

Loughborough University Institutional Repository

Earnings Top-up : staff views

This item was submitted to Loughborough University's Institutional Repository by the/an author.

Citation: VINCENT, J. ... et al, 2001. Earnings Top-up : staff views. DSS in-house report; 74. London : Department of Social Security.

Additional Information:

- The definitive version is available at:
<http://research.dwp.gov.uk/asd/asd5/IH74.pdf>

Metadata Record: <https://dspace.lboro.ac.uk/2134/2674>

Publisher: © Crown Copyright for the Department of Social Security

Please cite the published version.

This item was submitted to Loughborough's Institutional Repository (<https://dspace.lboro.ac.uk/>) by the author and is made available under the following Creative Commons Licence conditions.



For the full text of this licence, please go to:
<http://creativecommons.org/licenses/by-nc-nd/2.5/>

EARNINGS TOP-UP: STAFF VIEWS

In-house report 74

**Jill Vincent
Claire Heaver
Simon Roberts
Bruce Stafford**

Earnings Top-up: Staff Views

**A study carried out on behalf of the
Department of Social Security**

By

***Jill Vincent, Claire Heaver, Simon Roberts and Bruce Stafford
Centre for Research in Social Policy (CRSP)
Loughborough University***

Crown copyright 2001. Published with permission of the Department of Social Security on behalf of the Controller of Her Majesty's Stationary Office.

Applications for reproduction should be made in writing to Keith Watson Social Research Branch, Room 4-26, Adelphi, 1-11 John Adam Street, London WC2N 6HT

First Published 2001

ISBN 185197 915 8

ISSN 1368 244X

DISCLAIMER

Views expressed in this report are not necessarily those of the Department of Social Security or any other government department.

CONTENTS

	Page
Disclaimer	
Authors	
Acknowledgements	
Abbreviations	
<i>Preface</i>	
Summary	i
1 INTRODUCTION	1
1.1 ETU Pilot Areas	1
<i>1.1.1 Organisation and implementation of Earnings Top-up</i>	1
1.2 Overall Research Aims and Design	2
1.3 The Staff Panels	3
2 OBJECTIVES OF EARNINGS TOP-UP	5
2.1 Policy Contexts	5
2.2 Staff's Views of the Purposes of ETU	8
<i>2.2.1 New Deal</i>	9
<i>2.2.2 National Minimum Wage</i>	11
3 OPERATION IN THE LOCAL OFFICES	13
3.1 'Training' and 'Awareness'	13
3.2 Newsletters and Information	15
3.3 Roles of the ES and BA in ETU	16
3.4 ES Targets	17
4 APPLICANTS	19
4.1 Applicants Helped by ETU	19
4.2 Applicants Unlikely to be Helped by ETU	20
5 EMPLOYERS	23
5.1 Effects of Employers' Behaviour on ETU	23
5.2 ETU Effects on Employers' Behaviour	23
6 TAKE-UP, TARGETING AND JOB AVAILABILITY	27
6.1 Take-up and Local Knowledge	27
6.2 Targeting	28
6.3 Job Availability	29
7 VIEWS ON ETU AND PILOTING	31
7.1 Views on ETU	31
<i>7.1.1 In praise of ETU</i>	31
<i>7.1.2 Perceived problems with ETU</i>	32

8	THE END OF ETU	35
	8.1 The Effects of the Loss of ETU	35
	8.2 Information Flows and Local Staff	36
	8.3 Managing Change at the Central Processing Unit	37
	8.4 Going National: Models and Assumptions	38
	<i>8.4.1 Reasons to introduce tax credits for all low paid workers</i>	38
	<i>8.4.2 Reasons not to introduce tax credits</i>	39
	<i>8.4.3 Reasons to retain order books</i>	40
9	CONCLUSIONS	43
	REFERENCES	45
	APPENDIX A EARNINGS TOP-UP	
	APPENDIX B CRSP'S PROCESS EVALUATION	

AUTHORS

Jill Vincent is the Assistant Director of the Lifestyles and Living Standards Programme within CRSP. She is project leader for the evaluation of ETU, joint fund-holder for a project in the ESRC Programme, Youth, Citizenship and Social Change and producing an End of Theme report for the I&DeA Beacon Councils scheme.

Claire Heaver, Research Associate, joined CRSP in 1997. Claire has experience in both qualitative and quantitative methods. Projects have included Earnings Top-up, Housing Benefit and Council Tax Benefit Extended Payments, Analysis of Family and Working Lives Survey and Education Maintenance Allowance.

Simon Roberts joined CRSP as Research Associate in October 1998. His research experience includes UK, European and international social security, international comparisons of public management reforms. At CRSP, Simon has worked on families' management of risk in a flexible labour market and comparative European systems of welfare.

Bruce Stafford is acting co-Director of CRSP and Director of the Social Security Unit. Bruce has undertaken various projects for the Department including a study of customer contacts with the Benefits Agency, qualitative work on the Contributory Principle and review of Housing Benefit and Council Tax Benefit Administration.

ACKNOWLEDGEMENTS

We thank our anonymous respondents who participated in the meetings of the staff panels and the ETU Co-ordinators in Benefits Agency local offices who helped to arrange the meetings. Staff from Benefits Agency and Employment Service central administration and local offices gave their time and responded to our questions candidly and with good humour. Some panel members came to all the meetings, while a few came to one or two; we thank their managers who allowed them to take part, and particularly to continue for the duration of the study.

Our contact with the Department of Social Security was always pleasant and fruitful. We thank Rebecca Stanley in particular for her part in this element of the evaluation.

At CRSP we work as a team. The researchers provide support and guidance among themselves, and rely on the support staff for their high standard of work: on this occasion, Sharon Walker and Suella Harriman.

ABBREVIATIONS

BA ***Benefits Agency***

CRSP Centre for Research in Social Policy, Loughborough University

DSS Department of Social Security

DPTA Disabled Person's Tax Credit

DWA Disability Working Allowance

ES Employment Service

ESJ Employment Service Jobcentres

ETU Earnings Top-up

EZs Employment Zones

FC Family Credit

IER Institute for Employment Research, University of Warwick

ITSA ***Information Technology Services Agency***

JSA Jobseeker's Allowance

LMS Labour Market System: software used by Employment Service Jobcentre staff to record all transactions with customers

NI National Insurance

NMW National Minimum Wage

PSI Policy Studies Institute, London

WFTC Working Family Tax Credit

Preface

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

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

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

Earnings Top-up Evaluation: Effects on Unemployed People (Smith, A., Dorsett, R. and McKnight, A., 2001, Department of Social Security Research Report No. 131). This report is in two parts. The first presents the findings of surveys of unemployed people conducted by PSI throughout the ETU pilot. The report considers unemployed people's experiences of ETU, benefits, their income, contact with the labour market and labour market outcomes. The second part presents findings from econometric analysis, carried out by IER, to assess the overall impact of ETU on unemployment and the effect on individual groups of unemployed people.

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

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

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

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

Previously published research in the ETU series include:

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

The First Effects of Earnings Top-up, (Finlayson, L., Ford, R., Marsh, A., Smith, A., and White, M., 2000, Department of Social Security Research Report No.112) This report presents the findings from surveys conducted in 1997, almost one year after the introduction of ETU with employers, low paid workers, medium term unemployed people and ETU recipients. The report presents interim analysis of the first effects of ETU over this period.

Piloting Change, (Vincent, J., Abbott, D., Heaver, C., Maguire, S., Miles, A., Stafford, D., 2000, Department of Social Security Research Report No. 113) This report presents the interim findings from three components of the ETU qualitative research: two group discussions with the Employment Service and Benefits Agency staff; face-to-face interviews with ETU recipients; and telephone interviews with employers.

This report, by CRSP, presents the findings of the staff panels drawn from the eight pilot areas, and from central administrative/processing staff from the Benefits Agency and Employment Service staff over the three years of the pilot. The report focuses on staff's views of ETU and the way in which it operated within the pilot areas. It also considers changes over time from the beginning of the pilot to its end in 1999.

SUMMARY

Background

The Department of Social Security introduced Earnings Top-up (ETU) on a pilot basis in October 1996. ETU was an income-related, in-work benefit. It aimed to encourage single people and couples without dependent children to take up work or stay in work of 16 hours a week or more.

The pilot ran for three years in eight areas: four received Scheme A ETU at a lower rate; and four matched areas received Scheme B ETU at a higher rate. Four additional matched control areas did not receive ETU. The areas covered four different types of labour market.

ETU was operated in the pilot areas through Benefits Agency (BA) and Employment Service (ES) offices, and was centrally processed and administered by the BA in liaison with ES.

The design of the evaluation of the pilot integrated three complementary approaches: two quantitative impact studies conducted by the Institute for Employment Research (IER) and the Policy Studies Institute (PSI), and a process evaluation using qualitative methods carried out by the Centre for Research in Social Policy (CRSP).

Staff panels of BA and ES staff were held each year in the eight pilot areas and the central administration unit. Reports on earlier meetings were published in an Interim Report (Vincent *et al* 2000). This is the report on the third round of meetings held early in 1999, it also makes comparisons with the meetings earlier in the pilot.

Objectives of ETU

The ETU pilot straddled the Conservative and new Labour administrations. Initially, ETU was part of a package of work incentives aimed at low-paid and long-term unemployed people; staff thought that ETU was to bring down the number of people signing on as unemployed. Subsequently, staff's views shifted in response to changes in the policy context.

In the third round, BA and ES staff thought that ETU complemented the Government's welfare to work programme, which included the National Minimum Wage (NMW), tax and National Insurance (NI) reforms, the New Deal programme and tax credits. ETU fulfilled a preventive role for young people, encouraged people to take part-time work as a stepping stone to a better job and helped them towards independence.

Operation in the Local Offices

Little change was reported over the three rounds of meetings. ETU was an easy benefit to administer, the application form that was easy to complete and the helpline was accessible. Local staff found information flows about ETU inadequate.

