Earnings Top-up Evaluation: Qualitative Evidence

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A report of research carried out by the Social Security Unit, Centre for Research in Social Policy, Loughborough University on behalf of the Department of Social Security
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At CRSP we work as a team. The researchers provide support and guidance among themselves, and rely on all the support staff, as a team, for their high standard of work.
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# LIST OF ABBREVIATIONS

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
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<tbody>
<tr>
<td>CAB</td>
<td>Citizens Advice Bureau</td>
</tr>
<tr>
<td>CRSP</td>
<td>Centre for Research in Social Policy, Loughborough University</td>
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<tr>
<td>ES</td>
<td>Employment Service</td>
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<tr>
<td>ETU</td>
<td>Earnings Top-up</td>
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<tr>
<td>FERRET</td>
<td>(superseded) software programme used by Employment Service Jobcentre staff to calculate the effects of changes to customers’ earned and benefits income</td>
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<tr>
<td>IER</td>
<td>Institute for Employment Research, University of Warwick</td>
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<tr>
<td>JSA</td>
<td>Jobseeker’s Allowance</td>
</tr>
<tr>
<td>LMS</td>
<td>Labour Market System: software used by Employment Service Jobcentre staff to record all transactions with customers</td>
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<tr>
<td>LTC</td>
<td>Long Term Claimant</td>
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<td>PSI</td>
<td>Policy Studies Institute, London</td>
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Earnings Top-up (ETU) was an in-work benefit available to low paid workers without children. ETU was piloted from October 1996 to October 1999 in eight areas across Britain. This volume is part of a set of seven final reports from the evaluation of the ETU pilot. (Baseline statistics were published in 1999, in DSS Research Report No. 95, and interim evaluation findings were published in March 2000, DSS Research Reports Nos. 112 and 113).

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

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

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

**Earnings Top-up Evaluation: Employers’ reactions** (Lissenburgh, S., Hasluck, C. and Green A., 2001, Department of Social Security Research Report No. 132). This report is in two parts. The first presents findings from the surveys with employers carried out by PSI during the ETU pilot. It explores employers’ experiences of ETU focusing on wage effects and hours worked. The second part is econometric analysis, undertaken by IER, which considers the effects of ETU on employers’ behaviour and the recruitment process.
Earnings Top-up Evaluation: Effects on Low Paid Workers (Marsh, A., Stephenson, A., Dorsett, R. and Elias, P., 2001, Department of Social Security Research Report No. 134). This report is in two parts. The first section, by PSI, presents findings of the surveys conducted with low paid workers and ETU recipients throughout the pilot. It explores the characteristics of these workers and the effect that ETU had on their lives and examines the reasons for non take-up of ETU among eligible workers. The second part, by IER, analyses the same data to explore the wider labour market and potential long-term effects of ETU.

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

Earnings Top-up Evaluation: Staff Views (Vincent J., Heaver, C., Roberts, S. and Stafford, B., 2001, Department of Social Security In-house Research Report No. 74). This report presents the findings of the staff panels drawn from the eight pilot areas, and from central administrative/processing staff from the Benefits Agency and Employment Service staff over the three years of the pilot. The report focuses on staff's views of ETU and the way in which it operated within the pilot areas. It also considers changes over time from the beginning of the pilot to its end in 1999.

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

Previously published research in the ETU series include:

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

The First Effects of Earnings Top-up (Finlayson, L., Ford, R., Marsh, A., Smith, A. and White, M., 1999, Department of Social Security Research Report No. 112). This report presents the findings from surveys conducted in 1997, almost one year after the introduction of ETU, with employers,
low paid workers, medium term unemployed people and ETU recipients. The report presents interim analysis of the first effects of ETU over this period.

**Piloting Change** (Vincent, J., Abbott, D., Heaver, C., Maguire, S., Miles, A. and Stafford, D., 1999, Department of Social Security Research Report No. 113). This report presents the interim findings from three components of the ETU qualitative research: two group discussions with Employment Service and Benefits Agency staff; face-to-face interviews with ETU recipients; and telephone interviews with employers.

This report presents findings from three separate qualitative studies focusing on ex-recipients of ETU, self-employed recipients and unsuccessful ETU applicants, all of which provide crucial evidence that informs the conclusions of the evaluation of ETU.
The Department of Social Security (DSS) introduced Earnings Top-up (ETU) on a pilot basis, to run for three years from October 1996 to October 1999. ETU was an income-related, in-work benefit. It aimed to encourage single people and couples without dependent children to take up work or stay in work of 16 hours a week or more.

The pilot ran in eight areas: four received Scheme A ETU at a lower rate; and four matched areas received Scheme B ETU at a higher rate. Four additional matched control areas did not receive ETU. The areas covered four different types of labour market: major urban, large town, seaside and rural.

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

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

Interviews were held with 64 people who had received ETU, but no longer did so early in 1999. The study was to explore their experience of ETU and their destinations.

Four patterns of award were represented: ex-recipients who had received only one ETU award, had renewed their award once or twice and then stopped, had made an unsuccessful application to renew their award, and who had completed two discrete periods with ETU.

The sample was also divided between those who claimed early in the pilot (their claim finished before 31 March 1998) and those who had received ETU until recently (their claim finished after March 1998).

Five patterns of work were identified: first-time employees; steady job-holders; people who had been in a series of short-term jobs; those with a chequered history of jobs and unemployment; and some who had been mostly unemployed or economically inactive.

The work histories and occupations of the ex-recipients were similar to those of respondents to the other qualitative studies carried out for the evaluation of ETU. Men and women did different types of work; their
working hours related to the occupation and industry and to women’s family responsibilities. Self-employment was mostly male and in urban settings.

Most thought that work was very important for social, psychological and financial reasons. Nearly all the respondents who had been unemployed found it a negative experience they wished to avoid repeating. However, respondents could not take work at any price because they could not afford to be financially worse off.

Local labour markets Male respondents found it more difficult to get work in their area than female respondents. Older men from urban settings described the loss of major industries. Several men said that jobs were available, but they were low-paid and part-time or on short-term contracts. Choice of employment was limited by age, lack of qualifications and experience and the distance people could travel to work.

Applying for ETU Most of the respondents were living in their parents’ house when they applied for ETU and most were already in work. A very few were unemployed and took a low paid job because of ETU. Some claims were triggered by an event such as a spouse’s unemployment. Half the men were self-employed, but very few of the women were.

Most of the respondents who were already in work when they applied for ETU said they would have stayed on anyway, but a substantial minority thought ETU had given them vital help. Some self-employed people found ETU very helpful when they were establishing their business. A few had more than one job in order to find the necessary 16 hours.

Respondents who received ETU earlier in the pilot heard about it from Jobcentre staff, work colleagues and local publicity. The range was wider for later recipients who heard also from family and friends, and from their employers. A few self-employed people were told by staff at small business support units.

Most said the application process was straightforward but a few, particularly self-employed people, found it very demanding. Some found the questions intrusive. A minority reported difficulties with employers who were slow or inefficient in providing information.

Experience of living on ETU One award only. ETU helped some of the members of this group over a difficult time, or to set up a business. Some said that ETU helped them a lot, in particular because of secure, regular payments. A few thought they were hardly better off with ETU because it counted as income in the assessment of benefits, while they incurred work-related expenses.
**Renewal awards.** Most thought ETU helped them to budget within tight constraints, but a substantial minority considered that they gained little or no cash advantage because ETU counted as income in the calculation of other benefits.

**Eventually disallowed.** Two older people thought there was little or no advantage to receiving ETU because of their housing costs. However, housing tenure did not determine people’s experience: those who owned or rented their home equally welcomed ETU at a time when they were struggling. For many, it made the difference between managing and failing to manage.

**Subsequent award.** Most made their second application when they changed job, or changed their hours in the same job. A few had taken seasonal work or set up as self-employed. All found ETU helpful, and some said it was a big help; only a few were critical. As in all the groups, the young people who lived at home with their parents gained the most in terms of personal spending power, though to different degrees.

**Leaving ETU**

Four types of experience leaving ETU were discerned: people who calculated they would not be eligible and did not reapply; people who reckoned they would be better off without ETU and did not reapply; those who applied unsuccessfully; and those who lost their jobs and claimed JSA. In addition, three women moved from work with ETU to claiming DWA, Income Support or Retirement Pension.

Most of the unsuccessful claimants thought they had been given a clear explanation and felt no need to dispute the decision. Some questioned the fairness of assessment based on unrepresentative weeks and criteria that they could not recall from their first application.

**Impact of loss of ETU award**

People who did not renew or applied with little hope of success were least likely to experience an adverse effect. Those who expected to be successful were more likely to find the loss affected them badly.

Many said the increase in their income offset the loss of ETU and a few were much better off. Some felt the loss of income quite keenly, in some cases because ETU was separate from the main flow of income and was earmarked for particular use.

**Destinations after ETU**

**First time employees.** Nearly all of this small group were in the same, full-time job and were financially better off and gaining skills. One was unemployed because her job was seasonal.
Steady work. Most continued in steady work, with improved pay and/or hours. Most of the self-employed continued to build up their businesses. Several thought their current jobs were better than before ETU, though only a few felt better off financially. Most said their jobs with ETU enhanced their job prospects, and also that they would have taken or stayed in that job without ETU. A few valued ETU for the help it gave during a particularly difficult time.

Series of short-term jobs. Several had been in steady employment since claiming ETU, some in the same job as when they applied. They received more pay or worked longer hours and thought their job with ETU had enhanced their prospects. However, all but one of the self-employed respondents had wound up their businesses.

In and out of work. All but one of this group had been in and out of work since their job with ETU and were unemployed at the time of the interview. One had taken various short-term and seasonal jobs. All the unemployed respondents were worse off when interviewed; the one in work did not feel much better off, but enjoyed his work.

Mostly out of work. Half were in the same job they had with ETU, with an increase in pay and/or hours, and half were unemployed (all women over 45). Only one person had been self-employed while claiming ETU; he was unemployed.

Summary. Most of those who were still in work said their income covered the loss of ETU. Most of the others felt better off with unemployment-related benefits. The majority said that their job with ETU gave them skills and experience that helped their job prospects; just two said that they stayed in that job because of ETU.

Three groups were identified: those who had not escaped low paid and insecure work; those who were managing, with modest expectations; and those who had increased their earnings. The categories were associated with people’s work status, but not determined by it: some were better off claiming unemployment-related benefits than in low paid work. Outcomes did not follow inevitably from work histories: some changes of fortune were observed.

In praise of ETU. Respondents almost universally praised ETU for the help it gave them and the security of the regular payment. Some respondents from all pilot areas said that ETU enabled people to take the low paid and part-time work that was on offer and that they otherwise would not have been able to consider.

ETU helped particular groups such as respondents with a limited capacity to work and trainees and apprentices who were learning and had to buy tools and equipment.
Criticisms of ETU. Many ex-recipients said they could think of no criticisms, but others had experienced problems themselves or raised more general points. A minority, employed and self-employed, referred to the claims process. In addition, ETU was criticised for: excluding people on training schemes; age-related availability and award levels; assessment based on four, possibly unrepresentative, pay slips; lack of information and clarity about self-employed people and renewal dates; and not entailing free prescriptions and other benefits.

A few believed that the amount of the award was inadequate to run a home: ETU helped them to manage, but kept them poor. Some thought that ETU might encourage people to take or stay in unsatisfactory jobs; support employers who paid very low wages; and interact with benefits so that some recipients were no better off.

Equity, stigma and self-esteem. Many wanted ETU to be better targeted according to people’s needs. Many thought there should be no need for ETU: employers should pay fair wages and should not be allowed to use ETU to subsidise cheap labour. Respondents from across the country described a local surplus of labour that they said allowed employers to hold down wages.

Most of the ex-recipients would have preferred not to have to claim a benefit, but did not find the process of claiming and receiving ETU too painful or stigmatising.

Abuse. A few respondents thought that all provision was abused. Some could see a number of ways that ETU could be abused, but few thought it was actually taking place. Some ideas rested on misunderstandings about how ETU worked.

Improvements. More publicity; simplification of claims process; ignore other benefits or partner’s income in assessment of ETU; awards to be higher, perhaps for a shorter period; employers to pay fair wages; and abolition of age-related rates.

Views on ‘going national’. The majority of respondents thought that ETU should be introduced nationally because of the preponderance of low paid and part-time work. Many thought it only fair that others should be helped as they were. Some thought that piloting was unfair. Concern was expressed that ETU would come to an end, leaving people ‘stuck’ in low paid jobs and unable to manage.

Conclusions ETU helped many, though not all, to improve their circumstances and prospects. Others stayed in and coped with low paid work, but some failed to escape from insecurity and unemployment. Some felt that they were as well off, or even better off, when claiming out-of-work benefits.
The relatively small difference between the best and the worst off meant that security of employment, improved hours and rates of pay and modest ETU awards all brought positive effects. Conversely, insecure employment, fluctuating hours, illness and redundancy could put people in difficulties.

In-depth interviews were undertaken with 30 self-employed people who received ETU during 1999. The study explored the experiences and views of self-employed recipients.

A few respondents went straight into self-employment from school or training; some were employed in what became their self-employed line of work; and others’ jobs were unrelated to their self-employment. Some had worked steadily for long periods, while others had more chequered histories, including periods of unemployment.

Three types of businesses were identified: relatively new and expanding, barely surviving, and in decline.

Most respondents preferred self-employment because it gave them greater self-determination and control, a sense of achievement and the flexibility to plan their time around other responsibilities. They acknowledged the insecurity and other costs. Most thought that the advantages outweighed the disadvantages, but a few sought the security of employment.

Respondents thought jobs were available locally, but they were boring and low paid and competition was fierce. Respondents from the north of England and Scotland reported the greatest job scarcity, in particular for young and older people and for men.

Men’s businesses tended to carry out manual work, while women’s mostly provided personal services. A few respondents appeared to be only nominally self-employed because they worked for one company.

Respondents with established businesses, sometimes of many years standing, applied for ETU because their business was struggling. Those who had just set up their business applied because they thought that ETU would help them while they were building their business.

Recipients heard about ETU from Jobcentre staff, business start-up schemes and word-of-mouth. A few found out from local publicity.

The majority of the respondents found the application and renewal process problem-free though a few said that the form was too long or intrusive or they needed help to complete it. Some found it difficult to estimate their future earnings or calculate their potential ETU. Processing staff were praised for their speed and helpfulness.
Impact of ETU

ETU played an important role, though the impact differed: it helped new businesses to become established; it allowed those who were barely surviving to manage; and it propped up, or cushioned the fall of, those in decline and allowed some to carry on longer than they would have otherwise.

ETU helped respondents and their households: they tended to earmark it for specific expenses. Nearly all of them said that they were better off financially working with ETU. Respondents also reported wider positive effects on their confidence.

Views about ETU

Respondents almost universally praised ETU for the help it provided. They said it particularly helped self-employed people because it provided a regular and secure income. They thought it encouraged people to take employment, was operated efficiently and helped groups who usually were ignored.

A few made criticisms: ETU might be open to abuse by self-employed applicants; awards were set too low and were sometimes based on unrepresentative earnings; and some people might do only enough to meet the minimum requirements. They regretted that wages were so low that ETU was needed and that it had not been better publicised.

The majority believed that ETU would be a work incentive though some sympathised with people’s fear when making the transition from benefits to work. They cautioned against taking a job with no prospects. Some pointed out that ETU would have to be better publicised if it was to have a work incentive effect.

Many, though not all, believed that employers would exploit ETU; others thought that the introduction of the National Minimum Wage prevented abuse. A few said ETU could help companies to expand their labour force.

Respondents thought that ETU could be improved by raising awards, increasing publicity and including help with housing costs. For self-employed people, they suggested that: the assessment and payment periods should be adjusted to take account of fluctuations in earnings and make awards more appropriate to current needs; better monitoring would decrease the likelihood of abuse; and Jobcentre staff should be able to give relevant advice.

Many approved of piloting in principle, but some deplored the unfairness in practice. Many could not understand why ETU was being discontinued when it appeared to be so effective. Some feared they could not manage without it.
Self-employed recipients were compared with employees. Similarities were: their work histories and gendered patterns of employment; their positive experiences of the process of applying for and receiving ETU; and the aspects of the scheme that they praised and criticised. They believed that ETU had successfully achieved its aims and regretted that it was to be withdrawn.

There were some differences: self-employed respondents tended to think that ETU had strongly influenced their decisions about their businesses, and the outcomes; the application forms and supporting evidence presented particular problems to self-employed people; self-employed people appeared to suffer greater insecurity and variation in their earnings than employees; some self-employment seemed to be only nominal; self-employed people ploughed ETU back into their business as they invested in tools and equipment; ETU for self-employed people could be seen as an investment in the future, with a multiplier effect when businesses developed and took on employees.

In-depth interviews were carried out during Spring 1999 with 30 people who had made one or more unsuccessful claim for ETU. (Although some had also made a successful claim at some stage.) The aim of the study was to explore why some people mistakenly applied for ETU.

Work histories and occupations were similar to successful claimants. Most of the jobs did not require qualifications or involve supervisory tasks. A number of respondents were educated to a level beyond that required by their job.

A number of respondents had experienced traumatic or tragic events that had impacted on their working lives. Some suffered from chronic illnesses that restricted the type of work they were able to do.

Most of the younger respondents had yet to establish a pattern of employment. Several of the older men had stable work histories that fragmented as they got older. All the older women had held long-term jobs, interrupted for many by periods out of work or working part-time while caring for children or sick relatives or contributing to their husband’s business.

Self-employed respondents were setting up fledgling businesses, just managing to stay solvent or in failing businesses.

Almost all respondents thought that the benefits of work extended beyond earned income to include social and psychological aspects. Some older men were angry that their abilities had been discarded. Other older people believed that they had made their contribution and were moving towards retirement. A number of the younger respondents were ambitious.
Respondents’ perceptions of their local labour market

Respondents’ perceptions were almost entirely negative: they reported low paid, unskilled jobs on insecure, short-term contracts for themselves and people like them in their area. Work could be found, particularly by women, but the pay was low, the work often unpalatable, and health and safety considerations neglected. Nearly all felt pessimistic about future job opportunities and some said that it would be necessary for young people to leave the area in order to find work.

Circumstances at time of application

At the time they made their claim for ETU nearly all the younger respondents lived with their parents while the older ones lived alone or with a partner. Women had left the parental home at a younger age than the men. Some of the respondents owned their own home.

Most respondents, both male and female, were in work when they applied for ETU. Several of the employed men were in part-time work. More women were in full-time than part-time work. Some worked part-time out of choice, most from necessity in that they were unable to find full-time work or they had responsibility caring for a relative.

Reasons for making a claim

- Renewal claim, but the respondents had allowed a period of more than two weeks to elapse after the expiry of their order book.
- Respondents found their income from employment inadequate and made a first application for ETU.
- Some claims were triggered by a crisis such as a partner leaving.
- Self-employed people claimed because their business did not yield enough income.
- A few should have claimed another benefit.

Finding out about ETU

Respondents first learned about ETU through their local Benefits Agency office or Employment Service Jobcentre; local publicity campaigns (early on); family and friends; employer and work colleagues; and from training services.

The claim process

Employed and self-employed respondents differed. In general, employed respondents found the claim process straightforward, but some found the forms difficult or employers unhelpful. Most respondents did not consult Benefits Agency or Jobcentre staff about their entitlement. Some self-employed respondents said that they found completing the form burdensome.

Reasons for refusal

Typically, applicants were refused because they worked too few hours or their income was too high. One was disallowed because her job would not last for five weeks. Others had children, were retired or disabled; they were directed to the right benefit.

Immediate response to refusal

Nearly all the respondents accepted the decision to refuse them ETU, but some felt angry. A few contrasted their own ‘deserving’ case with other ‘undeserving’ cases.
Disappointment was related, in part, to expectations. Respondents who had previously received ETU were most aggrieved. Respondents who had been advised to claim by people in apparently identical circumstances were also annoyed. Younger people were less accepting or at least more vocal about it than older people.

**Repeat claim disallowed.** Respondents either tried to compensate for the loss of ETU, or waited for the return of a stable work pattern so as to re-apply. There was no evidence that anyone declined extra work in order to re-claim ETU. Respondents reported hardship.

**Inadequate income.** Most respondents said their income was inadequate without ETU. They responded according to the available options, such as seeking work with stable hours or with lower travel costs. Others were unemployed by the time of the interview.

**Following a crisis.** In one case the crisis resolved itself; otherwise respondents said that hardship and anxiety continued.

**To support a business.** The fledgling businesses improved; those in decline had ceased trading, though because of difficulties outside the scope of ETU; and a few continued not to generate sufficient income and had been augmented with part-time jobs.

**Interface with another benefit.** Respondents who applied for the wrong benefit were advised by the DSS accordingly and made successful claims for DWA, Family Credit or Retirement Pension. Only a few respondents grasped the details of the benefits concerned.

**Views on ETU** Increasing the net income of people on low wages was almost universally supported and justified under current labour market conditions. Many favoured a National Minimum Wage, making employers responsible for paying a decent wage, not the taxpayer. ETU was seen as particularly helpful for part-time workers.

Self-employed respondents suggested that ETU could have an important role when starting up a business.

Some were satisfied with the level of the award, but others found it inadequate. Respondents living at home with their parents were more satisfied than those running their own household. Many said rates should reflect recipients’ responsibilities.

Many claimants felt that the conditions of entitlement should be relaxed to broaden the number of beneficiaries. Some felt the six-month payment period was too inflexible, and that assessment should accommodate unrepresentative departures from normal patterns of work.
Respondents felt that ETU was an incentive to take up or remain in low paid work, but some were not convinced this was always a good thing. Self-employed respondents said that ETU would have the beneficial effect of encouraging employers to take on staff. Some employees claimed it would help employers to hold down wages.

Respondents almost universally believed that it was better to work for money than receive benefits. ETU was judged not to be as stigmatising as out-of-work benefits.

Conclusions

There appears to be a constituency of low paid people who find it difficult to make ends meet, but fall just outside the criteria for ETU. They need the proactive provision of explanation and advice by agency staff so that they can understand their rights and responsibilities. Such provision could be provided by Personal Advisors in the ONE pilots.
The Department of Social Security introduced Earnings Top-up (ETU) on a pilot basis in October 1996. ETU was an income-related, in-work benefit, which supplemented the wages of low paid workers. It aimed to encourage people to take up and stay in low paid work. Eligibility depended on recipients having full-time employment (16 hours a week or more), no dependent children, a low income and living in a postcode address in a pilot area.

1.1 The ETU pilot

ETU was the first real pilot of a social security benefit. It ran for three years, finishing in October 1999, as planned. The evaluation exploited its pilot status with a programme of research that started before ETU was introduced and was carried out over five years.

ETU was introduced in eight areas, as follows:
- four areas received Scheme A ETU at a lower rate;
- four matched areas received Scheme B ETU at a higher rate; and
- four additional matched control areas did not receive ETU.

The pilot was based on travel-to-work areas, covering four different types of labour market:
- major urban areas;
- large towns;
- seaside areas; and
- rural areas.

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

ETU was centrally processed and administered by BA staff at Fylde/Norcross, in liaison with ES. Because it was introduced on a pilot basis, the status of ETU was different from a statutory benefit: for example, recipients were not ‘claimants’ but ‘applicants’ or ‘recipients’; and it had rules rather than regulations.

1.2 The evaluation

The evaluation was to see if ETU achieved its aims to provide an incentive for people to take up and remain in low paid employment. The studies also had to determine whether ETU allowed employers to hold down wages in the pilot areas and affected their recruitment and retention of labour.
The design of the evaluation of the pilot integrated three complementary approaches: two quantitative impact studies conducted by the Institute for Employment Research (IER) and the Policy Studies Institute (PSI), and a process evaluation using qualitative methods carried out by the Centre for Research in Social Policy (CRSP).

The quantitative analyses focused on determining whether the policy met its stated goals: IER carried out local labour market analyses, drawing on a range of data sources, and PSI carried out surveys of employers, ETU recipients and potential recipients (low paid workers in work and unemployed people).

The task of the process evaluation was to understand why and how the effects of ETU came about, and to offer insights into ways that the policy might be adjusted or fine-tuned in order better to meet the policy objectives. A key element was to recognise the differing, and potentially conflicting, perspectives of the key groups involved in, or affected by, the implementation of ETU. To have relied solely on the perceptions of one group would have risked providing a biased account of real world events.

CRSP’s studies included: in–depth interviews with samples of successful and unsuccessful applicants, current and past recipients, employed and self-employed recipients and employers; and staff panels, which met three times, and comprised local BA and ES staff in each of the pilot areas and central administrative staff.

The reports on ETU recipients and their employers and on the first two rounds of meetings of the staff panels were published in *Piloting Change* (Vincent et al., 2000). The final findings from the ETU evaluation are published in seven reports, detailed in the preface to this report.

1.3 The report

This report complements *Piloting Change*. It is in three parts. Part One concerns ex-recipients and their various routes off ETU and experiences thereafter. Part Two considers the experiences and views specific to self-employed recipients, and Part Three explores the reasons why employee and self-employed applicants were unsuccessful and their responses to the failure to receive ETU.
Earnings Top-up Evaluation: Qualitative Evidence

Part One • Ex-recipients of Earnings Top-up: Routes off
2 EX-RECIPIENTS OF EARNINGS TOP-UP: ROUTES OFF

2.1 Introduction

2.1.1 The study

In-depth interviews were undertaken with 64 people who had received Earnings Top-up (ETU), but no longer did so early in 1999 when the fieldwork was undertaken. (The introduction of the minimum wage was anticipated, but did not take place until a month or two later.)

Respondents were interviewed to explore why they left ETU and their destinations, to discern if their employment and ETU histories and experiences distinguished them from other recipients and to elicit their views about ETU.

2.1.2 The respondents

Four patterns of award were represented. The sample included ex-recipients who had:

- received only one ETU award;
- renewed their award once or twice and then stopped;
- made an unsuccessful application to renew their award; and
- completed two discrete periods in receipt of ETU.

The sample was also divided between those who claimed early in the pilot (their claim finished before 31st March 1998) and those who had received ETU until recently (their claim finished after March 1998). Half of the sample of men were self-employed, but very few of the women were. The distribution of self-employed recipients in the sample differed between Scheme A and Scheme B, though not among the pilot areas in the Schemes. In the Scheme A pilot areas, nearly half of the men were self-employed, though none of the women were. In the Scheme B pilot areas, around a quarter each of the men and women were self-employed.

The details of the sample are in Appendix A.

The interviews lasted for 90 minutes. They were transcribed and analysed using NUD*IST (a computer package used for analysing qualitative data). The topic guide is at Appendix B.

