Making Work Pay:  
The Design of Tax Credit Reforms for Low Wage Workers  

DARES  
Paris  
November 2009  

Richard Blundell  
University College London  
and  
Institute for Fiscal Studies
This presentation will analyse the recent development of (some) tax and welfare policies aimed at low wage workers.

It will focus on the growth in welfare programs that require some form of work requirement.

It will specifically explore the development of earned income tax-credit policies.

I will comment on some of the relationships with welfare to work programmes in the UK and more widely around the world.
Drawing on results from

The Mirrlees Review

Reforming the Tax System for the 21st Century

http://www.ifs.org.uk/mirrleesReview
Structure of talk:

• Examine the move towards tax-credit and welfare-to-work policies
• Draw the distinction between ‘static’ and ‘dynamic’ policies
• How well have they worked?
  – have they increased employment?
  – have they increased wages?
  – have they achieved redistributional goals?
• Is there room for improvement?
Setting the Scene

• Policies motivated by:
  – declining labour market attachment and low wages of lower skilled workers:
    • young low educated
    • older low skilled
    • low income families
  – growth in poverty
Setting the Scene

• Many alternative ways of delivering goals:
  – Through tax-credits and work conditioned benefits
  – Through job search monitoring, job search assistance and WFIIs
  – Through wage subsidies to the firm
  – Through training subsidies
  – Through some combination of these
Draw Lessons from Key Policy Evaluations

• Static Policies: Not time-limited
  – The WFTC/WTC/CTC reform(s) in Britain
  – The EITC in the US

• Dynamic Policies: Time-limited
  – The New Deal reforms in Britain
  – The Self Sufficiency Programme in Canada
  – The ERA(D) experiments in the US and Britain (Sianesi)
  – Pathways to Work in Britain (Bozio)
Key Aspects of Policy Design:

- Targeting
  - by earnings
    - focus on low skilled/low wages
  - by family net income
    - focus on poverty
  - by age
    - focus on young or older worker skills and productivity
Key Aspects of Policy Design:

- Targeting
- Minimum hours conditions
  - 16 hours - e.g, WTC, IWC
  - 30 hours – e.g, WTC, SSP
  - Should we have hours rules?
  - Part-time work as pathway to retirement?
  - For families should minimum hours depend on age of children?
Key Aspects of Policy Design:

- Targeting
- Hours conditions
- Time limits
  - New Deal, IWC, SSP, etc
  - Duration of ‘out of work’ support
- Entry effects – incentive to delay exit from welfare to establish eligibility
- Role of monitoring/job search help?
Key Aspects of Policy Design:

- Targeting
- Hours conditions
- Time limits
  - New Deal, IWC, SSP, etc
  - Duration of ‘in-work’ support
    - Evidence of earnings progression?
    - Evidence of longer term impacts?
    - Evidence of churning?
Key Aspects of Policy Design:

- Targeting
- Hours conditions
- Time limits
- A training requirement
  - Passive or active learning?
  - Employer provided but accredited?
  - An enhancement bonus?
Key Aspects of Policy Design:

- Targeting
- Hours conditions
- Time limits
- A training requirement
- Job Search Monitoring/Assistance
  - Work Focused Interviews?
  - Sanctions?
Key Policies and Policy Comparisons

– The WFTC/WTC reform(s) in Britain
– The EITC expansions in the US
– The Self Sufficiency Programme in Canada
– The New Deal reforms in Britain
– Pathways to Work in Britain
– Employment Retention and Advancement (ERA)
General form of Earned Income Tax Credits

• Credit depends on *earnings* and ‘*needs*’:
  – Phase-in: credit is flat percentage of earned income or jump in at minimum hours threshold
  – Flat range: receive maximum credit
  – Phase-out: credit is phased out at a flat rate

• Credit based on *family* earnings
  – Creating ‘interesting’ incentives among couples
General form of Earned Income Tax Credits

EITC Schedule in US – Single Parent Families, 2004
EITC Benefit for Selected Tax Years

(B) Schedule for Family with 2+ Children

Earnings (1996 $)

EITC Credit (1996 $)

1996 EITC
1993 EITC
1990 EITC
1984 EITC

Earnings (1996 $)
Number of EITC Recipient Families (Millions)