In the third round, staff reported that ETU had become part of the ordinary currency of their offices. ES staff were proactive and informed clients about ETU at numerous interviews, while BA staff responded to requests for help and had to discern the potential for ETU. New staff learned about ETU mostly by informal means such as mentoring and observing. Although ETU was not nationally available it was referred to in national packages on in-work benefits and was covered in welfare rights handbooks.

Central staff found it challenging to maintain continuity in procedures because of the reorganisation of staff and relatively high staff turnover associated with the run down.

Applicants

Staff in all rounds agreed that young people living in the family home gained the greatest cash advantage from ETU, though it could help many of their clients to be better off in work. Staff said that many people would take a job for a relatively small marginal gain.

Staff found that people with financial responsibility for running their own home, in particular those with a mortgage, were more difficult to help with ETU and faced insecurity and risk in moving from benefit into low paid employment. A few potential applicants could not face completing forms.

Employers

Staff in all three rounds referred to employers' practices that affected eligibility for ETU, such as keeping working hours below 16 a week and holding employees to standby contracts. Some applicants found it difficult to collect information from their employer.

By the third round, some staff believed ETU had affected employers' behaviour and they used it to their advantage. Other staff thought employers offered low pay and part-time employment because the market would bear it.

Staff condoned uses of ETU that helped employers and employees, such as motivating people to take part-time employment. Staff criticised ETU when it helped employers to hold down wages and when loopholes were exploited.

Take-up and targeting

Overall, take-up of ETU had reached the expected caseload earlier than anticipated. Even so, in all rounds of meetings, staff in Scheme A areas said take-up was inhibited by low awards.

During the early part of the pilot, local knowledge of ETU was greater in urban areas; by the third round, staff in all areas reported that knowledge was more widespread. Staff consistently feared that people already in low paid employment would not hear about ETU and were surprised at how many did receive it. Panel members remained concerned that some eligible groups might not hear about ETU.

Job availability

In all the pilot areas, staff said overall unemployment numbers were low and remained relatively static, however there was a fair amount of churning between benefit and employment. Advisers mostly could meet their targets for placing clients in employment.

Traditional extraction and manufacturing industries had closed in all the pilot areas. The available jobs tended to be in service industries; typically, they were low paid and part-time.

Views on ETU

BA and ES staff saw ETU as useful and valuable. ETU had become taken for granted in ES Jobcentres, where staff used it to encourage people to consider low paid and part-time jobs. BA staff emphasised the justice of providing ETU alongside other in-work benefits.

In praise of ETU

In the third round of meetings staff judged ETU as successful because it met its aims. Staff believed that ETU: complemented the New Deal programme; helped towards long-term solutions; had a preventive role, diverting young people from becoming habituated to benefit receipt; and helped to break the cycle of generations of unemployment. Staff also said the six month award supported self employed people, was simple to administer, and enabled Benefits Investigation Service staff to persuade people to sign off.

Staff at the central processing unit thought ETU fitted with welfare to work incentives. They thought it should be rolled out nationally, given the Government's aims and ETU's success.

Criticisms of ETU

Staff thought shortcomings such as the level of awards derived from the rules of ETU itself. Others arose from the interaction between ETU and the benefits system, including claimants' fears about meeting rent payments and the loss of Housing and Council Tax Benefit.

Some problems arose from the way ETU was operated and processed, such as the effect of inadequate publicity on the integrity of the pilot, and the failure to record when ETU had been used successfully in conjunction with New Deal.

Staff suggested that ETU could be made to function better in relation to wider policies: for example, it could be targeted on fresh claims and it should be used for 16 and 17 year olds.

The end of ETU

Fears about how the withdrawal of ETU would be managed and the effect on recipients were expressed during the pilot and became most urgent during the third round of meetings. Staff said that people receiving the minimum wage and working full-time would not be eligible for ETU, but many part-time workers would be eligible, and many vacancies were part-time.

Effects of the loss of ETU

Staff thought the loss of ETU would affect their work and success rates by impacting adversely on New Deal, making it difficult to persuade people to take part-time jobs because they would not be better off and failing to help people off unemployment benefit.

The loss of ETU would affect recipients who were still eligible for it: it would cause hardship to recipients who lost their awards; it would be hard for staff to explain and they would have nothing directly to replace it; and people might have to give up their jobs, with the fear they would be sanctioned for doing so.

Overall, staff believed that the withdrawal of ETU would increase unemployment.

Information flows and local staff

Staff complained about patchy receipt of information during the course of the pilot. This became a pressing concern as they anticipated the end of ETU and needed firm information about: whether ETU would finish in October 1999, as planned; rules about final applications and renewals, procedures for run down, and the information to be sent to ETU recipients.

Central unit staff had already drafted the information and guidance when the panel was held and expected to send it out in March/April, but it was delayed until June 1999.

Managing change at the central processing unit

Staff said that, although a ‘wind-down policy’ was in place, the process presented some difficulties, including disbanding the team, estimating work flows under NMW and NI changes, and uncertainty both for staff and for operational management.

Going national: models and assumptions

Staff discussed the principles and practice of the introduction of tax credits, in which state support was linked with earned income to ensure that work was seen to pay.

Reasons to introduce tax credits for all low paid workers

Panel members thought that tax credits would underline the association between work and earned income, sever clients’ ties with benefit, and not be seen as a handout.

Practical reasons were: some recipients chose direct payment of ETU into their bank account; flexibility for people who moved in and out of employment; non-stigmatised; no problems of lost benefit books and Post Office queues; less open to fraud and better targeted. Tax credits would be cheaper to administer.

Reasons not to introduce tax credits

Staff raised: the difficulty of setting national rates; the loss of incentive to take a job; explaining tax credits to customers; whether workers would trust employers to administer tax credits; and access and control of bank accounts.

Reasons to retain order books

In the main, staff believed that low paid people lived, of necessity, in a ‘cash culture’ so they needed the security and regularity of a payments book to order and budget their limited funds.

Order books were: secure and reliable; provided cash regularly; bridged the gap to the first pay day; and independent of employers’ calculations. Low paid people often had no recourse to reputable sources of credit, and many ETU recipients opted for an order book and earmarked their ETU for specific use.

Staff thought the incentive value of the payment would be lost if its separation from wages were not maintained.

1 INTRODUCTION

The Department of Social Security (DSS) introduced Earnings Top-up (ETU), an income-related, in-work benefit, on a pilot basis for three years from October 1996. Coincidentally, this was at the same time as the introduction of Jobseeker's Allowance (JSA).

ETU aimed to encourage single people and couples without dependent children to take up or remain in work of 16 hours a week or more. It was broadly equivalent to Family Credit (FC) and to Disability Working Allowance (DWA).

Eligibility depended on full-time employment (16 hours a week or more), having no dependent children, low income and postcode address in a pilot area.

1.1 ETU Pilot Areas

ETU was introduced in eight areas, for three years, as follows:

- four areas received ETU at a lower rate (Scheme A);
- four matched areas received ETU at a higher rate (Scheme B); and
- four matched areas did not receive ETU (controls).

The pilot was based on travel-to-work areas, covering four different types of labour market:

- major urban areas/conurbations;
- large towns;
- seaside areas; and
- rural areas.

1.1.1 Organisation and implementation of Earnings Top-up

ETU was administered in the pilot areas through the local Benefits Agency (BA) offices and Employment Service Jobcentres (ESJ). Relevant staff in the BA offices and ESJs were aware of ETU and the eligibility rules; they could respond to enquiries, draw it to the attention of potential applicants and give out information and application packs. Fast-track applications were available for people starting a job.

The implementation of ETU was planned at Fylde/Norcross by the BA in association with the Information Technology Services Agency (ITSA). The Employment Service (ES) was involved in policy discussions and also seconded staff to the team implementing ETU.

ETU was processed and centrally administered by BA staff at Fylde/Norcross. The ETU unit comprised teams working on Operations and Processing, Customer Services, Policy and Procedures and the Helpline. Liaison was maintained with the ES. Because it was introduced on a pilot basis, the status of ETU was different from a 'proper' statutory benefit: for example, recipients were not 'claimants', but 'applicants' or 'recipients'; and it had rules rather than regulations.

A freephone or freepost service was made available to deal with the enquiries generated by the initial publicity. Telephone calls and postal enquiries were handled by a private sector company, Response House.

The rationale for ETU, its aims when it was introduced, the design of the pilot and choice of pilot areas, are outlined in Appendix A.

1.2 Overall Research Aims and Design

The evaluation as a whole integrates the findings from three complementary approaches, undertaken by three independent research institutes. Two were quantitative impact studies. The third was a process evaluation using qualitative methods. Whilst the quantitative analyses focused on whether the policy met its stated goals, the process evaluation aimed to explain why this was so and to offer insights into ways that policy might have been adjusted or fine-tuned in order to meet the policy objectives better.

The three strands of the research were as follows:

- Institute for Employment Research (IER) local labour market studies based on secondary analysis of a range of sources. The elements of the studies were: socio-demographic structure; economic activity; employment; vacancies; earnings; and area classifications;

- Policy Studies Institute (PSI) surveys. The surveys were of low-paid workers and unemployed people (potential and actual ETU recipients), and of employers, in waves, before and after the introduction of ETU; and
- Centre for Research in Social Policy (CRSP) process evaluation. The elements were: panels of BA and ES staff; and interviews with employers, self-employed people, successful and unsuccessful applicants and people who had come to the end of their period of receipt of ETU.

The final findings from the ETU evaluation are published in seven reports, detailed in the preface to this report.

1.3 The Staff Panels

Staff panels (discussion groups, with continuous membership over all three meetings) consisting of around eight members of BA and ES staff were constituted to investigate the influence of local interpretation and performance on ETU outcomes, as measured by the impact studies. Staff panels were convened in each Scheme A and Scheme B area; managers and front line staff from the BA and ES were represented. A panel was also established with BA staff involved in the central administration and processing of the scheme and the ES liaison officer.

Staff panels were chosen as the best way of: bringing together BA and ES staff and exploring their perspectives; tracking staff views on the effects on ETU of central and local policy changes and other developments; and comparing the perspectives of central and local staff and of people with different positions and responsibilities. The staff panels focused on change over time as ETU operated in changing economic, political and social circumstances.

