



In-work Progression Toolkit:

# In-Work Support

## What is it and what does it aim to do?

In-work support aims to increase workers' employment duration and wage progression. Typical in-work support includes careers advice and financial incentives. The careers advice element may cover both training opportunities (which may directly influence in-job progression) and job moves (which are known to be an important way in which individuals can progress in the labour market). Financial incentives may be for a specific purpose, such as transport or childcare costs, or they may be direct wage subsidies paid to the employee.

In practice, both types of intervention are typically targeted at those who have recently (re-)entered work from unemployment and may form part of an active labour market programme that also provides more traditional employment support.

We found five studies from OECD countries that met our evidence standards, one of which is from the UK. One of these studies covers several programmes, so we have evidence related to seven programmes in total (as well as two variants on those programmes).

For one of these programmes we have results for 12 different 'projects' where both the participant and support mix differed.<sup>1</sup> For a second programme, we have results for four different 'projects' that targeted similar participants but where support mix, and provider, differed. We focus on employment and wage effects, although also consider other outcomes (e.g. employment stability) where studies report these.

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<sup>1</sup> In one case the 'projects' involve different sites, in another different providers. The annex has more details.

## Things to Consider

The majority of the available evaluations are based on programmes for people who were recently unemployed, although one more recent study looks at those in low-paid work. Things to consider are:

**Is effective job placement more important than in-work support?** The evidence on effectiveness is quite mixed. For effective schemes, financial incentives (including benefit sanctions) may play a key role in increasing employment durations or wage progression. However, evaluations of active labour market programmes suggest these outcomes can be achieved without in-work financial support when people are placed into the right jobs in the first place.<sup>2</sup> This suggests that effective job placement may be more cost-effective than in-work support.

**Should programmes target the most disadvantaged?** The available evidence suggests programmes that are effective, are more effective for the most disadvantaged, including the long term unemployed and long-term benefit recipients. They are less effective for those facing fewer barriers to labour market attachment.

**How can we pilot and test innovative approaches to in-work support?** There is some evidence that more intensive support is more effective (although not necessarily more cost effective). Beyond this, there is little evidence on which elements of in-work support are more effective. We also need to do more to test whether innovative approaches to in-work support can improve effectiveness.

**How can we keep workers engaged with programmes, in the absence of financial incentives?** Programmes tend to have difficulty in keeping participants involved, particularly when financial incentives stop being paid. This is problematic as additional employment services appear to be important for sustaining long run improvements in outcomes.

The pool of people who might participate in in-work support programmes is potentially much larger than existing programmes that target people who were recently unemployed. It is not known whether the findings would be the same if targeted at low wage workers in general (as we only have one study that considers this group). **We need to do more to pilot and test approaches targeted at low wage workers in general.** Testing new approaches will require data on employment and wage progression which is not easily accessible given restrictions on the use of HMRC data.

## How effective is in-work support?

**In-work support can increase employment and wages, but effects vary both across and within programme and are not always positive.**

All eight programmes covered in the six studies generate some positive effects on employment and wages, although the strength of the effects vary by programme. For the programmes reporting results from multiple projects, only around a quarter of those projects report consistently positive effects for participants.

**For those programmes that are effective, some report stronger effects for more disadvantaged groups.**

Three programmes report larger effects for the most disadvantaged groups (long term welfare recipients) with two more reporting largest effects for moderately disadvantaged (those only facing one barrier to

<sup>2</sup> For example, jobs that better match the workers' skills, interest or education (Hamilton, G., Martinson, K., and Wavelet, M. (2010). "Finding the Next Job. Reemployment Strategies in Retention and Advancement Programs for Current and Former Welfare Recipients." MDRC Brief.

work or those less 'attached' to the labour market). The remaining three studies report no differences across groups.

### **Financial incentives are key for sustained effects**

For most evaluations, there was no sustained effect over the long term once financial incentives ceased to be paid. There were four exceptions, one of which reported sustained effects for the long term unemployed, another for a subset of projects, and two for programme variants which offered employment services in addition to financial support.

