' engagement and advisers' help and advice took place in the context of claiming the bonus.

When looking at the receipt of retention and advancement-focused help and advice, however, the levels are lower for the ND25+ group, compared with the NDLP group. While 61 per cent of working programme group members in the NDLP group reported receiving help and advice on retention and advancement, only 47 per cent of working programme group members in the ND25+ group received this type of assistance. This difference suggests that more of the contact recorded for the ND25+ group was unrelated to retention and advancement. Judging from the qualitative data, this is likely to have been routine contact (filling in forms, having 'a quick chat') when claiming the retention bonus or going to the Jobcentre Plus office to search for other work without receiving help and advice from an adviser.<sup>86</sup>

### *Retention*

As might be expected, ND25+ and NDLP customers faced different kinds of challenges in retaining and advancing in work and, hence, the type of help they received differed. For example, ND25+ customers were much less likely to receive help dealing with family problems that affected job retention and slightly less likely to receive help dealing with problems at work. In addition, NDLP customers were much more likely to receive an EDF payment than those in the ND25+ group. Many NDLP customers received payments for childcare assistance, a support that few ND25+ customers required. Thus, despite the retention problems faced by the ND25+ group, they were less likely than the other target groups to take up these retention-focused supports. The challenges the ND25+ customers faced were more often related to labour market issues (e.g. temporary and agency work), which support services such as the EDF were not designed to address. Instead, efforts by ASAs to help their customers become re-employed were the most important type of retention-focused work for the ND25+ group.

Similar proportions of ND25+ and NDLP programme group members received a retention bonus – 31 and 30 per cent, respectively. This similarity remained when considering only those customers who ever entered full-time work (70 and 75 per cent, respectively). However, among those who entered full-time work, only 48 per cent of the ND25+ group received more than one retention bonus during the follow-up period, while 60 per cent of the NDLP group received multiple bonuses.

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<sup>86</sup> As discussed earlier, some of the assistance provided by ASAs was related to re-employment. This assistance is not included in measures of help with retention and advancement.

This indicates that the ND25+ members who entered full-time work may have either done so later in the follow-up period than those in the NDLP group or may not have been able to retain full-time work long enough to receive more than one bonus.

### *Advancement*

Advisers generally found it difficult to deliver the advancement agenda to the ND25+ customer group. This is reflected in the fact that the rates of receiving help and advice on advancement-focused issues for working ND25+ programme group members ranged from about one-half to three-quarters the levels of those for the NDLP customers.<sup>87</sup> However, both groups received similar types of advancement support – help for both customer groups centred around finding training or education, working out long-term career goals and finding a job with better pay or conditions. As expected, there was considerably less focus for the ND25+ group on increasing hours, since this group was less likely to work part-time in the absence of ERA.

Finally, far fewer ND25+ customers than NDLP customers undertook training. Thirty-five per cent of programme group NDLP customers both entered work and at some point took up training while in work, compared with 19 per cent of ND25+ customers (not shown in the tables). For both groups, these figures were far higher than the numbers for those who received either training fee assistance or a training completion bonus through ERA. This is likely to be because much of this training was employer-provided, on-the-job training that did not qualify for the incentives or because these customers were not working the required 16 hours per week while engaging in training. Nonetheless, larger numbers of NDLP customers than ND25+ customers received both fee assistance (ten per cent compared with six per cent) and a completion bonus (eight per cent compared with four per cent) from ERA.<sup>88</sup> However, receipt rates for both groups are very low, reflecting the difficulties in encouraging both of these groups of customers to engage in work and then to also participate in eligible training courses. This contrasts with WTC customers, who were already working at least 16 hours per week and were, therefore, much more likely to take up the training incentives.

## 3.8 Conclusions

This chapter has explored ND25+ ERA customers' receipt of in-work job coaching and support, as well as their use of the programme's financial incentives for full-time work and for combining work and training. Along with Chapter 2, it provides

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<sup>87</sup> This includes all advancement-focused issues listed in Table 3.2, other than negotiating a pay rise, which was higher for working programme group customers in the ND25+ group than in the NDLP group.

<sup>88</sup> Care should be exercised in interpreting these comparisons, given the small sample size of the ND25+ customer group.

a basis for assessing the 'strength' of the ERA 'treatment' delivered to customers in the ND25+ group. Again, it is important to remember that more than half of ND25+ customers did not enter work during the follow-up period and so were not eligible for ERA's post-employment services.

The findings suggest that the post-employment intervention for ND25+ working programme group customers differed in both content and intensity from what those customers would have experienced had ERA not existed. When considering only customers who entered work, programme group members were more than twice as likely as control group members to be in touch with Jobcentre Plus staff while in work and over three times as likely to receive in-work help and advice on employment retention and advancement. Most programme group customers were aware of the employment retention bonus and a third of them received at least one. In addition, many customers who received a bonus also spoke with their advisers when they went to the Jobcentre Plus offices to claim the bonus, providing an opportunity for advisers to promote other ERA services. Together, these findings suggest that the implementation of ERA, as intended, created a substantial post-employment 'treatment contrast' between the programme and control groups.

However, the chapter points to a number of challenges that Jobcentre Plus staff encountered in implementing the ERA model with ND25+ customers. For example, although most working programme group customers received post-employment support, receipt was far from universal. A quarter had no contact with Jobcentre Plus staff while in work. In addition, the nature and quality of the support that customers received varied substantially. Less than half of working programme group members received in-work support related to retention and advancement and only a third were contacted proactively by Jobcentre Plus staff without initiating the contact. While the majority spoke with their advisers while picking up the retention bonus, the depth and content of this contact also varied. In addition, while awareness of the financial incentives was generally high, a portion of programme group customers reported that they had not heard of these incentives.

Qualitative data show that, especially in the early stages of implementation, ASAs struggled to remain proactive in contacting customers once they found work. ASAs did become more comfortable and skilled in delivering in-work support and in administering the financial incentives over time, although disengagement of working customers in the early days of the programme meant that many customers had limited awareness of the full range of post-employment support that ERA offered. This suggests that perhaps with better implementation (staff support and training), customers' receipt of in-work support and take-up of the financial incentives might have been higher. At the same time, there were also hurdles that a better administration of ERA would not easily have overcome. Customers in the ND25+ group traditionally do not maintain contact with Jobcentre Plus staff once in work and proved to be more self-reliant in work than customers in the NDLP group. Hence, many were uninterested in receiving post-employment

support. Moreover, because of problems of short-term and contract work, ASAs' focus for this group of customers was often on helping them to maintain steady employment and to become re-employed when they left work, which left little time for advancement work within the time-frame of the ERA programme.

Together, these findings provide reason to expect that ERA may have positive, but perhaps modest, effects on ND25+ customers' labour market outcomes. ERA was designed primarily to be a post-employment treatment, but a large proportion of programme group customers never entered work or never had the chance to take advantage of many of the programme's services. For those who did enter work, some were able to take advantage of the full range of programme supports, but many struggled with short-term work and were unable or unwilling to focus on advancement. It is likely that extra time would be needed for such low-skilled and long-term unemployed customers to find work, settle into work and then make efforts to advance.





# 4 Impacts of ERA on labour market outcomes and benefits receipt

## 4.1 Introduction

This chapter presents Employment Retention and Advancement programme's (ERA's) effects on employment, earnings, and benefits receipt after two years of follow-up. The two-year focus allows the analysis to capture ERA's effects as its implementation matured, moving beyond some of the problems encountered in the first year of operation. It also extends the analysis into a period in which more New Deal 25 Plus (ND25+) customers had a chance to fully take advantage of the programme. By their second year in the study, more of them had moved into work or had established some stability in work and could benefit from ERA's in-work services and benefits. However, it is also important to remember that participation in ERA could last for up to 33 months or nine months after the two-year point.

Results are presented for the full sample, pooled across all districts, and also for each district separately. Effects for selected subgroups are presented in Chapter 5. This chapter uses administrative data to estimate ERA's effects, given that the survey data have been assessed as unreliable for this purpose.<sup>89</sup> While the administrative data have advantages over survey-based data, such as a larger sample sizes and no recall bias, they do limit the analysis in some ways. The administrative employment data will not capture self-employment, jobs under 16 hours per week and some types of informal and low-paid work, which may be especially prevalent in this population and they contain no information on hours worked or job characteristics. Thus, any effects on advancement that ERA might have on non-earnings aspects of work, such as more suitable working patterns or

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<sup>89</sup> See Chapter 1 and Appendix B. The survey data are used in this chapter only to provide a rough portrait of the types of jobs held by programme group members.

improved benefits, will not be captured here. In addition, administrative data on earnings are currently available only for the 2005/06 tax year. This tax year, which roughly captures year 1 of follow-up for sample members randomly assigned late in the intake period and year 2 for those assigned earlier, does not allow for an analysis of effects on earnings in year 1 compared to year 2. Finally, the chapter presents vignettes from the qualitative interview data to highlight key findings.

## 4.2 Overview of findings

After one year, as reported in Dorsett *et al.*, 2007, ERA's effects were characterised as more mixed and uncertain for the ND25+ group than for the two lone parent groups. The programme was found to have little effect for the ND25+ group on their rates of employment, earnings or hours worked. For example, 27 per cent of the ERA group worked full time at month 12, compared with 24 per cent of the control group.

The two-year results are somewhat more encouraging but only mildly so. ERA led to small increases in employment and small reductions in benefits receipt, effects that emerged only in year 2. ERA had no effect on earnings during the 2005/06 tax year. Although the results are not encouraging up to this point, the final verdict on ERA for the ND25+ group must await longer-term follow-up to examine whether the effects grow or fade over time.

Although there were some important differences in effects by district, these differences were driven largely by counterintuitive negative effects in Wales, which appear to be partly due to implementation difficulties in that district.

The findings for the ND25+ group stand in contrast to those for the two lone parent groups.<sup>90</sup> For the New Deal for Lone Parents (NDLP) group, ERA substantially increased earnings in years 1 and 2, largely by encouraging more lone parents to move from part-time to full-time work. ERA also increased full-time employment for the Working Tax Credit (WTC) group in both follow-up years, with positive effects on earnings emerging in year 2. A number of hypotheses might be raised to explain the lack of effects for the ND25+ group. When they do work, for example, the majority of the ND25+ customers work full-time, suggesting little room for the type of effects observed for the two lone parent groups. In addition, less than half of this group entered work during the two-year period, meaning that relatively few were able to benefit from post-employment services, the most important part of the ERA treatment. The results highlight the continuing importance of both pre- and post-employment services to help address the labour market barriers faced by the long-term unemployed.

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<sup>90</sup> See Riccio *et al.*, 2008.

### 4.3 The expected effects of ERA

Given the relatively low employment rates of ND25+ customers in the absence of ERA, the first effect to consider is that of moving into work. ND25+ customers are first exposed to the programme's pre-employment component. This may influence job search behaviour in two ways, relative to the services routinely provided as part of the New Deal: First, advisers may encourage customers to seek longer-lasting jobs that offer more potential for advancement. Restricting potential jobs in this way may have the effect of extending the period of job search. There is little evidence from the process analysis that advisers systematically offered such advice. The more important differential between the ERA and control group in pre-employment treatment is probably the retention bonus. Because that bonus rewards any type of full-time work, it may encourage individuals to consider jobs that they might otherwise have regarded as too poorly paid. This may expand the pool of jobs deemed acceptable and thereby speed up the job search process. At the same time, because the retention bonus is payable only for full-time work (defined as 30 or more hours per week), ERA should prompt individuals to favour such jobs over part-time positions.

An important consideration is the extent to which any change in employment caused by ERA might affect earnings. For individuals who start working as a result of ERA, the effect on earnings, independent of the retention bonus, will clearly be positive. The same is also true for those who increase their hours but keep the same hourly rate. However, there are two more complicated scenarios: First, ERA may cause some individuals to work more hours but at a lower wage than they would have otherwise. This may be because the combination of earnings and the retention bonus leaves them better off, such that they may be willing to accept lower-paying, full-time positions or because the lower-paying jobs have attractive characteristics – perhaps they are more conveniently located or offer better employment benefits. For such individuals, the effect on earnings may be small or even negative. Second, for individuals who would otherwise work in excess of 30 hours per week, the availability of the retention bonus under ERA may allow them to achieve the same level of income while working fewer hours (although still more than 30). Should they choose to reduce their hours to a level closer to the retention bonus threshold, the effect on earnings is likely to be negative. Overall, it is not necessarily the case that ERA will increase earnings.

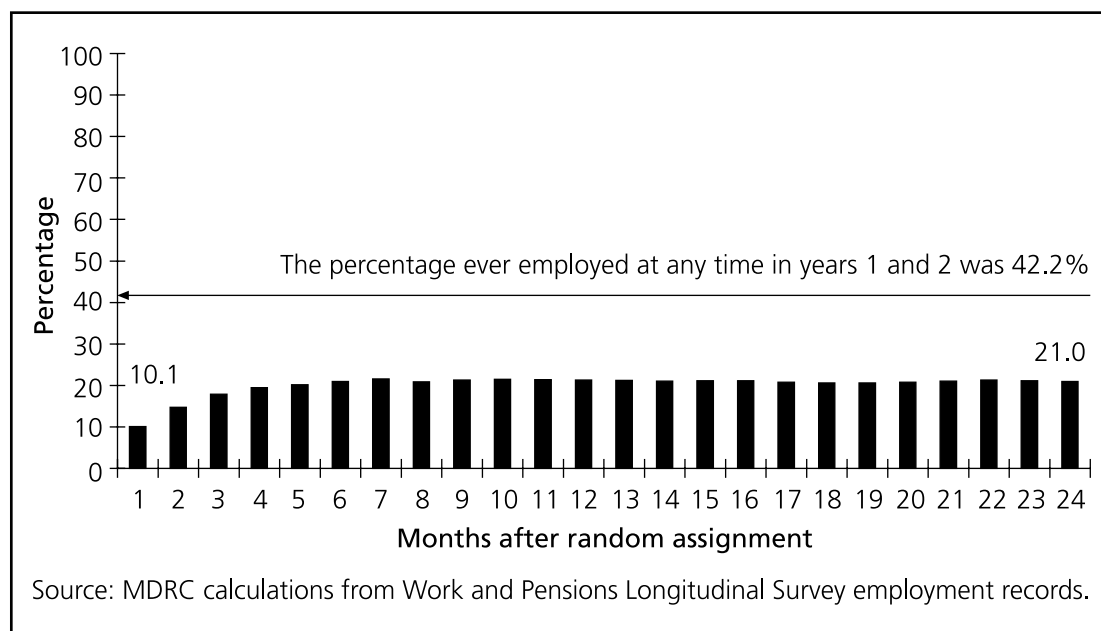
### 4.4 ERA's impacts on work and earnings

This section presents ERA's effects on employment and earnings using administrative data. As mentioned earlier, although the administrative data have several advantages over survey data, such as full sample coverage and no recall bias, they do have some limitations. For example, these data cover only individuals whose employers participate in the Pay-As-You-Earn system (a method of paying income tax whereby the employee receives wages with the tax already deducted by the employer). This means that self-employment spells are not captured and

there is only partial coverage of employees who earn less than the PAYE threshold (currently £100 per week). Thus, they will understate employment to some extent.<sup>91</sup> Although there is little reason to believe that this underestimation of employment will differ for the ERA and control groups, the limitations of these data should be kept in mind when interpreting the results.