The aim was to maintain the same membership of the staff panels at all three meetings. In the main, this was achieved, with a core membership attending two or three meetings in all areas. The DSS Analytical Services Division (Social Research Branch) with the help of the ETU Co-ordinators for the pilot areas convened the panels; when members could not attend they were substituted as far as possible with people doing the same job in the same office. The central staff panel continued the same throughout.

The third round of meetings of staff panels took place early in 1999 in the eight areas receiving ETU and at the BA central administrative unit. Throughout this report on the third round, comparisons are made with the findings from the earlier rounds of meetings. Some details of the early planning, implementation and publicity are omitted and may be found in the interim report.

2 OBJECTIVES OF EARNINGS TOP-UP

ETU was introduced in October 1996 by a Conservative administration. The three-year pilot straddled the Conservative and new Labour governments. The meaning of ETU to panel members altered in response to changes in the policy context. Staff's views about ETU and its aims and objectives are the subject of this section.

2.1 Policy Contexts

When it was set up, ETU was part of a package of work incentives aimed at low paid and long-term unemployed people. Together, the measures were *'to help unemployed people back to work and reduce the cost to employers of taking on the unemployed'* (HM Treasury, 1997). In the 1995 Green Paper, the specific objectives of ETU were stated as:

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

In brief, ETU was to help people into low-paid work and to help them to remain there. It was based on the then existing in-work benefits, Family Credit and Disability Working Allowance¹, and was to meet the needs of people excluded from them: people without disabilities or dependent children.

Recipients had to be employed at least 16 hours a week because then they would relinquish out-of-work benefit. (Claimants could work up to 16 hours a week with Jobseeker's Allowance or Income Support.)

The new Labour government of May 1997 also saw getting people off benefit and into work as crucial. One of its main pledges was to *'get 250,000 under-25 year olds off benefit and into work by using money from a windfall levy on the private utilities'* (Labour Party, 1996).

¹ Now replaced by the Working Family's Tax Credit and Disabled Person's Tax Credit.

The first round of meetings of the staff panels took place in summer 1997, shortly after the election. The second round was early in 1998; at that time it was not clear whether ETU fitted into the evolving policy of New Labour. The introduction of the National Minimum Wage (NMW) was anticipated and discussed by the panels, but debate about the timing and level did not start in earnest until later. Its level and start date had both been determined by early 1999 when the panels met for the third time.

By the time of this report on the third round of staff panels, the government had set in train measures that changed the climate in which ETU operated. The Conservative administration of the late 1980s and early 1990s had made legislative changes to social security that *'both tightened benefit eligibility and strengthened benefit conditionality'* (Trickey and Walker, 2000). The Labour government's welfare reform package built on these. It comprised three strands: 'welfare to work', 'making work pay' and 'work for those who can, security for those who can't' (Trickey and Walker, op cit).

The Green paper *'New ambitions for our country: A new Contract for Welfare'* (1998) was published shortly after the second panel meetings. Work was central to its proposals, as the *'surest route out of poverty'*. Work had to pay and be seen to pay. To this end, it was proposed that selected current in-work benefits should be replaced by tax credits. The Working Families Tax Credit (WFTC) was to replace Family Credit and a Disabled Person's Tax Credit (DPTC) was to replace Disability Working Allowance (DWA). The linking of support to the pay packet was intended to demonstrate the rewards of work and remove the stigma of claiming benefit.

By the time the staff panels met for the third time, the National Minimum Wage had been introduced, at £3.60 for people over 21 and £3.20 an hour for 18-21 year olds². A series of reforms to the tax and benefits systems had been initiated: a 10 pence starting rate for income tax; the Working Families Tax Credit, Childcare Tax Credit and Disabled Person's Tax Credit; and reform of National Insurance contributions, with alignment of the tax and NI systems over two years.

² The rates were increased, as follows: adult rate to £3.70 from 1st October 2000 and young person's rate to £3.20 from 1st June 2000.

In addition, various measures to promote work opportunities were operational or had been announced (HM Treasury, 1999) including:

- the New Deal programme was to help people move from welfare to work. It started with the New Deal for young people, and soon extended to New Deals for long-term unemployed over 25 years old and their partners, lone parents, disabled people and communities;
- Employment Zones (EZ) were established in areas with high concentrations of long-term unemployment; and
- ONE (Single Work-Focused Gateway) pilots were proposed to begin in mid 1999 to bring together the agencies providing services to benefit claimants and provide a personal adviser service.

Earnings Top-up, or help for people without dependent children, was not discussed publicly by ministers in the build up to the introduction of tax credits. Debate was focused on the needs of families and children, and later on disabled people. However, in the 1999 Budget, the Chancellor of the Exchequer said:

'Not just families but all who work will be guaranteed a minimum income, and this minimum income will be paid through targeted tax cuts and credits. No one who is in work should, in future, have to go to the benefits office to receive a living income. We start in this Budget with a minimum income guarantee. A new deal, for over 50s returning to work.'

(HM Treasury, 1999, p20)

The proposed change was to create an '*employment credit*' for those over 50s who had been unemployed for six months or more. It was for those moving from employment into a job, and could last up to 52 weeks. It would apply to those with or without dependent children. It could be interpreted as a selective introduction of ETU in the form of a tax credit, targeted on a particular group of older workers.

Subsequently, in the Budget of March 2000, the Chancellor reiterated the extension of New Deal to the long-term adult unemployed and of the principle of the WFTC, to ensure that work will pay. From 1st April 2000, all long-term unemployed people aged over 50 would be guaranteed a minimum income during their first year of employment.

2.2 Staff's Views of the Purposes of ETU

Staff's views did not change fundamentally over the period that the staff panels met. For example, at the first meeting, staff thought that ETU had been introduced to help to bring down the unemployment figures or '*get people off the register*', and to encourage them to consider the low-paid work and part-time jobs that were on offer in their local labour markets. These views were echoed, directly and by implication, at later meetings. However, staff offered slightly different interpretations and language as they adjusted their views in the light of prevalent government policies.

The second round panels engaged in lively debate about the place of ETU in the developing policy context. They believed that ETU and New Deal for Young People complemented each other and shared the aim of helping people to escape dependence upon benefit for the independence of paid employment. They also thought that state support could be combined with earned income to ensure that a person was better off in work.

Similar issues were raised in the third round, but staff enthusiasm was tempered by disappointment that ETU would be brought to an end in October 1999 (see Chapter 7). All the panel members who used ETU in their work, and the colleagues they had consulted in their various local offices, argued strongly that it should be retained.

Staff believed that the objectives of ETU were to encourage people to take part-time employment as a stepping stone to a better job and to help reduce the unemployment count. Both appeared to have been achieved, but local staff said that some of their clients took work with ETU but did not complete the six months of the award. They fell into a pattern of work with ETU followed by unemployment with JSA and so on. Central processing staff had also noticed this, but did not monitor it. Staff pointed out that low-paid, part-time work might well also be temporary, in which case the pattern was determined by the jobs available and not by the characteristics of ETU or its recipients.

ETU was also to help people to stay in low paid work, but staff did not know how successful this had been because they did not think people already in employment necessarily were informed about ETU. BA staff saw the provision of an in-work benefit for people without

dependent children, who previously had been excluded, as a matter of justice, and this was seen as an objective in its own right.

By the third round, the role of personal advisers for New Deal was well established in ES Jobcentres. Panel discussions included and even emphasised the place of ETU among a raft of measures that aimed to change the lifestyle of unemployed people. Some advisers described ETU as a means to tackle a ‘benefit culture’ and encourage a ‘work ethic’, and as a measure to prevent young people from falling into the habit of dependency.

‘It’s a social problem we’re dealing with here, it’s a far bigger thing than Earnings Top-up ... People come from this culture where they’ve never worked and never known any other, the parents turf them out ... So you’ve got this person who’s never worked, whose parents haven’t worked ... you’re expecting them to get a job, supporting themselves ... these people come straight from benefit to benefit and stay in benefit ...’
(ES Client Adviser)

Throughout the pilot, staff panels emphasised the difficulties faced by some 16 and 17 year olds who, they feared, would become part of the ‘benefit culture’. Staff thought that ETU should be available for 16 and 17 year olds so that they could sustain themselves by employment; this would be preferable to leaving this group to their own devices until they were old enough to claim Jobseeker’s Allowance. In the third round, it was suggested that these young people needed to be captured straight from school with a specially tailored New Deal package that included ETU.

2.2.1 New Deal

Advisers thought ETU was a ‘useful tool’ for encouraging people into work, which complemented New Deal for 18-24 year olds, particularly when the employer was only passing on the £60 subsidy³. The New Deal allowed them to take an approach with young people and with those aged 25+ that they compared favourably with what had gone before. An adviser described it as ‘*One to One, with a bit more oomph.*’ Advisers valued the continuity of contact with their own caseload of clients with whom they could ‘*spend the time and do it properly*’:

‘I’ve got the luxury ... if one of mine comes in to sign off of being able to spend half an hour with them and I’ll do their ETU, their Jobfinder’s Grant, the Housing Benefit, so when they leave its all done, sort out if they need clothes for work, we can do

³ The four New Deal options for 18-24 year olds other than unsubsidised work, were : subsidised work; voluntary work; full-time education or training; and Environment Task Force. Employers were offered £60 a week if they supplied subsidised work; some paid the employee only the amount of the subsidy.

everything for them at that one desk, but if they're not on New Deal then basically they could be one in a queue of 20 on reception waiting to sign off ...'

(ES New Deal Adviser, 18-24 year olds)

Advisers differed on the frequency of their use of ETU within New Deal. Most saw it as essential, and one manager reported that his New Deal advisers said that they used ETU far more than they used to as ordinary advisers. However, there were two exceptions: first, in one Scheme A pilot area, New Deal jobs available through one office (though not the others) paid enough to take employees out of eligibility for ETU.

