The Better-off in Work Credit
Incentives and experiences

Richard Dorsett, Hilary Metcalf and Heather Rolfe, with Helen Bewley, Amar Dhudwar, Anitha George and Rebecca Hopkin

A report of research carried out by the National Institute of Economic and Social Research on behalf of the Department for Work and Pensions
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The Authors

Helen Bewley is a Research Fellow at the National Institute of Economic and Social Research.

Amar Dhudwar was a Research Officer at the National Institute of Economic and Social Research.

Richard Dorsett is a Senior Research Fellow at the National Institute of Economic and Social Research.

Anitha George is a Research Officer at the National Institute of Economic and Social Research.

Rebecca Hopkin was a Research Officer at the National Institute of Economic and Social Research.

Hilary Metcalf is a Senior Research Fellow at the National Institute of Economic and Social Research.

Heather Rolfe is a Research Fellow at the National Institute of Economic and Social Research.
## Abbreviations

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<th>Description</th>
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<tr>
<td>BOC</td>
<td>Better Off Calculation</td>
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<td>BWC</td>
<td>Better-off in Work Credit</td>
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<td>CB</td>
<td>Child Benefit</td>
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<td>CTB</td>
<td>Council Tax Benefit</td>
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<td>CTC</td>
<td>Child Tax Credit</td>
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<td>DWP</td>
<td>Department for Work and Pensions</td>
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<td>ESA</td>
<td>Employment and Support Allowance</td>
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<td>HB</td>
<td>Housing Benefit</td>
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<td>IB</td>
<td>Incapacity Benefit</td>
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<td>IS</td>
<td>Income Support</td>
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<td>IWC</td>
<td>In-Work Credit</td>
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<td>JSA</td>
<td>Jobseeker's Allowance</td>
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<td>JSRO</td>
<td>Jobsearch review officers</td>
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<td>MIRO</td>
<td>Mortgage Interest Run On</td>
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<td>NMW</td>
<td>National Minimum Wage</td>
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<td>PSM</td>
<td>Policy Simulation Model</td>
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<td>RWC</td>
<td>Return to Work Credit</td>
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<tr>
<td>SDA</td>
<td>Severe Disablement Allowance</td>
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<tr>
<td>ST(L)</td>
<td>Short-term lower (rate of Incapacity Benefit)</td>
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<tr>
<td>WTC</td>
<td>Working Tax Credit</td>
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Summary

Introduction
The Better-off in Work Credit (BWC) was introduced on a pilot basis, to run for a year, on 27 October 2008 in the Yorkshire and Humber Jobcentre Plus region. Under BWC, individuals leaving out-of-work benefits after a continuous period of 26 weeks or more to enter employment of 16 or more hours a week may qualify to receive a regular credit of an amount sufficient to raise their in-work income to at least £25 a week above the income they receive on benefit. Entitlement lasts for 26 weeks and the credit is received either as a single lump sum at the start of the period or as a series of payments throughout the period, according to its amount. The objective of this credit is to encourage employment and to provide financial support during the transition into work. In doing so, it also aims to reinforce the message that work is the best route out of poverty.

In the course of its year-long pilot period, very few customers were entitled to a BWC. This report looks at why this was the case and what we have learnt from the pilot that is of relevance to the wider consideration of work incentives. First, it examines the interaction of BWC with other available support in order to better understand the incentives for moving into work and whether the BWC was a useful addition to this support. It then uses nationally representative data to simulate how large the BWC eligible population might be in Britain as a whole. Second, qualitative analysis involving Jobcentre Plus staff and customers examined questions relating to the delivery and administration of BWC, attitudes towards it and whether it influenced individuals’ job search. As qualitative research, this explores themes and issues but does not enable us to quantify their importance.

The effect of BWC on work incentives
Consideration of the range of credits available to those in work quickly identifies the core group for which BWC might be expected to have an effect. Among those potentially eligible for BWC, lone parents, people with disabilities and those aged over 50 qualify for Working Tax Credit (WTC) on entering work of 16 hours a week. Consequently, in-work income for these groups will often be too high
relative to out-of-work income to be entitled to BWC. Furthermore, lone parents and people with disabilities are likely to also receive In-Work Credit (IWC) and Return to Work Credit (RWC), respectively, raising their in-work income further still. For other customers, WTC is only payable for work of at least 30 hours a week (and under-25s are ineligible at any hours). So, it is among Jobseeker’s Allowance (JSA) customers under the age of 50 and who have no children that BWC is likely to be concentrated. Furthermore, the calculation of BWC is such that it is further concentrated among those receiving a low rate of pay and working relatively few hours.

The main exception to this is among individuals who have a mortgage. In such cases, their JSA or Income Support (IS) amounts include interest payments on the mortgage while out of work, but such assistance is only provided for a short, transitional period on entering work. This can mean that in-work income is substantially less than out-of-work income, resulting in a large BWC entitlement for those entering employment.

**BWC eligibility**

Because of the availability of other in-work payments, potential entitlement to BWC is concentrated among JSA customers under the age of 50 without children entering low pay, low hours work. Of this group, few take low hours jobs. The qualitative evidence suggested that many JSA customers without children only wanted jobs of at least 30 hours a week. Some viewed full-time jobs as ‘proper’ jobs, others confused ‘part time’ with ‘temporary’, and others still had a firm idea of a particular income they wished to achieve. Another factor was that full-time jobs would enable individuals to meet the costs of travel to work and other employment costs that do not feature in the BWC calculations. Some Jobcentre Plus staff appeared to encourage JSA customers without children to find full-time work, only encouraging younger customers to consider jobs offering 16 hours of work a week because they considered that younger people could manage on a smaller income.

**Knowledge of BWC**

The qualitative evidence suggested that very few customers were aware of the BWC. Most commonly, customers’ awareness stemmed from finding a job which would result in them being eligible for BWC, although some had been encouraged by BWC to search for such jobs. The lack of awareness may mean that customers miss out, although, in some cases, customers gaining work may have been identified as eligible for BWC through them seeking information on other in-work benefits. Often, JSA customers who find work do not report to Jobcentre Plus so there is no opportunity to assess whether they might be eligible for BWC.

This low level of awareness is despite efforts to promote BWC. According to Jobcentre Plus staff, all customers coming to the Jobcentre Plus office during the
two-week launch period had received information about BWC. This should have
covered nearly all JSA customers, the most relevant group. Thereafter, Advisers
should have provided information to all new customers and at review meetings.
However, some Advisers reported only providing information if they thought BWC
was relevant and others were reluctant to provide BWC information routinely. This
might be to avoid information overload, particularly since BWC was not seen as
relevant to most customers.

This suggests that the information may not have been delivered as fully as
possible. As a result of this, lack of awareness may have reduced BWC numbers,
through reduced impact on customers’ job search and reduced BWC claims by
those securing jobs.

One way of communicating tailored BWC advice was through the use of the
Better Off Calculation (BOC). This shows how much better off a customer would
be in work than out of work. However, the BWC was not calculated directly within
the BOC. Instead, where the result of the BOC showed customers to be less than
£25 better off, Advisers would tell them about BWC and might write this on the
BOC print-out. Advisers thought this was confusing and not an effective way of
communicating the BWC amount, because the print out would then show two
different amounts.

Benefits of BWC

Even with low numbers receiving BWC, it may still have beneficial effects. For
example, as with other credits, it might raise expectations of the returns from
working, thus intensifying job search, and it might widen job search to include
jobs with lower pay and hours. For those who receive it, BWC provides welcome
and often important support, perhaps enabling customers to make the first
step on a progression to higher earnings in employment. As with other credits
available for long-term benefit customers entering work (such as IWC or RWC),
BWC can thereby help bridge the gap between leaving benefit and receiving
wages. The qualitative research suggested that customers expected that they
would be better off in work. Although this could have been the result of BWC,
this seemed unlikely. This expectation was sometimes conditional on hours: some
customers expected to be better off in work because they restricted their job
search to those with hours which would unquestionably make them better off.
The qualitative research suggested that BWC had not reduced the hours that
would be considered acceptable for many customers. However, due to BWC,
some had increased and widened their job search and some had accepted job
offers they would have otherwise rejected. There was also evidence that BWC
may have led some customers to take a job with low hours and then increase
these hours. However, the small number of people receiving BWC and the results
of the qualitative interviews suggests any such effects could only have been felt
for relatively few people.
Irrespective of whether BWC encourages employment entry, it may be beneficial through providing support to those who enter work and thereby aiding retention. Certainly, it was seen as beneficial by BWC recipients and other customers. In particular, the assistance it provided in the early stages of employment, including helping cover transition costs and repaying debts, was appreciated. There was some evidence of BWC recipients increasing their earnings to compensate for the loss of BWC after 26 weeks. Some recipients seemed to have sought increases early on, whilst others were only prompted by the ending of payments. Still others did not seem to think about improving their earnings. Thus, whilst BWC may have helped some customers to move into higher earnings, others moved onto lower income than when they had been on benefits. Irrespective of whether a person was better off or not, a recipient might see BWC as helpful, for providing additional income for a period.

BWC processes

The BWC claiming process was seen as simple by most recipients interviewed. Most were assisted by Advisers in the claiming process. However, some recipients found their income in work lower than they had expected. This may have been due to recipients’ misunderstandings. It may have also been due to errors in the calculation either because, according to some of the Advisers, the BOC did not calculate income identically to the calculation for a BWC claim or because of errors in the data provided for the BOC (e.g. rent). Greater clarity over the size of payments prior to taking a job would be useful. Recipients were not always aware of when their payments would end and would have liked to receive prior notification of this. This may have helped them to budget accordingly.

A general aspect of the process with implications for other in-work benefits is the triggering of claims. Making a claim for in-work benefits is dependent on either the customer being aware of potential benefits or them maintaining a contact with Jobcentre Plus after finding a job (when Jobcentre Plus staff might inform them about credits). It seemed that some would miss out on credits and benefits and it would be useful if there were further ways to try to ensure that former customers received the in-work credits and benefits to which they were entitled. According to Advisers, the problem of lack of contact was largely for JSA customers.

Other aspects of BWC

Customers appeared to take into account various costs of working, particularly travel costs. The lack of inclusion of such costs in the BOC may make some customers somewhat sceptical about its validity. Moreover, some BWC recipients had encountered unforeseen costs on becoming employed (e.g. legal costs) and had encountered difficulties. The BOC does allow costs other than those specified (e.g. rent) to be included in the calculation (under a miscellaneous heading). However, which costs were included was not consistent, and expanding the costs...
which are specified might increase the accuracy of the BOC. This would be helpful to customers and increase the credibility of the BOC.

The limitation of the payment of BWC to 26 weeks was seen as a problem by some Advisers. They were unhappy about encouraging customers to take jobs when they might find themselves worse off after six months. Some Advisers could not see why BWC should not be on-going, like WTC. This also caused problems for some BWC recipients, although others (including some who had not been able to increase their earnings) felt that BWC was useful.

It was clear that some customers were confused about the benefits and credits for which they might be eligible. With such confusion, incentive effects may be problematic. Some Advisers felt that the introduction of a new credit added to this confusion (as well as to the time required to explain credits and benefits). It may be helpful to reduce the number of named benefits and credits. This need not mean that eligibility has to be uniform for all groups. Such an adjustment might also improve take up of lesser known credits and benefits.