2.1.3 The report

The next section of this report outlines the ex-recipients’ work histories, and their views about work and the availability of jobs in their locality. Respondents’ experiences of ETU are described in the following three sections: applying for ETU, living on their award and then leaving ETU. Recipients’ work destinations when they were no longer claiming ETU are described in Section 2.6; finally their views about ETU and in-work benefit are outlined in Section 2.7.

2.2 The applicants and their work

Applicants’ patterns of work and the types of jobs they have held are outlined first, followed by their views on the importance of work in their lives and the availability of jobs in their locality.
Patterns of work

Five patterns of work were identified:

- first-time employees;
- steady jobholders;
- people who had been in a series of short-term jobs;
- those with a chequered history of jobs and unemployment; and
- some who had been mostly unemployed or economically inactive.

The work histories of the ex-recipients of ETU were similar to the respondents to the other qualitative studies carried out for the evaluation of ETU as described in Parts Two and Three of this report and in Vincent et al (2000).

Women were more likely than men to have spent a long period out of the labour market, while men were more likely to have been in and out of work in the course of their working lives. Many women had been out of the labour market for a long time due to family responsibilities before getting steady work or a series of jobs. One woman, for example, was out of work for about 12 years when bringing up her children and had since been in her present job for nine years. Some respondents saw labour market conditions as the reason for their time out of work:

‘[My longest period out of work] must have been four, possibly five years. I mean basically I left school, went onto a YTS scheme from there, bang in the middle of the recession, landed up with no jobs, going to the Jobcentre there was loads and loads of empty boards, there was no jobs around, so I had no choice but to go on the dole, or Income Support …’

(Woman aged under 25, employed, Scheme A seaside)

Some of the men associated key life events with patterns of work. For instance, an older man had been made redundant from steady work as a miner; subsequently, he was unemployed for eight years and recently he held a series of relatively low-paid short-term jobs. Another man had trained to be an industrial chemical engineer and had a steady job overseas for many years. He was divorced and returned to his (seaside) home-town in England where he spent some time out of work before getting a part-time job as a barman.

Most of the self-employed respondents had been in steady work or a series of jobs. Only one had experienced a relatively long spell of unemployment.

Some of the self-employed respondents had been self-employed for a long time; for example, a man had been a barber and a woman had run her own café for many years. Others had been working for an employer before deciding to go it alone. For instance, one man had done a series of jobs such as working in warehouses and being a cargo surveyor before deciding to set up business with his brother laying paving slabs.
Some men had gone from steady work to having a series of short-term jobs or being unemployed before they set up as self-employed. For instance, a man from a major urban area had been an engineer until he was made redundant nine years ago. He had a series of jobs before he became a self-employed taxi-driver.

Some self-employed respondents had been in and out of work frequently during their working lives due to the particular nature of their jobs. For instance, a young woman from a seaside area used to be a professional dancer so there were spells of unemployment between contracts.

Types of work

The types of work undertaken by the respondents, before and during their spell in receipt of ETU, were similar to those of people in receipt of ETU (Vincent et al., 2000). The most common types were those in the service sector (retail, cleaning and domestic work, catering and care work) and manufacturing (factory work); occupations involving administration and driving were also common. Other jobs were mentioned more rarely: they were mostly service-type occupations such as working with children, hairdressing, gardening and painting and decorating; the only manufacturing sector job was engineering.

With the exception of jobs such as hairdressing and working as a stonemason, most jobs did not require training particular to the job. Nor did they entail supervisory or managerial tasks.

There were gender differences. Women had worked in shops or offices, in catering, with children and cleaning, while men usually had factory work and driving. Men also mentioned physically demanding jobs, such as mining and labouring.

There were slight age-related and labour market-related differences. The youngest group (under 25) were more likely to have worked with children and to have undergone recent training for their jobs. Shop, office, and factory work were mentioned more by those aged 25-44, whilst the most common occupations amongst older workers (45 or over) were cleaning and driving. This older group also included a (former) miner.

Factory work was slightly more common amongst respondents resident in large towns whilst cleaning was more prevalent in conurbations and rural areas. Respondents from rural areas were most likely to have worked in shops or catering whilst the most usual type of work in the seaside areas was office work and catering.

Men accounted for all but three of the self-employed respondents. The most common type of work done by them in the past (excluding their self-employed job) was building and labouring work, window fitting and factory work. ‘One off’ occupations included being a member of
the Armed Forces and training to be a jockey. The self-employed respondents generally lived in the large towns and major urban areas. The self-employed respondents were usually aged between 25–44 when they first applied for ETU. Few were younger.

**Hours of work**

Respondents were divided fairly evenly among those who had always worked full-time throughout their working lives, those who had always worked part-time and those who had done a mixture of full-time and part-time hours.¹

Working hours were often related to the occupation and the industry, and gender differences were a reflection of this. Men were much less likely than women to have done part-time work. Some of the women worked part-time so as to fit their hours around family or caring responsibilities. Some of the older women found that part-time work suited them better after a long time out of work, caring for their family:

‘… part-time work suited me really well, I was so used to working at home, it was hard for me to get back into work because I hadn’t worked since he was born … and I found I couldn’t work full-time, I found it too much from being at home so much …’

(Woman aged 40+, employed, Scheme B major urban)

Men in particular saw local labour market conditions as influential in the decision to take part-time work. For instance, one man had worked abroad as an engineer and had always worked full-time. Since coming back to England, to a seaside area, he had to work part-time because he could not find full-time work. Another referred to the local labour market and the availability of full and part-time work:

‘Well everyday I go into the Jobcentre and I always see people there that are always looking for jobs but every now and again I hear them say oh it’s only part-time, I want something more full-time … most companies I know nowadays will only take on part-time employees, they won’t take them full-time.’

(Man aged 25–44, employed, Scheme A rural)

All but one of the self-employed respondents had always worked full-time. The exception had done a mixture of hours. This probably reflects the preponderance of men in this group.

¹ Respondents themselves defined their jobs as full-time or part-time. It is likely that the actual number of hours worked ‘part-time’ varied from job to job; it should be borne in mind that ETU was not available to people who worked less than 16 hours a week.
Motivation to work

The majority of these respondents, as in the other elements of the qualitative strand of the evaluation (op cit), felt that it was very important to work. Social, psychological and financial reasons were given.

Many respondents talked about the fear of boredom and said they needed the stimulation that work provides. Some, mostly women, referred to the importance of being with people and said they would hate to be stuck at home on their own all day.

Many people saw work being important for their mental health and that they would be depressed without it. For instance, one man thought that work gave him self-esteem and an older woman suffering from a major debilitating illness said that she would only dwell on her problems if she were out of work.

Work was a means to independence and the ability to pay one’s own way. Some respondents felt that it was important to be in work because they had known no other way of life: they and their families had always worked:

‘Yes, I’ve got to be active, I’ve always got to have a job and do something, I can’t just sit about and do nothing. For our family, mum’s always worked, dad’s always worked, my sister’s always worked, so have me and my brother, and it’s very, very rare for us not to have a job.’

(Man aged 25–44, employed, Scheme B rural)

However, two older women thought work was not so important; they were both out of work when interviewed. They had both entered the labour market late in life after getting divorced. One, who was in receipt of Retirement Pension when interviewed, felt that she was getting too old for work; the other felt restricted through ill-health.

Experience of unemployment

When talking about the importance of being in work, several respondents talked about their experience of unemployment. For most of these, it was a negative experience and one that they wanted to avoid in the future.

Lack of money was a major concern for many respondents who had been out of work. Some talked about how they became depressed and others said it affected their confidence and self-esteem.

In addition, some respondents, particularly men, felt stigmatised by having to sign on, a process that was variously described as ‘horrible’ and ‘degrading’. For example, an older man suffered his first experience of being
unemployed after many years of steady work as a salesman:

‘The first thing I had to do was to go and sign on the unemployment, and I found that very demeaning, having worked all my life to go up there and to get knocked around. I mean, I’ve always been in the customer service industry where you put yourself out for your customers or you just don’t do the business. I felt I was just being treated like a number, I stopped being a person and to be honest with you I nearly lost my head a few times.’

(Man aged 45+, self-employed, Scheme B rural)

A few had learned to cope with unemployment. For instance, an older man who was out of work through ill-health was eager to work again but he had developed hobbies to keep him occupied.

**Work at any price**

As found in previous research (op cit), most employed and self-employed respondents felt that they would not take a job at any price, even though they felt work was very important. People could not afford to be financially worse off in work than they were when unemployed, though some said they would do anything as long as the money was ‘alright’.

Some respondents said they would only do a particular kind of job, usually because of illness or disability or qualification. For instance, one man was doing a course in Construction Management at the time of the interview and was looking for a steady career rather than just any job:

‘I can go out and get a job, that’s not a problem, it’s getting a job that’s relevant to what I want to do. In fact it’s not a job I want, it’s a career, somewhere to start, somewhere I can say this is my little niche and from this I’m going to stay there and get better at me job. I don’t want to be chopping and changing, I want to go somewhere and stay there pretty much …’

(Man aged 25-44, self-employed, Scheme B major urban)

Other respondents said they would not take certain kinds of work. For instance, one young man said he ‘couldn’t stand working in a factory’ and a young woman wanted to avoid ‘sitting on a checkout all day’.

A few women, across the age range, said they would not be choosy about the sort of work they would take just as long as they were in work. Some had low expectations following relatively long periods of unemployment in the past. One older woman had moved from the South East to a rural area and had to adjust to the local labour market:

‘… I used to be a supervisor in Rank Xerox, a big electronic factory, and then came up here and there’s not much industrial work here, so I just adapted and I done hotel work, waiting on, bar work, cleaning, shop work, housework, you know, as long as I could do something I really don’t mind what I do.’

(Woman aged 45+, employed, Scheme A rural)
Respondents expressed a variety of views and perceptions. There were some slight differences associated with area, gender and age.

Problems with the availability of employment

Generally, both employed and self-employed respondents were pessimistic about the availability of jobs in their area. Many people, particularly men and those from the large towns and seaside areas, said that they and others found it very difficult to get work. Some respondents, usually older people from large towns and urban areas, talked about the local loss of industry, particularly mining, shipbuilding and manufacturing.

Several respondents said that jobs were available in their area, such as cleaning, shop and security work, but they were rarely suitable because they brought low pay and part-time hours.

Many respondents referred to the abundance of low-paid jobs in their area (at rates well below the National Minimum Wage, which was introduced early in 1999, after this fieldwork). Men in general, and people from the major urban and rural areas most commonly mentioned low pay as a problem. Few of the younger respondents and none from the seaside areas mentioned it.

Respondents from the rural and seaside areas felt that there were too many part-time and seasonal jobs. This might be expected, given the areas’ association with tourism and service industries. As well as seasonal work, others said that many jobs in their area were too short-term:

‘I couldn’t go out and get myself a mortgage, I couldn’t go out and sign for a car and stuff like that because I don’t know where I am, and that’s how it is around here now, it’s just all contract work. You’ve got to sign a three month contract, a six month contract, and then after that six months or three months … they don’t want you in a job.’

(Man aged 25-44, employed, Scheme A large town)

A few respondents said there were some poor employers in their area. For instance, a man said the very low wages in his area were due to too many ‘crooks and con men’ and another said his local supermarket was getting a bad reputation because the managers were ‘not right with the staff’.

Some respondents thought their difficulties in finding work stemmed from their own characteristics, such as being too old or too young and lacking in experience or qualifications, rather than from the circumstances of their local labour market.

Having to travel to get work was a problem for a few respondents. For example, a woman who lived in a remote rural area felt restricted because she had to take into account the frequency and cost of public transport when looking for work.
Easy availability of employment

A few respondents felt that it was not too difficult to get work in their area. They were mainly women and tended to be from the major urban areas. They thought that there were jobs available for people who wanted to work:

‘… I would think on occasions where we have perhaps been struggling and we get the job paper and have a look and see and there’s always lots and lots of vacancies available, so I don’t suppose I particularly perceive that there is a problem in my limited experience.’

(Woman aged under 25, self-employed, Scheme B seaside area)

A few respondents had found it relatively easy to get work, although some acknowledged that this might depend on the type of work they sought. For example, an older woman said that women of her age in her area could always get cleaning jobs and another said she had been ‘spoilt for choice’ for this type of work. Receptionist, shop and clerical work also seemed easy for women to find.

Some respondents, mostly men, felt that the work situation might improve in their areas due to the development of certain industries such as distribution, meat processing, service jobs and information technology. One said some Japanese firms had opened up in his area and others mentioned new telephone call centres:

‘Well for the younger ones it’s becoming quite good because now all these mobile phone companies are moving in the area, my son’s friends they’re getting jobs there, call centres, they’re very good for the younger ones, very good …’

(Woman aged 45+, employed, Scheme B major urban area)

2.3 Applying for ETU

Applicants’ circumstances at the time they applied for ETU are described in this section, including their views on their jobs and the influence of ETU on decisions about jobs. How applicants found out about ETU, the application process and the involvement of employers are discussed.

2.3.1 Recipients’ circumstances at time of application

In the main, the circumstances of the ex-recipients when they claimed ETU appeared not to differ among the pilot areas and Schemes. However, there were age-related and gender differences.

At the time that they claimed ETU, most of the ex-recipients lived with other family members: very few of the women and men were living alone when they were in receipt of ETU, and some of those had married by the time they were interviewed. Most of the recipients who were under 25 years old lived with their parents: all of the young men and nearly all of the young women did so. However, the pattern was different for recipients aged between 25 and 44 years: more than half of these men lived in their parents’ or other family member’s house, while only a small minority of the women did so. More of the women than the men had their grown up children living with them.
Most of the ex-recipients were already in work when they claimed ETU, though again the patterns differed somewhat for men and women. Nearly all the women were in work; two moved from claiming Family Credit (now Working Families’ Tax Credit) to ETU because of the age of their children and one young woman started her claim when she reached 18 years and became eligible. The majority of the men were in work when they claimed ETU; some took employment, and a few moved either from unemployment or from a job into self-employment with ETU.

By definition, ETU could not have had any effect on whether claimants who were already in work took that job. Most of them said that they claimed because they needed more money. In some cases the need was precipitated by a change to the working pattern of their partner, not themselves. For example, one woman became pregnant and another’s firm closed down - in fact she heard about ETU from Benefits Agency staff who came to her place of work at that time, and she told her husband about it. A woman who ran a café, which had never yielded a high return on her full-time hours, applied for ETU when her husband lost his job:

‘I only take out £100 a week, with other staff wages that’s all I can afford because it’s such a high rent. Then my husband was made redundant, so of course that’s why I had to apply for Earnings Top-up … I just couldn’t manage and we were beginning to worry how we would keep paying the mortgage, and if he was out of work long-term, would we lose the house …’

(Woman aged 45+, self-employed, Scheme B rural)

A few men had been unemployed before setting up their own small businesses, sometimes after attending training. Typically, they started with an Enterprise Allowance and subsequently received ETU:

‘Then I did a course in general construction because me brother was a builder by trade and I’d always considered self-employment anyway … we decided to give it a crack once I finished this course, to do block paving … we were on the Enterprise Allowance, that was a godsend as well … we’d got monthly bills, no matter what, and sometimes you were without a wage and Earnings Top-up was like, phew, I always had that, I knew that was coming in.’

(Man aged 25-44, self-employed, Scheme B major urban)

A very few were unemployed and took a low paid job on the strength of the promise of ETU. For example, one man worked in a self-employed capacity two days a week (16 hours) for a roofer, and also ‘patched up’ with gardening, cleaning gutters and some window cleaning.

The kinds of jobs undertaken at the time of application differed by gender. The range of self-employed jobs was wide: for men, it included window and kitchen fitters, a tattooist and a barber, a car mechanic and a jobbing builder, a horticultural worker, taxi drivers and a carpet cleaner; for women, the jobs were teaching dance, running a café, making dolls and horticultural work. Employees carried out the same type of jobs as they had earlier in their lives.
Most of the respondents appeared to quite enjoy their work, in that they did not actively criticise it. However, they differed between those who were trained or otherwise committed to their work, and those who worked because that brought in the money. Respondents’ views on the influence of ETU on their decisions about jobs are discussed in the next section.

A number of women, such as those who worked with children or as care assistants gained satisfaction from their jobs; ETU was only one element in their thinking, but was important when it allowed them to fit work in with other responsibilities or follow their preferred course. For example, a trained nurse measured her job with ETU against a potential job at the nearest hospital in the light of her wish to be available for her son until he had completed his course at university. She considered the ‘very very low wages’ she received as a care assistant at a nursing home within walking distance of her house and compared that with the salary, the 10-mile journey and the shifts she would have to work at the hospital. Another woman said that the money she earned was secondary to feeling that she was following her vocation. Similarly, one young woman simply accepted that hairdressing jobs were very low paid, but said that what she was trained for: she considered herself to be a hairdresser.

Others had little to say about the job itself, but were relieved to be in work. For example, one woman took a second part-time cleaning job because it meant she would be able to apply for ETU. Another took a job as a forecourt attendant:

‘It was just a matter of I needed a job really. I'd been unemployed a few months and I just wanted to get some money back in the house and be able to eat again!’

(Woman aged 25-44, employed, Scheme B seaside)

There were no parallel examples among the men of a vocational commitment to their job, but some described how much they enjoyed their work. For example, one young man had only applied for training in painting because his friends did so, but was very satisfied in his current firm and ‘just always liked the painting’. Another enjoyed the variety of tasks in his warehouse job and the fact that he was often in the fresh air.

Others referred to the enjoyment they gained from aspects of their work, though not necessarily from the job as a whole. For example, they mentioned the good prospects offered by a job and how they had grown to like their work even though it would not have been their first choice. One man talked about the pleasure he gained from driving: ‘I couldn't really say I was happy there. Once I was out on the road that was my enjoyment, get on the road and away.’ Most of all, their work, with ETU, allowed
them to pay their bills and manage their affairs:

‘I had a lot of bills from me and my ex-girlfriend’s flat, and I had to unfortunately pay them all off … the extra £100 actually paid for me getting food … I had to get help from my mum and dad, they were actually buying me some messages at the end of the month, to give me a wee bit extra, they paid my electricity as well.’

(Man aged 25-44, employed, Scheme B rural)

Section 2.3.1 showed that the majority of the respondents applied for ETU when they had been in their job for some time. ETU could not have influenced their decision to take that job, but the question remains of its effect on their staying in the job. Many said that they would have stayed on in their job even without ETU. They liked their work and the people they worked with; some said that, in particular, they knew their work and had established a routine and anyway they could not take the chance of a break in a steady income:

‘I’m sticking it out just now, I know my job … you get in a routine and you know what you’re supposed to be doing, so I cannot see me just turning round and saying I don’t like this any more, I’ll go and try something else. Especially with all the bills I’ve still got to pay, I need a steady income to pay the bills … once they’re cleared and paid off, then I might think about actually going and applying for another job.’

(Man aged 25-44, employed, Scheme B rural)

Two women were in very different positions, but shared a preference for being in employment. One, a young woman under 25 years, worked full-time in a shop. She welcomed ETU because the extra income allowed her to give up the evening job in a bar that augmented her low earnings. However, she liked her day job enough to say that she probably would have continued in it, even without ETU; the fact that she had worked there for some six years appeared to encourage her to stay on, as well as to provide evidence that suggests she would remain there. The other, older woman (45+) had finished paying the mortgage on her house and said that she could, in fact, live on the dole, but preferred to be out at work, ‘even if it is only a little part-time job.’ Other respondents also described the social benefits of work, such as meeting and being with people.

Some of the ex-recipients thought that ETU had given them vital help, either as a support to low wages on which they could not survive, or to tide them over a crisis. For those in the first group, ETU enabled them to take work or maintained them in a job which they otherwise would have had to leave because their earnings were inadequate. For example:

‘I don’t think I would have managed to stay in that job for so long without it because with only working 16 hours it wasn’t that great an amount … I would have been forced to get something that paid a lot more money or I would have had to get two jobs, but it’s hard when you’re doing a supermarket because you’re never guaranteed to know what your hours are.’

(Woman aged under 25, employed, Scheme B rural)
A few couples had been struck by illness or lost jobs and found ETU invaluable. For example, a self-employed woman who taught dance became the sole breadwinner when her husband lost his job as a singer. She knew from previous experience that it would be difficult to find other work that could be fitted around her teaching hours so she sought, and eventually found, additional hours. In the meantime, her husband looked for work and they managed on her earnings with ETU, which provided a solution to a short-term problem. They both very much wanted to stay in the work for which they were trained; they were settled again by the time of the interview:

‘[G]’s got a talent for singing … and I’ve sort of danced all my life and then I went for three years teacher training … and it’s not something that has just sort of happened lightly, we’ve both had to work very hard to be in the position of being able to do what we want to do. And there was this great feeling of what a shame, all that training wasted … it would be a real shame to give that up to solve a short term … problem … definitely the Earnings Top-up did help us to stay focused and stay committed to what we wanted to do.’

(Woman aged under 25, self-employed, Scheme B seaside)

Some of the self-employed ex-recipients found ETU particularly helpful when they were establishing their businesses. The woman who ran a café said that she didn’t know if she could have carried on without ETU because it hardly paid her to work. Others also relied on the security of their ETU money to pay basic housekeeping bills: ETU could not shore up the business, but it could give personal support.

One young man who lived in his parents’ home described how ETU encouraged him to work. He said that he took home pay similar to his friends’ but each month he received a lump sum from ETU with which he bought something. While ETU would not have encouraged him to take a ‘rotten’ job, it did make him feel better about doing his job, or ‘sticking with it’.

Some of the respondents raised the issue of finding or running two part-time jobs in order to be eligible for ETU or to earn more. A few had two cleaning jobs, either when they applied for ETU or because they sought a couple of extra hours in order to meet the eligibility rules, and appeared to find little difficulty in fitting them both in. Others described the problems associated with holding two jobs. One man said that it was hard, running between the two, working some very long days.

A few respondents pointed out that some part-time contracts made it very difficult to fit in other work. For example, the hours of their main job could stretch across the middle of the day, such as ‘funny hours, from 11 in the morning until four in the afternoon, and it’s hard to juggle two jobs when your primary one is those hours.’ A woman who worked in a
supermarket said that she could never predict or guarantee her hours, but had to be flexible. Her hours differed each week:

‘I would have had to [change to] two totally different jobs, ones that I knew where I could work nine till one at one job and then, say, three till six at another … but I couldn’t have stayed [here] because my hours were never the same … it would be hard to try and find two that would interact with each other, because everyone wants you to be flexible, they’ll not give you a contract for 30 hours a week, they’ll rather give you 15 but they want you to be willing to work 30, but they’ll not guarantee that you’ll work 30.’

(Woman aged under 25, employed, Scheme B rural)

Two men thought that there was little advantage in receiving ETU, and in consequence they were equivocal about its effect. They said that it was ‘swings and roundabouts’ as the ETU award was spent on paying full rent.

2.3.4 Applying for ETU

Finding out about ETU

The sample of ex-recipients was divided between those whose claim finished during the first half of the pilot (prior to 31 March 1998) and those whose who had received ETU until recently (their claim finished later than 31 March 1998). On the strength of this sample and of their memories, the way in which people heard about ETU appears to have changed over time. Ex-recipients from earlier in the pilot heard about ETU from a more limited range of sources. Most were informed by Jobcentre staff, and some found out from work colleagues and through local publicity such as posters at bus stops. Very few heard through friends and none from their families. One self-employed person heard about ETU from her accountant.

More recent recipients first heard about ETU from a wide variety of sources: from colleagues and, more rarely, their bosses at work; Jobcentre staff and local publicity; and from family and friends, some of whom received ETU themselves. A few self-employed people heard about ETU from staff at units which support small businesses. This reinforces the view held by the staff in the staff panels (Vincent et al, 2000) that ETU had become better known during the life of the pilot: as more people received it, ‘word of mouth’ gained importance as a means for spreading information.

Beyond the small number who found out about ETU through local publicity, few of the respondents could recall any advertising. Some remembered leaflets in the Jobcentre and posters advertising ETU at bus stops; one person said she ‘got a leaflet through, a letter through and I thought why not try it?’ Some claimed to have seen publicity on the television, however, because ETU pilot areas were based on travel to work areas, local publicity had to be limited in case it spilled over into surrounding, non-eligible places, and television was not used at all (Vincent et al, 2000).
Men and women differed on their sources of information about ETU. Women were more likely than men to have heard from their colleagues at work, while men were more likely to have been told by Jobcentre staff. Self-employed people in particular appeared to have kept in touch with Jobcentre and enterprise centre staff, and to have gained information about ETU from them.

The application process

Most of the respondents found the application process straightforward. They said that the application form presented few problems and the explanatory notes were helpful; in addition, they received an acknowledgement of their application, or response to it, relatively quickly. However, there were certain exceptions.

Some of the self-employed applicants with established businesses found the process very demanding. They complained about the quantity of material they had to gather and also about long waiting periods before they were told whether they would receive ETU and how much it would be (though they did receive letters saying their application had been received and was being processed). However, others said that the process of gathering information was not as demanding or difficult as they expected. One respondent, who applied when he was starting a business, said that he had adjusted his predicted earnings so as to fulfil the criteria and be eligible.

A few ex-recipients thought that the questions were unnecessarily intrusive, and asked about personal matters that did not bear upon ETU. A particular concern was living arrangements, and whether the applicant lived in their own or their parents’ home. For example, one woman thought it was fair to ask her about her husband and her children when she claimed, but not fair to ask her children about their parents’ work when they claimed on their own account. That said, a (self-employed) woman had been quite nervous that her affairs would be ‘delved into here, there and everywhere’. However, she found the process straightforward, ‘really quite painless’ and no threat to her self-esteem.

The application process was not easy for some of the respondents. Some were unhappy about filling in forms, and some had their forms completed for them by members of their family because they could not do it themselves. A few reported that they had to wait weeks while their employers completed their parts of the form. One or two waited unnecessarily while they accumulated the requisite number of payslips. A minority were telephoned by ETU processing staff because of missing information, but all appeared to have resolved the gaps easily enough.

Finally, some of the respondents judged the difficulty of the form and the time needed to complete it against the eventual amount of the award.
Some thought that making the application was time consuming, but the outcome made it worthwhile. Others said that the amount they gained from ETU, particularly when they took account of the loss of Housing Benefit and consequent cost of their rent was not worth the effort. Often, they did not renew their claim for that reason.

A few of the respondents who renewed their awards were critical of the renewal process. They said that it duplicated what had gone before and was inefficient. For example, they could not see why they had to repeat the information already known to the DSS and kept on record from their previous application(s), including their name, address and national insurance number, where they were born and where they lived. However, others said that the process was straightforward; they were content to repeat their applications.

