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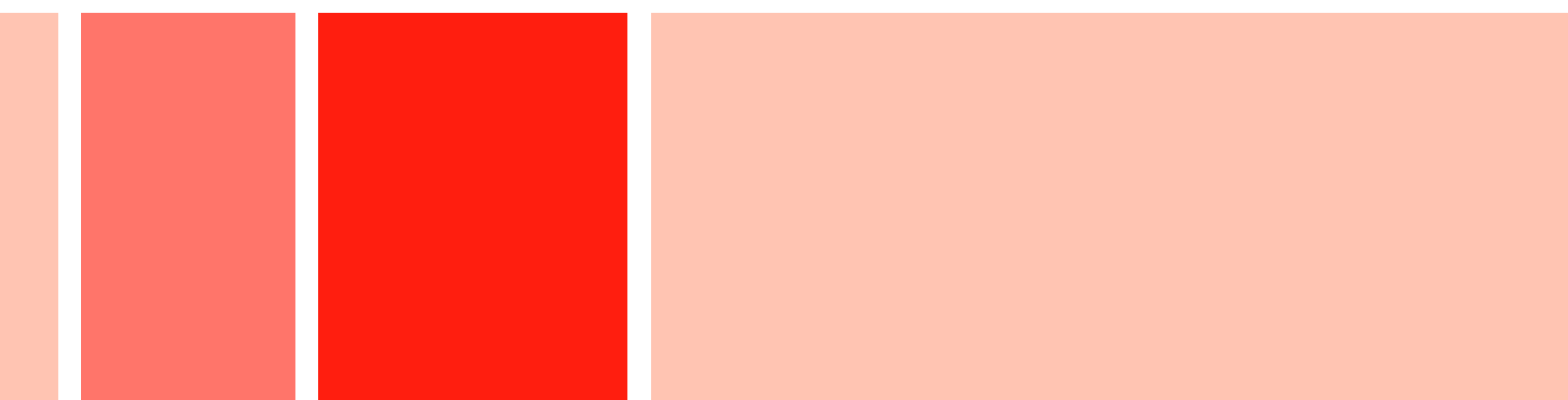
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# INTERIM EVALUATION OF ReAct



## **Old Bell 3 Ltd, Dateb and IFF Research Ltd**

Views expressed in this report are those of the researcher and not necessarily those of the Welsh Government

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## **EXECUTIVE SUMMARY**

1. Old Bell 3, in association with Dateb, IFF Research Ltd and Professor Max Munday, was commissioned by the Welsh Government to carry out an evaluation of the ReAct programme. The work was undertaken between January and May 2011.
2. The aim of the study was to 'evaluate the impact and effectiveness of ReAct, making recommendations for the future direction and delivery of the programme'. This aim gave rise to nine objectives.
3. The evaluation involved:
  - a review of background information;
  - a review of programme documentation and databases;
  - a telephone survey of 600 former ReAct participants;
  - a telephone survey of 100 employers who benefited from ReAct support;
  - a telephone survey of 100 individuals who applied unsuccessfully for ReAct support;
  - face to face interviews with 11 employers and nine individuals who benefited from ReAct support;
  - discussions with a range of stakeholders involved in the programme's delivery and management; and
  - analysis and reporting.

## **FINDINGS**

4. ReAct is a Welsh Government programme designed to alleviate the damaging effects of redundancy by enabling those affected to develop their skills and secure new employment as quickly possible. It is a unique intervention in that it provides individuals affected by redundancy with support sooner than schemes running in other parts of the UK. Indeed, recruitment subsidy elements of early intervention schemes elsewhere in the UK (e.g. the Department of Work and Pensions' Six Month Offer) were discontinued by the 2010 incoming Coalition Government.

5. ReAct comprises five main elements, three of which are targeted at individuals made redundant and two of which are aimed at employers taking on people made redundant by other organisations. The five strands are:

Elements targeted at individuals:

- Adult Guidance provided by Careers Wales;
- Vocational Training Support;
- Vocational Training Extra Support.

Elements targeted at employers:

- Employer Recruitment Support;
- Employer Training Support.