Source: *Green Book*, 2004, Joint Committee on Taxation, Ways and Means Committee
Comparison: EITC in US reaches more families and costs more than Temporary Assistance for Needy Families (TANF) or Food Stamps:

<table>
<thead>
<tr>
<th></th>
<th>EITC</th>
<th>TANF</th>
<th>FS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost (billions)</td>
<td>$33.4</td>
<td>$24.5</td>
<td>$21.0</td>
</tr>
<tr>
<td>Families (millions)</td>
<td>19.6</td>
<td>2.1</td>
<td>7.4</td>
</tr>
<tr>
<td>Average Benefit</td>
<td>$142/mo</td>
<td>$351/mo</td>
<td>$174/mo</td>
</tr>
</tbody>
</table>
Tax Credit reforms in the UK

- **WFTC** (working families tax credit) reform in 2000, and subsequent expansions in 2002
  - influenced by the success of the EITC expansion in the US
  - especially generous to families with young children

- **WTC** (working tax credit) reform in 2004
  - extension of eligibility to individuals without children
  - older workers enhanced credit
Expenditure on in-work programmes in the UK
Can a Tax Credit be ‘optimal’?

- Under what conditions (if any) can a tax credit represent an optimal transfer for low income families?

- With large participation/extensive margin effects, high tax rates at the bottom are no longer desirable and negative participation tax rates can be optimal (Diamond, 1980; Saez, 2002; Laroque, 2004)

- A ‘large’ extensive elasticity can ‘turn around’ the impact of social weights - implying a higher transfer to low wage workers than to those out of work – an EITC
Can a Tax Credit be ‘optimal’?

• Labour supply estimation suggest extensive margin is more responsive to incentives than intensive margin
  – at least for some types of individuals

• Low earnings families

• Low earning older workers
A ‘Typical’ ‘Integrated’ Optimal Schedule

After Tax Income

Earnings

Some ‘Income Support’ – but what form?

EITC ‘bubble’ region

‘phase-out’ region

break even point

subsidy or ‘phase-in’ region
The UK Working Families Tax Credit

• Hours condition
  – at least 16 or more hours per week
• family eligibility
  – children (in full time education or younger)
• income eligibility
  – if a family's net income is below a certain threshold
  – adult credit plus age-dependent amounts for each child
  – if above a threshold then credit is tapered away at 55% per extra pound of net income – previously 70%
The UK Working Families Tax Credit
• Puzzle: WFTC about twice as generous as the US EITC but with about half the impact. Why?
Can the reforms explain weekly hours worked?

Single Women (aged 18-45) - 2002
Hours distribution: lone parents, 1990 (24 hour rule)
Hours distribution: lone parents, 1993 (16 hour rule)
Can these policies explain changing employment?
Can these policies explain changing employment?

Alternative approaches to measuring impact effects:

• Difference-in-differences/quasi-experiment
  – Compares outcomes of eligibles and non-eligibles
  – Estimates ‘average’ impact of past reform

• Structural labour supply ‘micro-simulation’ model
  – Estimate the income-hours and employment trade-off through discrete choice microeconometric model
  – Simulate effect of actual or hypothetical reforms

• Even better to start with a real experiment!
  – But do we have one?
Canadian Self Sufficiency Program

- 50% tax-credit up to some income limit
- eligibility depends on 12 months welfare receipt
- eligibility depends on finding a full-time job (30 hour per week)
- time limited receipt to 36 months after first eligible
- well designed randomised control social experiment
  - great research design
Canadian Self Sufficiency Program

Monthly Employment Rate for a Single Parent with One Child in BC

The graph shows the monthly employment rate over time for controls and experimentals. The x-axis represents months from random assignment, and the y-axis represents the monthly employment rate. The blue line represents controls, and the red line represents experimentals. The graph indicates an increase in employment rates over time for both groups, with experimentals showing a steeper increase compared to controls.
## WFTC Evaluation: Matched Difference-in-Differences