**Employers’ involvement**

Employers had to complete a form to show the employee’s actual or potential earnings. The majority of the applicants recalled no problems with this: they presented the form to be completed and sent, and this was done without fuss and in good time. Just a few reported difficulties.

As already mentioned (Section 3.4.2), some employers took weeks to complete their part of the form. At the extreme, a respondent said that her employer ‘was always moaning about it, she didn’t like doing [it]’ and left out bits of information so that ETU processing staff had to telephone her. This woman gained little from her award once her Housing Benefit and rent had been accounted for; she considered this in association with her boss’s attitude and decided not to try to renew her application. When she was interviewed she was thinking about making a new application with the support of her new boss.

A few lost money or had to wait for it because of administrative errors on the part of their employers. One was admitted to hospital and lost all entitlement to benefits because her boss failed to complete the necessary returns in time; for a month, she had only her ETU payment. Others waited for ‘head office’ staff of their company to complete the employer’s part of the application. One woman who was new in post at a supermarket waited more than a month for the form to be completed. Even then, the form was wrongly sent to her rather than to the central ETU processing unit at Norcross. As a new employee, she was paid some weeks in hand, and would have been helped by an early ETU payment.

The ex-recipients in the sample had four types of claims history when the sample was drawn. In fact, a few of the respondents had returned to ETU, making a fresh application, and one was receiving ETU when she was interviewed. The claims histories (excluding any later claims) were
as follows:

- one award only: one successful application with a six-month award; no attempt was made to renew it or to make another application subsequently;
- renewal award: one or more successful renewals were made and ran continuously after the first award; the period on ETU finished and no further attempt was made to renew;
- eventually disallowed: an award was received, in some cases followed by a successful renewal, but finally an unsuccessful application was made for renewal and the ETU award was finished; and
- subsequent award: two periods with ETU had been started and completed by the time the sample was drawn for this element of the evaluation (early 1999).

In this section of the report, ex-recipients’ experiences of ETU are differentiated according to their claim history.

2.4.1 One award only

Sixteen of the ex-recipients had received only one, six-month, award. Most of them were aged 25-44, with a very few in the younger or older age groups. The majority of the respondents were men.

The availability of ETU was vital to many of the people in this group, and helped them over a difficult time (see also Section 2.3). In some cases, the problem was sudden and arose because the respondent’s partner lost their job leaving a couple, and sometimes their adult children, dependent on one wage. Among these respondents were a male, self-employed taxi driver, a female teacher of dance (self-employed) and a female shop assistant. They were able to ‘just about get by’ with ETU and much reduced expenditure. One said that ETU: ‘saved our bacon … and kept us out of trouble really.’

In addition, a few were setting up their own business and relied on ETU while they were getting established and buying tools, equipment and other essentials. By the end of the six-month ETU award, these recipients were on an even keel (except one who had not succeeded with self-employment); they did not seek to renew their award:

‘Last year was very shaky, even with [ETU], so without it I think I’d have been quite crippled, I think I’d be up to my eyeballs in debt now. Instead of paying myself wages I’d be paying loans off and things, whereas luckily that just gave me enough space to keep up on my rent, otherwise you’d just be in sheer panic …’

(Man aged 25+, self-employed, Scheme A rural)

Some of the respondents in this group thought that they were hardly better off with ETU because they had to pay all or the greater part of their rent as well as other work-related costs. Two men referred to extended periods during which their young children stayed with them.
Their ETU award merely contributed to their extra expenses, but they were grateful for any help at the time. A man who was claiming a sickness-related benefit at the time of the interview said that he was better off than he had been when working and receiving ETU.

A few of the ex-recipients said that ETU helped them a lot. For example, a young woman said that ETU covered her fares and enabled her to give up the evening job that subsidised her wages, and a man moved from his parents’ house to his in-laws’ when he got married and ETU covered his considerable travel costs. Others referred to the comfort and security of knowing that the money would be available regularly, on a weekly basis, helping them to manage the complication of monthly pay cheques and, in some households, fortnightly Jobseeker’s Allowance.

At the end of their six-month award, recipients left ETU because: they had weathered a short-term, difficult time; they became unemployed because their job was temporary or they left it (one left a shop assistant job that she loved because of difficulties with maternity pay, and one sought a job nearer to his home) or their business failed; they claimed a sickness-related benefit; or their pay increased and they realised they were no longer eligible. In addition, a woman left her job because she was pregnant and a young man went to university.

2.4.2 Renewal awards

Thirteen of the ex-recipients in the sample had renewed their awards at least once, but then made no further claim according to ETU administrative records. Two were under 25 years, six were aged between 25 and 44, and five were over 45 years. The majority were women. Most remembered how many renewals they received (about half made only one and the rest made two or more) though a few could not recall making a renewal.

Some considered that, on balance, they gained little or nothing from their ETU award because it counted as income in the calculation of other benefits: they lost the major part of it because they were no longer eligible for benefits and had to pay all, or nearly all, of their rent and Council Tax. In addition, when they were working they incurred travel costs. For example, a woman received £28 per week ETU, but reckoned that her costs exceeded that:

‘When I was claiming the top up, the £28, they were taking like £17 rent off us, they were taking £5.50 Council Tax, I had to pay all my prescriptions … dentist … opticians … got to buy a bus pass a month for £22.’

(Woman aged 45+, employed, Scheme B major urban)

A woman who had been in receipt of Family Credit noticed that, with ETU, she lost free prescriptions (that she needed for arthritis), and free treatment for her cat at the PDSA. She had taken a second part-time job, offering two hours work, in order to be eligible for ETU but later gave it up: she thought that she was better off without ETU than with it and...
said that she would not claim it again. She compared the circumstances of young people in their parents’ home with her own:

‘Me as a single person, householder, my [ETU] money was classed as income to this house to be turned over to the council for rent and Council Tax, so really I lost most of it that way.’

(Woman aged 25+, employed, Scheme B major urban)

In fact, only one of the young people living in their parents’ home was able to spend about half of his ETU award (total £28 per week) on buying things for himself. He had not increased his ‘rent’ contribution to his parents when he got ETU. The other said that she spent her ETU (£15 per week) on fares and general living expenses.

Nearly all of the rest of the ex-recipients in this group paid rent, but they thought that ETU helped them to budget within tight constraints. Some referred to the security of a reliable source of money: for example, a woman said it was like Child Benefit because ‘you always knew once a week there was something coming and that would take you through the weekend’, and another described how one of her jobs was paid weekly and the other was paid fortnightly so the ETU payment helped her to manage.

Some respondents in this group did not renew their claims because they believed that it was not worthwhile for them to receive ETU. Otherwise, recipients renewed their claims as long as their circumstances were unchanged and they continued to need ETU. (One woman changed her job during the course of her award, but her hours and pay remained much the same and her renewal was allowed.)

Some recipients decided not to make another renewal application because they realised that they were no longer eligible. If they were still in work and suspected that they were earning too much, for example because their hours had increased, they used the information in the application pack to examine their hours and income and estimate the likelihood that they would succeed with a claim for ETU. One said that she:

‘kept it going until I got a pay rise sufficient enough for me to live off of that, and then I thought I don’t need it any more.’

(Woman aged under 25, employed, Scheme A seaside)

The rest stopped either because they lost their jobs and were unemployed or because they became ill and received a related benefit. Two had started the process of reapplying for ETU by the time of the interview.

2.4.3 Eventually disallowed

Twenty four of the ex-recipients finished the period of their ETU award with an unsuccessful renewal claim. The sample was skewed towards older people: seven were under 25 years, six were aged 25-44 and 11 were over 45 years. Half of them were men and half were women. One could not recall ever having received ETU.
Only two of the ex-recipients in this sub-group, a man and a woman, both over 45 years, thought that there was little or no advantage to receiving ETU. The man said that he and his wife might have been £10 better off out of their award of £35; but he was sure that they were better off all round on his current sickness-related benefit, with most of his rent and all of his ‘poll tax’ paid. The woman said that financially she was worse off with ETU.

On the basis of the responses from people who rented their homes, it might be supposed that attitudes would be divided according to housing tenure. The remainder of this group (excluding the recipients who judged that they had not gained from ETU) was divided evenly between people who owned (with a mortgage) and those who rented. There was no difference between them. All welcomed ETU and found it helpful at a time when they were struggling to pay their bills.

At the extreme, one man said it was ‘a lifeline’ because he had fallen into a depression; ETU lifted him out of his depression by providing a small but secure income (about £40 a week) and enabling him to pay his way. Also, a self-employed woman said that her award (about £100 a month) doubled her income; it allowed her to pay her bills and keep the business going. She could not have managed without it.

Typically, respondents said that their ETU award was spent on bills. A few had some money left over for themselves: the younger people living in their parent’s homes were most likely to be able to spend money on clothes, shopping, personal items and going out once they had paid their ‘rent’. However, the amounts of money were modest. One father remarked that, although his daughter did not increase her contribution to the household expenses, ETU had helped indirectly because she had been able to buy herself the clothes she needed when she first started work and to run her car.

The abilities of a couple of the men in this group were limited and they were unlikely to be able to manage anything more than low-paid, part-time work. They and their mothers described with pleasure what the extra money had bought. For example:

‘I saved up and bought some clothes with it and saved up and went on holiday … I went up to Blackpool on holiday, for a week there, it was the first time for ages. He had days out, to garden shows.’

(Man aged 25+, employed, Scheme B large town, and his mother)

Respondents differed in the value they placed upon quite small amounts of money. On the one hand, some were pleased to receive modest amounts: for example, £40 monthly into the Building Society to be saved for large bills such as taxing the car; and £7 a week which helped towards basic foodstuffs because ‘every penny counted’. On the other hand, a man thought that it was pointless to apply for ETU once his award had dwindled from £100 to £24 a month.
Nearly all said that they were told they had been unsuccessful in re-
applying for ETU because their hours and/or hourly rates of pay had
increased and they were no longer eligible.

Occasionally, respondents’ recall differed from the ETU records. For
example, a young woman said that she had changed her job during the
period of her award; her ETU was about £7 and her income had increased
by more than £7 in her new job, so she decided there was no point in
reapplying. However, she was listed as ‘eventually disallowed’.

A few fell outside the pattern of simply earning too much. A woman
was diagnosed with MS during her second ETU period and at the same
time was awarded Disability Living Allowance. She was advised to apply
to renew ETU, which she did; the application was unsuccessful, as
expected, and she moved seamlessly onto Disability Working Allowance
(now Disabled Person’s Tax Credit):

‘Everything just clicked into place and one just rolled on after the other
really. I didn’t have to worry about it.’

(Woman aged 45+, self-employed, Scheme B major urban)

One ex-recipient lost her award when her earnings increased, but having
turned 25 years she realised she would be eligible again2. In fact, she had
successfully reapplied and was receiving ETU when the interview took
place.

Eleven ex-recipients had completed two separate periods in receipt of
ETU. Seven were aged 25–44, three were under 25 and only one was
over 45 years. Half were men and half were women. A few did not have
strong recall of all the circumstances of their ETU applications and awards.
For example, two could not remember making a second successful
application.

Most employed respondents made their second application after they
had changed to a different job, or changed their hours in the same job. A
few were different. For example, a young woman took a seasonal job,
knowing she could augment her wages with ETU. In between, she
signed on and took ‘odd temping jobs’ that did not last long enough to
allow her to claim ETU.

A few men claimed ETU when they were establishing themselves as self-
employed: all of them had first received ETU when they worked part-
time, and claimed again when they set themselves up as self-employed
(as car mechanics and as a bricklayer). All appreciated the difference that
ETU made for them. They noted the expense of premises, tools and
equipment and their insecure and variable earnings and welcomed the
security of ETU.

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2 Eligibility levels are set higher for people over 25 years old.
All the respondents who had made a successful second application found ETU helpful to them, and some said it was a big help. Only a few were critical: one young man said that people did not want schemes and benefits, but proper jobs; he believed that people worked ‘on the side’ because that was the only way they could afford to live. However, he also acknowledged that ETU had helped him when he was establishing his own business. A woman who had previously received Family Credit pointed out that, in comparison, ETU gave more limited help.

A few of the people in this sub-group received very small awards during one of their periods with ETU. A young woman was working full-time when she first applied and received 70p a week; £18 was paid into her bank account every three months. One of the men received just one cheque for the six months of his second award.

As in the other sub-groups of ex-recipients, the young people who lived at home with their parents gained the most in terms of personal spending power, though to different degrees. For example, one of the young women said she bought her own food, but did not pay any rent; her main gain from ETU was that she could avoid taking another part-time job. Another young woman paid no board at the time, and was able to run a car; ETU allowed her to go out for pleasure.

2.5 Leaving ETU

The ex-recipients’ claims histories are relevant to the topics raised in this section and are referred to, but the evidence is organised around the reasons people stopped receiving ETU and their experience of the process of leaving. Respondents left either because they chose to, because of changes to their employment, personal or other circumstances, or they made an unsuccessful claim.

2.5.1 Reasons for leaving ETU: respondents’ choice

Employment-related

Several of the respondents stopped claiming ETU because their conditions of employment changed: either their hours or pay increased so that they were no longer eligible for ETU or felt they did not need it any more, or they were no longer in work.

All of the people in our sample who received only one award and offered an employment-related reason for leaving ETU were self-employed. Some were nominally self-employed: they were sub-contracted to particular firms and became unemployed when the work ceased (one resigned in preference to being sacked and one was laid off and then found a better job during the course of his ETU award). Others thought they ‘were earning a reasonable amount to live on’ because business had picked up or both partners had found work.

Only two of the eight people who renewed their awards were self-employed. Both their businesses folded and they became unemployed
during their second period. Two others became unemployed: both were women with cleaning jobs. One lost her job and the other gave up a job, leaving her with less than 16 hours. The rest improved their hours or their pay or both: when the time came for them to renew their award, they decided that they were no longer eligible. Some thought that they might have been on the borderline, but that it was not worth going through the process for a small amount:

‘I thought for that little bit it wasn’t worth it … There’s so many forms to fill in … it’s not just me that has to fill the forms out, it’s also the people you work for … the person that I was giving them to was always moaning about it … so I thought, oh, for only a little bit I’ll leave it.’

(Woman aged under 25, employed, Scheme A seaside)

One of the four people who were eventually disallowed was self-employed, although sub-contracted. He was ‘stood off’, and another employed man lost his job. The others had all moved to a better job by the time of their next renewal. None of them remembered making an unsuccessful claim; rather, they said that their period with ETU ended because they did not apply again.

More of the people who had completed two awards of ETU stopped claiming because eventually they were earning too much to be eligible, than because they lost their jobs. Two young men were valeting cars and lost their jobs, one because he was hurt in an accident; a young woman was able to claim ETU during her summer employment, which she returned to each year, but not when she was signing on and doing short-term, ‘temping jobs’ in between.

The rest received better pay. For example: a young woman was promoted, with more hours and a small pay increase which would be improved when she gained her NVQ qualification; a young man’s pay did improve when he had served a period of training; and a car mechanic moved in and out of part-time and full-time employment, earning an adequate income when he worked full-time (he was the only self-employed person in this group).

Key events

A few respondents referred to key events in their lives as reasons for leaving their work with ETU. Two women (both of them had made only one claim) left work because they were pregnant. A man and a woman became eligible for other benefits: one earned a little more, but more importantly, he and his wife had a baby and so they qualified for Family Credit; the other turned 60 and received her pension. A woman got married and realised that, with both wages taken into account, she would no longer be eligible.
Other reasons

Most of the people who gave ‘other’ reasons had received one award or renewal award(s), and most were employed. Five were self-employed: three received just one award, while one each had renewed or received two discrete awards.

Two ex-recipients took up full-time education. One was self-employed, working with his brother, turned the business over to his brother and went to university; his brother joined him there when the business went under. The other worked in a supermarket until she went to college.

One woman’s husband found work. In fact, her ETU award finished a month or so before his job started, but they thought ‘it wasn’t worth claiming for only about five weeks’, particularly because the form was ‘a big thick book … [and] … so much palaver’.

A few did not apply because they balked at filling in the form only to receive a small amount of money. Self-employed people expressed this particularly strongly, saying the forms were a hassle and they would not ‘go through the rigmarole’. In addition, a self-employed man found when he came to renew, that although he did not have savings, his wife did. He maintained that this question had not arisen when he first applied. He considered applying anyway, but decided not to because he might get caught and he considered himself to be ‘a law abiding citizen’. However, as already mentioned, most respondents found the claims process straightforward (Section 2.3.4).

The rest of this group stopped claiming because they calculated that they would be better off claiming Housing Benefit or a rent rebate instead of ETU. One woman said that having lost a few hours, bringing her below 16 hours a week, there was no point in seeking the extra hour because she would be worse off with 16 hours and ETU. Another referred to the cost of prescriptions for painkillers for a back problem which she had to pay for when receiving ETU. These respondents were equally divided between Scheme A and Scheme B pilot areas.

2.5.2 Reasons for leaving ETU: unsuccessful claim

Respondents’ claims were usually unsuccessful because they earned too much, could not meet the 16 hours criterion or for other reasons.

Income/capital

In the main, the people in this group had applied and been turned down because they earned too much, and accepted the decision without demur. A few raised questions: one said that occasional bonuses and overtime distorted the pattern of his earnings and he thought he would reapply in due course. Another said he was turned down on the strength of the value of property he owned; he thought that this was odd because he owned it when he first applied, so the decision felt arbitrary. Fortunately
he was earning more by the time he applied so it did not cause serious financial problems.

**Hours**

Most of the people in this group had increased the number of hours they worked during the period of their ETU award, and found when they came to renew their claim that they were no longer eligible. One had since lost his overtime and had applied again. However, one young man had been ill for some months and was unable to put in the necessary hours; he was disallowed because he could not meet the criterion of 16 hours a week.

**Other reasons**

As already mentioned, a woman had become ill during her second ETU award. She was advised by the DSS Helpline that there was no need for her to alter her claim because there would be no difference between ETU and DWA. They told her to claim ETU again, on the understanding that she would not be eligible but would be awarded Disability Working Allowance instead. It was believed this would give the smoother transition between benefits, and the process worked exactly as hoped.

One young woman (under 25 years) was displeased because her renewal was disallowed on the grounds that she was on a training scheme. She said that that the rules must have changed since her first application: she did not get much money and worked the required hours so she thought that she should receive ETU.

**2.5.3 The process of coming off ETU**

The experience of losing ETU

Most of the ex-recipients recalled losing ETU as relatively painless. They thought the reminder in their payment book and the letter pointing out they should think about renewing their claim were useful and timely. Many then consulted the information in the application pack and either decided that they would certainly not be eligible or thought that they were unlikely to be eligible.

Four main types of experience were identified, including:

- people who calculated that they would not be eligible and did not reapply;
- people who reckoned that they would be better off without ETU and did not reapply;
- those who applied unsuccessfully; and
- those who lost their jobs and claimed JSA.

A few fell outside these groups.
Some thought they were unlikely to be eligible, but decided to apply anyway. For example, one said ‘I’ll be pushing it this time but I thought I’d give it a go and see what happens’. They were not surprised when they were turned down. Others applied in the expectation that they would succeed. Most, but not all, of the applicants who were disallowed thought they were offered a clear explanation and felt no need to question the decision. Their reactions are discussed in greater detail in the next section.

Some of the respondents lost their jobs before their awards were finished. When they were unemployed and went to sign on, most asked Jobcentre staff if they should hand in their ETU payment book, but were told that it was theirs until the award ran out. The ETU amount would be counted as income and set against their Jobseeker’s Allowance; their benefit would be adjusted to take account of their ETU income.

Three women moved from work with ETU to claiming another benefit. One turned 60 and moved onto Retirement Pension; both the others met some problems. The woman who became ill lost money because DWA, which she might have claimed from the time of her illness, was £20 a week more than ETU.

The other woman had to give up work because of ill-health. She had not earned enough to make National Insurance contributions so she claimed Income Support; her benefit was adjusted to take account of her ETU award. The problem was whether ETU was paid, like wages, in relation to the week before (during which the work was done and the wages were earned), or whether it related to the week in which it was cashed.

One woman found there would be a gap of three or four weeks in payments because she had missed sending her renewal application to coincide with the ‘blue page’ in her payment book.

Some of the ideas that respondents held were based on misunderstandings of the rules. One made her first claim as an employee, but had since become self-employed. She did not try to renew her claim because she thought that self-employed people could not claim ETU; she would have applied if she had known she was allowed to. Another had been turned down on the grounds of his income but had since lost overtime hours and thought he might be eligible again. He believed that he was not allowed to make another claim within six months.

**Reactions to disallowance**

Most of the people who had been disallowed thought that they were given an adequate explanation; the reason(s) were clear and they did not wish to question them.
Only one was turned down because of ill-health; he could not meet the 16 hours rule. In fact, he realised he would soon have to give up work; he was made redundant not long afterwards.

A few respondents questioned the fairness of the assessment process, given that overtime hours were unreliable, or referred to rules that they believed applied when they wanted to renew their ETU, but which they did not recall from their first application.

Some ex-recipients had increased their overtime working and, in consequence, their wages. This appeared on the four wage slips presented as evidence in support of their application. One had also been given a trial as shop manager, but only for three months, and wrote to explain this to the ETU processing unit. The respondents argued that their hours were uncertain and unreliable, and varied according to the time of the year and other influences beyond their control. It followed that the evidence of four wage slips was not necessarily typical so it was inappropriate to make judgements on such grounds.

As mentioned earlier, a few respondents believed that criteria were brought into the renewal process that had not been included in the original application. One said that reference was made to an amount of savings or joint savings, so he could not reapply because of his wife’s savings. Another man was surprised to find that he was turned down on the grounds of the property he owned although nothing had changed since his previous application.

**Immediate impact of loss of ETU award**

People who reached the end of their ETU award and did not renew from their own choice, largely because of improved circumstances, or who applied with little hope of success, were least likely to be affected adversely when they lost their ETU. People who had one award only, or had renewed a number of times, tended to fall into this group, although it also included some that were disallowed. Those who expected to renew their award, but were unsuccessful, were more likely to find that the loss of ETU affected them badly. A few experienced problems when moving to another benefit or for other reasons.

Many said that the increase in their income offset the loss of their ETU so there was little difference before and after. A few were markedly better off in their new jobs, with an increase in pay that more than compensated for the loss of their ETU.

Some felt the loss of ETU quite keenly. In some cases, this appeared not to rest on the amount of money as such, because they did not dispute the calculation. Rather, it concerned the way they managed ETU separately from the normal flow of income. Recipients had become used to regular
money that could be saved to cover large bills and treated as a little extra, kept on one side. One young man said that he felt ‘a bit cheated’ when he got his wage rise but lost ETU. He reckoned that, from a £40 wage increase, he was only better off by about £5.

Self-employed people who had not expected to be turned down felt the loss most keenly. Two said they had considered fairly desperate measures to cope with their emergent financial problems.

‘I don’t know how much you’re supposed to live on these days, how much you’re supposed to earn to what people call a decent wage. I mean, for the hours I put in … my actual take-home pay is nothing. And that’s one of the reasons I’m thinking of packing it all in.’

(Woman aged 45+, self-employed, Scheme B rural)

Most of the respondents who moved onto Jobseeker’s Allowance found the process straightforward. As described earlier, they kept their ETU until it had expired, and their benefit was adjusted accordingly. However, one young woman reported that she met difficulties at this stage: her JSA was wrongly assessed and too much was deducted, making it very difficult for her to manage. She was not told she could appeal until she pressed the issue and was told (wrongly) that the Jobfinder’s Grant was ETU linked.

Most of the ex-recipients found they were worse off when they became unemployed and claimed JSA than when they were in work with ETU. However, one respondent observed that his outgoings and expenses had decreased dramatically and he and his wife found the free prescriptions a great help, so he managed quite well on JSA and the part-time work he was allowed to do.

One respondent believed that ETU was treated differently from Family Credit when a person was unemployed and receiving JSA. He claimed that Family Credit was deducted pound for pound, but £5 of ETU was disregarded in the adjustment of benefit.

The woman who had to give up work because of ill-health and went onto Income Support, adjusted for her ETU award, said ‘I did come a cropper when I finished ETU’. In the event, her argument that ETU relates to the week before, like earned income, was dismissed. In her calculation, she had a week during which she received her Income Support adjusted for ETU, but no ETU.

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3 In fact, ETU took net earnings into account, after tax and NI had been deducted. Net earnings were lost on a tapered basis: ETU went down by 70p for every extra £1 earned. On the face of it, he would have been better off by rather more than £5 a week. However, he may have brought the loss of Housing and Council Tax Benefits into the calculation, or simply understated the amount of his gain.
A few people who had been disallowed because of overtime hours had lost their extra hours by the time they were interviewed. They were feeling the loss of income and had no way to rectify it.

Some people lost money through their own or others’ miscalculation. For example, one woman did not realise she could sign on when she lost her job and received only her ETU for a couple of months until someone told her she should be claiming JSA. A young man who did not try to renew his ETU because he believed that he would be better off with Housing Benefit, found that he had miscalculated. His bus fares to work since he had moved to be near his in-laws were more costly than anticipated. And the woman who received DWA was better off by £20.

2.6 Destinations after ETU

As outlined in Section 2.2, the respondents fell into five broad groups according to their work histories: first-time employees, steady jobholders, in and out of work, in a series of jobs, and out of work for long periods. This section looks at the destinations of the people in these groups since their last application for ETU. In each part, employees are considered first, followed by the self-employed.

Respondents were asked to compare their circumstances and lifestyle before and after ETU. They were also asked to consider the effect of their jobs with ETU on their employment prospects. This section explores respondents’ perceptions, any association between their perceptions and personal characteristics, and their assessments of their current financial situation.

2.6.1 First time employees

Work history since ETU

There were very few first time employees; all but one of them stayed in their ETU job. All were full-time jobs, and most of them included an element of training. Although a young woman had a full-time job at a bakery, it was seasonal and at the time of interview she was out of work and signing on.

Perception of effect of ETU

The respondents who were in employment said that they felt financially better off since leaving ETU. The young woman who was unemployed said she was worse off on benefit.

Those in employment thought that they were gaining the skills they needed to progress further in their jobs or to get better ones; one said that his job had improved because he had more responsibility. Only one said that ETU had influenced him to stay in his job.
2.6.2 Steady work

**Work history since ETU**

Most of the employed respondents who had a history of steady work prior to applying for ETU had remained in steady work, in the same or a different job. They had either a rise in pay or in hours. The women mostly did clerical work, but there was also a care assistant and a hairdresser. The men had driving or cleaning jobs. All but one of this group worked full-time.

