

Different Settings, Common Strategy:

Using Earnings Supplements to Improve Employment Retention and Advancement Programs in Texas and the United Kingdom

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Overview

When the U.S. Employment Retention and Advancement (ERA) evaluation began in 1999, much more was known about how to help welfare recipients and other low-income individuals prepare for and find jobs than about how to help them stay employed and advance. The U.S. and UK ERA projects, which both used a random assignment design to compare outcomes for program and control groups, sought to fill this knowledge gap. The Texas sites in the U.S. project and the UK program chose to test similar strategies to help current and former welfare recipients maintain and advance in jobs, offering them postemployment work-related services combined with earnings supplements, or stipends.

Participation in the UK ERA program was voluntary, while participation in preemployment services in the Texas ERA program was mandatory, as a condition of Temporary Assistance for Needy Families (TANF) receipt. Members of the program groups in both programs were eligible to receive stipends if they worked full time for a certain length of time (differing by program) and met additional requirements that varied by program — notably, in Texas, the requirement to take part in monthly activities meant to increase employability or earnings. Unlike most other tested interventions aimed at employment retention and advancement, the UK program and the Corpus Christi and Fort Worth sites in the Texas program produced gains in employment and earnings. The fact that earnings supplements were part of programs that had positive effects in two such different locales suggests that they may travel well — and this potential adaptability is one reason to examine patterns of how these benefits were structured and received. This paper, which provides such an analysis, shows that:

- **Overall, the proportions of program group members who received stipends were similar for the Texas and UK programs:** 20 to 29 percent of participants over a two-year follow-up period.
- **A total of 82 to 85 percent of UK participants and 50 to 65 percent of Texas participants who were estimated to have met the employment eligibility criteria for stipends received them.** This suggests that other programs that use stipends may be able to boost receipt rates for participants who meet employment conditions by minimizing supplemental requirements. But because such requirements may have positive effects on employment and earnings, the expected gains from eliminating them should be weighed against their potential benefits.
- **Interviews with a small number of Texas ERA participants indicated that some people did not know about the stipends or did not understand their eligibility criteria.** This suggests that more concerted efforts to explain and market stipends could boost receipt rates over the levels achieved in the Texas sites.
- **All other factors being equal, programs where people are volunteering to receive help finding employment, as in the UK ERA program, may achieve higher stipend receipt rates than programs where people are required to participate in job-finding activities, as in the Texas ERA program.** This does not necessarily mean that earnings supplements are more effective in voluntary programs; indeed, earnings supplements may be more likely to function as windfalls in voluntary programs.

The paper's examination of the structures and implementation of the stipends and their take-up rates adds to information about a strategy that, unlike most others used to help low-income workers keep jobs and advance, has often been effective. The findings suggest that it would be valuable to operate future experiments testing varying combinations of stipends and services in one location to allow fuller conclusions about the combinations of these two strategies that work best.

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Introduction

Although a great deal is known about how to help welfare recipients find jobs, there is much less hard evidence about what can be done to help current and former recipients and other low-wage workers stay employed or advance in the labor market. That question has been the focus of work for two multisite research evaluations, one operated in the United States and the other in the United Kingdom. Although the evaluations are separate, they have similar goals and approaches as well as a common name: One is known as the U.S. Employment Retention and Advancement (ERA) evaluation and the other as the UK ERA evaluation.

Reports of some findings from the two evaluations have already been released, and more will follow. (See Appendix A for a list of publications.) This paper looks closely at one strategy — providing earnings supplements, or stipends, to current and former welfare recipients who maintain stable full-time employment — that has been tried at ERA sites in Texas and at all sites in the UK ERA evaluation. The total amount of stipends that someone in the Texas program could receive for full-time work was \$2,400, and in the UK program, the maximum amount was £2,400. As will be discussed later, these amounts are probably valued roughly similarly by people in the Texas and UK programs (although people in the UK program had to work for more months to receive this total amount). The earnings supplements were offered to participants in the ERA programs in combination with nonfinancial services provided both before and after they found jobs.¹ This paper examines the structure of the stipends used by the programs, the context within which the stipends were offered, the populations served, and the rates at which the stipends were received. While stipends were offered at all three of the ERA sites based in Texas — Corpus Christi, Fort Worth, and Houston — this paper concentrates its analysis for the Texas program on the use of stipends in the Corpus Christi and Fort Worth sites.²

The UK and U.S. ERA programs that offered earnings supplements were developed in response to two broad trends. First, economic changes have reduced the availability of high-paying jobs for people without college educations. As a result, many welfare recipients and other low-income people who participate in job preparation and placement programs find employment, but often only in unstable, low-paying jobs. Second, more families are now headed by low-income single working parents. Two factors contributing to this are increased rates of single motherhood and welfare reform efforts that have strongly encouraged single

¹For more information on the UK ERA evaluation, see Riccio et al. (2008). For more information on the Texas sites in the U.S. ERA evaluation, see Martinson and Hendra (2006).

²The Houston program had serious and persistent implementation problems and is therefore not discussed in this paper. See Appendix B for further detail on implementation issues at this site.

parents who were receiving welfare — and who often did not have high levels of education or extensive employment experience — to find employment. Because there are now many families supported by one low-income worker, it is particularly important that these workers can find jobs that enable them to earn enough to support a family.

More detail is provided later in the paper on the welfare and income support policies that have been enacted in the two countries and that provide a context for the ERA evaluations.

Why Examine Earnings Supplements in the Texas and UK Evaluations?

The overall ERA evaluation in the United States studied 16 programs in eight states³ that operated starting in 2000; in the UK evaluation, programs ran in six regions⁴ between 2003 and 2007. Although all of these programs pursued the overall goals of helping low-wage workers keep jobs and/or advance in the labor market, the strategies used to pursue those goals were not always the same: In the United States, different constellations of services and supports were offered at the different sites. The UK sites shared a common program model (which is why this paper treats the UK evaluation as essentially one program), but that model, though similar to the one used in Texas, was not identical to any of the ones used in the United States.

Among all the sites in both countries, the Texas and UK programs were distinctive in the extent to which earnings supplements were central and consistent parts of their service-and-support packages. Moreover, in the Corpus Christi and Fort Worth sites and in the United Kingdom, the stipends were part of interventions that produced gains in earnings, and in either full-time employment or in the rate of employment retention. It should be noted that most of the U.S. ERA programs did not show such gains.

It is not possible to specify exactly how much the stipends, as opposed to other services and supports, were responsible for generating positive outcomes in the Texas and UK programs. However, the current results reinforce a growing body of evidence showing that programs that combine earnings supplements with services can lead to gains in employment and earnings.⁵ The evidence for the potential effectiveness of this strategy is strengthened by the fact that it produced positive effects in settings as distinct from one another as Texas and the United

³In addition to Texas, the states are California, Illinois, Minnesota, New York, Ohio, Oregon, and South Carolina.

⁴Scotland, Wales, London, North West England, East Midlands, and North East England.

⁵Previous MDRC reports have compared and contrasted the designs of the incentives and programs that have been studied in various evaluations. For one of the most recent examples of these studies, see Michalopoulos (2005). The paper will later present a brief discussion of research findings in key studies of earnings supplements.

Kingdom. Not only are the two settings culturally diverse, but as will be discussed later in the paper, their policy contexts, although recently converging to some extent, remain very different from one another, and benefits for public welfare recipients are considerably more generous in the United Kingdom than in Texas.

The fact that earnings supplements were part of programs with positive outcomes in two such different locales suggests that they may travel well — and this potential adaptability is one reason to examine how these benefits were received in Texas and in the United Kingdom.

A final feature of the Texas and UK programs that makes it worthwhile to study their earnings supplements is that both programs offered stipends only to people engaged in full-time, rather than part-time, work. Both the United Kingdom and the United States have programs that use earnings supplements to encourage work (the Working Tax Credit and a new In-Work Credit in the United Kingdom and the Earned Income Tax Credit in the United States), but none of these programs require people to be working full time to qualify for benefits.⁶ (Descriptions of these credits will be presented later.)

The UK and U.S. ERA Evaluations

The U.S. evaluation is funded by the Administration for Children and Families (ACF) in the U.S. Department of Health and Human Services (HHS); supplemental funding was provided by the U.S. Department of Labor. MDRC, a nonprofit, nonpartisan research organization, is leading the evaluation. The UK evaluation is being conducted by a research consortium of organizations that is led by MDRC and that includes the Policy Studies Institute, the Office for National Statistics, and the Institute for Fiscal Studies. The UK Department for Work and Pensions managed the overall implementation of UK ERA and is funding and overseeing the evaluation.

Both the UK ERA and the U.S. ERA evaluations use random assignment in their evaluations: That is, they compare outcomes for members of a research sample who are assigned in a lottery-like manner either to a group that receives services (the program group) or to another group that does not (the control group). The use of random assignment means that at the time when members of the program and control groups enter the study, they are on average very similar to one another. Therefore, differences in outcomes (known as impacts) can be attributable to differences in services or treatment received after random assignment, not to any preexisting average differences between the two groups. The control group outcomes can therefore be

⁶However, two demonstration programs that will be discussed later — the New Hope Demonstration, implemented in Milwaukee, and the Canadian Self-Sufficiency Project — were not part of official government policy but did condition stipend receipt on full-time work.

interpreted as what would have happened to the program group in the absence of the program. Outcomes in the evaluations are tracked using a number of different data sources. Key sources are unemployment insurance (UI) data (Texas) and customer survey data (UK) for employment and earnings outcomes, administrative records for tracking stipend and benefit receipt, and baseline information forms for demographic data. See Appendix C for a detailed discussion of data sources.

As discussed, when results for the program and control groups were compared in the Corpus Christi and Fort Worth sites and when the same was done in the UK program, the program groups had higher average earnings and higher rates of either full-time employment or employment retention than the control groups. The full impacts for these programs are presented in other reports, but to give a sense of the timing and magnitude of the effects, Table 1 presents the impacts on earnings for the available follow-up periods for these sites. As the table shows, all three are producing statistically significant positive impacts on earnings.⁷

Note that this paper focuses on only one part of the package of services, or total intervention, that produced the positive results presented in Table 1 — the earnings supplements. Thus, as discussed, the paper cannot answer the question of to what extent these earnings supplements, as opposed to other services and supports, contributed to positive impacts at the sites. Instead, the focus of the paper is on how the stipends were structured, who received them, and the rates of receipt.

Note also that in examining these aspects of the earnings supplements, the paper cannot draw definitive conclusions about how particular features of the stipends influenced the proportion of program group members who received them, nor can it identify how specific differences in the way the stipends were structured at the two sites led to differences in the sites' rates of stipend receipt. But what the paper can and does do is to examine possible ways in which the receipt rates were influenced by program policies such as eligibility rules, by the characteristics of the study sample, and by other features of the programs in which the stipends were embedded. Tracing such likely patterns of influence is a necessary first step in understanding how best to use earnings supplements to promote employment.

⁷While the magnitude and timing of impacts varies across these programs, caution should be used in drawing conclusions from these comparisons. For example, compared with impacts for the Texas sites, impacts in the United Kingdom look larger both in overall magnitude (after taking into account the exchange rate) and when examined as a percentage of control group levels. However, results in the Texas programs appear to be improving with additional years of follow-up, and past research has found that earnings reported in survey data (the source of the UK ERA earnings data) tend to be higher than earnings reported through the unemployment insurance system (the source of the Texas earnings data). See Kornfeld and Bloom (1999).

The Employment Retention and Advancement Project

Table 1

Impacts on Earnings for the UK and Texas ERA Programs

| Outcome | ERA Group | Control Group | Difference (Impact) | Percentage Change | P-Value |
|-----------------------------------|-----------|---------------|---------------------|-------------------|---------|
| Total earnings^a | | | | | |
| UK (£) | | | | | |
| Year 1 | 3,612 | 2,764 | 849 *** | 30.7 | 0.000 |
| Year 2 | 4,781 | 4,108 | 673 *** | 16.4 | 0.006 |
| Years 1-2 | 8,049 | 6,498 | 1,550 *** | 23.9 | 0.000 |
| Sample size | 1,188 | 1,109 | | | |
| Corpus Christi (\$) | | | | | |
| Year 1 | 3,990 | 3,563 | 428 ** | 12.0 | 0.044 |
| Year 2 | 4,738 | 4,279 | 460 * | 10.7 | 0.086 |
| Year 3 | 5,399 | 4,624 | 775 ** | 16.8 | 0.014 |
| Years 1-3 | 14,128 | 12,465 | 1,663 ** | 13.3 | 0.014 |
| Sample size ^b | 870 | 857 | | | |
| Fort Worth (\$) | | | | | |
| Year 1 | 4,235 | 4,289 | -54 | -1.3 | 0.851 |
| Year 2 | 5,477 | 5,010 | 466 | 9.3 | 0.184 |
| Year 3 | 6,395 | 5,482 | 914 ** | 16.7 | 0.022 |
| Years 1-3 | 16,107 | 14,781 | 1,326 | 9.0 | 0.142 |
| Sample size ^b | 784 | 788 | | | |

SOURCE: MDRC UK ERA calculations from UK ERA 12- and 24-month customer surveys. MDRC Texas ERA calculations from unemployment insurance (UI) records from the State of Texas.

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

To assess differences across research groups, two-tailed t-tests were used. Statistical significance levels are indicated as: * = 10 percent; ** = 5 percent; and *** = 1 percent.

^aEarnings and benefits amounts are measured in pounds for the UK site and dollars for the two Texas sites. On December 1, 2006, the currency exchange rate in effect was \$1.96 per pound. None of the earnings figures in this paper include the value of the stipend.

^bThe sample used in this table for Corpus Christi and Fort Worth includes the full research sample, not just those who had a full 2 years in which to access the stipend.

Contents of This Paper

The next section of the paper first examines what is known from research on past programs meant to promote employment retention and/or advancement among low-income groups. It then discusses the policy contexts of earnings supplements in the United Kingdom and the United States. Following that, the paper focuses on details of the UK and Texas ERA programs, comparing their designs, features of the stipends they offered, demographics of the research samples in the two studies, and rates of employment for the control groups in the evaluations (which show what employment rates would have been in the absence of the ERA interventions). The paper also discusses the ways in which different features of the stipends and the policy contexts in which they operated could have affected their rates of receipt. Later, the paper presents information on patterns and rates of stipend receipt for the Texas and UK programs. Finally, the concluding section recaps key findings on the use of stipends in the programs and discusses ways in which these results could be helpful to planners and program operators who are considering incorporating earnings supplements into interventions designed to help low-wage workers find and keep jobs and advance in their careers.

Relevant Findings from Past Research and the Policy Context for the ERA Evaluations

Past Research on Employment Retention and Advancement Programs for Low-Income Groups

Because the Texas and UK ERA programs were both designed to help low-income workers stabilize their employment and earn more, it is helpful to review what is known from previous research about initiatives designed to advance these goals. Following are synopses of key research findings.

Research on Program Services

Most studies that have rigorously examined employment retention and advancement outcomes generally have focused on welfare recipients.⁸ One recent large-scale test of the effect of postemployment services — services delivered while someone is working — was the U.S. Post-Employment Services Demonstration (PESD), a four-site project, with programs that operated during the mid-1990s, which examined the effectiveness of providing various services to welfare recipients who were newly employed in part-time or full-time jobs. A comparison of the labor market behavior of people assigned to the PESD programs and the control groups showed that the programs had little effect on employment retention or earnings.⁹ However, other studies of U.S. welfare-to-work programs suggest that preemployment services — services to help people look for work or become more employable — can increase stable employment and earnings. Several programs that were part of the National Evaluation of Welfare-to-Work Strategies (NEWWS) increased the likelihood that someone would stay employed for a year or more.¹⁰ However, it was still the case that most people who had access to these services did not experience stable employment over a five-year follow-up period.¹¹

Research on Programs with Earnings Supplements

Several random assignment studies have shown that supplementing the earnings of low-wage workers can increase sustained employment. The Minnesota Family Investment Program (MFIP), which was first operated in 1994, allowed welfare recipients to keep more of their monthly welfare grants when they went to work. MFIP increased both overall employment levels and the percentage of people who stayed employed for a year or more; however,

⁸See Bloom et al. (2002) for a more detailed discussion of some of these research results.

