

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

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

Introduction

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

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

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

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

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

These target groups faced somewhat different types of challenges that impeded their success in the labour market. A goal of the evaluation was to determine whether ERA could help each of them similarly, and whether it worked better for some than others. This report thus compares the results for all three target groups and provides the final evidence of the programme's effectiveness over a five-year follow-up period.

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

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

Findings in brief

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

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

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

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

The ERA model

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

The ERA programme was available to participants for up to 33 months. For the two unemployed target groups – NDLP and ND25+ participants – ERA began with job placement and other pre-employment assistance, largely following the same procedures as the regular New Deal programme. This assistance was expected to last for up to nine months. The programme then continued into a unique post-employment or 'in-work' phase expected to last for at least two years. During that phase, ERA's job coaches, known as Advancement Support Advisers, were expected to help customers avoid some of the early pitfalls that sometimes cause new jobs to be short-lived. These ERA advisers were trained to help participants advance to positions of greater job security and better pay and working conditions,

³ For a summary of relevant projects and findings, see Michalopoulos, C. (2005). *Does making work pay still pay? An update on the effects of four earnings supplement programs on employment, earnings, and income*. New York: MDRC.

at either their current employer or a new one. ERA also offered special cash incentives and other resources to promote these goals. These included: an employment retention bonus of £400 three times a year for two years for staying in full-time work (at least 30 hours per week for 13 out of every 17 weeks, or about 75 per cent of the time); tuition assistance for training courses (up to £1,000) while employed; a bonus (up to £1,000) for completing training while employed; and access to emergency payments to overcome short-term barriers to staying in work.

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

The evaluation design

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

For all three groups, ERA's success was determined by comparing the outcomes of the programme

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

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

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

The study also uses qualitative research (i.e. in-depth interviews with ERA staff and participants), along

with financial data on bonus receipt and other programme records, to provide further insights into the experiences of operating ERA within Jobcentre Plus, participants’ responses to the programme, and participants’ experiences in work.

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

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

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

Table 1 shows the impacts of ERA on key economic outcomes for each target group. For NDLP lone parents, who were not employed when they began ERA, ERA increased employment and earnings within the first two years, but the effects faded thereafter. ERA also increased earnings in the first full tax year after participants’ enrolment (tax year 2005/06) by an estimated £308, a statistically significant gain of about nine per cent over the control group average. (The earnings outcomes for each group are averaged over all sample members in the group, whether or not they worked; the estimates do not refer to earnings per worker.) The impact was smaller in later tax years, and the cumulative effect on earnings over the four tax years for which data were analysed (2005/06 to 2008/09)⁵ is not statistically significant.

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

⁵ Earnings data from the 2004/05 tax year were not used because, for some sample members, that tax year included some months before the start of the study.

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

Outcome	NDLP			WTC			ND25+		
	ERA group	Control group	Percentage change	ERA group	Control group	Percentage change	ERA group	Control group	Percentage change
Ever employed (%)									
Year 1	57.1	56.5	0.6	77.0	76.6	0.4	37.3	35.4	1.9 *
Year 2	57.8	55.6	2.2 *	74.1	73.4	0.8	36.3	32.7	3.6 ***
Year 3	53.7	53.8	-0.2	71.2	69.9	1.3	34.6	32.5	2.1 *
Year 4	53.2	54.0	-0.8	71.3	70.1	1.2	35.0	32.1	2.9 ***
Year 5	52.9	53.9	-1.0	68.6	68.2	0.3	32.8	30.9	1.9 *
Years 1-5	79.0	79.0	-0.1	88.1	86.8	1.3	57.3	55.1	2.2 *
Average earnings (£)									
2005/06 tax year	3,862	3,554	308 **	7,069	6,667	402 **	3,070	2,758	312 **
2006/07 tax year	4,032	3,883	150	7,408	7,071	337	3,447	3,104	342 **
2007/08 tax year	4,387	4,271	116	7,502	7,555	-53	3,692	3,228	464 ***
2008/09 tax year	4,999	5,033	-35	8,636	8,401	234	3,954	3,591	363 **
2005/09 tax years, 4-year earnings	17,280	16,742	538	30,615	29,695	921	14,162	12,681	1,481 **
Average total amount of benefits ^a received (£)									
Year 1	2,915	3,055	-140 **	190	201	-11	2,359	2,406	-48
Year 2	2,000	2,130	-130 **	218	221	-3	1,457	1,581	-124 ***
Year 3	1,663	1,773	-110 *	254	241	13	1,244	1,358	-115 ***
Year 4	1,458	1,542	-84	243	220	23	1,038	1,099	-61 *
Year 5	1,314	1,349	-35	285	266	19	970	1,048	-78 **
Years 1-5	9,349	9,848	-499 **	1,190	1,149	40	7,067	7,493	-426 ***

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

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

Rounding may cause slight discrepancies in calculating sums and differences.

Two-tailed t-tests were applied to differences between outcomes for the ERA group and the control group. Statistical significance levels are indicated as:

* = 10 per cent; ** = 5 per cent; and *** = 1 per cent.