Key events had intervened in the lives of those employees who were no longer in steady work subsequent to ETU. For example, one had set up his own dry-cleaning business:

‘After ETU I signed on for a couple of months. Then I thought this is futile, this is ridiculous. Then the suggestion was put to me why don’t you work for yourself, that’s what you’re going to have to do to get ahead in this country, and it was a case of putting some plans on paper and getting them into money.’

(Male, aged 25-44, self-employed, Scheme A seaside)

Two women, both aged under 25, had given up work to have a family. Another respondent had steady jobs as a mechanic before applying for ETU, but since then had worked in a series of short-term jobs (still as a mechanic). He had been unemployed for a few weeks at the time of interview.

Most of the self-employed respondents were in the same jobs and building up their businesses. There were men and women of all ages in this group. They were mainly from rural areas.

One of the self-employed respondents was claiming DWA. Another, who was a forestry worker, had a six-month spell of unemployment after ETU but had returned to the same line of work by the time of interview.

**Perception of effect of ETU**

Several of the employed respondents felt that their current jobs were better than their previous jobs. For instance, some enjoyed their jobs more and had more responsibility; one was glad not to be working for an employment agency that he felt was ‘a rip-off’; and a man who had set up his own business preferred working for himself.

A few respondents felt better off financially, but others said that they were worse off or about the same. One woman thought that a rise in pay which took her out of eligibility for ETU did not make up for the loss of the benefit. Two women felt worse off on benefit now they had started a family, whilst an unemployed man felt better off on Jobseeker’s Allowance.
Nearly all of the employed respondents who had steady work before ETU said that the jobs they had with ETU had enhanced their job prospects. They felt they had gained skills and experience that would improve their chances of staying in or getting work. One man, for instance, felt that his job with ETU had helped him ‘get back in touch’ with the job market following a spell of unemployment. All but one of these respondents, however, said that they would have taken or stayed in their jobs without ETU.

Several of the self-employed respondents who had steady work before ETU said their jobs were better than before. Some said that they enjoyed working for themselves and others had relished building up their businesses and were starting to see a return on their investments.

A few of the self-employed respondents said they owed their current circumstances to ETU because it helped them through a very difficult time. For example, an older man found himself in dire straits financially before he applied for ETU but things had greatly improved by the time his claim had ended:

‘I’d come to the point where everything had gone, and what the hell is the point of doing this and struggling and living … Since, I’ve turned the corner and got rid of the weight that was round my neck … I’m laughing now compared to what I was then …’

(Man aged 45+, self-employed, Scheme A rural)

Whilst most of the self-employed respondents felt better off financially, one said there had been no change because he and his partner had since started a family.

2.6.3 Series of short-term jobs

Work history since ETU

Several people who had a history of working in a series of short-term jobs had remained in one job since claiming ETU. This suggests that ETU may have had a stabilising influence on the working patterns of some respondents.

Some of these respondents were still in the jobs they had with ETU and others had different but steady jobs. They were all receiving more pay or working longer hours. For instance, one woman had ‘moved up a bit’ in her job and was receiving training, and a man was getting the best hourly rate he had ever achieved. Another woman went from her job with ETU to a series of short-term jobs but, at the time of interview, had a job that she enjoyed with an employer who wanted her to stay there ‘forever’.

Some of the respondents worked full-time, and some part-time; their jobs included cleaning, catering, care, shop and clerical work. Most of them were women, but their ages spanned the range and they were from a mixture of areas.
Some were no longer employed when they were interviewed. A few men were out of work and receiving sickness-related benefits, and a woman who was made redundant from her ETU job had gone on to do a college course in holistic therapies.

All of the self-employed respondents in this group were men aged 25-44 years and from the large towns or major urban areas. Many of them had folded up their businesses since ETU because they could not make them pay. Some had taken a series of short-term jobs as employees and a few of these were unemployed at the time of interview, with one receiving sickness-related benefit.

**Perception of effect of ETU**

A few of the employed respondents said that their current jobs were better than those they had held before. One had been promoted and the others enjoyed their jobs more. This is similar to the views of the ‘steady workers’ outlined in Section 2.6.2.

Several of the respondents from this group felt better off financially at the time of the interview. For some this was due to higher wages or having a working partner, but for others it was the benefits they were receiving that made the difference, indicating the delicate balance between earned and benefit income in any ‘better off’ calculation. For example, one respondent was claiming sickness-related benefit:

> ‘Actually I’m better off… I’m not paying full rent and poll tax… I pay £3 odd towards me rent, so the benefits I’m getting there and the money I’ve got from me sick, I’m better off.’

(Man aged 45+, self-employed, Scheme A major urban)

Other respondents felt no better off or worse off at the time of interview. Some of them were paying more in rent and bills while another said that higher pay meant higher deductions.

Several of the respondents from this group felt that their jobs with ETU had helped their job prospects. For instance, one woman said her job had kept her in touch with computers. However, only one person said that ETU was a determining factor in taking their job and a few thought that their jobs with ETU had not improved their job prospects.

Only one of the self-employed respondents felt better off because his business had grown and, as a tattooist, he was able to use his qualification in art. A few of the formerly self-employed were worse off (as a student and on sickness-related benefit).

2.6.4 **In and out of work**

**Work history since ETU**

All but one of the employee respondents who were in and out of work before ETU were out of work at the time of the interview, albeit by
different routes, which included redundancy, the ending of a temporary contract and long-term illness/impairment.

The one respondent from this group working at the time of interview had gone from his ETU job collecting glasses in a pub to a variety of short-term jobs, and was doing full-time seasonal work as a tomato picker when interviewed.

All three of the self-employed respondents who were in and out of work prior to claiming ETU had repeated the same pattern of work since leaving ETU. One older man who was a jobbing builder put this down to the nature of his work, whilst the other two were contractors whose jobs had ended. They had held a series of short-term jobs as employees in between their job with ETU and their current spell of unemployment.

**Perception of effect of ETU**

All of the employed respondents with a history of being in and out of work who were currently out of work felt worse off on benefit than when in work. Indeed, a young woman who was at college felt worse off even though she had three sources of income: a student grant, a student loan and a part-time job.

The respondent who was currently in work did not feel noticeably better off than before being on ETU. However, he enjoyed his job because he worked with a ‘good little team’.

The respondents with a history of being in and out of work were divided between those who felt that their jobs with ETU had helped their employment prospects and those who did not. Rather more than in the other groups said that they had taken or stayed in their jobs because of ETU.

All of the self-employed respondents felt worse off when interviewed because they were out of work. However, two of them felt that their jobs with ETU had helped their chance of further work. For instance, one man felt he had gained the necessary skills to apply for the telesales job he had wanted and another had made contacts:

‘It makes a difference. When I had them few months roofing, I got to meet loads of different builders … where you let them know you’re available … it gets you introduced to people … so I picked phone numbers up … if they want anyone for a couple of days or someone’s missing, give us a ring … so it has worked for me because I was back in work and got into contact with it.’

(Man aged 25–44, self-employed, Scheme B large town)
2.6.5 Out of work

**Work history since ETU**

Several of the respondents who had a work history of relatively long periods of unemployment were in the same jobs they had with ETU, having had a rise in pay or hours when they were interviewed; the rest were out of work. There was no pattern by gender, age or area to the respondents who had stayed in their ETU jobs. Their work included shop work, cleaning, catering and working with children.

All the respondents who were out of work when interviewed were women aged 45 or over. All but one had been out of work for long periods in the past due to bringing up children or caring for sick relatives. Some of them were themselves currently receiving sickness-related benefits and one was a pensioner. One had given up work as a nurse when she married, had worked in a nursing home after her husband died, and had since given up that job to care for her elderly father.

There was only one self-employed respondent: he had been out of work for two years at the time of interview. He was a builder and said that he had not been able to find work that would pay the amount he needed to live on.

**Perception of effect of ETU**

Many of the respondents who were out of work when interviewed felt financially better off receiving sickness or unemployment-related benefits, Housing and Council Tax Benefits or a pension.

Those who were currently in work mostly felt financially about the same as they did whilst receiving ETU because an increase in hours or pay had made up for the loss of ETU.

Most of the respondents from this group felt that their ETU jobs had helped their job prospects because they gained experience or particular skills. A minority had stayed in their jobs because of ETU. All of those who felt that their ETU jobs did not help their job prospects were women whose main job was cleaning.

The self-employed respondent felt worse off when interviewed. He had been unemployed for two years and did not think his ETU job had helped him get further work.

2.6.6 Overall perceptions of effects of ETU

Looking at the respondents as a whole, there is little evidence that their characteristics affected their circumstances and job prospects.

There was a slight tendency for those aged under 25 and those from major urban areas to feel financially better off, whilst those who felt worse or no better off tended to come from the 25-44 age group and large towns. Those respondents whose last application for ETU was
within a year of being interviewed were slightly more likely to say they were in better jobs. However, these people were also less likely to say that their ETU jobs had helped their employment prospects. The older respondents were least likely to consider that ETU had helped their job prospects (explored further below).

2.6.7 Current financial situation

A large number of the respondents said that they did not have enough to live on. This was despite the fact that they felt financially better off when they compared their circumstances before and after ETU (and took into account the loss of ETU). Many of the older respondents who ran their own homes were ‘struggling’ to pay their bills, general housing costs and living expenses. Some of them reluctantly looked to their families for help:

‘I didn’t have a phone here for three years and my brother said you’ve got to have a phone because we cannot get in contact with you … so he says I’ll get the phone in the house and I’ll pay the bills for you. I thought, well that’s terrible because my brother’s paying that for me phone, and my mum and dad are paying for other bits and pieces as well, so you feel really bad when they’re saying here’s some money go and buy yourself some food.’

(Man aged 25-44, employed, Scheme B rural)

Some of the respondents felt money was tight because they were the main wage earner in their household. For instance, one young woman’s mother was ill and another’s husband was out of work. Others, who were out of work due to unemployment, education or having children, were finding it hard to cope with the loss of income.

Several of the people who were in work had applied or were thinking of applying for ETU again. One woman loved her job working with children but she knew this meant low pay. A man found travelling to work was one of his biggest expenses and felt worse off in work:

‘… it seems daft, but with the travelling and the expenses involved, I’d be actually better off if I was unemployed.’

(Man aged 25-44, employed, Scheme B rural)

Many of those who felt they did not have enough to live on said they could not afford to do certain things. For some, this meant not being able to socialise or go for a drink; one young woman, for example, had to stay at home while her friends went out. Others could not afford clothes or holidays or had to cut down on food and groceries, just buying ‘the basics’, and one woman could not afford driving lessons. Lack of money prevented some women from buying Christmas and birthday presents:

‘Christmas is just another week to me, I mean I couldn’t buy my son anything for Christmas, you know because you have a certain amount every week and Christmas is just another week … you really feel it when it’s somebody’s birthday and you can’t buy them anything.’

(Woman aged 45+, employed, Scheme B major urban)
Some of the younger respondents who lived with their parents said they could not afford to move out and get their own place.

Some respondents felt that they had enough to live on, even though they could not afford things such as holidays and meals out, as they used to. They were reasonably happy if they could afford to pay all the bills and did not have any debts.

Other respondents felt they were fairly comfortable. Unsurprisingly, these included people who lived with their parents or other members of their family and some self-employed respondents. However, it also included a few people who were receiving benefits and felt better off out of work:

‘But to be quite truthful I’m better off on Income Support, I’ve got no rent, no Council Tax, I get my prescriptions, I get my dentist and my opticians, and I’m not buying a bus pass a month. So for sitting in the house I’m £8.50 better off. I mean is there any sense in that?’

(Woman aged 45+, employed, Scheme B major urban area)

There were a few respondents whose level of income fluctuated. Mostly, this was because of seasonal variations. This group included self-employed people whose business was better at certain times of the year, women who found it harder to manage when their husbands were between contracts and a man who worked as a school chef and did not get paid in the holidays. In addition, a taxi driver said he ‘could have a good day followed by a bad fortnight’.

There seem to be three broad groups of ex-recipients: those who had not escaped low paid and insecure work; those who were managing, though with modest expectations; and those who had increased their earnings. These categories are associated with people’s work status, but not determined by it. People were not always better off financially in low paid work: some found that they were better off claiming a sickness or unemployment-related benefit and receiving Housing and Council Tax Benefit and help with prescriptions. Nor do the categories follow inevitably from respondents’ histories: some changes in fortune were observed. For example, people who had been mostly unemployed before their job with ETU were as likely to be still in that job at the time of the interview as unemployed again.

Those who had not managed to escape low paid and insecure work found themselves scarcely, if at all, better off in work with ETU and some were in and out of work. Some were worse off because they had spent prolonged periods unemployed, in a few cases because of key life events such as starting a family.

Most of the respondents who had been in and out of work before their ETU job fell into this category. They were also the group most likely to

2.6.8 Conclusions
say that ETU made a difference to their taking or staying in the job. Several of the respondents who had been mostly out of work before their job with ETU continued to be unemployed afterwards; however, they usually felt better off on benefits so might better be described as managing.

Respondents who found themselves no better or worse off having lost entitlement to ETU in low paid but steady employment, or who found that they were better off claiming benefits, have been categorised as managing, but with modest expectations, as long as their income is reliable. Respondents who had been mostly out of work before their ETU job, but had remained in that job since ETU with no financial gain, may be described as managing. Similarly, some self-employed respondents did not think they were financially better off since they lost ETU, but they were managing and liked their work.

Some respondents had increased their earnings so that they were better off, even without ETU. They said that their jobs with ETU gave them the training, experience and confidence to improve their employment prospects. In the main, these respondents were first time employees or had held steady jobs before ETU, but some had previously held short-term jobs. Although some of the respondents who had been in and out of work thought that their job with ETU enhanced their prospects, their experience did not measure up: most of them were unemployed and felt worse off by the time they were interviewed.

Some self-employed respondents also had gained. ETU helped them to establish their business or to keep it going so that they felt their prospects were improved by the time they were interviewed.

Some respondents were helped by ETU through a key event or crisis; their lives had steadied by the time they were interviewed. ETU enabled this particular group to cope, or even to survive, at a time when they otherwise would have been in financial and other difficulties. They may also be seen as having gained from ETU.

2.7 Views about ETU

Respondents’ views on ETU are explored in this section. They almost universally praised ETU for the help it gave them, but they also criticised it. In addition they raised issues of equity, stigma and abuse, considered whether they would apply for ETU again and suggested ways of improving it. Finally, they discussed piloting and whether ETU should ‘go national’.

2.7.1 In praise of ETU

Personal experiences

Respondents based their judgements on the effect that ETU had on their lives: they almost universally praised ETU for the help it gave them. A very few dissenting voices said that ETU had not helped, or hardly helped them. One said that although it had not helped her, she could see its
value to younger people if they were living at home with their parents.

Typically, ex-recipients said that ETU had helped them when they were in need. Some referred to sudden misfortune, such as when their partner lost their job, and the role ETU played in helping them to cope. ETU was often described as ‘a little bit extra’, not just in money terms but because it came separately; many earmarked it for specific use such as their bus fares or major bills. One said:

‘When I was on … £125 before tax and everything else, it was absolutely nothing, a pittance, and the ETU was wonderful, it kept us afloat.’

(Woman under 25, employed, Scheme B seaside)

Respondents said that ETU was easy to apply for though a few, particularly self-employed people, found the form quite demanding (see Section 2.3.4). One compared the form and the process as a whole with claiming JSA and judged it easier, with ‘no hassles’. All the respondents valued the regularity and reliability of their payments; none reported any problems with payments either by book at the post office or direct transfer into their bank account.

There was no apparent difference between employed and self-employed people. Both valued the security of the regular payment. For example, an employed woman held two jobs; she was paid weekly for one and fortnightly for the other and found the regular, weekly ETU payment invaluable in managing her money. Similarly, a self-employed car mechanic said that demand for his service was very patchy and ETU gave him the confidence that he would be able to carry on:

‘They all turn up at the same time, and then I’m rushed stupid, and people will pop in and think oh he’s too busy and leave, go somewhere else maybe. But like I say, that extra 40 quid a week, it just takes the panic out of it … so it’s helped me just brilliantly.’

(Man aged 25–44, self-employed, Scheme A rural)

Adequacy of the ETU award

There was no difference between Scheme A and Scheme B responses. Some ex-recipients in both schemes described ETU as topping up their low wages to a living wage, and most were able to manage, though within a very tight budget. For example, a Scheme B man said:

‘Because you’re doing a part-time job and obviously you can’t claim dole … at least with the ETU you can get a livable amount of money to live on, instead of having to scrimp and save and borrow and cadge all the time, you know, or sponge.’

(Man aged 25–44, employed, Scheme B seaside)

Scheme A and Scheme B ETU ran in adjoining major urban areas and many local people knew that two rates applied, based on where they
lived. Two respondents from the Scheme A, lower rate, pilot area took different views about the adequacy of ETU awards. This suggests that the level at which the award is set influences but does not determine people’s views and actions. One man said that ETU gave a fair and adequate amount, which provided a good supplement to earnings, while the other was grateful for the ‘little bit extra’ he received, but thought the calculation was based on false ideas about the amount people needed to live on.

The issue of the adequacy of the ETU award is also discussed later in this section.

**ETU and low paid and part-time employment**

It should be recalled that the interviews took place early in 1999. The introduction of the minimum wage was anticipated, but did not take place until a month or two later.

Respondents with various work histories since ETU (see Section 2.6), from all the pilot areas, stressed that ETU enabled people to take, or stay in, low paid employment. They said that people cannot pick and choose among jobs, but have to take what is on offer in their area, even if the pay is ‘deplorable’. ETU could help in particular low paid occupations such as hairdressing and in low-skilled jobs.

‘The good thing is that in an area where you have a massive amount of labour, where they can pretty much set a wage and say that’s all we’re going to pay, then ETU works 100 per cent.’

(Man aged 25-44, self-employed, Scheme B major urban)

A few respondents focused on the importance of work for people’s well-being: they could be bored, isolated and lonely when not working. One said that ETU enabled a gentle return to employment, so ‘you’re not sat at home on the dole, frightened to go out the door and do some work’.

Respondents took slightly different views about ETU for people in part-time work. Some emphasised the particular help it gave to people who could only find or manage part-time employment. For example, a young man who worked as a car valet had been very depressed before his job with ETU; since, he had been able to give more money to his parents and felt he earned a worthwhile, living wage. His father was unemployed and his mother also received ETU; she had not been able to increase her hours as a school dinner lady, and found ETU gave a boost to her wages and her spirits.

Others stressed the role of ETU in encouraging people to take part-time and low paid work that they otherwise would not have been able to consider. One took a robust view, saying it would ‘get them off their backsides and into work’. The others discussed the circumstances under
which people might be able to work, given the complexities of the interaction between benefit and low paid employment income:

‘You can get out and do some work and let the people know that you want to work, even if it’s just a couple of days with one bloke and a couple of days with another bloke, you’re not actually sat there at home on the dole. … Some people … say I’m not going out for 40 quid a week, you can get that just sat at home, they won’t do it. I can’t blame them really.’

(Man aged 25–44, self-employed, Scheme B large town)

In addition, the six month award gave the incentive to take on extra hours, secure in the knowledge that the award would continue:

‘There’s a lot of people are in the poverty trap and if they thought they could earn a little bit more even though the wages were rubbish, what they were getting, and they still had enough to live on, I think a lot more people would come off the dole, to be honest.’

(Woman aged 45+, self-employed, Scheme B major urban)

**ETU and particular groups**

Some respondents described the help that ETU gave to particular groups. The mother of a young man with learning difficulties said that for people like her son, who could not get, or were unlikely to be able to get, either full-time or well paid work, ETU was very helpful and very beneficial.

One young woman observed that ETU was the only benefit available to people who did not have children.

The trainees and apprentices valued the help they received which enabled them to learn a good trade. They thought that ETU was a good idea for people in their position, who received low pay while they were learning and also had to buy tools and equipment.

Many of the ex-recipients said that they could think of no criticisms to make of ETU. However, others had experienced problems themselves or had more general points to raise.

**The application process**

A substantial minority, both employed and self-employed, found the forms onerous. Some said that the forms were too intrusive or personal, while others found it trying to have to repeat information that had been gathered at least once before and which they felt must be held on computerised records. Some self-employed respondents had found the forms and gathering the information ‘horrendous’, but some employed people also struggled.

As mentioned previously (Section 2.3.4), a number of employees found their employers made heavy weather of providing information, which
made that part of the process slow and inefficient. One young woman said that her employer also 'moaned' about doing her bit; she was caught between the requests of the processing unit and her employer, and felt guilty about the trouble she was causing.

**Restrictions**

Certain aspects of the rules of ETU were criticised. The young woman who understood that she was not allowed to renew her award because she was on a training scheme felt strongly that the restriction was unfair. Her mother pointed out that the scheme was still a job, with long hours; the young woman thought that the restriction must have been introduced once ETU was in operation, so as to cut down on the number of claimants.

Some were concerned that assessment was made on the basis of the four previous pay slips. Shop workers and others that worked fluctuating hours, including seasonal differences and unreliable amounts of overtime, argued that their assessed earnings could quickly become inappropriate. One said that ETU should ensure that a person could afford the basic necessities on their contracted hours, so as to cover the times when overtime was not available.

Other points were: that it was not made clear that self-employed people are allowed to apply; that it should be made clearer that the blue page in the middle of the payment book indicated the date by which everything had to be completed to make a renewal application; and that prescription costs were not covered, as they were with Family Credit. One ex-recipient said that his award had not been backdated to the day he applied, but he had not enquired further into this.

**Adequacy of ETU awards**

While the majority of the respondents said that ETU helped them to manage, a few questioned the basis on which the amount of the award was calculated. They believed that people were expected to run their homes on inadequate means: ETU helped them to manage, but kept them poor:

‘You’re still actually right at rock bottom … You see what they’re going by is what you’re entitled to … what the government specifies you’re allowed to live on as a family per week … and it’s like living on fresh air, it’s just not enough.’

(Man aged 25–44, employed, Scheme A major urban)

One man pointed out that people differ widely on what they consider to be adequate, but none of the respondents appeared to the researchers to be seeking extravagant lifestyles. An ex-recipient indicated the extent to
which he and his wife had lowered their expectations:

‘in a way it was like a little charitable thing, I mean I was earning but we were struggling and it was useful to back up … we’d got used to not having so much … we’ve paid for the house now … we’re happy as we are, we don’t have luxuries, we do get out, Sunday morning we wander round the boot sales, that’s our little session out. … I think everybody should have the opportunity to earn enough to exist. We’ve got to forget about the luxuries in life because we’re not all entitled to them.’

(Man aged 45+, self-employed, Scheme B seaside)

The age-related availability and award levels were also criticised. One young woman said that the different rates could not be justified because living expenses were not related to age and even people staying in their parents’ home had to contribute and pay their way. Another said, in addition, that ETU should be available to 16 year olds because it would encourage them to work and help them with their living expenses.

**ETU in context**

Some respondents raised broader issues. They said that ETU might act as a work incentive, but only if people were aware of the scheme in the first place. There should be more advice and publicity to promote ETU, and employers should be more aware of it when recruiting. In addition, the incentive effect was limited by how far ETU could make people better off in work and how much people really wanted to work. Others thought ETU could: support people in lower-paid work so they would lose the incentive to move out of it; encourage people to work less, knowing they could rely on ETU; and give employers an excuse to pay low wages.

Several talked of employers being ‘devious’ and employing cheap, or even ‘slave’ labour with the help of ETU. One cited an employer in her area who deliberately paid low wages to Family Credit recipients, and others referred to school-leavers and fraudulent apprenticeships.

The problems associated with the interaction between benefits and earned income were also raised; as has been shown (Sections 2.5 and 2.6), some respondents were critical because they were no better off in work with ETU. They referred in particular to ETU counting as income in the assessment of Housing and Council Tax Benefits, and to the cost of prescriptions and dental care. For example, one woman thought that, because it was earned income, it would be reasonable if the council took less of it and she kept more of it:

‘Basically, they say you can keep £55, after that we take your rent and Council Tax off you, which they did and left me with what was left, and I’m supposed to be grateful for that, and I wasn’t, I wasn’t grateful for it.’

(Woman aged 25-44, employed, Scheme B major urban)
Finally, some ex-recipients criticised the fact that ETU was available only in some areas, and was paid at different rates. These criticisms arose from the design of the pilot of ETU.

### Equity

Respondents raised issues of equity that concerned the design of ETU and others that focused on low pay and the wider society.

Ex-recipients could only surmise the basis for assessments of ETU from the questions asked on the application form. Some thought that their award was unfair when they compared it with the amount others received. For example, a man tried to understand how and why his award was less than his friend’s when it seemed to him that his need was greater, because he ran his own home and supported himself independently. His friend, on the other hand, lived in his parents’ home.

Many respondents questioned how ETU could be better distributed to give priority according to people’s need and outgoings; they argued that more should go to people who were responsible for running their own homes than to those who were at least in part supported by their parents. A fairer way should be found to relate the amount of the award to the needs of the recipient.

Several respondents thought that there should be no need for ETU: rather, employers should pay ‘decent wages’. For example, a self-employed man had not realised that employees also could receive ETU. He believed that employers should pay ‘proper wages’ and applauded the introduction of the National Minimum Wage. He feared that ETU would be exploited by employers, and used as a support to cheap labour in the same way that Youth Training Scheme once was. Some felt strongly that everyone, and particularly young people, should be able to work for fair rewards, knowing they would not be exploited. One said that while there was a place for support such as ETU, he would not like to see people on low wages needing a permanent subsidy from the state.

Respondents from different parts of the country described a position where an apparent local surplus of labour allowed employers to hold down wages. They thought equity lay in a national minimum wage that brought a decent standard of living: it would not be achieved through an ETU subsidy to poor wages. For example, one said:

‘There should be a minimum wage and a decent standard of living. It’s got to be a change of attitude in society in [H], and places like [H], it’s just so depressed that it needs some sort of injection, but you’re not going to do it by handouts in dribs and drabs.’

(Man aged 45+, self-employed, Scheme A rural)
Stigma

On the whole, the ex-recipients would have preferred not to need to claim a benefit. That said, most of them did not find the process of claiming and receiving ETU too painful or stigmatising.

Some of the respondents were at pains to describe the value they and their families put on working and their embarrassment at having to claim a benefit. They felt that ETU was different from other benefits. Despite initial misgivings, most found that the application form did not delve into their affairs: one woman said this helped her self-esteem at a vulnerable time. ETU could be seen as a reward for working and putting the effort into finding more work: in consequence, applicants did not feel as if they were going ‘cap in hand asking for benefit’.

By contrast, a few respondents found the process inescapably stigmatising. One said that it might be better if the employer were made to claim. He thought that employers should either pay better wages or apply for the subsidy and pass it on to their employees: given that they probably had a number of employees in receipt of ETU, this would also decrease administration costs.

