

Estimating ethnic parity in Jobcentre Plus programmes: A quantitative analysis using the Work and Pensions Longitudinal Study (WPLS)

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This report estimates the extent to which there is ethnic parity in employment and benefit outcomes for Ethnic Minority Jobcentre Plus customers compared to otherwise-identical White customers. Analysis is based on Department for Work and Pensions (DWP) administrative data and is conducted for individuals accessing a range of Jobcentre Plus services in 2003. Using detailed ethnic and regional breakdowns, results are presented for Jobcentre Plus overall and separately for Incapacity Benefit (IB), Income Support (IS), Jobseeker's Allowance (JSA), New Deal for Lone Parents (NDLP), New Deal for individuals aged 25 plus (ND25+) and New Deal for Young People (NDYP).

Definition of 'ethnic parity'

Ethnic parity occurs if there is no difference, on average, between the outcome for an Ethnic Minority Jobcentre Plus customer and the outcome for an 'otherwise-identical' White customer. This study tries to get as close as possible to this ideal or 'true' measure of ethnic parity by carefully controlling for observed differences between Ethnic Minority and White customers (including employment and benefit spells prior to accessing Jobcentre Plus services); by focusing on benefit and programme inflows of individuals in a particular year (2003) who are accessing the same DWP services; and by comparing both benefit and employment outcomes over a 12-month period.

Methodological approach

The estimation strategy adopted in this study involves using propensity score matching techniques ('matching') to estimate ethnic parity.

This involves reweighting White customers to look as similar as possible to Ethnic Minority customers.

Key findings

The major finding of this study is that Ethnic Minority and White Jobcentre Plus customers often differ to such an extent that calculating quantitative estimates of ethnic parity is simply not possible for a large proportion of the subgroups considered.

This casts serious doubt on previous studies that have simply used raw differences in outcomes between Ethnic Minorities and Whites to estimate ethnic parity. Studies that have used simple regression techniques may also give a misleading picture of the extent of ethnic parity in some (but not all) cases.

IB and IS are the only benefits or programmes for which reliable overall results could be calculated. In these two cases, the observed raw ethnic penalties in labour market outcomes can be explained almost entirely by differences in characteristics, with Ethnic Minorities often at least as likely to be in work and off benefits as otherwise-identical Whites. This is also true for many of the regional and ethnic subgroups that are considered, both for IS and IB, and across the other benefits and programmes.

Summary of research

Introduction

A substantial employment gap between Ethnic Minorities and the overall working-age population in Great Britain has been observable

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for several decades (Cabinet Office, 2003). Access to Jobcentre Plus services may be one way of overcoming any disadvantage that Ethnic Minorities may experience in the labour market, and the extent to which Jobcentre Plus delivers ethnic parity in labour market outcomes from its services is of clear policy interest.

This exhaustive study estimates the extent to which there is ethnic parity in employment and benefit outcomes for 2,658 different Ethnic Minority subgroups accessing a range of Jobcentre Plus services and programmes in 2003, including for Jobcentre Plus overall and separately for IB, IS, JSA, NDLP, ND25+ and NDYP. The subgroups are defined by Ethnic Minority group, programme/benefit accessed, gender and region, with analysis only carried out for groups containing at least 400 Ethnic Minorities.

All the analysis uses data from the Work and Pensions Longitudinal Study (WPLS) – a relational database owned by the DWP, which contains longitudinal (spell-based) information on individuals' work, benefit and pension histories. Data in the WPLS come from administrative data on benefit claims (DWP), administrative data on employment (Her Majesty's Revenue & Customs (HMRC)), and operational data on customers' activities (e.g. participation in back-to-work programmes) (Jobcentre Plus).

Methodology

Ethnic parity in outcomes from Jobcentre Plus services occurs if there is no difference, on average, between the outcome for an Ethnic Minority participant and the outcome for an 'otherwise-identical' White British participant. Where parity does not exist, there will be either an ethnic penalty – if Ethnic Minority customers experience worse outcomes than otherwise-identical White customers – or an ethnic premium – if Ethnic Minority customers experience more favourable outcomes than otherwise-identical White customers. A worse employment outcome is being less likely to be employed, while a worse benefit outcome is being more likely to be on benefit. The report tries to get as close as possible to this ideal or 'true' measure of ethnic parity.

The DWP previously monitored ethnic parity in employment programmes – NDYP, ND25+ and NDLP – through the use of a monthly measure based on the difference between the proportions of Ethnic Minority and White programme leavers who find jobs.

There are a number of problems with this approach:

- it simply compares outcomes for Whites and Ethnic Minorities, without making any attempt to compare the Ethnic Minority group of interest with otherwise-identical White individuals.;
- it considers the difference in the proportion of recorded job starts between certain dates for White and Ethnic Minority participants who are observed to leave a Jobcentre Plus programme or benefit. Thus, individuals who do not leave are completely ignored and an important part of the story may be lost. It also does not distinguish between stocks and flows;
- it is based on spells rather than individuals; hence repeated exits to jobs will be counted as multiple successes;
- it only considers a move into a job as an outcome and ignores possible future spells, including a return to benefits.

In this report, a new approach is used which specifically addresses the shortcomings of previous methodologies:

- it carefully controls for observed (and in some cases, unobserved) differences between Ethnic Minority and White customers using a range of appropriate methods;
- it focuses on benefit and programme inflows in a particular year (2003) and therefore, specifically accounts for both leavers and non-leavers;
- it chooses individuals as the unit of analysis and not spells, so does not reward repeated exits;
- it obtains a fuller picture of ethnic parity by considering employment and benefit outcomes over a 12-month period.