6. ReAct is managed by a dedicated team within the Welsh Government, but its delivery involves close working between the Welsh Government, Careers Wales and JobCentre Plus – the so called ‘Team Wales’ approach. ReAct is expected to support 24,558 redundant workers between October 2008 and September 2014, at a gross cost of just over £80 millions. The programme is funded by the Welsh Government, the European Social Fund and the employers taking on ReAct participants.
7. Demand for ReAct support surged in late 2008 and 2009 as the effects of recession led to significant levels of redundancies across Wales. This surge in demand presented particular challenges in terms of:
- responding in a timely fashion to an unprecedented number of individuals needing Adult Guidance services;
  - processing an unexpectedly high number of applications for ReAct support;
  - securing additional resources to support the programme and managing the programme within increased budgets.
8. Team Wales partners rose admirably to these challenges, albeit that the workload which they faced deflected ReAct team members from the on-going monitoring of participant outcomes, which means that programme data are not altogether reliable at this stage. Since demand for ReAct support subsided to what might be



described as more normal levels, however, the team has sought to recover lost ground in gathering participant monitoring data. It has also proved itself willing to make changes to ReAct in the wake of feedback from the wider stakeholder community. The changes made have served to make the programme more responsive to labour market needs and more efficient.

9. Our surveys of ReAct participants and individuals who applied unsuccessfully for ReAct support sought to explore the effects of that support upon:
  - their involvement in training;
  - their skills and qualifications;
  - their employment situation.
  
10. The Adult Guidance element of programme represents the 'gateway' into other elements of ReAct support and is open to anyone made redundant. This is one of the reasons why it has not been possible to analyse the counterfactual position in this connection, but our surveys revealed that:
  - individuals generally found the Adult Guidance service provided by Careers Wales helpful;
  - the Adult Guidance received (including advice on job-search techniques) seemed to have a particularly positive effect upon people in the 45-54 age group, many of whom had little recent experience of looking for work;
  - it was important to most survey respondents that the Adult Guidance element of the support was free.
  
11. Our surveys showed that those applying successfully for ReAct Vocational Training Support were almost three times more likely to have undertaken training following redundancy than unsuccessful applicants. This provides strong evidence that ReAct made a difference to individuals' propensity to improve their existing skills or to acquire new skills. This evidence of the programme's 'additionality' in respect of taking up training opportunities was further affirmed by the finding that some four fifths of those receiving Vocational Training Support said that they probably would not have done the training which they undertook without ReAct support.

12. The level of training behaviour related additionality was not evenly distributed across all participant groups, however. ReAct participants with no or only low level qualifications beforehand were the least likely to say that they would have done the training anyway and they too were least likely to have undertaken any further training after completing the courses funded by Vocational Training Support.
13. Overall, proportionally more ReAct participants undertook training in the same field as that in which they had previously worked, which suggests that Vocational Training Support helped them to update their existing skills rather than re-skill altogether.
14. In line with participation in training, a far higher proportion of all ReAct participants than non-ReAct participants achieved qualifications. ReAct participants who undertook training were also marginally more likely than those unsuccessful applicants who undertook training to have gained qualifications, as they were to have achieved qualifications at a higher level than their previous best.
15. ReAct participants who previously had no or only low level qualifications were the most likely to have increased the level of their highest qualifications, again suggesting that ReAct made a greater difference to this group than other participants. In this context it is also worth noting that the Vocational Training Support element of ReAct goes some way to realising the Welsh Government's ambition to reduce the proportion of people in Wales with no qualifications.
16. There was less evidence of ReAct's positive effects upon participants' employment prospects. Whilst almost four fifths of ReAct participants were either in paid employment or self employment at the time of our survey, so were almost three quarters of those who applied unsuccessfully for ReAct support. This clearly suggests a high level of deadweight in relation to employment outcomes, a finding which was affirmed by our survey of employers who had taken people on with ReAct Employer Recruitment Support which suggested that, overall, the subsidy made little difference to recruitment decisions.

17. The high level of deadweight attaching to the Employer Recruitment Support element of the programme needs to be kept in perspective, however, in that fewer than 10% of participants had benefited from Employer Recruitment Support and the costs of this element of ReAct are only expected to amount to some 5.8% of the programme's overall costs across its six year life. Moreover, Employer Recruitment Support appears to have had a greater effect upon smaller employers' decision to recruit, generally in terms of encouraging them to recruit a month or two sooner than they otherwise would have.
18. Our surveys also revealed that:
- there was a slight shift from employment in large firms towards employment in businesses with employing between 10 and 49 people;
  - respondents generally moved into jobs in the same fields as those in which they had previously worked;
  - there appeared to be a diminishing of the roles which people held, especially among women;
  - there was a reduction in full-time working, particularly among women and older workers;
  - respondents tended to earn less in their new jobs, though those previously holding qualifications at level 2 or above were less vulnerable to a decline in incomes.
19. The report makes five recommendations which relate to:
1. the potential development of an on-line application and participant tracking system;
  2. the on-going collection of data about participants' qualifications and labour market status as well as introducing longitudinal evaluation (building on our surveys) in order to identify whether ReAct leads to improved employability in the longer term;
  3. potential discussions between the Welsh Government and JobCentre Plus surrounding the revision of Job Seekers Allowance rules in order to speed up participants' acquisition of new skills;

4. targeting Vocational Training Support upon certain groups of redundant workers in order to increase the level of additionality attaching to the programme;
5. reducing the value of, targeting and attaching conditions to Employer Recruitment Support as a means of reducing the level of deadweight associated with this relatively small strand of the programme.