The second exception indicates some limits on the effectiveness of ETU. New Deal advisers in one panel thought they were using ETU less now than previously. They were among the staff in a couple of areas who described a trajectory in which it had been easier to get clients into work when New Deal was brought in and later became more difficult. These advisers said that, at the outset, they were faced with the stock of young people who had been unemployed for six months or more. The keener and more able could be helped into work with New Deal subsidies and/or ETU.

However, by the time the panels were held early in 1999, advisers said they had reached a 'hard core' of clients whose aspirations were higher than their abilities: they set unrealistic goals for their income, and they were not impressed by the amount ETU could offer. The advisers said this 'hard core' group rejected New Deal options and were resistant to change. This combined with other disadvantages, such as lack of qualifications, experience and references and occasionally criminal records, to make it difficult to find them work in which they would be better off. Some New Deal clients used ETU to avoid New Deal options and sanctions:

'If, at the end of four months, they've not taken up an option on the New Deal they're mandated by the New Deal adviser to attend the one that is going to benefit them most in finding the type of work they're looking for. If they don't want to do that then they'll go out and find a part-time job stacking shelves earning £40 a week and then getting ETU on top of that, to escape.'

(ES New Deal Adviser, 18-24 year olds)

Panel members acknowledged that the more difficult to place clients were probably the minority, but said that they made disproportionate demands on the advisers' time and '*loom large because you see them so often*'. By contrast, some of the young people had been:

'Absolutely brilliant and you can't do enough to help them, they're really, really nice, desperate to better themselves and they're absolutely a joy to work with.'

(ES New Deal Adviser, 18-24 year olds)

Staff in one area said that the initial, holistic, personalised approach had given way to target-driven enforcement of the rules once the keener young people had been placed. An adviser said that her 25+ year old clients came to see it as '*policing*'.

This view was not expressed, as such, in other panels, but advisers said that they did have the power to use sanctions when necessary. Three of the panels described a process in which sanctions were used more frequently against New Deal clients because they were sanctioned not only for refusing employment, but also for not taking up New Deal options. BA staff in one panel had noticed the increased use of sanctions because they processed the hardship claims.

2.2.2 National Minimum Wage

Staff panels in the first and second round of meetings said that ETU effectively gave support to employers who paid poor wages and some thought that was intended when it was introduced. Staff in the second round contrasted the policies of the previous and current governments on the National Minimum Wage. They speculated about the level at which it would be set and the effect it would have on ETU.

By the third round, the National Minimum Wage had been set and was due to start in April 1999. Not all of the panel members were clear about the timing and the rates.

Staff did not support the age-related rates because, they said, living expenses were the same for both groups. However, they did concede that there was a reasonable expectation that younger people would be living with their parents. Staff had always believed that the group who gained most from ETU was young people who were not responsible for running their own home. Staff said that neither the National Minimum Wage nor ETU took living expenses into account.

ES Jobcentres would be obliged to enforce the National Minimum Wage for vacancies they advertised, so employers who were offering illegally low pay would not advertise there. Some staff believed that some employers would cut the hours of current jobs, offer more part-time work and even that some jobs would be axed.

Staff debated the probable effect of the National Minimum Wage on ETU take-up. They noted that people working full-time would not be eligible on Scheme A or Scheme B, but that many part-time workers would be (ETU statistics showed that, in April 1999, recipients who were employees worked, on average, 28.6 hours per week). Staff thought that the age-related rates would mean that younger people would continue to be eligible for ETU. If, as they expected, employers cut the hours of work available (but not below 16 hours), then ETU take-up would be static or increase.

Central staff had explored the effect and had at first predicted that, because most recipients were part-time, the number receiving ETU would probably not change although the total amount of benefit paid might fall. These preliminary calculations suggested that only at £5.00 per hour would a National Minimum Wage begin to reduce ETU receipt. The numbers needed to staff the processing unit to the end of the pilot had been based on this calculation.

However, new calculations pointed towards different conclusions and had shaken central staff's confidence in the earlier predictions. These were under review at the time of the fieldwork. If eligibility was set to fall, as was now suspected, then 'natural wastage' and run down of staff numbers could start sooner.

3 OPERATION IN THE LOCAL OFFICES

Little change to the operation and administration of ETU was reported over the three rounds of meetings of the staff panels. ETU was an easy benefit to administer, being modelled on the then Family Credit and following familiar lines. Certain aspects, such as the application form, which was relatively easy to complete properly, and the accessible helpline, helped.

Local staff found information flows about ETU patchy and inadequate throughout the pilot. Sometimes that was because little was produced, and limits were placed on what could be disseminated; sometimes it was because distribution was poor and unreliable.

Staff reported that, over the years of the pilot, ETU became part of the ordinary currency of their offices. Central and local staff's concerns that new staff might not learn about ETU were largely allayed: while little formal training appeared to be available in the later stage of the pilot, informal mentoring, sitting alongside and observing, were described as effective.

3.1 'Training' and 'Awareness'

The reports on the earlier rounds of the staff panels distinguished between the 'training' and 'awareness' offered to BA and ES staff when ETU was introduced. Training gave in-depth understanding of ETU, while awareness informed staff of its availability and purpose (Vincent et al., 2000). A paradox was noted that BA staff received more extensive and consistent provision than ES staff, who were, in fact, far more likely to use ETU as part of their daily work. Nevertheless, in both organisations extensive training and awareness programmes were in place when the benefit was introduced.

The issues raised in the second round were: the availability of formal and informal training for staff who came into post subsequently; the use of casual staff; that ETU was easy to learn; that the postcode boundaries used to define the extent of the pilot areas were an irritant; and that staff were used to dealing with patchy information and teaching themselves.

By the third round of meetings, in the light of the earlier discussions and the fact that ETU was a pilot and coming to the end of its life, it seemed likely that training of new staff might be unsystematic. This suspicion was partly borne out. Most BA staff did not receive formal

training in ETU, but reception staff – the only ones likely to be concerned with ETU – learned about it informally, ‘in-house’. They might sit with an experienced receptionist or someone who had originally been trained, or respond to enquiries by referring to the information contained in the application pack.

BA respondents said ETU was part of the common stock of knowledge for experienced frontline staff, which was important because they had to try and identify customers for whom it might be appropriate (rather than customers asking for it themselves – see next section). However, in two of the panels, BA staff said that receptionists in their offices no longer had the desk aids (showing eligibility rules, a ready reckoned allowing quick estimation of ETU awards, and post codes) which staff found invaluable. Respondents did not know why the desk aids were missing; the ETU co-ordinators arranged to send new ones.

The panel members in most, but not all, of the pilot areas thought that new ES staff would receive formal training on in-work benefits; including ETU. Mentoring schemes and ‘sitting with experienced staff’ were also used. In addition, ESJ staff said that, as in the BA, the better off calculation on Local Labour Market System (LMS) included a question on ETU. ETU was useful to them, so they would not forget it.

‘It’s a good seller for people to take part-time work ... so if one of the ways of getting [a placement] is ETU, then you’re going to remember to do it.’
(ES Adviser, formerly on the frontline)

However, throughout the pilot, there were differences among the districts and offices of each of the services as well as between the services, which affected the likelihood that members of staff would know about ETU. Some offices in both services used casual staff, some were short staffed, and some were large offices with a division of labour while others were small, so that all staff knew something about everything.

An ES team leader said that she would be telling her advisers about ETU right up to the end:

‘I’m still making them aware of it now. I’m not thinking ‘oh, what’s the point of telling them because it’s stopping in October’, I’ll still keep going and then they’ll all be told in October, ‘right, forget that now, get the packs out, put them in the bin and it stops’.’
(ES Advisers, Team Leader)

Finally, central processing staff found it difficult to maintain continuity in procedures because of the staff reorganisation and turnover associated with the run down of ETU. For example, the Newsletter was intended to alert people to common problems and the first one included a description and advice about completing the application forms. However, a more recent mistake (concerning the timing of an application in relation to the start date of a new job) had gone unreported by central processing staff even to the ES liaison person.

3.2 Newsletters and Information

The earlier staff panels indicated their need for information; in particular, they wished to see the statistics so they could know how successful the pilot areas were. ESJ staff particularly wanted to judge the performance of their offices, but had not been able to.

Panel members in the third round were asked if they had seen (any of) the four newsletters produced by the BA and three produced by the ES. Some had not seen any of them, and other staff had seen only some. Few claimed to have seen all those produced by their agency. Given that the panel members were interested and active in relation to ETU this suggests that distribution and the cascading of information were patchy. It was understood that ES preferred to distribute material through the District Office, but in one panel a district co-ordinator for ETU had not seen the Newsletter. He said they did not receive *'background information (and) general knowledge'*.

ES panel members said that inconsistent distribution of information was typical and not peculiar to ETU. A district manager said he thought it was because *'over the last two years or more we've been hit with so many pilots, changes, so much is going on'*; staff in other areas echoed this view.

The third and last round of meetings took place early in 1999, some eight months before ETU was scheduled to finish. Staff expressed an urgent need for a clear and consistent account of the end of pilot process. However, although the most recent BA Newsletter contained information about wind down, many had not seen it and held out hope that ETU would continue.

Staff at the central processing unit said that information and guidance for local offices on the management of the ending of ETU had been in draft form for some while. It had been held back for further discussions and decisions. However, they expected it to go out with the updated desk aids in March or April.

Firm guidance was sent, in fact, in June 1999. A written question and answer on renewing awards when the pilot ended appeared in Hansard, 16 June: in the light of the range of new initiatives to help low paid workers (such as the NMW and tax and National Insurance contribution changes), the planned three renewal awards were to be '*restricted to a single six month award*' (Column 184). Letters were sent out informing local staff in BA and ES offices on that day, with the desk aids. The rules about entitlement were changed: existing ETU recipients after it had finished in October 1999 could apply for one renewal only and not three as previously laid down.

The text of the application package was changed to inform customers that ETU would end in October and that details were in the accompanying booklet. In early July, there was a mail shot to all the existing recipients (around 22,000, having fallen from the peak of 24,503 in March 1999). Extra telephone lines were set up in case the existing help line could not cope. At the time of writing, virtually no response had been received to the information sent out to staff and to customers (personal communication).