Outcomes for the control group are the benchmark used to judge the effects of ERA, given that they represent what would have happened to the ERA group in the absence of the programme. Figure 4.1 presents employment rates over the two-year period for the control group. Employment rates remained very low over the entire period, never increasing much beyond 20 per cent in any given month. In contrast, monthly employment rates for the NDLP group (not shown) increased to a little over 40 per cent by the later part of the follow-up period. A comparison of the percentage of ND25+ customers who worked at some point over the two-year period (42 per cent) with the percentage employed in any given month (20 per cent) illustrates that a fair number of people who worked did not stay employed for long. (See Box 4.1 for an example of one ND25+ customer's challenges of sustaining work.)

**Figure 4.1 Control group employment rates over the first two years after random assignment for ND25+ customers, estimated from administrative records**



<sup>91</sup> The employment records also required cleaning for them to be suitable for evaluation purposes. A fair number of cases, for example, had unknown job start and end dates. However, the extent of data cleaning did not differ between the ERA and control groups.

#### Box 4.1 Case study 1, The challenge of breaking out of the 'no pay, low pay' cycle: Tom

In common with many customers, Tom was moving between employment and benefits, because of the nature of the labour market in which he wanted to work. He worked in predominantly low-skilled, manual jobs that were often offered only as fixed-term contracts or through agencies. As Tom said of his most recent job during his second interview:

*'If it weren't agency work, I'd still be working, you know what I mean. That was what, I don't need a kick up bum, like, to tell me to work. If one of them jobs had just said, "Well, you're on permanent", that would make my day.'*

Like many customers with these types of experiences, Tom was striving for full-time, permanent work but was finding this difficult to attain. He was out of work at the time of the first interview but had just finished a six-month contract job. This was a continuation of unstable – mainly short-term contract – manual employment. By the time of the second interview (one year later), he had had three more jobs. Two of these were temporary, and he had lost the third, which he had expected to be permanent, when he became ill. He said that his ERA adviser did help him between jobs. Although he went back to the main Jobcentre Plus section to claim his benefits, he retained the help of an ERA adviser, whom he says helped him find work again. His adviser also contacted his employer at one point to make sure things were going well. He was not keen on undertaking training, however. What he really wanted was steady manual labour:

*'I've been slogging all my life, but I've never been one for, well...not education, but learning a skill. I just like getting stuck in on a job, earning a wage at end of week, and that's it, looking after my family.'*

Tom talked about how he had worked since he left school and the importance to him of being a worker and earning a wage to support his family. He was receptive to the idea of in-work training, if it was necessary for his job, but not as an 'extra' in order to gain new skills and move into better work. The in-work advice and help he received from ERA appeared to act as a support. However, the nature of his employment (that he was keen to continue), combined with his reluctance to move in a different direction, meant that his labour-market position remained fragile and he continued to cycle between benefits and low-paid, temporary work.

Table 4.1 summarises ERA's impacts on employment and earnings (for guidance on reading an impact table, see Box 4.2). Although ERA had no significant effects on total months worked during the period or on earnings in the 2005/06 tax year, it did increase the fraction of ND25+ customers who worked at some point during year 2, by nearly three percentage points. Figure 4.2 presents effects on monthly

employment and shows a slight divergence in rates between the programme and control groups in year 2, although most differences are quite small and not statistically significant.

**Table 4.1 Effects of ERA on employment and earnings within two years after random assignment for ND25+ customers, estimated from administrative records**

<b>Outcome</b>	<b>ERA group</b>	<b>Control group</b>	<b>Difference (impact)</b>	<b>P-value</b>
<b>Ever employed during (%)</b>				
Year 1	35.8	35.0	0.7	0.526
Year 2	33.9	31.3	2.6**	0.020
Years 1-2	44.2	42.2	2.0*	0.082
<b>Average number of months employed during</b>				
Year 1	2.3	2.3	0.0	0.812
Year 2	2.7	2.5	0.2	0.113
Years 1-2	5.0	4.8	0.2	0.289
Employed during month 24 (%)	22.2	21.0	1.3	0.191
Average earnings during 2005/06 tax year (£)	2,848	2,679	169	0.235
Sample size = 6,782	3,424	3,358		

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

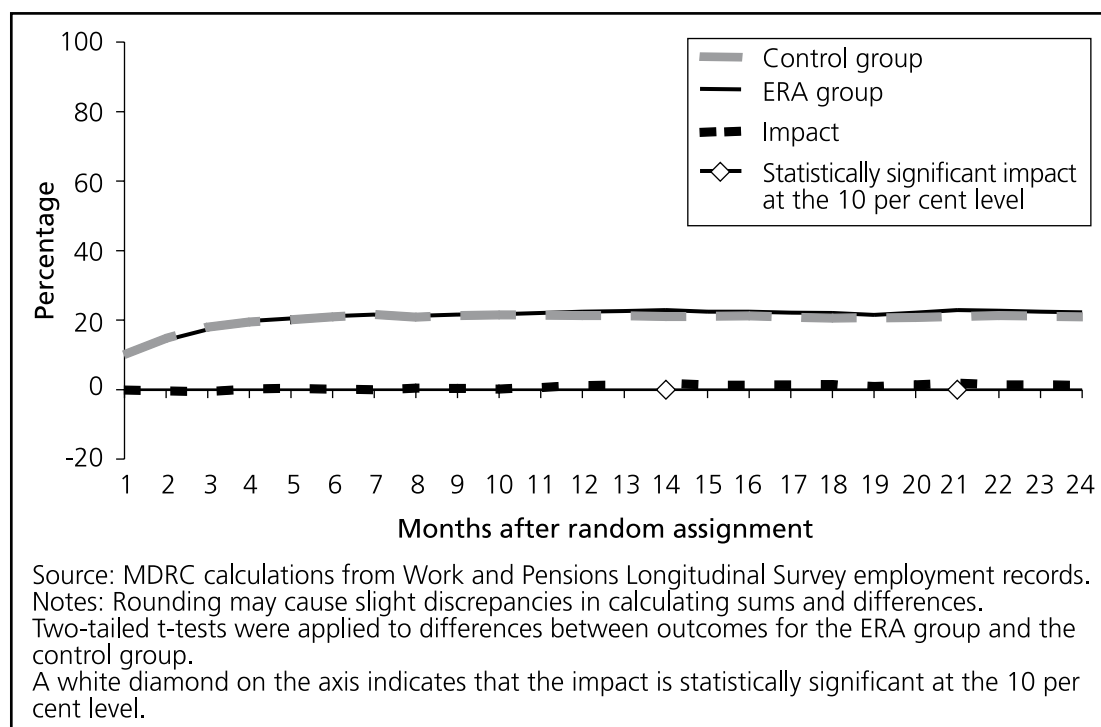
Notes: Estimates were regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members.

Rounding may cause slight discrepancies in calculating sums and differences.

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

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

**Figure 4.2 ERA group and control group employment rate trends over the first two years after random assignment for ND25+ customers, estimated from administrative records**



Although the administrative data provide no information on hours worked, it can be inferred from the lack of effects on earnings that ERA did not encourage a movement from part-time to full-time work, as found for the two lone parent groups. This finding is somewhat expected, given that the majority of employed ND25+ customers work full-time (see Table 4.4 and the report on ERA's first-year findings). Effects on hours worked were also not found at the one-year point, as shown in the earlier report.<sup>92</sup> However, these data do not provide any evidence on other aspects of jobs held, such as employer-provided benefits.

<sup>92</sup> See Dorsett *et al.*, 2007.

#### Box 4.2 How to read the impact tables in this report

Most impact tables in this report use a similar format, illustrated below. The example below shows employment outcomes for the ERA group and the control group, indicating the percentage ever employed in years 1 and 2. For example, about 44 (44.2) per cent of ERA group members and about 42 (42.2) per cent of control group members worked at some point over the two-year period.

Because individuals were assigned randomly either to the ERA programme or to the control group, the effects of the programme can be estimated by the difference in outcomes between the two groups. The 'Difference' column in the table shows the difference between the two groups on several outcomes. These differences represent the programme's impact on various outcomes. For example, the **impact** on employment in years 1-2 can be calculated by subtracting 44.2 from 42.2, yielding 2.0 percentage points. Thus, ERA increased the likelihood that people would work during this period.

Differences marked with asterisks are 'statistically significant', meaning that it is quite unlikely that the differences arose by chance. The number of asterisks indicates whether the impact is statistically significant at the one per cent, five per cent, or ten per cent level (the lower the level, the less likely that the impact is due to chance). For example, as shown below, the ERA programme had a statistically significant impact of 2.6 percentage points at the five per cent level on customers working in year 2. (One asterisk corresponds to the ten per cent level; two asterisks, the five per cent level; and three asterisks, the one per cent level.) The p-value indicates the probability that the difference arose by chance.

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

Outcome	ERA group	Control group	Difference (impact)	P-value
<b>Ever employed (%)</b>				
Year 1	35.8	35.9	0.7	0.526
Year 2	33.9	31.3	2.6**	0.020
Years 1-2	44.2	42.2	2.0*	0.082
<i>Average duration of first employment among workers (months)</i>	9.7	9.8		



## 4.5 Impacts on benefits receipt

Table 4.2 presents impacts on benefits receipt. ND25+ customers were all receiving Jobseeker's Allowance (JSA) at the time of study entry. By month 24, 44.7 per cent of the control group were still receiving JSA, compared with 42.2 per cent of the ERA group, for a statistically significant reduction of 2.6 percentage points. Matching the effects on employment, ERA's effects on JSA receipt did not emerge until the second follow-up year. As with employment, however, the effects are quite small. The programme group received JSA for 0.4 months (or almost two weeks) less than the control group in year 2, for an average saving of £72.

**Table 4.2 Effects of ERA on benefits receipt within two years after random assignment for ND25+ customers, estimated from administrative records**

Outcome	ERA group	Control group	Difference (impact)	P-value
<b>Average number of months receiving JSA in</b>				
Year 1	7.9	7.9	0.0	0.879
Year 2	5.4	5.7	-0.4***	0.003
Years 1-2	13.3	13.6	-0.3*	0.070
Receiving JSA in month 24 (%)	42.2	44.7	-2.6**	0.027
<b>Average JSA payment received in (£)</b>				
Year 1	2,267	2,274	-7	0.862
Year 2	1,433	1,505	-72*	0.062
Years 1-2	3,700	3,779	-79	0.254
Number of months received IS in years 1-2	2.3	2.3	0.0	0.729
Average total IS received in years 1-2 (£)	626	616	11	0.795
Number of months received IS or JSA in years 1-2	15.4	15.7	-0.3	0.119
Average total IS and JSA received in years 1-2 (£)	4,327	4,394	-68	0.339
Number of months received IB in years 1-2	2.6	2.7	-0.1	0.457
Ever received IB in years 1-2 (%)	22.2	24.3	-2.1**	0.041
Sample size = 6,782	3,424	3,358		

Source: MDRC calculations from Work and Pensions Longitudinal Study benefit receipt records.

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

Rounding may cause slight discrepancies in calculating sums and differences.

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

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

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

## 4.6 Impacts on retention

Although ERA increased employment rates in the second year, it is not clear whether the programme had this effect by encouraging individuals to move into work or by increasing employment retention among workers. As shown in Chapter 3, among working customers, programme group members were considerably more likely than control group members to have received in-work support, suggesting the possibility of impacts on retention. If ERA increased retention, for example, programme-control differences in employment rates would emerge as those in the control group began losing their jobs. This section takes a closer look at ERA's effects on employment retention, using a variety of measures.<sup>93</sup>

The number of employment and non-employment spells provides an indication of movement from job to job and can provide a measure of employment instability. The time to first employment demonstrates ERA's effects on helping ND25+ customers move into work more quickly, either through pre-employment advising or the retention bonus or both. Several outcomes are included that measure the duration of the employment, to provide a broad picture of employment retention. This includes continuous employment in the first job spells and in employment that began in year 1.

Table 4.3 presents the results. Overall, the results suggest that ERA did not increase employment in year 2 by increasing retention but instead encouraged those who would not have worked to enter work in year 2. This can be seen from the lack of impacts on the duration of first employment and on the continuity of employment among those who entered work in year 1. In addition, under the outcome 'time to first employment', the effect of ERA was to reduce the number of customers who never worked (by 2.0 percentage points) and increase the number who entered employment for the first time in the months 13 to 23 (by 1.7 percentage points).

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<sup>93</sup> It is difficult to capture ERA's effects on retention, given that employment length is examined only among workers. In this case, even experimental outcomes, or those including zeroes for non-workers, are difficult to interpret with certainty. Nonetheless, the variety of measures presented here gives some indication of the programme's effects.