# **1 INTRODUCTION**

- 1.1 Old Bell 3 Ltd, in association with Dateb, IFF Research Ltd and Professor Max Munday, was commissioned by the Welsh Government to carry out an evaluation of the ReAct programme. The work was undertaken between January and May 2011.

## **PURPOSE OF THE STUDY**

- 1.2 The aim of the study was to 'evaluate the impact and effectiveness of the ReAct programme, making recommendations for the future direction and delivery of the programme'.
- 1.3 This aim gave rise to nine objectives, which were to:
1. 'review the impact and effectiveness of the ReAct programme in supporting those individuals affected by redundancy and its impact upon improving skills and employability levels amongst participating individuals and employers;
  2. measure the programme's effectiveness in meeting the objectives of Priority 2 Theme 1 – helping people into sustainable employment;
  3. measure the programme's effectiveness in meeting the objectives of Priority 2 Theme 2 – helping people to remain in work;
  4. assess the impact of the programme on the Cross-cutting Themes of Equal Opportunities and Environmental Sustainability and the degree to which the programme design is fit for purpose and its overall fit alongside other Welsh Government programmes and policies;
  5. assess the success of the programme in terms of appropriate and effective content, approach, delivery and management;
  6. assess whether the programme has represented value for money;
  7. evaluate the impact and effectiveness of marketing materials and campaigns;

8. examine the extent of 'added value' and deadweight (if any) in the programme. Considering the counterfactual position of what would have happened without the programme; and
9. measure the performance of the programme against the indicators selected from the Operational Programme, its need and demand. Considering the emerging economic position in both the Convergence and Competitiveness areas in which it operates'.

## **METHOD**

- 1.4 The study encompassed seven main elements of work:
  - a review of the policy and economic context which forms the background to the programme;
  - a review of programme documentation and databases;
  - a telephone survey of 600 former ReAct participants;
  - a telephone survey of 100 employers who benefited from ReAct support;
  - a telephone survey of 100 individuals who applied unsuccessfully for ReAct support;
  - face to face interviews with 11 employers and nine individuals who benefited from ReAct support;
  - discussions with a range of stakeholders involved in the programme's delivery and management; and
  - analysis and reporting.
  
- 1.5 The desk-top elements of the study involved our reviewing:
  - employment and wider economic statistics for the period since the establishment of the programme;
  - recent reviews of employment programmes across other parts of the UK;
  - key Welsh Government and Welsh European Funding Office (WEFO) policy documents, including the two current Operational Programmes and the relevant Strategic Framework;
  - the ReAct Business Plans agreed with WEFO;
  - the ReAct web-site;
  - case study materials;

- the EDMS database<sup>1</sup> of participants and employers; and
  - data about unsuccessful applicants compiled by the ReAct team.
- 1.6 This work informed the development of questionnaires for use in three separate surveys as well as providing material to shape chapters two and three of this report.
- 1.7 The questionnaires used in all three surveys were developed in consultation with the ReAct team and with the Welsh Government's Survey Approval team. Surveys were undertaken using Computer Aided Telephone Interviewing (CATI) scripts which were piloted with a sub-sample of individuals beforehand. Survey sample frames and survey techniques were also agreed with the Welsh Government's Survey Approval team.
- 1.8 The survey of ReAct participants involved completing 600 telephone interviews of up to 20 minutes' duration with a stratified sample of individuals who had benefited from the programme between October 2008 and December 2010. The sample outcomes achieved are set out in table 1.1 below.

Table 1.1: ReAct Participants Survey Outcomes

<b>Sample outcomes</b>	<b>Participants</b>
Completed interviews	600
Refusals	30
Other outcomes	18
Unobtainable / dead lines	120
Sample withdrawn as quota full	46
No answer / still live at end of fieldwork	947
Sample not used	12,729
<b>Total sample drawn</b>	<b>14,490</b>

- 1.9 The areas explored during the survey were:
- personal details;
  - participants' previous employment;

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<sup>1</sup> The EDMS database has been developed to help manage European Social Fund projects

- participants' route into ReAct and the elements of the programme with which they were involved;
- participants' involvement with Adult Guidance services provided by Careers Wales, which forms a core element of ReAct;
- participants' involvement with and experience of the Vocational Training elements of ReAct; and
- participants' current employment status.