⁹Rangarajan and Novak (1999).

¹⁰Michalopoulos (2001).

¹¹Hamilton (2002).

only the version of the program that combined services and earnings supplements increased earnings.¹² The New Hope Project, a demonstration program implemented in Milwaukee from 1994 through 1998, offered low-income full-time workers several benefits: an earnings supplement, subsidized health insurance and child care, and, if needed, referrals to wage-paying community service jobs. New Hope increased employment and earnings and reduced poverty rates.¹³ Canada's Self-Sufficiency Project (SSP), which operated as a demonstration project from 1992 to 1999, offered a monthly earnings supplement to single-parent welfare recipients if they worked full time. This program increased employment levels and rates of employment retention.¹⁴

While all these programs produced positive impacts on employment during periods while they operated, these impacts diminished over time (though the decreases did not appear to directly coincide with the termination of the earnings supplements).¹⁵ Although, as noted earlier, both the New Hope and SSP programs conditioned stipend receipt on full-time employment, MFIP did not, and it is thought that providing earnings supplements for part-time work may have led some MFIP program group members to move into part-time rather than full-time employment¹⁶ — a possibility that led designers of Texas and UK ERA to make full-time employment a condition for receiving earnings supplements.

Besides the random assignment studies just discussed, considerable nonexperimental research has been conducted on programs that use wage supplementation strategies to boost employment and earnings. Both the Earnings Top-up (ETU) project in the United Kingdom and the Earned Income Tax Credit (EITC), a refundable tax credit for low-income workers in the United States, have been studied extensively. The UK ETU evaluation examined a benefit available to low-wage workers without children who worked at least 16 hours per week. The evaluation concluded that ETU increased workers' incomes, while possibly causing some improvement in employment outcomes for the lowest-paid workers.¹⁷ In the United States, there is a body of nonexperimental research on the EITC that tries to estimate the program's effect on poverty, employment, and earnings, and other relevant outcomes. A review of research on the EITC concluded that there was strong evidence that this credit has boosted employment among single mothers.¹⁸ However, the research suggests that the EITC may have decreased employment somewhat for members of married couples. And there does not seem to be evidence of the EITC having any effect on hours worked among those already in the labor force.

¹²Gennetian, Miller, and Smith (2005) and Michalopoulos (20001).

¹³Huston et al. (2003).

¹⁴Michalopoulos et al. (2002).

¹⁵Michalopoulos (2005).

¹⁶Gennetian, Miller, and Smith (2005).

¹⁷Marsh (2001).

¹⁸Holt (2006).

As indicated in the preceding discussion, earnings supplements have been shown to encourage work, but if they are not conditioned on full-time employment, they may encourage part-time rather than full-time work.

This paper now turns to a discussion of the policy contexts for work and welfare initiatives in the United Kingdom and the United States that shaped the ERA evaluations.

The Policy Contexts for the ERA Evaluations

UK Policy Context

In the early 1970s, generous out-of-work benefits in the United Kingdom left many families with little to gain financially by going to work. To make employment more financially worthwhile, the government initiated wage supplementation programs for the working poor: the Family Income Supplement (FIS) — a benefit for working families with children — in 1971, and the more generous Family Credit (FC) in 1988. But in 1999, the United Kingdom still had a quarter to a third of children living in relative poverty and over half of single parents out of work. Responding to these problems, the new Labour Party Government pledged to drastically decrease the child poverty rate and increase the proportion of single parents (called “lone parents”) in paid work by 2010. The main mechanism for the government’s effort to carry out its pledge was a shifting of financial support for people who were working from a benefits system to a tax system. The program that embodied this shift, the Working Tax Credit (WTC) program, provides a tax credit to low-paid workers and additional credits that cover most of the cost of child care.¹⁹ In addition, in 2008 the government rolled out the In-Work Credit — a fixed amount paid to lone parents for 12 months to ease the transition from welfare to work (though this was not a nationally available credit at the time the ERA programs were operating).

Besides tax credits, the Labour administration’s efforts to encourage employment also include: (1) mandates for long-term unemployed people — mostly men who are not custodial parents — to seek work and (2) case management offered through welfare-to-work programs known as New Deal programs, which provide employment-focused counseling to lone parents. Although these welfare-to-work strategies seem to be producing some favorable results, there has been persistent and growing concern about the quality and stability of the low-wage jobs that single parents typically have taken and about the potential of these positions for income growth.

¹⁹Enacted in 2003, WTC is an updated version of an earlier and similarly named program, the Working Families’ Tax Credit (WFTC), which was initiated in 1999. WTC built on WFTC by extending tax credits to low-paid workers without children and simplifying the child care credit system. See Riccio et al. (2008): 18-22.

U.S. Policy Context

In the 1990s, cash assistance for some low-income single mothers in the United States was conditioned on employment, but the mandate was not tightly enforced until 1996, when the federal Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) replaced the previous welfare program with Temporary Assistance for Needy Families (TANF). Because one of the main goals of this new welfare reform legislation was to strongly encourage public assistance recipients to move toward self-sufficiency, TANF imposed a five-year lifetime limit on a family's receipt of federal cash assistance.

Employment rates for low-income single mothers have risen over the last few decades. Earlier research on welfare-to-work programs indicates that these programs can increase employment rates, suggesting that PRWORA — through its services and mandates — may have played a role in increasing employment rates. Other factors that most likely contributed to this increase in employment were strong economic growth and the increased generosity of the EITC. But despite higher employment rates, current and former welfare recipients have had trouble maintaining continuous employment and advancing in the labor market. Studies of families who left welfare in the late 1990s found that the earnings of those who left welfare remained low: Average earnings were generally less than \$3,000 per quarter.²⁰

Comparing Public Assistance Programs in the Two Countries

The differences between public assistance systems in the United Kingdom and the United States have several implications for how earnings supplements worked in the UK and Texas programs. What are some of the key differences between the two systems?

Benefits

At the time these evaluations were conducted, the benefits for low-income single parents were more generous in the United Kingdom than in the United States. In a study that compared UK income support and average housing benefits with U.S. TANF and food stamp benefits in 2000, Walker and Wiseman (2003) found that the UK benefits exceeded the U.S. benefits in all but the two most generous states (Alaska and Hawaii).²¹ In 2005, Texas had the fifth-lowest level of TANF benefits in the United States.²² Another notable difference between the United Kingdom and Texas at the time of the ERA studies was that health care was avail-

²⁰Acs and Loprest (2004).

²¹The study also found that the UK benefits were comparable to the benefits in the most generous states for the subset of U.S. TANF recipients who received housing benefits. See Walker and Wiseman (2003): 4.

²²This statement is based on the maximum benefit level for a family of three. See National Center for Children in Poverty (2010).

able and largely free to all citizens in the United Kingdom, whereas in Texas, access to health insurance for low-income families was guaranteed only if a family was receiving TANF or Supplemental Security Income (SSI) or if the mother was pregnant or disabled.²³ Therefore, while coverage may have continued for children in Texas families when a single parent no longer received TANF benefits, the parent herself was likely to lose health insurance unless she found a job that provided affordable health insurance.

Mandates

At the time the ERA programs were operating, the U.S system, with its five-year lifetime limit on receiving welfare²⁴ and its greater prevalence of participation mandates, was designed to place much more pressure on public assistance recipients to return quickly to employment than was the case in the United Kingdom.²⁵ However, in one respect — requiring work effort in exchange for benefits — UK welfare policy has been moving somewhat in the direction of U.S. policy.

Implications of the Differences

The differences described above appear to have several implications for the populations studied in the ERA evaluations (see Table 2, top panel — “Policy Context” — for a summary of the implications discussed here). First, in a place like the United Kingdom, where welfare benefits are relatively generous and where there are no time limits on welfare receipt, some single parents who could find employment may choose to stay home to take care of their children rather than seek full-time employment. But single parents in locations like Texas — which have less generous benefits and time limits — are more likely to work if at all possible. Therefore, many of the people who are receiving benefits in a place like Texas likely have severe barriers to employment. For programs that aim to move people from public assistance to employment, these differences have implications for the ease or difficulty of working with a clientele: In a location (like Texas) where benefits are less generous, people on public assistance, who are apt to be more disadvantaged, may be harder to help than recipients in locations where benefits are more generous (like the United Kingdom). On the other hand, generosity of benefits and lack of time limits could also have the effect of making it more feasible for people to drop out of employment

²³Texas Health and Human Services Commission (2007).

²⁴States have the option to use state funds to extend benefits past the 60-month federal limit, but Texas was not exercising that option at the time of the evaluation.

²⁵In 2007, the UK government proposed substantial changes in British policy toward single parents’ entitlement to benefit (see Department for Work and Pensions, 2007). At the time of the study, single parents were not required to seek out work or participate in job search activities as a condition of receiving out-of-work benefits. Starting in late 2008, however, this entitlement was restricted to those with children under 12 years old, and starting in 2010, this age-break will be lowered to those whose youngest child is 7.

The Employment Retention and Advancement Project

Table 2

Comparison of UK and Texas ERA Policy Contexts, Program Details, and Stipend Details

| Factor | UK | Texas | Implications for Employment | Implications for Subsidy Receipt |
|--|------------------|------------------|--|----------------------------------|
| Policy context | | | | |
| Public assistance benefits | More generous | Less generous | Texas ERA sample members were likely more disadvantaged; it was probably easier for UK recipients to find employment. But more generous benefits could make it more feasible for UK sample members to continue to receive public assistance. | Unclear |
| Time limits on public assistance receipt | No | Yes | Texas ERA sample members faced more pressure to take a job quickly (but this could also lead to higher rates of job loss). | Unclear |
| Health insurance | Universal | Tied to TANF | It was probably harder for Texas sample members to leave public assistance and enter into employment. | UK higher than Texas |
| Program details | | | | |
| Voluntary/mandatory | Voluntary | Mandatory | UK sample members voluntarily applied for preemployment services; they might be expected to enter employment at higher rates than sample members in Texas, who were required to participate in preemployment services. | UK higher than Texas |
| Stipend details | | | | |
| Employment requirements | More challenging | Less challenging | Unclear | Texas higher than the UK |
| Nonemployment requirements | Less burdensome | More burdensome | Unclear | UK higher than Texas |

if circumstances arose that made it very difficult for them to work full time. In a system with time limits (like the one in Texas), people are more likely to feel pressure to take a job quickly, which could be helpful to programs trying to get people into jobs. On the other hand, the pressure to take jobs quickly could lead people to take a job even if it is not a good fit. Therefore, while people in a system with time limits may be more likely to enter work quickly, they might also lose jobs at higher rates than people in locations without time limits.

Another implication of differences in these programs stems from the fact that parents could have lost health insurance after leaving TANF in Texas;²⁶ all else being equal, a single mother with health problems in Texas would probably be less likely to enter employment and more likely to end it than her counterpart in the United Kingdom — and this health-related barrier may have made it harder at the time of the study for programs in Texas to move people permanently from welfare to work.

The preceding discussion has focused on public assistance benefits and health insurance. Public assistance benefits, which are meant to help people who are not working or are earning very little, are reduced the more that people work, and therefore have the potential effect of discouraging work. At the same time, U.S. recipients with health problems have a reason to stay out of the labor market — a potential loss of health insurance — that is not relevant in the United Kingdom.

There is still another factor to consider in comparing incentives and disincentives to work in the two countries: Differences in wage supplementation policies designed to encourage work — notably the EITC in the United States and the WTC in the United Kingdom — may also play a role in decisions about whether or not to work. Because a comparison of the different values of wage supplements for single parents in various situations in Texas and the United Kingdom is beyond the scope of this analysis, this paper does not fully address the question of whether low-income workers have more of an incentive to work in one location as opposed to the other.

Against the background of the policies that have just been discussed, the next section focuses on the structure and operational details of the Texas and UK ERA programs.

²⁶While it is possible for states to apply for waivers that allow them to use funds from the State Children's Health Insurance Program (SCHIP) to cover adults, Texas did not apply for this waiver before or during the time of this evaluation. See U.S. Government Accountability Office (2007: 24).

A Closer Look at the Texas and UK Evaluations and Their Stipends

Earlier sections of the paper presented introductory information on the two ERA evaluations. Because the details of how the evaluations and the stipends themselves were structured have implications for the patterns of stipend receipt that are discussed later in the paper, this section gives a more in-depth picture of the Texas and UK ERA programs, their evaluations, and the earnings supplements they offered. It also presents findings on the implementation of the two programs and adds to information about their economic impacts to date. The paper then steps back to compare the details of the Texas and UK programs and their stipends. This discussion is followed by accounts of the demographics of the research samples in the two studies and a comparison of employment rates for the control groups in the two studies. Following that, the paper sets the stage for the discussion of receipt rates by analyzing how the different structures of the stipends and the different characteristics of the groups could have affected the rates.

Evaluations, Services, and Stipends

As noted, both the UK and Texas ERA projects were studied using a random assignment design, meaning that individuals who met certain eligibility criteria were assigned at random to a program group or a control group. (The eligibility criteria for each project will be discussed in next section.) Program group members were either offered ERA services or required to participate in some of them, while control group members were not eligible for these services — although they were eligible for the site’s standard welfare-to-work services. Each site’s control group thus represents the benchmark against which that site’s ERA approach was assessed.

As also discussed earlier, the random assignment process ensures that when individuals entered the study, there were no systematic differences in sample members’ characteristics, measured or unmeasured, between the two research groups. Thus, any differences, or *impacts*, between the two groups that emerged after random assignment — for example, differences in employment rates or average earnings — can be attributed to the difference between receiving services (including earnings supplements) through the site’s ERA program and receiving standard services.

The UK ERA Program

The UK ERA evaluation tested a program that expanded on the New Deal program — the United Kingdom’s main welfare-to-work initiative. Standard New Deal services, which are

offered to, or mandated for, certain groups of benefit recipients, include helping these customers²⁷ develop individual action plans outlining their work goals and offering them job search assistance and training to help them achieve the goals. To these existing preemployment services, ERA added its new earnings supplements along with a set of postemployment services.

The UK ERA evaluation targeted a sample that included three different groups of people who have difficulty retaining jobs and advancing in work. However, this paper focuses on one of those three groups — participants in the New Deal for Lone Parents (NDLP) program.²⁸ NDLP serves lone parents (mostly women) who are out of work or working fewer than 16 hours per week and receiving Income Support — a government benefit available to low-income adults who are unemployed or working less than 16 hours per week. NDLP participants volunteered for the program. The paper focuses on the NDLP group because this group was more similar to the population targeted by the Texas ERA programs than either of the two other groups studied in the UK ERA evaluation.

NDLP customers volunteered for the program because they were interested in starting work, usually after having been out of the labor force for extended periods of time. Once enrolled in the program, they were offered the opportunity to participate in the ERA study, and if they accepted the offer, they were randomly assigned to either the program group or the control group.²⁹

Both program and control group members received job placement and other preemployment assistance that was similar to services offered in the regular New Deal program. Although the original plan had been for program group members to receive enhanced services in the preemployment as well as postemployment phase of ERA, it turned out that preemployment services for the program group resembled the services offered to control group members during that period. (One important difference between program and control preemployment services was that program group members were told about the potential postemployment earnings supplements and services during the preemployment phase of the program).

There were several important differences in services offered to the program and control groups during the postemployment phase: First, as long as program group members worked full time, they, unlike members of the control group, were eligible for the ERA earnings supple-

²⁷Many UK employment programs use the term “customers” to describe clients or participants.

²⁸The other two groups studied in the evaluation were: (1) longer-term unemployed people over the age of 25 (largely men) who receive a Jobseekers Allowance (JSA) stipend and are mandated to enter a New Deal 25 Plus program, and (2) lone parents who are already working part time and are receiving the Working Tax Credit (WTC).

²⁹The UK ERA research sample used in this paper includes a total of 2,297 people who were randomly assigned to one of the two groups between December 2003 and November 2004 and who responded to a customer survey.

ments.³⁰ Program group members who worked full time could receive up to six stipends of £400 after every 17 weeks in which they:

- had worked at least 30 hours per week for 13 of the 17 weeks;
- submitted the required documentation; and
- visited the program offices — called Jobcentre Plus offices — to claim the stipend.