3.3 Roles of the ES and BA in ETU

During the pilot, ES staff reported that they made far more use of ETU than BA staff. BA clientele do not include unemployed people, but staff were generally alert to the availability of ETU. Callers rarely asked for ETU by name, so BA reception staff responded indirectly to general enquiries and requests for help by drawing ETU to people's attention. Customers would only hear about ETU if staff did this. BA staff reported that they issued few claim forms.

The exception was BA Visiting and Investigation Service Officers who continued actively to promote ETU so as to persuade people who were working more than 16 hours a week while signing to sign off and 'officially' start work.

ES advisers directly promoted ETU in pursuit of their tasks; they used it as a tool, to persuade people to think about low paid and part-time work and not to dismiss either option. There were differences among the pilot areas and the offices within them on the likelihood that clients would ask about ETU by name (see Section 5.1).

Section 1.2.1 showed the effects of New Deal on the way staff operated and the use they made of ETU. Staff argued that New Deal and ETU objectives were similar and that the approaches were complementary and each reinforced the other. ES advisers also brought ETU into the process of sanctioning young people who would not follow prescribed New Deal paths. For example, a calculation might be used to prove that someone could be better off in a particular job, with ETU; if they did not apply, it was interpreted as refusing employment.

3.4 ES Targets

ES staff views on the role of targets in their work changed slightly during the course of the pilot. At the first meetings, ES staff described themselves as target-driven. By the second round, changes had been promised that would give more emphasis to quality, but staff were equivocal in their response and some thought that volume targets would prevail.

A mixed picture emerged at the third round of meetings. In some areas, ES staff's earlier misgivings appeared to have been justified. They said, for example: that nationally, Jobcentres were involved in a project with special project teams to meet a national target of 'approximately 100,000 placings at the end of the year'; and that New Deal had brought more targets on top of the old ones - staff who described New Deal as having degenerated into 'policing' were included in this group.

Throughout, ETU was a useful tool to help ES staff reach targets:

'I don't receive any sort of personal outcome for getting somebody to sign off to ETU now, it's secondary to the point that the sign off is the important thing, the ETU is ... a means to an end.'

(ES New Deal Adviser, 18-24 year olds)

Other staff placed greater emphasis on the discretion that New Deal gave them. They were required to ‘get tough’ at the end when it came to mandatory referral, but they were also given leeway on how fast they brought it in. Staff said that their interpretation rested on the fact that they knew about local job availability and whether their clients were really trying to find employment or just ‘paying lip service’. One adviser described New Deal:

‘it’s quite a stressful job, but it’s one of the most satisfying jobs I’ve ever had in the Jobcentre, a lot more varied, you’ve got a lot more autonomy and you manage your own diary, you’re left a lot as well to be as innovative as you like also. I enjoy it ...’
(ES New Deal Adviser, 18-24 year olds)

4 APPLICANTS

At all the rounds of meetings, panel members agreed that the agencies performed different roles in relation to potential applicants for ETU. ES staff were proactive and informed clients about the benefit at numerous interviews, while BA staff responded to requests for help and had to discern the potential for ETU (see also Section 2.3).

In addition, the areas differed on how far ‘word of mouth’ had spread information amongst (potential) clients. Earlier in the pilot, the urban areas and towns were contrasted with the rural and seaside areas, although even in the latter areas, ETU was sometimes well known in particular workplaces. By the third round, staff thought that knowledge was quite widespread in all types of areas (see also later Section 5.1).

4.1 Applicants Helped by ETU

Staff consistently said that the applicants who gained the most were young people who were living in the family home. The financial advantage to them was very clear, making them easier to persuade to take low paid work with ETU. In fact, the point was not their youth, but that they were not householders with the responsibility for running a home. Live-in jobs, such as in hotels, could offer the same ‘*money in their pockets*’ gain. Bournemouth ESJ staff reported that between a third and a half of the packs they issued were to young people working in hotels, who asked for ETU by name.

Other single people could be helped, because ETU gave those who ‘*genuinely wanted to work*’ a reasonable chance to do so. Advisers said that most clients wanted to work and thought that things would get better if they were working; they would take a job for a relatively small marginal gain. In contrast, was a minority who looked for more:

‘... if people are in either mind set A or mind set B, we can’t very easily move them from one to another, it’s a social thing that they’ve been brought up with for their whole life ... ‘I will work as long as I can survive on what I’m getting paid ...’ or ‘there’s no way I’m going out to work for twenty quid a week.’

(ESJ Business Manager)

Staff discussed a few, particular groups who might be helped. An adviser said that older people could get back into work and be better off with a part-time job and ETU, but it could

be difficult to persuade them: it took the printout of *'a full blown, cast iron calculation on our computer'* to convince them. A BA receptionist remarked that she had realised that, contrary to her assumption that all ETU recipients were under 25, occasionally, middle-aged and older couples with no dependants could be helped with ETU, for example, when one had to take early retirement. However, older people could be difficult to reach because they were unlikely to be in touch with an agency or to find themselves in a group that knew about ETU.

4.2 Applicants Unlikely to be Helped by ETU

Staff maintained the view throughout the pilot that applicants with financial commitments running their own home, and particularly those with a mortgage, were likely to find themselves little or no better off because they lost their Housing Benefit and Council Tax Benefit as their income improved with ETU. In addition, payments to ex-partners for maintenance and debts to utilities could come in full force once a person was in employment.

Staff also considered the issues of security and risk in the move from benefit into employment. They thought that people who were responsible for running their own household faced a far greater risk when taking up employment than young people living in the family home. People could understandably be loath to leave the security of working (less than 16 hours) while claiming Jobseeker's Allowance or Income Support:

'... they will have had ... restart interviews, and possibly other caseload interviews, where it would have been put to them about working more than 16 hours ... with ETU, but ... benefit that they get acts as sort of comfort blanket and also a critical thing is the Housing Benefit and Council Tax Benefit ...'

(ES Back to Work Team Leader)

Panels took different views about the advantages to couples. In two pilot areas – one Scheme A and one Scheme B – ES staff said that ETU was more worthwhile for couples than singles, so that *'the jump in this benefit seems a great deal wider than the others'*. In contrast, a BA reception supervisor in a Scheme B area said that the difference between singles and couples was not great enough:

'There's not the vast difference, I think its only about £10 or so to being a couple to being a single person, so its not really so attractive, it's a lot more attractive for a single person than a married couple.'

(BA Reception Supervisor)

Some potential recipients would not find out about ETU. In one area in particular, staff alleged that unscrupulous employers carried out illegal practices, so that they would want to keep themselves and their employees apart from ETU or anything else to do with statutory services. The practices included paying cash in hand and avoiding paying National Insurance and tax, and VAT evasion.

Finally, in a discussion of whether there was a group that was not helped by ETU (or other benefits) because of the claims process, members of a panel said that some clients were intimidated by having to fill in forms, or lacked the skills to do so.

5 EMPLOYERS

5.1 Effects of Employers' Behaviour on ETU

Staff panels in all three rounds pointed to employers' practices that affected workers' eligibility. They alleged, for example, that some employers: kept working hours below 16 a week so that employees could continue to sign on, with their National Insurance paid; kept hours and wages below the level at which National Insurance was incurred (ETU does not count towards the threshold for NI); held employees to 'standby' contracts which did not guarantee them the necessary 16 hours, but prevented them from taking another part-time job; and kept jobs below 16 hours so that workers could not acquire employment rights. This was in addition to the illegal practices referred to at 4.2.

Staff in one area referred to the extremely low rates paid to some care workers (£1.00 an hour) so that their ETU award was higher than their wage. The wages were seen effectively as the top-up to the ETU award. However, staff recognised that the introduction of the National Minimum Wage should prevent this from continuing.

ETU application forms for someone moving into a job needed the employer's estimation of earnings for the first five weeks. However, there were sometimes problems with '*getting the employer's bit*'. Local staff said that, in general, it was harder to collect information from large organisations than from small, local firms.

Central processing staff also noted this problem. They referred to '*employer fatigue*' and wondered if too much was expected of employers, especially the large ones, who might have to employ extra staff specifically to respond to requests for information from government agencies.

5.2 ETU Effects on Employers' Behaviour

By the third round of meetings, some staff believed that ETU had affected employers' behaviour. They said that some employers were very knowledgeable as instanced by their telephoning on behalf of their employees and organising pay rates and hours to maximum advantage. On the other hand, some staff argued that employers were not influenced by

ETU, but by wanting to avoid incurring obligations such as National Insurance and by the state of the local labour market: they offered low pay and part-time employment because that was to their advantage and the market would bear it. Staff condoned arrangements in which employees also gained, but not those in which employers exploited ETU just to their own advantage.

Staff thought the following uses of ETU helped employers and employees:

- when ETU was used to motivate people to take up employment which was not particularly attractive;
- ETU sold as part of a New Deal package, which was described as a good package, with decent training, so *'looking at the overall package it was the best thing for the client'*; and
- arrangements in which employers increased the number of hours so the employee could qualify for ETU, but did not increase the wages, or hardly increased them (e.g. the employee gave 15 minutes extra a day for no pay, or an hours cleaning for 50p). This ensured the employee gained an ETU award for a minimal amount of extra work at no, or virtually no, cost to the employer.

Staff were critical of uses that they likened to the *'scams'* they believed employers worked on Family Credit. They thought that if benefits were processed locally there would be less abuse of the system because staff would have a better idea of who was cheating. As things were, much of what was presented on forms went unchecked:

'A lot of benefits are issued on trust, we trust the employers.'

(ES Client Adviser)

'[because] it's cheaper in the long run for the administration.'

(BA Benefit Adviser)

Staff criticised the following ways that employers used ETU to their own advantage:

- ETU (like Family Credit) encouraged employers to hold down wages;
- ETU subsidised poor wages; and
- employers found ways of cheating by using the available loopholes: for example, offering 20 hours for £20.

Panel members were not able to offer an opinion on whether ETU had encouraged employers to offer more jobs because New Deal also affected the number of jobs available and they could not untangle the effects of each initiative.