**Table 4.3 Effects of ERA on employment dynamics within two years after random assignment for ND25+ customers, estimated from administrative records**

<b>Outcome</b>	<b>ERA group</b>	<b>Control group</b>	<b>Difference (impact)</b>	<b>P-value</b>
Average number of employment spells	0.6	0.5	0.0	0.265
Average number of non-employment spells	1.2	1.2	0.0	0.561
Average number of months to first employment	16.0	16.1	-0.1	0.648
<b>Time to first employment (%)</b>				
Employed in the month of random assignment	9.9	10.1	-0.2	0.803
1 to 6 months	18.9	19.1	-0.1	0.900
7 to 12 months	7.9	7.3	0.6	0.336
13 to 23 months	7.5	5.8	1.7***	0.005
Never employed	55.8	57.8	-2.0*	0.082
Average duration of first employment (months)	4.3	4.1	0.2	0.245
<i>Average duration of first employment among workers (months)</i>	9.7	9.8		
<b>Duration of first employment (%)</b>				
Never employed	55.8	57.8	-2.0*	0.082
1 to 6 months	20.7	19.6	1.1	0.241
7 to 12 months	8.9	8.9	0.1	0.935
13 to 23 months	12.2	11.3	1.0	0.219
Employed continuously	2.3	2.5	-0.1	0.724
<b>Employed in year 1 and worked consecutively for (%)</b>				
Less than 6 months	10.2	10.0	0.1	0.857
6 to 12 months	9.4	9.6	-0.2	0.794
More than 12 months	16.2	15.4	0.8	0.379
Employed in year 1 and worked consecutively for 6 months or more (%)	25.6	25.0	0.6	0.572
<i>Of all customers who worked in year 1, percentage who worked consecutively for 6 months or more</i>	71.6	71.2		
<i>Of all customers who worked in year 1, percentage who worked consecutively for 12 months or more</i>	48.3	46.8		
Sample size = 6,782	3,424	3,358		

### Table 4.3 Continued

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

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

Rounding may cause slight discrepancies in calculating sums and differences.

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

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

Italics indicate comparisons that are non-experimental since statistics were calculated for non-random subsets of the sample. Statistical tests were not performed.

Aside from demonstrating where ERA had its effects, the table is suggestive of the severe employment barriers many of the ND25+ customers faced. The population appears to consist of a small fraction of individuals who can find stable work – about 15 per cent worked in year 1 and worked stably thereafter. Another fifth found work early but stayed employed for less than a year. However, more than half of this group (58 per cent) did not work at any point during the two-year period. Of course, the administrative data are unlikely to capture all employment taken up by this group but the low rates of formal work are striking.

## 4.7 A descriptive look at jobs held by the programme group

Although the survey is not used to estimate programme impacts, these data can be used to provide a look at the types of jobs ND25+ customers held over the two-year period. Table 4.4 presents selected job characteristics for the ERA group. Note that, given the low response rates for the survey and the fact that it is comprised of an early cohort of participants, the survey sample is not necessarily representative of the full sample. This caution should be kept in mind when considering the results.

According to the survey data, about 56 per cent of the ERA group reported working at some point during the follow-up period. This rate is somewhat higher than the rate obtained using administrative data, a difference that may have occurred because informal employment was not captured in the administrative data and because respondents to the 24-month survey may represent a more employable group than the full sample. The data show that only about half of these jobs were considered 'permanent' and that ten per cent were reported as self-employment.

**Table 4.4 Characteristics of the current or most recent job held by the ND25+ ERA group within two years after random assignment**

<b>Outcome</b>	<b>ERA group</b>
<b>Among those who worked at some point in years 1-2</b>	
Had permanent job (%)	51.3
Was self-employed (%)	10.0
<b>Among those working at the 24-month survey</b>	
Hourly wage (£)	6.8
Working 30 or more hours (%)	70.9
<b>Has fringe benefits offered by respondent's employer (%)</b>	
Pension	35.1
Paid holidays	67.0
Flexible working hours	40.1
Paid or unpaid time off for family reasons	43.8
Sick pay	52.5
Car or van for own private use	5.5
Creche or nursery at workplace	6.4
Trade union membership	21.6
Is a trade union member (%)	7.7
Received promotions or increases in responsibility (%)	11.3
Foresees further opportunities for promotion or increases in responsibility (%)	33.7
Received a pay rise (%)	40.1
Sample size	190

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

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

Among those employed at the 24-month survey (37 per cent), most worked full-time. However, hourly wages were fairly low, at £6.80, as were rates of fringe benefits receipt. For example, only a third were in a pension scheme and 44 per cent received paid or unpaid time off. Very few of those working were union members. Finally, promotions and promotion possibilities were fairly limited for the ND25+ group. Only 11 per cent of workers received a promotion on the job and a third foresaw opportunities for promotion. Overall, the data paint a picture of fairly low-quality jobs held by the ND25+ group, even though the majority of jobs are full-time. Thus, once the programme meets the challenge of helping more of this group move into, and stay in, work, there is much room for improvement in helping them advance to better jobs. (See Box 4.3 for an example of one ND25+ customer's advancement challenges.)

A comparison with the NDLP group (data not shown) also highlights the low quality of jobs for the ND25+ group. Although average wages were similar

for the two groups, only a third of ND25+ workers received a pension from work, compared with 48 per cent of the NDLP workers. Only eight per cent of ND25+ workers reported being a trade union member, compared with 14 per cent of NDLP workers. Finally, the lower-quality jobs appear to come with fewer opportunities for promotion. Only 11 per cent of ND25+ workers received a promotion on the job, and a third foresaw opportunities for promotion, compared with 17 per cent and 47 per cent, respectively, for the NDLP group.

#### **Box 4.3 Case study 2, The challenges of advancement: Kevin**

Kevin is a single male with no dependents who left school with no qualifications and then had an unstable work history. He was helped by his adviser to find work through an employment agency to do grounds maintenance and street cleaning for a local council. By the third interview, he had moved to another council. Throughout this period, he was continuously employed, only missing a period of a few weeks while recovering from a minor operation. However, he was unsuccessful in his efforts to secure permanent employment.

At the time of the first interview, Kevin was unaware of the training possibilities on ERA but he was keen to develop his skills and undertake training. His goal was to get permanent work and he thought that taking on more responsibilities and learning new skills would make him more attractive to his employer or to another employer in the future. By the second interview, he had been trained to do different types of work and felt that this put him in a stronger position to keep his job.

Q: *'What does advancement in the work mean to you?'*

R: *'Getting more responsibility. That's why I want to use machines, because it's getting more responsibility.'*

Q: *'So because of that do you feel you have advanced at work?'*

R: *'Yes, I got another step up the ladder, so if they wanted to sack me they might not because they would have to find another driver.'*

His position, however, was fragile. Without a permanent contract, he had poor conditions at work. At the time of the third interview, he had moved to a different council, because he had been laid off after convalescing for three weeks after his operation. Although he was once more working continuously, this council laid him off every winter and then hired him in a different department. He still had no sick pay or pension. He stated that he would have more rights if he worked solidly for one year but his employer stops this from happening through the lay-off device:

*'If you get there for a year, you get more chance of getting a job at the end of a year, ...that's why they split the firm into two; they keep you for six months in one firm, one part and then chuck you in the other part for six months, so you can't say you've been here a year.'*

**Box 4.3 (continued)**

In terms of his involvement in ERA, Kevin did take advantage of the training and claimed the incentive payments. He used the retention bonus to buy a car and said that he probably would not have taken or kept the job without the bonus, as the journey on public transport would have been too difficult and he would not have been able to buy a car with his low wages. He felt, however, that he had not had much adviser support and that he had to persuade his adviser to arrange ERA funding for some training. By the time of the third interview, he had failed the course and was regretting not taking a number of smaller, less demanding courses.

Kevin was one type of customer that ERA was designed to help. His aim had been to advance from agency work and secure permanent employment with the council he was working for. However, he had not succeeded in this. In common with a number of customers with a steady work history, he had combined his work with some training to gain new skills and qualifications, but this had not resulted in any work progression during the study's time frame.

## 4.8 Effects across districts

This section considers whether ERA's effects vary across districts. The possibility of district-level variation arises because of differences in local labour market conditions, staffing patterns, and implementation practices. The primary focus in the following analysis is whether the **variation** in effects across districts is statistically significant. Such a significance test is necessary, given the natural variation around the average impact that will occur when the sample is divided into subsamples, and indicates whether the observed variation is more than what would be expected to occur by chance. If this variation is not statistically significant, it cannot be concluded that ERA worked better in some districts than others.

### 4.8.1 Labour market and benefits outcomes

Figure 4.3 presents effects by district on three key outcomes. The top panel presents effects on the number of months employed, ranging from +1.1 months in Scotland to -1.4 months in Wales. The variation across districts is statistically significant, as indicated by the daggers in the upper right corner. Typically, in a case where the full sample shows no significant effects, evidence of district variation would signal good news that ERA did appear to have effects at least in some areas. However, further analyses (not shown) revealed that this variation is statistically significant largely because of the negative effects in Wales. With this district excluded, there is no significant variation in effects across the other five districts.

**Figure 4.3 Effects of ERA on employment, earnings, and benefits receipt within two years after random assignment for ND25+ customers, estimated from administrative records, by district**

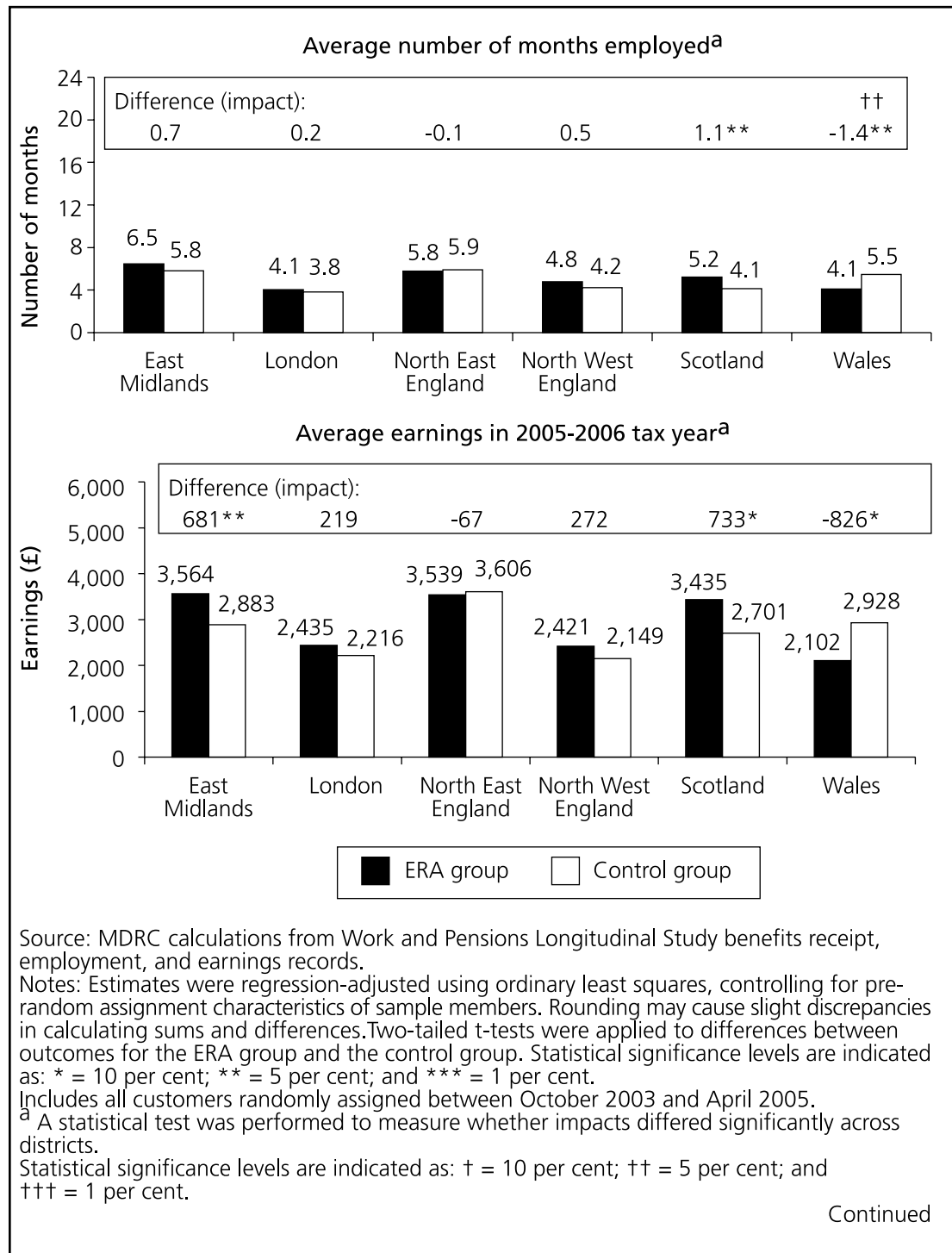
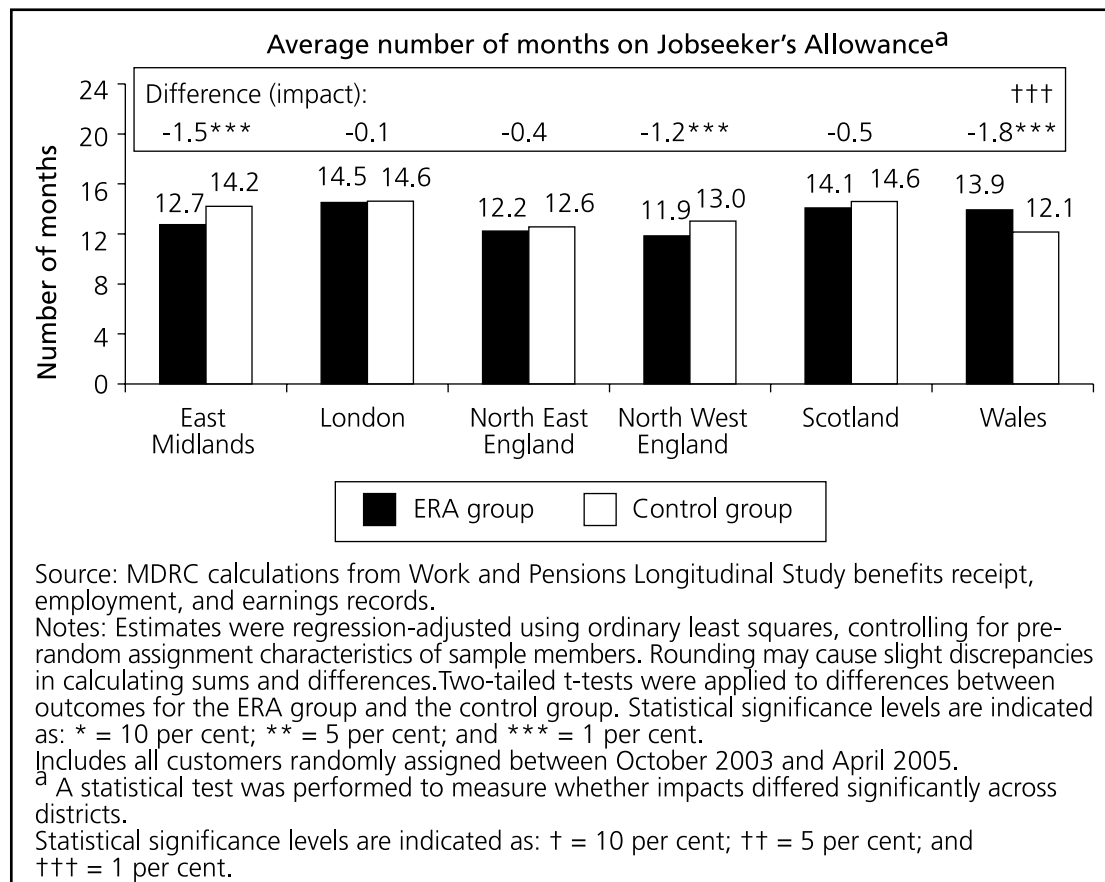




Figure 4.3 Continued



For earnings in the 2005/06 tax year, the variation across districts is not statistically significant, even with the relatively large negative effect in Wales. Finally, effects on JSA receipt, shown in the bottom panel, show statistically significant variation across districts. With Wales excluded, however, this variation is not statistically significant.