Lessons from the evaluation

In principle, BWC filled a gap in the range of support available to those entering work. In particular, it filled a gap for young people. However, few claimed the credit. This may be for a number of reasons. First, the timing of the pilot coincided with a period of sharp economic contraction during which unemployment grew rapidly. It may simply be that reduced job entry resulted in fewer claimants, since it was only available to those moving into work. Another possibility is that BWC provided an incentive to work 16 hours a week since the maximum entitlement would usually be achieved at this level, yet the number of hours a week that most young JSA customers wanted to work was considerably higher and would result in them being more than £25 a week better off in work and therefore not entitled to BWC. The incentive provided by BWC was insufficient to overcome the preference for higher hours. Were BWC available at a flat rate, along the lines of IWC or RWC, it would be available to those working higher hours (and consequently earning more) and could therefore offer an incentive to work at all levels. This may be more effective in encouraging job entry. Alternatively, the credit could be larger, perhaps by ensuring the full costs of employment, including costs associated with travel and child care, were taken into account. This would also increase its effectiveness as a work incentive.

Customer awareness of BWC was low – this obviously reduces its effectiveness as a work incentive. Advisers have to communicate a large amount of information and ways of improving communication are needed. Advisers themselves were aware of the potential for information overload and also conscious that the timing of information provision is important since individuals are most likely to retain information that is directly relevant to their current situation.
The fact that BWC was new and a pilot may also have contributed the small number of BWC recipients. Ideally, a pilot would trial a new policy under the same circumstances that would prevail were it an established part of national policy. Publicity for BWC was not as extensive as it might have been were it a national policy. It is only to be expected that a new policy – particularly one from which relatively few people are likely to benefit – is going to take some time to achieve widespread recognition. In a similar vein, using national infrastructure to trial a local intervention may be problematic. In this case, the BOC could not be altered to reflect the existence of BWC. Consequently, the central message of BWC was not automatically communicated to customers. In any event, using the BOC only allowed the Adviser to make an estimate of the amount of BWC entitlement.

Regardless of the timing and manner of communication, the problem remains that Jobcentre Plus customers are often expected to absorb a large amount of information. Introducing payments such as BWC only adds to the complexity of the benefit and tax credit system, creating further potential for confusion. Were there a fresh attempt to incentivise a return to work among young JSA claimants, it may be appropriate to consider using the existing infrastructure, principally the WTC. This would also provide a convenient means of delivering time-limited support in a similar way to the time-limited WTC premium available to people over the age of 50.

Overall the evidence suggests that the BWC as piloted has not been a significant addition to the range of back-to-work support. The research does not address the questions of whether a modified credit might be more effective in encouraging people back to work. More work is needed to understand how best to design such a credit. For example, is a period of 26 weeks sufficient or is 52 weeks (as provided under IWC and RWC) preferable? The answer to this depends on factors such as whether and at what rate earnings progression takes place, how long it takes for individuals to acquire the habit of working and whether the costs of entering employment are one-off costs rather than ongoing costs. Understanding these and other points would help in refining the design of this and other credits designed to support employment entry.
1 Introduction

The Better-off in Work Credit (BWC) was introduced on a pilot basis, to run for a year, on 27 October 2008 in the Yorkshire and Humber Jobcentre Plus region. Under BWC, individuals leaving benefit to enter employment may qualify for a payment, the purpose of which is to bring their in-work income to at least £25 a week more than the income they receive on benefit. The objective of this credit is to encourage Jobcentre Plus customers to enter work and to provide financial support during the transition period. In doing so, it also aims to reinforce the message that work is the best route out of poverty.

This report presents the results of an analysis carried out by the National Institute of Economic and Social Research. This had two elements:

- An examination of the work incentives facing potential BWC customers.
- A qualitative analysis of individuals who, at some stage, were eligible for BWC and of those responsible for delivering the service.

During the pilot a total of 108 customers received the credit. The reason for the lower than expected numbers is examined throughout the report. The results have contributed to the understanding of work incentives and identified aspects of the design and delivery of BWC which may improve its effectiveness and reach. In the recent White Paper¹ it was announced that an improved BWC would be piloted in October 2010. This enhanced credit will guarantee that eligible people moving into work are at least £40 a week better off than on benefit. More broadly, the results are informative on the issue of how to improve in-work support. The value of the report is therefore in its relevance to future attempts to incentivise employment entry.

The report has the following form. The next section of this chapter describes BWC, placing it in the context of other in-work credits. In Chapter 2, the effect of BWC on work incentives is examined. The qualitative analysis is presented in Chapter 3. Chapter 4 draws together the findings to provide some conclusions.

¹ http://www.dwp.gov.uk/docs/building-britains-recovery.pdf
1.1 Overview of BWC

1.1.1 Eligibility for BWC

BWC provides help to individuals moving from an out-of-work benefit straight into employment of 16 or more hours a week that is expected to last for five weeks or more. It is also available to partners of customers who enter work of 24 or more hours a week.

To be eligible, individuals must have been receiving at least one of the following benefits for a continuous period of 26 weeks or more:

- Jobseeker’s Allowance (JSA)
- Income Support (IS)
- Employment and Support Allowance (ESA)
- Incapacity Benefit (IB)
- Severe Disablement Allowance (SDA).

To receive BWC, a claim must be made within five weeks of starting work.

1.1.2 Existing in-work support

BWC adds to the range of in-work support currently available. Most widespread is the Working Tax Credit (WTC). WTC can be paid to people who are working, or whose partner is working, but have a low income. Those with children, those who have a disability and those aged over 50 who have been claiming out-of-work benefits for at least 26 weeks can qualify for WTC if they work 16 hours or more a week. For others aged 25 or over, WTC is only payable for work of at least 30 hours a week. Under-25s are not eligible for WTC.

Two particular features of BWC that distinguishes it from WTC are that it can only be received for a period of up to 26 weeks and it is only available to those entering work from benefit. In these regards, it bears some resemblance to the existing time-limited payments, all of which are intended to provide financial support during the transition from benefit to employment:

- In-Work Credit (IWC) provides support to lone parents and all parents who live in the New Deal Plus for Lone Parent pilot areas who have been in receipt of IS or JSA for a year or more. It is payable for 52 weeks, at a rate of £60 a week in London and £40 a week elsewhere.

- Return to Work Credit (RWC) provides support to those claiming IB, ESA, SDA or IS on the grounds of disability for 13 or more weeks. It is a work incentive to encourage clients to move into work from incapacity benefits. It is payable for 52 weeks, at £40 a week.

- People aged 50 or over who enter work of at least 16 hours a week can receive a premium on their WTC. This is available to those who have been claiming JSA, IB, ESA, IS or SDA for 26 weeks or more and is payable for 52 weeks.
Further payments are available as grants or for a shorter period after leaving benefit:

- The Housing Benefit (HB) and Council Tax Benefit (CTB) Extended Payments give access to a further four weeks HB/CTB to eligible customers moving into work.
- Mortgage Interest run-on payments can be made for four weeks to eligible customers claiming IS or JSA and who move into full-time work.
- Job Grant provides help to those moving into work to manage the period before they receive their first wages. It is a non-taxable payment of £100 for those without children or £250 for those with children is available.

1.2 Calculating BWC entitlement and actual take up

The BWC amount is calculated as the amount needed to top-up in-work income to the level where it is £25 a week more than the income received on benefit. Consequently, the BWC amount varies according to individual circumstances. Those whose relative financial situation is improved by at least £25 on entering work are not entitled to any BWC payment.

The definition of income for BWC purposes is rather specific:

- In-work income is calculated as the weekly amount of earnings, net of tax and National Insurance contributions, plus in-work HB, CTB and WTC. If applicable, IWC and RWC are included – it is required that all in-work benefits and tax credits be claimed where possible. For those with children, Child Benefit (CB) and Child Tax Credit (CTC) are included.

- Out-of-work income is calculated as the weekly rate of entitlement to the qualifying benefit plus HB and CTB. For those with children, CB and CTC are included. Any part-time earnings (including partner’s part-time earnings) are ignored and the amount of the qualifying benefit is the amount payable in the absence of part-time earnings.

Where in-work income exceeds out-of-work income by less than £25 a week, BWC is payable at a rate sufficient to restore this differential, rounded up to the nearest pound. If in-work income should go down during the 26-week entitlement period, the BWC amount can be increased to preserve the £25 differential. However, where in-work income increases, BWC will remain payable at the original rate.

While the period of entitlement is 26 weeks in all cases, the frequency of payment depends on the size of their entitlement:

- Where the weekly rate of the BWC is £5 or less, customers receive a single advance payment for 26 weeks.
- Where the weekly rate is over £5 but under £40, customers receive an initial eight week advance payment, followed by nine further payments every two weeks.
- Where the weekly rate is £40 or above, customers receive weekly payments.
2 The effect of BWC on work incentives

2.1 Introduction

This chapter aims to demonstrate the effect Better-off in Work Credit (BWC) may have on work incentives. This is illustrated by considering a small number of representative family types and seeing how the net income they would receive in work is altered with the introduction of BWC. In addition to allowing the effect on these so-called ‘budget constraints’ to be visualised, the components of income are also shown in order to provide a clearer impression of how BWC interacts with the tax and transfer system more broadly.

An estimate of the distribution of the potentially eligible population is presented. This differs from the consideration of budget constraints in that, rather than calculating BWC entitlements for a hypothetical family with specified characteristics and circumstances, it considers a nationally representative sample and uses simulation methods to estimate BWC eligibility and the amount that would be payable were those identified as eligible to enter employment.

An important point to note is that all analysis contained in this chapter relates to the 2008/9 financial year.

2.2 Illustrative budget constraints

Households vary in countless ways and it is not the intention of this section to attempt to consider the effect of BWC for all types of family. Instead, we focus on a small number of cases in order to convey key points about the operation of BWC and to draw out some implications that are perhaps not immediately obvious.
2.2.1 Jobseeker’s Allowance claimants

The financial consequences of returning to work are shown in Figure 2.1 for the case of a single adult in receipt of Jobseeker’s Allowance (JSA). It is assumed for now that any work would be paid at the National Minimum Wage (NMW). Further assumptions about the individual are given in the note to Figure 2.1.

The chart allows us to see how income changes as the number of hours worked increases. When not working at all, total income is £126 a week. This is the sum of JSA, Housing Benefit (HB) and Council Tax Benefit (CTB). It increases to £131 with the first hour worked, reflecting the £5 earnings disregard in JSA. Beyond this point, the budget curve has a flat section, indicating that there is no overall financial reward from working. This is due to the fact that JSA reduces by £1 for each additional £1 of earnings. Once JSA entitlement is exhausted (in this case, at 12 hours of work a week), additional hours do result in increased income. However, the extent of this increase is reduced by the associated reductions in HB and CTB, now that JSA is no longer received, such that working 15 hours a week rather than 12 increases weekly income by only £3.

At 16 hours of work, this individual becomes eligible for BWC. This provides a substantial increase to weekly income of £17. The incentive effect of BWC is clearly visible. In its absence, the relatively flat budget constraint would continue until HB is exhausted at 27 hours a week, and the availability of Working Tax Credit (WTC) at 30 hours a week makes it attractive to work at least this number of hours. With BWC, there is a clear incentive to work 16 hours a week (and have a weekly income of £151). Work of 17-29 hours brings no financial reward. BWC entitlement is reduced to zero at 29 hours a week but, as before, WTC becomes available at 30 or more hours.

The main effect of BWC for this type of individual is therefore to introduce an incentive to work 16 hours a week. Without BWC, there is little financial advantage to working part time; the choice is between no work and full-time work of 30 or more hours a week. It should be remembered that BWC is only available to those entering employment from benefit so there is little need to worry about a possible disincentive effect causing those already in work to reduce their hours. However, it is conceivable that those considering starting work may be persuaded by BWC to look for part-time rather than full-time work.