Staff on one panel were particularly critical of employers who kept wages below the level at which National Insurance contributions were incurred.

'But employers have been playing this system ... for years they've been keeping the wage a pound under the [NI] threshold.'

(ES New Deal Adviser, 18-24 year olds)

Staff argued that a National Insurance record was necessary for rights such as sick pay and maternity pay, and, in the longer run, for a pension. They thought that people did not realise the importance of maintaining a good record of NI contributions until they failed to qualify for something and it was too late. By extension, staff criticised ETU because it did not count towards the National Insurance threshold. Thus, by signing off, ETU recipients could lose their entitlement to National Insurance credits and remain below the threshold for NI.

Finally, as shown in the previous section, staff from the Central processing unit thought that too much might be expected of employers, who were so often asked to supply information on their employees. This could be particularly demanding on large employers.

6 TAKE-UP, TARGETING AND JOB AVAILABILITY

6.1 Take-up and Local Knowledge

At all the panel meetings, staff respondents from Scheme A areas said that the awards were set too low and that may have inhibited the spread of information and take-up in some areas. For example, staff in the Scheme A pilot area near London said that, because their local cost of living was so high, ETU awards could appear derisory. It took some time for ETU to become established in their office and they were never confident that it could offer much help. By contrast, the urban Scheme A area had the highest take up right from the beginning of the pilot.

Overall take-up of ETU had reached the expected caseload earlier than anticipated (Vincent et al., op cit, p31) – this was given as a reason not to undertake any publicity beyond the initial period. Over time, staff believed that local knowledge of ETU spread within the pilot communities. At the beginning, awareness was more widespread in the urban settings; people in the rural and seaside areas were less likely to have heard about it. By the time the panels met for the third time, knowledge had spread in all pilot areas. For example, in a rural area:

‘But whereas 12 months ago they would say ... ‘never heard of it’, we’re getting a lot of people, ‘oh yes, I know about that’ ... there are a lot of the clients have now heard about Earnings Top-up, they might not know the full story, but they have heard about it.’

(ES Business Manager)

In addition, in the Scheme B seaside area, although work is seasonal, many people knew about ETU. Staff thought it likely that hoteliers told their employees about ETU; in any event, they came to the ESJ and asked for it by name. Staff estimated they issued 350 or 400 packs a month, at least a third of which went to people who asked in this way.

‘It seems to have got round all the hotels about this wonderful scheme, I mean a lot of them we don’t sort of advise them, we just hand the packs out ... they’re work permit students, sort of more work than it is student.’

(ES Client Adviser)

6.2 Targeting

By the third round of meetings, many staff had seen Newsletters about ETU and had gained some idea of the pattern of take-up in the pilot areas. They were surprised at the number of applicants who were already in work when they applied which was higher than they expected; indeed, it had been a matter of concern to them that people in low paid employment might not hear about ETU and apply for it.

Specifically, panel members feared that the following groups would be eligible but would be unlikely to hear about ETU or would not apply for it:

- low paid workers in steady work who only found out about ETU if they became unemployed;
- people who worked in temporary employment and were themselves transient (for example, going from one hotel job to another);
- people who had a 'bad benefit experience', for example moving from one means tested benefit to another and finding '*horrendous problems with the council and Housing Benefit*', would not willingly put themselves through it again;
- people who didn't understand the information they were given, or didn't act on it, '*lose out on the benefits that are available*';
- people on the edge of the pilot area where there was little local knowledge of ETU;
- people who were signing on as unemployed and also working more than 16 hours, but were unwilling to commit themselves to signing off;
- home workers;
- employers who filled vacancies from their own bank of workers;
- people who signed off Income Support with the BA, to go into employment. BA staff said that they would like to think they would pick up all potential ETU applicants, but didn't think they could guarantee it;
- older women whose children had left home; and
- people in rural areas who signed by post or had low paid employment.

A client adviser said that, if a job was available, then ETU might be used to persuade someone to take that job. However, very often its use lay in getting people to think about

taking part-time work and not dismiss it out of hand. ETU's influence was not necessarily immediate, but longer term.

'Very often its just a tool you use to try and get people to think about getting a part-time job. And then they go out and look for work and then they come back and the form is completed ... normally it's something they go and think about first and then they come back.'

(ES Client Adviser)

6.3 Job Availability

The broad picture offered by the panel members in all the pilot areas was of a low and relatively static number of unemployed people, measured by the number out of work and claiming benefit. There appeared to be a fair amount of churning: advisers mostly could meet their targets for placings, but people were also becoming unemployed. Staff sometimes described the unemployed as a 'hard core' carrying the implication that they could not, or would not, gain employment.

Traditional extraction and manufacturing industries had closed in all the pilot areas: for example, mining, shipbuilding, garment and textiles in the north-east, and engineering in the south. The available jobs tended to be in service industries such as leisure, retail and call centres, catering, cleaning and care homes. Typically, the jobs offered were low paid and part-time, for example to cover extended retail opening hours.

Two particular issues were raised. First, ES staff said that the new, big foreign industrial firms in the North-East provided many jobs, in a modern setting, with good work conditions and pay. However, the work was very demanding and the firm could 'cream off' applicants from a very large geographical area. The New Deal adviser in the area said that, in general, New Deal clients were not up to the demands: in her experience, only two got through the early interviews and both of them left the training because they could not cope. Panel members were also concerned that, with reliance on foreign investment, there were too few jobs in companies with a strong local connection.

The second issue concerned the fortunes of the two rural pilot areas. There had been considerable investment in one of these, but only in one part of the (geographically extensive) area, making for local differences. At the western end were the service jobs described above;

the only large manufacturing employer used temporary contracts to take on and lay off labour as required. That area had qualified to be an Employment Action Zone.

The eastern part was different. It had successfully attracted considerable foreign and national investment to produce a mixture of industries including production, processing and food factories. A new retail park was being built, though local labour was not employed for the construction: rather, the firm brought its own workers to the site (a process that was described by panels in all three rounds). Numerous centres for financial services had been established on a nearby industrial park. A consequence of all the development was that the area could not fill the available jobs:

'They get loads of vacancies coming in, so the problem up there is of trying to find suitable people to fill the vacancies, whereas down here it's trying to find suitable jobs for the unemployed people.'

(ES Client Adviser)

The other rural area also had a new site under construction, with another hoped for. A hotel and retail development was under way. Typically, the construction brought little local employment, but incoming employers had to agree to employ a percentage of local people who had the skills required. ES staff were using ETU to try and persuade employers to take on and train people so they could build up their skills and as an incentive for workers to learn. Colleges and other training providers were backing this up with short courses.

The hoped for development was retail and tourist oriented, in an administrative and university centre. It would provide out of town shopping, a multi-screen cinema and riverside tourist attractions.

7 VIEWS ON ETU AND PILOTING

7.1 Views on ETU

ETU was seen as useful and valuable. By the final year of the pilot, it had become accepted as part of the currency of the offices in which it operated. However, staff had some criticisms of ETU. Some of this section brings together findings from earlier sections; these have been summarised to avoid repetition as far as possible.

7.1.1 *In praise of ETU*

There was little difference between the responses given by staff early and late in the life of the pilot. In all three rounds, they emphasised the justice of providing ETU: it filled a gap in the availability of in-work benefit so that people who took low paid work were entitled to help and a reasonable income. ETU allowed people without dependant children to be treated the same way as those with children and disabled people.

In the third round of meetings, staff focused on ETU's aims and its contribution to New Deal. They judged ETU as successful because it met its aims:

- ETU helped staff to meet targets; it was the best tool for getting eligible people into employment and it could maintain people in work; and
- in particular, it gave long-term unemployed people '*a form of rehabilitation back into employment*'. They faced difficulties in returning to employment and could be encouraged to consider low paid, part-time work in which they gained skills and experience and got used to the idea of working again.

Staff throughout the pilot valued ETU because they thought that it:

- complemented strategies such as New Deal, whose shared aim was long-term, sustainable employment and helping people to get on the first rung of the ladder. That initial step could prove a major investment in people's lives and get them off the register forever;
- helped young people, in particular the '*hard core*' '*lost generation*' of young people that many New Deal advisers were involved with;

- was a long-term, not a short-term solution because it encouraged the first step and got people into *'the work ethic of getting up in the morning'* and enjoying what they could buy with the money they earned;
- had an important preventive role, diverting young people from becoming habituated to benefit receipt and reaching the children of parents who did not work, breaking the cycle of worklessness;
- offered the security of six months support to self employed workers;
- was simple to administer, in contrast to JSA and other benefits where a constant check had to be kept on changes of circumstance; and
- enabled Benefits Investigation Service staff to persuade people to sign off and 'come clean' about their situation.

Staff at the central processing unit thought that ETU fitted with welfare to work incentives and prevented more young people from being caught in the downward spiral associated with unemployment. They saw a tension between the government's aims and the success of ETU and the decision not to roll it out nationally.

7.1.2 Perceived problems with ETU

Throughout the pilot, staff's views on the shortcomings of ETU were associated with the benefit itself, how it interacted with other benefits and agencies, and how it was operated and processed. In addition, they considered how ETU interacted with wider policies. Respondents in the third round repeated problems referred to in earlier reports, but the main focus of their concerns shifted because of the changing policy context and, in particular, because ETU was coming to an end. This latter issue is dealt with separately in the next section.

Difficulties that arose from ETU itself

- Scheme A awards were too low;
- people could be working 16 hours a week and qualify for ETU but still not earn enough to pay National Insurance;
- ETU might deter people from moving to full-time employment if they were too comfortable with part-time work and 'a top-up';
- it could rarely help owner-occupiers with a mortgage;

- some recipients spent only the obligatory four or five weeks in a job; and no check was carried out with employers that jobs would last as long as claimed; and
- ETU awards did not take account of recipients' financial responsibilities; some staff thought that a simple differentiation between householder and non-householder status would suffice.