The negative effects in Wales are counterintuitive, given that there is nothing about the ERA treatment that should lead to large negative effects. The pre-employment phase did call for more consideration of the advancement aspects of particular jobs, which might have led to some delay in job entry. But there is little evidence that this treatment difference occurred. Nor would it have led to such large negative effects.

However, there are several reasons to suggest that the effects in Wales may be related to programme implementation. As documented in the first-year report, staff shortages in Wales meant that the intensity of pre-employment treatment was likely to be greater for the control group than the programme group. In fact, administrative data indicate that progression through the ND25+ programme and each of its stages was slower for the programme group than the control group. Thus, the Wales results, while disappointing, do point to some important

lessons for staffing a programme with both a pre- and post-employment phase (see Chapter 2 and Box 4.4).<sup>94</sup>

Nonetheless, the Wales results cannot be excluded from the analysis when considering the overall effects of ERA. First, it is difficult to determine how much of this district's negative effects are due to implementation differences compared to natural variation around an overall average impact. Second, when implementing a programme such as ERA in various districts, it may be the case that some districts will experience the types of staffing shortages and implementation difficulties faced by Wales. In any case, the effects observed in Figure 4.3 for the other five districts suggest that the overall conclusion about ERA's effectiveness would not change much, even if Wales were excluded. Effects on earnings and employment were small and statistically insignificant in three of the five districts. Although two districts did show positive and significant impacts, the statistical test for district variation suggested that these two effects may have arisen simply by chance. Thus, there is no strong evidence to suggest that ERA 'worked' in these two districts.

#### **Box 4.4 Lessons learned from Wales: Staffing for pre-employment support**

Although several districts experienced staffing shortages to some degree, they were much more severe in Wales. In this district, staffing shortages occurred for the ND25+ programme group but not for the control group (or for the NDLP group), with the result that the control group was likely to have received a more intensive pre-employment treatment. Thus, the pre-employment component of ERA was not implemented in a way that was consistent with the programme model. Although it cannot be determined definitively, the weaker pre-employment intervention received by the ERA group in Wales may help explain the negative effects observed in that district – the programme group worked less and earned less over the course of the follow-up period than the control group. The results highlight the importance of not losing sight of pre-employment services, even within a programme that is largely directed towards post-employment services. This is particularly relevant for the ND25+ sample, for whom retention and advancement depend on receiving adequate support to find employment.

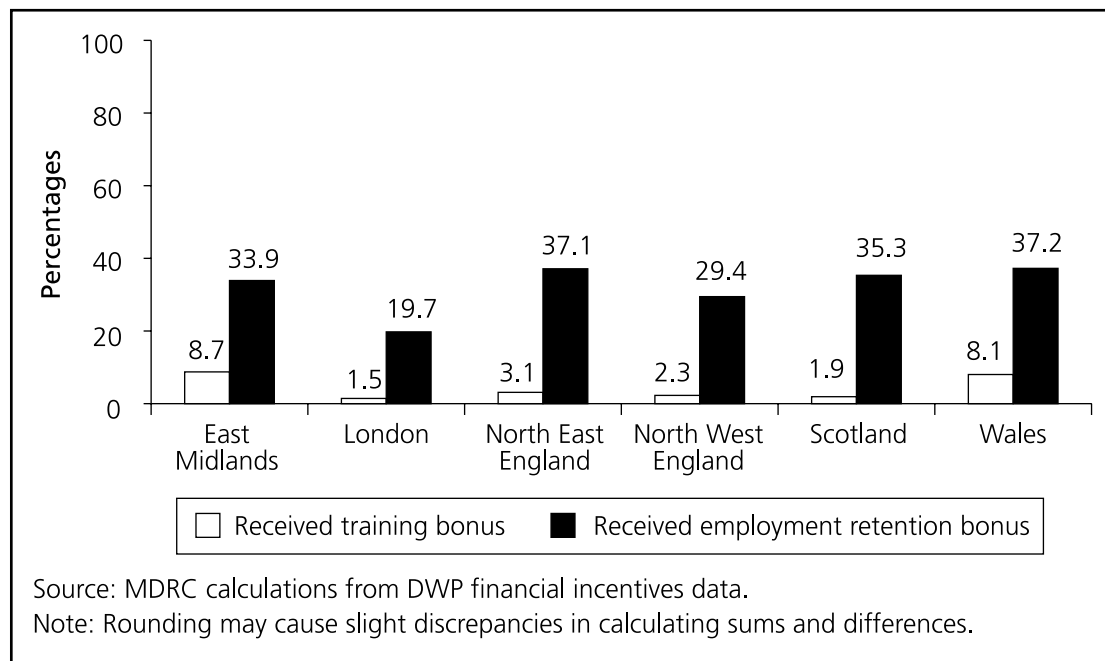
### **4.8.2 Receipt of incentives**

Figure 4.4 presents the receipt of retention and training bonuses across districts. Receiving the training bonus was dependent on completing a course of training, while the employment retention bonus was paid to those who worked for 30 hours or more for 13 weeks during a 17-week period. Therefore, receiving a

<sup>94</sup> Because Job Entry Targets were also a priority for this district, there was pressure on staff to maximise job entries. ERA advisers, in contrast, were not subject to the same pressures.

training bonus was dependent on being offered and accepting the opportunity to undertake training and on successful completion of the course. The receipt of the training bonus was highest in the East Midlands and Wales. Differences between districts were statistically significant (not shown), suggesting that there may have been a greater emphasis placed on training in some areas. However, employment rates were relatively high in the East Midlands as well, which likely explains some part of this difference.

**Figure 4.4 Receipt of ERA work and training bonuses within two years after random assignment for ND25+ customers, estimated from administrative records, by district (ERA group only)**



There was also statistically significant variation across districts in the receipt of the retention bonus, with only 19.7 per cent of the treatment group in London receiving this bonus, compared with 37.2 per cent in Wales. These differences seem to be driven, in part, by variation in employment rates. The programme group in London, for example, had relatively low employment rates over the period, indicating less opportunity to take up the incentive. Take-up of the bonus, although also affecting programme impacts, will depend, in large part, on the level of employment for the programme group, irrespective of the programme-control difference. The high receipt rates in Wales are somewhat surprising, given the negative employment and earnings effects in this district and suggest that the problems of delivering pre-employment services did not carry over into the post-employment phase.

## 4.9 Conclusions

After two years, ERA has had small effects on the ND25+ group. Although ERA increased employment rates by a small amount in year 2, fewer than half of the ND25+ customers worked during the two-year period. The programme had no significant effects on earnings during the 2005/06 tax year or on other measures of retention. Also, aside from the negative effects in Wales, which suggest some policy lessons in terms of the importance of staffing for pre-employment services even in a programme focused on post-employment, there is little evidence that the programme worked better in some districts. A later report will examine whether these effects grow over time, suggesting that this group needed more lead time to move into work and take advantage of the post-employment supports or whether the effects are short-lived.

In contrast to the findings reported here, ERA had notable, positive effects for the two lone-parent groups, largely by encouraging people who would have worked part time to increase their hours. What might explain the smaller effects for the ND25+ group? First, when they work, ND25+ customers tend to work full-time, leaving less room for a large change in hours worked. However, the ND25+ group also had much lower employment rates over the follow-up period than the lone parent groups, raising the question of why ERA was not able to move more of them into work. As noted in Chapter 1, the ND25+ population as a whole (beyond the research sample) exhibits very low employment and retention rates and a range of important barriers to work, including high rates of disability and illness, few skills, criminal records and drug or alcohol dependence. The research sample resembles the broader population on a select set of demographic characteristics and, judging by their low rates of employment over the two-year period, faces many of the same employment barriers. In addition, and in contrast to the lone parent groups, the ND25+ group appears to face important structural barriers to retention and advancement in the form of heavy reliance on low-skilled, manual jobs that are often offered only through fixed contracts or temp agencies.

The existence of these barriers suggests that ERA, as a largely post-employment programme, may have simply not been enough for the ND25+ group. The pre-employment services did not significantly differ from what they would have received anyway and the 'carrot' of the incentives was not enough to move substantially more customers into work. The programme did not set out to provide extensive pre-employment services to address barriers to work. The results suggest, however, that this may be a first step in helping this group advance.

# 5 Impacts across subgroups

## 5.1 Introduction

This chapter explores whether Employment Retention and Advancement programme's (ERA's) effects varied across subgroups of customers. Although there was little evidence that ERA affected employment, earnings and benefits receipt in the aggregate, it may have been more or less effective, for example, for those facing particular barriers to employment. This is an important area for investigation, as it may be the case that, even if ERA has no overall impact, it improves the prospects of the most disadvantaged groups, with implications for future policymaking. This chapter assesses whether this was the case.

Since the impact of ERA would be expected to vary across subgroups, this chapter focuses on whether this variation is consistent with natural variation around the average effect for the full sample or is more than would be expected by chance. If the variation in the impact of ERA among subgroups is statistically significant, this indicates that it has a fundamentally different effect on some groups of individuals. Systematic variation across subgroups is informative in terms of knowing which groups might be most affected by ERA. Conversely, a lack of significant variation could be taken as evidence that the effect of ERA is more universally distributed. Less focus is given to whether the impacts for a given subgroup are statistically significant, given that small sample sizes reduce the likelihood of detecting a statistically significant impact.

This chapter begins by considering ERA's effects across subgroups on employment, earnings, and benefits receipt for subgroups of New Deal 25 Plus (ND25+) customers. The chapter then moves on to consider subgroup differences in the likelihood of receiving the ERA training and employment retention bonuses.

## 5.2 Economic impacts across subgroups

A variety of hypotheses might be proposed regarding the expected variation in ERA's effects across different types of individuals. One possibility, for example, is that ERA might address relative disadvantage, assisting those who face the

greatest barriers to employment more than those who would find it easier to enter work. Alternatively, it may be most effective for those who have recent work experience or are more highly qualified.

In identifying whether some groups benefit more from ERA, it is important to note that there is likely to be some overlap among groups. For example, many of the individuals with low educational qualifications will probably also have limited recent work experience, given the association between education and employment. Therefore, if the impact of ERA varied at all by subgroup, it would be unsurprising to find that these differences are apparent across a number of similar groups. Some degree of overlap also implies that the effects for a given subgroup, say, those with low qualifications, may not be due to education, per se but to the correlation between education and work history. Conditional impact analysis helps to allocate the observed subgroup effect to the subgroup characteristic, per se or to its association with other factors.<sup>95</sup> When relevant, the results from this analysis are discussed in the text.

Table 5.1 presents effects on the number of months that the ND25+ group spent in employment over the two years following random assignment and their average earnings in the 2005/06 tax year. Overall, there is very little statistically significant subgroup variation, as indicated by daggers in the table. For example, ERA increased the amount of time that individuals with no qualifications spent in employment over the two years following random assignment by 0.6 months. However, when impacts for those with no qualifications were compared with those with higher-level qualifications, there is no evidence that the impact of ERA varied by educational attainment. In other words, the variation across the three groups is not more than would be expected by chance.

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<sup>95</sup> Technically, the analysis involves regressing the outcome of interest on treatment status interacted with the subgroup of interest and interacted with a range of demographic variables that define other subgroups of interest.

**Table 5.1 Effects of ERA on employment and earnings within two years after random assignment for ND25+ customers, estimated from administrative records, by subgroup**

	Average number of months employed during months 1-24				Average earnings during 2005/06 tax year (£)				
	ERA group	Control group	Difference (impact)	P-value	ERA group	Control group	Difference (impact)	P-value	Sample size
All participants	5.0	4.8	0.2	0.289	2,848	2,679	169	0.235	6,782
Race/ethnicity									
White	5.0	4.8	0.2	0.246	2,914	2,828	86	0.596	5,304
Ethnic minority	4.9	4.9	0.0	0.972	2,648	2,114	533*	0.071	1,451
Age of youngest child									
Under 7 years	5.9	6.3	-0.4	0.586	3,700	2,971	729	0.210	554
7 to 11 years old	5.4	6.3	-0.9	0.472	2,712	3,470	-758	0.379	188
12 to 16 years old	4.7	7.2	-2.4*	0.069	4,010	2,528	1,482	0.184	143
Number of months worked in 3 years prior to random assignment									
None	3.6	3.3	0.3	0.134	2,019	1,679	340**	0.048	3,085
1-12	5.5	5.6	-0.1	0.807	3,184	3,238	-54	0.842	2,293
13+	7.3	6.8	0.5	0.219	4,210	3,848	363	0.305	1,404
Housing status									
Family	5.0	4.5	0.5	0.160	2,586	2,838	-252	0.406	1,514
Social	5.0	4.6	0.5*	0.079	2,860	2,175	685***	0.001	3,001
Private	5.2	5.6	-0.4	0.246	3,222	3,391	-169	0.554	2,030
Qualifications									
None	4.5	3.9	0.6**	0.041	2,312	1,945	367*	0.084	2,465
GCSE	5.6	5.2	0.4	0.299	3,001	2,824	177	0.505	1,823
A-Level	5.3	5.5	-0.2	0.575	3,282	3,356	-75	0.824	1,598

Continued

Table 5.1 Continued

Cohort	Average number of months employed during months 1-24			Average earnings during 2005/06 tax year (£)			Sample size		
	ERA group	Control group	Difference (impact)	P-value	ERA group	Control group		Difference (impact)	P-value
Early (October 2003 - May 2004)	4.9	5.0	-0.1	0.619	2,894	2,861	34	0.871	3,242
Late (June 2004 - April 2005)	5.2	4.7	0.5**	0.047	2,820	2,497	324*	0.097	3,540
<b>Number of barriers to employment</b>									
None	5.4	5.3	0.1	0.673	3,162	3,028	134	0.601	2,517
One	5.0	4.7	0.3	0.201	2,758	2,478	280	0.166	2,965
Two or more	4.2	4.4	-0.2	0.602	2,501	2,407	93	0.760	1,300
<b>Severely disadvantaged</b>									
Yes	3.4	2.8	0.6*	0.060	1,768	1,256	512**	0.032	1,364
No	5.4	5.3	0.1	0.676	3,131	3,024	107	0.522	5,418

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

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

Rounding may cause slight discrepancies in calculating sums and differences.