The picture for younger JSA customers is slightly different. Figure 2.2 shows the case of a 21-year-old. The lower ‘development rate’ NMW payable to those under the age of 22 means that net earnings are lower at 16 hours a week and consequently the amount of BWC is slightly higher at £19 rather than £17. Furthermore, WTC is not available to those under the age of 25. The combined effect of these two differences is that BWC is available for those working as many as 34 hours a week.

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2 The NMW rates applying from October 2008 to September 2009 (roughly the pilot period) were: £3.53 an hour for 16–17-year-olds; £4.77 an hour for 18-21s; and £5.73 an hour for those aged 22 or over.
Consequently, there is good reason to enter work at 16 hours a week. However, compared to those old enough to receive WTC, there is less financial reason to work full time.

**Figure 2.1 Budget constraint for a 25-year-old single adult on JSA**

Note: The budget constraint relates to a 25-year-old living outside London in rented accommodation of £50 a week who does not have a disability and who has no dependent children. It is also assumed that any work done would be paid at the NMW. All amounts relate to the tax year 2008/09.

**Figure 2.2 Budget constraint for a 21-year-old single adult on JSA**

Note: The budget constraint relates to a 21-year-old living outside London in rented accommodation of £50 a week who does not have a disability and who has no dependent children. It is also assumed that any work done would be paid at the NMW. All amounts relate to the tax year 2008/09.
For customers over the age of 50, the picture is different still. This is due to the fact that those entering work from benefit are eligible for a return-to-work payment under WTC. This is payable at 16 hours of work a week, or at a higher level at 30 hours a week, and will tend to mean that an older individual moving from benefit to work will be better off by at least £25 a week and so will not qualify for BWC.

**Figure 2.3  Budget constraint for a 50-year-old single adult on JSA**

![Graph showing budget constraints](image)

Note: The budget constraint relates to a 50-year-old living outside London in rented accommodation of £50 a week who does not have a disability and who has no dependent children. It is also assumed that any work done would be paid at the NMW. All amounts relate to the tax year 2008/09.

### 2.2.2 Customers of other benefits

BWC operates in a very different way for customers of benefits other than JSA. This is due to the fact that other credits exist for those moving from benefit into work. As discussed in the introduction, lone parents may be eligible for IWC and customers with a disability may be eligible for RWC. These credits are payable at a flat rate of £40 a week (or £60 a week for lone parents in London) and are not taxable nor treated as income for the purpose of calculating other transfers. Coupled with the fact that WTC is payable at 16 hours to parents and people with a disability, in-work income will often exceed out-of-work income by £25 a week or more without BWC, thereby reducing BWC entitlement to zero.

The case of an individual claiming short-term higher-rate IB is shown in Figure 2.4. The relevant point of note is that, at 16 hours of work a week, the combination of WTC and RWC results in in-work income substantially exceeding out-of-work income. In fact, WTC alone is sufficient to reduce BWC entitlement to zero. While not shown, the same is true for lone parents on IS. Consequently, thanks to WTC,
those lone parents who have not been claiming IS for long enough to be eligible for IWC on entering work will often still have too much income in work to be entitled to BWC.

**Figure 2.4  Budget constraint for a 25-year-old single adult on IB**

![Budget constraint diagram](image)

Note: The budget constraint relates to a 25-year-old living outside London in rented accommodation of £50 a week who has no dependent children and is claiming IB at the short-term higher rate. It is also assumed that any work done would be paid at the NMW. All amounts relate to the tax year 2008/09.

### 2.2.3 The effect of BWC on higher earners

The impression that emerges from the analysis above is of a credit that targets those below the age of 50 who are in receipt of JSA. However, entitlement to BWC depends on earnings in work which itself is determined by wages. So far, we have considered only those moving into work paying the NMW.

Figure 2.5 shows the case of a 25-year-old individual entering work at a wage of £10 an hour. There is a BWC entitlement of £5 a week at 16 hours of work but no entitlement beyond that point. Furthermore, the wage rate is such that this individual earns too much to receive WTC at 30 hours a week. Overall, BWC is of only marginal relevance in this case. There is little incentive to enter part-time work.
2.2.4 The effect of BWC for those with a mortgage

The last case considered is that of a JSA customer receiving support for mortgage interest. Such individuals may face considerable barriers to employment, particularly part-time employment, since the potentially sizeable support for mortgage interest is lost on entering work of 16 or more hours a week. Accordingly, such individuals may be entitled to large BWC amounts.

This is illustrated in Figure 2.6 for an individual for whom, when claiming JSA, mortgage interest costs of £70 a week are met. The budget constraint shows that entering work of 16 hours a week at the NMW would attract a BWC entitlement of £70. It is clear that the BWC can be sizeable for those with mortgages.

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Figure 2.5 Budget constraint for a 25-year-old single adult on JSA, earning £10 an hour

Note: The budget constraint relates to a 25-year-old living outside London in rented accommodation of £50 a week who does not have a disability and who has no dependent children. It is also assumed that any work done would be paid at £10 an hour. All amounts relate to the tax year 2008/09.

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3 The average amount of mortgage interest covered in 2008/9 is estimated at £71 a week.
2.3 The distribution of the potentially eligible population

This section provides an indication of the size of the potentially eligible population and how it varies across types of claimant. It does this using a nationally representative dataset – the Family Resources Survey. Applying the rules of the tax and benefit system allows the BWC eligible population to be identified and the income that individuals would receive were they to enter work to be simulated.

This simulation was carried out using the Department for Work and Pensions’ (DWP’s) Policy Simulation Model (PSM). To allow consideration of BWC, the PSM was amended to incorporate BWC, IWC, RWC and the WTC premium for those aged 50 or over who move from benefit into work. The Family Resources Survey does not provide all the information required to achieve this – Appendix A provides a discussion of some of the assumptions made when estimating eligibility.

The size of the potentially eligible population was estimated under the assumption that individuals entering work would be paid at the NMW. This assumption has the effect of maximising the estimated population size since it minimises the difference between in-work and out-of-work income.
Figure 2.7 shows the number of families with an estimated BWC entitlement were the head to enter work of 16 hours a week, payable at the NMW. The height of each bar indicates the number of families, which are grouped into five types. From this, we see that BWC is largely irrelevant for lone parents. This is in line with the discussion earlier in this chapter; the combination of alternative credits available to those in work means that few will qualify for BWC on entering work, even when working only 16 hours a week. It is among single people without children that BWC payments would potentially be more prevalent. In total, roughly twice as many single men as single women are estimated to be entitled to some BWC at 16 hours a week (about 200,000 compared to about 100,000). Most common is to have an estimated BWC payment of £17 a week. Estimated entitlements above this level are relatively rare; BWC amounts up to £20 a week account for more than 80 per cent of all cases for single people without dependent children.

Figure 2.7 also gives estimates of the number of couples who would be estimated to have a BWC entitlement were the head to move into work of 16 hours a week at the NMW. For couples with children, there is a clear concentration in the £6-£10 a week range of BWC entitlement. Although not shown as an example family type in the discussion of budget constraints in the previous section, couples with children may qualify for BWC where they have a mortgage. Since they are entitled to WTC at 16 hours of work a week, their BWC entitlement may be smaller than for couples without children who likewise have a mortgage but are not eligible for WTC unless they work 30 hours a week. Indeed, couples without children account for the majority of BWC entitlements estimated at over £40 a week.

**Figure 2.7 Size of potential BWC population were head to work 16 hours a week**
Figure 2.8 illustrates how the BWC amounts would change were the head to move into work of 24 hours a week rather than 16 hours a week. The most notable point is that both the number and size of BWC payments reduce. As can be seen from Figure 2.9, when considering work of 30 hours a week, very few BWC entitlements are estimated to remain. They become fewer still as hours increase further.

**Figure 2.8** Size of potential BWC population were head to work 24 hours a week

**Figure 2.9** Size of potential BWC population were head to work 30 hours a week
The case of couples is more complicated to consider than singles since either partner moving into work may trigger a BWC entitlement. The BWC rules specify that the spouse must enter work of 24 or more hours a week in order to receive BWC, rather than the 16 or more hours required of the head. Figure 2.10 shows the estimated BWC entitlements for couples where the spouse enters work of 24 hours a week, paid at the NMW. This is essentially the same pattern as that seen for cases where the head moves into work of 24 hours (as shown in Figure 2.8). The case of the spouse working 30 hours a week is shown in Figure 2.11 and, as was the case in Figure 2.9, relatively few BWC entitlements remain. Again, further increasing the number of hours worked reduces the number of BWC entitlements accordingly.

Figure 2.10 Size of potential BWC population were spouse to work 24 hours a week

Figure 2.11 Size of potential BWC population were spouse to work 30 hours a week
2.4 Discussion

This chapter has focused on how BWC may operate to alter work incentives once other transfers are taken into account. In doing so, the role of WTC and transition payments (IWC and RWC) has been shown to be important. Specifically, these other credits will often combine to leave the customer entering work at least £25 a week better off, and therefore not entitled to receive BWC. It is among those not entitled to these payments that BWC plays a role. Families in receipt of JSA who have no dependent children and where the adult(s) are less than 50 years of age would stand to gain from BWC were they to enter work at the NMW. Consequently, incentives to work are improved among this group, particularly incentives to work part time.

Having a mortgage is also important and, to some extent, spreads BWC entitlement beyond this narrow group. Those with a mortgage can face substantial financial barriers to work. Mortgage Interest Run On (MIRO) is available to those entering employment in order to smooth the transition into work. However, MIRO is only payable for four weeks, after which families become responsible for their mortgage interest payments in full. BWC can perform an important role in these circumstances, overcoming the housing-related disincentives to work, at least for the six months during which it is payable. The question of how individuals may react once the BWC payment period comes to an end is less clear. Those who are more forward-looking may be deterred from entering work in the first place if they expect the withdrawal of BWC after six months to leave too much of a burden on their finances. Where BWC does change incentives to work for those with a mortgage, it may encourage part-time rather than full-time work.

This chapter has also provided estimates of the number of cases where those moving from benefit to employment would have a BWC entitlement. These estimates assume that all those entering employment would be paid at the NMW. This is obviously a simplifying assumption but perhaps has some merit in the sense that it is among the lower-paid that BWC will be highest, so the estimates of how many families would be entitled were they to enter work may be taken to represent an upper bound; particularly since, in reality, only a proportion of those with a potential entitlement would choose to enter work.\textsuperscript{4}

\textsuperscript{4} It should be borne in mind that the results are specific to 2008/9. The increase in recent months in the number of JSA customers lessens the extent to which this upper bound can be felt to apply to later years.
3 Qualitative evidence

3.1 Introduction

Qualitative research was conducted with Jobcentre Plus staff and customers to explore in detail factors influencing the take-up of Better-off in Work Credit (BWC) and the way in which the credit might affect movement into employment. A particular focus was the extent to which practice in Jobcentre Plus offices affected take-up of BWC. A key element within this was how potential eligibility for BWC was identified. The analysis also explored the issues of awareness and take-up more broadly.

To examine this fully, the views of both customers and Jobcentre Plus staff were sought. Semi-structured interviews were conducted with staff, including 54 personal advisers (Advisers) and their managers and six jobsearch review officers (JSROs) from nine Yorkshire and Humber Jobcentre Plus offices. In addition, 58 current and 69 former customers (including 15 BWC recipients) from across the region were interviewed. All customers and former customers had claimed for at least 26 weeks and so met the claiming period eligibility criteria for BWC. The sample was selected to include a range of types of claims (Jobseeker’s Allowance (JSA), Incapacity Benefit (IB) and Income Support (IS)) and types of customers (by gender, age and family circumstance).