### Employment Rate

<table>
<thead>
<tr>
<th>Single Women</th>
<th>Marginal Effect</th>
<th>Standard Error</th>
<th>Sample Size</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Family Resources Survey</strong></td>
<td>3.5</td>
<td>1.55</td>
<td>25,163</td>
</tr>
<tr>
<td><strong>Labour Force Survey</strong></td>
<td>3.6</td>
<td>0.55</td>
<td>233,208</td>
</tr>
</tbody>
</table>

Data: FRS, 45,000 adults per year, Spring 1996 – Spring 2002.
Outcome: employment. Average impact x 100, employment percentage.
Matching Covariates: age, education, region, ethnicity,..
Drop: Summer 1999 – Spring 2000 inclusive
Table A1: Sample Descriptives for Single Women

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>No work child</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-white</td>
<td>0.073</td>
<td>0.077</td>
<td>0.080</td>
<td>0.084</td>
<td>0.091</td>
<td>0.098</td>
<td>0.102</td>
</tr>
<tr>
<td>Left education before 16</td>
<td>0.078</td>
<td>0.072</td>
<td>0.062</td>
<td>0.057</td>
<td>0.052</td>
<td>0.047</td>
<td>0.043</td>
</tr>
<tr>
<td>Left education at 16 or 17</td>
<td>0.394</td>
<td>0.381</td>
<td>0.375</td>
<td>0.375</td>
<td>0.363</td>
<td>0.353</td>
<td>0.356</td>
</tr>
<tr>
<td>London and South-East</td>
<td>0.341</td>
<td>0.350</td>
<td>0.349</td>
<td>0.347</td>
<td>0.354</td>
<td>0.360</td>
<td>0.352</td>
</tr>
<tr>
<td>Rented accommodation</td>
<td>0.343</td>
<td>0.353</td>
<td>0.358</td>
<td>0.340</td>
<td>0.339</td>
<td>0.350</td>
<td>0.346</td>
</tr>
<tr>
<td>Observations</td>
<td>26243</td>
<td>24463</td>
<td>24410</td>
<td>23987</td>
<td>22558</td>
<td>23517</td>
<td>22846</td>
</tr>
<tr>
<td>Child work</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Age</td>
<td>32.330</td>
<td>32.580</td>
<td>32.655</td>
<td>32.863</td>
<td>33.181</td>
<td>33.280</td>
<td>33.288</td>
</tr>
<tr>
<td>Non-white</td>
<td>0.100</td>
<td>0.099</td>
<td>0.091</td>
<td>0.098</td>
<td>0.106</td>
<td>0.112</td>
<td>0.111</td>
</tr>
<tr>
<td>Left education before 16</td>
<td>0.209</td>
<td>0.196</td>
<td>0.189</td>
<td>0.169</td>
<td>0.154</td>
<td>0.161</td>
<td>0.155</td>
</tr>
<tr>
<td>Left education at 16 or 17</td>
<td>0.632</td>
<td>0.627</td>
<td>0.633</td>
<td>0.635</td>
<td>0.646</td>
<td>0.641</td>
<td>0.637</td>
</tr>
<tr>
<td>London and South-East</td>
<td>0.285</td>
<td>0.285</td>
<td>0.285</td>
<td>0.293</td>
<td>0.294</td>
<td>0.303</td>
<td>0.301</td>
</tr>
<tr>
<td>Rented accommodation</td>
<td>0.686</td>
<td>0.704</td>
<td>0.708</td>
<td>0.696</td>
<td>0.697</td>
<td>0.694</td>
<td>0.676</td>
</tr>
<tr>
<td>Number of kids</td>
<td>1.783</td>
<td>1.785</td>
<td>1.791</td>
<td>1.784</td>
<td>1.778</td>
<td>1.776</td>
<td>1.794</td>
</tr>
<tr>
<td>Observations</td>
<td>14613</td>
<td>14172</td>
<td>14550</td>
<td>14343</td>
<td>13572</td>
<td>14097</td>
<td>13996</td>
</tr>
</tbody>
</table>
Resolving the WFTC and EITC puzzle

• Compare with an employment effect of EITC of about 8-10 percentage points for single mothers

• **Puzzle:** WFTC about twice as generous as the US EITC but with half the impact. Why?
  – Preferences?
  – Labour market institutions?
  – Integration with existing taxes and welfare system?
  – Other reforms?