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

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

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

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

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

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

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



The only exceptions to the general pattern of ERA having a fairly similar impact on different subgroups of ND25+ customers was for housing status and the timing of random assignment. ERA raised average earnings in the 2005/06 tax year by a greater amount for those in social housing than for those in family or private accommodation, to some extent addressing the relative disadvantage of this group (shown by the lower earnings of the control group). However, given that these two effects are the only statistically significant findings in tests across multiple subgroups, their significance could be due to chance and should not be overstated.<sup>96</sup> The overall conclusion from the table is that the evidence that the effects of ERA varied across different types of people is weak.

Table 5.2 presents effects on benefits receipt. Across most subgroups, there was no evidence that ERA affected particular groups of individuals differently. The exception to this was employment history. Those who worked for 13 or more months from the three years before random assignment spent over a month less on Jobseeker's Allowance (JSA) than the control group over the two-year period considered, while ERA reduced time spent on JSA by only half a month for those who had not worked at all in the three years before random assignment. Again, some caution should be taken when interpreting these results, given that they occurred for only one of many subgroups examined.

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<sup>96</sup> When multiple subgroup differences are tested, a few will be statistically significant simply by chance. The results should be interpreted with this caution in mind. Although there are ways to correct for the number of tests conducted, they are not used here, given the lack of consensus about the most appropriate method.

**Table 5.2 Effects of ERA on benefits receipt and payments within two years after random assignment for ND25+ customers, estimated from administrative records, by subgroup**

	Average number of months receiving JSA in months 1-24				Average number of months receiving JSA in months 13-24				Sample size
	ERA group	Control group	Difference (impact)	P-value	ERA group	Control group	Difference (impact)	P-value	
All participants	13.3	13.6	-0.3*	0.069	5.4	5.7	-0.4***	0.003	6,782
Race/ethnicity									
White	13.3	13.6	-0.3	0.218	5.4	5.7	-0.3**	0.021	5,304
Ethnic minority	12.9	13.8	-1.0**	0.026	5.2	5.9	-0.7**	0.016	1,451
Age of youngest child									
Under 7 years	11.6	11.4	0.2	0.720	4.5	4.5	-0.1	0.881	554
7 to 11 years old	11.8	11.4	0.4	0.721	4.6	4.5	0.1	0.851	188
12 to 16 years old	12.8	12.5	0.3	0.836	5.5	5.0	0.6	0.525	143
Number of months worked in 3 years prior to random assignment									
None	14.4	14.9	-0.5*	0.075	6.0	6.5	-0.5***	0.004	3,085
1-12	13.2	12.9	0.3	0.365	5.5	5.4	0.1	0.644	2,293
13+	10.8	11.9	-1.1***	0.006	3.9	4.7	-0.8***	0.002	1,404
Housing status									
Family	13.6	13.9	-0.3	0.402	5.6	6.0	-0.4	0.123	1,514
Social	13.6	14.2	-0.6**	0.046	5.6	6.1	-0.5***	0.007	3,001
Private	12.5	12.5	0.0	0.922	4.8	4.9	-0.2	0.470	2,030
Qualifications									
None	13.2	13.9	-0.7**	0.025	5.6	6.0	-0.4**	0.035	2,465
GCSE	13.6	13.8	-0.2	0.613	5.5	5.9	-0.3	0.151	1,823
A-Level	12.7	13.1	-0.4	0.279	4.7	5.2	-0.5**	0.041	1,598

Continued

Table 5.2 Continued

Cohort	Average number of months receiving JSA in months 1-24			Average number of months receiving JSA in months 13-24			Sample size		
	ERA group	Control group	Difference (impact)	P-value	ERA group	Control group		Difference (impact)	P-value
Early (October 2003 - May 2004)	13.4	13.7	-0.3	0.314	5.4	5.7	-0.3	0.102	3,242
Late (June 2004 - April 2005)	13.1	13.6	-0.4	0.128	5.4	5.8	-0.4**	0.012	3,540
<b>Number of barriers to employment</b>									
None	13.1	13.2	-0.1	0.674	5.3	5.6	-0.3	0.136	2,517
One	13.3	13.9	-0.6**	0.045	5.4	5.8	-0.4**	0.043	2,965
Two or more	13.6	13.8	-0.2	0.644	5.5	5.8	-0.4	0.197	1,300
<b>Severely disadvantaged</b>									
Yes	14.2	14.9	0.6	0.140	6.0	6.5	-0.5*	0.067	1,364
No	13.0	13.3	0.3	0.228	5.2	5.5	-0.3**	0.021	5,418

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

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

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

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

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

JSA = Jobseeker's Allowance.

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

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

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

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

### 5.3 Receipt of incentives across subgroups

Table 5.3 presents the receipt of training and employment retention bonuses by the programme group and so is based on non-experimental analysis. The table shows that receipt of the bonuses was more common among particular subgroups of ND25+ customers. Generally, the subgroups that were more likely to receive the training completion bonus were also more likely to receive the employment retention bonus, suggesting that the factors which made it more likely for customers to complete training also had a positive impact on their ability to maintain employment. The only subgroup difference, which was not statistically significant in predicting the likelihood of receiving the training bonus, was the age of the youngest child. This was probably explained by the small sample size for this comparison, since only 16 per cent of the ND25+ group had dependent children who were residing with them, while only four per cent of the ND25+ group received the training bonus (see Chapter 3). In addition, receipt of the employment retention bonus was not affected by the timing of random assignment.

The likelihood of receiving both the training and employment retention bonuses was greater for whites, compared with those from an ethnic minority, and for those who spent a greater proportion of the three years before random assignment in work, compared with those who had not worked at all in this period. There were also differences in the likelihood of receiving either bonus which were dependent on housing status, with only 2.4 per cent of those living with parents, friends, or relatives receiving the training bonus. However, it was those in social housing who were least likely to receive the employment retention bonus. This finding is somewhat surprising, given that this group appears to have shown larger effects on earnings. However, the receipt of the retention bonus depends as much on the employment levels of the programme group as on impacts. Employment and earnings were relatively low for the social housing group, particularly relative to those in private housing, meaning that fewer customers would have been eligible to receive the bonus.

Both the training and the retention bonuses were more likely to be paid to those with higher existing qualifications and to those who faced fewer barriers to employment. This suggests that these barriers affected the ability to participate in training and to maintain employment. And, in fact, employment rates for these two subgroups were higher than those for individuals with low qualifications or many barriers to work.

**Table 5.3 Bonus receipt rates for ND25+ customers, estimate from administrative records, by subgroup**

	Ever received work retention bonus within 24 months follow- up	Ever received training bonus within 24 months follow-up	Sample size
<b>All participants</b>	31.3	4.1	3,424
<b>Race/ethnicity</b>	+++	++	
White	32.4	4.5	2,703
Ethnic minority	26.2	2.6	709
<b>Age of youngest child</b>	++		
Under 7 years	37.8	4.7	301
7 to 11 years old	27.7	5.8	95
12 to 16 years old	23.7	2.9	71
<b>Number of months worked in 3 years prior to random assignment</b>	+++	+++	
None	21.3	2.6	1,596
1-12	36.1	4.4	1,110
13+	44.8	6.8	718
<b>Housing status</b>	++	+++	
Family	32.7	2.4	744
Social	29.7	4.8	1,488
Private	33.7	4.6	1,079
<b>Qualifications</b>	+++	+++	
None	23.9	1.8	1,229
GCSE	34.2	4.8	942
A-Level	38.3	6.2	794
<b>Cohort</b>		+++	
Early (October 2003 - May 2004)	31.4	3.3	1,626
Late (June 2004 - April 2005)	31.0	4.8	1,798
<b>Number of barriers to employment</b>	+++	++	
None	36.0	5.5	1,296
One	29.7	3.2	1,480
Two or more	25.5	3.6	648
<b>Severely disadvantaged</b>	+++	+++	
Yes	18.6	1.4	711
No	34.5	4.9	2,713

### Table 5.3 Continued

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

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

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

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

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

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

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

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

The clear differences between subgroups in receipt of the training completion and employment retention bonuses suggest a number of possibilities. Some groups might be more likely than others to be offered training opportunities. This could be for a variety of reasons, including an assessment of whether the available training is likely to enhance the likelihood of the individual advancing in work. For those who face multiple barriers to employment, it might be thought that training is unlikely to be of benefit when these barriers reduce their likelihood of sustaining work. Related to this is the fact that some subgroups are no doubt less likely to receive the training completion bonus because they are less likely to take up the training opportunities that are offered or to complete the training. This may be because their personal circumstances make it difficult for them to take part in training or because they are not sufficiently motivated to participate in, and complete, the course. Hoggart *et al.*<sup>97</sup> categorised attitudes towards advancement as falling into three broad types – positive, indifferent and ambiguous or ambivalent – and these attitudes are likely to affect willingness to undertake training. Similarly, receipt of the employment retention bonus is dependent both on the ability to find stable employment and the motivation to find and remain in work. Therefore, it is unsurprising that the personal circumstances of customers (for example, their educational qualifications) might determine their likelihood of finding and maintaining employment.

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<sup>97</sup> Hoggart *et al.*, 2006, p. 59.

## 5.4 Conclusions

Overall, ERA had a fairly similar impact on employment, earnings and benefits receipt across individuals in the ND25+ group, regardless of their personal characteristics, their employment history or the timing of random assignment. There was no consistent and reliable evidence that ERA assisted some groups of customers and failed to help others or that the minimal aggregate effects masked subgroup differences.

While there was little evidence that, in terms of economic outcomes, ERA was more effective for either the relatively disadvantaged or for those who were likely to be easier to help, receipt of the training completion bonus and the employment retention bonus did vary by subgroup. This suggested that personal circumstances were important in determining whether an individual received these bonuses. The non-experimental analysis for the ERA programme group showed that those who are usually viewed as the hardest to help (because of their poor qualifications or limited work experience, for example) were less likely to receive training completion and employment retention bonuses. However, it should be borne in mind that, while potentially available to all, receipt of these bonuses is dependent on being in employment. Consequently, those who face barriers to entering and sustaining employment are also most likely to face barriers to receiving the bonuses available under ERA.





## 6 Conclusions

This report has presented the implementation and effects of the Employment Retention and Advancement (ERA) programme for the New Deal 25 Plus (ND25+) target group. The impacts for this group were restricted to small gains in the rate of employment (between two and three percentage points) and correspondingly small reductions in the proportions who claimed out-of-work benefits and in the aggregate amounts claimed. These small improvements emerged only in the second year of their participation in ERA and they were not accompanied by substantially greater earnings or effects on other aspects of advancement.

Effects for the two lone parent groups are presented in a companion report and, in contrast to those presented here, were quite positive. Lone parents in the ERA groups worked more, earned more, participated more in education and training while they worked and were less likely to return to claiming benefits, compared with their respective lone parent control groups. These effects were visible both 12 and 24 months after random assignment.

Why did ERA have less effect for the ND25+ group? The reason probably does not fall to implementation differences. Although staff reported that, for a variety of reasons, ND25+ customers were more difficult to engage in programme services, they still delivered the core features of the model to this group, as they did to the two lone parent groups. ND25+ customers in the ERA group, for example, received substantially more in-work supports and services than their control group counterparts. In addition, receipt rates of the retention bonus were fairly similar among workers in all three target groups.

One possible reason for the different effects may be the nature of the different customer groups and, therefore, what their experiences would have been in the absence of the programme. As shown by the control groups, when New Deal for Lone Parents (NDLP) customers take jobs, they tend to work part-time. ERA increased earnings for this group largely by encouraging those who would have worked part-time to move to full-time work, presumably to become eligible for the retention bonus. Effects on employment rates, although positive, were small. In contrast, most ND25+ customers who take jobs work full-time. Thus, increasing earnings for this group would require pulling large numbers of them into work, something the programme was not able to do for any of the target groups.

For the ND25+ target group, however, increasing employment rates was a key challenge – fewer than half of them worked during the two-year period. While this low rate also means that fewer of the ND25+ customers were able to take advantage of ERA's in-work supports, which may help to explain the programme's limited effects, it highlights the importance of pre-employment support.<sup>98</sup> ERA was not designed to provide more pre-employment support than typically offered, but the results suggest that many in this group may need more.

This ND25+ target group is quite distinct from the lone parent target groups in the evaluation, and part of this difference stems from the ways in which they entered the study. ND25+ is a mandatory programme for long-term unemployed people, whereas NDLP is a voluntary programme for lone parents who have decided that now, or soon, may be the right time to enter the labour market. In addition, the ND25+ group as a whole can be characterised as facing more barriers to work than the NDLP group. Many face severe labour market disadvantages, such as lack of skills and/or outdated skills, a short or patchy work history and transport difficulties. More than a third have no educational qualifications at all and almost half had not worked in the three years before they entered the demonstration. Nationally, about 30 per cent of ND25+ participants report that they are suffering from some long-term illness or disability, while others have criminal records, drug or alcohol dependence or mental or physical health problems.<sup>99</sup>

Given their poor record in the labour market, their inclusion in a post-employment programme like ERA was ambitious, as an effort to try to do something new and bold to move them towards sustainable employment. The findings to date suggest that something more may be necessary to help move this group into work so that they are positioned to take advantage of the programme's distinctive in-work supports.

The findings presented here are not the final story on ERA. Longer-term follow-up is necessary to examine whether the small effects observed in year 2 grow over time. In addition, ERA services and benefits were available for 33 months, meaning that an additional nine months of enrolment will not be captured here. Finally, advancement and even retention are gradual processes that can take years to unfold. The evaluation of ERA will continue for several more years, following sample members for five years after they entered the study. The next set of results is scheduled to be published in early 2009.