The chapter starts by considering eligibility for BWC in respect of income in employment (Section 3.2). Earnings is a key issue for BWC eligibility. As few customers would be eligible for BWC unless they work in low paid jobs at little more than 16 hours a week, we examine whether customers were looking for such jobs and whether Jobcentre Plus staff encouraged search for such jobs. We also examine the interplay with other benefits and credits. In Section 3.3, the chapter turns to experience of BWC. This covers aspects including knowledge of BWC, processes for informing customers about BWC, experience of claiming BWC and reported effects on behaviour. It also describes staff and customers’ views on BWC more generally.

5 For ease of exposition, in the rest of this chapter, ‘customers’ will be used to refer to both current and former customers.
3.2 Eligibility for BWC

BWC is predicated on the assumption that some customers could move into jobs which resulted in an income less than £25 more than they received out of work and that, by ensuring a minimum of £25, more customers would take up such jobs. The previous chapter has suggested that this might apply to relatively few customers. With the exception of those with mortgages, it is mainly among individuals moving into low paid jobs (i.e. around the National Minimum Wage (NMW) with few hours a week (i.e. little more than the BWC minimum of 16 hours a week) and who are not eligible for various in-work credits that in-work income is likely to be less than £25 a week more than the income received on benefit. Therefore, it was important to establish whether customers were searching for low paid, low hours jobs, and whether Jobcentre Plus influenced such search. This was examined for all customers, irrespective of whether they might have access to other in-work benefits and credits.

3.2.1 Earnings and hours sought

The evidence from customers and from Jobcentre Plus staff suggested that nearly all customers who had claimed for at least 26 weeks were willing to accept jobs paying the NMW and, indeed, most expected pay at this level. Thus, the issue for BWC eligibility was whether customers sought jobs with few hours (around 16 hours a week).

Many customers said they were including jobs of 16 hours a week in their search, although others did restrict their search to jobs of 40 hours or more. However, where individuals stated that they would be willing to consider jobs of 16 hours a week, such jobs did not always meet the other characteristics customers were looking for from a job. Consequently the preferred number of weekly hours was often higher than 16. Hence, a more informative picture of whether customers were seeking jobs at 16 hours a week may be gleaned by examining other preferences.

Preferences were influenced by a number of factors, including care responsibilities and considerations of total earnings or income. However, a number of other themes emerged:

• Some customers seemed to place no limitations on hours. They wanted a job – any job, they did not want to be unemployed – and would accept work irrespective of hours, earnings and income. Such individuals were desperate to find work, including for reasons of self-esteem and reluctance to ‘live off the state’, so that being better off was not a key consideration. Others were concerned about job satisfaction or the nature of the job above all other considerations. These types of customers seemed likely to seek jobs at 16 hours a week and would not turn such a job down.

• Some were primarily concerned about the permanence of the job. Whilst this should not preclude jobs with low hours, it is common (amongst employers as well as employees) to confound ‘temporary’ and ‘part time’ and so customers seeking permanent jobs might focus on full-time work.
Many lone parents and others with care responsibilities preferred short hours or hours which fitted around children’s school hours or childcare arrangements. However, this was not always as low as 16 hours a week, with many seeming to focus on jobs with around 20 to 24 (and up to 30) hours a week. These customers also often limited their job search to the local area. However, for the BWC evaluation, this is of little relevance, as parents are unlikely to be eligible for BWC irrespective of the hours worked.

Others either stated a wish to work more than 16 hours a week or, whilst stating their willingness to work short hours, placed other conditions on their working which could not be met with jobs of around 16 hours:

- some focused on the idea of a full-time job or ‘proper job’, which they defined as working 30 hours or more a week;
- some wanted to work at least 30 hours a week in order to be eligible for Working Tax Credit (WTC); and
- some focused on how much better off they needed to be to make it worth working and, given their expectations of being paid the NMW, this led to a concern about hours. Whilst many seemed to find it difficult to give a figure for the amount they should be better off, they were willing to agree that £25 a week would be acceptable. However, up to £50 a week seemed necessary for others, whilst some expected up to £100 and more. In their calculation of better off, the issue of childcare and travel costs was often raised, an important factor for BWC given that travel costs are not considered in the BWC better-off calculation.

At the same time, many respondents who said they were concerned about being better off seemed unable to quantify what was an acceptable amount, instead stating what seemed to be minimum acceptable earnings. This suggested that for some, earnings, perhaps together with an awareness of travel costs, were more the issue in job search than being better off. The Jobcentre Plus Better Off Calculation (BOC)\(^6\) may help to address this, convincing some that they will be better off, although it appears as though many might adjust the estimate to take into account other costs, particularly travel and childcare, which might lead to the BWC being inadequate. Interestingly, for stated minima of 16 hours a week through to 40 hours or more (i.e. irrespective of the level of hours sought), customers were saying this was the minimum hours they needed to cover their outgoings or to make it worth working.

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\(^6\) The BOC is a nationally used tool, which calculates income in work (including any benefits and credits to which the individual would be entitled) and how much this differs from income out of work. It takes into account the individual’s circumstances. As a national tool, it does not calculate BWC, but this can be roughly estimated using the result of the BOC (that is, where the BOC shows a gain to work of less than £25 a week, the BWC can be estimated roughly as the amount needed to increase this gain to £25). The Adviser chooses the pay rate and hours to include in the calculation. Note that the BOC does not take into account all costs associated with working (for example, travel costs are excluded).
Thus, it appeared as though amongst customers who might be eligible for BWC (i.e. were not eligible for other in-work credits at 16 hours a week) some were unwilling to take jobs with few enough hours to lead to BWC eligibility. Others who were willing to take short hours were also looking for longer hours and so might gain jobs with higher hours and therefore not be eligible for BWC.

3.2.2 Jobcentre Plus practices affecting the types of jobs sought

Given the hours and earnings sought by customers, it was important to establish the influence of Jobcentre Plus practice on this choice. The main practices identified took place in interviews with Advisers. It was here that the message that customers would be better off in work than on benefits could be emphasised, particularly through the use of the BOC. These aspects are discussed in detail, along with other practices affecting the likelihood of taking a low pay, low hours job. BWC specifically is not discussed in this section.

First, we describe a number of attitudes which were expressed by Jobcentre Plus staff and which seemed to condition their approach to the hours of work they encouraged customers to seek. The way, in general, that Jobcentre Plus staff conveyed to customers that they would be better off in work is then described, before turning to the use of the BOC specifically.

3.2.2.1 Staff attitudes conditioning their approach to hours

Benefit rules mean that JSA customers with 26-weeks unemployment should be available for full-time work and willing to take a wide range of jobs, including those offering NMW pay and few hours. Lone parents in receipt of IS currently do not have to seek work at all and, if they do, can impose their own requirements in respect of the job, including hours and pay. Disabled people may be required to seek work and may impose certain requirements on the job in respect of their disability.

In respect of JSA customers, Advisers generally expected that customers with 26-weeks unemployment should be willing to take jobs at the NMW. They believed few customers restricted their job search to higher pay rates and this belief was supported by the evidence from customers.

The approach Advisers took to any restriction on hours by jobseekers and the encouragement of jobseekers to seek weekly hours from 16 upwards seemed to be conditioned by four considerations:

1. The customer ought not to have to take a job if they would be worse off in work than on benefits.

2. Personal circumstances and how this might influence the amount of income needed and constraints on working:

   • lone parents (on JSA, as well as IS) needed jobs with few hours, although not necessarily as few as 16 a week;
• young people, especially those living at home, had minimum responsibilities and need for income and should take jobs with any hours; therefore they should be encouraged to seek jobs from 16 hours a week upwards; and
• other customers older than around 25 had a right to higher income (due to their age or family responsibilities) and so restricting hours to a minimum of 30 or 40 hours was acceptable.

3. Customers eligible for WTC at 30 hours or more work a week (but not at 16) should not be required to work fewer hours.

4. The requirement that JSA customers be available for full-time work seemed to lead to the view that only jobs of 30 hours or more a week should be considered and, for some Advisers, that searching for jobs with fewer hours was unacceptable.

Not all Advisers held all of the above views. The first two appeared more common, but each of these views were expressed by a number of Advisers, suggesting that they were likely to be common ways of guiding customers’ jobsearch.

3.2.2.2 Telling customers they will be better off in work

A key aspect of BWC is that customers should believe that they will have a higher income in work than out of work. The evaluation wanted to identify whether this message was being conveyed. As few respondents were aware of BWC (see below), we looked at this irrespective of explicit linkages to BWC. The role of BWC is discussed in later sections.

The message of being better off in work was conveyed by both Advisers and JSROs. The former said they make such statements in review interviews, particularly to encourage customers to expand their job search to lower pay and lower hours, and often in tandem with using the BOC. JSROs said they might reinforce this message at fortnightly reviews, particularly in relation to a vacancy search or the customer identifying a specific low pay, low hours vacancy. However, JSROs commented they were less likely currently to make this statement or do a vacancy search since the rise in unemployment had reduced time available for each customer.

Customers’ reports suggested either that this message was not given in all Adviser interviews or that they did not recall this. Some customers recalled being told they would be better off in work, whilst others did not. Customers recalled being told this by an Adviser or by a JSRO. Few customers recalled being told this by more than one Adviser. Customers did not have strong recall of when they had been given this information, but many thought they had been told it at their fortnightly review or by an Adviser when they first signed on. Very few customers said they had been told they would be better off in work when attending a Restart, New Deal or Pathways interview. According to customers, this message was being conveyed prior to the introduction of BWC (i.e. before October 2008).
Not surprisingly, most respondents who had received BWC said they had been told they would be better off in work. However, a few said they had not been told this. Where they did recall being told this, it was always by an Adviser and by no-one else. Unlike many other customers, they reported being told they would be better off in work at various stages in their claiming history, including when first signing on, at the three-month review and at their Restart interview. A number of respondents had been told this when they were signing off benefits and were about to start a job, following a job offer.

The need for Jobcentre Plus staff to give this message was unclear. Only a small number of respondents said they had not known they would be better off in work anyway. Many other respondents said they had known they would be better off in work and had not needed to be told.

“I think it was just taken for granted obviously. As a woman with a brain cell I would take it for granted that I would be better off in work.”

Where customers explained how they knew this, it was usually because their benefit levels were low. Typically, these respondents had no dependants and were living with family rent-free. One respondent was temporarily out of work, claiming IB and expecting to return to his well-paid job and therefore believed he would be better off if he signed off. However, it was clear from discussions with customers about the hours and earnings they wanted in a job that, for some, they did not believe they would be better off in any job, but only in jobs offering earnings above a certain level. This was where the BOC could be important.

A small number of customers said that, whether or not they had been told they would be better off in work, they would in reality be worse off. These included a man who would be required to pay child maintenance to his former partner; on benefit, he was not required to make these payments whereas in work he would be.

At the same time, being better off was of little relevance to some customers. Some examples fitting into this category are those who were desperate for a job at any income and those who were not currently seeking work (lone parents on IS and an IB customer who said his medical problems were the key barrier to finding work).