• Need to know to assess the appropriate design
The interaction with other benefits
The interaction with other benefits

- WFTC
- Income Support
- Net earnings
- Other income

(hours of work)
The interaction with other benefits

hours of work

fixed costs may be important
Unlike the US EITC the UK tax credit is based on net (rather than gross) family income

- Interaction with other benefits and taxes matter
  - differing size of the ‘impact effect’ across eligibles

- Also coincident reforms to Income Support (IS)
  - different direction of these reforms to US
### Structural Micro-Simulation Results:
#### WFTC Expansion – ‘large’ impact

<table>
<thead>
<tr>
<th></th>
<th>All</th>
<th>y-child 0 to 2</th>
<th>y-child 3 to 4</th>
<th>y-child 5 to 10</th>
<th>y-child 11 to 18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change in employment rate:</td>
<td>5.95</td>
<td>3.09</td>
<td>7.56</td>
<td>7.54</td>
<td>4.96</td>
</tr>
<tr>
<td></td>
<td>0.74</td>
<td>0.59</td>
<td>0.91</td>
<td>0.85</td>
<td>0.68</td>
</tr>
<tr>
<td>Average change in hours:</td>
<td>1.79</td>
<td>0.71</td>
<td>2.09</td>
<td>2.35</td>
<td>1.65</td>
</tr>
<tr>
<td></td>
<td>0.2</td>
<td>0.14</td>
<td>0.23</td>
<td>0.34</td>
<td>0.2</td>
</tr>
</tbody>
</table>

Notes: Simulated on FRS data; Standard errors in italics.

All: 5.12 without change in take-up – key impact effect
## Structural Micro-Simulation Results: All Reforms

<table>
<thead>
<tr>
<th></th>
<th>All</th>
<th>y-child 0 to 2</th>
<th>y-child 3 to 4</th>
<th>y-child 5 to 10</th>
<th>y-child 11 to 18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change in employment rate:</td>
<td>3.66</td>
<td>0.65</td>
<td>4.53</td>
<td>4.83</td>
<td>4.03</td>
</tr>
<tr>
<td></td>
<td>0.84</td>
<td>0.6</td>
<td>0.99</td>
<td>0.94</td>
<td>0.71</td>
</tr>
<tr>
<td>Average change in hours:</td>
<td>1.02</td>
<td>0.01</td>
<td>1.15</td>
<td>1.41</td>
<td>1.24</td>
</tr>
<tr>
<td></td>
<td>0.23</td>
<td>0.21</td>
<td>0.28</td>
<td>0.28</td>
<td>0.22</td>
</tr>
</tbody>
</table>

- matches with the quasi-experimental results
- shows the structural model predictions are quite accurate

Notes: Simulated on FRS data; Standard errors in italics.
## WFTC Evaluation: Matched Difference-in-Differences

### Employment Rate

<table>
<thead>
<tr>
<th>Single Women</th>
<th>Marginal Effect</th>
<th>Standard Error</th>
<th>Sample Size</th>
</tr>
</thead>
<tbody>
<tr>
<td>Family Resources Survey</td>
<td>3.5</td>
<td>1.55</td>
<td>25,163</td>
</tr>
<tr>
<td>Labour Force Survey</td>
<td>3.6</td>
<td>0.55</td>
<td>233,208</td>
</tr>
</tbody>
</table>

Data: FRS, 45,000 adults per year, Spring 1996 – Spring 2002.
Outcome: employment. Average impact x 100, employment percentage.
Matching Covariates: age, education, region, ethnicity,..
Drop: Summer 1999 – Spring 2000 inclusive
Key features of the stochastic structural model

• budget constraint – tax/tax-credit and benefit interactions
• preferences – discrete hours; flexible utility specification
• heterogeneity – demographics, ethnicity, etc; unobs.
• fixed costs of work – obs. and unobs. het.
• stigma/hassle costs – take-up versus eligibility;
• childcare costs
• mixed-multinomial specification across discrete choices over ranges of hours
• See Blundell and Shephard (2008), for example.
Some results