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<sup>98</sup> The negative effects on employment and earnings in Wales, which may have resulted, in part, from staffing problems that caused the ERA group in that district to receive less job-placement assistance than the control group, also highlight the importance of pre-employment services for the ND25+ target group.

<sup>99</sup> Adebowale, 2004.

# Appendix A

## Data sources

**Table A.1 Data sources used for the ERA process and impact studies**

Data source	Sample	Time period and coverage
Qualitative data		
Four rounds of in-depth staff interviews (87 interviews in total)	<p>Round 1: 3 staff interviewed per site.</p> <p>Round 2: 6 staff interviewed per site; plus ERA manager interviews (one per site).</p> <p>Round 3: One small focus group of 3-4 staff per site.</p> <p>Round 4: One small focus group of 3-4 staff per site; plus interviews with 8 ERA managers.</p>	<p>Round 1: May/June 2004.</p> <p>Round 2: May/June 2005.</p> <p>Round 3: May/June 2006.</p> <p>Round 4: May/June 2007.</p>
Interviews with key informants	<p>Technical Advisers: Two rounds of interviews and a two-day debriefing.</p> <p>DWP Project Team: Two rounds with 6 interviews each.</p> <p>Weekly diaries detailing ERA implementation issues.</p>	<p>Technical Advisers: March 2004 and June 2005.</p> <p>DWP Project Team: March 2004 and May 2006.</p>
Technical Adviser diaries	Weekly diaries detailing ERA implementation issues.	September 2003 to June 2005.
Site visits and observations	Several rounds of site visits conducted in conjunction with the staff in-depth interviews and on an ad-hoc basis. The qualitative team also observed managers' meetings and continuous improvement workshops.	Visits to each site in March 2004, May 2004, May 2005, and June 2006. Several other visits to individual sites occurred throughout programme implementation.
Five rounds of in-depth customer interviews (301 interviews in total)	Round 1: 8 customers interviewed per site. Round 2: 15 customers interviewed per site. Round 3: 22 customers interviewed per site. Round 4: 6 customers interviewed per site. Round 5: Follow-up interviews with some customers.	<p>Round 1: March 2004.</p> <p>Round 2: November 2004.</p> <p>Round 3: Autumn 2005.</p> <p>Round 4: Autumn 2006.</p> <p>Round 5: Spring 2007.</p>

Continued

**Table A.1 Continued**

Data source	Sample	Time period and coverage
Staff surveys	<p>Round 1: 74 Advancement Support Advisers (ASAs) and 165 Personal Advisers replied to the survey. Response rate across both groups of 70 per cent.</p> <p>Round 2: 90 ASAs replied to the survey. Response rate of 81 per cent.</p>	<p>Round 1: January 2004. Round 2: January 2006.</p>
Customer surveys	<p>A randomly selected subsample of programme and control group sample members randomly assigned between December 2003 and November 2004. ND25+ group: 1,344 respondents, representing a response rate of 74.5 per cent.</p> <p><b>Survey data for ND25+ group not used for estimating impacts and used only for estimates of programme participation.</b></p>	<p>Surveys were administered between December 2004 and February 2006 and covered one year following each customer's random assignment date.</p>
Surveys administered to programme and control group customers 24 months after random assignment	<p>A subsample of programme and control group sample members randomly assigned between December 2003 and March 2004 that responded to the 12-month customer survey. ND25+ group: 661 respondents, representing a response rate of 65.1 per cent.</p> <p><b>Survey data for ND25+ group not used for estimating impacts and used only for estimates of programme participation.</b></p>	<p>Surveys were administered between November 2005 and February 2007 and covered the two years following each customer's random assignment date.</p>

Continued

Table A.1 Continued

Data source	Sample	Time period and coverage
<b>Administrative records</b>		
DWP benefits receipt data from the Master Index database, the Generalised Matching Service (GMS) database, and the Joint Unemployment and Vacancies Operating System (JUVOS).	All ND25+ sample members.	Benefits receipt records: October 2001 to March 2007.
DWP employment data from the Work and Pensions Longitudinal Study (WPLS).	All ND25+ sample members.	Employment records: October 2003 to March 2007.
DWP earnings data from the WPLS.	All ND25+ sample members.	Earnings records: April 2005 to March 2006.
<b>Bonus receipt data</b>		
DWP data on ERA customers' receipt of the retention and training bonuses	All ND25+ programme group members.	October 2003 to July 2007.
<b>Baseline data</b>		
Baseline characteristics collected at intake.	All ND25+ sample members.	October 2003 to April 2005.

# Appendix B

## Non-response analysis for the two-year customer survey

The analysis in this report focuses on the 6,782 New Deal 25 Plus (ND25+) customers who were randomly assigned to the programme or control group in the UK ERA study between October 2003 and April 2005. This group is referred to as the **full sample** in the following tables. Programme outcomes presented in this report are based on administrative data as well as on responses to a customer survey. The first wave of the survey covered the first 12 months since random assignment and the second wave covered the second 12 months. Due to the time and resources required to conduct the survey, not every customer who was randomly assigned was selected to participate. Instead, a subset of the full sample was randomly selected to participate in the survey and represent the larger group. This group is referred to as the **fielded sample**. However, several customers selected to participate in the survey could not be located, refused to participate or could not be interviewed. Sample members who were unable to participate in the survey are referred to as **non-respondents**, while those members who completed the survey are referred to as respondents. Those customers who did not respond to the first wave of the survey were not approached in the second wave.

Because of the lack of success in contacting customers in the ND25+ group for the second-year survey, a decision was made to reallocate survey resources and field a larger sample of the Working Tax Credit (WTC) group, a group with a smaller first-year fielded sample but with a much higher response rate than the ND25+ group. As a result, the ND25+ fielded sample represents an early cohort of customers randomly assigned between December 2003 and March 2004.

This appendix assesses the extent to which the respondent sample is representative of the full sample and whether the impacts estimated using the responses to the survey can be regarded as applying equally to the full sample. To preview the key results, the level of survey response was rather low and tended to be particularly associated with certain characteristics. In addition, the available evidence suggests

that economic impact estimates based on the respondent sample do not agree with estimates based on the full sample. This discrepancy is driven by both a response bias and a cohort effect. This report does not present economic impacts based on survey data; however, it does use the customer survey data to suggest the level of participation in activities and attitudes towards the programme.

## Response rates

As previously mentioned, the response rate for the ND25+ group is fairly low by conventional standards for random assignment impact evaluations. However, considering that this is a particularly difficult population to contact and that those who did not respond to the first wave of the survey were not contacted for the second wave, the response rate is within expectation. Table B.1 shows that of the 6,782 customers in the full sample, 1,016 were selected to be in the fielded sample and 661 responded to the second-year survey, yielding a 65 per cent response rate. (Survey sample sizes by research group and district are presented in Table B.2.)

**Table B.1 Survey response rates for ND25+ customers, 24-month customer survey**

	Total	ERA group	Control group
Full sample size	6,782	3,424	3,358
Fielded sample size	1,016	507	509
Respondent sample size	661	340	321
Non-respondent sample size	355	167	188
Response rate (%)	65.1	67.1	63.1

Source: MDRC calculations from the ERA 24-month customer survey.

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

**Table B.2 Survey respondent sample size for ND25+ customers, by customer group and district**

District	ERA group	Control group
East Midlands	65	68
London	60	48
North East England	65	64
North West England	52	47
Scotland	60	52
Wales	38	42
<b>Total</b>	<b>340</b>	<b>321</b>

Source: MDRC calculations from the ERA 24-month customer survey.



## Comparison of impact estimates from administrative data across samples

Regardless of the level of response, it is possible that impact estimates for the group for which survey data are available may not agree with impact estimates based on the full sample. Although survey data are not available for the full sample, employment, earnings and benefits data from administrative records are. Using administrative data, estimates based on the full and fielded samples can be compared with estimates based on the respondent sample. This provides an insight into whether estimates based on the smaller (respondent) sample can be regarded as unbiased estimates for the full sample. Should this be the case for the outcomes held in administrative records, one can be more confident that the impact estimates for the outcomes available only in the survey data also apply to the full sample.

Table B.3 contains impact estimates from administrative data for average earnings for the 2005/06 tax year, as well as the number of months receiving benefits, the number of months employed, ever received benefits and ever employed in the first and second years after random assignment for the full, fielded and respondent samples. Both the fielded and respondent samples show statistically insignificant impacts on earnings, though the impact on the fielded sample is positive while the impact on the respondent sample is negative. There is little difference in impacts on benefits between the two samples as well. Most notably, this table shows a statistically insignificant positive impact on ever being employed during the follow-up period for the fielded sample and a statistically insignificant negative impact for the respondent sample, as well as a statistically significant negative impact on the number of months employed. Overall, the comparison of administrative data shows slightly concerning discrepancies in impact estimates. While not all of the impacts are statistically significant, administrative data suggest that the fielded sample experienced slightly positive impacts on earnings and employment, while the respondent sample experienced the reverse. This is the best available test of whether the respondent sample is capable of delivering unbiased impact estimates and the suggestion is that it may not be reasonable to generalise the survey response findings on economic outcomes to the full sample.

**Table B.3 Comparison of impacts on the benefits receipt and employment of the full, fielded, and respondent samples for ND25+ customers, estimated using administrative records**

Outcome	ERA group	Control group	Difference (impact)	P-value
<b>Full sample</b>				
<b>Number of months on benefits</b>				
Year 1	7.9	7.9	0.0	0.879
Year 2	5.4	5.7	-0.4***	0.003
Year 1-2	13.3	13.6	-0.3*	0.069
<b>Ever receiving benefits during</b>				
Year 1	97.3	97.7	-0.3	0.351
Year 2	59.6	62.4	-2.8**	0.013
Year 1-2	97.7	97.9	-0.2	0.584
<b>Number of months employed</b>				
Year 1	2.3	2.3	0.0	0.812
Year 2	2.7	2.5	0.2	0.113
Year 1-2	5.0	4.8	0.2	0.289
<b>Ever employed during</b>				
Year 1	35.8	35.0	0.7	0.526
Year 2	33.9	31.3	2.6**	0.020
Year 1-2	44.2	42.2	2.0*	0.082
Earnings in the 2005/06 tax year (£)	2,848	2,679	169	0.235
Sample size	3,424	3,358		

Continued

**Table B.3 Continued**

<b>Outcome</b>	<b>ERA group</b>	<b>Control group</b>	<b>Difference (impact)</b>	<b>P-value</b>
<b>Fielded Sample</b>				
<b>Number of months on benefits</b>				
Year 1	7.8	7.7	0.1	0.732
Year 2	5.4	5.5	-0.1	0.742
Year 1-2	13.2	13.2	0.0	0.961
<b>Ever receiving benefits during</b>				
Year 1	98.9	98.9	-0.1	0.921
Year 2	58.4	62.5	-4.1	0.174
Year 1-2	98.9	99.1	-0.2	0.694
<b>Number of months employed</b>				
Year 1	2.2	2.4	-0.2	0.442
Year 2	2.8	2.9	-0.1	0.597
Year 1-2	5.0	5.3	-0.3	0.481
<b>Ever employed during</b>				
Year 1	34.3	35.4	-1.1	0.699
Year 2	35.1	34.4	0.8	0.788
Year 1-2	44.9	43.1	1.8	0.545
Earnings in the 2005-2006 tax year (£)	2,848	2,782	66	0.852
Sample size	507	509		
<b>Respondent sample</b>				
<b>Number of months on benefits</b>				
Year 1	7.9	7.9	0.0	0.996
Year 2	5.6	5.6	0.0	0.959
Year 1-2	13.5	13.5	0.0	0.975
<b>Ever receiving benefits during</b>				
Year 1	98.8	99.1	-0.2	0.754
Year 2	59.6	64.3	-4.7	0.204
Year 1-2	98.9	99.3	-0.5	0.527

Continued

**Table B.3 Continued**

Respondent sample	ERA group	Control group	Difference (impact)	P-value
<b>Number of months employed</b>				
Year 1	2.1	2.6	-0.5*	0.065
Year 2	2.9	3.3	-0.5	0.195
Year 1-2	5.0	6.0	-1.0*	0.090
<b>Ever employed during</b>				
Year 1	32.5	37.8	-5.3	0.139
Year 2	36.5	38.3	-1.7	0.638
Year 1-2	44.6	45.9	-1.2	0.743
<b>Earnings in the 2005/06 tax year (£)</b>				
	2,998	3,096	-98	0.821
Sample size	340	321		

Source: MDRC calculations from Work and Pensions Longitudinal Survey employment, earnings, and benefits data and the ERA 24-month customer survey.

Notes: Benefits refers to Jobseeker's Allowance.

Rounding may cause slight discrepancies in calculating sums and differences.

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

## Comparison of impact estimates across cohorts

If the fielded sample were a truly random subset of the full sample, one would expect to see similar impacts for the full and fielded samples; however, when comparing the results in Table B.3, it is clear that that is not the case. The table shows that the full sample has a statistically significant negative impact on benefits receipt and a statistically significant positive impact on employment in the second year of follow-up, while the fielded sample does not.

In most cases this discrepancy would suggest a 'bad draw', but the fielded sample in this study was not completely random by design. Due to a reallocation of funds, only customers randomly assigned between December 2003 and March 2004 were attempted to be contacted for the second-year survey. Table B.4 compares economic impacts using administrative data for the full sample by random assignment cohort. The first panel includes customers randomly assigned in the same months as customers selected to be in the fielded sample, and the second panel includes all other customers. This table shows that the cohort from which

the fielded sample was selected exhibited particularly weak impacts. The fielded sample cohort showed statistically insignificant negative impacts on employment during the two years of follow-up and on earnings, while the rest of the full sample showed statistically significant positive impacts on both earnings and employment. This suggests that it would be inappropriate to generalise the results of the fielded sample, and, therefore, the respondent sample, to the full sample due to a cohort effect. As mentioned in Chapter 2, Advancement Support Advisers (ASAs) felt that the programme improved over time, so it is not surprising that this early sample is not presenting impacts of the same magnitude. Findings based on survey results would be testing the impact of ERA at its weakest stage of implementation.