Second, program group members who found jobs were offered counseling focused on employment retention and advancement that was provided by ERA Advancement Support Advisers. The standard NDLP program — and thus the treatment provided to the control group — made no explicit provision for active postemployment counseling.

It is important to bear in mind that participation in NDLP *and* in UK ERA was *voluntary*. The lone parents who enrolled in NDLP were not mandated to do so. Likewise, NDLP participants randomly assigned to the program group were under no obligation to take advantage of UK ERA services.³¹

The Texas Program

Sample members in the Texas ERA evaluation were welfare applicants and recipients, all of whom were single parents and most of whom were women. (Although it was permissible to work while applying for or receiving TANF, very few sample members were doing so at the point that they entered the study because of the low income-eligibility limit for TANF receipt in Texas; even fairly low earnings disqualified people for TANF.)

Welfare staff referred applicants and recipients whom they believed would be certified (or recertified) for TANF to the ERA study, at which point they were randomly assigned.³²

³⁰Program group members could also receive stipends for combining employment with education or training (paid upon completion of training); 8 percent of customers claimed this type of stipend in the first two years of follow-up. This paper focuses only on the work retention stipend.

³¹Researchers at the Institute for Fiscal Studies recently published a working paper that assesses how non-participation (that is, the refusal of some customers to be randomly assigned in the UK ERA study) has affected the extent of external validity of the experimental results. The report concluded that, for the NDLP group, those who participated in ERA were not so different from the nonparticipants that the study's impact analysis would have produced different conclusions had the nonparticipants been included in the random assignment sample. See Goodman and Sianesi (2007).

³²The sample used in this paper includes the 1,613 customers from Corpus Christi and 1,442 customers from Fort Worth who were randomly assigned between October 2000 and September 2002. While random assignment continued into January 2003 in both of these sites, people randomly assigned after September 2002 had less than two full years in which to access the stipend and were therefore excluded from these

(continued)

After random assignment, some of these individuals were, in fact, found to be ineligible for TANF — this was true for about 15 percent of sample members in Corpus Christi and Fort Worth — or they did not show up for an initial orientation meeting; both of these groups of individuals were ineligible for ERA services and stipends. They were, however, considered part of the research sample, because excluding sample members after they had been randomly assigned could have introduced bias into the research design.³³

Sample members who were approved for TANF and who attended an orientation meeting were eligible either for ERA services if they were in the program group or for services through Texas’s standard welfare-to-work program — called Choices — if they were in the control group. Participation in preemployment services was mandatory for most TANF recipients in both the program and control groups.³⁴ As in the UK ERA evaluation, the original plan had been for program group members to receive enhanced services in the preemployment as well as postemployment phase of ERA; however, it turned out that preemployment services for the program group resembled the services offered to control group members during that period, except that the program group received information about the opportunity for postemployment stipends and services.

If people in the research sample, both program and control group members, found work, they had four months in which their earnings were disregarded in the calculation of their TANF grants, which essentially gave them an employment “stipend” (since they generally received almost their full welfare grants in addition to their earnings during that time). For program group members who stayed employed, this disregard period was in essence an interim period between TANF and potentially becoming eligible for the ERA stipends and for ERA’s substantial postemployment services.

During this four-month earnings disregard period, ERA staff contacted both program and control group members. This contact was meant primarily to monitor continued eligibility for TANF and the disregard, but in the course of the contacts, staff may have also talked to

analyses. This sample represents 93 percent of the full sample in Corpus Christi and 92 percent of the full sample in Fort Worth.

³³In order to test whether or not impacts were diluted by sample members who never qualified for TANF and were therefore never eligible for ERA services, the following test was run: Nonexperimental impacts for sample members who received TANF in the quarter of random assignment (or in the next quarter) were compared with impacts for those who did not. There were no statistically significant differences in the impacts between these groups, which suggests that the dilution probably did not have much of an effect on the results.

³⁴Between 20 and 25 percent of the sample were exempt from these requirements because they had children younger than 1 year old, or because they were ill or disabled or were caring for a disabled family member. Exempt individuals were eligible for all components of the ERA program, and program staff strongly encouraged them to participate. Data from the ERA 12-Month Survey show that mandatory and exempt individuals participated in employment services at comparable levels.

customers about job-related problems. Still, as noted, the more substantial ERA services offered to program group members, which focused on providing assistance with employment retention and advancement, did not ramp up until the disregard period had ended.

Also during the disregard period, ERA staff tried to talk at least once with each program group member about the stipends for which the person could become eligible at the end of the four months and about the conditions attached to those stipends. Customers were told that once their disregards had ended, a monthly stipend of \$200 was available to program group members who met the following criteria in a given month:

- were employed for a minimum of 30 hours per week,³⁵
- participated in monthly employment-related activities, and
- submitted the required documentation.

Program group members could receive a maximum of 12 stipends over the course of the study period (which, for the full sample, ranged from 21 months to 47 months, depending on when someone had enrolled in the study).

As noted, program group members had to attend some type of employment-related activity each month to qualify for their stipends. Options generally included training on the job, education and training programs, various support groups, or other activities in the community. While people in Corpus Christi had to attend only one activity per month to qualify for a stipend,³⁶ the requirement in Fort Worth was six hours of activities every month.

Findings on Implementation, Participation, and Economic Impacts

Later, this paper will present research findings on the use of earnings supplements in the Texas and UK programs. But previous ERA analyses offer information on the overall implementation of the programs, on participation rates in program services, and — as discussed previously — on impacts. This section provides an overview of some of the key implementation and impact findings — information that is relevant to interpretations of the findings on stipend receipt rates.

³⁵Program group members could also substitute some of these 30 hours of weekly employment with hours attending education or training. Very few people did so, but the Texas stipend receipt figures examined in this paper include stipends earned by those people who did combine employment with education or training.

³⁶This was also the case in Houston.

The UK Evaluation

The UK ERA program had some implementation difficulties during its first year of operations.³⁷ Nevertheless, results of a survey of sample members administered 24 months after they entered the study indicate that the program produced sizeable impacts on several measures of participation: Program group members were much more likely than those in the control group to have sustained contact over time with Jobcentre Plus staff and to receive retention- and advancement-focused help or advice. In addition, the survey found that about 88 percent of program group members were aware of the work-retention stipend, suggesting that the program had success in making participants aware of this incentive for full-time employment.³⁸

The program also produced impacts on several economic outcomes.³⁹ As seen in Table 1, the UK ERA program produced statistically significant increases in earnings. Impacts on earnings are useful to examine because they are available for both the UK and Texas programs. In order to show how UK ERA increased earnings, however, Table 3 shows some additional outcomes that were examined for that program.

ERA had positive impacts on earnings largely because it increased the proportion of lone parents working full time. Customers in the program group were more likely than those in the control group to enter work (usually full-time work) or shift from part-time to full-time work. Over the two-year follow-up period, ERA increased the percentage of people who ever worked full time by almost 10 percentage points and increased the percentage of people who worked full time for four consecutive months by almost 9 percentage points, compared with control group members. While ERA increased the length of time that lone parents worked full time, this was accomplished more by accelerating entry into such jobs than by improving retention, which was already high, at least in the short term. See Riccio et al. (2008) for more information on the study's impacts.

The Texas Evaluation

For the implementation study of the Texas program, it was decided early on to examine operations in each of the three sites separately because there were large differences among sites both in how the programs were being implemented and in how the different organizations at the three sites provided services to participants. The research showed that there were several

³⁷As was mentioned previously, preemployment services ended up being very similar for the program and control groups. There were other implementation challenges: Because the traditional focus of program staff was on getting customers into jobs, they did not initially have the expertise to help customers retain and advance in employment.

³⁸Riccio et al. (2008).

³⁹Many of the conclusions in this paragraph come from Riccio et al. (2008): 9-11.

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Table 3

Impacts on Select Additional Economic Outcomes for the UK ERA Program

| Outcome | ERA Group | Control Group | Difference (Impact) | Percentage Change | P-Value |
|--|--------------|------------------|------------------------|----------------------|---------|
| Ever worked (%) | 75.7 | 70.1 | 5.6 *** | 7.9 | 0.002 |
| Ever worked full time (%) | 37.5 | 27.9 | 9.6 *** | 34.3 | 0.000 |
| Worked full time for at least 4 consecutive months (%) | 33.6 | 25.0 | 8.7 *** | 34.6 | 0.000 |
| Worked and participated in training or education courses while employed (%) | 35.3 | 29.7 | 5.6 *** | 18.9 | 0.003 |
| Average total amount of Income Support received (£) ^a | 4,911 | 5,192 | -282 *** | -5.4 | 0.007 |
| Sample size | 1,188 | 1,109 | | | |

SOURCE: MDRC UK ERA calculations from UK ERA 12- and 24-month customer surveys and Pensions Longitudinal Survey benefits receipt records.

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

To assess differences across research groups, two-tailed t-tests were used. Statistical significance levels are indicated as: * = 10 percent; ** = 5 percent; and *** = 1 percent.

^aMeasures of Income Support were estimated from the Work and Pensions Longitudinal Survey; all other outcomes were estimated from ERA 12- and 24-month customer surveys.

implementation challenges,⁴⁰ but that implementation was strongest in Corpus Christi and that both the Corpus Christi and Fort Worth sites made good progress in improving implementation over time. As noted, the Houston site had serious and persistent implementation problems.

Despite some early implementation difficulties, a survey of members of the research sample administered roughly 12 months after respondents entered the study showed that the Corpus Christi and Fort Worth sites both produced statistically significant positive impacts on several measures of program participation. ERA program group members were more likely than

⁴⁰As was mentioned previously, preemployment services ended up being very similar for the program and control groups. Another implementation challenge was that at the beginning of program operations in both Corpus Christi and Fort Worth, it was determined that initial efforts at marketing the stipend were not sufficient. In addition, while the Corpus Christi postemployment services were fairly strong from the beginning, the Fort Worth site struggled for a good portion of the study period. It did make significant improvements when a new manager was hired, however, including implementing more structured job search services.

those in the control group to report recent contact with staff and participation in various services focused on employment, retention, and advancement, such as receiving help in finding a better job while working and with career assessment.⁴¹

As was the case in the United Kingdom, ERA increased earnings for program group members in both the Corpus Christi and Fort Worth sites (see Table 1). However, unlike in the United Kingdom, the programs operating in Corpus Christi and Fort Worth seemed to have a larger effect later in the follow-up period. While the ERA program in Corpus Christi generated some increases in earnings in the first year of follow-up, it was not until the end of Year 2 (and into Year 3) that the Corpus Christi and Fort Worth sites started producing their largest and most sustained effects on employment retention and earnings. This delay may have been the result of the way the ERA program group and control group services were structured. Since most sample members were not employed when they entered the study and because the primary differences in treatment — extensive postemployment services and stipends — did not occur until after sample members had been employed for four months and the TANF disregard period had ended, the largest difference in program services for the program and control groups did not occur until well after they had entered the study.

Table 4 shows the Corpus Christi and Fort Worth sites' effects on a few additional measures. There is some evidence that both the Corpus Christi and Fort Worth sites increased employment retention over the three-year follow-up period. The ERA program operating in Corpus Christi increased the percentage of program group members who had an employment spell of at least four quarters by almost 5 percentage points, compared with the control group. In addition, ERA increased the average length of the longest employment spell by 0.3 quarters. The effects of the program operating in Fort Worth were more limited. In Fort Worth, ERA did increase the percentage of program group members who had an employment spell of at least four quarters by 5.2 percentage points, compared with the control group, but it did not affect any of the other outcomes examined in Table 4. See Hendra et al. (2010) for more information on the impacts of the study.

⁴¹Martinson and Hendra (2006).

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Table 4

**Impacts on Select Additional Economic Outcomes
for the Corpus Christi and Fort Worth ERA Sites**

| Outcome | ERA Group | Control Group | Difference (Impact) | Percentage Change | P-Value |
|---|-----------|---------------|---------------------|-------------------|---------|
| <u>Corpus Christi</u> | | | | | |
| Cumulative economic outcomes (Years 1-3) | | | | | |
| Ever employed (%) | 85.9 | 87.7 | -1.8 | -2.0 | 0.253 |
| Average quarterly employment (%) | 51.7 | 48.4 | 3.3 ** | 6.8 | 0.027 |
| Had employment spell of at least 4 quarters (%) | 56.1 | 51.4 | 4.7 ** | 9.2 | 0.035 |
| Length of longest employment spell, in quarters | 5.1 | 4.8 | 0.3 * | 6.4 | 0.077 |
| Length of longest unemployment spell, in quarters | 4.8 | 5.1 | -0.3 | -5.0 | 0.144 |
| Sample size ^a | 870 | 857 | | | |
| <u>Fort Worth</u> | | | | | |
| Cumulative economic outcomes (Years 1-3) | | | | | |
| Ever employed (%) | 84.9 | 82.7 | 2.2 | 2.7 | 0.200 |
| Average quarterly employment (%) | 48.6 | 46.4 | 2.2 | 4.7 | 0.143 |
| Had employment spell of at least 4 quarters (%) | 56.3 | 51.1 | 5.2 ** | 10.2 | 0.024 |
| Length of longest employment spell, in quarters | 4.8 | 4.5 | 0.3 | 6.1 | 0.116 |
| Length of longest unemployment spell, in quarters | 5.1 | 5.4 | -0.3 | -5.4 | 0.103 |
| Sample size ^a | 784 | 788 | | | |

SOURCE: MDRC Texas ERA calculations from unemployment insurance (UI) records from the State of Texas.

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

To assess differences across research groups, two-tailed t-tests were used. Statistical significance levels are indicated as: * = 10 percent; ** = 5 percent; and *** = 1 percent.

^aThe sample used in this table for Corpus Christi and Fort Worth includes the full research sample, not just those who had a full 2 years in which to access the stipend.

Comparison of the Two Programs and Their Earnings Supplements

Features of the Program

The UK and Texas ERA program models share many similarities. They targeted similar populations (applicants and/or recipients of public assistance who were mostly single mothers who were not employed).⁴² Both program models combined earnings supplements with pre- and postemployment services. Both program and control groups in each evaluation received a strong set of preemployment services, (leading in both cases to a very small preemployment treatment differential).

In the postemployment phase, the Corpus Christi, Fort Worth, and UK ERA programs offered customers extensive postemployment services in addition to stipends, while the control groups did not receive comparable services or any ERA stipends. Though the ERA programs in the United Kingdom and in Fort Worth struggled with implementation in the early phase of the evaluation, all programs improved greatly over time. Importantly, the Corpus Christi, Fort Worth, and UK ERA programs all produced impacts on various participation measures (such as having sustained contact with program staff and receiving assistance with employment retention and advancement).

But there were also some significant differences between the UK and Texas ERA programs. Since, at the time the study was launched,⁴³ the UK benefits system did not require single parents with children under age 16 to participate in job search activities, single-parent participants in the New Deal program were people who voluntarily applied for preemployment services, thereby indicating that they were motivated to find employment and to get help in doing so. Another indication that these customers were motivated to work was that they had voluntarily applied to participate in random assignment for the ERA program, thus opting to take advantage of postemployment as well as preemployment services. In contrast, customers in the Texas ERA program were *mandated* to receive preemployment services — through either ERA or Choices — in order to receive TANF benefits. (There was not, however, any mandate for members of the Texas program group to use ERA postemployment services.)

⁴²As noted, people in the United Kingdom were eligible for the study if they worked fewer than 16 hours per week. People in Texas could have been working as well, but as also noted, few Texas study entrants were employed, given the low income eligibility limit for TANF receipt in Texas.

⁴³Since UK ERA was launched, reforms have been put in place that require more single parents who are receiving benefits to look for work. Specifically, the age of youngest child exemption has been changed gradually so that by October 2010, single parents receiving benefits will be required to look for work unless their child is under 7.

Features of the Earnings Supplements

The UK and Texas ERA stipends had the same purpose — to promote full-time work and employment retention. But certain features of the stipends were somewhat different in each program. First, the reward for full-time work was more immediate in Texas: In the Texas sites, once the four-month earnings disregard period had ended, someone who retained full-time employment continuously could receive a stipend monthly. In contrast, someone eligible for the UK ERA stipend could receive it only once every 17 weeks. In addition, the employment retention requirements for the UK ERA program were more challenging than those for the Texas program; besides having to wait longer for each payout, UK customers also had to retain full-time work for longer to receive each stipend.