- Estimates show that individuals are heterogeneous in responses

<table>
<thead>
<tr>
<th>Age of youngest child</th>
<th>participation elasticity</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-4</td>
<td>0.6352</td>
</tr>
<tr>
<td>5-10</td>
<td>0.9348</td>
</tr>
<tr>
<td>11-18</td>
<td>1.1295</td>
</tr>
</tbody>
</table>

- Also find large differences in intensive responses
## Structural Model Elasticities

(a) Youngest Child Aged 11-18

<table>
<thead>
<tr>
<th>Earnings</th>
<th>Density</th>
<th>Extensive</th>
<th>Intensive</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>0.3966</td>
<td></td>
<td></td>
</tr>
<tr>
<td>80</td>
<td>0.1240</td>
<td>0.5029</td>
<td>0.5029</td>
</tr>
<tr>
<td>140</td>
<td>0.1453</td>
<td>0.7709</td>
<td>0.3944</td>
</tr>
<tr>
<td>220</td>
<td>0.1723</td>
<td>0.7137</td>
<td>0.2344</td>
</tr>
<tr>
<td>300</td>
<td>0.1618</td>
<td>0.4920</td>
<td>0.0829</td>
</tr>
</tbody>
</table>

**Participation elasticity** 1.1295
### Structural Model Elasticities

#### (c) Youngest Child Aged 0-4

<table>
<thead>
<tr>
<th>Earnings</th>
<th>Density</th>
<th>Extensive</th>
<th>Intensive</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>0.5942</td>
<td></td>
<td></td>
</tr>
<tr>
<td>80</td>
<td>0.1694</td>
<td>0.2615</td>
<td>0.2615</td>
</tr>
<tr>
<td>140</td>
<td>0.0984</td>
<td>0.6534</td>
<td>0.1570</td>
</tr>
<tr>
<td>220</td>
<td>0.0767</td>
<td>0.5865</td>
<td>0.1078</td>
</tr>
<tr>
<td>300</td>
<td>0.0613</td>
<td>0.4984</td>
<td>0.0834</td>
</tr>
</tbody>
</table>

*Participation elasticity* 0.6352

• Implications for the optimal schedule …..
Implications for tax-credit design

• Tax-credit policies only optimal for families with school age children
• For other groups the elasticity arguments are not powerful enough
• Imposing minimum hours conditions can be optimal
An Optimal Schedule, Youngest Child Aged 11-18

Blundell and Shephard (2008)
An Optimal Schedule, Youngest Child Aged 11-18

Blundell and Shephard (2008)
Incentives for active wage progression remain somewhat limited
May be ‘poorly targeted’ for those with low labour market attachment
Potential adverse effects in couples (IFS/Mirrlees review)
Remaining Issues: Dynamics

• What of work experience and wage progression?
  – Grogger (2005)
  – Card and Hyslop (2004)

• Indeed what is the program impact on gross wages?

• An alternative is time-limited conditional programs
  
  • e.g.

• ERA in the UK

• Canadian Self-Sufficiency Project in Canada
Dynamics: SSP Full-time employment rates

Employment rate vs Months after random assignment for control and experimental groups.
Dynamics & the Self-Sufficiency Experiment

• employment levels eventually line up with control group after time limit is exhausted
  – But what of earnings and hourly wages?
  – What is the impact on savings and debt?
  – What is the impact on children outcomes?

• initial dynamic incentive to gain eligibility
  – But do entrants take lower productivity jobs?
SSP: Monthly earnings by months after RA

![Graph showing monthly earnings by months after random assignment for control and experimental groups.](image-url)
and dynamic effects on wages and productivity?
Dynamic Effects from the Canadian SSP

- Earnings and employment line up with control group after time limit is exhausted
- Little evidence of employment enhancement or wage progression
- Other evidence, Taber etc, show some progression but quite small
- Key area of research
- Some more optimistic results for some recent UK policies
- What about age-based policies?
Substitution and GE Effects: New Deal evaluation

New Deal wage subsidy for under 25s

• Fixed weekly subsidy given to firm for six months if move off job seekers allowance into a employment after six months of unemployment
• Plus mandatory job search assistance
• Did the firms react?
• Substitution effect with older workers?
• General equilibrium effects?
• Area based comparison – pilot and non-pilot areas
# New Deal Impacts - Outflow to Employment