1.10 The second survey involved completing 100 telephone interviews of up to 20 minutes' duration with a stratified sample of employers benefiting from the ReAct programme.

Table 1.2: Employers Survey Outcomes

<b>Sample outcomes</b>	<b>Employers</b>
Completed interviews	100
Refusals	5
Other outcomes	12
Unobtainable / dead lines	23
Sample withdrawn as quota full	26
No answer / still live at end of fieldwork	156
Sample not used	524
<b>Total sample drawn</b>	<b>846</b>

1.11 The areas explored during this survey were:

- organisations' details;
- organisations' human resource management and training behaviours;
- organisations' route into ReAct; and
- the effects of involvement with ReAct upon organisations.

1.12 The third survey involved completing 100 telephone interviews of up to 20 minutes' duration with a random sample of individuals who were unsuccessful in their applications for ReAct support, having been made redundant. The purpose of this survey was to explore the counterfactual position with a group of individuals who, like ReAct participants, had been made redundant.



Table 1.3: Unsuccessful Applicants Survey Outcomes

<b>Sample outcomes</b>	<b>Non-participants</b>
Completed interviews	100
Refusals	27
Other outcomes	13
Unobtainable / dead lines	44
Sample withdrawn as quota full	6
No answer / still live at end of fieldwork	23
Sample not used	176
<b>Total sample drawn</b>	<b>389</b>

1.13 The areas explored during this survey were:

- personal details;
- individual' previous employment;
- participants' involvement with and experience of the Careers and Learning Advice element of ReAct;
- individuals' involvement in training since being made redundant; and
- individuals' current employment status.

1.14 The qualitative fieldwork with employers and individuals involved visiting the premises of firms which had benefited from ReAct support to talk to managers and ReAct participants. This sought to identify organisations which operated elsewhere in the UK as well as within Wales in order to explore the counterfactual case by drawing upon employers' experiences of recruiting and training in areas where ReAct does not exist. In the event, however, we found that managers of sites in Wales were generally unaware of practices elsewhere, which meant that we were able to gain little evidence from this about the difference which ReAct might make to employers' practices. This fieldwork did, however, allow us to explore in more depth with employers and participants some of the issues covered in the telephone interviews.

1.15 The final stage of our work involved interviewing a range of stakeholders. They included:

- the relevant Strategic Framework Coordinator within the Welsh Government;
- a representative of WEFO;
- members of the ReAct management team;
- members of the ReAct delivery team (i.e. staff who visit employers);
- ten representatives from six Careers Wales companies;
- two learning providers; and
- four Sector Skills Councils.

## **STRUCTURE OF THE REPORT**

1.16 The remainder of this report is presented in five parts as follows:

- Policy background and labour market/economic context for ReAct (chapter 2);
- The performance of the programme thus far (chapter 3);
- Findings from individuals' perspective (chapter 4);
- Findings from employers' perspective (chapter 5);
- Conclusions and recommendations (chapter 6).

## **2 BACKGROUND AND CONTEXT**

### **INTRODUCTION**

2.1 In this chapter, we consider the background to ReAct and the context within which the programme has been developed and is operating. The chapter is presented in four sections as follows:

- outline the rationale for, and design of, the programme;
- the “fit” of the programme with broader Welsh Government policy;
- the availability of support for the recently redundant or unemployed elsewhere in the UK; and
- the changing economic and labour market context within which the programme has been operating.

### **INTRODUCTION TO ReAct**

2.2 ReAct is a Welsh Government programme designed to:

‘react quickly and positively to all redundancy situations through a series of measures designed to alleviate the negative effect of redundancy and provide all redundant individuals with the skills necessary to secure new, sustainable employment in the shortest time possible’<sup>2</sup>.

2.3 More specifically, the Programme is designed to ‘complement and supplement the service offered ... by Jobcentre Plus and Careers Wales’<sup>3</sup> to individuals who:

- ‘have become unemployed in the last 6 months as a result of redundancy, are currently unemployed, and who have not been in continuous employment for 6 weeks or more since being made redundant; or,
- are currently under notice of redundancy; and,

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<sup>2</sup> Convergence Business Plan, p. 3

<sup>3</sup> Ibid, p. 7

- have not undertaken any publicly funded training since being made redundant, including the Work Based Learning suite of programmes'<sup>4</sup>.