3.2.2.3 The Better Off Calculation

Helping customers to see that they would be better off in work and encouraging them to take low hours, low paid jobs revolved around the BOC. Although many customers seem to believe they would be better off in work, they did not all believe that any job would make them better off. The BOC was used both to demonstrate how much better off a customer would be (i.e. as an incentive to work) and also to expand the job search range (i.e. to indicate that given combinations of wages and hours which had been rejected, would, in fact, make the customer better off). In relation to encouraging job search which might result in BWC eligibility, therefore, it was important that BOCs were done using low wages and few hours.
3.2.2.3.1 BOC usage

The Yorkshire and Humber Jobcentre Plus region has a very high usage of the BOC at Adviser interviews, conducted at a large majority of interviews. Advisers said they either did the BOC at all normally scheduled interviews or nearly all, only tending not to do the BOC if one had been done recently (up to six months beforehand). Since the onset of the recession, time pressures had reduced the percentage of customers receiving BOCs. In contrast with Jobcentre Plus records and Advisers’ reports, many customer respondents could not recall having had a BOC.7 Whilst many others did recall having a BOC, very few recalled having had more than one BOC.8 The discrepancy between Advisers’ and customers’ reports may be due to recall error, to the fact that the tendency to administer BOCs had only recently increased or that customers had indeed not had the number of expected BOCs for some other reason.

BOCs were normally done at the Advisers’ instigation, although occasionally a BOC was done at the customers’ request either in relation to a specific vacancy or job offer. However this was unusual and customers generally said that the Adviser had suggested doing it for them, although sometimes it appears to have been a joint decision. One customer had asked for a BOC to be done because he was applying for a particular job and wanted to know what his overall income would be if he took it. Among BWC recipients, the picture was similar: few had suggested that a BOC be done and it was most common for the Adviser to suggest it. Those who did ask for a BOC included a 39-year-old jobseeker who had been unemployed for 18 months and had been told he would be better off in work and a 44-year-old jobseeker who wanted to know how much better off she would be in work.

JSA customers reported being given a BOC at varying stages of their claim: when first signing on, at their 3-month review meeting or at their 6-month Restart interview. Lone parents would be given a BOC at their Adviser interviews. Advisers said they also suggested a BOC if they were aware that a customer was taking up a job where they might be eligible for in-work benefits and credits. However due to the signing-off system, Advisers were less likely to be aware of this for JSA customers.

Most of the BWC recipients reported that the BOC had been done for them when signing off benefits and moving into work, which suggests that it was carried out for these customers as part of an assessment for BWC or for other in-work benefits. Few BWC recipients reported having had a BOC at an earlier stage. Whilst some other former customers also reported having a BOC when they signed off, of those who had reported having a BOC, many recalled one at an earlier stage.

7 Customers were asked if they had had the amount they would be better off calculated.
8 The interviews did not identify the number of BOCs for lone parents.
3.2.2.3.2 Pay rates and hours used in BOCs

The way pay and hours were chosen for the BOC varied. They could be chosen by the customer, by the Adviser or by both. Sometimes, they were based on an actual job (of interest to the customer or that they had secured); sometimes they were hypothetical.

For pay, the use of the NMW was the norm and higher rates were rarely used, except where this related to a specific job in which the customer might be interested. The only other exception reported by Advisers was for those unemployed only a short time who had had a higher-paid job. Where higher rates were used, the BOC was often also run at the minimum wage.

“If they’ve been unemployed six months, they have to accept the NMW, so I’ll use that, but if they have a specific job, we’ll go for that. Many jobs are NMW.”

The highest hourly rate used in the BOC reported by customers was £8 an hour.

For hours, there was much more variation in practice and the choice seemed to vary by Adviser. Many of the Advisers said they used the hours the customer suggested. Few customers could remember who had selected the hours used and, other than where they had been looking at a specific vacancy, only two said it had been their choice. The others said that the Adviser had selected the hours or that it had been agreed between themselves and the Adviser.

Advisers said that their choice of hours often took into account the individual’s circumstances and some said they would put in short hours for lone parents and disabled customers. Young people were the other group for whom 16 hours a week seemed quite common. This fitted with an attempt to encourage some customers to look at jobs with shorter hours,

“For 18 to 24s I do the BOC, as they think 16 hours isn’t worthwhile so I show them that it’s worth it. But 16 hours is no use to lots of people – just if they have no kids, living at home. However, I do talk to people about part time.”

The choice was also influenced by eligibility for Tax Credits. Advisers would perform the BOC on the basis of at least 30 hours a week for JSA customers without children so that they could claim WTC.

“If they’re over 25 and single, they’ve got to do 30 hours for tax credit. I may do 16 hours to see if they’d get BWC, but this is confusing. If they have £60-£70 rent, they may say they need 30 plus hours and, if I don’t do this, they may lose interest.
Many Advisers would use 30 hours and 16 hours a week as defaults for customers seeking full-time and part-time work respectively, if the customer did not specify hours.

“If they have kids I do 16 hours, if they then ask for 30 hours, I’ll do this as well. I may print the 30 hours.”

As suggested by the above, for some Advisers, choice of hours was influenced by their belief that customers should not be worse off in work. This led to choosing the number of hours required for WTC eligibility. Some Advisers were concerned about the fact that BWC was only paid for six months and, subsequently, customers might be worse off. This was despite a recognition that the job might lead to higher paid employment. This could influence the choice of hours they entered into the BOC.

Some Advisers combined responsiveness to customers’ wishes, assumptions about parents’ (probably mothers) needs with a degree of randomness.

“The hours depend on their circumstances and what they suggest. If they say part time or are disabled, then I do 16 hours. If they say 30 then I do that. If they say it’s not worth working for less than 40 hours I’d tell them they need to be more realistic. If they have kids, I’ll do part time. If they’re not bothered, sometimes I do 16, sometimes 30.”

Customers’ responses suggested a greater tendency to use 30 hours a week or more. Although 16 hours was reported by lone parents, at least 30 hours (and often 40) was reported by all other customers, except where a specific vacancy was used or where the customer had problems working longer hours (e.g. where a disability restricted working hours). There was no evidence from customers to suggest that young people (under 25) were treated any differently than others.

In a few cases, customers received two calculations, which used 16 or 20 hours and 30 hours. Whilst Advisers did say they did do more than one BOC sometimes, a number were not keen on this because they thought it was confusing. Moreover, some would only print out one BOC, increasing the scope for confusion. Confusion was also thought to be caused by the omission of BWC from the BOC, resulting in the printout not showing income including the BWC. Some Advisers would write this on to the printout.

3.2.2.3.3 Confidence in the BOC calculation

The BOC is of no use, unless it is believed by customers. Customers generally believed the amount they were told they would be better off in work. Some commented that the BOC was done in front of them and seemed a straightforward calculation of potential earnings and benefits.

However, others were less confident in the outcomes. In some cases this was due to a general lack of trust. For example, one respondent said that he would “believe it when [he] got it” and was also concerned that the Adviser had made the calculation about three times, suggesting uncertainty. Another customer, a
30-year-old woman who had been unemployed for two years, said that when the calculation was performed she had not understood it because of the various elements which make up the BOC. However, she had not questioned the calculation or asked for further explanation. In some cases there was disbelief in the accuracy of the assumptions, for example, a JSA customer did not believe he was eligible for tax credits. In other cases, disbelief was due to the exclusion of some costs, for example, child maintenance payments. In one case, the disbelief was due to higher expectations of the wage rate and so they believed they would actually be better off by more than the BOC suggested. For example, a JSA customer, who was told she would be £35 a week better off in work, believed she would earn more than the minimum wage on which this was calculated.

Confidence in the BOC could also be eroded due to experience. One customer, a lone parent, had accepted the BOC as accurate and taken a job but later found that he was not eligible for legal aid to pursue custody of his child and that food and travel costs made a significant dent in his earnings.

“They told me I would be better off but when it come to it I wasn’t. Because of my rent, my Council Tax, my food, bus fare, travel expenses and my legal aid.”

3.2.2.3.4 BOC influence on job search

Customers were asked whether the BOC had influenced their job search in any way, including intensifying and widening search or lowering the hours or pay sought. Most customers said that the BOC had made no difference to whether they had accepted or turned down a job. Only two customers said that the BOC had affected their job search: one said it had encouraged him to look for work more actively and another, a 27-year-old jobseeker, said he had applied for a job after having a BOC. None reported any impact on the hours or pay sought. This does not mean that the BOC had no impact, but, if it did, it was not recognised by customers.

3.2.2.4 Other encouragement towards BWC eligible jobs

The main issue seemed to be around hours of work (rather than the pay rate). Many Advisers focused on the requirement to be available for full-time work (interpreting this, variously as 30 or 40 hours a week) and not on the requirement to take a job of 16 hours a week or more. Where customers wanted part-time work, the Adviser tended to focus on 20 hours a week. This lack of consideration of jobs of 16 hours a week was often also guided by customer preferences.

Customers reported being encouraged to widen their job search through being directed towards vacancies at lower wage rates and fewer hours, through being told about tax credits and through being told they would be better off. Only one reported being told they had to look for lower paid or lower hours jobs.
For JSA customers, the JSRO might encourage search for low pay, low hours jobs when customers sign on each fortnight. Certainly, some customers reported this happening: that they were asked whether they were looking for jobs at the NMW/16 hours and told they should be. Some JSROs also said they suggested to customers to look for jobs with fewer hours. However, many customers were not asked about the hours and pay of the jobs they were looking for. Some customers commented that there was not enough time for this and this was also pointed out by the JSROs themselves who were interviewed.

The other process which may have affected hours sought was the Jobcentre Plus vacancies computer. This classified jobs into three groups by hours: fewer than 16 a week, 16 to 30 hours a week and 30 plus hours a week. Jobseekers could specify one classification or not specify hours at all. Thus to search for jobs with 16 or more hours jobseekers either needed to conduct two searches or to include jobs with hours less than 16 hours (i.e. to not specify hours). This seemed likely to discourage searches for jobs with 16 to 30 hours a week for those willing to take these hours but keen to have a job with more hours.

### 3.2.3 Eligibility for other benefits and credits

The other factor affecting eligibility for BWC was eligibility for other benefits and credits in work. This affected Advisers’ perceptions of whether BWC was relevant to a customer (and so whether they needed to be told about BWC) and the hours customers were encouraged to work. This countered the incentive effect of BWC to work fewer hours.

Advisers appeared to be well aware of the other benefits and credits for which customers might be eligible. For lone parents, IB customers and JSA customers responsible for a child, jobs which would have led to eligibility for BWC provided higher income through tax credits and so BWC was ruled out for these groups. This was recognised by Advisers, who thought that BWC was not relevant for these customers.

The group where other credits need not have ruled out BWC eligibility were JSA customers without dependent children. For these aged 25 and under 50, Advisers were aware that, if they worked at least 30 hours a week, they would be eligible for tax credits and so they might only receive BWC if they worked between 16 and 30 hours. In some cases, Advisers said they encouraged customers to seek jobs with few hours, knowing that they would receive a top up through BWC. However, some Advisers encouraged these customers to get jobs with at least 30 hours (or did not encourage them to extend their job search below 30 hours), so that they would receive WTC. Younger JSA customers (without dependent children) are not eligible for tax credits at all. Advisers did not see the need to encourage 30 hours or more among this group and some encouraged them to seek jobs with fewer hours so they could receive BWC.
3.2.4 Eligibility for BWC: Jobcentre Plus staff knowledge

The Advisers interviewed recognised that few people would be entitled to BWC. All believed very few people would be less than £25 better off in work. They identified (correctly) two groups of customers whose income would be too high (parents and Employment and Support Allowance customers). However, many Advisers also discounted BWC as being relevant to prime age workers (around 25 to 50) and older people without children. This was because of their expectation and belief that customers of this age wanted and should have full-time jobs and would therefore earn above BWC eligibility. As we have seen, Advisers did see jobs with low hours as acceptable for young people (without dependants) and, consequently, few saw the credit as relevant to anyone other than young, single people who did not have a disability and who did not have children.