Finally, one said that he justified his ETU award to himself on the grounds that he needed it and he had contributed to National Insurance all his working life4. Even so, he was not happy to claim ETU: he had never been a ‘sponger’ and had always believed in working and paying his way so claiming a benefit distorted his picture of himself.

Abuse

Respondents could see a number of ways in which ETU might be abused, but few thought that abuse was necessarily taking place. A few believed that all provision was abused. For example, a self-employed taxi-driver thought that people exploited the service he supplied to disabled children and their families, paid for by a state agency. With regard specifically to ETU, he said:

‘If there’s something to be abused, some perisher will find a way of doing it … and unfortunately it’ll be a majority rather than a minority.’

(Man aged 45+, self-employed, Scheme A seaside)

Others also took a rather jaundiced view. For example, one thought that some people were ‘out to bleed the system’; people who knew the ‘ins and outs’ would receive help, while genuine cases would not.

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4 This is despite the fact that ETU was not a contributory benefit.
Some of the ways ex-recipients thought ETU might be abused would not be possible under the current rules. Specifically, keeping the ETU award after becoming unemployed during the course of the six months (whether the unemployment was unforeseen or was planned with a view to keeping the ETU award). As has been mentioned, under such circumstances ETU counts as income and benefit is adjusted accordingly.

A few respondents suggested that people might choose to work part-time with ETU rather than full-time, even to the extent of moving from a full-time position. They believed that in certain circumstances, the overall income might be much the same, in which case ETU would have had a perverse effect. Similarly, some thought that workers might become comfortable with part-time employment and stop trying to increase their hours of work or improve their circumstances.

Respondents thought that the six-month award could be open to abuse as people’s circumstances changed once the award was in place. Someone setting out to abuse the six-month ETU award would ensure that they presented low hours and pay as evidence for the assessment of their award, and improved them subsequently. Some ex-recipients had offered to hand in their payment books when their pay increased during the period of their award. One said that while it was not illegal to continue to receive ETU at the original level, he wondered if it was fair.

On the other hand, the six-month award was also criticised by ex-recipients whose pay had decreased during the period.

A self-employed man thought that ETU needed strong safeguards against people claiming to set up a business, only to ‘go bust’ at the end of six months. He thought it was essential that applicants presented business plans that had been scrutinised by local organisations that supported people establishing themselves as self-employed.

Most of the respondents, employed and self-employed, said they would apply for ETU again in the future if necessary and if they were entitled. However, fewer thought they would take ETU into account when looking for a job: some said they would consider taking a poorly paid job with ETU only as a last resort, and one said he would have to be absolutely certain that he was entitled to ETU before he would take a job on that basis.

Respondents gave a number of reasons why they preferred not to apply again (as seen in earlier sections): they would rather be in a higher-paid job; there would be no need for the scheme if wages were high enough and paid a fair rate for the job; some would be no better off when they lost other benefits, particularly Housing and Council Tax Benefits and free prescriptions; the process was onerous; and it was not worth claiming for short periods when a partner was in and out of work.
Nonetheless, the overwhelming majority said they would encourage other people to apply if they might be entitled, and many had done so.

2.7.5 Ways to improve ETU

Respondents suggested several improvements. Many referred to the need for greater publicity. They thought that more people would be encouraged to go back to work if they and employers knew about the scheme.

Many respondents suggested that the claim process should be simplified. In particular, they wanted shorter, less intrusive claim forms and less of what was seen as duplication of evidence presented for renewals.

A few raised issues concerned with entitlement: they said that a fairer assessment should be based on a person’s regular working hours (temporary circumstances should not count), and that a partner’s income should not be taken into account.

Some respondents thought that ETU should not count as income in the calculation of Housing and Council Tax Benefit, and that recipients should not lose certain benefits such as free prescriptions.

Aspects of the value of the award were raised: some thought differential rates based on age should be abolished; others said simply that awards should be higher; a few self-employed respondents thought that awards should be higher but for a shorter period than six months because someone setting up a business needed more money at critical periods.

Some thought that the six-month period of the award was too long and open to abuse as recipients’ circumstances changed. There should be regular reviews to ascertain continuing entitlement.

Some self-employed respondents thought that employers should be vetted so that they could not get away with paying lower wages deliberately.

2.7.6 Piloting and going national

The majority of respondents thought that ETU should be introduced nationally because they believed there was so much low paid and part-time work and ETU was an incentive that encouraged people to take and stay in work:

‘If it seems to be working … rather than just signing on every week and pretending to go to the jobcentre and … thinking sod it, I ain’t working for that [rotten] wage, if you give them some incentive, if they get a bit of something … and once they start working they might actually like it.’

(Woman aged 25-44, Scheme B, large town)

Many respondents perceived the scheme as being a great help to them and thought that everyone else should benefit. They said that it would be a 'lifeline' and keep people out of debt. Also, it was fair that everyone,
and not just particular groups, should receive a living wage:

‘There’s loads of things you can get when you’re old … there’s loads of things you can get if you’re a single parent and things like that, but … I’m the middle, I’m not old, I’m not a single parent, I’m like the forgotten bit … so this is good, that they’re not forgetting the in-between people, if you like.’

(Woman aged 45 or over, Scheme A, rural area)

Several people expressed reservations about ETU ‘going national’. As mentioned earlier, some were concerned that it would provide employers with an excuse to pay poor wages:

‘… if you’re working in this underclass of workers where you’re living from hand to mouth, and you’ve got to be subsidised by the government, which is the rest of society, why wasn’t the wage paid enough to support them anyway …’

(Man aged 45 or over, Scheme A, rural)

Respondents were also concerned about avoiding abuse of ETU, and targeting the award on those in greatest need.

Several respondents were concerned about piloting. Some thought that it was intrinsically unfair because some people received ETU while others did not. They cited people who were not entitled on the basis of where they lived, but had equal need for ETU. A few thought that the scheme should have been piloted in more areas, in the same way that companies test market a new good, in order to get a broad picture of how it is working.

A few feared that ETU would come to an end leaving people who had taken a job because of ETU ‘stuck’ in a low paid job. They might not be able to manage and their standard of living would be jeopardised.

2.8 Conclusions

2.8.1 Key findings

This study was to provide an account of ex-recipients of ETU, in particular of their destinations after leaving ETU. Respondents either chose not to reapply for ETU, or they made an unsuccessful claim.

Respondents’ work histories fell into five groups: first-time employees; steady job holders; people who had been in a series of short-term jobs; those with a chequered history of jobs and unemployment; and some who had been mostly unemployed or economically inactive.

Most of the ex-recipients were already in work when they claimed ETU, though a few of the men claimed when they took a job or became self-employed. Some of the latter said that they started the work on the strength of the promise of ETU. Most said that they would have stayed in their work even without ETU, but some said that ETU had given them vital help, either as a support to low wages on which they could not survive, or to tide them over a crisis.
Ex-recipients chose not to reapply for the following reasons: employment-related (for example, their hours or wage rate improved, or conversely they lost their job or their business failed); life events such as pregnancy intervened; or they took up education, thought it was not worth applying because the process was onerous, or calculated that they would be better off on out-of-work benefit income. Follow-up claims were unsuccessful when applicants were deemed ineligible because of their income, capital or increased hours, or were eligible for another benefit.

Three broad groups of ex-recipients were found: those who had not escaped low paid and insecure work, with intermittent unemployment; those who were managing, though with modest expectations, as long as their income was reliable; and those who had increased their earnings so that they were better off.

The categories were associated with people’s work status, but not determined by it. People were not always better off financially in low paid work; some found themselves managing better with benefit income, in part because this was regular and secure.

Nor did the categories follow inevitably from respondents’ work histories: some changes of fortune were observed. For example, people who had been mostly unemployed before their job with ETU were as likely to be still in that job at the time of the interview as unemployed again.

2.8.2 Discussion

ETU seemed to have helped the ex-recipients. They praised it for the help and support it gave them when they needed it. It appears to have helped some to improve their circumstances and prospects. Others stayed in and coped with low paid work, but some failed to escape from insecurity and unemployment. However, some employees and self-employed people felt that in the longer run they were as well off, or even better off, when claiming out-of-work benefits.

The distance between the best and worst off did not appear to be great, so that security of employment, small increases in the number of hours worked or in hourly rates, and modest ETU awards made a positive difference. Conversely, fluctuating hours, seasonal variation, illness and redundancy had negative effects, reinforcing the low pay and insecurity from which some ex-recipients could not escape.

ETU helped particular groups such as people with poor basic skills, who could not sustain longer hours, and trainees and apprentices. In addition, ETU assisted couples when one partner suffered a sudden and unexpected event such as illness or unemployment.

Criticisms were made of ETU on the grounds of equity, stigma and the possibility of abuse. Respondents referred in particular to the different needs of people who ran their own home as against those who lived in
their parents' home, the way awards were assessed and the level at which they were set, and the possibility of exploitation by employers paying low wages.

Overall, many respondents thought that ETU should be introduced nationally because it was an incentive that encouraged people to take and stay in work. It had helped them and, they argued, it should be available to others.
Earnings Top-up Evaluation: Qualitative Evidence

Part Two • Self-employed recipients
3 SELF-EMPLOYED RECIPIENTS

3.1 Introduction

3.1.1 Objectives

In-depth interviews were undertaken with 30 self-employed people who received ETU during 1999. The aim of this element of the qualitative research was to examine the experience and perspectives of self-employed recipients. Issues specific to self-employed recipients were explored: for example, it was suspected that participants might have difficulty in separating out business and personal income and expenditure. In the course of the report, comparisons are made with the experiences reported by employees.

3.1.2 The sample

This report is based on 30 face-to-face interviews carried out during Autumn 1999 with self-employed people who had received ETU that year. Most were in receipt at the time; a few no longer claimed ETU. A very few had made a number of continuous claims.

By the summer of 1999, the ETU administrative statistics show that 12 per cent of all ETU recipients were self-employed, with marked differences between Scheme A (16 per cent) and Scheme B (nine per cent). The 12 per cent matches survey information on the proportion of self-employed people in the working population generally (Knight and McKay, 2000).

Certain differences between the self-employed and employed recipients were apparent from the administrative statistics. Self-employed recipients were older than employed recipients: only 13 per cent of the self-employed recipients were single and under 25 as against 39 per cent of the employees; 65 per cent of the self-employed were single and over 25 compared with 47 per cent of employees; and self-employed recipients (22 per cent) were more likely than the employees (14 per cent) to be living as a couple. Knight and McKay (2000) also found that the self-employed, as a proportion of all workers, tended to increase with age; and that self-employment was more common among men than women.

Proportionally more of the self-employed recipients received maximum ETU (82 per cent) than did the employed recipients (37 per cent), indicating that they had lower earnings than the employees, overall. Knight and McKay (2000) urged caution in interpreting earnings figures for the self-employed, partly because so much data was missing from their survey, but also this is a consistent finding of other research. That said, they found self-employed people were more likely than employees to appear at both the upper and the lower ends of the earnings distribution.

The sample of self-employed ETU recipients that participated in this study in large part reflected the profile outlined above. It consisted of nine women and 21 men. Only one was under 25 years old, nine were aged between 25 and 44 and ten were over 45. Eight respondents were members of couples and 22 were single.
The interviews lasted on average for one hour and were recorded. They were transcribed and analysed using NUD\*IST (a computer package for the analysis of qualitative social science data). A copy of the Topic Guide is at Appendix C.

3.1.3 Structure of report  Section 3.2 of this report outlines the work histories of the respondents prior to their becoming self-employed and applying for ETU, and their views about work and the availability of jobs in their locality. Sections 3.3 and 3.4 describe respondents’ circumstances at the time of application, their experiences of applying for ETU and the impact of ETU on their decisions. Respondents’ views about ETU are explored in Section 3.5. Conclusions are presented in Section 3.6.

3.2 Work histories  This section provides a summary of the previous and current work experiences of the respondents, including patterns of work; self-employment history; and the status of the respondents’ businesses at the time of the interview. In addition, their views on work and their local labour markets are discussed.

3.2.1 Patterns of employment  This section looks at respondents’ work patterns prior to their becoming self-employed and the route from employment to self-employment. It is possible to identify three distinct routes into self-employment. These were:

- respondents who went straight into self-employment from school or training;
- respondents who were employed for a period of time before establishing themselves as self-employed in the same line of business; and
- respondents who worked in jobs unrelated to their self-employment.

Respondents who went straight into self-employment from school or training

Only a few respondents fell into this category. They include two who had been to art school: one of them set up an interior design and decoration business, and the other painted portraits (she had since become an aromatherapist, but continued to paint occasional portraits).

Respondents who were employed for a period of time before setting out as self-employed in the same line of business

A number of respondents either trained in a particular skill, or worked for a while in a small business and, having learned how the business worked, set up by themselves. In these cases, it was the initially restricted employment opportunities that led the respondent into self-employment. For example, one man wanted to work in car sales but there were no vacancies in the garage where he had served his apprenticeship so he started his own car sales business.
In other cases, the desire and opportunity to start a business evolved while working as an employee. One respondent, for instance, worked for his father who owned a transport company distributing pallets. He gradually set up his own business alongside his father’s, at first sub-contracting from him, but gradually developing his own customer base.

Sometimes the decline or demise of the company that the respondent worked for precipitated the respondent into setting up his or her own business. For example, a woman had worked since leaving school in a beauty salon doing manicures. After two years her employer became bankrupt; she set up her own beauty salon and built up her own clientele.

**Respondents who worked in jobs unrelated to their self-employment**

This group of respondents can be divided between those who had a stable work pattern over many years before setting up their own business and others whose work histories were more fragmented. An example of a stable work pattern was a respondent who had worked for 11 years as a washing machine installer, becoming a stock controller with the same company during that time, and then spent a further 11 years as a miner. He was made redundant on both occasions.

Other respondents had more chequered work histories before setting up their own businesses. These respondents had done a variety of jobs before becoming self-employed, such as baking, warehouse, factory and building work, security work, street cleaning and shop work, sometimes punctuated by short or long periods of unemployment. In most of these cases, the respondent had not trained or gained experience in the field in which they went into business as self-employed on their own account. Often, redundancy or repeated redundancy, unemployment and the inability to find work, triggered the move to self-employment. Some of these respondents said that they had set up their business because they were disillusioned with working for employers. Others said that the experience of repeated redundancy had led them to seek more control over their working lives.

A few slipped into self-employment. For example, one respondent was made redundant after 20 years in the motor trade. He started doing odd jobs for one or two people locally and found that gradually he was able to tackle a range of building work, including joinery and tiling, and as his reputation spread his business became established. Similarly, another respondent built up a clientele and established a gardening business.

This section looks at the respondents’ history since becoming self-employed. Some respondents had been in the same business for many years. For example, one man had been working as a self-employed builder for 15 years. He had been successful for most of that time, but was finding it increasingly difficult to manage the work as he got older.
Some respondents had been in the same line of business for many years but had at one time taken a break to do something different. In some cases this had involved running a different business, in others spending some time working as an employee. For example, a man had been a driving instructor for 30 years, and took a short break as a newsagent.

Some respondents ‘came and went’ from a particular line of business. For example, the respondent who started out in his father’s pallet business, set up on his own for a while and then tried his hand at a number of ventures as an employee and self-employed. When things did not work out he returned to the ‘pallet game’.

3.2.3 Status of business

This section looks at the status of the respondents’ businesses at the time of the interview. It is possible to identify three types of business, as follows:

- relatively new businesses that were expanding;
- businesses that were only just surviving; and
- businesses in decline.

Relatively new businesses that were expanding

Some businesses appeared to be developing rapidly. A respondent who ran a gardening business and employed three gardeners and an administrative assistant said:

‘We set off with two jobs and two gardens to maintain, I think we’ve got about 17 or 18 gardens regular and about four commercial gardens for factories.’

(Male aged 25-44, Scheme A, major urban)

These respondents were enthusiastic and confident about their success and prepared to work long hours: one referred to working ‘from sun-up to sun-down’. The respondent with the gardening business said:

‘A lot of people say your first 12 months is your worse, you’ll either make or break in your first 12 months, we’ve been to see an accountant and as a startup they just can’t believe from what we set off with to what we’ve got now. They just couldn’t believe it, no way.’

(Man aged 25-44, Scheme A, major urban)

Most of these businesses were run by people who had gone into business straight from, or soon after, leaving college. However, a few were run by people who had set up later in life when they had been made redundant and felt confident that they could do better themselves. This group contained both men and women although the men were characteristically more bullish about their chances of success. The women were more cautious.
Businesses that were only just surviving

Some businesses appeared to the interviewers to be only just profitable. They had never become established and the customer base had not been developed. Some of these respondents were maximising their share of a very limited market, but others appeared content to have a ‘part-time’ business and no ambition to expand it further.

Some respondents had previously been working less than 16 hours and signing on but had been persuaded to commit themselves to work with ETU. The businesses retained the flavour of part-time work and claiming a benefit rather than being businesses that were developing in any way. Some had reluctantly set up their own business to escape being constantly called into the Jobcentre or sent on training courses. One man fitted his painting and decorating work around taking care of his seriously ill wife.

Businesses in decline

A few of these businesses had once been successful, while others had managed to eke out just enough to get by on. For example, one man had run a successful car sales business for many years but was struggling. He put the decline of his business down to overproduction and restructuring in the market. His role as a middleman, buying and selling to dealers, was increasingly being bypassed; he described himself as a ‘dinosaur’. During the two years prior to the interview he had found himself in an increasingly vicious circle: as his profits declined, he had less capital to buy cars to sell on. He did not believe that his position in the market would recover and he talked of needing to find another way of making a living.

Another man had run a successful building business for many years, but it started to decline as he got older and he was beginning to look towards retirement. The pallet supply business failed when the respondent fell out with his partner, who withdrew his investment. By the time of the interview the respondent had applied for a job with a large national pallet company.

Respondents identified both positive and negative aspects to self-employment, but most preferred self-employment to being an employee. The primary attraction of self-employment was greater self-determination, but respondents also mentioned flexibility, control, a sense of achievement and reaping the rewards of their labour.

Self-determination was portrayed as not having to do the boss’ bidding, but being able to do what they enjoyed:

‘I was able to earn a reasonable living, I wasn’t going to get rich on it, but I didn’t mind that, I was working for myself, I was doing what I wanted, when I wanted, and how I wanted, and work that I enjoyed ... stuff that I was accustomed to, stuff that I’d been brought up through my life.’

(Man, aged over 45, Scheme B, large town)
Self-employment gave the flexibility to organise and plan time to fit in with other commitments or arrangements. Most thought the stresses of being self-employed were outweighed by the benefits of having greater control over their own destiny. For example, one said that despite everything, he would not put himself ‘at somebody else’s mercy’.

Some respondents felt a strong sense of achievement because they had secured a measure of success despite having no ‘proper’ qualifications or experience. Others contrasted their sense of achievement with the lack of respect they had experienced as an employee. They said that they felt that employers failed to recognise and appreciate the amount of hard work employees contributed.

However, respondents also pointed out that self-employment had costs as well as benefits. They carried the responsibility for the business, and any breaks in work, whether for sickness or holidays, meant a loss of income that had to be covered. A few were not so confident that the benefits outweighed the costs. They contrasted the security of employment with the insecurity of self-employment. The knowledge that they would receive a regular and predictable wage was important:

‘I started work in a hotel, permanent nights, it’s not fantastic money but it’s OK, we get by and at least we can say well next week we’ll have X amount, and that’s something that I never had before… I know what I’m going to get every week. I know I’ll get paid holidays and what not, that was something that I never, ever had before either.’

(Man aged over 45, Scheme B, rural)

3.2.5 Respondents’ views of their local labour markets

Self-employment

Respondents commented specifically on the availability of work in their particular line of business. Unsurprisingly, their views were, at least in part, related to the status of their own business. A number said that their local markets were becoming more competitive. Others suggested that the general lack of money in their neighbourhood meant that there was little business to compete for.

The respondents whose businesses were taking off thought that there was plenty of work about although one respondent introduced a note of caution. She was concerned that the business start-up grant, low rent on her premises and ETU allowed her to win contracts by underpricing.

Local job market in general

Some respondents suggested that jobs were there for people who wanted them. However, a number of caveats were introduced. One was that much of the available work was not particularly interesting: one man referred to ‘mind-numbing stuff’ on an assembly line. Another was that many of the available jobs were very low paid. In fact, some respondents
suggested that some employers in their areas were still paying below the National Minimum Wage. Working brought travel and other expenses. Some said that the competition was fierce even for poorly paid jobs.

A number of respondents suggested that getting a job depended on knowing the right people, and that those who went through the formal channels were unlikely to be successful. A respondent from a rural area said:

‘If you want the work you will get jobs, but they’re few and far between, good ones. Round here it’s normally word of mouth or everybody is sort of related to everybody else … the guy that had the building company I knew his son, I was really friendly with his son and that’s how I got a job with him, and my friend was in charge of production line at the powerwash firm, so you know, it’s who you know, and if there’s a job comes up you get it.’

(Man aged 25-44, Scheme B, rural)

Others said that while there was plenty of work, only people with five or six year’s experience were taken on. In areas where the main employment was provided by tourism, respondents said that work was seasonal and there was very little work available out of season.

Respondents from the north of England and Scotland said that many young people had migrated south in search of work. Those who remained were either on government schemes or hanging about street corners. Ironically, some respondents said that employment became increasingly difficult to find as they got older.

Some respondents suggested that work was particularly difficult for men to find, though others thought it was equally difficult for women to find a good job:

‘Since the shipyards has closed down, the pits closed down and then … used to make cranes and there was about over a 1000 men made redundant from there, so now there’s only like Nissan … there isn’t many jobs at all for men round here.’

(Woman aged 25-44, Scheme B, major urban)

However, not all was gloomy. One respondent described local investment:

‘Well recently, in the last two years there’s been a lot of money spent in this area, big shopping complexes put up, things like that, because at one time it was quiet, the town had degenerated quite a bit, shops had run down and things. They’ve spent a lot of money, different businesses and the council and at the moment I think there’s quite a boom in the area for different jobs and things like that, so I would say it’s improved dramatically within the last couple of years.’

(Man aged 25-44, Scheme A, rural)
Respondents had taken a number of routes to self-employment: direct from school or college; via employment to self-employment in the same line of business; and from a job unrelated to the self-employment.

At the time of the interview, respondents’ businesses were at various stages of development, but there was no evidence to suggest necessary progression between the types. Some were relatively new and were expanding, some were just surviving and some were in decline.

Most preferred self-employment to being an employee. They welcomed the self-determination and control it gave. However, they recognised the stresses and costs of self-employment, and a few sought the security of a regular and predictable wage.

Respondents thought that employment was available in their area, but it was boring and low paid. Respondents from the north of England and Scotland said that many young people had migrated south in search of work. Some thought that it was particularly difficult for men to find work.

The experience of self-employed respondents of the process of applying for ETU is explored in this section. Respondents’ circumstances when they applied are examined first, followed by how they found out about ETU and their accounts of the application process.

Residence

Most of the younger self-employed recipients were living at home with their families when they first applied for ETU. By the time they were interviewed, one had gone to live with friends in a shared house and one had moved in with her boyfriend. Several self-employed recipients were renting from a local authority or housing association, and very few rented privately. A small number owned their own homes, most of whom were aged 45 or over and part of a couple.

Type of business

The type of business self-employed recipients held at the time they first applied for ETU differed mostly between men and women. For example, several men, of various ages, ran businesses that involved manual work such as property or gardening maintenance. A few, mainly younger, men worked in the motor industry as mechanics or traders. Other businesses included window cleaning and taxi-driving, computer games programming, music mixing/sampling and pallet supply.

Most of the women’s businesses provided personal services such as hairdressing, beauty services and reflexology. Others included child-minding and interior design.
Some appeared to be only nominally self-employed because they worked for someone else: for instance, the driving instructor paid ‘rent’ for his franchise from a driving school and a man employed by a mail order company to deliver parcels was responsible for his own tax and used his own transport.

**Reasons for applying: established business**

Several of the self-employed recipients (of all ages, men and women) already had their own business when they first applied for ETU.

All of those who had already established businesses when they applied for ETU said they claimed because their business was struggling and they needed a boost to their earnings; they claimed as soon as they had heard about it. For some of them, business had slowed down due to changes in the industry, competition from other traders or age making it more difficult to work as hard as before.

Others’ businesses were in decline for more personal reasons. For example, one man had to contend with the loss of his wife’s disability allowance: she had left her job through ill-health and had been disallowed after claiming for 18 months.

Some respondents held jobs or claimed unemployment-related benefits while they were developing their business; the respondents were not always clear whether their ETU claims related to their employment or to their self-employment. For example, two women had been claiming unemployment-related benefits before they claimed ETU, but at the same time were trying to build up their businesses and declaring their earnings. One had decided to change her situation and told Jobcentre staff that she wanted to sign off and try to get more work through advertising, at which point they suggested ETU to her. The other woman had signed off when she got a part-time job in a nightclub and claimed ETU at the same time as continuing to build up her business.

Finally, the respondents who seemed to be only nominally self-employed applied because they were struggling to make a wage from their jobs. For example, the man who delivered parcels did that job alternately with his summer job at a fairground where he earned too much to be eligible for ETU. He applied for ETU each time he went back to his delivery job.

**Reasons for applying: setting up a business**

Most of the rest of the self-employed ETU recipients were unemployed and signing on before they made their first application; many had long spells of unemployment ranging from one to eight years. They were younger, single men.
The frustration of being unemployed prompted several recipients to start their own businesses (see Section 3.2). Jobcentre staff had played a role in this, sometimes quite explicitly. For example, one man hit ‘a rough patch’ after some fairly well paid jobs abroad, was placed on a New Deal scheme, and set up his window-cleaning business:

‘I was signing on and signing on, and then I went on that New Deal and I thought never, I don’t believe this is happening … so they sent me on this gardening course and I thought I can’t do with it, I thought I’ve been earning some money and I can’t do it … so I just got some money together and I just set me own round up and that was it …’

(Man aged 25-44, Scheme A, large town)

All the recipients who were out of work applied for ETU as soon as they heard about it because they thought it would help them while they were building up or re-building their businesses. Whether ETU was a determining factor in starting out on their own is explored in Section 3.4.

Several people were in receipt of other benefits, such as Housing and Council Tax Benefits, before they applied for ETU. Some were concerned about losing these, especially if they were setting up new businesses and were unsure whether things would work out. However, for many recipients the opportunity to be in work again outweighed the concern over losing benefits. They wanted to be ‘doing something’ and to be free of the benefit system.

3.3.2 Finding out about ETU

Self-employed recipients appeared to have found out about ETU in much the same ways as the employed recipients, except that rather more mentioned being told about it by Jobcentre staff. Of course, only people looking to establish themselves as self-employed would hear about ETU from a business start-up scheme.