2.4 ReAct comprises five main strands<sup>5</sup>, three of which are targeted at individuals made redundant and two of which are targeted at employers recruiting people made redundant by other organisations. The five strands are:

Elements targeted at individuals:

- **Adult Guidance (AG)** service, which provides eligible individuals one-to-one sessions with qualified adult guidance officers. These sessions enable individuals to discuss their aspirations, to review their skills, to identify training needs and to develop individual careers/learning action plans;
- **Vocational Training Support (VTS)**, which provides eligible individuals with a grant to meet the costs of training, up to a maximum of £2,500. The training supported must be completed within 12 months of participants being made redundant;
- **Vocational Training Extra Support (VTES)**, which provides eligible individuals with financial support to meet the additional costs associated with undertaking training e.g. the costs of learning materials, equipment, travel, overnight accommodation and childcare;

Elements targeted at employers:

- **Employer Recruitment Support (ERS)**, which represents a 'wage subsidy' of £2,080 payable in 4 instalments over a 12 month period to employers who take on individuals eligible for ReAct support; and
- **Employer Training Support (ETS)**, which allows employers taking on eligible individuals to reclaim up to 70% of the cost of any eligible training which the individual undertakes, up to a maximum of £1,000.

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<sup>4</sup> Ibid, p. 7

<sup>5</sup> As explained below (paragraph 2.2.9), significant changes to ReAct were introduced in April 2011. This describes the situation which applied at the time of our fieldwork.

- 2.5 Eligible individuals can benefit from particular strands<sup>6</sup>, from a combination of strands, or indeed, from all five strands.
- 2.6 Individuals wishing to apply for VTS or for VTS and VTES are required to undertake an assessment interview with Careers Wales. This assessment process is intended to ensure applicants' eligibility for support and that the training they undertake 'is likely to lead to new employment'<sup>7</sup>.
- 2.7 Employers wishing to apply for ERS or for ERS and ETS are required to go through an application process which establishes proposed recruits' eligibility for ReAct support.
- 2.8 Responsibility for the management of the programme rests with the Welsh Government's Swansea based ReAct team. The currently 23 strong team is responsible for:
- processing (approving or rejecting) applications for ReAct support;
  - approving payments to employers, learning providers and participants;
  - maintaining and developing a database of individuals and employers involved with the programme (EDMS);
  - monitoring participants' and employers' compliance with the conditions of ReAct support;
  - monitoring the progress made by and employment status of individual participants;
  - monitoring the efficacy of training providers' systems and practices, including health and safety arrangements;
  - monitoring the progress of the programme;
  - managing relationships with partner organisations such as Jobcentre Plus, Careers Wales and Wales TUC Cymru (although, in reality, TUC Cymru plays only a marginal role in promoting ReAct);
  - managing the resources available to the programme;
  - making adjustments to the programme in response to intelligence gathered and performance levels;

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<sup>6</sup> Though VTES is only available to those benefiting from VTS

<sup>7</sup> Ibid, p. 12

- o reporting to Ministers and to WEFO upon performance and any issues that arise.

2.9 The ReAct programme has evolved over a number of years, having grown out of a pilot programme developed in West Wales to mitigate the effects of a large scale redundancy in the late 1990s. Over the last decade, it has been supported by successive European Social Fund (ESF) projects, each designed to prevent people who have been made redundant from falling into damaging long-term unemployment. The current ESF funded ReAct programme, which is supported under both the West Wales and the Valleys Convergence Programme and the East Wales Regional Competitiveness and Employment Programme, runs from 1 October 2008 to 30 September 2014.

2.10 Although it has been in existence for a number of years, ReAct has come into its own over the last two or three years, as the effects of the recent recession started to bite in Wales. ReAct has been heralded as a Welsh Government ‘flagship’ project in recent times<sup>8</sup> and in December 2010, the then Deputy Minister for Science, Innovation and Skills, announced the launch of ‘ReAct II’, to replace the existing incarnation of ReAct from April 2011. ReAct II places a greater emphasis on supporting businesses to take-on people made redundant by increasing the value of the wage subsidy element of the programme from £2,080 to £3,000 over twelve months. At the same time, slightly less emphasis is being given to updating the skills of redundant workers by reducing the maximum value of VTS from £2,500 to £1,500 and by reducing the proportion of employer training costs to be met by ReAct from 70% to 50%, albeit that the maximum value of ETS has been retained at £1,000.

2.11 These changes were made in the wake of an internal review of the ESF programme’s delivery over the two year period from 1 October 2008 to 30 September 2010. Whilst it was felt necessary to make these changes in

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<sup>8</sup> See, for example, Wales Economic Summit progress paper ES/2010/004, July 2010

advance of this Interim Evaluation, it is intended that the findings of this study will influence ‘the future direction and delivery of the programme’<sup>9</sup>.

- 2.12 Table 2.1 below summarises the headline ‘outputs’ and ‘results’ targets set for the 2008-2014 ReAct Programme. These targets were revised upwards in December 2010 in the wake of the internal review referred to above.