The other factor which affected Advisers view of eligibility was housing costs. Advisers recognised that BWC might be relevant for customers with a mortgage, even if they were eligible for WTC. Some also believed, erroneously, that due to the treatment of housing costs, young people without dependants who were living with their parents particularly benefited from BWC and so ensured such customers were seeking short hours jobs.

These assumptions about eligibility were important since, as we report in the next section, they affected whether Advisers told customers about BWC.

3.3 Knowledge, experience and views on BWC

3.3.1 Overview of delivery

At the launch of BWC, there was a concerted publicity campaign. Leaflets were displayed in the offices and, over a fortnight, all customers going to the Jobcentre Plus office were given a BWC leaflet. This approach should have reached all (or almost all) JSA customers (as they sign on fortnightly), but not all lone parents or IB recipients (who are not required to attend the Jobcentre Plus office as frequently). After the initial publicity, the policy was to provide BWC information to all new customers at their initial Adviser interview and to display leaflets at the Jobcentre Plus office. Otherwise, Advisers and JSROs were expected to mention BWC as appropriate, and provide details in the normal course of their work.

Training was provided to Advisers to enable them to deliver BWC. Many of the Advisers interviewed reported receiving this training, although not all could recall this taking place. The training was described as fairly brief. Nearly all Advisers interviewed seemed knowledgeable about BWC provisions and eligibility, although some did seem to muddle BWC with other credits.

3.3.2 Provision of information on BWC

The initial publicity campaign appeared to have taken place as planned. Thereafter, practice varied. It appeared as though many customers were informed about BWC
at the start of their claim. However, this was not universal and Advisers were unenthusiastic about giving information on BWC to customers who they expected never to be eligible (particularly lone parents and IB customers, but also others eligible for tax credits) and to give information about a benefit six months prior to potential eligibility. This meant that Advisers did not always tell new customers about the BWC. Whether or not Advisers told new customers about BWC, most saw providing BWC information at this stage as a waste of time, believing that customers would not remember the benefit and that it would not affect their behaviour this far in advance.

When (and whether) BWC was mentioned thereafter varied. For lone parents and IB customers, it appeared as though it was not the norm for Advisers to tell them about BWC, whereas for JSA customers, some Advisers automatically mentioned BWC at reviews, often linking it to the BOC. Some Advisers reported always providing the BWC leaflet at this stage. Others gave information to those they thought would be eligible (e.g. those looking for part-time work and young people). Others were more likely to mention BWC only when the customer had 26 weeks or more claim and the BOC showed they would be less than £25 a week better off in work. However, whether this would be identified depended not only on the person’s circumstances, but also on the wage/hours chosen for the BOC. As described above, the hours used would often suggest individuals would be more than £25 a week better off in work without BWC. At this stage, customers might just be told that there was a benefit they might be eligible for and BWC was not always named. This might make it more difficult for customers to claim the benefit after entering work.

The information provided focused on the increase in income as a result of BWC and customers were not always told that it ran out after six months. Some Advisers were also reluctant to tell customers about the BWC because it was only provided for six months. They thought it wrong to encourage customers to take a job which might leave them worse off than on benefits after six months. This was despite recognition that the job might lead to a job with higher earnings.

For all the above reasons, many Advisers seemed reluctant to tell customers about the BWC. This was compounded by concerns that customers already had too much information to absorb and that talking about another credit could be confusing and impinging on the time for providing more useful information. Some felt this problem could have been avoided by extending an existing credit instead of introducing a new one. They felt this could be done whilst maintaining the different eligibility rules and payments.

JSROs could also play a role, handing out the BWC leaflet and referring customers to Advisers if more information or a BOC seemed advisable. However, some JSROs said that they had never handed out BWC leaflets, although some talked about BWC to customers ‘in a roundabout way’. Moreover, some JSROs appeared to confuse BWC and WTC.
The final point at which customers might be informed about the BWC was when they had found a job. In some cases, they would have a BOC which would identify their eligibility and they would then claim. However, Advisers said that this was not the norm for JSA customers, who would either send in their card or just stop claiming. Lone parents and IB customers were more likely to have a BOC at this stage, but this would identify their eligibility for other benefits and credits and not the BWC.

Few customers were aware of BWC and so few could describe how they had heard of it. Of the small number who were aware, most were BWC recipients. Some of these could only recall being told about BWC when they had found a job and the Jobcentre Plus office suggested they might receive in-work benefits. Otherwise, customers reported hearing about the BWC at interviews with Advisers (Pathways work-focused interviews, Restart, three-month reviews and when they first claimed) or by seeing a leaflet. Few customers reported recalling being given information more than once, suggesting either that Advisers were not generally mentioning BWC in interviews or that customers tended to forget.

### 3.3.3 Customer knowledge of BWC

As indicated above, very few customers interviewed, other than those receiving BWC, knew of BWC (whether by name or not). Awareness was confined to JSA recipients, several of whom were now employed. A number of others who thought they had heard of BWC confused this with Return to Work Credit, WTC or work trials. A number of BWC recipients did not recognise the term BWC or know that they received it.

However, lack of knowledge of BWC may not have been a barrier to consideration of low pay, low hours jobs or to claiming the benefit, as respondents were generally aware of the availability of assistance if they found low paid work, and of WTC and Child Tax Credit in particular, which were known by nearly all respondents. Some were aware of the eligibility conditions for some of these benefits. This, combined with lack of knowledge of the BWC did seem to mean that some would have failed to consider low paid, low hours work (due to belief that they would only receive assistance if they worked at least 30 hours) or due to belief that they were ineligible due to their age (or lack of children). Amongst the handful of non-BWC recipients who knew of BWC, knowledge of details of the scheme was largely confined to knowing it provided a top up for those on low pay, although one mentioned that it was for people working around 16 hours a week and another that it was for those claiming for six months or more.

Awareness was not complete amongst BWC recipients, with two respondents totally unaware of the BWC. One of these found benefits and credits confusing, commenting, ‘there are so many things about the system at the jobcentre that I don’t understand’. Some others were aware they received BWC, even if they were unaware of the name. Awareness of the details of BWC was low and few were aware of rules other than those of relevance to them. Thus, awareness of the six-month claiming requirement and the amount of the benefit (other than
the sum the individual received) was low, whilst nearly all those who received regular payments were aware that payments ceased after six months, whereas those receiving a single lump sum were not.

Some also thought other benefits had been affected by BWC and attributed a range of benefit difficulties to BWC. This suggested lack of customer understanding of benefits and claims processes, although it is possible that problems had stemmed from BWC and that other organisations (for example, local authorities in relation to Housing Benefit (HB) and Council Tax Benefit (CTB)) were not familiar enough with BWC.

3.3.4 Administration of BWC

The experience of claiming seemed to be simple for applicants. In many cases, they were helped to fill in the claim form by an Adviser. However, some BWC recipients reported problems. For example, one said:

“At the time the BWC was first mentioned there was an initial delay as the Adviser couldn’t find the forms and noted my details on some paper. Then the Adviser filled out the wrong forms. The Adviser didn’t know what she was doing. I had to complete the forms twice and they were sent to the wrong address.

“I asked someone at the Jobcentre and I was given more information about it (even though at first they weren’t aware of the BWC). The forms were quite straightforward. Some I did on my own; there was support from the Adviser and they went through together the forms the Adviser had completed. I had to give some proof like of employment, hours worked and hourly rate. It was easy to give. [The process] was alright but if I hadn’t found out about it myself then I wouldn’t have known about it.”

Some Advisers said that the definitions of in-work and out-of-work income used in the BOC are not identical to those used to calculate BWC. Consequently, the BOC could only give an estimate of BWC entitlement and the actual entitlement was only known once a claim had been submitted. Both Advisers and BWC recipients reported cases where the BOC calculations and actual in-work income differed. Some BWC recipients found the actual sum was somewhat lower, which could cause financial problems. Some respondents also expressed disappointment at the weekly amount they were taking home. This seemed to result from reductions in HB and increased CTB.

Recipients are able to have their BWC amount reassessed if their circumstances change. Only two respondents had done this. One reported that the reassessment process was simple: he had had an increase in earnings, but said that the amount of BWC was unchanged. This is in line with BWC guidance. The other said their hours had increased above 30 within six weeks. They had then received WTC and

\[ \text{Differences in income were also reported due the accuracy of data provided for the BOC. However, Advisers said that the disparity also occurred due to differences in calculation methods.}\]
BWC had been stopped. As BWC remains payable even if earnings increase, this should not have occurred and it was not possible to establish what the facts of the case were. However, it demonstrates some confusion around receipt of BWC.

The lack of warning when BWC payments are about to end was seen as a problem by some, leading to their cessation being a nasty shock. One respondent had pre-empted this by working out when the payments would end. This had meant that, although managing without the payments had been difficult, she was able to plan and budget for the reduced income as she knew when the last payment would be. However, others had not done this. One described how they had received regular letters about when payments were due, except for the last payment. She had not remembered when her last payment was and so had kept going to the post office to check for its arrival. Another described his feelings:

“I was really worried. I rang up and was told it had finished and told it lasted for 26 weeks. He said that ‘we do not send letters out to notify you’. I didn’t even think I’d had it for that long. I was told at the time but I forgot.”

Another suggested that:

“It might be helpful if the [initial] letter reiterated that it was for six months and when it starts and finishes so you can budget and plan for that...you could keep some money back if you had some bills coming in, for example.”

Finally, some customers thought it would be useful to receive advice on benefits when their BWC was ending, to ensure that they receive their full benefits. In addition, future entitlement to BWC might be clarified.

**3.3.5 Effect on behaviour: claiming BWC and job search**

Other than those who received BWC, very few respondents had considered applying for BWC and none had applied and been refused. Given the low level of awareness of BWC amongst non-BWC recipients, it was therefore not possible to explore why people who might have been eligible had not applied for BWC. However, some respondents said that they would not claim BWC, even if eligible. For example, a customer who had found a job after six months said he had not claimed BWC because ‘the job salary was adequate and I didn’t see any point in taking up more government money’. Whether he would have been eligible could not be ascertained. Another unemployed customer said that he would not claim BWC (or HB or WTC) as ‘I’m not greedy. I just want a job and wages’. However, others (whether they had heard of BWC or not) thought it was a very good idea and would claim.

Customers’ lack of awareness of BWC prior to gaining a job meant that the BWC was unlikely to affect the job search behaviour of many customers. Amongst those who were aware of the BWC, only one thought it had affected their job search in any way. A young, unemployed, JSA customer said that hearing about BWC ‘made me try harder to get a job. I had some interviews with care homes’.
However, it had led to some customers taking jobs they would not have otherwise have taken. For example, one BWC recipient said she would not have taken the part-time job she has without the BWC:

“Because I thought I would be worse off if I took a part-time job. Made me realise that the BWC was a bit extra I could live off and have a bit extra. So I could get back into work and that would help me towards getting another job.”

Another said about BWC:

“A good idea because definitely I thought twice a couple of times about going back to work for a part-time job. I’d think ‘well I’m working all week and I’m only a tenner better off’. So it’s definitely an incentive for people who are teetering on the brink, as it were.”