### **Larger financial incentives help more**

The two studies that consider the impact of financial incentives find that larger incentives were more likely to produce greater employment and earnings effects. But, of course, larger incentives also cost more. We are unable to assess the relative cost-effectiveness of increased incentives.

### **Employment support services may reinforce the effect of financial incentives**

Evidence from two programmes suggests that combining financial incentives with employment services produced larger effects on earnings than incentives alone. The same two studies also suggest that the combination helps generate sustained effects (in contrast to offering financial incentives alone). Note, however, that most other programmes also offer employment services without generating sustained effects.

### **There is no consistent evidence on which elements of in-work support are more effective**

The evidence on the effectiveness of different types of in-work support is limited and findings mixed.<sup>3</sup> As discussed above, one recent study finds that more intensive support is more effective than light touch support (although it may not be more cost-effective).

## **Is In-Work Support Cost Effective?**

In-work support is not consistently cost effective, even when the programme outcomes are positive. Study 1 finds a large overall benefit to society of net £2500 gain for each long term unemployed participant. However for lone parents, there was an estimated net loss to society as the benefits were less than the programme costs. Study 2 finds similarly sized programme benefits for the sites where the in-work support interventions were successful. It should however be borne in mind that within the trials considered in studies 1 and 2, there were large sub-groups for which the net effect on society was negative. This emphasises the need to carefully design and target in-work support.

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<sup>3</sup> One study suggests that encouraging job moves may increase effectiveness. Another finds positive effects from sector specific training and suggests that 'training first' may be more effective than 'placement first'. But this is hard to reconcile with the two studies that suggest that (general) training had no impact on outcomes.

## Annex: Evidence on in-work support

### How secure is the evidence?

This toolkit summarises the available ex-post evaluations of the effect of in-work support (i.e. quantitative studies that test the impact of the programme). This toolkit does not consider process evaluations, or evidence based on qualitative or case study methods. Instead, we focus on impact evaluations that identify effects that can be attributed, with some degree of certainty, to the support provided.

We looked for evidence on the effect of in-work-support policies on employment, earnings and other relevant labour market outcomes. We focused on evidence from the OECD, in English. We considered any study that provided before-and-after comparisons or cross-sectional studies that control for differences between supported and unsupported areas or individuals. We also included more robust studies that compared changes for supported individuals with a control group, or that used a source of randomness in provision of support to estimate a causal effect. [link to Maryland Scale]. In summarising the evidence, we place greater emphasis on studies with stronger methods.

We found five studies of in-work support, all of which reported results from randomised control trials (RCTs). One of these studies reports results from a UK trial of the Employment Retention and Advancement Demonstrator. A second reports results from the US for twelve related trials, where both the participant and support mix differed across programmes. A third reports results from the US for four different programmes that shared some similarities in support mix, as well as some differences, and that were offered by different providers. The fourth provides results that allow for comparison of a Canadian programme that offered financial incentives, with a variant of that programme that provided additional employment support. The fifth study reports results for the same Canadian programme and three additional US programmes. For one of these US programmes the study allows for a comparison of the original programme that offered financial incentives, with a variant that provided additional employment support.

#### **Study 1 Breaking the low-pay, no-pay cycle: Final Evidence from the UK Employment Retention and Advancement (ERA) demonstration.**

Study 1 (SMS5) analyses the results from a large scale RCT of the UK Employment Retention and Advancement Pilot that targeted lone parents and the long term unemployed. This programme provided a combination of in-work support: financial incentives (an employment retention bonus of £400, paid to employees three times a year for two years, for working at least 30 hours per week), training incentives (up to £1,000 tuition assistance while employed and a bonus of £1,000 for completing training while employed, paid to employees), cash to overcome barriers to work (emergency payments; value not specified) and a dedicated adviser to help participants progress in the labour market. The training was not targeted at a particular sector, with participants encouraged to enrol in training courses in any area in which they had an interest. Three groups were targeted: lone parents who were working and getting tax credit (WTC group), lone parents who were unemployed (NDLP group) and the long term unemployed (ND25+). The randomisation into treatment occurred after job placement, thus isolating the effects of in-work support.