Difficulties associated with the benefits system

- clients' fears about meeting their rent were a barrier to their moving off benefit. Notwithstanding the fast-track process for Housing Benefit claims, the time taken to process claims could present problems;
- some clients suffered from an overload of information, in particular about the way benefits interact, and could not always understand what they were told;
- ETU counted as income for the calculation of Housing and Council Tax Benefits so that all, or nearly all, its value could be lost. Staff described this as giving ETU with one hand, only to take it away with the other; they universally condemned it;
- ETU receipt by one member of a household could affect the Housing and Council Tax Benefit entitlement of others in the household;
- some staff tackled the difficulty of Housing Benefit by sending people to the Council for a better off calculation. However, this could trigger a rent review by the Local Authority, adding another complication;
- ETU did not count towards the threshold for National Insurance. People signed off when they were in employment with ETU, but this lost them their entitlement to NI credits and broke their NI record. A respondent deplored this loss: *'To me your stamp is so important to keep it up to date, so I think ETU is a load of rubbish'*;
- health benefits such as free prescriptions and dental treatment were not available to ETU recipients; and
- people who were paying off arrears to the utilities through deductions from their benefit could find that, when they were in paid employment, the protected arrangements no longer held and they were swamped with debt (as were those paying child maintenance payments).

The effects of the way ETU was operated and processed

- after the initial advertising, ETU was poorly publicised. Respondents thought this showed it was not taken seriously and meant that the pilot would be flawed because the ordinary effort to reach potential customers of a new benefit had not been made;
- the system of recording used in ES Jobcentres made it difficult for staff to gain recognition when they had used ETU successfully and might have inhibited the effort put into it;
- the ES monitoring and recording system would not indicate when ETU had been used successfully in conjunction with New Deal so the evaluation would be flawed; and
- monitoring was unreliable because it was based on a manual count. In addition, discussion revealed that the use made by benefit investigation officers was entered in the monitoring in one office and counted towards their total, but was not recorded in another; the overall pattern across the pilot areas was not known.

ETU in relation to wider policies

- ETU would perform better if it were targeted on fresh claims because people were so much more employable before they had been out of work for three months;
- ETU could not be used for 16 and 17 year olds. However, ETU or a similar incentive should be targeted on them so they would get a qualification and become employable. Staff argued that youngsters were enthusiastic at 16, but after they had been unemployed for two years, they were lost;
- ETU rarely lifted income enough to enable someone to pay their mortgage;
- the National Minimum Wage would mean that people working full-time (37) hours would no longer be eligible for ETU, but part-time workers would continue to need it; and
- it would be useful to draw jobseekers' attention to ETU by annotating the vacancy cards in the Jobcentres, but ES staff thought that would have to be cleared with the employers. The approach appeared not to have been tried.

8 THE END OF ETU

Concern about how the withdrawal of ETU would be managed and the effect on recipients were expressed at each meeting of the staff panels. They were, as might be expected, most salient during the third round of meetings.

It bears repeating that local staff did not want to lose ETU because they found it so useful in helping people back to work. They believed that it was in accord with the government's welfare to work strategy. ETU had become an established part of daily work in ES Jobcentres.

However, staff acknowledged that ETU was vulnerable in the light of the introduction of the National Minimum Wage; people working full-time (37 hours a week) would no longer be eligible for ETU. On the other hand, they pointed out that many part-time workers (over 16 hours, but less than 37) would still be eligible for ETU and that many vacancies were part-time.

8.1 The Effects of the Loss of ETU

ES staff panel members thought that the withdrawal of ETU would affect their work in the office. It would:

- impact adversely on the stated aims of New Deal and remove an important part of the action taken to prevent young people from falling into dependency;
- make it difficult to persuade young people to take part-time jobs because they would not be better off;
- prevent advisers from filling many part-time vacancies and affect office success rates; and
- keep people on Jobseeker's Allowance for much longer. Staff believed that the cost of bus fares alone for people at work could make a job offer not worthwhile.

The loss of ETU would affect recipients adversely:

- it would cause hardship for ETU recipients who lost their awards. Staff thought that explaining its withdrawal would be problematic and the handling of it would be very

sensitive; ex-recipients might well feel aggrieved, ask questions that were difficult to answer and complain;

- staff would have nothing to directly replace ETU; they believed it was unjust that low paid disabled people and those with dependent children would be helped while other low paid people would not; and
- ETU recipients who lost their awards might not be able to sustain themselves in a job that was viable only with ETU and would become unemployed. Staff argued that such people should not be sanctioned for leaving their jobs.

Overall, staff believed that the withdrawal of ETU would increase unemployment. They saw this as regrettable, given the Government's aims.

Evidence from the studies of unsuccessful applicants and of ex-recipients suggested that people who applied for ETU, but were not or were no longer eligible, accepted and did not challenge the decision. Some others had improved their circumstances to the extent that they no longer needed ETU. However, staff's concerns outlined in this report were focused on the outcomes for people who, in fact, continued to be eligible for ETU but found they would no longer receive it.

8.2 Information Flows and Local Staff

Local staff received only ad hoc and partial management information on ETU during the course of the pilot. Staff complained about this, but it became a more pressing concern as they anticipated the end of ETU.

Staff specifically needed to know:

- whether ETU would finish in October 1999 as originally planned;
- the rules about the timing of final applications and how many renewals would be allowed;
- the procedures for run down, and what to tell current recipients and new claimants; and
- what information would be sent to ETU recipients, by whom and when.

Staff also wanted guidance and support in anticipation of fielding difficult questions.

BA staff at the central processing unit were responsible for the dissemination of information. The information had been drafted and was ready to go out to staff in the pilot areas at the time the panel discussions were held. Central staff expected to send it out in March/April, but in the event, guidance was sent to staff in the pilot areas in June 1999. It clarified the process of run down, such as the dates until which applications might be made; and it indicated that the rules had been modified, allowing only one renewal for people in receipt of ETU on 4th October 1999. A letter would be sent to all recipients early in July. Extra helpline space had been booked to handle calls from staff and the public.

8.3 Managing Change at the Central Processing Unit

Staff at the central processing unit had operated as a team during the course of the pilot. The members of the panel said that managing the process of run down presented some difficulties because performance had to be maintained right up to the end. Staff said that they faced the following challenges:

- stopping ETU would lead to disbandment of the team. Staff felt they had been members of a good team and performed well. They feared that skills and contacts would be lost and that the loyalty of those who stayed until the end would not be rewarded;
- estimations of work flows rested on untested calculations of eligibility following the introduction of the National Minimum Wage and changes to tax and National Insurance payments; and
- staff were permanent and not in danger of being made redundant, but they were faced with uncertainty and the decision when to leave and take alternative employment. They might leave early for an advantageous offer, or stay to the end with the possibility they would be directed where to go.

Operational managers were therefore faced with uncertainty about work levels and about the turnover, skills and experience of staff. A wind-down policy was in place to ensure a smooth run down; for example, sections had been reorganised because staff had left and the budget was winding down. Nonetheless, the process presented a challenge.

8.4 Going National: Models and Assumptions

The third round of staff panels took the opportunity to discuss the planned changes to the benefits that supported low paid workers: Tax Credits would replace benefits for low paid people with dependent children and for disabled people. At its heart, the policy broke away from the provision of benefits for people in work and linked state support with their earned income: work was to be seen to pay (see Section 2.1).

It has been shown that the members of the staff panels wanted support to be available for low paid people currently eligible for ETU. They offered pragmatic and principled reasons for retaining ETU, or some version of it. However, they did not want state support to be seen as a subsidy to exploitative employers; workers should be paid a living wage, in their pay packets.

Staff were divided on the issue of how this might best be achieved. They gave reasons for that support to be paid as a tax credit, in line with the proposed changes, or as a benefit; some could see both sides. Staff's reasons are of interest because they reveal alternative models of the experiences and views of low paid workers and their lifestyles. Experience of other policy initiatives suggests that policies can be built on inappropriate assumptions about target groups and, as a consequence, are less likely to achieve their objectives.

8.4.1 *Reasons to introduce tax credits for all low paid workers*

Panel members gave different kinds of reasons to introduce tax credits for all low paid workers, in line with WFTC and DPTC. The following reasons underlined the association between work and earned income:

- tax credits would change client perceptions and counter the problem of '*benefit orientation*'. Clients would sever their ties with benefit and escape dependency;
- tax credit in the pay packet would be seen as worked for and earned, like overtime or a bonus, and not given as a handout; and
- tax credits would not have to be claimed, but would be automatic – all who were entitled would get it.

Staff also put forward practical reasons in favour of tax credits:

- some ETU recipients already pooled their total (earned and benefit) income, as indicated by their choosing to have their award paid directly into their bank account;
- tax credits would be more flexible for people who moved in and out of employment;
- a tax credit was not a separate benefits payment; no-one could tell who received it and it would not be stigmatised;
- the problems of lost benefit books and queuing at the post office were removed; and
- tax credits would be less open to fraud and better targeted. For example, they would avoid artificially deflated hours at the time of a renewal.

In terms of national administration:

- tax credits would be cheaper to administer;
- paying in-work support by whatever means would be cheaper than paying unemployment benefit; and
- tax credits would be the responsibility of the Inland Revenue and would not necessarily count as expenditure by social security.

8.4.2 Reasons not to introduce tax credits

Some staff were not in favour of tax credits at all, and some saw difficulties that might arise from them. Staff raised the following issues that concerned their own work and aims:

- there were wide differences in local costs of living which meant that a national rate would be difficult to justify – although, of course, this was also the case for the benefits they replaced;
- tax credits would not offer the security and incentive of an award fixed for six months;
- tax credits should only be introduced if the total income would count towards the threshold for National Insurance payments;
- tax credits would be more difficult to explain to customers; and
- the process would not be transparent and people would find it difficult to check if their payslips were correct.

In addition, concerns were expressed about matters of trust and the management of bank accounts (some staff associated tax credits with the payment of wages directly into a bank account; however, this does not necessarily follow). Respondents believed that:

- workers would not trust employers to administer tax credits – they would be open to fraud. People trusted the BA more than they trusted their employers;
- delays could occur because of the time taken by the tax office to calculate the credit and the time taken for codes to come through;
- once money was paid into a bank account it was easily spent; and
- banks could be wrong; and if an account was overdrawn then the bank held on to any money paid in.