Table 2.1: Outputs and Results Targets 2008-2014

	West Wales and the Valleys		East Wales		Total	
	Original	Revised	Original	Revised	Original	Revised
<b>Outputs</b>						
Total participants	8,567	15,570	3,672	8,988	12,239	24,558
Employers supported	772	1,199	331	563	1103	1,762
<b>Results</b>						
Participants gaining qualifications	5,862	10,588	2,512	6,112	8,374	16,700
Participants gaining part qualifications	675	1220	289	671	964	1,891
Participants entering employment	6,790	12,300	2,910	7,100	9,700	19,400
Participants in employment at 12 months	6,854	12,456	2,937	7,187	9,791	19,643

Source: Convergence Business Plan V5  
Competitiveness Business Plan V5

- 2.13 Table 2.2 below shows the total expected costs of the Programme over its five year life, together with the funding which it is anticipated will be sourced from the European Social Fund, the private sector and the Welsh Government.

<sup>9</sup> Evaluation Specification, p. 5

Table 2.2: Projected Costs and Source of Funds

	West Wales and the Valleys		East Wales		Total	
	Original	Revised	Original	Revised	Original	Revised
	£000	£000	£000	£000	£000	£000
Total Costs	24,866	50,335	10,657	27,681	35,522	80,016
Funded by:						
ESF	13,712	18,712	2,131	5,131	15,844	23,844
Private Match Funding	8,667	16,157	3,730	8,746	12,397	24,903
Public Match Funding	2,487	15,466	4,796	13,804	7,282	29,269
ESF Intervention rate %	55%	37%	20%	19%	45%	30%

Source: Convergence Business Plan V5  
Competitiveness Business Plan V5

2.14 Table 2.3 presents a breakdown of the programme's projected costs by each programme element. It shows that Vocational Training Support is expected to account for over half of the programme's overall costs (including those borne by employers) and over 80% of the costs to be funded via the Welsh Government. The Employer Recruitment Support element is expected to represent only 5.8% of total programme costs and 8.5% of those to be funded via the Welsh Government.

Table 2.3: Breakdown of Projected Costs by Programme Element

Programme Element	£ 000	% Overall Costs	% WG Funded Costs
Vocational Training Support	42,569	54.6%	80.4%
Vocational Training Extra Support	1,399	1.8%	2.6%
Employer Recruitment Support	4,502	5.8%	8.5%
Employer Training Support	586	0.8%	1.1%
Management	3,121	4%	5.9%
Other	780	1%	1.5%
Total costs to be funded via Welsh Government	52,957	68%	100%
Costs to employers	24,903	32%	N/A
Overall programme costs	77,861 <sup>10</sup>	100%	N/A

Source: Convergence Business Plan V5  
Competitiveness Business Plan V5

<sup>10</sup> Differences between the total programme costs shown in tables 2.2 and 2.3 reflect differences in the Business Plans



## **FIT WITH WELSH SKILLS AND EMPLOYMENT POLICY**

- 2.15 As is clear from Section 2.2, the ReAct Programme has a fairly long history and is well established as a flagship initiative of the Welsh Government, complementing support available from JobCentre Plus, which is largely focused on the longer-term unemployed.
- 2.16 As such, it is not surprising that ReAct both fits with, and is referenced in, a number of key policy documents, particularly those related to the use of ESF in Wales. As the Business Case documents set out<sup>11</sup>, ReAct seeks to address the high level concerns signalled in the 'One Wales' document<sup>12</sup>, fitting clearly with three of the four sets of actions identified under the theme of 'A Prosperous Society', viz. 'creating jobs across Wales', 'stimulating enterprise and business growth' and 'enhancing skills for jobs'<sup>13</sup>, even if it is not specifically referenced.
- 2.17 ReAct is specifically referred to in 'Skills that Work for Wales', the skills and employment strategy for Wales, which includes it as one of 'a number of key programmes to equip people with the skills they need for the modern labour market', alongside the Department for Work and Pensions' (DWP) Flexible New Deal and Pathways to Work, as well as Skillbuild<sup>14</sup>.
- 2.18 More pertinently, within the Convergence ESF Programme, ReAct is again cited by name as a scheme which has proved its value, in the specific context of outlining the rationale for action of Priority 2 of the Programme which is concerned with 'Increasing Employment and Tackling Economic Inactivity':
- 'There is also a need to provide immediate support to workers under formal notice of redundancy so that they are given every opportunity to secure alternative employment, and avoid slipping into long term

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<sup>11</sup> Convergence Business Case, p. 10

<sup>12</sup> One Wales: A Progressive Agenda for the Government of Wales, June 2007 - which sets out the priorities for the Welsh Assembly Government for the period 2007 – 2011

<sup>13</sup> Ibid, p. 13

<sup>14</sup> Skills that Work for Wales, 2008, p. 45

unemployment or inactivity. Initiatives such as ReAct have made a positive contribution to assimilating individuals into employment'<sup>15</sup>.