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**Findings: In-work support can increase employment and wages, but effects vary both across and within programme and are not always positive; Some programmes report stronger effects for the more disadvantaged groups (larger effects for the most disadvantaged group); Financial incentives are key (effects on the long term unemployed were large and sustained).**

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For the NDLP group, the programme increased employment rates and short-term earnings for the first two years, but effects declined over time and mainly disappeared after five years. Similarly for the WTC group, the programme resulted in a short term increase in earnings that faded out over five years. Results for the long term unemployed (ND25+) were more positive, with earnings gains seen after one year, averaging 12% per year over the first four years and still apparent after five years. There were also modest positive employment impacts for this group in all five follow up years, peaking during the 2nd year of the programme.

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**Finding: There is no consistent evidence on which elements of in-work support are more effective (general training had no impact on outcomes).**

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The study does not explicitly disentangle which elements of in-work support drive the effects, but does suggest that programme effects were higher in areas where more potential participants were aware of the financial incentives. Finally, although ERA increased participation in training, this did not appear to impact labour market outcomes (employment, earnings and benefit receipt).

### **Study 2 How effective are different approaches aiming to increase employment and retention and advancement. (US)**

Study 2 (SMS5) applied a similar RCT policy experiment to study 1, for 12 programmes implemented in different locations in the US. The participants were mostly lone parents in receipt of welfare benefits. The twelve programmes recruited different groups and implemented different mixes of in-work support. The interventions were based on programmes that focussed on getting the unemployed into sustained employment, or that focussed on increasing the earnings of low income workers or a combination of the two. In those programmes that focussed on those in-work, support consisted of financial rewards (e.g. a Texas site paid \$200 per month for working at least 30 hours per week), advice and assistance on moving jobs, accessing education and training.

Findings: In-work support can increase employment and wages, but effects vary both across and within programme and are not always positive ; Some programmes report stronger effects for the more disadvantaged groups (no differences across groups); Financial incentives are key (that sustained effects at a subset of trial sites).

For three of the 12 programmes, there were positive effects on employment levels, employment stability or earnings. The timing of these effects varied by programme with some showing employment effects before earnings, others earnings effects before employment. Similarly, the extent of persistence differed across programme and outcomes with some achieving persistent effects, others not. Nine programmes showed no effect. In the most successful programme annual earnings were on average 15% higher over the four years of the evaluation. The three programmes with positive results served different types of welfare recipient: those not employed and receiving Temporary Assistance for Needy Families (TANF); those employed and receiving TANF and those employed and not receiving TANF. Results do not suggest any differences across groups.

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**Finding: There is no consistent evidence on which elements of in-work support are more effective (interventions that encouraged job moves may be more effective; larger incentives more likely to produce greater effects).**

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There is no consistent evidence to support a specific intervention mix, though examination of the features of the programmes with positive results suggested that interventions that encouraged job moves or had larger financial incentives had the largest effect. Keeping participants engaged in the project proved a major challenge, which may have reduced estimated program effects (the study reports intention to treat).

### **Study 3 Can Sector Strategies promote longer-term effects? Three-Year Impacts from the Work Advance Demonstration (US)**

Study 3 (SMS5) used an RCT to analyse the interim effect of Work Advance, a US sector specific in-work support programme which aims to help individuals into work and to support progression once in-work. Training and support is targeted at sectors where there is strong local demand for specific skills and opportunity for progression. A similar model applied to all four programmes evaluated (career services, training placement, retention and advancement services), although two programmes initially implemented a 'training first' approach with the other two implementing a 'placement first' approach.

Findings: In-work support can increase employment and wages, but effects vary both across and within programme and are not always positive; Some programmes report stronger effects for the more disadvantaged groups (largest effects for moderately disadvantaged).