Sample definitions differed slightly for different benefits and programmes but, essentially, they included all individuals who:

- started a relevant spell during 2003;
- were aged appropriately on the start date (e.g. 18–24 for NDYP);
- did not have a basic skills language need (in the hope of eliminating individuals for whom English was not a first language).

The preferred estimation method adopted in this study involves using propensity score matching techniques ('matching') to estimate ethnic parity. The key question that needs answering for each Ethnic Minority group is: *'How different would their labour market outcomes have been if they had been White?'* The preferred estimates were also compared to other commonly used approaches such as regression and difference-in-differences (DiD) methods (which, under certain assumptions, also control for the impact of unobserved characteristics). An advantage of matching is that it provides a series of diagnostic tests that can be used to analyse how well the Ethnic Minority and White samples have been matched. This is very important because when Ethnic Minority and White samples cannot be reweighted satisfactorily, it is not clear that any of the methods will provide unbiased estimates of ethnic parity.

Results

The major finding from this comprehensive study is that there is a fundamental lack of comparability between the White and Ethnic Minority groups. The characteristics of Ethnic Minority and White customers accessing the range of Jobcentre Plus programmes and services considered in this report are very different. Therefore, estimating quantitatively the extent of ethnic parity in Jobcentre Plus programmes and services was simply not possible for a large proportion of the subgroups considered in the report.

Among those subgroups that were large enough for analysis to be run (i.e. which contained at least 400 Ethnic Minorities), the proportion that produced reliable results (where reweighting of

White individuals to look like the Ethnic Minority group appeared to have been successful) varied widely, from a low of 20.1 per cent for NDYP benefit results to a high of 89.8 per cent for IB employment results.

IB and IS were the only benefits or programmes for which reliable overall results could be calculated; in all other cases, the overall White group could not be re-weighted to look sufficiently like the overall Ethnic Minority group. The main findings are summarised below for each of the programs considered.

1. Jobcentre Plus overall (Chapter 5)

For Jobcentre Plus customers who joined a relevant programme (or started claiming a relevant benefit) in 2003:

- it is not possible to give any headline conclusion on whether Jobcentre Plus services overall result in similar outcomes for Ethnic Minorities and Whites, in the majority of cases, reliable estimates of ethnic parity could not be found;
- amongst the subgroups that produced reliable estimates of ethnic parity, there did not seem to be much evidence to reject a finding of at least ethnic parity in employment outcomes and there were some groups where a significant premium was observed. This suggests that Ethnic Minorities are at least as likely as otherwise-identical Whites to be in work in the year following inflow;
- in terms of benefit receipt the most predominant finding amongst Ethnic Minority subgroups for which reliable estimates were available was of a significant ethnic penalty; this was particularly prevalent amongst individuals of Black ethnic origin. This suggests that Ethnic Minorities are at least as likely as otherwise-identical Whites to be on benefits in the year following inflow.

2. Incapacity Benefit (Chapter 6)

For Jobcentre Plus customers who, in 2003, had a Work Focused Interview (WFI) less than six months after starting an IB claim:

- for Ethnic Minorities in Great Britain there is insufficient evidence to reject a finding of ethnic parity in employment outcomes, whilst there is a significant ethnic penalty in terms of benefit receipt;
- for most ethnic and regional subgroups, one cannot reject a finding of ethnic parity in both employment and benefit outcomes. This suggests that where reliable estimates can be found, there are generally no significant differences in the outcomes achieved by White and Ethnic Minority IB customers.

3. Income Support (Chapter 7)

For Jobcentre Plus customers who, in 2003, had a WFI less than six months after starting an IS claim:

- Ethnic Minorities in Great Britain are significantly more likely than otherwise-identical White IS claimants to be in work in at least one of the 12 months following the WFI date. This group may be worthy of further qualitative investigation to ascertain evidence of good practice;
- in terms of benefit receipt, for women (who make up about 60 per cent of the sample), there is a significant ethnic penalty in the months immediately following the WFI date, after which a significant ethnic premium emerges (from month five onwards). For men, a finding of ethnic parity in benefit receipt cannot be rejected.

4. Other benefits and programs

For all other benefit and programme customers (JSA, ND25+, NDYP and NDLP), it is simply not possible to give any headline conclusion on whether services delivered to these customers result in similar outcomes for Ethnic Minorities and Whites, because the characteristics of the two groups are so different.

Summary and conclusion

Whilst the fundamental incomparability of the Ethnic Minority and White customer groups has meant that reliable results could be obtained for a frustratingly small number of groups, there are, nevertheless, some key messages that can be drawn from the analysis.

The characteristics of different Ethnic Minority and White customers accessing the range of Jobcentre Plus programmes and services are different. These differences need to be taken into account in an appropriate way in order to obtain reliable estimates of ethnic parity – otherwise, policy conclusions and decisions will be based on potentially misleading results.

If a White comparison group cannot be found, it is much better to acknowledge this fact rather than to produce an estimate that might be wrong. In some cases, it is simply not possible to know how the Ethnic Minority group would have been treated if they were White, because none of the empirical methods available can construct the appropriate counterfactual to measure this in a reliable way.

Given how difficult constructing reliable estimates of ethnic parity turned out to be, it may not be worthwhile repeating the exercise in the future. If DWP are keen to measure ethnic parity, then other methods need to be considered (for example, experimental methods and/or qualitative studies).

The full report of these research findings is published by the Department for Work and Pensions (ISBN 978 1 84712 370 1. Research Report 491. May 2008). It is available from Paul Noakes at the address below.

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