**Table B.4 Comparison of impacts on the benefits receipt and employment of the full sample by cohort for ND25+ customers, estimated using administrative records**

<b>Outcome</b>	<b>ERA group</b>	<b>Control group</b>	<b>Difference (impact)</b>
<b>Fielded sample cohort<sup>a</sup></b>			
<b>Number of months on benefits</b>			
1-12 months post-RA <sup>b</sup>	7.9	7.9	0.0
13-24 months post-RA	5.3	5.7	-0.3
1-24 months post-RA	13.2	13.6	-0.3
<b>Ever on benefits during (%)</b>			
1-12 months post-RA	99.0	99.0	0.0
13-24 months post-RA	58.4	62.6	-4.2*
1-24 months post-RA	99.0	99.1	-0.1
<b>Number of months employed</b>			
1-12 months post-RA	2.1	2.3	-0.2
13-24 months post-RA	2.6	2.6	0.0
1-24 months post-RA	4.7	4.9	-0.2
<b>Ever employed during (%)</b>			
1-12 months post-RA	34.1	36.1	-2.0
13-24 months post-RA	32.9	32.6	0.4
1-24 months post-RA	43.5	44.1	-0.6
Earnings in the 2005-2006 tax year (£)	2,774	2,818	-44
Sample size	952	953	

Continued

**Table B.4 Continued**

	ERA group	Control group	Difference (impact)
<b>Non-fielded sample cohort<sup>c</sup></b>			
<b>Number of months on benefits</b>			
1-12 months post-RA	7.9	7.9	0.0
13-24 months post-RA	5.4	5.8	-0.4**
1-24 months post-RA	13.3	13.6	-0.3
<b>Ever on benefits during (%)</b>			
1-12 months post-RA	96.7	97.2	-0.5
13-24 months post-RA	60.1	62.4	-2.3*
1-24 months post-RA	97.1	97.4	-0.3
<b>Number of months employed</b>			
1-12 months post-RA	2.4	2.3	0.1
13-24 months post-RA	2.7	2.5	0.2*
1-24 months post-RA	5.1	4.8	0.3
<b>Ever employed during (%)</b>			
1-12 months post-RA	36.4	34.7	1.7
13-24 months post-RA	34.3	30.8	3.5***
1-24 months post-RA	44.4	41.4	3.0**
Earnings in the 2005-2006 tax year (£)	2,888	2,613	274*
Sample size	2,472	2,405	

Source: MDRC calculations from Work and Pensions Longitudinal Survey employment, earnings, and benefits data and the ERA 24-month customer survey.

Notes: Benefits refers to Jobseeker's Allowance.

Rounding may cause slight discrepancies in calculating sums and differences.

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

<sup>a</sup> The fielded sample cohort refers to all customers randomly assigned between December 2003 and March 2004.

<sup>b</sup> RA refers to random assignment.

<sup>c</sup> The non-fielded sample cohort refers to all customers randomly assigned between October 2003 and November 2003 or April 2004 and April 2005.

## Comparison of baseline characteristics

It is of interest to understand the factors influencing whether an individual in the fielded sample responds to the survey. To some extent, this can be explored by comparing the characteristics of respondents with those of non-respondents.

Table B.5 presents means of selected baseline characteristics for the full sample, the fielded sample, and for respondents and non-respondents to the survey. Statistically significant differences between the characteristics of respondents and non-respondents are denoted by asterisks in the table. Overall, respondents and non-respondents are statistically significantly different in a number of regards. This is common in surveys and may have a variety of explanations. For example, members of the fielded sample who have ties to a community through family are easier to locate for survey participation than those who do not, so it is not surprising that response rates are higher among those who are married or who have more than one child.

**Table B.5 Comparison of the baseline characteristics of the full, fielded, and survey samples for New Deal 25 Plus customers**

Characteristic	Full sample	Fielded sample	Respondents to 24-month survey	Non-respondents to 24-month survey
<b>District (%)</b>				
East Midlands	16.6	16.6	18.3	13.6*
London	16.7	16.7	15.5	19.0
North East England	16.7	16.6	17.7	14.6
North West England	16.7	16.7	15.4	19.1
Scotland	16.7	16.7	15.9	18.2
Wales	16.6	16.6	17.2	15.6
<b>Date of random assignment (RA) (%)</b>				
October 2003 - December 2003	10.3	15.2	16.1	13.5
January 2004 - March 2004	23.3	84.8	83.9	86.5
April 2004 - June 2004	22.1	0.0	0.0	0.0
July 2004 - September 2004	25.9	0.0	0.0	0.0
October 2004 - December 2004	15.8	0.0	0.0	0.0
January 2005 - April 2005	2.8	0.0	0.0	0.0
Female (%)	18.4	18.3	20.4	14.3**
Single (%)	61.3	57.7	54.1	64.4***

Continued

**Table B.5 Comparison of the baseline characteristics of the full, fielded, and survey samples for ND25+ customers**

	Full sample	Fielded sample	Respondents to 24-month survey	Non-respondents to 24-month survey
<b>Number of children (%)</b>				
None	84.6	83.6	82.4	85.7
One	6.0	5.8	6.3	4.9
More than one	9.4	10.6	11.3	9.5
<b>Education (%)</b>				
O-level	27.7	26.7	24.9	30.0*
A-level	23.1	22.8	24.5	19.7*
Other	13.5	13.6	15.8	9.7***
None	35.8	36.9	34.8	40.7*
<b>Number of months worked in three years prior to RA (%)</b>				
12 or fewer	78.0	77.3	75.9	79.9
13 - 24	15.5	15.5	17.2	12.4**
More than 24	6.5	7.2	6.9	7.7
<b>Worked in the past year (%)</b>				
	23.6	23.1	24.1	21.3
<b>Age (%)</b>				
Under 30	16.2	15.8	14.7	17.8
30 - 39	36.3	35.7	34.4	38.0
40 or older	47.6	48.5	50.9	44.1**
<b>Age of youngest child (%)</b>				
Under 8	9.1	10.4	10.5	10.3
8-12	2.7	2.9	3.3	2.1
13-16	2.0	2.0	2.7	0.6**
<b>Ethnic minority (%)</b>				
	16.5	17.1	15.3	20.3**
<b>Weekly earnings in the past year for current/most recent job (£)</b>				
	35.1	31.9	32.0	31.8
<b>Number of months on benefits in the two years prior to RA</b>				
	19.2	19.6	19.5	19.7
Sample size	6,782	1,016	661	355

Source: MDRC calculations from baseline information forms completed by DWP staff, ERA 24-month customer survey, and Work and Pensions Longitudinal Survey benefits receipt records.

Notes: Benefits refers to Jobseeker's Allowance.

Rounding may cause slight discrepancies in calculating sums and differences.

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



Since some of these characteristics may be correlated – for example, education and weekly earnings – multiple regression is used to determine which characteristics differ statistically significantly across respondents and non-respondents while taking all other characteristics into account. Table B.6 shows the results of regressing an indicator of response status on the characteristics shown in Table B.5, as well as an indicator of research group, in order to better understand the process governing response. The ‘parameter estimate’ column captures the effect of each characteristic on the probability of responding to the survey; asterisks denote the significance level of this effect.

**Table B.6 Ordinary least squares estimates from a model predicting survey response**

<b>Characteristic</b>	<b>Parameter estimate</b>	<b>(Standard error)</b>
Treatment Status	0.041	0.030
<b>District</b>		
East Midlands	0.091	0.054*
North East England	0.072	0.055
North West England	0.030	0.053
Scotland	-0.005	0.056
Wales	0.048	0.054
Date of random assignment (RA) January 2004 - March 2004	-0.033	0.042
Female	0.074	0.040*
Single	-0.069	0.037*
<b>Number of children</b>		
One	0.058	0.077
More than one	0.090	0.079
<b>Education</b>		
O-level	-0.004	0.038
A-level	0.105	0.040***
Other	0.144	0.048***
<b>Number of months worked in three years prior to RA</b>		
12 or fewer	0.039	0.061
13 - 24	0.080	0.069
Worked in the past year	0.070	0.063

Continued

**Table B.6 Continued**

Characteristic	Parameter estimate	(Standard error)
Age		
30 - 39	0.027	0.046
40 or older	0.042	0.046
Age of youngest child under 8 years	-0.091	0.082
Ethnic minority	-0.076	0.046*
Weekly earnings in the past year for current/most recent job (£)	0.000	0.000
Number of months on benefits in the two years prior to RA	0.001	0.00
Sample size	1,016	

Source: MDRC calculations from baseline information forms completed by DWP staff, ERA 12- and 24-month customer surveys, and Work and Pensions Longitudinal Survey benefits receipt records.

Notes: Data include only the fielded sample.

Benefits refers to Jobseeker's Allowance.

Statistical significance levels are indicated as: \* = 10 per cent; \*\* = 5 per cent; and \*\*\* = 1 per cent.

The results show that many of the characteristics that differed by response status in Table B.5 were not statistically significant predictors of response status in the multiple regression analysis. Still, several characteristics remained statistically significant predictors, including gender and marital status, education, and ethnicity. Overall, although some differences in characteristics between the respondents and non-respondents still exist, these differences are in line with expectation.

## The use of survey data to measure programme participation

The evidence from administrative data described above suggests that the economic impacts of the respondent sample do not reflect those of the fielded or full sample. A similar test is not available to examine the validity of participation survey data since participation data is only available from the customer survey and not from administrative data. However, the first-year participation survey outcomes for the first-wave sample, a sample that exhibited no bias,<sup>100</sup> and those for the second-wave sample were quite similar (not shown in tables), indicating that the bias suggested in previous sections may not be as prevalent when using participation data. Therefore, this report includes participation data from the customer survey to suggest the level of take-up of post-employment services, but not to estimate impacts.

<sup>100</sup> Dorsett *et al.*, 2007.

## Conclusion

The survey achieved a response rate within expectation, given the population in question, though rather low when compared with other random assignment programme evaluation studies. As expected, there are some characteristics that differ between respondents and non-respondents, but this does not necessarily indicate bias. However, the available evidence from administrative data suggests that the economic impact estimates based on the respondent sample do not hold for the fielded sample due to a slight response bias or for the full sample due to a cohort effect. Taken as a whole, the assessments presented in this appendix support the exclusion of the survey data for evaluating economic impacts. However, due to the similarity of first-year participation impacts of the first-wave and second-wave respondent samples, this report will use the survey data to measure non-experimental participation outcomes.



# Appendix C

## Implementation features of ERA districts

**Table C.1 Implementation features of ERA districts**

<b>East Midlands</b>	
Structure	Centralised management through ERA District Manager. Three regional Advancement Support Adviser (ASA) Managers phased in between 2004 and 2005, covering 19 offices among them. Three District Adviser Managers were in place from April 2005 to March 2007, running three teams of ASAs (north, central, and south). This structure remained until April 2007, when it was reduced to two teams (north and south).
Staffing	Initially, ASAs were specialists for ERA customer groups but increasingly served all customer groups. A single ASA worked in smaller offices. Some peripatetic advisers experienced downtime travelling between multiple offices. Central management assured the ring-fencing of adviser resources, although in smaller offices advisers performed occasional mainstream adviser duties.
Intake	Mainstream New Deal advisers performed random assignment and passed on programme group customers to ASAs. Intake of Working Tax Credit (WTC) customer group was the largest of all districts, concentrated at end-of-intake period.
Targets	Little pressure on ASAs to contribute to Job Entry Targets meant more time could be devoted to delivering ERA. ASA benchmarks for post-employment contact introduced in early 2005 but were quickly relaxed and a flexible approach assumed. Key Work Objectives for ASAs introduced in 2005 and a post-employment QAF (Quality Assurance Framework) for post-employment interviews in early 2006.
ERA profile	ERA considered to have lower profile than Incapacity Benefit (IB) Pathways pilot. Given centralised management, less understanding of and support for ERA from Business Managers.

Continued

**Table C.1 Continued**

Events	Closure of pensions centre in district in summer 2004 led to redeployment of staff to ERA. From end 2004, pressures on office space meant some ASAs lost customer-facing desks. Regional ASA managers phased in between 2004 and 2005 due to large size of district. New ERA manager assigned in autumn 2004. New District Manager appointed in early 2005.
Issues	Large geographical district made staffing and management difficult. Large customer caseloads in bigger offices detracted from ERA delivery, with major pressure on staffing during summer 2004. Large proportion of ASAs had no previous advisory experience because they were redeployed from other parts of the organisation following restructuring. Pressures on office space had mixed impacts: In larger city offices ASAs relocated to separate premises as 'ERA unit'; in some smaller offices ASAs had to 'hot desk'.
Achievements	Centralised ERA management structure effective for maintaining and protecting programme resources. Innovative marketing to attract sufficient numbers to the WTC customer group. Promoted work retention and advancement concepts early in implementation. System of regional ASA managers facilitated contact between ASAs and the development of mechanisms for monitoring and supporting ASAs' post-employment work.
Change over time	Most effective period of ERA delivery from spring 2005 to end 2006. Adequate management structure and staffing in place by then, plus intake had finished. Through training and peer support, more effective strategies for engaging and working with post-employed customers had developed. From end 2006, the transfer of caseloads between advisers as ASAs left meant that the quality of contact was diminished; also ASAs anxious about their post-ERA employment opportunities.
ERA ending	Due to centralised structure and specialist ASAs, difficult to manage reducing caseloads. ERA manager consulted individual ASAs on when they wanted to leave and drew up a plan for passing caseloads to those advisers staying the longest so that customers would not have a succession of advisers. ASAs experienced this as unsettled period when having to take on new customers with minimal time left to build a relationship. Six-month and three-month ERA ending letters sent out to customers, with three-month letters eliciting the most interest from customers.
<b>London</b>	
Structure	Until the formation of a Post-Employment Team (PET), management structure differed depending on the New Deal customer group. The New Deal for Lone Parents (NDLP) and WTC ASAs were coordinated and managed centrally. The New Deal 25 Plus (ND25+) ASAs were coordinated at the district level but line-managed at the office level.
Staffing	Initially, some resistance to staffing ERA. ASAs were specialists by ERA customer groups. NDLP ASAs served both control and programme group. Ring-fencing of the PET started in early 2005. Non-working ERA customers were then served by a pre-employment team.
Intake	Lone parents randomly assigned by NDLP advisers (who also delivered ERA). ND25+ randomly assigned by mix of ASAs and support staff.
Targets	Same Job Entry Targets applied to ASAs, which detracted from ERA delivery. Once the PET was formed, ASAs were assigned benchmarks and key work objectives.
ERA profile	Perceived to be low because post-employment delivery of ERA did not contribute to Job Entry Targets.