Year two follow up findings showed large variation across programmes in terms of impact on employment and earnings. This year three year follow up study finds that for the Per Scholas programme, positive year two effects on employment and earnings had grown stronger for year three. Two programmes produced small impacts for late cohorts and one programme no impact. Effects differed for three sub-groups depending on their 'attachment' to the labour market, finding no effect on earnings for the fully attached and some positive effects for the less attached groups.

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**Finding: There is no consistent evidence on which elements of in-work support are more effective (sector specific training provision; timing of programme elements may matter).**

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The more successful programme was run by Per Scholas, an IT Training company with industry links and a lot of experience in delivering this type of intervention. This suggests that provider maturity and experience running sector programs may matter. There is also some evidence that the timing of programme elements may matter. Two of the programmes initially implemented a 'training first' approach and the other two a 'placement first' approach (with control groups on each 'arm'). About half way through the study the two 'placement first' programmes switched to 'training first' after preliminary evidence showed individuals on the 'placement first' track were unable to progress in the low wage jobs they had been placed in.

### **Study 4 Are two carrots better than one? The effects of adding employment services to financial incentives programs for welfare recipients. (Canada)**

Study 4 (SMS5) used an RCT to analyse the effect of Canada's Self Sufficiency Project Plus, a variant of the SSP programme. SSP targeted single-parent families who had been on Income Assistance (IA, or welfare) for at least a year. SSP Plus provided employment services in addition to the financial incentives provided by the original SSP: specifically, it offered a generous monthly earnings supplement for up to three years, equal to one half of the difference between a target earnings level (the study is unclear on how this is set) and an individual's earnings. To qualify, individuals had to leave benefits and work at least 30 hours per week. The employment services offered as part of SSP Plus included employment plans, a resume service, job club, job coaching, job leads, self-esteem workshops and other job-related

workshops. Services were available both before and after employment and aimed to help people find a job and stay in work.

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**Findings: In-work support can increase employment and wages, but effects vary both across and within programme and are not always positive Some programmes report stronger effects for the more disadvantaged groups (no differences across groups). Financial incentives are key (sustained effects when offered employment services in addition to financial support). Employment services may reinforce the effect of financial incentives.**

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The SSP programme was evaluated extensively and results show that full time employment more than doubled during the programme period for those receiving financial incentives. However, these effects gradually disappeared toward the end of the programme period. Against this baseline treatment, the incremental effect of SSP Plus on employment and benefit receipt lasted well beyond the period when the supplement and services ended. Individuals were also more likely to take jobs with a higher wage rate than those on the original SSP programme. There was no sub-group analysis undertaken in this study.

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**Finding: There is no consistent evidence on which elements of in-work support are more effective (interventions that encouraged job moves may be more effective; general training had no impact on outcomes).**

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Further analysis of the effects of different services provided suggested that the additional effect of the support services came from job search advice, not training.

There is no consistent evidence on which elements of in-work support are more effective (timing of programme elements may matter, but this finding is hard to reconcile with two studies)

The study suggests that one reason for the lack of sustained impact from the original SSP is that to qualify for the supplement, individuals tended to take up low wage jobs with little room for progression. This left them no better off than the control group once the supplement period ended. The fact that SSP Plus may counter this – through the provision of additional employment services – appears to be consistent with the findings from study 3 on the problems with ‘placement first’ tracks in facilitating in-work progression. Note, however, that for SSP plus and in contrast to study 3, ‘training first’ would likely have no effect, given that additional effects for SSP Plus are associated with support services, not training.

### **Study 5 Does Making Work Pay Still Pay? An update on the effects of Four Earnings Supplement Programs on Employment, Earnings, and Income. (Canada and US)**

This paper summarises the results of four separate studies (all SMS 5), each examining the impact of time limited financial incentive programmes: the Canadian Self-Sufficiency Project (SSP; described also in study 4), the Minnesota Family Investment Program (MFIP), Milwaukee’s New Hope Project, and Connecticut’s Jobs First program. All four programmes included an earnings supplement for recipients working more than 30 hours per week, and in some cases childcare vouchers and health insurance were also included. Jobs First provided no additional assistance. MFIP provided additional childcare support. New Hope provided a range of additional services including childcare and subsidised health, job search assistance both in and out of work and a job guarantee. SSP Plus provided the additional employment services described above.