- 2.19 The long list of actions eligible for funding under Theme 1 of this Priority also includes a specific 'peg' for ReAct to hang on: 'Programmes offering support back to work for those made redundant, including those under formal redundancy notification'<sup>16</sup>, while the targets for the Priority make clear that those under notice of redundancy count as unemployed for the purposes of data collection<sup>17</sup>.
- 2.20 By contrast, the Competitiveness Operational Programme for East Wales makes no parallel reference to schemes supporting the re-employment of redundant workers. Redundant workers are not mentioned in the list of target groups for Priority 1 which broadly parallels Priority 2 of the Convergence Programme. Nor is action to support redundant workers included in the list of potential activities under this Priority within the Operational Programme.
- 2.21 This apparent omission is to some extent made good in the Strategic Framework: Increasing Employment and Tackling Inactivity, the operational guidance to project sponsors which sits beneath the two Operational Programmes. While the list of target groups for the Competitiveness area is the same as that given in the Operational Programme (and thus makes no specific mention of recently redundant workers), the list of 'interventions and delivery approaches' does include an admittedly subsidiary reference which assures the eligibility of ReAct under the heading 'sector or job specific training linked to the local labour market where there is unsatisfied demand':  
'Programmes offering support to those already made redundant or under formal notice of redundancy, to remain in, or return to work'<sup>18</sup>.

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<sup>15</sup> West Wales and the Valleys Convergence Operational Programme: European Social Fund, p. 128.

<sup>16</sup> Ibid., p137

<sup>17</sup> Ibid., p105

<sup>18</sup> Increasing Employment and Tackling Economic Inactivity Strategic Framework, p. 18

2.22 This does again contrast, however, with the references within the sections of the Strategic Framework dealing with the Convergence Priority 2, which much more clearly signal the expectation that ReAct-type interventions may be funded, with the target groups including a specific reference to ‘individuals under formal notice of redundancy’ and with the list of potential interventions eligible under this theme signalling this more clearly:

‘Programmes offering support back to work for those made redundant, including those under formal redundancy notification.

- Priority will be given to proactive measures to provide advice and support in accessing alternative jobs, or retraining opportunities that will help them to compete for other jobs in the labour market’<sup>19</sup>.

2.23 However, even if the Convergence Operational Programme clearly signals the intention to fund ReAct-type interventions, it does need to be recognised that redundant workers are not by any means the main focus of Priority 2, and to some extent appear as an afterthought:

‘This priority will focus primarily on the economically inactive, with the aim of helping them into sustained employment. Interventions will also be available to the unemployed who face particular disadvantage and need support beyond that available under mainstream provision, and those under formal notice of redundancy’<sup>20</sup>.

2.24 Indeed, it is notable that the discussion within the Operational Programme of the added value of the intended interventions relates entirely to the need for additional action to support the economically inactive and the most vulnerable groups amongst the longer term unemployed, and does not refer to redundant workers at all:

‘This Priority will focus on adding value to UK Government employment programmes by extending the range of provision available through the New Deals and Pathways to Work to those furthest away from the

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<sup>19</sup> Ibid., p.16

<sup>20</sup> West Wales and the Valleys Convergence Operational Programme: European Social Fund, p. 127.

labour market and least able to access the activities and work-related interventions delivered under such programmes'.<sup>21</sup>

2.25 This is perhaps not entirely an accidental omission, as the rationale behind the escalating intensity of support for individuals as they become more distant from the labour market has been based on the evidence that a high proportion of those who become unemployed will find work within the first six months without support, leading to high levels of deadweight in interventions targeting the short term unemployed<sup>22</sup>. From this perspective, at least, ReAct is an unusual intervention.

2.26 At the same time, it might be argued that ReAct fits well with the focus on preventing individuals falling into long term unemployment which is evident elsewhere in the Convergence Programme, for example in Priority 2, Theme 2, though in this case the action is linked specifically to long term health conditions:

‘Action is needed to ... prevent others drifting into long-term economic inactivity by increasing their ability to manage work-limiting health conditions’<sup>23</sup>.

2.27 Interestingly, also, the explanation of the rationale for Priority 3 (‘Improving Skills Levels and the Adaptability of the Workforce’) is arguably more relevant to ReAct than anything which is said in respect of Priority 2:

‘While many workers are in a position to change their jobs frequently, people with no qualifications, low levels of skills or out-dated skills are at risk of failing to progress in employment or losing their jobs. More detail is provided in the analysis but a key characteristic of the region is

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<sup>21</sup> Ibid., p.138

<sup>22</sup> See, for example, The Gregg Review: Department for Work and Pensions (December 2008) *Raising expectations and increasing support: reforming welfare for the future*, London: The Stationery Office p.30 and p 49: 80% of all JSA claimants find employment within the first six months of a claim.

