

A look back at In Work Credit and ERA: do financial incentives encourage retention?

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 - Major exception: Self Sufficiency Project (SSP) in Canada
- In Work Credit (IWC) and the Employment, Retention and Advancement (ERA) programme both piloted in UK in 2000s
 - Previous work shows both increase flows off welfare and into work; we probe impacts on job retention

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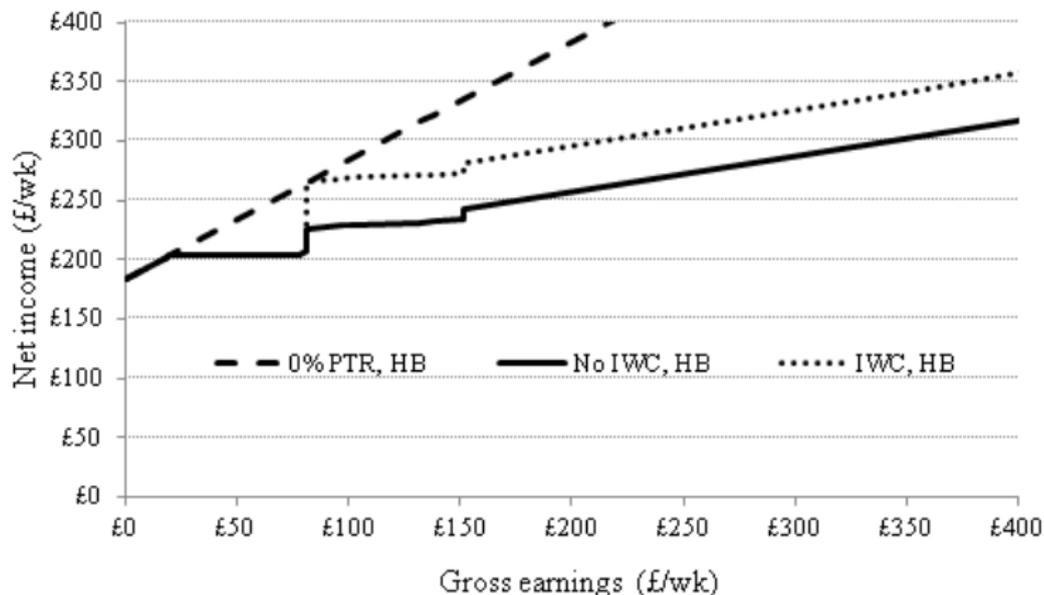
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- Payments ended:
 1. if they claimed an out-of-work benefit
 2. if out of work for more than 5 weeks
 3. after 52 weeks of claiming IWC

In Work Credit: effect on work incentives

Figure: Budget constraint with and without In-Work Credit



2006-07 tax and benefit system, national minimum wage, 1 child, no childcare, council tax = £15.86 per week, includes Housing Benefit covering rent of £60 per week