<table>
<thead>
<tr>
<th>Treatment group</th>
<th>Comparison group</th>
<th>19-24 year olds living in pilot areas</th>
<th>19-24 year olds living in all non-pilot areas</th>
<th>25-30 year olds living in pilot areas</th>
<th>25-30 year olds living in all non-pilot areas</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>(1) Linear Matching</td>
<td>(2) Non-linear matching with non-additive error term</td>
<td>(3) Propensity score matching using splines</td>
<td>(4) Non-linear matching using splines</td>
</tr>
<tr>
<td>19-24 year olds living in pilot areas</td>
<td>19-24 year olds living in all non-pilot areas</td>
<td>0.110** (0.039)</td>
<td>0.098** (0.039)</td>
<td>0.104** (0.046) (0.024;0.182)</td>
<td>0.098** (0.044) (0.015;0.176)</td>
</tr>
<tr>
<td>19-24 year olds living in pilot areas</td>
<td>25-30 year olds living in pilot areas</td>
<td>0.104* (0.055)</td>
<td>0.091 (0.057)</td>
<td>0.078 (0.079) (-0.050;0.195)</td>
<td>0.074 (0.069) (-0.068;0.182)</td>
</tr>
</tbody>
</table>

Source: Blundell et al, JEEA, 2005
NNYP: mandatory with area based evaluation

• Compare 19-24 year olds in pilot areas and control areas - *pure diff-in-diff effect*
  – *11 ppt increase in outflow rate from UI*

• Compare 19-24 year olds in pilot with older groups in pilot areas - *spill-over effect*
  – *very small*

• Compare all groups in pilot areas and matched control areas - *overall ‘GE’ effect*
  – *very small*

• Pathways to work – another area based pilot evaluation: Antoine Bozio
Summary and Discussion

• Static *Tax-credits* are a powerful tool in attempting to break the ‘iron triangle’ of welfare reform
  – impact is significant on short term employment
  – impact is tempered if worried about redistribution and poverty

• Potential for adverse dynamic effects on wage progression and employment enhancement
  – a social insurance contribution component can ameliorate some of these adverse dynamic impacts

• Need to evaluate longer term impact on wages, earnings and employment
Making Work Pay:  
The Design of Tax-Credit Reforms for Low Wage Workers  

That’s all for now!  

Richard Blundell  

www.ifs.org.uk/mirrleesReview
Some References:


Table A1: Sample Descriptives for Single Women

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>No child</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Work</td>
<td>0.753</td>
<td>0.762</td>
<td>0.769</td>
<td>0.770</td>
<td>0.774</td>
<td>0.767</td>
<td>0.775</td>
</tr>
<tr>
<td>Non-white</td>
<td>0.073</td>
<td>0.077</td>
<td>0.080</td>
<td>0.084</td>
<td>0.091</td>
<td>0.098</td>
<td>0.102</td>
</tr>
<tr>
<td>Left education before 16</td>
<td>0.078</td>
<td>0.072</td>
<td>0.062</td>
<td>0.057</td>
<td>0.052</td>
<td>0.047</td>
<td>0.043</td>
</tr>
<tr>
<td>Left education at 16 or 17</td>
<td>0.394</td>
<td>0.381</td>
<td>0.375</td>
<td>0.375</td>
<td>0.363</td>
<td>0.353</td>
<td>0.356</td>
</tr>
<tr>
<td>London and South-East</td>
<td>0.341</td>
<td>0.350</td>
<td>0.349</td>
<td>0.347</td>
<td>0.354</td>
<td>0.360</td>
<td>0.352</td>
</tr>
<tr>
<td>Rented accommodation</td>
<td>0.343</td>
<td>0.353</td>
<td>0.358</td>
<td>0.340</td>
<td>0.339</td>
<td>0.350</td>
<td>0.346</td>
</tr>
<tr>
<td>Observations</td>
<td>26243</td>
<td>24463</td>
<td>24410</td>
<td>23987</td>
<td>22558</td>
<td>23517</td>
<td>22846</td>
</tr>
<tr>
<td>Child</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Work</td>
<td>0.417</td>
<td>0.425</td>
<td>0.444</td>
<td>0.464</td>
<td>0.477</td>
<td>0.487</td>
<td>0.496</td>
</tr>
<tr>
<td>Age</td>
<td>32.330</td>
<td>32.580</td>
<td>32.655</td>
<td>32.863</td>
<td>33.181</td>
<td>33.280</td>
<td>33.288</td>
</tr>
<tr>
<td>Non-white</td>
<td>0.100</td>
<td>0.099</td>
<td>0.091</td>
<td>0.098</td>
<td>0.106</td>
<td>0.112</td>
<td>0.111</td>
</tr>
<tr>
<td>Left education before 16</td>
<td>0.209</td>
<td>0.196</td>
<td>0.189</td>
<td>0.169</td>
<td>0.154</td>
<td>0.161</td>
<td>0.155</td>
</tr>
<tr>
<td>Left education at 16 or 17</td>
<td>0.632</td>
<td>0.627</td>
<td>0.633</td>
<td>0.635</td>
<td>0.646</td>
<td>0.641</td>
<td>0.637</td>
</tr>
<tr>
<td>London and South-East</td>
<td>0.285</td>
<td>0.285</td>
<td>0.285</td>
<td>0.293</td>
<td>0.294</td>
<td>0.303</td>
<td>0.301</td>
</tr>
<tr>
<td>Rented accommodation</td>
<td>0.686</td>
<td>0.704</td>
<td>0.708</td>
<td>0.696</td>
<td>0.697</td>
<td>0.694</td>
<td>0.676</td>
</tr>
<tr>
<td>Number of kids</td>
<td>1.783</td>
<td>1.785</td>
<td>1.791</td>
<td>1.784</td>
<td>1.778</td>
<td>1.776</td>
<td>1.794</td>
</tr>
<tr>
<td>Observations</td>
<td>14613</td>
<td>14172</td>
<td>14550</td>
<td>14343</td>
<td>13572</td>
<td>14097</td>
<td>13996</td>
</tr>
<tr>
<td></td>
<td>Apr-99</td>
<td>Oct-99</td>
<td>Jun-00</td>
<td>Jun-02</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>----------------</td>
<td>--------</td>
<td>--------</td>
<td>--------</td>
<td>--------</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(FC)</td>
<td>(WFTC)</td>
<td>(WFTC)</td>
<td>(WFTC)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic Credit</td>
<td>49.8</td>
<td>52.3</td>
<td>53.15</td>
<td>62.5</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Child Credit</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>under 11</td>
<td>15.15</td>
<td>19.85</td>
<td>25.6</td>
<td>26.45</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11 to 16</td>
<td>20.9</td>
<td>20.9</td>
<td>25.6</td>
<td>26.45</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>over 16</td>
<td>25.95</td>
<td>25.95</td>
<td>26.35</td>
<td>27.2</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>30 hour</td>
<td>11.05</td>
<td>11.05</td>
<td>11.25</td>
<td>11.65</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Threshold</td>
<td>80.65</td>
<td>90</td>
<td>91.45</td>
<td>94.5</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taper</td>
<td>70% of earnings after income tax and NI</td>
<td>55% of earnings after income tax and NI</td>
<td>55% of earnings after income tax and NI</td>
<td>55% of earnings after income tax and NI</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Childcare</td>
<td>Childcare expenses up to £60 (£100) for 1 (more than 1) child under 12 disregarded when calc income</td>
<td>Award increased by 70% of childcare expenses up to £100 (£150) for 1 (more than 1) child under 15</td>
<td>Award increased by 70% of childcare expenses up to £100 (£150) for 1 (more than 1) child under 15</td>
<td>Award increased by 70% of childcare expenses up to £135 (£200) for 1 (more than 1) child under 15</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Pathways to work – another area based pilot evaluation

1. Financial incentives: Return To Work Credit, RTWC
   - £40 per week for first year after moving into paid work of at least 16 hours a week for those expecting to earn no more than £15k p.a.

2. Intensive programme of Work Focused Interviews, WFIs

3. Optional programmes to boost work prospects
   - NHS Medical Condition Management Program
   - New Deal for Disabled People (NDDP)
Pathways to work
6-months outflow rate out of IB for new entrants

© Institute for Fiscal Studies