The two programs also differed in their nonemployment eligibility criteria for receiving the stipends. While the Texas ERA program allowed participants to receive their stipends by mail, the UK ERA program required participants to pick up their stipends in person (to assure that they met with their Advancement Support Advisers regularly). UK ERA customers had to submit documentation for the stipend only once every four months; in Texas the requirement was for monthly submission of documentation. And as noted, Texas ERA customers were required to take part in monthly employment-related activities to qualify for their stipends; there was no comparable requirement in the UK ERA program.

In addition to understanding differences in the stipend payout structures of the two programs, it is important to understand what the value of the stipends meant to people in each program.⁴⁴ The case can be made that the total value of all available stipends was roughly equivalent across programs. UK ERA offered a maximum of six stipends worth £400 each, for a total of £2,400. Texas ERA offered a maximum of 12 stipends worth \$200 each, for a total of \$2,400. Because of differences in the value of the currencies and in the cost of living between Texas and the United Kingdom, it is useful to compare these values to the minimum wages in these two places. In 2005, the minimum wage was £5.05 per hour in the United Kingdom and \$5.15 per hour in Texas. Since the ratio of the value of the stipends to the minimum wage was roughly equivalent between the programs, this suggests that the total relative value of the stipends in each program was roughly similar for people in each location.⁴⁵

⁴⁴The values of the stipends are not adjusted for inflation. The values stated are the values of the stipends at the time of the respective evaluations.

⁴⁵However, one limitation to this comparison is that employed sample members in the United Kingdom were making more relative to the UK minimum wage than employed sample members in Texas were making relative to the Texas minimum wage: On average, control group survey respondents who were employed at the time of the 12-month survey in Corpus Christi made just slightly above the minimum wage (\$5.80, with a minimum wage at \$5.15) whereas the corresponding people in the United Kingdom, who were earning an average hourly wage of £6.40, were doing slightly better at exceeding the minimum wage (which was £5.05).

(continued)

Still, people in the UK ERA program had to work for more months to receive this total amount. In the two Texas ERA sites, program group members could receive \$2,400 after working for 16 months, while those in the United Kingdom could not receive the full £2,400 before working 24 months. While a program group member working full time for four months could earn up to \$800 in stipends in the Texas ERA sites, a program group member working in UK ERA could earn only £400 from stipends during that same time.

Demographic Characteristics of the Research Samples

While the samples in the UK, Corpus Christi, and Fort Worth ERA programs were all drawn from a population of single parents applying for or receiving public assistance benefits, there were important differences in the demographic composition of the three samples — especially between the two samples in Texas and the UK sample. Table 5 compares select baseline characteristics of program group members from each of the three sites.

Within Texas ERA, customers in Corpus Christi and Fort Worth had very similar demographic characteristics and economic histories. In both sites, most customers were women with an average of two children. And in both sites, about half the sample members had at least one child younger than 3. In the year before random assignment, 72 percent of sample members in each of the two sites had been employed at some point, but in each site most had also received food stamps during at least part of that year, and approximately a third had received TANF benefits.

The samples in the two Texas sites did have some notable differences in education and work histories. Sample members in Fort Worth had a higher high school completion rate, earned more in the year before they entered the study, and received food stamps for a shorter period of time than Corpus Christi sample members.

The single-parent customers in the UK ERA program differed from their Texas counterparts in a number of ways. Most important, the two groups differed drastically in measures of employment and benefit receipt history. While almost three-quarters of customers in the Texas ERA sites had been employed in the year before random assignment, less than a third of UK ERA customers ever worked in the preceding year — a difference that led to a large difference in prior-year earnings. Also, almost 90 percent of customers in the UK ERA program had received public assistance in the year before entering the study, while only around 30 percent of program group members in the Texas ERA sites had received TANF during that period.

Therefore, the stipend might have seemed a little less valuable to sample members in the United Kingdom than to sample members in Texas.

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Table 5

**Selected Characteristics of ERA Program Group Members
at the Time of Random Assignment**

| Characteristic | UK | Corpus Christi | Fort Worth |
|--|--------|----------------|------------|
| Female (%) | 94.6 | 94.6 | 96.4 |
| Race/ethnicity (%) | | | |
| Ethnic minority (UK) | 12.8 | NA | NA |
| White (UK and TX) | 87.2 | 17.4 | 23.3 |
| Hispanic (TX) | NA | 72.5 | 9.2 |
| Black (TX) | NA | 9.9 | 67.4 |
| Other (TX) | NA | 0.3 | 0.1 |
| Average age of youngest child | 6.0 | 1.8 | 1.8 |
| Age of youngest child (%): | | | |
| 0-2 | 25.4 | 50.1 | 49.8 |
| 3-5 | 27.2 | 21.2 | 18.3 |
| 6 or older | 47.4 | 28.8 | 31.9 |
| Average number of children | 1.7 | 1.9 | 2.0 |
| Education ^a (%) | | | |
| A-level or above (UK) | 30.6 | NA | NA |
| High school diploma/GED or above (TX) | NA | 48.3 | 59.1 |
| Employed in prior year (%) | 30.8 | 72.0 | 72.3 |
| Average earnings from prior year ^b | £1,505 | \$3,818 | \$4,910 |
| Average number of years employed in prior 3 years | 1.0 | 1.5 | 1.6 |
| Average age | 32.0 | 28.4 | 28.8 |
| Received benefits in prior year (%) | | | |
| Income Support (UK) | 89.5 | NA | NA |
| TANF (TX) | NA | 30.6 | 33.6 |
| Food stamps (TX) | NA | 73.8 | 67.8 |
| Average amount of benefits received per month in prior year ^b | | | |
| Income Support (UK) (£) | 335 | NA | NA |
| TANF (TX) (\$) | NA | 56 | 62 |
| Food stamps (TX) (\$) | NA | 197 | 187 |
| Average number of months receiving benefits in prior year | | | |
| Income Support (UK) | 9.1 | NA | NA |
| TANF (TX) | NA | 2.5 | 2.5 |
| Food stamps (TX) | NA | 6.4 | 5.2 |
| Sample size ^c | 1,188 | 813 | 718 |

(continued)

Table 5 (continued)

SOURCE: MDRC UK calculations from baseline information forms completed by DWP staff. MDRC U.S. calculations from ERA baseline forms and administrative data.

NOTES: ^aParticipants with A-level qualifications have passed a series of examinations usually taken around age 18 or older.

^bEarnings and benefits amounts are measured in pounds for the UK site and in dollars for the 2 Texas sites. On December 1, 2006, the currency exchange rate in effect was \$1.96 per pound.

^cThe Corpus Christi and Fort Worth samples were limited to single parents who, because of their random assignment dates, had a full 2 years in which to access the stipend.

Table 5 also shows that UK ERA customers were more likely to have older children than customers in Texas.

Control Group Employment

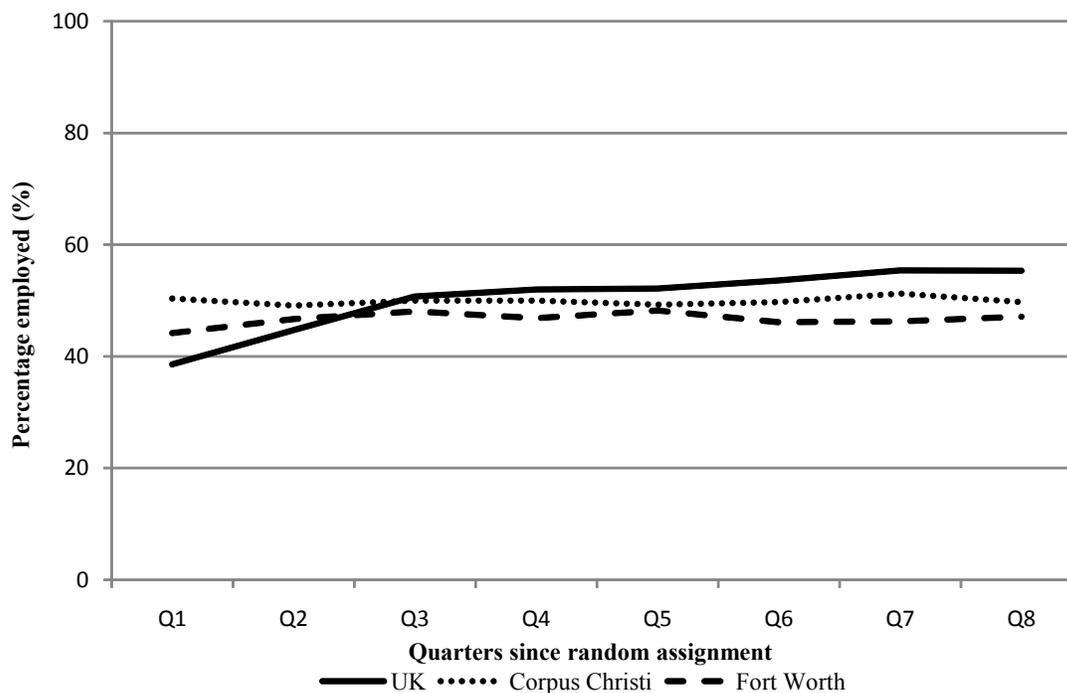
It is difficult to judge the comparative work readiness of the customers in the Texas and UK ERA programs simply by analyzing preprogram differences in their work histories and patterns of benefit receipt: While UK ERA customers had less recent work experience, they may have been a more work-ready group because they had volunteered for the NDLP program. Thus, to get a better sense of how the samples differ, it is useful to compare employment rates for the Texas and UK control groups after random assignment — rates that are unaffected by differences between the programs and that can give a sense of what the program group members in the United Kingdom and Texas would have done in the absence of the intervention.

Figure 1 presents the quarterly employment rates of control group members by site after random assignment. It shows that during the quarter of random assignment (Q1), employment levels were slightly lower in the United Kingdom than in Corpus Christi or Fort Worth: 50 and 44 percent of control group members in Corpus Christi and Fort Worth and 39 percent of their UK ERA counterparts were employed. However, by the second quarter of follow-up (Q3) control group employment rates in UK ERA had surpassed those in the Texas ERA sites. The more rapid progress likely reflects the readiness of UK sample members to get a job at the time they entered the study. (It is important to note that the trend could also partially reflect the presence of better job opportunities in the UK labor market). The relatively flat lines in the Texas ERA sites seem to indicate that in any given quarter roughly the same number of people left and entered employment, suggesting a high level of “churning.”

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Figure 1

Quarterly Employment of Control Group Members



SOURCE: MDRC UK calculations from UK ERA 12- and 24-month customer surveys. MDRC U.S. calculations from unemployment insurance (UI) records from the State of Texas.

NOTES: Quarter 1 is the quarter of random assignment.

The Corpus Christi and Fort Worth samples were limited to single parents who, because of their random assignment dates, had a full 2 years in which to access the stipend.

Implications of the Differences Between the Two Programs

The preceding discussion has highlighted a variety of differences between the Texas and UK sites that could have influenced the Texas and UK levels and patterns of stipend receipt that will be discussed soon. Given these differences, which program was likely to see a higher percentage of its sample receive the stipend — and which program was in a stronger position to achieve positive employment retention and advancement outcomes? The answers to these questions are not immediately obvious. As the following discussion indicates, different factors seem to have made it harder or easier for each program to use stipends to pursue its goals. (See Table 2 for a summary of the implications discussed here.)

Implications of Differences in Stipend Details

All other things being equal, the requirement in the UK ERA program that someone stay employed for a relatively longer time to earn each stipend might have led to higher rates of employment retention than in the Texas sites, because participants would have had to work full time for a longer time to earn their stipends. But from another perspective, the longer wait for stipends could have reduced the power of the stipend to encourage people to stay employed — for example, because the goal could have seemed too distant. Regardless of the effects on employment retention, it seems unlikely that the more challenging employment requirements for the UK program would have led to lower stipend receipt rates in the UK compared with Texas.

How do the nonemployment requirements for stipends factor into the equation? It is true that, unlike the UK program, the Texas sites did not expect customers to pick up stipends in person. But overall, the nonemployment requirements in the Texas ERA sites, especially the requirement of monthly participation in an employment activity, seem to have been more burdensome than in the UK ERA program, possibly discouraging stipend receipt in these sites. Still, the purpose of including the required monthly activities in the Texas ERA programs was that it was thought that the activities would help some customers retain jobs and/or advance in employment.

Implications of Employability Differences

The strong differences between the Texas and UK groups in recent economic history — with the UK group on average much less likely to have worked and much more likely to have been on welfare in the year before entering the study — superficially make the UK group look more disadvantaged. But as discussed earlier, the context for working and receiving welfare is different in the United Kingdom than in Texas. Single parents in the United Kingdom were eligible to receive more generous benefits than their Texas counterparts without facing job search requirements or time limits. This made it more feasible for UK single parents to forego work. Thus, the differences in recent economic history do not necessarily mean that the UK ERA customers were more disadvantaged. In fact, since single-parent customers in the UK ERA program voluntarily sought out job search assistance while Texas customers were mandated to participate in ERA or control group preemployment services, UK ERA customers likely felt more eager and ready to enter work and therefore might have been expected to earn stipends at a higher rate than Texas customers.

Information on what would have happened to employment rates of the program groups in Texas and the United Kingdom in the absence of ERA — in other words, what happened to members of the control groups after they joined the study — supports this expectation. Employment rates of the UK control group grew more rapidly than rates for the control groups in the Texas sites. At the same time, the Texas control groups were more susceptible to churning

in and out of the labor market. These patterns suggest that the UK single parents who were targeted for ERA were at least slightly more employable than their counterparts in Texas, where the not-very-generous levels of public assistance may have kept more prepared single parents off TANF and out of the ERA study. Adding weight to the hypothesis of a more employable UK group is the somewhat older average age of children of the UK sample members — a difference that may have reduced the prevalence of the child care problems that can make it harder for a single parent to sustain work. The fact that UK sample members tended to have older children may have been one reason why these parents chose to return to employment at the time they entered the study.

When viewed through this comparative lens, the Texas and UK programs appear to have embarked on their earnings supplements strategies from different starting points, but with neither position decisively predicting which program would have more success in using earnings supplements to promote employment retention and advancement. The next section reports on how the receipt rates played out against the backdrops that have just been described.

Patterns and Rates of Stipend Receipt

As discussed, the main goal of the Texas and UK ERA programs and their earnings supplements was to increase full-time employment and employment retention. Because it is unlikely that the stipends could have played a significant role in promoting those outcomes if very few people received them, this paper aims to give a clear picture of the rates at which the stipends were received. Earlier, the paper discussed a number of expectations about how the features and requirements of the earnings supplements and their policy contexts might have affected the rates. The paper now turns to a presentation of data on the actual receipt rates, an analysis that can shed light on the fit between the expectations and the data.

This section views the receipt rates in the two programs through various lenses: It opens with an examination of rates among all members of the program groups, who may or may not have been eligible for the stipends, and a presentation on rates for the smaller group of customers who were employed during the follow-up period. Then it presents information on the number of stipends received in the programs and follows that discussion with a comparison of receipt rates in the Texas and UK ERA programs with rates in other non-ERA programs. The section concludes with an examination of receipt rates among people who are estimated to have met the employment conditions for receiving the earnings supplements⁴⁶ and includes observations on why these rates matter to program planners and operators and on factors that may have kept some of these people from claiming stipends.

Stipend Receipt Rates for All Program Group Members and for People Employed During the Follow-Up Period

Table 6 shows the rates at which program group members received at least one stipend in each of the three programs after one and two years of follow-up. Note that the table has two panels: The first panel is for all program group members, whether or not they had worked full time.

The second panel considers only program group members who entered work in the follow-up period — a step that was part of the prerequisite for receiving a stipend. (Ideally, this figure would look at take-up rates among those employed in *full-time* work, but while the survey data in the United Kingdom allow for this analysis, the quarterly UI data in the Texas sites do not.) In the Texas ERA sites, this second sample was also limited to people who

⁴⁶As discussed, programs also had nonemployment eligibility criteria for receiving stipends; however the estimates of whether individuals were employment-eligible that are used in this section only estimate whether individuals met the employment criteria, and not other criteria, that were required to qualify them for stipends.