Others said that it made no difference because ‘pay is not an issue’ or they ‘had been looking for a range of jobs already…looking for the minimum wage already’ or because they wanted a job, whatever. For example, a BWC recipient said:

“I accepted the part-time job because of the boredom of staying at home. Otherwise, I’m still looking at full time. This wasn’t changed by having the BWC.”

One respondent said that BWC had not influenced him because, in effect, he did not believe he would be better off:

“I don’t believe I’d be better off in work having experienced taking a job and finding I was worse off.”

(JSA customer)

Despite BWC being designed to address this customer’s experience, of being worse off, the experience had left them sceptical about assistance being given.

One of the aims of the BWC is that it allows customers to ‘get a foot in the door’ and that they will be able to increase their hours or wage rate so that they will remain better off than on benefits once the BWC period has finished. A number of BWC recipients had looked for work with higher earnings (either longer hours or higher pay). Some had done so throughout receipt of BWC, whilst others seemed prompted only to look once BWC had finished. A small number of BWC recipients had been successful in this and their earnings or hours had increased. Two had increased their hours to 30 or more and become eligible for WTC. On the other hand, many said nothing had changed. Some had been looking for jobs with longer hours. However, where this had not occurred, there could be financial problems once the BWC payments ceased. For example, one customer said:

“I took the job at 17 hours because I thought I’d get an increase, but it hasn’t happened.”
Another described how he would be moving to longer hours, but that the BWC would finish first:

“I just wish it was for longer as, once the payments end, the reduced income will leave me in a difficult position. Up until I start the additional hours, I’ll only be £10 better off.”

3.3.6 BWC recipients’ views of BWC

BWC recipients’ views on BWC varied and seemed to be affected by prior financial expectations, income in work, the importance of employment to the customer and earnings increase.

Some saw it as having provided a much-needed income boost:

“It’s nice to keep you over until get first wage.”

“It’s an absolute lifeline.”

Other respondents were also generally satisfied, as a result of low expectations about the in-work benefits they would receive, and through relief at being in work.

However, the amount of BWC, its lack of consideration of employment costs and its limited time were criticised, even where the customer saw benefits,

“It’s too short-lived and the extra amount too little. It didn’t make allowances for additional work-related expenditure like extra food, travel and tools. Although they say you’d be better off, it feels, financially, I’m about the same. Though otherwise, I’m better off: I’m working and not sat around. It’s better to be working, even though I’m only £15-£20 better off when all other expenses are taken account of. So it’s not better off, no matter what people tell you and that’s the fact of it. So in my pocket, no I’m not better off. But in my head I am better off working than having to go in there (sign-on) and answer daft questions.”

Travel costs, in particular, were recognised:

“I’m not any better off as I have to go to Huddersfield so it costs a lot in fares. The BWC helped a little bit, I was slightly better off, but 16 hours wasn’t enough hours to be working.”

Another recipient had found that travel costs had greatly reduced his income. He was now looking for work closer to home.

The other issue was the limitation of the payment of BWC to 26 weeks. One customer, who had been unemployed for 16 years, had not been aware that the BWC was payable for a period of 26 weeks. She could not understand why her in-work benefits had reduced after she had been in work for this period. This respondent explained:
“They told me I would be better off in work, which has turned out unfortunately to be a load of crap…They told me there was this new benefit, Better-off in Work Credit. I was getting that, and then all of a sudden it stopped. I don’t know why, I mean my circumstances haven’t changed or anything. I was getting it for about six months and then it just stopped…I didn’t get any communication from them to say it needed renewing or anything. I got ripped with it because at the end of the day I’m living on £20 a month after my rent and stuff.”

The consequences of BWC cessation were problematic, although this did not always lead to customers thinking that BWC, overall, was a bad thing. One said that they were having ‘to find another £50-60 a week to cover expenses’, but that BWC “was a big help while it lasted”. Another explained the types of problems encountered:

“It’s been good, its been brilliant and helped me out a lot – got me back onto my feet without getting into too much debt. Though now BWC has finished, I’m struggling with rent, as I’m paying three times as much, as the council will not acknowledge my [fluctuating] earnings. I was overpaid at the beginning and so had to repay it.”

3.3.7 Non-BWC recipients’ views of a short-term credit

One intention of the study was to examine both recipients’ and non-recipients’ views of BWC and whether it might affect their behaviour. This was not possible, given the low level of knowledge of BWC amongst customers. Instead, those who were unaware of BWC were asked for their views on a scheme which topped up earnings to the minimum income they found acceptable for six months. This minimum income was often higher than £25 above their benefit income.

Amongst those who were aware of the BWC, positive views were expressed:

“It’s a good thing, it helps to top up your wages…it would have helped me to get back up on my feet. I had to move for my job and it would have helped me sort out my new place.”

“It is paid for a reasonable period of time, because obviously if you are needing and requiring that benefit then you are just above the breadline, as it were.”

Views on a credit were more mixed amongst those who were unaware of BWC. Some suggested such a scheme would be irrelevant to them, as they would take any job they were offered, irrespective of the pay. A number saw it as a good thing, easing financial pressures:

“I’d be able to pay my bills and still have some money.”

“It’d mean not having to struggle.”
Others saw it as beneficial, helping them to work, by ensuring they would be better off in work than out of work:

“So long as you can live then that’s fine – no point working if you can’t live. So, fine if someone will help.”

“It would be something to think about, yeah, a bit extra to help out and get six months in that place of work.”

“Without a doubt, yes. Well, obviously, when you’ve got the six months to prove yourself, in the six months you could be promoted or anything, or get a pay rise.”

The implications for employment, once in work, were also recognised by some customers,

“I’d consider it, but I’d be looking for higher paid work for when the six months is over. Would not continue after the six months as it would be an unliveable amount of money.”

“I’d take the job but be looking for something with more pay on the side.”

Some were more ambivalent about whether BWC would be useful to them or encourage them to take a job. A number felt they would only be interested in BWC if it was easy to claim,

“So long as it wasn’t too complicated and straightforward.”

“It’d depend on the difficulty of accessing payment, if it’s complicated paperwork then I’m not sure. I don’t like for applying for all the different credits and benefits separately. They should be more joined-up.”

One seemed to mix up the idea of employer subsidy with an individual credit. Given her previous experience of work trials and having to return to JSA after three months, she was sceptical about the continuance of any job where she was subsidised or whether she would receive the money. Others felt it depended on the whole package, i.e. the type of job, its location and the credit.

Some expressed negative views about such a scheme, because of the six month limitation.

“Only lasts six months – after that wouldn’t be able to afford childcare and stuff.”

“Not sure as after the six months the money would drop down, so get used to having the money then it would drop right down and you wouldn’t be better off, would you?”

“No, because after six months you’d be in a job that’s too low paid.”

“So long as there was some progression, as after the six months wages would go down and then wouldn’t be better off.”
4 Summary and conclusions

The study aimed to evaluate whether the Better-off in Work Credit (BWC) model as piloted was effective in helping individuals enter and remain in employment and how it did this. In doing so, we have considered the range of support available to those in work and, in particular, how BWC might help certain groups of people not eligible for other in-work credits. However, the very small number of BWC recipients meant that we have focused on understanding the reasons behind this small number. In this concluding chapter, we first summarise the key results and then attempt to draw out some key points relevant to the consideration of work incentives more widely.

4.1 Summary of key points

4.1.1 BWC entitlement and its effect on work incentives

Consideration of the range of credits available to those in work quickly identifies the core group for which BWC might be expected to have an effect. Among those potentially eligible for BWC, lone parents, people with disabilities and those aged over 50 qualify for Working Tax Credit (WTC) on entering work of 16 hours a week. Consequently, in-work income for these groups will often be too high relative to out-of-work income to be entitled to BWC. Furthermore, lone parents and people with disabilities are likely to also receive In-Work Credit (IWC) and Return to Work Credit (RWC), respectively, raising their in-work income further still. For other customers, WTC is only payable for work of at least 30 hours a week (and under-25s are ineligible at any hours). So, it is among Jobseeker’s Allowance (JSA) customers under the age of 50 and who have no children that BWC is likely to be concentrated. Furthermore, the calculation of BWC is such that it is further concentrated among those receiving a low rate of pay and working relatively few hours.

The availability of BWC introduces an incentive to enter low pay, low hours employment. Often the maximum BWC amount will result from employment of 16 hours a week. However, relatively few JSA customers under the age of 50 without children take low hours jobs. The qualitative evidence suggested that
they often only wanted jobs of at least 30 hours a week. Furthermore, Jobcentre Plus staff appeared to reinforce this selective jobsearch, only encouraging younger customers to consider jobs offering 16 hours of work a week.

The other group for whom BWC may be relevant is individuals who have a mortgage. In such cases, the interest payments on their mortgage may be covered while out of work, but such assistance is only provided for a short, transitional period on entering work. This can mean that in-work income is substantially less than out-of-work income, resulting in a large BWC entitlement for those entering employment.

4.1.2 Knowledge of BWC

The qualitative evidence suggested that very few customers were aware of the BWC. Most commonly, customers’ awareness stemmed from finding a job which would result in them being eligible for BWC, although some had been encouraged by BWC to search for such jobs. The lack of awareness may mean that customers miss out, although, in some cases, customers gaining work may have been identified as eligible for BWC through them seeking information on other in-work benefits. However, according to some Advisers, JSA customers who find work, often do not report to Jobcentre Plus so there is no opportunity to assess whether they might be eligible for BWC.

This low level of awareness is despite efforts to promote BWC. According to Jobcentre Plus staff, all customers coming to the Jobcentre Plus office during the two-week launch period had received information about BWC. This should have covered nearly all JSA customers, the most relevant group. Thereafter, Advisers should have provided information to all new customers and at review meetings. However, some Advisers reported only providing information if they thought BWC was relevant and others were reluctant to provide BWC information routinely. This might be to avoid information overload, particularly since BWC was not seen as relevant to most customers.

This suggests that the information may not have been delivered as fully as possible. As a result of this, lack of awareness may have reduced BWC numbers, through reduced impact on customers’ job search and reduced BWC claims by those securing jobs.

A common way of communicating tailored BWC advice was through the use of the Better Off Calculation (BOC). This shows how much better off a customer would be in work than out of work. However, the BWC was not calculated directly within the BOC. Instead, where the result of the BOC showed customers to be less than £25 a week better off, Advisers would tell them about BWC and might write this on the BOC printout. Advisers thought this was confusing and not an effective way of communicating the BWC amount.
4.1.3 Benefits of BWC

Even with low numbers claiming BWC, it may still have beneficial effects. For example, it might raise expectations of the returns from working, thus intensifying job search, and it might widen job search to include jobs with lower pay and hours. For those who receive it, BWC provides welcome and often important support, perhaps enabling customers to make the first step on a progression to higher earnings in employment.

The qualitative research showed customers tended to expect that they would be better off in work. Although this could have been the result of BWC, this seemed unlikely. This expectation was conditional on hours: some customers expected to be better off in work because they restricted their job search to jobs with hours which would unquestionably make them better off. For many of those interviewed, BWC did not appear to have reduced the hours considered acceptable. However, due to BWC, some had increased and widened their job search and some had accepted job offers they would have otherwise rejected. There was also evidence that BWC may have led some customers to take a job with low hours and then increase these hours. However, the small number of people receiving BWC and the results of the qualitative interviews suggest any such effects could only have been felt for relatively few people.