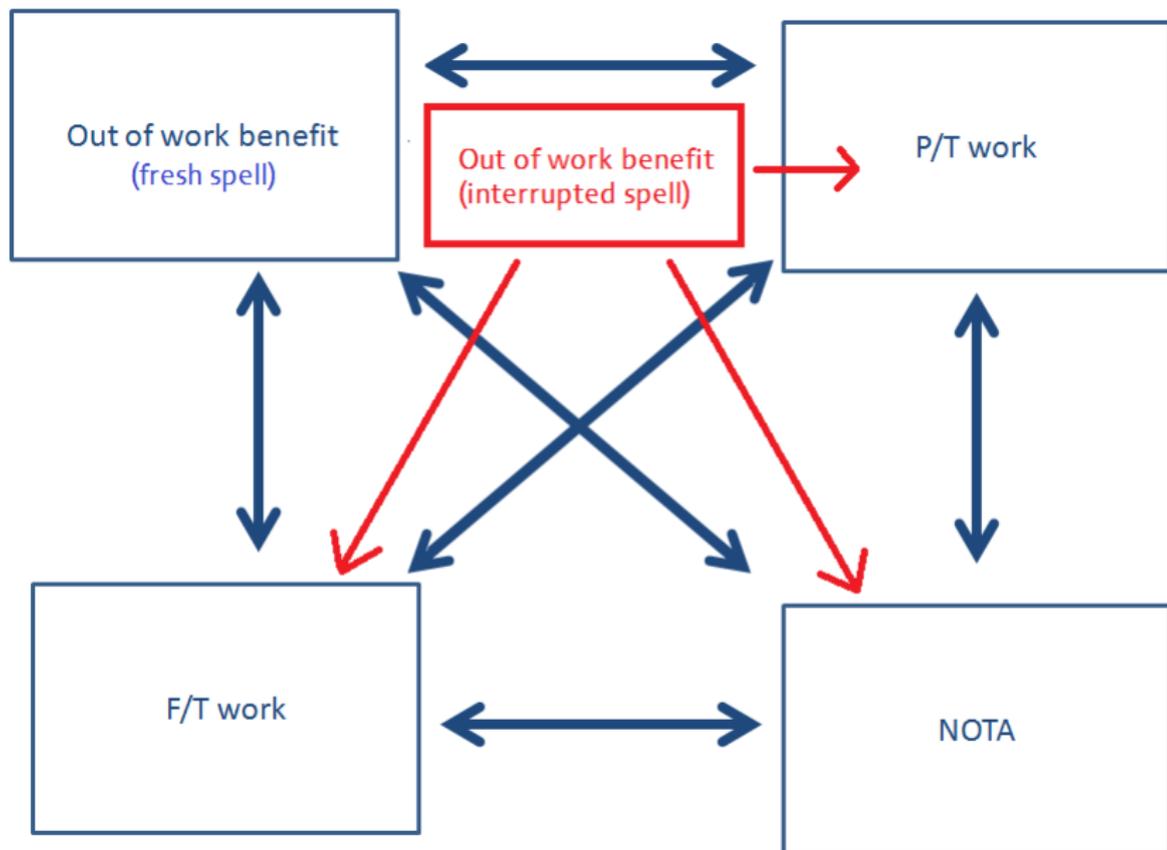
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 1. after 24 months of ERA receipt (max payment = £2,400)
 2. when ERA program ended (33 months after randomisation)

Empirical methodology: transitions



- Work and Pensions Longitudinal Study (WPLS): an administrative data composed of multiple data-sets that include:
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- Construct a monthly panel indicating whether the individual was BEN/PT/FT/NOTA
- Allow for transitions to depend on:
 - Age, sex, number of children, age of youngest child, ethnicity, duration in spell, area, time, local unemployment rate.

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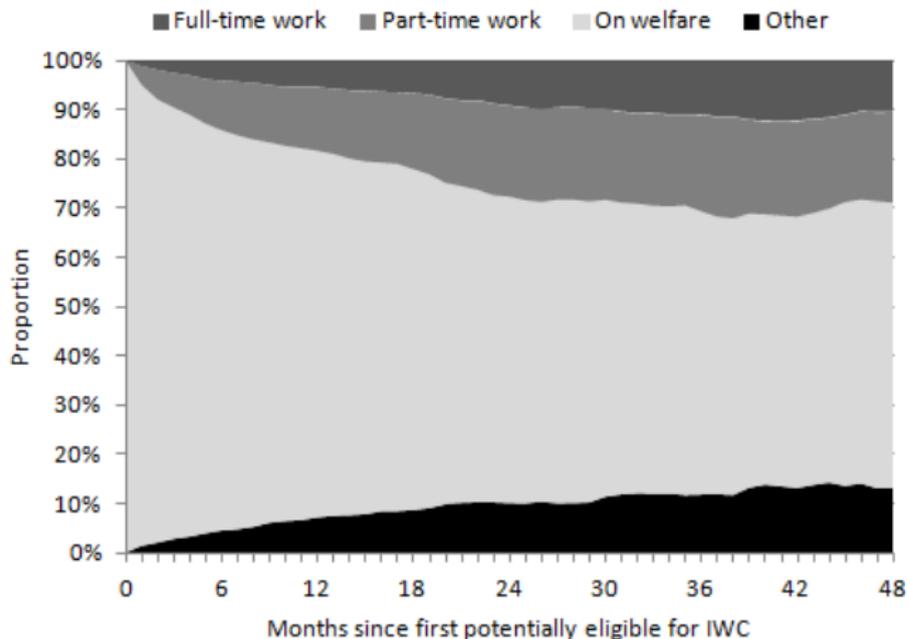
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- Being eligible for or receiving ERA makes transitions to PT work less likely