Many self-employed recipients found out about ETU from Jobcentre staff. Several, whose businesses were struggling or newly established, sought help from Jobcentre staff and were advised to try ETU. Others were told about the scheme when they signed off. A few were told about ETU by staff at the local authority.

Some people had been told about ETU by a business start-up scheme. The information was part of the package of advice provided to those who were setting up new businesses. Those who found out from Jobcentre and business start-up schemes were mostly men.

Several recipients were told about ETU by friends or by word-of-mouth. A few people had first heard about the scheme after seeing some form of publicity. One man had seen some publicity but only applied after being advised by a friend who was receiving it.
One man, from the Scheme B rural area, had been invited to a hotel to take part in a survey in the run-up to the introduction of ETU. He was uncertain how he came to be invited, but the survey was run by the DSS and they asked people how the scheme could be advertised and whether they would take a low-paid job if their wages were topped-up.

Many respondents could not recall seeing any publicity for ETU, either at the start or while it was running. One woman thought people had mainly heard about the scheme through word-of-mouth but believed that people who received ETU kept quiet about it. People from the major urban areas were more likely than not to recall seeing some type of publicity.

3.3.3 Application process

Ease of application

The majority of self-employed recipients, like the employed ones, had no problems with the application process for ETU. They did not have difficulties with the form itself or with supplying the required evidence. Many said that the form was clear and straightforward and some thought it was easy compared to other DSS or tax forms which one woman described as ‘far more perplexing’.

Those who were in business when they applied for ETU were used to keeping records and accounts and could easily supply the evidence required. Others, who were setting up new businesses, found the process much less complicated than they had expected. A few were surprised by the lack of evidence required and that the figures they provided were not checked by ETU processing staff.

Difficulties encountered

Whilst many people found the application process straightforward, several others did not. Some found the forms tedious and far too long and said they had to ‘wade through’ sections which did not apply to them.

One of the main problems faced by recipients related specifically to self-employed applicants. They found it difficult to predict future earnings, especially when they were just setting up their businesses. Some commented that the forms were awkward and confusing in this respect and that it was like ‘pulling figures out of the air’. One man, whose business involved mixing and sampling music, found it impossible to say how much money he would make from the venture and was worried that the information he had provided ‘sounded a bit dodgy’. Two others were more fortunate because one of their parents had been in the same line of work and so they had some idea of the earnings they could expect.
A number of people needed help with filling out the form and such help came from family members or staff at the Jobcentre or a business start-up scheme. One man thought that the form was too intrusive and felt that his books should only be seen by him and the tax office. Another felt that the forms could be off-putting for some people:

‘I can imagine someone who is not academically minded at all, but good with their hands, might have been put off in that sense because to get the carrot if you like you had to work for it a wee bit … it’s alright if you’ve got a calculator and you’re patient, but it could have put off a lot of people if they didn’t have the help.’

(Man aged 25-44, Scheme B, seaside area)

Many recipients tried to work out how much ETU they would get and most did this by consulting the table in the information booklet. A few people found it difficult to calculate their potential ETU award and did not know what to expect or were surprised that they got more than they anticipated. A small number of people were provided with Jobcentre calculations: one man was unhappy with this process, which gave him an inaccurate result:

WIFE: ‘… the dole office said to claim ETU and you’ve got Housing Benefit and stuff and you’ll be like this much better off.’

RES: ‘It was the claimants advisor I seen, and at the end of the day she was totally wrong, and when we told them about it they said ‘oh well, it’s just a mistake’, and I thought well it’s a canny crack, I thought at the time it was just way of getting lads off the dole, tell them a load of false rubbish and you’re off the books sort of thing.’

(Man aged 45+, Scheme B, major urban)

Processing

A number of recipients were contacted by ETU processing staff with queries about their applications because they had missed out answers to some questions or had made mistakes. Two people felt that such queries were unnecessary. Staff tried to contact one woman and left messages with other family members, but all they wanted to know was her nationality and she felt they could have asked her family. A man’s form was sent back to him because he had projected his earnings on a weekly basis rather than for six months and he thought that the processing staff could have made the calculation themselves.

Although some people experienced problems with the application process, many commented favourably on the promptness with which the decision to award ETU was made. Typically, applicants waited two to three weeks even though many had been told that applications from the self-employed could take up to six weeks.
A number of people praised processing staff for being helpful and friendly over the telephone and some felt they had been dealt with much better than they had when applying for other benefits. Some, for example, felt that Jobcentre staff were generally not very helpful or had negative experiences when applying for Housing Benefit.

Renewing claims

Many recipients found the process of renewing their ETU claims straightforward. Some, particularly those who made their first application when they set up their new business, felt that it was less complicated the second time. Several were pleased with what they saw as the seamlessness of the renewal process. They were grateful that they were sent a new form in 'plenty of time' without having to ask for one and that their money 'just continued' after the first award had finished:

Although most people found the process of renewing their claims to be smooth, a few experienced problems and missed payments because they failed to submit the form on time.

One respondent’s second ETU award had gone into someone else’s account due to a mistake at the processing unit. She was told that nothing could be done for another month and she had found it ‘a bit of a struggle’ to get through.

A respondent was unhappy about the way her change of circumstances was handled. When she first applied, she held a part-time job as well as her self-employment, but by the end of the six months she had been made redundant from this job. When she applied for the second time her form was returned and her status as self-employed was questioned. She was indignant about this because she felt as though she was being called ‘a liar’ and she was ‘not that type.’

3.3.4 Summary

Most of the younger recipients lived in their parents’ home. Several rented their homes and a few, mostly older people, owned them. Most of the men ran businesses that involved manual work, while most of the women’s businesses provided personal services.

Respondents with established businesses applied because their business was struggling and they needed a boost to their earnings. Some had been dependent on their earnings from self-employment for many years, but some had only recently set up their business, having managed with an income derived from some combination of unemployment, employment or self-employment. A few appeared to be only nominally self-employed.

Many found out about ETU through Jobcentre or business start-up scheme staff. Several were told by friends or heard through ‘word-of-mouth’. Few recalled seeing any publicity.
The application process and renewal of claims were generally problem-free, though a few found the form too long or intrusive or needed help with it. Some referred to the difficulty specific to self-employed people of predicting future earnings.

3.4 Impact of ETU

This section examines the impact of ETU on the decision to start up the business and on the business itself. The effect of ETU on the respondents is explored in the final section.

3.4.1 Impact on decision to start up a new business

ETU played a major role in enabling some respondents to set up their own businesses. Several who applied for ETU when they first set up their business said that they would not have done so without ETU.

Those who said that ETU was not the deciding factor in setting up a business divided into two groups. Some thought that with hard work and determination their business would have succeeded anyway, but that it would have been a struggle. Others said that they would have set up their business but thought that it would not have succeeded.

'I would either have struggled on for a while and then I’d have had to find a job somewhere, or ended up on benefits again … I wouldn’t be doing this job that I enjoy so much now if it wasn’t for the ETU.'

(Woman aged 25-44, Scheme A, large town)

ETU allowed a few to stop claiming Jobseeker’s Allowance while doing bits of work ‘on the side’ now and again and to set up a legitimate business.

3.4.2 Impact on the business

Part One identified three types of business: relatively new businesses that were expanding; businesses that were only just surviving; and businesses in decline. The impact of ETU was different for each.

It had been anticipated that self-employed respondents might have difficulty separating out business and personal income and expenditure, and so it proved. This section focuses on the way respondents used ETU in respect of their businesses, while the next section explores the impact on households. Together, they suggest that the distinction between business and home was not always clear or maintained.

Relatively new expanding businesses

Some of the businesses were in the early, vulnerable, phase and had yet to become relatively secure. ETU created a ‘breathing space’ for these businesses to develop their markets.

Respondents ‘earmarked’ ETU for use in various ways. In some cases ETU provided ‘capital’ to enable them to buy tools and equipment, others used it to meet running costs such as petrol for the company van or the business telephone bills. Some said that, in consequence, they could plough the profits back into the business. One benefit of this was the avoidance of a bank loan with attendant high interest charges.
‘What it’s enabled me to do, it’s only £41, it doesn’t sound much, but it pays the bills, it prevents me from drawing a wage from the business, which has allowed me to put that money back in, I put that money back into the business and which has helped us through sometimes … it’s stopped us from getting into debt, otherwise we’d have been facing going to … [the] Bank or whatever and being charged Lord knows how much interest, but with ETU it’s just pulled us through.’

(Man aged 25–44, Scheme A, large town)

For some of these respondents ETU had played a crucial role: it not only made the difference between the business continuing or collapsing, but provided the bridge toward success. The man with the gardening business said that he could not have carried on without ETU during his first year, but he hoped his business was now firmly established and that he would be able to start drawing a wage from it.

Other respondents were more confident about their chances of success without ETU, but nonetheless felt that it had played an important role in getting the business established. It had given them time to expand their skills and consequently the services they could offer. A respondent who had set up a garage said:

‘I mean I couldn’t spray before, and now I can spray beautiful, a whole complete car in no time whatsoever… Before I couldn’t do that because I didn’t have nothing to help me with it … I’ve got compressors, spray guns, airlines, all the air tools, huge tool box.’

(Male, 25–44, Scheme A, seaside)

ETU had allowed others to keep their prices competitive and so expand their market share. A respondent who had set up her business with help from a business start up loan, reduced rent on her premises for two years and ETU had mixed feelings as to whether this was necessarily a good thing. She felt that the business would not have got off the ground without the subsidies, but she wondered whether having ETU had allowed her to set her prices too low, so that the benefit was transferred to the customer rather than acting as an engine of growth for the business.

**Businesses that were only just surviving**

These businesses did not have a strategy for expansion. The prospect of ETU ending was uncomfortable for this group of respondents. Few could compensate for the loss of ETU, which had, in effect, topped up their low wages rather than played a role in developing their business. Some feared that, without ETU, they would return to ‘the dole’.

ETU acted in some instances as a cushion for those whose work was seasonal, such as gardeners, or affected by shorter-term variations in the weather, such as window cleaners. Others seemed simply unable to generate any more custom. For some respondents there were structural
constraints on increasing business. For example, a childminder faced legal limits on the number of children she could look after. Her only option was to increase her prices but she was concerned that she could only do this gradually and that there were limits to what her clients would, or could, afford.

Those operating franchises found their room for manoeuvre was limited. For example, the respondent who worked for a national transport company as a hostess selling refreshments was restricted by the number of customers on the bus and the ‘rent’ she had to pay to the company.

ETU allowed some respondents a little leisure time. For example, a window cleaner used ETU to control the amount of work he had to do and did not have to work very long hours on good days to make up for time lost to inclement weather. He felt confident that he could pick up extra work to compensate for the loss of ETU.

A few used ETU to enable them to fulfil personal commitments. For example, one man said that ETU meant that he could afford to spend time looking after his sick wife, and another was able to care for his mother.

**Businesses in decline**

In some cases ETU was propping up or cushioning the fall of businesses that were failing for various market-related and personal reasons. A few respondents faced changes in the market for their services. For example, a taxi driver was facing increasing competition and falling prices as the local council licensed more and more cabs and a man who had made a living for many years repairing washing machines said that business was declining because new machines break down less frequently.

ETU had probably allowed some of these respondents to continue to run their business longer than would have been the case in its absence. ETU had also helped one man to stay self-employed and ease the transition into retirement. Another respondent, who had been self-employed for many years, explained that it had bought him time to consider his options as he aged and his business declined:

‘It has given me a bit of breathing space to see whether the market … turns round. So it’s very, very helpful that you haven’t, you’re not in a desperate situation where you’ve got to stop what you’ve been doing for 20 years and go out and find something else to do. Which I think if you’re 20 years old with relatively decent academic qualifications is not particularly hard to do, but if you’re 40 years old and your qualifications are not really what are being required at the time it’s not going to be that easy to find a decent job. So it has been very, very helpful.’

(Man aged over 45, Scheme B, seaside)
However the driving instructor had given up his franchise: he found that he could not make ends meet even with ETU and by the time of the interview he was employed in a hotel.

The previous section described the use made of ETU by those respondents who allocated it to their businesses, while this one explores the use and effect of ETU on the household. Often, respondents’ experiences illustrated the entanglement of self-employed people’s personal and business expenditure.

**How ETU was used**

At one level, there is no distinction between ETU and any other income, but in budgeting and managing their money respondents allocated ETU to cover certain expenditure. Some allocated their ETU to the business, others to their personal or family living costs, while some did not make a distinction. The latter group best illustrates the difficulty self-employed people face in distinguishing between business and personal income and expenditure.

Those respondents who earmarked ETU to meet living costs described a variety of uses. For example, some used it to pay the mortgage or meet utility bills; one respondent who was separated from his partner and children was able to take his children out at weekends:

‘It was a lifeline because … I’ve got three children and I get to see them at the weekends … it meant that I could … draw 40 or 50 quid at the bank which I just basically used to spend on them, get meself a few bits and pieces. So yes, it was really helpful.’

(Man aged 25–44, Scheme A, major urban)

However, another respondent said that his overall income was so low, even with ETU, that he was unable to set aside amounts for specific uses:

‘The thing is I haven’t got enough spare income to bother organising how I spend it. If I had twice the income I had I’d probably do that, but unfortunately there’s not enough income there, I mean basically if I’ve got the money to afford something I need I buy it. If I haven’t, I don’t, it’s as simple as that.’

(Man aged 25–44, Scheme A, rural)

**Financial impact**

Almost all respondents, including those who had previously been in receipt of JSA, said that they felt better off financially working with ETU. This held even when respondents took the loss of their Housing Benefit into account, though some said the financial gain was marginal.

ETU appeared to have the greatest effect on the standard of living of respondents who were living in their parents’ households. For example,
one young woman said that having ETU allowed her to pay back her loans, increase the board and lodging payment to her mother and still have a little left to go out once a week.

**Impact on self-esteem**

The impact of ETU was not confined to financial matters. It also affected respondents’ self-esteem and confidence. It helped some to escape from what they perceived to be the stigmatising effects of unemployment:

‘Much better than being on the dole, that is an awful state of affairs to be in, that is … the pits. And like I said you could quite easily stay there feeling like that because they give you enough money, it’s enough money … So yes, I’m much better off like this, much, much, much. So even without this top-up, if it stops I know I’ll carry on one way or another, I can’t go back to that.’

(Woman aged 25–44, Scheme A, seaside)

Running a business with ETU had increased some respondents’ self-confidence. Many felt that they had learned skills while running their business that would stand them in good stead in the future whatever happened to their current enterprise. One respondent said that ETU had come at a very fortuitous time.

Self-employed respondents said that ETU had a positive effect in many areas of their lives.

Several applied for ETU when they set up their business and many said that they would not have done so without ETU. It helped them through the early, vulnerable phase and some thought it played a crucial role at that time. Others would have gone ahead without ETU, but some of them doubted if they could have succeeded.

Some respondents appeared to use ETU to support a business that was not able to generate an adequate income, or to allow them to limit the amount of work they undertook. ETU also probably cushioned the demise of some businesses. A few respondents had given up and found employment.

Almost all said they were better off financially working with ETU; it appeared to have the greatest effect on those living in their parents’ homes. Most respondents allocated ETU to specific expenditure, some business-related and some personal, though a few could not make such a distinction. ETU also increased respondents’ self-esteem and confidence because it helped them to escape unemployment and to run their own business.

**3.5 Views about ETU**

Respondents’ views on two aspects of ETU are explored in this chapter. First are their views in praise and criticism of ETU, its work incentive effects and the response of employers. Second are proposals to improve
3.5.1 Views in praise of ETU

In the main, views expressed elsewhere in the section are drawn together here, and are summarised briefly.

**Personal experiences**

Most of the self-employed respondents praised ETU for the regular and secure financial help it provided to them and called it ‘brilliant’, ‘excellent’ and a ‘godsend’.

For many, ETU came when business was slow or just getting off the ground and it helped them to remain solvent. Several people said that ETU helped them to get work or to stay in work and that without it they would be folding up the business. Their business provided an irregular and insecure income, while ETU was reliable; they were able to look to the future with some optimism.

**Good for those in business**

Several recipients felt that ETU was particularly beneficial to people with their own businesses because it helped to get new ventures off the ground or helped with the general running costs of established businesses. ETU could take some of the worry out of self-employment and give some ‘breathing space’ to people who were struggling and considering winding up their business.

**Helps people back to work**

Several respondents praised ETU because they saw it as helping people back into work, making them better off than if they were on benefits. ETU helped people in a changing labour market, although one man believed the purpose behind the scheme was to reduce the unemployment figures. However, a woman felt that ETU gave people the opportunity to ‘better themselves’, by allowing them to manage in part-time work while training for a job that they wanted to do.

**Efficient process**

Most self-employed recipients were positive about ETU because of the way it was operated. They praised the straightforward and efficient process; uncomplicated forms and quick response; helpful and friendly processing staff; and reliability of payments that always arrived on time, ‘regular as clockwork’.
Helps people without children

A number of older people, with children who had grown up and left home, liked the fact that ETU gave help to people without dependent children. They felt that it was only right that they should have an earnings supplement when such help was available for other low-income families. In addition, a man had seen how ETU had helped his son to take a low-paid job and was pleased that ETU was available for single people.

Other positive views

A few thought that ETU was a good idea because it would help to prevent benefit fraud by encouraging people to earn extra money legitimately. This would remove the threat and fear of being ‘grassed up’. Also, ETU was an in-work benefit, and not ‘money for nothing’. One man was pleased to be eligible: he had applied for means-tested benefits in the past and had been unsuccessful because he was earning too much:

‘… I find it’s been an excellent scheme because … you don’t have to be totally penniless to actually receive it, whereas most of these government benefits you have to be completely destitute before you actually get any help and by that time it’s very difficult to come back from that …’

(Man aged 45+, Scheme B, seaside)

3.5.2 Criticisms of ETU

The overwhelming majority of self-employed recipients did not have any criticisms of ETU. However, issues were raised by a number of people.

Possibility of abuse

Several recipients were concerned that ETU could be abused. A few felt it could be abused simply because it was a government benefit and they said ‘anything can be abused’, but most believed this would be a particular problem with self-employed applicants. They thought that unscrupulous people could intentionally underestimate their future earnings in order to receive higher awards and that their figures would not be checked or monitored as they were for employed applicants. ETU was too easy to claim and people should not necessarily be taken ‘on trust’. However, all of those who believed that ETU could be abused by the self-employed pointed out that they were honest in their own claims and projections when applying.

Level of award too low

A number of men believed that the amount of the ETU award was too low and they needed more to live on. One man was dismayed that the amount of his second award had only risen by one pound, which did not make up for increases in the cost of living. Another received an ETU award of £35 per week, but when his business suffered ‘a bad week’ this was all he had to live on. At such times he wondered if he would be better off finishing the business.
A few men thought the amount of ETU they received was adequate but felt it might not be for others. For example, one lived with his parents and felt that people responsible for running their own place would struggle, while another believed that the amount of ETU would be *‘a complete waste of time’* for those people who had been used to high earnings.

**The need for ETU**

Some felt that wage levels should be high enough to remove the need for ETU altogether. They felt that it was unfortunate that people were on such low wages that they had to apply for a supplement; they should be paid decent wages in the first place. One man was particularly concerned about the end of ETU because he feared that many people would be trapped in low-paid work:

‘A lot of people have taken jobs on the strength of that, that’s the trouble … and now it’s finished and they’re going to be stuck and they’re working for somebody else, they can’t go and do extra hours like I can … it’s a sort of false sense of security really they’ve lulled them into, isn’t it?’

(Man aged 25-44, Scheme A, major urban)

**Encourages people to do less**

Some respondents were concerned that ETU might encourage people to do fewer hours than they would if ETU did not exist. They said that people would come to rely on the extra help and be less inclined to be independent. A respondent felt that people might just work the 16 hours a week needed to qualify for ETU.

**Not enough advertising**

Two older men felt that ETU was not advertised widely enough and many people would not hear about it. Both were surprised when they found out about ETU because they had not seen any publicity about it; one had informed several friends on low incomes who might be eligible.

**Other criticisms**

Two other criticisms were made of ETU. One man found his earnings fluctuated during the year so that the level of ETU he received did not match his needs: it was sometimes too low and sometimes more than he needed during the period of payment.

One man wondered if he was better off with ETU because he lost certain benefits when he took a job with ETU and signed off the unemployment register:

‘…I mean I don’t like to be greedy, but if you could get a little bit of help with rent and stuff … I’m actually paying Council Tax as well now, whereas before on the dole you don’t have to … in many ways you could be better off on the dole.’

(Man aged 25-44, Scheme B, seaside)
3.5.3 Work incentive effect

The majority of self-employed recipients thought that ETU would act as a work incentive. They believed that unemployed people would be more likely to consider taking a part-time or low paid job and signing off the unemployment register if ETU was available because it would make people’s money up to a ‘reasonable’ and ‘half-decent’ wage.

Many respondents said there were many low-paid jobs in their area and believed that people were reluctant to take such jobs. They felt that people would rather be in work, but not if it meant that they would be no better off than if they were signing on.

One man thought that ETU gave an incentive to work because the awards were more than other government schemes that paid just £10 on top of unemployment-related benefits. He felt that young people wanted to feel that they were being paid a wage for a week’s work.

Several men expressed reservations about the work incentive effect of ETU. They felt that it would only work with people who were ‘work-orientated’ in the first place. Some said that there were two types of people - those who wanted to work and those who did not. The availability of ETU would not encourage the latter group to take work. Some thought that ETU would not overcome people’s fear of making the transition from benefits to work and losing other benefits, such as Housing and Council Tax Benefits.

One man felt that ETU should not encourage people to take just any job. He thought that it would be short-sighted if people took ‘dead-end jobs’ with no promotion prospects simply because they could get ETU.

Some, from rural and urban areas, pointed out the importance of people’s knowledge and awareness of the scheme for it to act as a work incentive. They felt that it would encourage people back to work if they knew about, it but perceived a general lack of awareness in the areas in which they lived.

3.5.4 Effect on employers

Many self-employed recipients thought that employers in their area would abuse ETU and deliberately pay a lower wage to a person who was eligible for ETU. The belief was widespread that employers tried to get away with paying employees as little as possible and that the availability of ETU would further encourage such behaviour.

Some referred to their knowledge or experience of youth training schemes and were concerned that ETU would give employers the opportunity to get ‘slave labour’. Several respondents thought the introduction of the National Minimum Wage would prevent employers from abusing ETU because they would have to pay the minimum. However, some believed that it depended on the employer’s ‘morals’ whether or not they would deliberately pay lower wages to people in receipt of ETU.
A number of recipients felt that the availability of ETU would have a positive effect for employers. They thought ETU would help companies that had just been set up or were struggling, to take on staff they otherwise could not afford.

**3.5.5 Improvements**

Self-employed recipients were asked what improvements could be made to the ETU scheme if it was to continue and several suggestions were put forward. Their suggestions tended to reflect their criticisms of the scheme.

A number of men thought that the level of award should be raised. Some suggested an extra £10-20 per week would make taking a job with ETU more worthwhile; one said that ETU payments should be raised in line with the cost of living.

A few people thought that there should be more publicity because the scheme was not advertised adequately. Several recipients had told friends, family or colleagues about the scheme and, for some, this resulted in successful claims.

Some self-employed respondents wished for a change in the way the payment period operated. A few felt that the 6 month period should be extended to 12 months, with a minimal check after six months. Some others thought that awards based on accounts from the previous six months could be inappropriate for the subsequent six months (see also Section 5.2.6). Ways should be sought to make awards more relevant to current needs, possibly by averaging out earnings so that the same level was paid all year round.

A few respondents believed people should receive some help with their housing costs whilst on ETU. For example, one felt there should have been a fairer assessment of his particular needs when he set up his business after a long period of unemployment and believed that help with rent would ‘get you on your feet’.

Another man felt the scheme could be improved by better monitoring. He believed that ETU was open to abuse by self-employed people and that there should be more checks on people’s circumstances.

One man would have liked more advice for the self-employed from Jobcentre staff at the application stage. When he first set up his business he had gone to a bank where a small business plan and cashflow forecasts were worked out for him. This experience helped him tackle the ETU form and he believed similar advice from agency staff would be helpful for other applicants.

**3.5.6 Views on piloting**

Many self-employed recipients thought that piloting was a good idea. They believed the government was right to test benefits and schemes in
order to explore their effectiveness before spending money on introducing a scheme nationally.

However, several felt it unfair that ETU was only available in certain areas and not others. Many wondered how areas were chosen and said they would have been upset if they lived in the wrong area. Some had friends or colleagues for whom the scheme would have been ‘absolutely perfect’ but they were excluded from it. Several thought that it should have been introduced nationally.

Many respondents could not understand why ETU was to be discontinued. They believed the scheme had been very effective in helping them and others to keep afloat financially and they were sure that meant it would be introduced nationally.

There was widespread concern about the end of ETU. Several recipients thought that people had come to rely on the extra money and felt that it would put many ‘back on the dole’ while others would be left struggling and stuck in low-paid jobs. Other respondents were angry that the decision to discontinue the scheme had been taken before all the research had been carried out and the evaluation completed.5

3.5.7 Conclusion

Overall, self-employed respondents were full of praise for ETU from their personal experience and because they believed that ETU was particularly beneficial for anyone with their own business. More generally, they believed ETU: helped people into work because it encouraged them to take low-paid jobs, in a changing labour market; was efficiently processed; was available to groups who otherwise could not obtain help; militated against fraud and was money associated with working.

A few respondents thought that: ETU could be abused by self-employed people; awards should be set higher; and some people might do only what was required for eligibility. Some deplored the need for ETU; a few suggested that assessments based on past earnings did not relate to current needs and that Housing and Council Tax Benefits might be protected.

The majority thought that ETU would act as a work incentive, though many also thought that employers in their area would abuse ETU and pay low wages.

Respondents suggested the following improvements: raise the level of the award; provide more publicity, information and advice; change the assessment and payment periods so the award met current needs; ensure help with housing costs; and improve monitoring so as to avoid fraud.

5 In fact, the three-year pilot ended as planned in 1999. The evaluation evidence is being used in several ways in the design of support for low paid workers within the current policy climate.
Most thought that piloting was a good idea in principle, but they were less happy with the unfairness of it in practice. Many could not understand why ETU was to be discontinued and feared that they would not manage without it.

3.6 Summary and conclusions

3.6.1 Work histories

Respondents had a variety of work patterns before they became self-employed: some had worked steadily for long periods, while others had more chequered histories, including periods of unemployment. Some went straight into self-employment from school or training, but others had been employed for a while before establishing themselves in the same line of business or had worked in a variety of jobs unrelated to their self-employment.