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Table 6

Stipend Receipt Rates

| Receipt Rates | UK | Corpus Christi | Fort Worth |
|--|------|----------------|------------|
| All program group members | | | |
| Received a stipend during (%): | | | |
| Year 1 | 18.9 | 14.3 | 12.4 |
| Year 1 & 2 | 29.2 | 25.6 | 20.1 |
| All program group members ever employed | | | |
| Received a stipend during (%): | | | |
| Year 1 | 28.4 | 24.3 | 24.2 |
| Year 1 & 2 | 38.2 | 38.4 | 33.7 |

SOURCE: MDRC UK calculations from DWP financial incentives data and UK ERA 12- and 24-month customer surveys. MDRC U.S. calculations from ERA program tracking data, and unemployment insurance (UI) and TANF administrative records from the State of Texas.

NOTE: The Corpus Christi and Fort Worth samples were limited to single parents who, because of their random assignment dates, had a full 2 years in which to access the stipend.

received at least one TANF payment in months 1 and 2 — a limitation that reflects the fact that people who were found ineligible for TANF were excluded from program services and were never eligible for a stipend.⁴⁷

An examination of the rates of stipend receipt among all program group members (panel 1 of Table 6) can be useful to planners of future programs, because it gives them a realistic picture of the proportion of sample members who actually used the stipends — a proportion that sheds light on the potential costs of providing ERA-like stipends to the kind of population that was targeted for ERA. Another value of an analysis focused on all program group members is that it allows for direct comparisons with stipend receipt rates in other programs. (Some of these comparisons are presented shortly.)

⁴⁷While excluding people who were found to be ineligible for TANF after random assignment would bias an experimental analysis that compares outcomes for a program and control group, it is not a problem to exclude these individuals from the sample for nonexperimental analyses such as those presented in this section. This is because these analyses are meant to be descriptive and do not involve a comparison with control group outcomes.

As shown in the first panel of Table 6, there were some differences between the receipt rates of program group members in Corpus Christi, Fort Worth, and the United Kingdom: The rates in Fort Worth — 12 percent in Year 1 and 20 percent over the two-year period — were lower than those in both Corpus Christi and the United Kingdom. Also, the first-year rate in the United Kingdom (19 percent) was about one-third larger than that rate in Corpus Christi. However, this disparity decreased somewhat by the end of the second year of follow-up; over the full two-year follow-up period, 29 percent of customers in the UK program and 26 percent in the Corpus Christi site had received a stipend.

The second panel of Table 6 shows that, not surprisingly, receipt rates in all sites and all follow-up periods were higher for the subsample of people who were employed at some point in the follow-up period than for the full program groups. The rates were also quite similar across sites; employed customers in both the United Kingdom and Corpus Christi had a receipt rate of 38 percent over the two-year period, with Fort Worth ERA not far behind with a rate of 34 percent. Thus, among customers who entered the programs and then entered work, UK and Texas customers were about equally likely to receive at least one stipend.

Note that while this analysis looks at rates for anyone who ever worked and who received a stipend in the follow-up period, an analysis presented later in the paper takes a more fine-grained view of stipend receipt among sample members estimated to have met the employment conditions for receiving the earnings supplements. This later analysis will examine receipt rates for people who are estimated to have met increasingly demanding work-related criteria that resemble the actual employment requirements of the ERA stipends.

As part of its overall analysis of receipt rates, MDRC examined the month-by-month patterns of stipend receipt rates. The results of this analysis are discussed in detail in Appendix D. In general, it appeared that differences in patterns of receipt rates in the Texas and UK programs were a result of differences in the payout structure of the stipends — for example, a higher monthly receipt rate in Texas, where payouts were scheduled more frequently than in the United Kingdom.

Number of Stipends Received

Examining the number of stipends received is an important way to measure whether participants remained employed and/or engaged with the program over time. For example, if everyone in the program who received a stipend received only one, that means that people either stopped meeting the employment criteria, or it suggests that they stopped being as engaged with the program over time. And if most people received only one stipend, it is difficult to imagine how the stipend could have had a significant influence on behavior after the first few months of the programs.

Table 7 shows the number of stipends received in Years 1 and 2 for customers who ever received a stipend. Given the differences in the timing of payouts for the UK and Texas programs, the results in the table represent an effort to create categories of stipend receipt that were as comparable as possible for the two programs. While the comparison is not perfect, the basic methodology is to compare the receipt of each UK ERA stipend with the receipt of three Texas ERA stipends, as both require about three months of full-time employment. (See Table 7 for details of these comparisons.)

Table 7 shows that among program group members who ever received a stipend, the number of stipends received was comparable in the three programs. For example, about 45 percent of program group members in all of the programs were in the minimal or low-moderate receipt categories (defined as receiving one or two stipends in the UK ERA program or one to six stipends in the Texas ERA programs). However, the Texas ERA programs, particularly the program in Corpus Christi, had a slightly higher proportion of program group members in the high-receipt category — 43 percent of Corpus Christi ERA customers and 39 percent of Fort Worth ERA customers versus only 35 percent in the UK program. This pattern is somewhat different from the one reflected in panel 1 of Table 6 (rates of receipt of at least one stipend for program group members), which shows that program group members in UK ERA were a bit more likely than their Texas counterparts to receive a stipend. One possible reason for this difference may be that the more challenging requirements and/or delayed payoff of the UK ERA stipend made it difficult to receive multiple stipends. The difference could also reflect differences in the work requirements and benefits systems of the two locales. As has been mentioned previously, potential recipients of public assistance in Texas face much higher work requirements and receive less generous benefits than those in the United Kingdom, which may have made sample members in Texas particularly reluctant to stop working once they had started. So while the UK ERA program group members may have initially been more ready to take jobs, it also may have been more feasible for some UK ERA program members to drop out of employment if circumstances arose that made it difficult for them to work full time.

Comparison of Receipt Rates with Rates in Other Programs That Offered Stipends Conditioned on Full-Time Employment

To put the UK and Texas ERA stipend receipt rates in perspective, it is helpful to compare them with receipt rates in other programs that have used earnings supplements to promote the full-time employment of low-income groups.⁴⁸ In Canada's Self-Sufficiency Project (SSP),

⁴⁸To use data that are as comparable as possible for different studies, this comparison uses survey responses to report on full-time employment rates for the Texas and UK ERA programs.

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Table 7

**Number of Stipends Received in Years 1-2 Among
Customers Who Ever Received a Stipend**

| Receipt Rates | UK | Corpus Christi | Fort Worth |
|--|------|----------------|------------|
| UK | | | |
| Among customers who ever received a stipend (%): | | | |
| Minimal receipt (1 stipend) | 23.1 | | |
| Low-moderate receipt (2 stipends) | 22.7 | | |
| Moderate-high receipt (3 stipends) | 19.6 | | |
| High receipt (4 stipends) | 34.6 | | |
| Texas | | | |
| Among customers who ever received a stipend (%): | | | |
| Minimal receipt (1-3 stipends) | | 24.5 | 24.3 |
| Low-moderate receipt (4-6 stipends) | | 20.7 | 21.5 |
| Moderate-high receipt (7-9 stipends) | | 12.0 | 15.3 |
| High receipt (10-12 stipends) | | 42.8 | 38.9 |
| Sample size | 345 | 208 | 144 |

SOURCE: MDRC UK calculations from DWP financial incentives data.
MDRC U.S. calculations from ERA program tracking data.

NOTES: The categories of stipend receipt were set up to be as comparable as possible between the UK and Texas sites. Since program group members in the Texas sites had already worked through their 4-month earnings disregard period, receiving one ERA stipend in Texas was considered most comparable to receiving one stipend in the UK. Since it required another 3 months of full-time work before a person in the UK could earn a second stipend, earning a second UK stipend was considered most comparable to earning 4 stipends in the Texas sites. Because a program group member in Texas could earn a maximum of 12 stipends in as little as 16 months (during which time a program group member in the UK could earn up to 4 stipends), the high-receipt category in the UK is defined by the receipt of 4 stipends.

The Corpus Christi and Fort Worth samples were limited to single parents who, because of their random assignment dates, had a full 2 years in which to access the stipend.

37 percent of program group members received an earnings supplement.⁴⁹ That rate increased to 53 percent for the SSP Plus project, which, like the ERA programs, combined earnings supplements with services. The New Hope program registered an even more dramatic receipt rate of

⁴⁹Michalopoulos et al. (2002).

81 percent. But one reason for this high rate may have been that New Hope offered program group members community service jobs if they were unable to find other positions.⁵⁰

Given the marked differences in all of these programs and their contexts and the very different study samples and data sources used in their evaluations, it is difficult to interpret differences between their receipt rates. But since all of these programs conditioned receipt of earnings supplements on full-time employment, the most straightforward reason for variation is differences in rates of full-time employment. According to survey data, rates of full-time employment in the SSP and SSP Plus program groups 12 months after study entry were about 30 to 35 percent,⁵¹ while the corresponding rate for the NDLP group in the UK ERA program was 22 percent.⁵² Thus, higher rates of full-time employment may help to explain why receipt rates were higher in SSP and SSP Plus than in the UK ERA program.

At the same time, survey data show that program group members in the Texas ERA sites had higher rates of full-time employment 12 months after study entry (over 35 percent versus 30 to 35 percent) but lower stipend receipt rates than those observed for SSP and SSP Plus (20 to 26 percent versus 37 to 53 percent).⁵³ This suggests that factors other than lack of full-time employment reduced receipt rates in the Texas sites.

The next section takes a closer look at the issue of nonreceipt among people who are estimated to have met the employment conditions for receiving the earnings supplements.

Nonreceipt Among People Estimated to Have Met the Employment Conditions for Receiving the Earnings Supplements

In all of the programs just discussed, both ERA and non-ERA initiatives, there were individuals who were employed full time but who failed to ever receive a stipend. Why did this happen? One possible reason was that the programs had eligibility criteria beyond the full-time employment requirement that some individuals were unable to meet. These criteria could include additional employment-related criteria. For example, UK ERA customers had to work full time for an extended period of time — for 13 out of 17 weeks — to qualify for a stipend. In addition, all of the programs had nonemployment criteria, such as submission of paperwork for stipend receipt. Another factor that could cut down on receipt rates was that all the programs

⁵⁰Miller et al. (2008). The take-up rates for both the SSP and the New Hope programs cover three years of follow-up, while the take-up rates for the ERA programs consider only the first two years. It is reasonable to assume that the take-up rates for the ERA programs would have increased by the end of the third year, but it seems unlikely that these rates would have surpassed those of the SSP Plus or the New Hope programs.

⁵¹Michalopoulos et al. (2002: 151).

⁵²Riccio et al. (2008: 85).

⁵³Martinson and Hendra (2006: 79).

had to communicate information about their earnings supplements to potential recipients before these people would be in a position to try to claim them. (SSP was particularly good at addressing this need; the program used an extensive marketing strategy for its earnings supplement, with activities including a one-on-one orientation session dedicated exclusively to a discussion of the supplement's financial benefits.) For all of these reasons, it is not surprising that the programs discussed in the previous section, including the three ERA programs, did not provide stipends to all full-time workers.

It is worth noting that in programs that dispose of nonemployment requirements and make receiving earnings supplements automatic for anyone who meets the employment criteria, 100 percent of people who meet the employment conditions receive the earnings supplements. For example, the earnings supplement in the MFIP program — which was in the form of an earned income disregard that was part of the welfare grant — was automatically provided to any participant who went to work. However, this would not be feasible for many programs, as they would need employment information to be communicated automatically and in a timely way to the agency running the program (as is the case when the earnings supplements are part of a benefit package already being received by all people in the program, like in the MFIP program). This section next focuses on the question of why receipt rates among those who meet the employment criteria for earnings supplements should matter to programs.

Why Should Programs Pay Attention to Stipend Receipt Rates for People Who Have Met the Employment Conditions for Receiving the Earnings Supplements?

There are reasons why programs that use stipends to encourage full-time work might decide that they do not necessarily want to try to raise stipend receipt rates as high as possible for individuals who are working full time. If the only purpose of the stipend is to encourage employment retention and advancement, it would be most efficient to distribute it to people who would *not* maintain full-time employment without the impetus of a stipend but who *would* do so when they could earn a stipend. Following this line of reasoning, it is preferable that workers who would continue to work full time without the offer of stipends not receive them — because for this group the stipends in effect function not as incentives but as windfalls (in other words, income for people who would have stayed employed without incentives), with the result that the expense of stipends for these already motivated workers is an inefficient use of public money.⁵⁴ But, in fact, it is impossible for programs to pinpoint which individuals would work without stipends.

⁵⁴This argument ignores considerations about how stipend receipt would interact with other benefits or wage supplementation systems. For example, if other public systems treat the stipends as income, then those
(continued)

It is known, however, that people who met the employment conditions for receiving a stipend, but who did not receive it, did not need the earnings supplement to give them an incentive to work full time. Therefore, given the assumptions presented in the previous paragraph, it might be assumed that one should not care about boosting stipend receipt among this group. However, it is important to examine why people in this group never received the earnings supplements. The first reason is that it is likely that some programmatic factors that might discourage this group from taking up stipends also decrease the stipend's power to encourage employment retention for others for whom stipends *would* influence motivation to work. A second reason is that, even among the group that would work full time without the earnings supplement, ensuring that stipends are as accessible as possible may influence this group to maintain full-time work *longer* than they would have without stipends. To help ensure that qualified people for whom stipends would provide an incentive to work full time do receive them, programs that aim to encourage full-time employment and job retention should make a concerted effort to minimize any unnecessary barriers to stipend receipt.

Finally, it should be remembered that encouraging employment is not necessarily the only benefit associated with offering stipends to low-income full-time workers. A program could also conclude that the ability of stipends to boost income in families where parents are doing their best to make a living is an important benefit. One goal of the Working Tax Credit in the United Kingdom and the EITC in the United States is to reduce poverty among families where parents work but have low earnings. To the extent that boosting the income of participants is a goal, programs using earnings supplements should make an effort to increase stipend receipt rates among those who work full time.

The paper now turns to an analysis of why rates were at the level they were in the Texas and UK programs.

Stipend Receipt Rates Among Those Estimated to Have Met the Employment Eligibility Criteria

This paper has examined stipend receipt rates among all program group members and among those who worked at some point during the follow-up period (Table 6). However, the examination of receipt rates among those who worked has serious limitations: It obviously does not distinguish between people who worked very little and those who worked more. Using UI data for the Texas program and survey data for the UK program, this section aims to give a

systems may provide less support in response to the higher income from the stipend. As a result, the cost to the public would not be as great as the total value of the stipends.

better estimate of what proportion of individuals who met the employment conditions for receiving the earnings supplements did and did not receive stipends.⁵⁵

One challenge for this analysis is that since the UK and Texas ERA employment data sources are very different from one another, estimates of meeting the employment eligibility criteria are difficult to compare across the two evaluations. Therefore, eligibility was estimated based on three different sets of criteria, each with an increasingly strict definition of what it meant to retain employment.⁵⁶ The aim was to produce a range within which the true stipend receipt rate among those who met the employment eligibility criteria likely falls. While the first two sets of criteria seem to be more realistic estimates of eligibility, the third was developed to examine the rate of stipend receipt among a subgroup of people who appeared to work considerably more than would be needed to qualify for the stipend. Table 8 summarizes the criteria used for the three definitions of eligibility used for this paper, while Tables 9 and 10 show the percentage of program group members estimated eligible and the stipend receipt rate among those customers using each definition.

As was mentioned earlier, employment eligibility criteria were different for the Texas and UK programs, but both involved retaining full-time employment for some period of time.