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**Findings: In-work support can increase employment and wages, but effects vary both across and within programme and are not always positive; Some programmes report stronger effects for the more disadvantaged groups (larger effects for the most disadvantaged group; also moderately disadvantaged). Financial incentives are key (sustained effects when offered employment services in addition to financial support).**

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Consistent with the findings for the original SSP programme (discussed above) Jobs First, MFIP and New Hope all generated large initial employment and income gains but effects gradually disappeared toward the end of the programme period. This study also updates the findings for the persistence of the SSP Plus effects, finding that they last for four to seven years after the programme ended. Two of the programmes (MFIP and Jobs First) found stronger effects for the most disadvantaged (i.e. long term welfare recipients). One of the programmes (New Hope) found largest effects for moderately disadvantaged groups (those only facing one barrier to work). Finally SSP Plus effects were similar across sub groups (an issue that was not considered in study 4 described above).

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**Finding: Employment services may reinforce the effect of financial incentives**

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Two studies, MFIP and SSP Plus were designed to isolate both the effects of earnings supplements and the incremental effect of employment services on top of earnings supplements. In MFIP, sample members in urban counties were assigned at random to an incentives-only group, to a full-services group, or to a control group. In the SSP Plus study, a small sample of long-term recipients in New Brunswick were randomly assigned to a group that was offered the SSP earnings supplement, to a group that was offered both the earnings supplement and voluntary employment services, or to a control group. Both MFIP and SSP Plus (as discussed above) show that combining earnings supplements with employment services, produced larger effects on earnings than supplements alone. SSP Plus provided larger financial incentives than MFIP and also produced larger estimated effects on earnings and employment.

### **Study 6 Universal Credit: In-Work Progression Randomised Controlled Trial. (UK)**

Study 6 (SMS5) used an RCT to analyse the effect of in-work support provided to a sample of Universal Credit claimants in the UK. The trial considers a sample of 30,709 UC claimants randomised into three treatment groups provided with different intensities of in-work support and coaching (frequent, moderate, and minimal support). Participants in the frequent and moderate support group had to complete agreed actions and have regular meetings with their Work Coach; the minimal support group only received light touch advice by telephone. The evaluation used a multi method approach, and involved several data sources. Research with Jobcentre Plus staff and analysis of administrative earnings data of 30,709 participants was undertaken by DWP analysts. Another part of the evaluation (research with claimants and employers) was undertaken by Ipsos MORI. This included an initial survey three months after joining the trial (2,698 participants surveyed), and a follow-up survey at 15 month (1,206 participants surveyed due to sample attrition). This survey includes information on self-reported earnings and changes in attitudes and behaviours and the take up of training.

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**Finding: In-work support can increase wages**

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The evaluation compares frequent and moderate support participants with minimal support participants. The DWP impact assessment, which is based on 30,709 trial participants and looked at earnings 52 weeks after they started on the trial, shows an increase in earnings across all three groups, but

those participants assigned to frequent and moderate support earned 5.25 and 4.43 pounds more, respectively, compared to minimal support participants.<sup>4</sup> No effect was observed when using self-reported earnings from the Ipsos MORI survey, although this was with a much lower sample size. However, the Ipsos MORI research did find those in the frequent support group reported positive outcomes coming from actions they had undertaken to progress, as well as reporting fewer barriers to progression 15 months on.

## References

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4 Given that the target population is low-paid workers, and assuming these belong to the 10th percentile of the earnings distribution (earning approximately 150 pounds per week), then 52 weeks after trial the frequent support group end up earning 160.25 pounds per week while the minimum group 155 pound per week. This equates to a 3.4% increase in earnings for the frequent support group.

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