3.6.2 Self-employment

Three types of business were identified: relatively new and expanding; barely surviving; and in decline. A few appeared to be only nominally self-employed and operated franchises and concessions

Most respondents preferred self-employment to being an employee because it gave them greater self-determination and control, a sense of achievement and the flexibility to organise and plan their time to accommodate other responsibilities. They acknowledged that self-employment brought insecurity and other costs as well as benefits. Most thought the advantages outweighed the disadvantages, but a few had given up and were grateful for the security of employment and a predictable wage.

Men and women ran different kinds of businesses. Men tended to undertake manual work while most of the women's businesses provided personal services such as hairdressing or beauty care.

3.6.3 Applying for ETU

The recipients heard about ETU from Jobcentre staff, business start-up schemes and word-of-mouth. A few noticed local publicity. Men mostly heard through agency staff, while women generally found out through other sources.

The majority of the respondents found the application and renewal process problem-free. They could provide the necessary evidence without difficulty; indeed, some commented that little evidence was required and figures were not checked. However, a few found the application form too long or intrusive or needed help to complete it. Some of the respondents who were establishing new businesses found it difficult to estimate their future earnings. Some could not calculate their potential ETU award or were wrongly advised by agency staff.

3.6.4 Impact and effects

ETU played a major role in enabling some respondents to set up or maintain their own businesses. Some said they would not have established their business without ETU.
The impact of ETU differed according to the state of the business, playing a different role for new and barely surviving businesses and those in decline.

Respondents tended to earmark their ETU award to use for specific business or household expenses. Nearly all of them said they felt better off financially working with ETU; it appeared to have the greatest effect on the standard of living of those living in their parents’ household. Being able to work with ETU brought wider, positive effects on respondents’ self-esteem and confidence.

Respondents almost universally praised ETU for the financial help it provided. Many said that without ETU they would not have set up or continued in their business. They said that ETU particularly helped self-employed people because it provided a regular and secure income. They thought that ETU also encouraged people back into employment where they might improve their prospects.

A few made criticisms: ETU might be open to abuse by self-employed applicants; the amount of the award was set too low; and some people might be encouraged just to meet the minimum requirements. They regretted that wage levels were so low that ETU was needed and that the scheme had not been better publicised. More fundamentally, they thought that ways should be found to match the ETU award to people’s needs, rather than assessing it on the basis of previous, possibly unrepresentative earnings.

Many believed that employers would exploit ETU to keep wage rates low, but others said that the introduction of the National Minimum Wage prevented abuse. A few suggested that ETU could help companies to expand their labour force.

Respondents thought that ETU could be improved by: raising the level of awards; increasing the publicity; and including help with housing costs. Specifically with regard to self-employed people, they suggested that: the assessment and payment periods should be changed to average out fluctuations in earnings and make awards more appropriate to current needs; better monitoring would decrease the likelihood of abuse; and Jobcentre staff should be able to give advice on small business plans and cashflow forecasts.

Many recipients approved of piloting so as to evaluate schemes before they were introduced nationally, though several felt that pilots were inherently unfair. Many could not understand why ETU was to be discontinued when it appeared to be so effective. They were worried about the ending of ETU and feared that they would struggle and even lose their livelihood.
Many of the responses of self-employed people echoed those of employees, as reported in the findings on current and former recipients. In particular, their work histories and gendered patterns of employment; their positive experiences of the process of applying for and receiving ETU; and the aspects of the scheme they praised and criticised. Nearly all respondents, self-employed and employed, supported the principles of piloting, but regretted the unfairness in practice. They believed that ETU had successfully achieved its aims in their own case and more generally, and regretted that it was to be withdrawn.

However, there were some notable differences, as follows:

- Self-employed respondents were far more inclined to consider that ETU had strongly influenced their decisions about their businesses, and the outcomes. The availability of ETU encouraged them to establish themselves as self-employed and helped them to develop their businesses; for some, it was the ‘deciding factor’. Also, the ETU award maintained some in business when they otherwise would have had to cease trading and become unemployed.

- The application forms and supporting evidence presented particular problems to some self-employed applicants. Those who were starting up in business could find it difficult to forecast their earnings, and the form could be quite challenging. At the same time, self-employed respondents expressed concern about fraud and the lack of checks on the information they provided.

- Self-employed respondents appeared to suffer even greater insecurity and variation in their earnings than employees. Some suggested that ways should be found to make the ETU award appropriate to current needs rather than tied the previous six months: for example, to ‘average out’ earnings over a year and pay the same level of award throughout;

- Some self-employment appeared to be nominal only and not far removed from the status of employment. It could bring little reward once the ‘rent’ for the franchise or concession had been paid.

- Some self-employed people and employees earmarked their ETU award for specific expenses. However, only the self-employed ploughed it back into their businesses as they invested in tools and equipment.

- ETU for self-employed people can be seen as an investment in the future. There was little to suggest that ETU for people in employment could be interpreted in that way: evidence suggested that some employees had remained in employment with ETU for longer periods than in their past, and some said that their job prospects had improved, but none appeared to be climbing a ladder towards ‘quality’ jobs. However, some of the self-employed respondents had managed to sustain over time even struggling and barely profitable businesses with ETU. More importantly, some were developing their businesses and taking on employees, suggesting that in self-employment there can be a multiplier effect on the original ETU investment.
Earnings Top-up Evaluation: Qualitative Evidence

Part Three • Unsuccessful applicants
4 UNSUCCESSFUL APPLICANTS

4.1 Introduction

4.1.1 The study

The findings from in-depth interviews with 30 people who made one or more unsuccessful claims for ETU are presented in this section. The interviews were carried out during Spring 1999. Some of the respondents had also made a successful claim at some stage. The aim of this strand of the evaluation was to explore why some people mistakenly applied for ETU.

Eighteen of the respondents had made just the one unsuccessful claim for ETU. One had made two unsuccessful claims. Three had made an unsuccessful claim and had subsequently made a successful claim. Eight had been in receipt of ETU prior to their unsuccessful claim. (In all cases, at least two weeks had elapsed since the end of the previous award, making it 'subsequent' and not 'continuous'.) Details of the sample can be found in Appendix D.

The interviews lasted on average for one hour and were recorded. They were transcribed and analysed using NUD*IST6. The topic guide is at Appendix E.

4.1.2 Structure of the report

Section 4.2 of this report outlines the work histories of the respondents prior to making the unsuccessful claim and their views about work and the availability of jobs in their locality. Sections 4.3 and 4.4 describe respondents' experiences of applying for ETU and the impact of the decision not to award. Respondents' views about ETU and in-work benefits are described in Section 4.5, and conclusions are presented in Section 4.6.

4.2 Work histories

This section provides a summary of the previous and current work experiences of the respondents, including occupations, part-time work, self-employment, skills and qualifications, constraining illnesses, sex and age differences, regional variations. Insights are given into their views on work and on their local labour markets.

4.2.1 Occupations

The occupations of unsuccessful respondents were similar to those reported by successful claimants (Vincent et al., 2000a). Although respondents had worked in a range of different occupations, their work histories reflected age and gender differences. The most common types of jobs for women were shop work, clerical and secretarial, catering and care work. Men undertook manual work, such as coal mining, on building sites or gardening; individuals had experience of service in the army, security work and refuse collection.

6 NUD*IST is a computer package for analysing qualitative material.
Some of the respondents had been in one job for a considerable length of time, others had worked in a series of jobs in the same sector while some had changed occupations, the jobs bearing little resemblance beyond the fact that they were relatively unskilled. Job stability, measured as length of time spent in a single job or occupation, was related to age, with men and women over the age of 45 having spent the longest periods of time in a single job or occupation, and those under 25 the least. This variety of patterns reflects those of successful claimants; ex-recipients’ work histories included some who had been intermittently or mostly unemployed.

A number of respondents worked part-time. The reasons given for working part-time varied. For many, part-time work was all that was available. Some were limited to part-time work, such as one woman who needed to care for her elderly mother following a stroke. In other cases, part-time work was a life-style choice: for example a woman was a Jehovah’s Witness and wanted to combine work with her mission.

The self-employed respondents can be divided into three categories: those setting up fledgling businesses, those that were just surviving financially and those whose businesses were in decline. Some in the second category were tied to one company rather than in circumstances that would traditionally have been regarded as self-employed. Of those classed as self-employed, most were aged 45 and over. Six were men and four were women.

Those respondents who had been self-employed at one time or another mentioned having been in a variety of jobs including tour operator and credit control worker.

Most of the employee jobs required little in the way of training or formal skills. It appeared to the researchers that some respondents, however, were educated to a level beyond that required by their job. These people had been unable to find a job to match their qualifications. For example, one woman had a degree in land management but for the three years prior to the interview had been unable to find relevant work. In the meantime she had worked in shops and was at the time of the interview thinking about returning to full-time education to train as a speech therapist, in an attempt to gain a formal qualification that she believed would lead to a job. Another respondent had three qualifications in leisure and tourism but had been unable to find work in that sector:

‘Well I went to Tech straight from school and did Leisure and Tourism and the ABTA course and I finished that, but unfortunately I never went into anything to do with travel and I ended up working in a home for the mentally ill.’

(Woman, under 25, single, rural, Scheme A)
One man who had spent 24 years in the army said the skills and qualifications he gained during his time in the army did not readily transfer into the civilian labour market:

‘And you come out the Army, I mean I came out as a Warrant Officer, I was quite highly qualified, I mean I had transport manager certificates and everything, and various City and Guilds and stuff, but that doesn’t mean a thing, as far as they’re concerned you’ve not been in a civilian environment and they looked at it and they weren’t interested.’

(Male, over 45, self-employed, couple, rural, Scheme A)

4.2.6 Chronic illness

Many of the respondents suffered with chronic illnesses that made it difficult for them to find and sustain employment. Some respondents had experienced traumatic or tragic events which had caused depression which in turn impacted on their working lives. For example, a man struggled with depression during his illness (muscular dystrophy) and the death of his son. This hampered his ability to hold down a steady job. Some suffered from chronic illnesses which restricted the type of work they were able to do. For example, one respondent said:

‘Five and a half years ago my husband died and I ended up with agoraphobia, so I couldn’t go out, so I was off work for two and a half years.’

(Woman, over 45, single, seaside, Scheme A)

One young woman suffered from epilepsy. This presented her with the dilemma of whether to declare it when going for an interview and risk not being considered on her merits, or not mentioning it and suffering from anxiety that it would be discovered and that she would be dismissed as a result.

4.2.7 Sex and age differences

Men aged over 45

Most of the men aged over 45 had a history either of one long-term job or a series of long-term jobs in a similar field. These jobs included two long periods of military service of 20 and 24 years, 20 years as a scaffolder, and 20 years in the building industry. As the men got older they found it increasingly difficult to cope with the physical demands of manual work: their stable work histories started to fragment, with each of them working in a series of short-term jobs interrupted by periods of unemployment. Some of these men, after an unstable period, found relatively secure part-time jobs such as in a warehouse or as a school caretaker. One had eventually taken up work as a self-employed market trader. Most male respondents in this age group said that employers were reluctant to employ men of their age:

‘Well I’ve been scaffolding for like the last 20 odd years, but it was getting a bit hard like, I was getting a bit old for it. Then we run out of work and I tried to do something else, but it’s the age, as soon as you tell them you’re 55 they don’t want to know me. So I had three years on the dole, out of work, and then this job came up, this part-time work.’

(Male, over 45, single, seaside, Scheme B)
Others were working very long hours for very low pay as security guards or as couriers. One man reported that even short-term contracts were becoming increasingly difficult to find with every passing year, while others had been unable to find even part-time work:

‘I mean I’m 56 now, I can’t even get a part-time job, never mind a full-time job. You see age goes against you, I think you reach a certain age, maybe 30 or 35, you’re like over the hill, they won’t even entertain you.’

(Male over 45, single, major urban, Scheme A)

Some respondents said that they found it annoying and disheartening that employers did not bother to reply to their applications.

**Men aged 25–44**

There were only three men in this group. One had spent the whole of his working life in the fitness industry and was, at the time of interview, setting up his own business as an instructor. The other two had held a series of unskilled jobs and had experienced lengthy periods of unemployment, during which one of them had undertaken voluntary work. The other had become a self-employed gardener, but his business failed.

**Men aged under 25**

Again the sample was very small. Of the two men in the sample, one had worked for an agency since leaving school but had been unemployed, except for a brief interlude on New Deal, since the agency folded in 1997. The other had worked for a short time in a design studio since leaving college the previous summer. He had since attended a business start-up course and at the time of interview was attempting to set up his own computer-aided design business.

**Women aged over 45**

All the women aged over 45 had held long-term steady jobs or a series of long-term jobs of the same type. These jobs were either clerical or secretarial. For example, one had worked in the civil service for 24 years, another in the insurance industry for 20 years, another as a secretary since leaving school. These women’s working lives had been interrupted by periods out of work or working part-time. The reasons for their intermittent work patterns varied but in the main involved caring for other family members, such as bringing up children, or looking after a sick husband or sick or ageing parents. Others had been ill themselves, while one woman had spent time ‘helping out’ in her husband’s business.

**Women aged 25–44**

The work patterns of women in this group reflect, in part, the long-term stability of those in the higher age category; for example, one woman had worked 12 years in a building society. However, some women in
this group had less stable work patterns, such as a woman who had held a series of jobs in catering, a bakery and nursing homes. Another woman in this group was self-employed in the family knitwear business: this had recently become bankrupt and, while at the time of the interview she was busy raising her young child, she felt that she would soon need (reluctantly) to return to work because her husband’s income was insufficient to meet their needs. Her experience with the family knitwear business led her to prefer what she perceived as the relative security of paid employment.

Women under 25

The work patterns of women in this age group were more fragmented and less settled in the main than women in the two older groups. Following a Youth Training Scheme (YTS), one had worked in a couple of shops and at the time of interview was working in an amusement arcade; two others had held a series of jobs in shops and burger bars respectively. One had a more steady work history: she had worked as a care assistant with mentally ill people since leaving college.

4.2.8 Regional variations

The nature of the local economy appeared to have had an impact on the type of job that men in particular had done. However, the patterns of employment did not reveal any regional variations. People who had worked in stable jobs for long periods of time or had more fragmented working lives were found across all eight pilot areas.

4.2.9 Attitudes to work

Attitudes to work reflected age and gender but not regional variations. Respondents found work important in their lives for a number of reasons, ranging from necessity ‘well you’ve got to work’ to a view that there is a moral obligation to work. Some were concerned that if they did not work they would be considered ‘undeserving’ by their community.

Almost all respondents thought that the benefits of work extended beyond income. Some said that it brought self-respect, others social contact. The former view was more likely to be expressed by men, the latter by women. Job satisfaction was considered to be important but often elusive. Self-respect and job satisfaction were in part related to getting paid a decent wage but also to the quality of the working environment. This included being able to socialise at work with colleagues and being treated decently by the employer, supervisor or foreman. A number of men who had previously worked in traditional unionised jobs noted and lamented the deterioration in the working environment over the previous 20 or so years.
Some respondents were not prepared to work for very low wages. The reasons were a mixture of self-respect and pragmatism.

'It's no good going to work for £1.80 an hour is it. You would have to work a 100 hours to get a living wage. Who wants to be a security man for £1.80 an hour, you might get knocked over the head. You see £1.80 an hour and me rent's £51. That's just to pay for the rent.'

(Male, 45, couple, major urban, Scheme A)

Other respondents said that they were prepared to work for low wages:

'I don't know. Well probably because when I worked at the amusement I was getting £2.08 an hour. I was working like 60 hours a week to make my money up, so I probably would work for anything.'

(Female, under 25, single, rural, Scheme A)

**Career planning**

Many of the younger respondents were ambitious. They were dissatisfied with their present job, felt they were not achieving their potential and were looking around for ways to do so. Some were thinking about returning to education.

Other respondents said that they had realised the importance of qualifications and a career after they had left formal education and were now thinking about returning. One woman who had left school without any qualifications said:

'At the moment I'm thinking like of a career, a proper career. When I was younger I didn't think of stuff like that, I just wanted to leave school and do whatever I wanted, but now like you realise.'

(Woman, under 25, single, major urban, Scheme A)

Views of respondents in the 45+ age group varied widely. Some older respondents thought they had made their contribution to society and were moving towards retirement. They referred to the physical difficulties associated with work and travel, particularly during the winter. Work was no longer as important to some of them as it had once been:

'Well it was important, now it isn’t quite so important because I'm getting up to retirement age and I’m looking forward to retiring. So I should retire next year, I’ll be 60 next year, I might work on a little bit longer, but it just gets harder, so I wouldn’t say it’s as important now as it was years ago.'

(Male, over 45, couple, large town, Scheme A)

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7 This research was carried out shortly before the National Minimum Wage was introduced. This established adult hourly rates of £3.60 in April 1999.
However, some were angry that employers were uninterested in what they had to offer:

‘But I’m a mild diabetic and arthritis of my hands, but that doesn’t stop me working, I can still do a day’s work, and I went to … the guy said to me on the Monday, he said have you any medical complaints … I thought I’ve got to tell him the truth, I said I’m a mild diabetic, I didn’t tell him about the arthritis in my hands, I just said I can do a day’s work, and the guy wouldn’t have it, he said there’s a letter saying I’m unsuccessful. It’s supposed to be equal opportunities and all this, I mean when I can do a day’s work what’s stopping them hiring you.’

(Male, over 45, self-employed, urban, Scheme A)

Respondents’ perceptions of their local labour markets were almost entirely negative. Older respondents, both women and men, noted the social and economic decline of their town and region, the departure of ‘real’ jobs, the end of apprenticeships which they associated with proper training and their replacement with low paid unskilled jobs on insecure, short-term contracts. While not locating it within its historical context, younger men and women held a similar view of the poor job opportunities for themselves and people like them in their area.

Where there were jobs they were believed to be increasingly part-time, short-term and insecure:

‘Well mainly round here they’re nearly all part-time jobs what are being offered. In fact I noticed when I was in the Jobcentre yesterday that most of the part-time jobs are now only going up to 15 hours … I think it may be that the reason why they’re only going up to 15 hours rather than 16 hours is that they only have… the person who’s employed them only has to pay part-time stamp instead of a full-time stamp, if it were 16 hours or more’

(Male, over 45, couple, major urban, Scheme A)

Where ‘good’ jobs were available in the locality they often required specialist skills and training that most local people did not possess:

‘There’s not a lot for young people, for blokes who are not trained to do anything. We’ve got (organisation) but you’ve got to be trained in aircraft mechanics or anything to do with aircraft to work up there.’

(Woman, 25-44, self-employed, couple, rural, Scheme A)

Many respondents, particularly in rural areas, said that it was necessary to travel out of the area to find work. For some, travelling was difficult and expensive due to lack of cheap and reliable public transport. However, others said that they were prepared to travel long distances to find work.

Some respondents, noted that where ‘good’ jobs were created or relocated such as call centres, they were nearly always ‘female jobs’ and competition for them was fierce. A number of respondents, both women and men, observed that it was very difficult for men to find work.

4.2.10 Respondents’ perceptions of their local labour market
Indeed, most felt pessimistic about future job opportunities in their area. In many of the areas, respondents said that it would be necessary for the young people to leave in order to find work.

Some respondents suggested that it was always possible to find work, but that the pay was perceived as appalling, the work often unpalatable, and health and safety considerations neglected.

4.2.11 Summary

Although respondents had worked in a range of different occupations, their work histories reflected age and gender differences. The nature of the local economy had an impact on the type of job that men in particular had done. However, the patterns of employment did not reveal any regional variations. Most of the jobs required little in the way of training or formal skills. Job stability, measured as length of time spent in a single job or occupation, was related to age.

A number of respondents worked part-time. Three reasons were identified for working part-time: for many, part-time work was all that was available and older men in particular found that employers were no longer prepared to consider them for full-time manual work; others needed to work part-time to be able to care for other family members; for a few, part-time work was a lifestyle preference.

Self-employed respondents can be divided into three categories; those setting up fledgling businesses, those that were just surviving financially and those whose businesses were in decline. Some in the second category were tied to one company rather than operating in circumstances that would traditionally have been regarded as self-employed.

Almost all respondents thought that the benefits of work extended beyond income. Some said that they were willing to work for very low wages, but others said that there was a level below which it was both uneconomical and an affront to their dignity.

Respondents’ perceptions of their local labour markets were almost entirely negative. Many feared that young people would need to move elsewhere in order to find employment.

4.3 Applying for ETU

Applicants’ circumstances at the time they applied for ETU are described first, followed by the reason they made the claim, how they found out about ETU and the application process.

4.3.1 Circumstances at time of application

The circumstances of people who made an unsuccessful claim for ETU appeared not to differ among the pilot areas and schemes. There were, however, gender and age-related differences.
Household at the time of claim

Respondents lived in a variety of household types. Younger men lived with their parents, while older men tended to live alone or with a partner. Women lived with parents, friends, children or alone.

Occupation at time of claim

At the time of their claim for ETU most respondents, both male and female, were in work. Nearly all the men were in part-time work. More women were in full-time than part-time work. All those under 25 were in full-time work. Half the respondents over 25 years worked full-time and half part-time. Some worked part-time out of choice, but most did so from necessity in that they were unable to find full-time work or they had responsibility caring for a relative. Those who were working did a variety of jobs.

One person applied in the expectation of getting a particular job which did not materialise: He had in fact forgotten that he had made a claim and been declined ETU. This was not uncommon. The fact that the respondents had been unsuccessful meant that some had long ago put ETU out of their minds; making an unsuccessful claim had been a very short episode in their lives. This contrasts to the clearer memories of those respondents who had received ETU. While most were able to recall the circumstances of their claim, some found it more difficult. One respondent said:

‘I filled in that many forms at the time, you know, that I can’t remember really what happened, whether we applied for it and we were refused it, or whether we applied and never heard anything, I’m just not sure.’

(Male over 45, self employed, couple, large town, Scheme A)

4.3.2 Reasons for applying for ETU

The reason respondents had applied for ETU was that they perceived that they did not have sufficient income to meet their needs:

‘I just needed a bit extra, just like for basic things, like going and buying toothpaste, deodorant, because once your money’s gone from your basic wage you’ve not got anything left really to spend on owt else. Things like moisturiser and things like that, you just can’t afford to buy it.’

(Woman, 25–44, single, large town, Scheme A)

The general feeling of not having enough money to live on can be disaggregated into five different routes to making an application for ETU: the claimant had previously made a successful claim for ETU; inadequate income from employment; a sudden crisis; trying to start up or run a small business; and interface with another benefit. These five routes are
discussed in turn below:

**Route one: Repeat claim**

These respondents had previously made a successful claim but had allowed a period of more than two weeks to elapse after the expiry of their entitlement before renewing their claim. On this occasion they were refused ETU. There were two main reasons for the refusal of the repeat claim: their hours had dropped below 16 for the required period, or their income had increased for the assessment period due to their working an extra shift or overtime. A woman was disallowed because her job was not expected to last for five weeks.

**Route two: Inadequate income from employment**

These respondents were unsuccessful on their first application for ETU. Some worked full-time, others part-time. Some were unable to do full-time work due to their health. Some had partners who were in receipt of Incapacity Benefit. One reason for the respondents having made a claim was that the income from their jobs was unreliable and varied from week to week. There were a number of reasons for the incomes of respondents to fluctuate, such as relying on an agency to provide work or working for commission. The uncertainty of commission-based work could be compounded by seasonal fluctuations in sales:

> 'Well at the time it was basically it would just help with our living expenses really, because my job is a commission-based job and sometimes it can be very low, it just depends on the weeks, for example the weeks after Christmas are sometimes very, very bad, people getting bills in etc., so it’s one of those jobs that you don’t get a set wage, it’s up and down, so it was really just to try and help out with our living expenses.’

(Woman, over 45, couple, major urban, Scheme B)

It was notable that there was a speculative flavour to some of the claims:

> ‘Well I actually didn’t even know it existed, it was someone I know, she’s got a wee boy and she got this claim back, but she couldn’t claim for it because she’d the wee boy, so she asked me, so I said it’s worth a try, so I sent away for it.’

(Woman, 25–44, single, rural, Scheme B)

**Route three: As the result of a crisis**

In some cases a crisis such as a partner leaving or a sudden illness in the family triggered the claim. One woman had been sharing the mortgage repayments on the house with her partner and was suddenly unable to keep up with the payments when he left. Another woman had to give up full-time work to care for her mother following a stroke. She could get sufficient support to allow her to work part-time.
Route four: To support a business

Self-employed respondents claimed ETU because their business: did not yield enough income because it was at an early stage and had not yet taken off, was in terminal decline or did not generate sufficient surplus to provide for more than a very basic lifestyle.

Route five: Interface with another benefit

Some respondents made a claim for ETU when it appears that they should have claimed a different benefit such as Family Credit, Disability Working Allowance and Retirement Pension. In each of these cases the respondents appear to have failed to claim another benefit because of lack of information and advice.

‘Well I wouldn’t have said it was well explained otherwise we wouldn’t have gone for it, if we’d known that we wouldn’t have got it because we had a child, or whatever, that was not explained. We wouldn’t have bothered applying if we knew that.’

(Woman, 25-44, self-employed, couple, rural, Scheme A)

4.3.3 Finding out about ETU

This section briefly examines how respondents first heard about ETU. As shown in the ETU interim report (Vincent et al., 2000), respondents first learned about ETU in five main ways: through their local Benefits Agency office or Employment Service Jobcentre; local publicity campaigns; family and friends; employer and work colleagues; and training services. The study of ex-recipients (Chapter 2) showed a more limited range of sources early in the life of the pilot. Family and friends became important later as local knowledge spread.

Local Benefits Agency office or Employment Service Jobcentre

Employment Service and Benefits Agency staff played two distinct roles, one proactive the other responsive. In the former role, staff identified claimants who might benefit. Otherwise staff responded to requests for information and application packs from claimants who had seen ETU advertised, or heard about it from a friend or relative or noticed publicity while in the Jobcentre itself.

Local publicity campaigns

ETU was widely publicised when it was launched, giving information about the benefit and eligibility, with the freephone contact number for the private sector helpline that sent application packs to eligible enquirers. There had been no new publicity since March 1997 (Vincent, et al., 2000). Respondents said that any publicity that they had seen was early on.
Family, friends and work colleagues

Some respondents found out about ETU through informal networks and local ‘word of mouth’. Some said that they heard from colleagues at work. Family and friends who were themselves in receipt of, or had made an unsuccessful application for ETU, also passed on the information.

In some cases the information was incorrect or incomplete or the circumstance of the friend and the respondent differed in significant respects. For example, one woman with a young child was advised to claim ETU by her friend who had no children.