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

^a 'Benefits' refers to Income Support for New Deal for Lone Parents customers, a combination of Income Support and Jobseeker's Allowance for Working Tax Credit customers, and Jobseeker's Allowance for New Deal 25 Plus customers.

Earnings effects can arise due to an increase in the likelihood and duration of employment, hours worked or wage rates. The fact that the earnings effect in 2005/06, in percentage terms, was about double the employment effect in that same year suggests that the increase in earnings was driven, in part, by ERA group members working more hours or receiving higher wages. According to data from the two-year customer survey, ERA increased the proportion of NDLP participants who worked full time, probably in response to the programme's retention bonus, which rewarded only full-time work. Data from the 60-month survey, compared with earlier surveys, indicate that this effect did not persist, as the control group increasingly worked full time and closed the gap.

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

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

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

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

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

The subgroup analysis found that ERA had substantial and longer-lasting positive impacts on earnings for NDLP lone parents with higher educational qualifications (i.e. those with A-level or equivalent qualifications⁶) at the time they entered the programme. It increased their total average earnings over the four tax years 2005-09 by about £3,500, a gain of 15 per cent over the control group average. At the same time, ERA had no earnings effects for those with lower qualifications. One interpretation of this finding is that lone parents who were unemployed but possessed better skills had more 'reserve capacity' to obtain and manage full-time work. ERA's incentives and support may have motivated and helped them make more effort to act on that capacity than they would have made on their own. Other (exploratory) subgroup analyses suggest that ERA may have produced larger earnings gains and benefit reductions for ethnic minority NDLP and WTC lone parents than for white lone parents.

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

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

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

ERA's economic impacts for the WTC group

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

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

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

employment, their likelihood of working full time, and their advancement and earnings.

ERA's main effect for the WTC group was a short-term increase in earnings. As Table 1 shows, the programme increased earnings in the 2005/06 tax year by an estimated £402, a statistically significant gain of about six per cent above the control group average. However, the earnings impacts were not statistically significant in later years, or for the follow-up period overall.

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

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

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

ERA's economic impacts for the ND25+ group

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

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

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

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

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

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

The sustained impacts of ERA for the ND25+ group are especially noteworthy in light of the fact that this group was so severely disadvantaged and so difficult to employ normally, as suggested by outcomes for the control group. Only about one-third of ND25+ controls worked in any given year during the follow-up period, and just over half (55 per cent) had ever worked during that five-year period. (In contrast, 79 per cent of the NDLP controls and 87 per cent of the WTC controls had worked at some point during the follow-up period.)

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

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

The costs and benefits of ERA

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

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

ERA markedly increased the net incomes of the ND25+ group. Using one set of assumptions to estimate cost-benefit results over a ten-year time period, the analysis found that participants' average net income increased by about £725 per participant.

(This estimate is spread over all programme group members, whether or not they worked or received ERA services; those who were actually affected by ERA would, of course, have gained more.) ERA also returned a little over £1,800 to the Exchequer for every participant enrolled in the programme. This represents a return of £4.01 for every £1 it spent on ERA. The results from the overall perspective of society as a whole were positive as well.⁷

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

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

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

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

ERA appears to have modestly increased the disposable incomes of WTC participants. But because it was costly to operate, it produced a net loss for

the Exchequer, and as a consequence, an overall loss from the societal perspective.

The relative importance of adviser support, incentives, and training

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

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

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

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

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

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

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

Broader lessons

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

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

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

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

Several other randomised control trials in the US and Canada tested interventions that offered financial work incentives – either alone or in combination with job placement and other pre-employment services – to unemployed lone parents receiving cash benefits

similar to Income Support. Although important exceptions exist, these programmes, like ERA, produced early positive impacts on employment and earnings but saw their impacts fade over time, after the work incentives had ended.⁸

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

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

At the same time, ERA advisory staff functioned as employment ‘generalists’. They offered participants general advice and guidance on adapting to work, encouraged them to consider seeking full-time work, helped them address issues of balancing work and family life, advised them on seeking promotions and finding better jobs, and urged them to enrol in training courses in whatever areas interested them. However, ERA advisers were not expected to have in-depth knowledge of particular occupations or industries or expertise on the career ladders and training requirements for jobs in those areas. Nor were they expected to steer participants assertively towards particular occupations known to offer real advancement opportunities. They were also not positioned to connect participants who had trained

in particular occupational areas with relevant employers who were hiring people with the new skills those participants had acquired. These limitations might have undermined the benefits of the extra participation in training that ERA caused. Perhaps future advancement-focused programmes would be more effective if they included more career advice that is sector-specific and more narrowly focused on opportunities available in the local labour market.

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

Conclusions

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

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

⁸ Michalopoulos, C. (2005). *Does making work pay still pay? An update on the effects of four earnings supplement programs on employment, earnings, and income.* New York: MDRC.

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

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Kate Callow, Commercial Support and Knowledge Management Team, Upper Ground Floor, Steel City House, West Street, Sheffield S1 2GQ. Email: Kate.Callow1@dwp.gsi.gov.uk.