

Well-being and in-work benefits: a field experiment

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Labour market programmes

Policies to encourage employment are commonplace...

...and a huge literature assesses how well they achieve this

Labour market programmes and well-being

But such policies may also affect subjective well-being...

...and we know very little about this

The UK's biggest social experiment

The “**Employment Retention and Advancement**” demonstration

First large-scale social experiment to record life-satisfaction and other psychological scores

More than 6,000 out of work lone parents randomised

What it tested

On entering work, those in the treatment group received:

- **financial bonuses for sustained full-time work**
- **guidance and advice to remain and advance in work**

Eligibility lasted for 2 years

Outcomes considered

Surveys were carried out 2 and 5 years after randomisation

- **2 years – eligibility ongoing**
- **5 years – eligibility ended**

Respondents were asked about conventional outcomes:

- **earnings**
- **employment**
- **hours worked**

Well-being outcomes

They were also asked about life satisfaction...

...and about their financial situation: “How difficult would you say your financial situation is at the moment. Is it:

- (1) very difficult,**
- (2) quite difficult,**
- (3) neither easy nor difficult,**
- (4) quite easy,**
- (5) very easy”**

Results I – the randomisation

Randomisation worked well!

Baseline characteristics similar among treatment and control groups

Results II – earnings/employment impacts

Year 2 earnings increased by £13.50/wk (s.e.=5.93)

Year 2 full-time employment increased by 6 %-points (s.e.=2 %-points)

By year 5 – when support was not available – there were no significant effects on pay

Results III – life satisfaction impacts

No effect on life satisfaction in year 2 or year 5

Change in life satisfaction between years 2 and 5 was significantly lower in the treatment group by 0.135 (s.e.=0.06).

Results IV – financial situation impacts

**No effect on year 2 financial situation
but year 5 situation reduced by 0.077
(s.e.=0.05 - significant at 10% level)**

**Change in financial situation between
years 2 and 5 was significantly worse for
the treatment group by 0.11 (s.e.=0.05)**

Tying it together

The in-work support had only short-term impacts on earnings and employment.

Withdrawal of support reduced life satisfaction and worsened financial situation.

Why does this happen?

One intriguing possibility is that the results are (potentially) consistent with loss aversion

Practically, perhaps individuals became reliant on the bonuses and had difficulty adjusting when they were no longer available.

What does this tell us?

The results raise questions about the design of time-limited support

They also suggest attempts to factor well-being into cost-benefit analyses may be appropriate

This is a neglected aspect of labour market policy - more evidence is needed!