Training services

One respondent had been informed about ETU while taking part in an enterprise scheme. The adviser at the scheme had organised the claim for the respondent.

The experience of the claim process differed for employed and self-employed respondents. In general, employed respondents found the claim process straightforward. The form was considered to be relatively easy to complete, the information pack helpful and there were no problems with employers providing the required information:

‘It was just about you and your work, how many hours you worked, and if you earned under a certain amount of money, whether you were self-employed, then your employer’s details, if you’d done any training before. So it was quite straightforward really.’

(Woman, under 25, single, rural, Scheme A)

There were, however, a few exceptions: some people found the forms difficult and one said that her wages department had provided the wrong information and that this, she believed, had led directly to her claim being refused.

Although most respondents did not consult local Benefits Agency or Employment Service staff about the form, many said that they would have welcomed more information when the form was issued:

‘….but they didn’t tell us enough, it was still in the cellophane wrapper and nobody took it out and said do this, and do that, it was just put in front of me and said try that, have a read of that and see what you think, nobody sat us down and said you’ll be better off this way, instead of tripping in here every fortnight.’

(Male, over 45, couple, major urban, Scheme A)

A number of respondents felt that it would have been helpful to have been given a preliminary assessment of entitlement when they had first approached the local Benefit Office or Jobcentre to pre-empt making an unsuccessful claim. Some people felt that despite having made a claim
for ETU they did not understand the entitlement conditions. In some cases, respondents were unclear why they had been refused ETU.

Some self-employed respondents said that they found the process of completing the form burdensome.

‘The form takes so long to fill in, it’s unbelievable, and they’re asking for information that goes back so many years that you can’t remember half the things ... facts and figures and different things, they’re asking so much and you feel like the form is there to stop you getting it really.’

(Male, 25-44, single, seaside, Scheme A)

Some respondents found it hard to get additional information they felt that they needed to help them to understand what was in the information pack.

The turnaround time for claims appeared to be about two weeks, which the respondents considered to be reasonable.

4.3.5 Summary

The circumstances of people who made an unsuccessful claim for ETU appeared not to differ among the pilot areas and schemes. There were, however, gender and age-related differences. Many of the respondents were in part-time employment when they made their claim for ETU.

The main reason for making a claim for ETU was that respondents’ income was inadequate to meet their needs. Respondents arrived at their unsuccessful claim by five different routes: they had previously made a successful claim for ETU; inadequate income from employment; a sudden crisis; trying to start up or run a small business; and interface with another benefit.

Respondents first learnt about ETU through their local Benefits Agency office or Employment Service Jobcentre, local publicity, family and friends, employer and work colleagues and training services.

Employed respondents generally found the claim process straightforward, but some self-employed people experienced difficulties.

Many respondents had little understanding of the social security system or the role and purpose of ETU. Many would have welcomed more explanation than was available in the claims pack and a preliminary assessment so as to avoid making an unsuccessful application.

4.4 Impact of the decision to reject the claim

This section looks at the immediate and longer-term impact of the decision to refuse ETU on the respondents’ lives.

4.4.1 Reasons for refusal

In the main, applicants were turned down because their earnings were too high. People who were seeking to renew their ETU had increased their hours or their hourly rate during the six months of their award, or first-time applicants were over the limit allowed.
Alternatively, some respondents could not meet the 16 hour rule: their part-time hours were too low so they were not eligible.

More rarely, respondents’ jobs were very insecure and could not be guaranteed to last for the required six weeks. A few were not eligible for ETU because they had children, or were disabled or retired: they had applied for the wrong benefit and were directed to the right one.

4.4.2 Immediate response to refusal

Nearly all the respondents had accepted and not challenged the decision to refuse them ETU. However, that did not mean that they were happy with it. At the interview, some said they felt angry. Some respondents illustrated the perceived inequity of the decision by contrasting their own ‘deserving’ case with other ‘undeserving’ cases. The question of equity is addressed in Section 4.5.

The degree of disappointment was related, in part, to expectations. Respondents who had previously been in receipt of ETU were most aggrieved. In some cases the decision to reject their repeat claim appeared to them to be arbitrary. This was particularly acutely felt when the refusal followed a short-term period of overtime or a one-off extra shift, for example at Christmas. As far as the respondents were concerned, this short-term increase in their income did not materially affect the circumstances that had previously been considered to warrant financial support:

“Yes, they said that I was over the limit because I had worked the two nightshifts and I wrote back and said that the two nightshifts I’d only done as a favour, I’d never be doing them again.’

(Woman, 25-44, single, large town, Scheme A)

Respondents who had been advised to claim by friends or colleagues in apparently identical circumstances were also annoyed. They sometimes found it difficult to see the significance of the difference between their own and their friend’s circumstances.

4.4.3 Longer term outcomes

In this section we consider longer-term outcomes according to the reasons for applying for ETU identified in Section 4.3.

Disallowed following a repeat claim

Some respondents had previously been in receipt of ETU but had a renewal claim disallowed because they worked too few hours or their earnings had increased. They either accepted the new situation and tried to compensate for the loss of ETU by cutting down on expenditure, or waited for the return of a stable work pattern so as to re-apply. There was no evidence that anyone declined extra work in order to re-claim ETU. In the meantime, respondents reported hardship and unwelcome dependency. One woman said that she and her partner, with whom she did not live, had maintained independent financial arrangements, but
that the loss of her ETU had meant that she had to rely on him to meet some important aspects of her own expenditure. She said that she felt that this new dependency was uncomfortable.

Younger people who lived at home said that they either could not contribute to the household budget the amount they thought that they should or else had to fall back on their parents which was difficult if, as was often the case, their parents had very little spare money. The impact of their own loss of ETU was thus felt throughout the household.

Some respondents had been refused on a subsequent claim because their hours had fallen below 16 a week. These people were in the opposite circumstances to the respondents whose hours and income had increased and their need was more immediate and acute. Some respondents were in a position to ensure that their hours did not again dip below 16, but others said that they had little control over the hours they worked.

**Inadequate income**

Most respondents said their income was inadequate without ETU. Their unsuccessful claim alerted them to the eligibility rules of ETU. Their responses varied, in large part dictated by the options available. Some responded by seeking a job with stable hours so they could claim ETU and receive an adequate income. Others cut their expenses, for example by looking for work nearer to home, with lower travelling costs.

Others were unemployed by the time of the interview. However, for this latter group the unsuccessful claim had not been a factor.

**Following a crisis**

Some respondents had made a claim for ETU following a crisis. In one case the crisis resolved itself when the partner returned. In the meantime, the respondent, who had responsibility for a mortgage, had experienced hardship and anxiety.

In other cases the difficulties continued. For example, one woman could only work part-time as she needed to care for her mother following a stroke. She was concerned that she could not sustain her reduced hours for long without some financial support and was worrying how she would be able to look after her mother at home.

**To support a business**

Each of the respondents who had made a claim in order to support a fledgling business was still in business at the time of interview. One had taken out a loan, which he felt he might have avoided had he been awarded ETU. The businesses that had been in decline at the time of the unsuccessful claim had ceased trading by the time of the interview. In
both cases the respondent felt that while a successful claim might have helped with some costs such as purchase of stock, there were structural difficulties with their businesses outside the scope of ETU. The refusal of ETU was the catalyst in one case for the respondent taking stock of his business and deciding that it was not viable in its present form. He felt that if his claim for ETU had been successful he would have continued for a little longer but might have got himself into debt.

Three of the businesses were still running but not generating sufficient income to support the respondent. Two respondents had taken up part-time work to supplement their income from the business, although one had given up the job by the time of the interview.

**Interface with another benefit**

Respondents who had made a claim for ETU, when in fact they should have claimed a different benefit, were advised by the DSS accordingly and went on to make a successful claim either for DWA, Family Credit or Retirement Pension.

‘I wasn’t doing enough hours and I got this form and I filled it in and I put in for this Earnings Top-up and they asked if there was anything wrong with you, so I put down about the epilepsy and I’ve got wasting disease in my muscles, so they wrote back and said because you weren’t doing enough hours to claim the Earnings Top-up how about claiming Disability Working Allowance, so I put in for that and I qualified for that.’

(Woman, 25-44, single, rural, Scheme A)

One person complained that it was not until she made her second unsuccessful claim for ETU that she was advised to claim Family Credit. In order to support herself and her two children in the meantime, she had taken out a secured loan on her home and was worried that she may not be able to continue to meet the repayments. This woman said that she felt that her circumstances should have been spotted earlier by the Benefits Agency.

**4.4.4 Summary**

Although a number of respondents reported hardship and unwelcome dependency as a result of having their application for ETU refused, nearly all had taken action to compensate for the lack of an award by the time of the interview.

Respondents who had previously been in receipt of ETU, but who had a renewal claim disallowed, adopted one of two strategies. One response was to accept the new situation and compensate for the loss of ETU by cutting down on expenditure; the other was to wait for the return of, or find a new job with, a stable work pattern and re-apply. There was no evidence that anyone declined extra work in order to re-claim ETU.
There was no evidence that an unsuccessful claim for ETU caused the collapse of a business. Each of the self-employed respondents who had made a claim in order to support a fledgling business was still in business at the time of interview. The businesses that had been in decline had ceased trading by the time of the interview: respondents considered that a successful claim for ETU might have delayed closure, but could not have prevented it. The businesses that were not generating sufficient income continued unchanged.

Respondents who had made a claim for ETU, when in fact they should have claimed a different benefit, were advised by the DSS accordingly and went on to make a successful claim for Disability Working Allowance, Family Credit or Retirement Pension.

This section explores respondents’ views about ETU in principle and in practice, including the views of specific groups, such as the self-employed, and stigma, esteem and equity between different groups. Finally, respondents’ views on how to improve the scheme are identified in the Conclusion.

Although respondents had been unsuccessful in their application for ETU, they almost universally praised the principle of increasing the incomes of people in work earning low wages. All respondents, however, felt that the National Minimum Wage was a preferable approach in general while acknowledging that it would not address all situations, in particular people in part-time work. In addition they raised issues of adequacy, equity, stigma and abuse and considered ETU’s potential impact on people’s decisions whether to take up, or remain in, low paid or part-time work and on employers’ behaviour.

The principle of increasing the net income of people on low wages was almost universally supported, despite the respondents having been unsuccessful themselves:

‘Because I didn’t get it doesn’t mean to say it’s not a good idea, that’s what I’m trying to say, I think for people that do get it I think it’s a very good idea actually.’

(Woman, over 45, single, seaside, Scheme A)

One dissenting voice thought that people should cut their cloth according to their income:

‘If somebody gets a job at £120 a week, £120 a week is fine, it’s a wage, and you have to adapt your lifestyle to suit the £120 a week.’

(Male, over 45, couple, rural, Scheme A)

Most respondents thought that topping up earnings was justified under prevailing labour market conditions. However, there was a strong body of opinion in favour of the National Minimum Wage on the grounds
that the obligation to ensure a decent income should fall on the employer and not the taxpayer. The interviews were conducted shortly before the National Minimum Wage was introduced, though the level had already been set. Most respondents earned less than the proposed minimum wage, but felt that the level of £3.60 an hour was too low.

4.5.2 Views of specific groups

Part-time workers

A number of respondents said that ETU was particularly helpful for people like themselves, who needed or wanted to work part-time, or could not manage more hours. It was argued that for many part-time workers the National Minimum Wage would not increase net earnings sufficiently to remove the need for in-work benefits.

However, one respondent said that giving ETU to people in part-time work could act as a disincentive to them seeking full-time work. She felt that it was a strange idea to give people extra money for working part-time as she considered that whether a person worked part- or full-time was a matter of personal preference. She suggested that it was an easy way of gaining an extra £20/£30 a week, rather than searching for another ten hours work a week.

However, as discussed in Chapter 2, while a few respondents worked part-time out of choice, most were constrained either by the employment opportunities available to them or by their personal circumstances.

Self-employed

Self-employed respondents suggested that ETU could have an important role during the start up of a business when there was little surplus and possibly a need to take a part-time job to supplement their self-employed income.

4.5.3 The adequacy of the award

Respondents’ views about the adequacy of the payment varied from those who thought that it was ‘brilliant’ to have any extra help, via those who felt that they ‘could do with a bit more’, to those who thought that the level of award was not in line with today’s cost of living.

One widely expressed view was that the rate payable should recognise that some people have greater responsibilities than others. For example, it was argued that young people living with their parents have less need of support than a person with a mortgage commitment:

‘I mean my niece actually gets Earnings Top-up … and I thought well … my mortgage is £400 a month, where’s the sense in that really, that’s a young girl living with her parents, I needed the help, can you understand it?’

(Woman, 25-44, single, seaside, Scheme B)
Single people under 25 years of age in fact received a lower rate than those people who were aged 25 and above. Some younger people felt that different rates based on the criterion of age alone was arbitrary and did not sufficiently take account of individual circumstances.

Respondents who had their Housing Benefit adjusted following an award of ETU said that it was ‘give with one hand, take back with the other’.

Perhaps not surprisingly, many claimants who had not been successful felt that the conditions of entitlement should be relaxed to broaden the number of beneficiaries. Some said that they had many friends and colleagues who were struggling to get by who had also been refused.

### 4.5.4 Conditions of entitlement

### 4.5.5 Administrative issues

#### Payment period

Some respondents felt that a payment that did not vary for six months was too inflexible. Some said that while it might be a case of ‘swings and roundabouts’, the assessment of ETU needed to be more sensitive to fluctuating earnings because it was very difficult for people living ‘hand to mouth’ to adjust their outgoings.

### Assessment period

Entitlement to ETU was assessed differently for different pay periods. Those people who were paid weekly were assessed on the previous seven wage slips, those people who were paid fortnightly on their previous four wage slips, while those people who were paid four weekly or monthly were also assessed on their previous four wage slips. Respondents whose claim was unsuccessful following a short period of overtime or of reduced hours, felt that the assessment should be able to accommodate such unrepresentative departures from normal patterns of work. This view was expressed strongly by those people who had been able or had been required to put in a small amount of overtime over Christmas and had as a consequence lost their entitlement to ETU. One woman who worked on a commission basis said that it was often very difficult to predict future earnings and that they might not bear a close resemblance to past earnings.

### 4.5.6 Effect on motivation to take up and stay in low paid work

Respondents felt that ETU would act as an incentive to take up or remain in low paid work, but some were not convinced this was always a good thing. From this view, ETU was seen as allowing some employers to pay unacceptably low wages, subsidised by taxpayers (see below).

Some respondents said that ETU removed the unemployment trap in which people were better off on the dole:

‘You hear of people that are on unemployment benefit and they get a job … and by the time they’ve paid out their fares and had food out or whatever they’re a lot better off staying on the dole than they are actually getting a low paid job.’

(Woman, over 45, single, seaside, Scheme A)
One woman said that ETU made financial sense because it was cheaper than paying benefits.

‘Because in the long run say they only gave you £20 a week, I don’t know what the figures are, but you’d have to get more than that to live on if you were unemployed.’

(Woman, over 45, single, seaside, Scheme B)

There was a notable difference in views between respondents who had, at some time, run their own business and those who had always been employees. The self-employed said that ETU would have a beneficial effect because it would encourage employers to take on staff they could not otherwise afford: this would help some businesses expand while at the same time generating employment.

A number of employees believed that ETU would affect employers’ behaviour adversely, encouraging them to hold down wages. Some assumed that employers would take advantage of ETU because that would be in their own interests.

Some interpreted their own employer’s actions in the light of the availability of ETU:

‘I think my boss … deliberately give us low wages because he knew we could get Top-up and he knew we were on Top-up … he did give you a really low wage and I think that’s maybe why, because he knew that you could get top-up.’

(Woman, age 25–44, single, large town, Scheme B)

Respondents almost universally believed that it was better to work for money than receive benefits. ETU was not perceived in the same light as out-of-work benefits:

‘...but I mean although we’re struggling you feel better through being at work because you know you’re keeping yourself, so that gives you like a little bit of a boost. If you’re relying on benefits … it does make you feel down a little bit, but if you say like I’m working and then getting a bit of benefit to top it up, I don’t think that’s so bad because you know you’re doing some work, but if you’re getting all benefits then really I don’t think that’s any good to you psychologically really.’

(Male, over 45, couple, seaside, Scheme A)

However, there was also a view that it was demeaning to have to work for very low wages. It was notable that women expressed the reason for their claim in terms of needing help with essential household expenditure. They made little or no critical comment about their wage levels. Men, on the other hand, expressed the reason for their claim exclusively in terms of the inadequate pay from their job.
Issues raised included equity between age groups, between taxpayer and ETU recipient, between home-owners and people renting and between people with families and those without.

There was a widely held view that it was the responsibility of the employer and not the taxpayer to pay a living wage. The National Minimum Wage was welcomed but nearly all respondents felt that it was set too low.

Some respondents believed that ETU redressed the balance with families with children who were able to claim Family Credit (now Working Families’ Tax Credit).

‘If you’ve got children you’re OK because obviously you’ll get this, that and the other to help you out, but if you’re on your own and you want to work, and you can only get a low paid job … it’s nice if you can get something to top them up. … I think it’s a very good idea, actually.

(Woman, over 45, single, seaside, Scheme A)

Some respondents felt that ETU established a differential between those in work and on low wages, who should be supported, and those out of work and claiming benefits.

‘People that don’t work, and go on social security and get all the help they need, people that want to work and are in a job and are having difficulties, to me don’t get the help that they need at times. So I feel it’s a bit unbalanced at times really’.

(Woman, 25-44, single, seaside, Scheme B)

However, one concern was that people on Income Support were (wrongly) perceived to get all their housing costs met while those people in low paid work, even with ETU, would struggle to pay mortgages.

Some respondents reflected on the equity of this. On the one hand, they felt that if you had chosen to buy your own house and wanted to benefit from the investment then you alone had responsibility for meeting the mortgage loan repayments. On the other hand, they felt that a house was far more than an investment. They believed that the consequences of losing it through non-payment of mortgage went beyond the loss of an investment and that the government had, during the 1980s, encouraged home ownership and should ensure that the consequences of reduced income following marriage break up or illness should not be catastrophic.

All respondents supported the principle of increasing the incomes of people in work earning low wages. Most however, felt that the National Minimum Wage was a preferable approach, while acknowledging that it would not address everyone’s circumstances, in particular those in part-time work.
Respondents almost universally believed that it was better to work for money than receive benefits. ETU was not perceived in the same light as out-of-work benefits.

A number of suggestions were made for ‘improving’ the scheme. These included broadening the conditions of entitlement to include more low paid people, increasing the amount of the award, greater flexibility to accommodate fluctuating earnings and hours, differentiated rates to take account of circumstances rather than age, and greater provision for housing costs, including mortgage repayments.

This chapter has explored the experiences and views of 30 unsuccessful applicants for ETU. They had failed to meet the criteria for ETU because they earned too much or worked for fewer than 16 hours a week. A few were eligible for another benefit. Although a number of respondents reported hardship as a result of having their application for ETU refused, nearly all had taken action to compensate for their unsuccessful claim by the time of the interview.

Respondents had adopted different strategies according to their circumstances and options. Those who had previously received ETU and were disallowed because of a change in net income or hours worked either adjusted their expenditure or waited for the return of a stable work pattern or sought other employment. There was no evidence of anyone declining extra work in order to re-qualify for ETU.

The unsuccessful claim had little effect on the career trajectories of the self-employed. The businesses that were expanding when the claim was made were still in business at the time of the interview. The businesses that had been failing had ceased trading; respondents said that the problems were structural and beyond the reach of ETU.

Respondents who had made a claim for ETU, when in fact they should have claimed a different benefit, were advised by the DSS accordingly.

The evidence suggests that there is a constituency of low paid people who fall just outside the criteria for ETU and who are finding it difficult to make ends meet.

Many, though not all, respondents had little grasp of how the social security system operates or knowledge of the existence, role and availability of different benefits. Some never grasped the criteria for receipt of ETU. Some respondents remained confused about the distinction between ETU and Family Credit and about the interface between ETU and other benefits.

Some reported difficulty understanding and completing forms. It appeared to the researchers that some respondents had difficulty reading. The
advice available to them from family, friends and workmates was not always itself well informed. A number of respondents would have welcomed more publicity, explanation and advice from Benefits Agency and Employment Services staff. It was notable that although many said that they would have welcomed such advice, very few actually requested it. It may be that such information needs to be provided proactively.

The finding that claimants do not necessarily articulate their difficulties and needs has implications for Personal Advisers in schemes such as ONE. Personal Advisers ideally should identify people who are unable to read and write or to grasp the principles and rules of benefits and ensure that they are helped to understand their rights and responsibilities.
Total of 64 interviews achieved:

20 self-employed, 44 employed;

33 men, 31 women;

46 single, 18 couples;

16 under 25, 29 aged 25-44, 19 aged 45 or over;

16 people who’ve only had one award and not claimed again;

13 people who made a successful renewal application and did not claim again;

11 people who made a successful subsequent application and did not claim again;

24 people who’ve had a successful claim followed by an unsuccessful claim and who have not since made another claim.

These were further divided as follows:

Recent leavers, i.e. claimed after March 1998:

9 self-employed, 23 employed;

17 men, 15 women;

24 single, 8 couples;

10 under 25, 18 aged 25-44, and 4 aged 45 or over;

9 people who’ve only had one award and not claimed again;

6 people who made a successful renewal application and did not claim again;

9 people who made a successful subsequent application and did not claim again;

8 people who’ve had a successful claim followed by an unsuccessful claim and who have not since made another claim.
Long-term leavers, i.e. claimed before March 1998:

11 self-employed, 21 employed;

16 men, 16 women;

22 single, 10 couples;

6 under 25, 11 aged 25–44, and 15 aged 45 or over;

7 people who’ve only had one award and not claimed again;

7 people who made a successful renewal application and did not claim again;

2 people who made a successful subsequent application and did not claim again;

16 people who’ve had a successful claim followed by an unsuccessful claim and who have not since made another claim.
Introduction

Section 1: Background

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- Housing tenure

General work history and attitudes to work
- Details of work and unemployment since leaving school.
- Importance of work.

Applying for ETU
- Circumstances in which they first applied for ETU.
- When and why they applied.
- Influence of ETU on job decision.
- Claim process.
- Perception of local labour market when applied
- How they got ETU job
- Changes in circumstances whilst on ETU

Section 2: Routes off employment destinations

a) Situation at time of coming off

Reasons for not renewing claim
- Details of new job or increase in pay or hours (if applicable)
- Explore reasons why it was not worth claiming again (if applicable)
- Explore why job ended (if applicable)
- Explore other reasons for not renewing
- Did they feel better off than they did on ETU?

Process of coming off ETU
- Explore reaction to unsuccessful claim (if applicable)
- Concerns about loss of ETU.

b) Changes since coming off

Change of circumstances since ETU finished
- Details of job(s)
- Details of unemployment and jobsearch, would they take ETU into account?

Section 3: Perceptions of current circumstances compared to that before ETU

Comparisons of:
- Jobs
- Lifestyle

Section 4: Future aspirations

What job would they like in the future?
- Has job with ETU made a difference to job prospects?

Section 5: Views about ETU

- Good and bad things
- Improvements
- Effect on work incentives
- Effect on employers
- Would they apply again?
- Would they encourage others to apply?
- Pilotage, should ETU go national?
Introduction

Background

Household
- Education
- Work history (particularly self-employment history)
- Attitudes to work, self-employment and unemployment
- Local labour market

Circumstances at time of application

Explore nature of self-employment, i.e. ‘real’ or ‘quasi’ self-employment

If ‘quasi’ self-employment
- Job details

If ‘real’ self-employment
- Nature of business
- How long established?
- Reasons for becoming self-employed
- Cash flow issue/start-up loan?
- Any employees, any on ETU?
- Current economic position
- Other job?
- Details
- Partner’s earnings?
- Out of work?

ETU Application
- Finding out about ETU
- Applying for ETU (circumstances and reasons leading to the claim)
- Hopes and Concerns (about applying)
- Claim process
- What information and evidence did you have to provide
- How easy or difficult was it to provide this information?
- Date of award/renewals

Changes in business/employment since ETU application
- Current circumstances
- Were your projections at time of applying correct - did you win or lose?

Impact of ETU
- On business
- At start-up of business/job and ongoing
- Financial impact
- On you and your family
- On them as employers (if they have employees on ETU)

Impact of ETU at their work (if quasi self-employed)
- Employer’s involvement?
- Discussions with colleagues?
Views about ETU

- Principle of ETU, i.e. the state supporting low-paid people and those in business
- Good things?
- Bad things?
- Effect on job decisions?
- Effect on employers and employment decisions (would you continue employing somebody on ETU?)
- Improvements?

Piloting

- Views on piloting

The future

- Of the business (can it survive without ETU?)
- Aspirations
- Work prospects
Total of 30 interviews achieved:

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Aged 25–44 years

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Aged 45+

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18 had made only one unsuccessful application
1 had made two unsuccessful applications
3 had made one unsuccessful application and subsequently made a successful claim
8 had made a successful claim prior to their unsuccessful application
6 were eventually successful.
Introduction

Section 1: Background

Household
Personal circumstances
Housing

General work history and attitudes to work
Pattern of work since leaving full-time education
Importance of work

Section 2: Circumstances at time of application
Activity at the time of application
Details of job
Additional income
Any involvement with New Deal or any other Employment Service programme
Impression of local labour market

Section 3: Sources of information about ETU
Where first heard about ETU
- Benefits Agency/Employment service
- In response to signing off
- Client advisor
- When first signed on – at reception or at first interview as new signer
- welfare rights agency
- Employer
- Colleague
- Friend

Section 4: Claim process

Discussions with third parties
- BA/ES
- Freephone staff
- CAB
- Friend/family
- Employer
- Other
Completion of form
Information pack
Better off calculations
Problems with application process

Section 5: Perspectives
Reason for applying
Expectations of ETU
Confidence of success
Possible effect on other benefits
- Housing/Council Tax Benefit?
- Passported benefits?
- Did Agency staff discuss this with you?
Concerns about moving from benefit into work
Awareness of other schemes to move off benefit into work
- Extended Payment of Housing Benefit and Council Tax Benefit,
- Back to Work Bonus, etc
Discussion with Agency staff
Section 6: Impact of decision

Reason for being unsuccessful

Immediate impact
Cause to change circumstances
- change/leave job
- sign on/return to unemployment
- ask for more hours
- ask for pay rise

Change to future plans

Long-term impact

Enough money to live on
- How much is enough?

Future plans

Section 7: Views about ETU

Good and bad things

Effect on
- people looking for work and on the work they will take?
- employer’s practices?

Would they reapply?
Would they encourage others to apply?

Piloting
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