8.4.3 *Reasons to retain order books*

In the main, staff believed that low paid people, of necessity, lived in a ‘cash culture’, managing week to week, with cash. In consequence, they needed the security and regularity of a payments book so that they could organise and budget their limited funds. Many ETU recipients opted for payment with an order book, which staff interpreted as indicating that it accorded with their way of life; and

Most of the reasons staff gave to retain order books rested on such a model of recipients’ lifestyles:

- an order book was secure, regular and reliable; it provided cash in hand paid weekly, on a fixed day;
- an order book bridged the gap to the first pay day so that people did not have to wait a month for their first wages, could avoid a crisis loan and were carried across working a month in hand. (ETU payments into a bank account started after four weeks; staff said clients chose an order book because they could not wait that long);
- an order book did not depend on calculations made by an employer;
- with an order book, the process was clear – people could see what they had;
- low paid people were excluded from credit: they had no funds behind them and no credit rating. They particularly needed regular cash payments from an order book;
- ETU was money over and above wages (like child benefit); it could be kept separate from general income and used for specific expenses, such as for travel.

Staff thought that the incentive value of the payment would be lost if its separation were not maintained.

9 CONCLUSIONS

This report has explored staff experiences and views about ETU. It considers changes over the three years of the pilot.

Support for ETU among the members of the staff panels was very strong and virtually universal. Reservations were expressed about the level at which Scheme A was pitched, compared with Scheme B, particularly by staff from an area close to London where the cost of living was high. ETU started slowly in this pilot area, and take up was always lowest there. However, ETU was upheld in principle and in practice in all the local areas.

Central and local staff said that ETU had been well administered, with smooth application and payment processes. However, local staff complained about the patchy dissemination of information and Newsletters. Staff were anxious about how the ending of the pilot would be managed, and particularly needed more information, earlier, during the wind down period.

ES staff were the main users of ETU in their work. They believed that ETU was complementary to the government's policies concerned with welfare to work and making work pay.

All staff, ES and BA, in all the pilot areas described changes to their local job markets in which low paid, part-time, service-sector jobs were the most widely available. Such work, which many people considered less than ideal, could be made reasonable with ETU. Staff urged the justice of topping up low pay for all working people, while avoiding exploitation by employers; however, they were divided over the best means to achieve this.

Staff expressed a range of feelings about piloting in principle and in practice. They were familiar with pilots that were used to 'iron out problems' but not with experimental design and evaluation. The injustice of paying only some eligible people weighed heavily on some respondents. Nor were they confident that the pilot would be evaluated, and that the evaluation would provide the basis for decision-making. They saw that as an essentially political process.

In summary, staff views were remarkably consistent over time, and adapted to policy changes and to the decision not to roll ETU out nationally: ETU achieved its aims and provided them with a valuable tool in pursuit of their objectives; it would be missed. Staff acknowledged the likely effects of the National Minimum Wage, and the tax and National Insurance changes that were in train, but believed that there was still a place for ETU for low paid workers in part-time jobs.

REFERENCES

Department of Social Security (1995), Piloting Change in Social Security: helping people into work, London: Department of Social Security and Central Office of Information.

Department of Social Security (1998) New ambitions for our country: A New Contract for Welfare, London: The Stationery Office, Cm 3805.

Hansard, 16 June 1999, Columns 183 and 184.

HM Treasury Web Page (1997), Budget Snapshot, <<http://www.hm-treasury.gov.uk/pub/html/budget94/hmt1.html#top>>

HM Treasury (2000), Budget: March 2000, <<http://www.hm-treasury.gov.uk/budget2000/speech.html>>

Trickey, HJ and Walker RWL 'Steps to Compulsion within British Labour Market Policies' in Lodemel, I and Trickey, HJ (eds) An Offer You Can't Refuse: Workfare in International Perspective, (2000) Bristol: Policy Press.

Vincent J, Abbott D, Heaver C, Maguire S, Miles A and Stafford B (2000), Piloting Change: Interim Qualitative Findings from the ETU Evaluation, London: Department of Social Security Research Report No 113.

APPENDIX A
EARNINGS TOP-UP

APPENDIX A EARNINGS TOP-UP

Earnings Top-up (ETU) is an in-work benefit that was introduced to supplement the wages of single people and couples without dependent children. It joined Disability Working Allowance and Family Credit to give almost complete coverage of in-work assistance to low-paid workers.

The objectives of Earnings Top-up were set out in the Green Paper, *Piloting Change in Social Security: Helping people into work* (DSS, 1995, p26). They are:

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

- The broad aim of Earnings Top-up is to help people without dependent children move from unemployment into work, and to help those on low incomes stay in work (DSS, 1995, p.26). The characteristics of Earnings Top-up are as follows:
 - an in-work benefit
 - for low-earning workers
 - for employed or self-employed
 - only available to people without dependent children
 - single people or couples
 - age 18-64
 - pays a supplement
 - fixed rate over a 26 week period
 - for jobs of five weeks or more
 - work for 16 or more hours a week
 - different rates apply to couples and to single people
 - only available in pilot areas
 - only available to people who are not full-time students

The aims of the pilot are (DSS, 1995, p.26):

- to assess the effectiveness of a new benefit of this structure and level in raising net income, taking account of the impact on work effort, the effects on other in-work benefits and the distribution of wages and hours;
- to assess the impact of such help on encouraging low-income workers to get, and retain, work and in particular on outflows from unemployment;
- to assess the relative effectiveness of the two models proposed;
- to assess the impact on employers' wage-setting and labour recruitment behaviour of providing universal in-work wage supplementation;
- to evaluate the most effective operational arrangements to implement such a benefit nationally including whether a national scheme could be administered through the wage packet; and
- to establish the programme and administration costs and savings of extending such a benefit nationally, taking account of the direct and indirect economic and labour market effects.

The pilot areas cover four different types of labour market:

- **major urban areas:** Newcastle upon Tyne;
Sunderland;
Middlesbrough, Hartlepool and Stockton;
- **large towns:** Castleford, Wakefield and Barnsley;
Doncaster;
Rotherham and Worksop;
- **seaside areas:** Southend;
Bournemouth;
Southampton and the Isle of Wight;
- **rural areas:** North Wales;
Perth;
South Wales.

and three groups of matched pilot areas:

- **Scheme A pilot areas:** Newcastle upon Tyne;
Castleford, Wakefield and Barnsley;
Southend;
North Wales;
- **Scheme B pilot areas:** Sunderland;
Doncaster;
Bournemouth;
Perth;
- **control areas:** Middlesbrough, Hartlepool and Stockton;
Rotherham and Worksop;
Southampton and the Isle of Wight;
South Wales.

APPENDIX B

CRSP'S PROCESS EVALUATION

APPENDIX B

CRSP'S PROCESS EVALUATION

The qualitative elements provide a coherent and comprehensive process evaluation within the overall research design and complement the quantitative impact studies. Whilst the quantitative analyses concentrate on determining whether the policy meets its stated goals, the process evaluation aims to explain why this is so and to offer insights into ways that policy might be adjusted or fine-tuned in order better to meet the policy objectives.

A key element in the process evaluation is to recognise the differing, and potentially conflicting, perspectives of the key groups involved in, or affected by, the implementation of Earnings Top-up. To rely solely on the perceptions of one group is to risk providing a biased account of real world events. Likewise, it is also important to recognise that the quality of the relationships between these groups may itself be a factor affecting the effectiveness of Earnings Top-up.

The objectives of the qualitative programme of work are:

- to offer a process evaluation of Earnings Top-up to complement PSI's impact analysis;
- to understand better how the scheme is perceived by actual and potential claimants and by those in a position to influence its implementation;
- to investigate changes in the behaviour of the major groups affected by Earnings Top-up, low-paid workers, jobseekers and employers, and to consider the rationale for these changes;
- to explore the influence of Earnings Top-up on the labour market trajectories of people within the scope of the benefit;
- to provide accounts of how Earnings Top-up is implemented in each pilot area, including the interaction between local and central agencies, and the way in which these factors might affect the impact of Earnings Top-up;
- to complement IER's statistical analyses of the local labour markets by providing narrative accounts of changes throughout the three years of the pilot;
- to provide a mechanism to investigate apparent anomalies or issues identified during the course of the pilots; and
- to offer a synoptic but comprehensive overview of the effectiveness of Earnings Top-up by comparing and contrasting the views of all those involved in its implementation.

The Earnings Top-up pilot ran for three years in eight areas across the UK. The evaluation integrated three complementary approaches two quantitative impact studies conducted by the Institute for Employment Research (IER) and the Policy Studies Institute (PSI), and a qualitative process evaluation carried out by the Centre for Research in Social Policy (CRSP). This report is one of seven final reports published from the ETU Evaluation.

This report presents the findings of staff panels (discussion groups) conducted with Benefits Agency and Employment Service staff during each year of the pilot. The panels explored staffs' views of ETU, tracking changes over time, between areas and identifying the perspectives of central and local staff with different positions and responsibilities.

The Department of Social Security Social Research Branch is responsible for commissioning and managing the Department's research programme. The research programme serves the information needs of Ministers, the Department and its Agencies. Research contributes to the development and implementation of new policies, and the monitoring and evaluation of existing policies. It also plays an important role in providing customer feedback on the Department's services.

Researchers in the branch work closely with Departmental colleagues responsible for making policy and delivering the services for which the Department is responsible. Most projects are carried out by external contractors who work closely with in-house researchers throughout the project. A programme of work is agreed annually and details are announced.

If you would like to know more about the work of the Social Research Branch please contact:

Jim Hughes, Social Research Branch
4th Floor Adelphi, 1-11 John Adam Street, London WC2N 6HT

E-Mail – J.Hughes@MS42.dss.gsi.gov.uk

<http://www.dss.gov.uk/asd/asd5/>

ISBN 1 85197 915 8
ISSN 1 368 244X