Continued

**Table C.1 Continued**

Events	New District Manager in Spring 2004. PET formed in early 2005.
Issues	Tension with Job Entry Targets. Large customer caseloads and mainstream Jobcentre Plus work. These reduced when the PET was set up, when advisers had manageable caseloads and no mainstream Jobcentre Plus work.
Achievements	In spring 2005, District Manager agreed to commit more resources to ERA. Established PET in 2005. Developed innovative customer re-engagement publicity materials.
Change over time	Setting up the PET was a major breakthrough. The first few months were taken up with processing retention payments that had fallen behind. In May 2005 more advisers joined the team, the backlog had been cleared, and ASAs thought that from this time ERA delivery improved continuously right until the end. This was especially evident with training take-up.
ERA ending	In March 2007, caseloads again became an issue when ERA customers moved off the project. ASAs talked about the difficulty of taking on new customers as they were nearing the end of ERA. ERA ending letters sent out to customers. 'Rush' of customers wanted to take advantage of the training.
<b>North East England</b>	
Structure	Centralised ERA District Manager but without line management responsibility for ASAs. ASAs line-managed locally and remained part of office ND25+ or NDLP teams. A number of reorganisations of NDLP management took place over course of ERA, shifted from local to district level management and back again. NDLP ASAs report having 13 different line managers over a three-year period.
Staffing	ASAs were specialists by ERA customer group. The district experienced problems generating interest in the ASA posts and had to undertake a number of awareness sessions for advisers highlighting the role of the ASA. The district staffing situation up to 2006 caused problems, as if the full ERA allocation was used, then the district would have been left with no ND25+ advisers and very few NDLP advisers. A management decision was made on the resource allocation, and after discussions with advisers, agreement was made to give staff ASA roles alongside other duties (especially in the smaller offices where full posts were not possible). Although no ASAs dealt with programme as well as control group customers, all ASAs had at times served customers who were not involved in ERA at all.
Intake	Random assignment performed by both New Deal and ERA advisers.
Targets	ASAs expected to contribute to district Job Entry Targets, but their targets were half those of New Deal advisers.
ERA profile	Perceived to be low; IB Pathways pilot given more priority. Priority in the district dipped after Technical Adviser (TA) left, reflected in a winding down of district ASA meetings.
Events	District without TA support during spring 2004. Reorganisation in spring 2006 split the district in half.
Issues	Concentration on ERA work suffered due to tension with Job Entry Targets, large customer caseloads, and mainstream Jobcentre Plus work. Contact between ASAs diminished after TA finished in mid 2005. Perceived to be ineffective support for ASAs by line managers, exacerbated by numerous management reorganisations for NDLP.

Continued

**Table C.1 Continued**

Achievements	Most ASAs ring-fenced during 2005, some for longer. Individual ASAs developed innovative ways of working with employed customers, but not always shared or co-ordinated throughout the district.
Change over time	ERA delivery most effective during 2005: Majority of ASAs ring-fenced; regular networking meetings between ASAs and TA provided district-wide support for ASAs. Visit of ASAs to New York in 2004 also stimulated development of tactics for post-employment customer engagement. From end 2005, network meetings dwindled and some ASAs lost ring-fencing. TA remained as line manager in one office for another year, where consequently ASAs felt better supported.
ERA ending	ASAs remained part of mainstream ND25+ and NDLP teams and so simply took on additional mainstream customers as ERA caseloads diminished. However, ASAs in some teams concerned about overstaffing and being surplus to requirements. Six-month, six-week, and final ERA ending letters sent. Some customers responded to six-week letter with requests for training payments.
<b>North West England</b>	
Structure	Centralised ERA District Manager, but ASAs locally line-managed at the office level.
Staffing	ASAs were generalists and served all customer groups. Ring-fencing of a PET started in 2005, when working customer caseloads were assigned to ASAs, while non-working customers were assigned to administrative staff, who performed job search activities.
Intake	Random assignment performed by mix of New Deal and ERA advisers. All ASAs and New Deal advisers were given full intake training.
Targets	Same Job Entry Targets applied to ASAs, which detracted from ERA delivery. Once the PET was formed, ASAs were assigned benchmarks and key work objectives.
ERA profile	Perceived to be low because post-employment delivery of ERA did not contribute to Job Entry Targets.
Events	Delayed start, three months later than other districts. Was a priority district from the start of ERA until March 2007. District reorganisation in April 2005. New District Manager in mid-2005. PET started in July 2005. Started to take on pre-employment caseloads in January 2006. Less securely ring-fenced spring 2006.
Issues	Decentralised line management detracted from ERA delivery. Tensions with Job Entry Targets
Achievements	Established PET in 2005. Developed innovative customer re-engagement publicity materials. 'End of an ERA' information pack distributed to customers nearing the end of their 33 months of support.
Change over time	District felt it reached a peak in its delivery in January 2006, which was maintained for approximately nine months. Delivery started to tail off when staff started to exit from ERA, and ring-fencing slowly dissolved from about March 2007.
ERA ending	Customers had contact letters at eight months, six months, and three months to go; and then (as appropriate) a final letter and disengagement folder.

Continued



**Table C.1 Continued**

<b>Scotland</b>	
Structure	Management and budget decentralised to office level. No ERA District Manager.
Staffing	Some mixed, some specialist ASAs. Most offices had only one ASA. ASAs ring-fenced in two offices in spring 2005, while those remaining served non-ERA as well as ERA customers.
Intake	Random assignment performed by various New Deal, ASA, and support staff.
Targets	Same Job Entry Targets applied to ASAs, which detracted from ERA delivery. No ERA-specific benchmarks.
ERA profile	Perceived to be low. Upper and some local managers tended to favour IB Pathways pilot.
Events	District reorganised in 2004. New District Manager in spring 2004. Change in ERA District Co-ordinator in autumn 2005, then dissolution of role in autumn 2006, when office Business Managers asked to co-ordinate ERA management for office clusters. In November 2005 held customer Town Hall events to encourage re-engagement.
Issues	Decentralised line management detracted from ERA delivery. Office geographical distribution awkward for support and meetings. Tensions with Job Entry Targets. Large customer caseloads and mainstream Jobcentre Plus work. Other pilot given more priority.
Achievements	ASAs in some offices ring-fenced during 2005.
Change over time	Ongoing changes to district Jobcentre Plus structure brought in new senior management who needed to be apprised of ERA. Dissolution of TA and ERA District Co-ordinator roles put strain on support and communications across offices. By 2005, ASAs concentrated contact with working customers and felt that between spring 2005 and spring 2006 programme delivery was at its strongest.
ERA ending	Disengagement letters at six months and one month prior to customers ending ERA. Preferential treatment was given to those who were engaged with the programme. ASAs increasingly absorbed into mainstream activity as ERA customers flowed off the programme.
<b>Wales</b>	
Structure	Centralised management. ERA District Manager also responsible for delivery of NDLP across the district.
Staffing	ASAs were specialists by ERA customer groups. A single ASA worked in smaller offices. Some peripatetic advisers experienced downtime travelling between multiple offices. ASA staffing levels affected by long-term sick leave. Continual problems with staff being pulled onto mainstream Jobcentre Plus activities.
Intake	Mainstream New Deal advisers performed random assignment and passed on programme group customers to ASAs.
Targets	Same Job Entry Targets applied to ASAs, which detracted from ERA delivery. Benchmarks for post-employment contact and key work objectives around advancement and retention from April 2004.
ERA profile	ERA perceived to be supported at office level but devalued at upper management level due to tensions with Job Entry Targets.

Continued

**Table C.1 Continued**

Events	Intake of New Deal customer groups ended in summer 2004. From March 2006 tended to work with only engaged customers as did not have the resources to re-engage customers. From August 2006 ASAs worked with only post-employment customers, with pre-employment going back to mainstream Jobcentre Plus.
Issues	Tension with Job Entry Targets. Limited number of ND25+ ASAs. Understaffing, large customer caseloads, and mainstream Jobcentre Plus work.
Achievements	Promoted work retention and advancement concepts early in the implementation. In spring 2004 established innovative advancement materials for use with non-working customers and set benchmarks for contacting working customers.
Change over time	Staff thought there had never been enough ASAs in the district. The most effective period of ERA delivery was from spring 2004 to spring 2005. From May to September 2005 there was a big push on job entries in the district, and ASAs struggled to do ERA work. From September 2005 ASAs were supposed to be ring-fenced but they were still being asked to do other work, and still did not have enough staff on ERA. In January 2006 an ERA 'team' was formed but in March the team lost staff, the ASAs had a big caseload, and worked only with 'active' customers.
ERA ending	Staffing reduced to just one ASA in spring 2007. Six-month, six-week, and final ERA ending letters sent. Had responses to six-week letter, with some customers requesting retention payments backdated. Struggled with transferring caseloads and losing continuity with customers.

# Appendix D

## Customers’ contacts with Jobcentre Plus, receipt of help and advice, and receipt of Emergency Discretion Funds

**Table D.1 Effects of ERA on job search advice or help received among ND25+ customers within two years after random assignment**

<b>Outcome</b>	<b>ERA group</b>	<b>Control group</b>
Not in work and received help or advice from Jobcentre Plus staff on (%)		
Looking at job vacancies	73.9	73.3
Applying for a job	57.2	57.4
Working out long-term career goals	45.3	39.7
Help to stay in or advance in future jobs	40.3	25.5
Help to find out about or arrange childcare	5.1	5.9
Looking for training or education courses	57.8	53.0
Looking for volunteer work	18.8	16.3
Setting up own business	24.6	16.1
Other type of help	10.0	6.1
Any type of help or advice	80.2	79.6
Sample size	329	314

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

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

Rounding may cause slight discrepancies in calculating sums and differences.

**Table D.2 Frequency of various types of in-work contact with Jobcentre Plus staff among ND25+ customers who worked within two years after random assignment**

<b>Outcome</b>	<b>ERA group</b>	<b>Control group</b>
<b>Frequency of face-to-face contact with Jobcentre Plus staff (%)</b>		
None	34.6	74.4
Once or twice	14.8	10.5
3-9 times	25.7	6.7
10 or more times	24.9	8.4
<b>Frequency of telephone contact with Jobcentre Plus staff (%)</b>		
None	51.7	86.2
Once or twice	14.4	5.9
3-9 times	18.8	6.2
10 or more times	15.1	1.7
Sample size	190	203

Source: MDRC calculations from the 12- and 24-month customer surveys.

**Table D.3 Receipt of ERA Emergency Discretionary Fund (EDF) payments among ND25+ customers**

Outcome	ERA group
<b>Within two years after random assignment</b>	
Received EDF payments (%)	9.8
Average number of payments received among customers with any payments	1.6
Number of payments received among customers with any payments (%)	
One	67.7
Two	19.5
Three	6.0
Four or more	6.9
Average amount of each EDF payment among customers with any payments (£)	169
Average total amount of EDF payments among customers with any payments (£)	230
<b>Through July 2007<sup>a</sup></b>	
Ever received EDF payments (%)	13.1
Average number of payments received among customers with any payments	1.6
Number of payments received among customers with any payments	
One	63.8
Two	22.8
Three	6.5
Four or more	6.9
Average amount of each EDF payment among customers with any payments (£)	173
Average total amount of EDF payments among customers with any payments (£)	241
Received EDF assistance for first time in last 9 months of eligibility (%)	2.3
Sample size	3,424

Source: MDRC calculations primarily from DWP financial incentives data.

Notes: The sample for this table consists of all those randomly assigned from October 2003 and April 2005, not just those who responded to the customer survey.

<sup>a</sup> ERA group customers were eligible to receive payments until December 2007. At present, financial incentives data are only available through July 2007.

**Table D.4 Receipt of ERA employment retention bonuses among ND25+ customers**

<b>Outcome</b>	<b>ERA group</b>
<b>Within two years after random assignment</b>	
Received bonus (%)	30.3
Average number of bonuses received among customers with any bonuses	2.7
Number of bonuses received among customers with any bonuses (%)	
One	27.0
Two	21.7
Three	22.0
Four	18.3
Five	8.7
Six	2.4
<b>Through July 2007<sup>a</sup></b>	
Ever received bonus (%)	33.9
Average number of bonuses received among customers with any bonuses	3.3
Number of bonuses received among customers with any bonuses (%)	
One	21.2
Two	15.5
Three	16.6
Four	15.7
Five	17.3
Six	13.7
Received bonus for first time in last 9 months of eligibility (%)	2.9
Sample size	3,424

Source: MDRC calculations primarily from DWP financial incentives data.

Notes: The sample for this table consists of all those randomly assigned from October 2003 and April 2005, not just those who responded to the customer survey.

<sup>a</sup> ERA group customers were eligible to receive payments until December 2007; at present financial incentives data are only available through July 2007.

**Table D.5 ND25+ ERA customers’ receipt of ERA training fee assistance and training completion bonuses**

Outcome	ERA group
<b>Training/tuition fee assistance</b>	
Received tuition fee assistance within two years after random assignment (%)	5.6
Average amount paid towards fees (£)	395
Ever received tuition fee assistance through July 2007 (%) <sup>a</sup>	10.3
Average amount paid towards fees (£)	431
Received tuition fee assistance for first time in last 9 months of eligibility (%)	4.2
<b>Training completion bonus</b>	
<b>Within two years after random assignment</b>	
Received bonus (%)	3.9
Average number of bonuses received among customers with any bonuses	1.3
Number of bonuses received among customers with any bonuses (%)	
One	79.3
Two	13.3
Three	5.9
Four or more	1.5
Average amount of each bonus among customers with any bonuses (£)	295
Average total amount of bonuses among customers with any bonuses (£)	357
<b>Through July 2007<sup>a</sup></b>	
Ever received bonus (%)	6.6
Average number of bonuses received among customers with any bonuses	1.5
Number of bonuses received among customers with any bonuses (%)	
One	70.4
Two	19.5
Three	6.6
Four or more	3.5
Average amount of each bonus among customers with any bonuses (£)	333
Average total amount of bonuses among customers with any bonuses (£)	430
Received bonus for first time in last 9 months of eligibility (%)	2.3
Sample size	3,424

Source: MDRC calculations primarily from DWP financial incentives data.

Notes: The sample for this table consists of all those randomly assigned from October 2003 and April 2005, not just those who responded to the customer survey.

<sup>a</sup> ERA group customers were eligible to receive payments until December 2007; at present financial incentives data are only available through July 2007.





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