Irrespective of whether BWC encourages employment entry, it may be beneficial through providing support to those who enter work and thereby aiding retention. Certainly, this was seen as beneficial by BWC recipients and other customers. In particular, the assistance it provided in the early stages of employment, including transition costs and repaying debts, was appreciated. There was some evidence of BWC recipients increasing their earnings to compensate for the loss of BWC after 26 weeks. Some recipients seemed to have sought increases early on, whilst others were only prompted by the ending of payments. Still others did not seem to think about improving their earnings. Thus, whilst BWC may have helped some customers to move into higher earnings, others moved onto lower income than when they had been on benefits. Irrespective of whether a person was better off or not, many recipients saw BWC as helpful, for providing additional income for a period.

4.1.4 BWC processes

The BWC claiming process was seen as simple by most recipients interviewed. Most were assisted by Advisers in the claiming process. However, some recipients found their income in work lower than they had expected and greater clarity over the size of payments prior to taking a job would be useful. Recipients were not always aware of when their payments would end and it would have been helpful if recipients been given notification of this (perhaps a month in advance). This may have helped recipients to budget accordingly.
A general aspect of the process with implications for other in-work benefits is the triggering of claims. Making a claim for in-work benefits is dependent on either the customer being aware of potential benefits or them maintaining a contact with Jobcentre Plus after finding a job (when Jobcentre Plus staff might inform them about credits). It seemed that some would miss out on credits and benefits and it would be useful if there were further ways to try to ensure that former customers received the credits and benefits to which they were entitled. According to the Advisers the problem of lack of contact was largely for JSA customers.

4.1.5 Other aspects of BWC

Customers appeared to take into account various costs of working, particularly travel costs. The lack of inclusion of such costs in the BOC may make customers somewhat sceptical about its validity. Moreover, some BWC recipients had encountered unforeseen costs on becoming employed (e.g. legal costs) and had encountered difficulties. It might be helpful to customers and increase the credibility of the BOC were it extended to take into account more costs of employment.

The limitation of the payment of BWC to 26 weeks was seen as a problem by some Advisers: they were unhappy about encouraging customers to take jobs when they might find themselves worse off after six months. Some Advisers could not see why BWC should not be on-going, like WTC. This also caused problems for some BWC recipients, although others (including some who had not been able to increase their earnings) felt that BWC was useful.

It was clear that some customers were confused about the benefits and credits for which they might be eligible. With such confusion, incentive effects may be problematic. Some Advisers felt that the introduction of a new credit added to this confusion (as well as to the time required to explain credits and benefits). It may be helpful to reduce the number of named benefits and credits. This need not mean that eligibility has to be uniform for all groups. Such an adjustment might also improve take up of lesser known credits and benefits.

4.2 Lessons from the evaluation

In principle, BWC filled a gap in the range of support available to those entering work. In particular, it filled a gap for young people. As already noted, people under the age of 25 who are not parents and who do not have a disability do not qualify for WTC, even if they work full time. This stands in contrast to parents, people with a disability and people aged 25 or over who are eligible for WTC and may be entitled to other payments as well to support the transition into work. Consequently, one might have imagined that there would be considerable demand for BWC amongst young people. Furthermore, BWC targets an increasingly prominent group – the young unemployed.
An important question to consider then is why the number of people receiving BWC was so low. There are a number of potential factors influencing this. First, the timing of the pilot coincided with a period of sharp economic contraction during which unemployment grew rapidly. On the one hand, this might be expected to increase the number of people receiving BWC since the pool of unemployed people – and therefore the pool of people potentially eligible for BWC – was increased. The extent to which this is the case is reduced somewhat by the fact that those entering unemployment in the pilot period have to wait 26 weeks before they can be eligible for BWC. On the other hand, and probably more significantly, reduced employment chances as a result of the recession reduced the opportunity to claim BWC since it is only payable for those who are successful in finding work.

The extent to which the economic downturn might be responsible for lower than expected numbers of BWC customers is uncertain. More informative is needed to consider whether aspects of BWC itself might have led to few people receiving it. A key factor here is that BWC introduces an incentive to work part time. For the group most likely to be able to benefit from BWC, the rationale behind introducing such an incentive is unclear. This group is made up predominantly of young JSA claimants. Unlike lone parents or people with a disability, in most cases such people would expect to work full time. Indeed, the qualitative analysis confirmed this; for the most part, individuals either stated explicitly that they wanted to work full time or they revealed desired characteristics of employment that effectively ruled out part-time work. In short, the incentive provided by BWC was insufficient to overcome jobseekers’ general preference for full-time work. Of course, redesigning BWC in such a way that it did not incentivise part-time work would be straightforward. Were BWC available at a flat rate along the lines of IWC for lone parents or RWC for people with a disability, it would provide an incentive to work at all levels. In this form, the incentive may be more effective, since it would align with individuals’ preferences rather than seek to radically alter them. Alternatively, increasing the size of the credit or ensuring full costs of employment were taken into account would increase the incentive effect.

Aside from issues of design, the manner in which the pilot was carried out may also explain why so few people claimed BWC. The research has shown that awareness of BWC was low. Obviously, for BWC to influence people’s job search, they have to be aware of it. This was typically not the case, with individuals often only finding out about it once a job had already been secured. Advisers have to communicate a large amount of information and it is easy to see how Jobcentre Plus customers may become confused between similar-sounding schemes or simply not retain all the information that could potentially help them. Ways of improving communication are needed. Advisers themselves were aware of the potential for information overload and also conscious that the timing of information provision is important. Individuals are most likely to retain information that is directly relevant to their
situation so, for example, discussing BWC at the start of a benefit spell may not be worthwhile since, at that stage in their claim, most people may be focused on adjusting to their new circumstances rather than looking 26 weeks ahead. For JSA claimants, the Restart interview would seem to offer an ideal opportunity to introduce the BWC since the timing of this interview coincides with the onset of BWC eligibility.

Ideally, a pilot would trial a new policy under the same circumstances that would prevail were it an established part of national policy. This can be difficult to achieve. In this pilot, promotion of BWC was not as extensive as it might have been were it a national policy. Furthermore, it is only to be expected that a new policy – particularly one from which relatively few people are likely to benefit – is going to take some time to achieve widespread recognition. A comparison with WTC is interesting in this regard. The existence of WTC is widely appreciated. This may be due to WTC (and its predecessors) being long-standing and having received extensive media coverage. BWC, on the other hand, was new and only known through Jobcentre Plus information. It may be that pilot (and new) programmes which rely on customers’ knowledge require particularly extensive publicity to reach their long-term performance levels. For localised programmes, this may be difficult because national media is inappropriate.

In a similar vein, using national infrastructure to trial a local intervention may be problematic. In this case, the BOC could not be altered to reflect the existence of BWC. As a consequence, the BOC output showed how much better off an individual would be in work without BWC. This was the message that was emphasised in the default output made available to the customer and it was left to the Adviser to annotate that output with the BWC amount, estimated as the payment needed to increase to £25 the difference between in-work and out-of-work weekly income. This did not provide the customer with a clear message. Furthermore, the BWC entitlement could only be estimated approximately using the BOC, because, according to some Advisers, the calculation of income differed between the BOC and the BWC, as well as because the data provided by customers for the BOC (for example relating to rent) was sometimes inaccurate. Some individuals reported that their actual BWC entitlement was smaller than that suggested by the BOC. Ideally, the pilot would have had available a means of administering the BOC in the same way that it would be were it part of national policy.

Regardless of the timing and manner of communication, the problem remains that Jobcentre Plus customers are often expected to absorb a large amount of information. Introducing payments such as BWC only adds to the complexity of the benefit and tax credit system, creating further potential for confusion. Were there a fresh attempt to incentivise a return to work among young JSA claimants, it may be appropriate to consider using the existing infrastructure, principally the WTC. One possibility would be to extend eligibility for WTC to those under the age of 25. Clearly, this would have cost implications but there would remain scope to control the extent of these implications by adjusting the WTC ‘basic element’ for this group accordingly.
Extending WTC in this way would not provide the same time-limited support as provided by BWC. However, it would provide a convenient infrastructure for delivering such support. Specifically, this could be achieved by introducing a premium similar to the time-limited WTC premium available to people over the age of 50 who have been claiming benefits for 26 weeks and then enter employment.

Overall, the pilot has shown that, as currently defined and delivered, BWC as piloted has not been a significant addition to the range of back-to-work support. The question remains as to whether a modified credit might be more effective in encouraging people back to work. More work is needed to understand how best to design such a credit. For example, is a period of 26 weeks sufficient or is 52 weeks (as provided under IWC and RWC) preferable? The answer to this depends on factors such as whether and at what rate earnings progression takes place, how long it takes for individuals to acquire the habit of working and whether the costs of entering employment are one-off costs rather than ongoing costs. Understanding these and other points would help in refining the design of this and other credits designed to support employment entry.
Appendix A
Calculating BWC

Calculating eligibility for BWC was complicated by the fact that it is not possible using the Policy Simulation Model (PSM) to know the duration of claims for Incapacity Benefit (IB), Employment and Support Allowance (ESA) or Severe Disablement Allowance (SDA). As noted in Chapter 1, eligibility for Better-off in Work Credit (BWC), Return to Work Credit (RWC) and the Working Tax Credit (WTC) premium payable to over-50s returning to work requires that individuals have been claiming one of the qualifying benefits for 26 weeks or longer. In order to establish the degree of inaccuracy that might be introduced by not having this information for disability-related benefits, the distribution of IB duration in the population was examined using the Department for Work and Pensions’ (DWP’s) Tabulation Tool.¹

This distribution is shown in Table 2.1. Ninety-one per cent satisfy the BWC criterion (the first column shows that nine per cent of IB claims are of less than six months duration). However, PSM also records the type of IB in payment. Since the short-term lower (ST(L)) rate of IB is only payable for the first 28 weeks of the claim, it matches the 26 week eligibility rule for BWC quite closely. Table 2.1 shows that ST(L) IB claims account for three per cent of the total. Of the remaining IB cases, 94 per cent have a claim of six months or longer in November 2008. Consequently, assuming that all those on non-ST(L) IB are eligible for BWC provides a reasonably close approximation and this is the approach that has been taken. Contributory ESA customers are treated as all satisfying the 26-weeks duration criterion. In this case, the Tabulation Tool provides no clues as to how reasonable an assumption this is likely to be since ESA is not yet one of the featured benefits. A similar assumption is made for SDA claimants.

¹ http://83.244.183.180/100pc/tabtool.html
### Table A.1 National distribution of IB durations, November 2008

<table>
<thead>
<tr>
<th>Duration of IB</th>
<th>Duration by type of IB</th>
</tr>
</thead>
<tbody>
<tr>
<td>col %</td>
<td>Short-term lower rate</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Up to 3 months</td>
<td>4</td>
</tr>
<tr>
<td>3-6 months</td>
<td>5</td>
</tr>
<tr>
<td>6-12 months</td>
<td>7</td>
</tr>
<tr>
<td>12-24 months</td>
<td>10</td>
</tr>
<tr>
<td>24-60 months</td>
<td>21</td>
</tr>
<tr>
<td>60+ months</td>
<td>53</td>
</tr>
</tbody>
</table>

Source: DWP Tabulation Tool

For families identified as eligible, the PSM was used to estimate what their in-work income for BWC purposes would be were they to enter work of 16 or more hours a week. To do this, PSM had to be amended to calculate IWC, RWC and the WTC premium payable to those over the age of 50 moving from benefit into work.

Having constructed measures of in-work and out-of-work income consistent with the BWC definitions, the BWC entitlement is calculated straightforwardly as the difference between the two, rounded up to the nearest pound.