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- Receiving ERA makes transitions out of FT work (a lot) less likely
- Being eligible for or receiving ERA makes transitions to PT work less likely
- General: more likely to leave welfare for work (and more likely to stay in work) when youngest child is older, fewer children, lower local unemployment rate

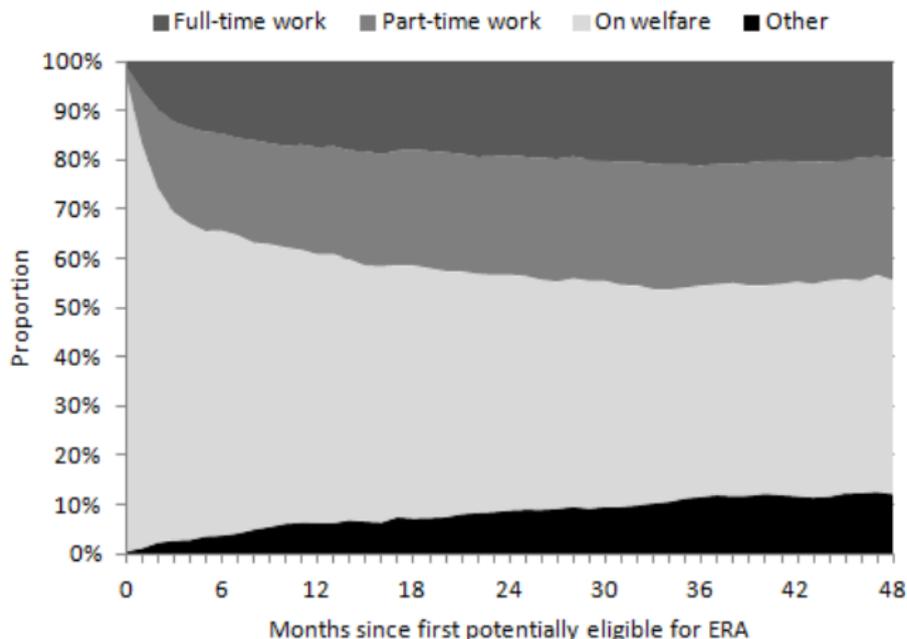
Economic status since first potentially eligible for IWC



Effect of In Work Credit

Number of months since first potentially eligible for IWC	Effect of IWC on economic activity (ppt)		
	On welfare	PT work	FT work
6	-0.007	0.011	-0.003
12	-0.008	0.016	-0.007
18	-0.008	0.019	-0.009
24	-0.004	0.018	-0.011
36	-0.008	0.020	-0.009
48	-0.012	0.020	-0.011

Economic status since first potentially eligible for ERA



Effect of ERA

Months since first potent. eligible for ERA	Effect of ERA on economic activity (ppt)					
	Welfare leaving effect			Retention effect		
	On welfare	PT work	FT work	On welfare	PT work	FT work
6	-0.033	-0.004	0.037	-0.012	-0.005	0.021
12	-0.030	-0.006	0.033	-0.022	-0.012	0.040
18	-0.028	-0.003	0.029	-0.027	-0.015	0.051
24	-0.027	-0.003	0.028	-0.030	-0.018	0.059
36	-0.021	-0.003	0.022	-0.028	-0.015	0.054
48	-0.012	-0.002	0.015	-0.018	-0.010	0.038

Summary and conclusion

- Clear differences between programmes' impacts
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- [Shameless plug] Great showcase for DWP's administrative data, now available through ADRN