Employment Eligibility Estimate 1: Least Strict Criteria

Under the least strict eligibility criteria, a program group member was defined as having met the employment eligibility criteria in UK ERA if she was employed full time for four consecutive months or if she received a stipend. While these criteria initially would seem to perfectly identify program group members who met the employment eligibility requirements for the stipend, the criteria have some limitations. The survey data used to predict eligibility identify a person as employed full time during a given calendar month if that person worked full time for one day of that month; this could lead to an overestimation of eligibility if a customer's

⁵⁵The UK and Texas ERA programs had all of the information they needed to determine whether or not individuals were eligible to receive stipends after those individuals submitted the appropriate paperwork. However, neither the UK nor the Texas ERA evaluation teams collected data that allow for a perfect determination of which program group members met the employment eligibility criteria for the stipend. Therefore, it is necessary to estimate employment eligibility: While it is known that program group members who received stipends were eligible for the stipends in the months in which they received them, the researchers also wanted the estimates to include people who likely met the employment eligibility criteria but who failed to receive stipends because they did not meet additional requirements or apply for stipends. Therefore it was necessary to estimate eligibility based on available information about program group members' employment.

⁵⁶The least strict criteria are most similar to the criteria used in the MDRC report covering the first two years of follow-up for the Texas ERA sites.

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Table 8

Methodology for Estimating Number of Program Group Members Who Met Employment Eligibility Criteria

| Eligibility Definitions | UK | Corpus Christi and Ft. Worth |
|--|--|---|
| Employment eligibility estimate 1: Least strict criteria | (1) Employed 30+ hours for 4 consecutive months OR (2) Received a stipend during the follow-up period | (1) Received at least 1 TANF payment in the first 2 months after random assignment AND was employed in at least 2 quarters in any given 4-quarter period AND made at least \$3,000 (5 months ^a at 20 hours per week and \$7 per hour) within the follow-up period OR (2) Received a stipend during the follow-up period |
| Employment eligibility estimate 2: More strict criteria | (1) Employed 30+ hours for 5 consecutive months OR (2) Received a stipend during the follow-up period | (1) Received at least 1 TANF payment in the first 2 months after random assignment AND was employed in at least 2 quarters in any given 4-quarter period AND made at least \$5,300 (5 months at 35 hours per week and \$7 per hour) within the follow-up period OR (2) Received a stipend during the follow-up period |
| Employment eligibility estimate 3: Very strict criteria | (1) Employed for 18 months AND employed 30+ hours for 12 months | (1) Received at least 1 TANF payment in the first 2 months after random assignment AND was employed in at least 6 quarters AND earned at least \$2,730 per quarter (30 hours per week and \$7 per hour) for at least 4 quarters within the follow-up period |

NOTE: ^aThe 5-month requirement is derived from adding the 4-month earnings disregard period to the 1 month of full-time work required before the first stipend can be received.

employment spell began toward the end of the month or ended toward the beginning of a month, or if the customer cycled in and out of work.

Estimating eligibility in Texas ERA required more elaborate and complicated assumptions (see Table 8 for details).⁵⁷ The criteria are designed to identify people who were eligible for TANF and who were employed at least part time for five months (estimated using an earnings threshold), or people who received a stipend in the follow-up period. While the criteria seem likely to produce a reasonable estimate of eligibility in Texas ERA, they may overestimate the number of people who met the employment eligibility requirements for the stipend. For example, if a customer had earned a sum of money in a concentrated amount of time rather than working a full five months, then she might be estimated eligible even though she was not.⁵⁸

As shown in Table 9, when the least strict estimation criteria of employment eligibility are used, about 36 percent of all program group members in UK ERA, 47 percent in Corpus Christi, and 41 percent in Fort Worth are estimated to have met the employment eligibility criteria for receiving a stipend within two years after entering the study. Table 10 shows that the stipend receipt rate among these customers was considerably higher in UK ERA (82 percent) than in either of the Texas ERA sites (55 and 49 percent in Corpus Christi and Fort Worth, respectively).

Employment Eligibility Estimate 2: Stricter Criteria

Under the second set of eligibility criteria, a program group member was estimated to have met the employment eligibility criteria in UK ERA if she was employed full time for five consecutive months (rather than four) or if she received a stipend. This adjustment was made to address some of the limitations of the first set of criteria. The percentage of people estimated eligible decreased by only 1 percent due to this adjustment (from 35.5 percent to 34.4 percent), bringing the two-year rate of receipt up 3 percentage points to 85 percent. Given that changing the criteria for the UK estimate did not change the estimates themselves very much, this suggests that the estimates of eligibility in UK ERA are likely fairly accurate.

⁵⁷Eligibility for the Texas sites is very difficult to estimate. Because estimates are based on quarterly UI earnings data, assumptions are required about months of work, hours of work, and hourly wage to identify earnings levels recorded in the UI data that likely corresponded to the eligibility requirements. To qualify for the first stipend, the employment eligibility criteria in the Texas ERA program consisted of working through a four-month earnings disregard period (either part time or full time, consecutive or nonconsecutive months) and then working full time for one month. The fact that people could have moved through the four-month earnings disregard period by working either full time or part time complicates the analysis, since the earnings range of people who met the employment eligibility criteria could have varied drastically during that period.

⁵⁸It is also possible that the use of these criteria missed some eligible people. If a customer earned very little during the earnings disregard period or had a very low wage, she could have actually been eligible even though she would not have met the criteria.

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Table 9

**Percentage of Program Group Members Estimated to Have Met
Employment Eligibility Criteria**

| Eligibility Definitions | UK | Corpus Christi | Fort Worth |
|---|-------|----------------|------------|
| Employment eligibility estimate 1: Least strict criteria | | | |
| Year 1 | 25.1 | 31.2 | 28.8 |
| Year 1-2 | 35.5 | 46.6 | 41.2 |
| Employment eligibility estimate 2: More strict criteria | | | |
| Year 1 | 24.2 | 22.9 | 23.1 |
| Year 1-2 | 34.4 | 39.6 | 35.7 |
| Employment eligibility estimate 3: Very strict criteria | | | |
| Year 1 | NA | NA | NA |
| Year 1-2 | 19.4 | 8.0 | 11.1 |
| Sample size ^a | 1,188 | 813 | 718 |

SOURCE: MDRC UK calculations from DWP financial incentives data and UK ERA 12- and 24-month customer surveys. MDRC U.S. calculations from ERA program tracking data, and unemployment insurance (UI) and TANF administrative records from the State of Texas.

NOTE: ^aThe Corpus Christi and Fort Worth samples were limited to single parents who, because of their random assignment dates, had a full 2 years in which to access the stipend.

The second set of eligibility criteria for the Texas ERA programs was similar to the first, except that the earnings threshold was raised to \$5,300 (on the assumption that people worked for five months for 35 hours per week instead of 20 hours per week). Table 9 shows that this adjustment has a more substantial impact on the number of people estimated to have met the employment eligibility criteria for the stipend in Texas: The estimates in the Corpus Christi and Fort Worth ERA sites drop to 40 and 36 percent from 47 and 41 percent, respectively. As can be seen in Table 10, this adjustment also yields higher two-year receipt rates among those estimated eligible — 65 and 56 percent in the Corpus Christi and Fort Worth ERA programs, respectively. Though these rates are higher than those under the first definition, they are still much lower than the rates of receipt in UK ERA.

Employment Eligibility Estimate 3: Very Strict Criteria

As just discussed, regardless of whether the least strict or stricter criteria were used to estimate eligibility, stipend receipt rates among people estimated to have met the employment conditions for the stipend turn out to have been much higher in the UK program than in the

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Table 10

**Stipend Receipt Rates Among Those Estimated to Have Met
Employment Eligibility Criteria**

| Receipt Rates | UK | Corpus Christi | Fort Worth |
|---|------|----------------|------------|
| Employment eligibility estimate 1: Least strict criteria | | | |
| Year 1 | 75.4 | 45.7 | 43.0 |
| Years 1-2 | 82.1 | 54.9 | 48.6 |
| Employment eligibility estimate 2: More strict criteria | | | |
| Year 1 | 78.2 | 62.4 | 53.6 |
| Years 1-2 | 84.8 | 64.6 | 56.3 |
| Employment eligibility estimate 3: Very strict criteria | | | |
| Year 1 | NA | NA | NA |
| Years 1-2 | 90.3 | 75.4 | 61.3 |

SOURCE: MDRC UK calculations from DWP financial incentives data and UK ERA 12- and 24-month customer surveys. MDRC U.S. calculations from ERA program tracking data, and unemployment insurance (UI) and TANF administrative records from the State of Texas.

NOTE: The Corpus Christi and Fort Worth samples were limited to single parents who, because of their random assignment dates, had a full 2 years in which to access the stipend.

two Texas sites. Still, even using the stricter of the two sets of criteria, receipt rates were not at 100 percent for any of the three programs. This indicates that (1) use of the criteria produced an overestimate of the percentage of program group members who met the employment eligibility criteria, and/or (2) some program group members who met the employment eligibility requirements did not receive the stipend. To help determine the role of each possible factor in keeping down receipt rates, a third set of eligibility criteria was developed. These criteria were not intended to yield a realistic estimate of employment eligibility. Instead, they were used to examine stipend receipt rates among a subgroup of people who appeared to work considerably *more* than would be needed to qualify for the stipend and thus to help determine whether and to what extent the low receipt rates (especially in Texas) might have something to do with how eligibility was estimated.

Under the third set of eligibility criteria, a program group member in UK ERA was estimated to have met the employment conditions for the stipend if she was employed for 18 months and employed full time for 12 months. Table 9 shows that these new criteria did substantially decrease the percentage of people estimated to be eligible — from 34 percent to 19 percent. Meanwhile the rate of stipend receipt among customers estimated to have met the

employment criteria increased to 90 percent (Table 10). This shows that for a subgroup of customers in UK ERA who appeared to work a great deal in the follow-up period, rates of stipend receipt were high.

For the Texas ERA programs, under the third set of criteria a person was estimated to have met the employment eligibility criteria for the stipend if she was eligible for TANF, was employed in at least six quarters, and was estimated to be working full time for at least four quarters within the follow-up period. Table 9 shows that these criteria decrease dramatically the proportion of program group members who were estimated eligible in the two years of follow-up to 8 percent in Corpus Christi and 11 percent in Fort Worth. In Corpus Christi, the stipend receipt rate among this group increased to 75 percent, while in Fort Worth the rate increased to only 61 percent.

As explained, this third estimate almost definitely excludes some customers who met the employment conditions for the stipend — those who worked enough to qualify for a stipend but who did not meet the particularly strict criteria that were used for this estimate. Thus, the first two estimates yield a more accurate picture of the true percentages of people in the Texas and UK programs who met the employment eligibility criteria and who received stipends. While it is not known which of the two estimates is most accurate, both of them indicate that a substantial proportion of customers in the Texas ERA sites failed to receive stipends, even though they met the work requirements. The paper now considers some evidence gathered to help understand the reasons for nonuse in the Texas sites.

Possible Reasons for Lower Stipend Receipt Rates Among Individuals Who Met the Employment Conditions for the Stipend in Texas: Evidence from Interviews

A small number of participant and staff interviews were conducted in the Texas ERA sites, in part to learn more about stipend receipt. These interviews indicated that some people found it difficult to meet the multiple requirements for earning a stipend. While it initially seems as if the employment requirements should have been the most difficult for program group members to comply with, the low rates of stipend receipt among those who were very likely to have met the work requirements suggests that something else was preventing customers from taking up the stipend. One possibility is that the nonemployment requirements in the Texas ERA programs — such as submitting documentation and attending some type of employment-related activity each month — were difficult for people to meet. This may have been an issue particularly in the program in Fort Worth, where program group members were required to attend six hours of activities every month to be eligible to receive a stipend. But as noted, even though these activities may have reduced receipt rates, they were included as part of the program model because it was believed that they would help people stay employed and/or

advance in work. Indeed, phone interviews with a handful of program group members who had received stipends suggested that most thought these activities were valuable.

The interviews also indicated that some people who had met the employment requirements but had not used the stipend did not know about it or did not understand the eligibility requirements. The Texas ERA programs did mention the stipends early and regularly to customers, but often along with a great deal of other program information. Both sites strengthened their marketing over time; the Corpus Christi ERA program, in particular, used innovative strategies, such as displaying posters and fliers, creating videotapes showcasing stipend success stories, and developing more appealing language to describe the stipend.⁵⁹

Interviews with staff in the Texas ERA program produced other theories about why stipend receipt rates were lower than expected. Staff reported that some individuals felt a stigma associated with the stipend — much like the stigma some people associate with being on cash assistance — and were not interested in continuing involvement with a “government program” after they left TANF. In addition, some program group members who were interviewed expressed doubt that the stipend was legitimate.

There were elements of some of these problems — such as insufficient marketing and feelings of stigma associated with the stipend (due to its association with public assistance) — in the UK ERA program as well; however, the problems were not as intense and did not seem to have as much of an effect on stipend receipt rates as the problems in the Texas ERA program.

Subgroup Analysis

As part of its overall analysis of receipt rates, MDRC examined stipend receipt rates among various subgroups of the research sample. The results of this analysis are discussed in detail in Appendix E. In general, it appeared that certain groups of single parents were more likely to meet the employment eligibility criteria, and then to subsequently receive the stipends, but all groups examined had some success earning stipends.

⁵⁹Like the Texas ERA sites, the UK program could have made a stronger effort to formally market the stipend to customers. Nevertheless, 72 percent of 12-month survey respondents had heard of the stipend, and by the 24-month follow-up point, 88 percent of survey respondents reported that they were aware of the stipend. (There are no comparable data on awareness of the stipend in the Texas programs.)

Conclusion

The analysis of stipend receipt rates in the Texas and UK ERA programs presented in this paper has highlighted both a number of patterns and different factors that could have affected those patterns. Following are some insights that emerge from the analysis.

To start, the analysis shows that neither program achieved full use of stipends among people judged by several different estimates to have met the employment conditions for the stipends. The UK program probably provided stipends to 82 to 85 percent of people who met those conditions, and the rates in the Texas sites — likely in the range of 50 to 65 percent — were lower. Overall, the rates in both programs suggest that even when stipends are available, many factors could push the receipt rates well below 100 percent. It is also worth noting that while only a distinct minority of program group members (20 to 30 percent) received stipends in the first two years after they entered the study, stipends nevertheless appear to have been an important part of program services in all of the locales.

As noted in the preceding sections, it is impossible to attribute receipt rates in the Texas and UK programs to particular features of the stipends. However, the patterns and levels of stipend receipt rates reported here suggest issues that planners of other programs should carefully consider:

- **How to structure employment requirements and stipend payouts**

Underscoring the variety of choices involved in designing stipends, the paper shows that employment requirements and payout structures of the UK and Texas programs were very different from one another. For example, the UK employment requirements were on the whole more challenging, and interims between payout periods were longer than for the Texas stipend.

As discussed in this paper, options for structuring employment requirements and stipend payouts that were available to the Texas and UK programs could affect receipt rates and employment in more than one way. For example, if people are required to work a long time before qualifying for a stipend, it is possible that they will be encouraged to maintain full-time work for longer periods of time. But it is also possible that some people will not even try to earn a stipend if the employment eligibility criteria seem too demanding, or if the benefit of the stipend seems to be too far in the future. Still, while it is difficult, if not impossible, to predict precisely how people will react to different options, it is useful for program planners to be aware of potential implica-

tions of design choices that come to light in examining the Texas and UK experiences.

- **Whether the program is mandatory or voluntary**

Unlike the Texas programs, where participation in preemployment services was mandatory, people in the UK program chose whether or not to use these services. All other factors being equal, voluntary programs may be able to achieve higher stipend receipt rates than mandatory programs, since participants are seeking help to find work and therefore may be more likely to meet a given set of employment requirements regardless of the availability of earnings supplements. It is important to note that just because stipend receipt rates may be higher for a voluntary program than for a program with the same features and requirements that is mandatory, this does not necessarily mean that earnings supplement in voluntary programs are more effective as incentives for employment than those used in mandatory programs. Instead, in voluntary programs, a higher percentage of the stipends may act as windfalls rather than incentives. Mandatory programs, such as those in Texas, may actually be able to help a broader group of people, including those who might not volunteer for a program if they had been given the choice.

- **How to increase stipend receipt rates among customers who meet the employment eligibility requirements**

One important strategy for increasing receipt rates is marketing the stipends. If stipends are not automatic, customers may be unaware that they are available unless programs make vigorous efforts to explain them — and to ensure that the explanation is not in danger of being lost among other information about the program (as may have occurred initially in the Texas programs). Neither the Texas nor UK programs marketed the stipends as thoroughly at the outset as they did later on. It is possible that any resulting lack of customer awareness of the stipend affected rates of receipt — though likely more in the Texas ERA sites than in the UK ERA program, where receipt rates were higher (and where results of one survey indicated that most customers were aware of the stipends).

With lower receipt rates than the UK program, the Texas ERA sites also on balance had more burdensome nonemployment requirements — notably the requirement that recipients attend an employment-related activity — and it is possible that the requirements suppressed receipt rates in Texas. Thus, minimizing nonemployment requirements may boost receipt rates; however, the

expected gains from doing so should be weighed against the expected benefits of the requirements themselves.

For governments trying to promote employment retention and advancement in low-income populations, combining earnings supplements with services is a strategy that has been effective at many different times and in many different places. By drawing out the implications of an analysis of stipend receipt rates in the Texas and UK ERA programs, this paper has sought to provide some helpful suggestions to policymakers about issues they can consider when designing such a program. It would also be useful to do more research in this area to determine more fully what matters most. Specifically, it would be valuable to systematically vary combinations of incentives and services within experiments in a given location to be better able to draw conclusions about which combinations are most effective.

Appendix A

**Publications on the U.S and UK Employment Retention
and Advancement Projects**

U.S. ERA

Benefit-Cost Findings for Three Programs in the Employment Retention and Advancement (ERA) Project.

MDRC

2010. Cindy Redcross, Victoria Deitch, Mary Farrell.

How Effective Are Different Approaches Aiming to Increase Employment Retention and Advancement? Final Impacts for Twelve Models.

MDRC

2010. Richard Hendra, Keri-Nicole Dillman, Gayle Hamilton, Erika Lundquist, Karin Martinson, Melissa Wavelet.

*The Employment Retention and Advancement Project:
Results from the Los Angeles Reach for Success Program.*

MDRC

2009. Jacquelyn Anderson, Stephen Freedman, Gayle Hamilton.

*Findings for the Eugene and Medford, Oregon, Models:
Implementation and Early Impacts for Two Programs That Sought to Encourage Advancement
Among Low-Income Workers.*

MDRC

2009. Frieda Molina, Mark van Dok, Richard Hendra, Gayle Hamilton, Wan-Lae Cheng.

*The Employment Retention and Advancement Project:
Results from the Substance Abuse Case Management Program in New York City.*

MDRC

2009. John Martinez, Gilda Azurdia, Dan Bloom, and Cynthia Miller.

*Findings for the Cleveland Achieve Model:
Implementation and Early Impacts of an Employer-Based Approach to Encourage Employment
Retention Among Low-Wage Workers.*

MDRC

2008. Cynthia Miller, Vanessa Martin, Gayle Hamilton with Lauren Cates, Victoria Deitch.

*A Comparison of Two Job Club Strategies:
The Effects of Enhanced Versus Traditional Job Clubs in Los Angeles.*

MDRC

2008. David Navarro, Gilda Azurdia, Gayle Hamilton.

*The Employment Retention and Advancement Project:
Impacts for Portland's Career Builders Program.*

MDRC

2008. Gilda Azurdia, Zakia Barnes.

*The Employment Retention and Advancement Project:
Results from the Valuing Individual Success and Increasing Opportunities Now (VISION)
Program in Salem, Oregon.*

MDRC

2008. Frieda Molina, Wan-Lae Cheng, Richard Hendra.

*The Employment Retention and Advancement Project:
Results from Two Education and Training Models for Employed Welfare Recipients in
Riverside, California.*

2007. David Navarro, Stephen Freedman, Gayle Hamilton.

*The Employment Retention and Advancement Project:
Results from the Personal Roads to Individual Development and Employment (PRIDE)
Program in New York City.*

2007. Dan Bloom, Cynthia Miller, Gilda Azurdia.

*The Employment Retention and Advancement Project:
Results from the Post-Assistance Self-Sufficiency (PASS) Program in Riverside, California.*

2007. David Navarro, Mark van Dok, Richard Hendra.

*The Employment Retention and Advancement Project:
Results from Minnesota's Tier 2 Program.*

2007. Allen LeBlanc, Cynthia Miller, Karin Martinson, Gilda Azurdia.

*The Employment Retention and Advancement Project:
Results from the Chicago ERA Site.*

2006. Dan Bloom, Richard Hendra, Jocelyn Page.

*The Employment Retention and Advancement Project:
Results from the Texas ERA Site.*

2006. Karin Martinson, Richard Hendra.

*The Employment Retention and Advancement Project:
Results from the South Carolina ERA Site.*

2005. Susan Scrivener, Gilda Azurdia, Jocelyn Page.

*The Employment Retention and Advancement Project:
Early Results from Four Sites.*

2005. Dan Bloom, Richard Hendra, Karin Martinson, Susan Scrivener.

*Service Delivery and Institutional Linkages:
Early Implementation Experiences of Employment Retention and Advancement Programs.*

2003. Jacquelyn Anderson, Karin Martinson.

*New Strategies to Promote Stable Employment and Career Progression:
An Introduction to the Employment Retention and Advancement Project.*

U.S. Department of Health and Human Services.

2002. Dan Bloom, Jacquelyn Anderson, Melissa Wavelet, Karen N. Gardiner, Michael E. Fishman.

UK ERA

The Cost of Services and Incentives in the UK Employment Retention and Advancement (ERA) Demonstration: Preliminary Analysis.

UK Department for Work and Pensions. Working Paper No. 64.

2009. David Greenberg, Johanna Walter, Genevieve Knight.

Implementation and Second-Year Impacts for New Deal 25 Plus Customers in the UK Employment Retention and Advancement (ERA) Demonstration.

UK Department for Work and Pensions. Research Report No. 520.

2008. Cynthia Miller, Helen Bewley, Verity Campbell-Barr, Richard Dorsett, Gayle Hamilton, Lesley Hoggart, Tatiana Homonoff, Alan Marsh, Kathryn Ray, James A. Riccio, Sandra Vegeris.

Implementation and Second-Year Impacts for Lone Parents in the UK Employment Retention and Advancement (ERA) Demonstration.

UK Department for Work and Pensions. Research Report No. 489.

2008. James A. Riccio, Helen Bewley, Verity Campbell-Barr, Richard Dorsett, Gayle Hamilton, Lesley Hoggart, Alan Marsh, Cynthia Miller, Kathryn Ray, Sandra Vegeris.

Implementation and First-Year Impacts of the UK Employment Retention and Advancement (ERA) Demonstration.

UK Department for Work and Pensions. Research Report No. 412

2007. Richard Dorsett, Verity Campbell-Barr, Gayle Hamilton, Lesley Hoggart, Alan Marsh, Cynthia Miller, Joan Phillips, Kathryn Ray, James A. Riccio, Sarah Rich, Sandra Vegeris.

Staying in Work and Moving Up:

Evidence from the UK Employment Retention and Advancement Demonstration.

UK Department for Work and Pensions. Research Report No. 381.

2006. Lesley Hoggart, Verity Campbell-Barr, Kathryn Ray, Sandra Vegeris.

Making Random Assignment Happen:

Evidence from the UK Employment Retention and Advancement (ERA) Demonstration.

UK Department for Work and Pensions. Research Report No. 330.

2006. Robert Walker, Lesley Hoggart, Gayle Hamilton.

NOTE: A complete publications list is available from MDRC and on its Web site (www.mdrc.org), from which copies of reports can also be downloaded.

Appendix B

The Houston Site

The Houston site of the Texas Employment Retention and Evaluation (ERA) evaluation attempted to run the same program model as in the Corpus Christi and Fort Worth sites, but struggled a great deal with program implementation, especially with provision of postemployment services. In general, for much of the study period, the Houston program placed a higher priority on enrolling welfare recipients and on delivering preemployment services than on delivering ERA-specific postemployment services. The site did focus on developing more comprehensive retention and advancement services near the end of the study period, but even then, local administrative issues made it difficult for the site to implement some of those services.

Reflecting these implementation difficulties, the Houston ERA program did not produce many impacts on key measures of program participation, particularly on the measures most related to postemployment activities. Houston ERA has also not produced positive impacts on any of the main economic measures examined in the ERA evaluation. Finally, the Houston ERA program had lower and slower rates of stipend receipt and a dramatically lower percentage of sample members who earned the maximum number of stipends within the first two years of follow-up (1.2 percent of those who received at least one stipend, versus around 30 percent in the Corpus Christi and Fort Worth ERA programs).

The results of the ERA evaluation in Houston are a good reminder that simply offering an earnings supplement is by no means a guarantee of positive results. Strong program implementation appears to have been essential to producing the positive impacts seen in the other Texas ERA sites.

Appendix C

Description of Data

For two main reasons, most analyses in this paper are limited to two years of follow-up. First, while the UK Employment Retention and Advancement (ERA) program lasted for 33 months for each person randomly assigned, currently available employment data cover only 24 months of follow-up. Second, while customers in the Corpus Christi and Fort Worth ERA programs who entered the study early could access the stipend for up to four years, most customers could not. However, almost all program group members in the Texas ERA sites had a full two years during which they could access the stipend.

Following is more specific information on data sources for the UK and Texas ERA programs and on decisions made about the data used for each program:

UK

The UK data in this paper come from a number of different sources. Data on stipend receipt are recorded in administrative records data of the Department for Work and Pensions (DWP). Benefits receipt data are also available from DWP administrative records. Employment data are available from the customer survey administered by phone or in person to a sample of program and control group members. This survey was administered to customers 12 months after their date of random assignment and again at their 24-month anniversary of random assignment. Demographic data are available from a Baseline Information Form filled out at the point of random assignment. Information on program implementation comes from staff surveys, in-depth interviews with staff and other key informants, and weekly diaries kept by staff members.

Since employment data are available only from the customer survey, this paper focuses on the survey respondents. Of the 2,995 customers who were fielded for the survey, 2,297 customers (1,188 in the ERA group) responded to both the 12- and 24-month surveys, yielding a response rate of 77 percent.¹ While the full sample of customers in the UK ERA evaluation was randomly assigned between October 2003 and April 2005, the sample examined in this paper was drawn from a group of customers randomly assigned between December 2003 and November 2004.² Overall, this sample constitutes 34 percent of the full sample.

As noted in the body of the paper, UK ERA was implemented in six different regions in the United Kingdom — East Midlands, London, North East England, North West England, Scotland, and Wales. Since the same program model was implemented in all six sites, the paper presents findings for all sites combined and weights results from each site equally.

¹Analyses suggested that there was no statistically significant survey response bias.

²These are the dates that mark the beginning and end of the time when the customer survey sample was fielded.

Texas

The primary data sources used in this paper for the Texas ERA sites are stipend data and unemployment insurance (UI) data. MDRC received program tracking data from each of the sites on stipend receipt for the full sample of individuals in the program group. Stipend data are available for the entire period that the Texas ERA program operated, from October 2000 to August 2004. Most figures in the paper that refer to employment or earnings were calculated from records from the Texas UI system, which records quarterly earnings in UI-covered jobs for all sample members who worked in UI-covered jobs.³

Another data source was a 12-month survey conducted in the Texas ERA sites; analyses of participation impacts are based on data from this survey. Information on program implementation comes primarily from periodic interviews with case managers, service providers, and program administrators from both ERA and Choices — the state's standard welfare-to-work intervention — but also from a small number of phone interviews with ERA sample members. Finally, demographic data are available from a Baseline Information Form that was filled out at the point of random assignment.

Standard practice for the ERA evaluation is for the first year of follow-up UI data, which are the source of information on employment and earnings impacts, to start at Quarter 2 and to run through Quarter 5 (with Quarter 1 being the quarter of random assignment). This ensures that the entire follow-up period actually occurs after random assignment. For analysis of the estimated impacts on earnings of the Texas ERA program presented in Table 1, this practice is followed: Year 1 of follow-up goes from Quarter 2 through Quarter 5, Year 2 of follow-up goes from Quarter 6 through Quarter 9, and so forth.

However, a different definition of Year 1 was used for many parts of the analysis presented in the fourth section of this paper, which focuses on patterns and rates of stipend receipt. Because the follow-up period for stipend data starts in the month of random assignment, it was decided to define Year 1 of follow-up as Quarter 1 through Quarter 4 for the UI data when these data were used to inform analyses of the stipend data (for example, when rates of stipend receipt were calculated for those employed in Year 1). This decision maximizes the overlap between Year 1 of stipend data and Year 1 of the UI data. The drawback of this approach is that for

³UI earnings data are used to measure employment in the Texas sites because these data are considered more accurate than survey data and because this allows for a much larger sample size. However, because UI records are available only on a quarterly basis, the data do not provide finer details of employment spells and thus, as explained in the body of the paper, the analysis makes assumptions about how the quarterly rates should be interpreted. Jobs outside the formal labor market are not covered by the UI system and thus are not captured by the paper's analysis of employment rates.

someone who entered the study late in a quarter, much of Quarter 1 actually occurred before that person joined the study.

As mentioned in the first section of this paper, the decision was made early on in the U.S. ERA evaluation to examine the three Texas sites separately because of large differences in the way each site implemented the program and because different organizations managed the three sites' operations. These differences are the reason why the Corpus Christi and Fort Worth programs are analyzed separately, even though the paper treats the UK ERA sites as a single program. As also noted in Appendix B, analysis of outcomes in the Houston ERA site was excluded from this paper because of serious implementation problems at the site. Except where noted, the Corpus Christi and Fort Worth samples were limited to single parents who, because of their random assignment dates, had a full two years in which to access the stipend.

Appendix D

**Month-to-Month Patterns of Stipend Receipt for All
Program Group Members**

As noted in the body of this paper, MDRC conducted an analysis of month-to-month stipend receipt rates of program group members in the Texas and UK Employment Retention and Advancement (ERA) programs. Appendix Figure D.1 shows the monthly percentages of all program group members in each site receiving a stipend for the first two years of follow-up. As the figure indicates, one difference in receipt rates is between the two Texas sites: The Fort Worth ERA program experienced a lower level of receipt than the Corpus Christi program. This is not surprising in light of the fact that implementation of the ERA program was weaker in Fort Worth than in Corpus Christi.

The figure also shows that there were differences between patterns of receipt in the two Texas programs and in the UK program — and in these cases the differences highlight the differences in payout structures for the Texas and UK ERA stipends. One difference is that in almost every month, the stipend receipt rate in both the Corpus Christi and Fort Worth sites was considerably higher than the rate for the UK program. Since it was possible to receive up to 12 stipends in the Texas programs, but only six in the UK program, the higher rates of monthly receipt in the Texas sites are to be expected.

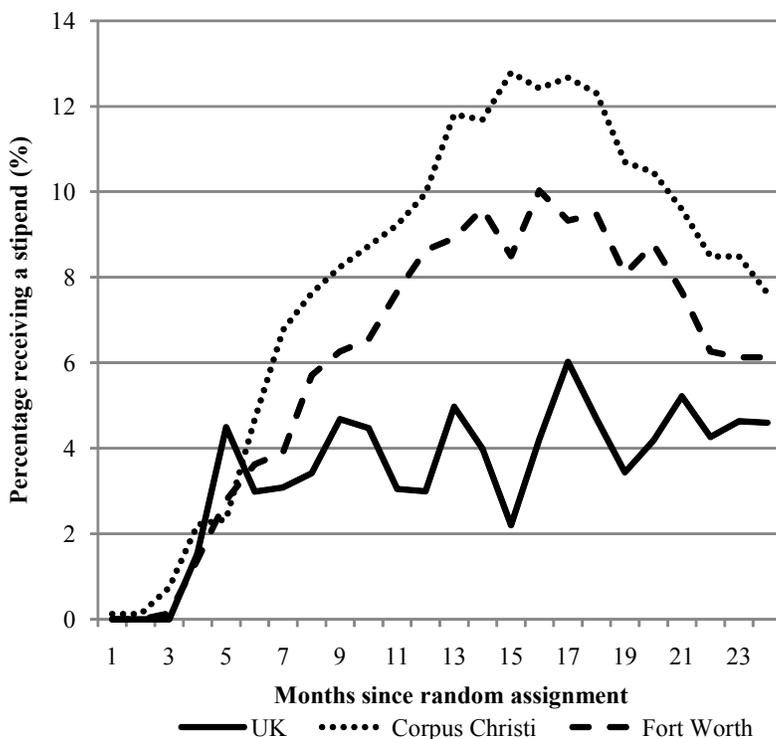
Another difference is that for the UK program, but not the Texas programs, there are slight peaks of receipt at Month 5 and at every subsequent four-month interval. Since customers in the UK program were eligible to receive a stipend no more than once every 17 weeks (approximately four months), the peaks likely reflect a group of customers who received the first stipend as soon as possible and who continued to receive stipends at regular intervals throughout the program period.

While the month-to-month pattern of stipend receipt is different for the Texas and UK programs, the overall trend for the first year and a half of the follow-up period is quite similar. Over that time, all three sites experienced an increase in monthly receipt rates. The rates increased, even though the increase in the UK program, with its longer intervals for payouts, was more gradual.

The increase in the UK ERA receipt rates continued for the rest of the two-year follow-up period, whereas both Texas sites experienced a sharp decline in receipt rates after Month 17. This is because Texas customers could have received the maximum number of stipends as early as Month 16,¹ while Month 24 was the earliest point at which customers in the UK program could have received the maximum number of stipends.

¹Month 16 is the earliest point at which someone who was not employed at the point of random assignment could have received all 12 stipends in the Texas programs. The small percentage of sample members who were employed at random assignment and who were thus already working through their earnings disregard periods could have received the maximum number of stipends before Month 16.

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Appendix Figure D.1
Percentage of Customers Receiving a Stipend in Each Month:
UK, Corpus Christi, and Fort Worth



SOURCE: MDRC UK calculations from DWP financial incentives data. MDRC U.S. calculations from ERA program tracking data.

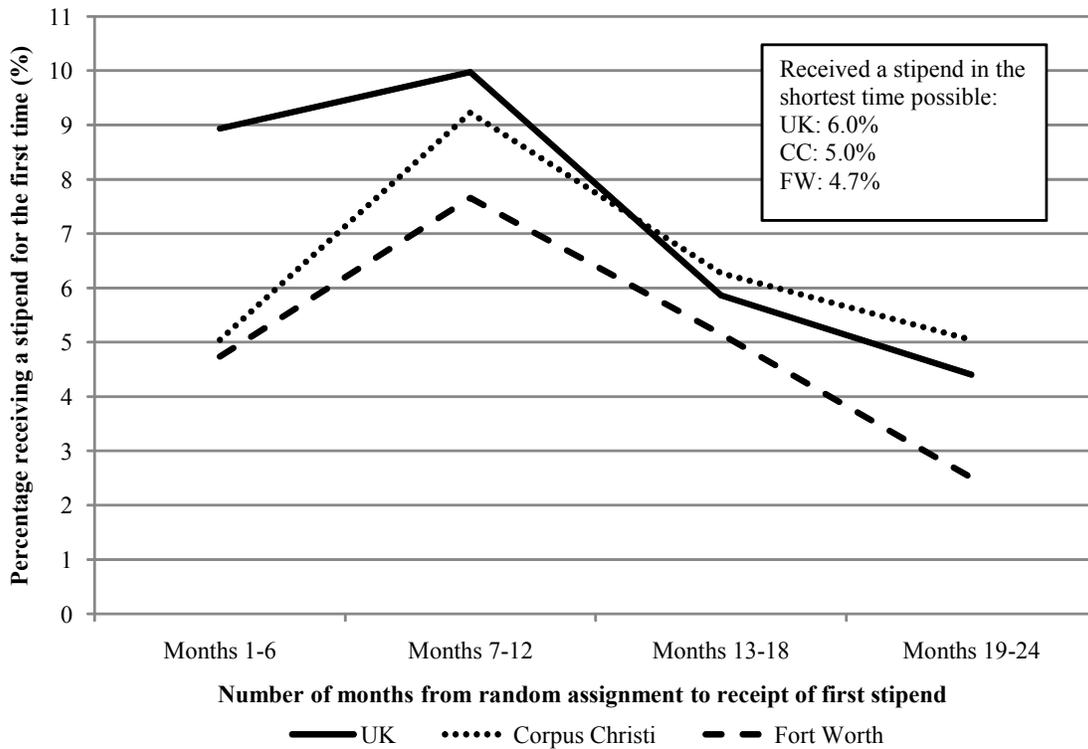
NOTE: The Corpus Christi and Fort Worth samples were limited to single parents who, because of their random assignment dates, had a full 2 years in which to access the stipend.

Appendix Figure D.2 shows the amount of time after random assignment that it took for program group members to receive their first stipends in six-month increments. While early receipt looks higher for the UK ERA program, this, like some of the earlier patterns that were just mentioned, is partially due to the differing rules of the programs: Texas customers who started working right after entering the ERA program were not eligible to receive their first ERA stipends before Month 6 after random assignment — in other words, after the four months that were covered by the TANF earnings disregard period followed by a month of full-time work. (Some Texas customers who were working when they entered the program and had already

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Appendix Figure D.2

Number of Months from Random Assignment to Receipt of First Stipend in Six-Month Increments



SOURCE: MDRC UK calculations from DWP financial incentives data. MDRC U.S. calculations from ERA program tracking data.

NOTE: The Corpus Christi and Fort Worth samples were limited to single parents who, because of their random assignment dates, had a full 2 years in which to access the stipend.

claimed part of their earnings disregard before random assignment were eligible to receive the stipend earlier.) In the UK program, the rule that someone was eligible to receive the stipend after 13 out of 17 weeks of full-time work meant that all customers who began working full time when they entered the program had the potential to receive a stipend by Month 5 and some could receive it by Month 4 — in other words, earlier than most Texas customers.

The text box in Appendix Figure D.2, which shows the percentage of customers in each site who received a stipend as soon as possible under the rules of their programs, indicates that a

somewhat higher proportion of UK program group members than Texas program group members received a stipend as soon as possible. As discussed in the body of the paper, stipend receipt rates were a bit higher in the UK program than in the Texas sites, and it appears that most of this difference may have been because UK program group members were more likely than their Texas counterparts to have received a stipend early in the program. The higher early receipt rates in the UK program may reflect the larger number of people immediately ready for full-time work in the UK ERA sample.

Appendix E
Subgroup Analysis

One question that has not yet been considered in connection with stipend receipt rates is whether certain groups of customers were significantly more likely than others to receive a stipend. To address that question, this section examines how stipend receipt differed among key subgroups (defined by baseline information, including their demographic characteristics and economic histories).

To examine how subgroups differentially took up stipends, the analysis considers two basic measures of stipend receipt: (1) ever received the stipend and (2) received the maximum number of stipends. Appendix Table E.1 presents the different levels of these two receipt measures by subgroup, denoting with daggers statistically significant differences across subgroup categories. Because a large proportion of those estimated to have met the employment eligibility criteria to receive the stipend never received one, this section also examines how the receipt rate among these customers differed across subgroups (results not shown). Finally, because looking at stipend receipt rates among various subgroups does not fully control for how baseline characteristics interact with each other, logistic regression was used to examine the impact of various background characteristics on stipend receipt while controlling for other baseline characteristics.

Except where otherwise noted, most subgroups were about equally likely to receive a stipend if they met the employment eligibility criteria to receive one, indicating that differences across subgroups in the overall rates of receipt are mostly due to differences in meeting the employment eligibility requirements. While the differences across subgroups that are noted are not statistically significant (possibly due to the small sample size of those estimated eligible), they are cited when they shed some light on the overall receipt rates among various subgroups.

Similarities in Subgroup Findings Across Programs

It was expected that relatively advantaged program group members would be better able to meet the employment requirements for stipend receipt than their less advantaged counterparts. Fulfilling that expectation, in the UK and two Texas programs, people with more education credentials and recent employment experience had higher stipend receipt rates than those with less education and no recent employment experience. In addition, minorities in all three programs had higher receipt rates than non-Hispanic white customers. In Corpus Christi and the United Kingdom, there was some evidence of higher receipt rates among the later cohort of program group members (those who joined the program at a later date). A separate analysis — using logistic regression — showed that date of random assignment was a significant predictor of stipend receipt for those Corpus Christi and Fort Worth program group members who were estimated to have met the employment eligibility criteria, raising the possibility that improved stipend marketing over time did increase the rates of stipend receipt among these individuals.

The Employment Retention and Advancement Project

Appendix Table E.1

Stipend Receipt Rates by Subgroup Based on Characteristics of the Samples at the Time of Random Assignment

| Characteristic | UK | | | Corpus Christi | | | Fort Worth | | |
|----------------------------------|-------------------------|-------------------------|-------------|-------------------------|-------------------------|--------------------------|-------------------------|-------------------------|--------------------------|
| | Ever Received a Stipend | Maximum No. of Stipends | Sample Size | Ever Received a Stipend | Maximum No. of Stipends | Sample Size ^a | Ever Received a Stipend | Maximum No. of Stipends | Sample Size ^a |
| All program group members | 29.6 | 10.0 | 1,188 | 25.6 | 8.7 | 813 | 20.0 | 5.8 | 718 |
| Race/ethnicity | | | | | | | | | |
| White | †† | † | | †† | | | ††† | | |
| Ethnic minority | 28.3 | 9.3 | 1,032 | 19.6 | 7.4 | 158 | 13.2 | 3.9 | 162 |
| | 38.9 | 15.3 | 152 | 27.1 | 9.1 | 654 | 21.9 | 6.3 | 556 |
| Age of youngest child | ††† | †† | | ††† | †† | | †† | †† | |
| Under 3 years | 22.4 | 7.5 | 287 | 29.1 | 9.9 | 400 | 19.5 | 3.0 | 354 |
| 3 to 6 years old | 26.6 | 9.3 | 411 | 26.7 | 11.0 | 208 | 20.1 | 8.1 | 153 |
| 7 to 11 years old | 29.7 | 8.9 | 273 | 21.3 | 5.8 | 122 | 23.1 | 10.9 | 123 |
| 12 to 16 years old | 46.8 | 17.1 | 161 | 17.8 | 3.3 | 62 | 20.7 | 8.0 | 75 |
| Number of children | | | | | † | | | | |
| 1 | 30.5 | 10.9 | 606 | 24.6 | 6.5 | 351 | 18.2 | 5.8 | 304 |
| 2 | 29.4 | 9.6 | 350 | 23.9 | 9.2 | 228 | 20.2 | 3.7 | 212 |
| 3+ | 24.5 | 6.4 | 177 | 30.9 | 12.5 | 220 | 23.9 | 8.2 | 195 |
| Employed in prior year | ††† | | | ††† | | | †† | | |
| Yes | 38.0 | 11.5 | 364 | 28.6 | 9.6 | 585 | 21.9 | 6.2 | 519 |
| No | 25.8 | 9.4 | 824 | 17.4 | 6.6 | 228 | 14.7 | 4.7 | 199 |
| Qualifications | ††† | ††† | | †† | † | | †† | ††† | |
| None | 17.5 | 3.0 | 265 | 23.0 | 7.2 | 417 | 16.1 | 3.0 | 292 |
| GCSE (UK) | 27.1 | 8.5 | 562 | NA | NA | NA | NA | NA | NA |
| A-Level or above (UK) | 44.7 | 18.7 | 277 | NA | NA | NA | NA | NA | NA |
| Diploma/GED (TX) | NA | NA | NA | 28.8 | 10.4 | 390 | 23.0 | 7.9 | 421 |

(continued)

Appendix Table E.1 (continued)

| Cohort | UK | | | Corpus Christi | | | Fort Worth | | |
|---|-------------------------|----------------------------------|-------------|-------------------------|----------------------------------|--------------------------|-------------------------|----------------------------------|--------------------------|
| | Ever Received a Stipend | Received Maximum No. of Stipends | Sample Size | Ever Received a Stipend | Received Maximum No. of Stipends | Sample Size ^a | Ever Received a Stipend | Received Maximum No. of Stipends | Sample Size ^a |
| Early | 28.4 | 8.4 | 636 | 22.4 | 8.0 | 407 | 18.7 | 5.5 | 403 |
| Late | 31.0 | 12.1 | 552 | 28.7 | 9.7 | 406 | 21.5 | 6.3 | 315 |
| Received public assistance in prior year | ††† | ††† | | † | | | | | |
| Yes | 27.4 | 8.7 | 1,064 | 26.9 | 8.5 | 605 | 20.1 | 4.9 | 498 |
| No | 49.3 | 21.7 | 124 | 21.5 | 9.4 | 208 | 19.9 | 8.0 | 220 |

SOURCE: MDRC UK calculations from DWP financial incentives data and baseline information forms completed by DWP staff. MDRC U.S. calculations from ERA program tracking data, ERA baseline forms, automated records, and administrative data.

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

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

A person in the UK who received 4 or more stipends was categorized as having received the maximum number of stipends while a person in Texas would have had to receive 12 stipends to be in this category. In the UK, maximum receipt was identified as receipt of 4 or more stipends as a way to make maximum receipt more comparable between the Texas and UK programs (since people had to work for about the same amount of time to receive 4 stipends in the UK as they would to receive 12 stipends in the Texas ERA programs).

^aThe Corpus Christi and Fort Worth samples were limited to single parents who -- because of their random assignment dates -- had a full 2 years in which to access the stipend.

Differences in Subgroup Findings Across Programs

There appears to be a strong relationship between stipend receipt and public assistance receipt in the year prior to random assignment in the UK program, but not in the Texas ERA sites. In the UK ERA program, the rate of stipend receipt was much higher for nonrecipients of assistance in the year before they joined the study than it was for people who did receive public assistance during that time period. This is not surprising, since the nonrecipients of public assistance were likely employed in the year before they entered the study, making them more work-ready, which, in turn, would improve their chances of meeting the employment conditions for the stipend. While some measures of public assistance receipt are negative predictors of stipend receipt in Fort Worth, the relationship is not as strong as in UK ERA. It is possible that the small group of people who did not receive public assistance in UK ERA were a much more advantaged group of people than their counterparts in the Texas program. Given the low benefit levels and the welfare time limits in Texas, many people with poor employment prospects may have been working rather than receiving benefits in the year before they joined the study, whereas people with very poor employment prospects in the United Kingdom were probably less likely to be working in the year prior to study entry.

It was expected that program group members with more children and/or younger children would have a harder time gaining and retaining employment, and would therefore have lower rates of stipend receipt. Surprisingly, there were almost no statistically significant differences in stipend receipt rates among subgroups defined by the number of children; in addition, while the trend in UK ERA was that parents with fewer children experienced higher rates of stipend receipt, Texas parents with fewer children actually experienced lower rates of receipt.¹

As expected, parents with young children in the UK and Fort Worth programs were less likely than parents with older children to receive a stipend or to receive the maximum number of stipends. Oddly, the reverse was true in the Corpus Christi site, where this unexpected trend appears to have been at least partially driven by higher rates of stipend receipt among people with younger children who met the employment eligibility criteria for the stipend than among the corresponding individuals with older children.

Did Subgroups with Higher Rates of Stipend Receipt Experience Greater Gains in Economic Outcomes?

It might be expected that, if stipends really encourage sustained employment, then subgroups with higher stipend receipt rates would experience greater gains in employment and earnings from the ERA programs. This was sometimes, but not always the case. For example, in

¹In Fort Worth, this seems to be mostly attributable to the fact that people with more children were more likely than people with fewer children to take up the stipend if they met the employment eligibility criteria.

Corpus Christi, program group members employed in the year prior to entering the study attained higher rates of stipend receipt and experienced greater gains in earnings and employment from ERA, compared with program group members who were not employed prior to entering the study. However, program group members *without* a high school diploma or GED attained *lower* rates of stipend receipt, while still experiencing greater gains in earnings and employment from ERA compared with program group members who had a high school diploma or GED. While the pattern of stipend receipt and economic impacts seen in the education subgroups seems contradictory to expectations, it makes sense that the group with a high school diploma would be more likely to sustain full-time work and therefore earn stipends, compared with the group that did not have a high school diploma. However, it does not necessarily follow that ERA would have a greater effect on employment and earnings for those who have high school diplomas, compared with those who do not.

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