<sup>23</sup> Ibid., p. 127

the pronounced long tail of low skills compared to other parts of the UK and EU'<sup>24</sup>.

2.28 The level of political support for ReAct going forward is perhaps indicated by statements made in two of the leading parties' manifestos in the run up to the May 2011 Welsh Government elections. The Labour Party signalled its on-going commitment to ReAct, identifying as one of 'five [policies] to keep': 'help for people who have been made redundant – building on the successful ReAct programme'<sup>25</sup>.

2.29 The document goes on to lay claim to ReAct by saying 'we also introduced the ReAct initiative, which supports companies to take on people who have been made redundant and has helped 17,000 individuals who have lost their jobs to retrain, gain new skills and find new employment opportunities.

Changes to the programme, will encourage even more companies to create jobs and take on people who have been made redundant'.<sup>26</sup>

2.30 Plaid Cymru also pinned its colours to the ReAct mast by saying that:

'With the predicted loss of 52,000 public sector jobs in Wales over the next four years, a Plaid Government will ensure that funding is in place for the Adapt programme, to provide training, advice and guidance to the public sector, following the success of the Welsh Government ProAct and ReAct private sector schemes'<sup>27, 28</sup>.

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<sup>24</sup> Ibid., p.141

<sup>25</sup> Welsh Labour Manifesto: Standing Up for Wales, p. 5

<sup>26</sup> Ibid, p. 18

<sup>27</sup> Plaid: Ambition is Critical, A Manifesto for a Better Wales

<sup>28</sup> Whilst Adapt is aimed at those made redundant from the public sector, it was implicit that ReAct would continue to provide support for those being made redundant by private sector employers

## OTHER SUPPORT SCHEMES FOR REDUNDANT WORKERS AND THE SHORTER-TERM UNEMPLOYED

### UK Government Programmes

- 2.31 While the focus of most interventions to support the unemployed to return to work has consistently been on those who have been unemployed for six months or more, the advent of the recession saw the emergence of other policy interventions which target the recently redundant. Indeed, this has been an area of major policy upheaval at a UK Government level over the period since the current ReAct Programme has been operational.
- 2.32 In 2008 the Department for Work and Pensions (DWP) White Paper '*Raising expectations and increasing support: Reforming welfare for the future*<sup>29</sup>' outlined the (then) UK Government's vision for a personalised welfare state. Fundamental to the vision was the need to increase the flexibility of government funded support services for the unemployed and the economically inactive and to escalate sanctions for non-compliance with the designated regime applying to different benefits. The White Paper drew heavily from the findings of the Gregg Review ('*Realising potential: developing personalised conditionality and support*<sup>30</sup>') which presented a number of proposals based around applying the concepts of personalised conditionality, increased adviser flexibility and mandatory work-related activities. Underpinning each would be the achievement of a substantial shift in expectations for both the service providers and customers of labour market programmes.
- 2.33 The White Paper in turn led to some fundamental reforms by the UK Government of the then Job Seekers Allowance (JSA) and New Deal regimes across England, Scotland and Wales. These included the introduction of the new Jobseekers Regime and Flexible New Deal (FND)

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<sup>29</sup> Department for Work and Pensions (December 2008) *Raising expectations and increasing support: reforming welfare for the future*, London: The Stationery Office

<sup>30</sup> Department for Work and Pensions (December 2008) *Realising Potential: A Vision for Personalised Conditionality and Support*, An independent report to the Department for Work and Pensions by Professor Paul Gregg

implemented from April 2009 in pilot areas and April 2010 nationally<sup>31</sup>. This provided for an escalating series of interventions depending on the length of unemployment with four stages, with the first three stages delivered by JobCentre Plus and the fourth delivered by FND providers contracted by the DWP:

- **Stage 1 - zero to 13 weeks:** incorporating a new mandatory 'Back to Work' session after 6-13 weeks and fast tracking to stage 3 for some clients including young people (aged 18 years) who have been 'not in employment, education or training' (NEET) for at least six months, longer-term unemployed people (who have previously claimed JSA for 22 out of the last 24 months) and other jobseekers who advisors feel are more disadvantaged in the labour market and would benefit from additional support, as appropriate;
- **Stage 2 - 13 to 26 weeks:** incorporating a second meeting with a Jobcentre Plus adviser (20 minutes) in which the Jobseekers Agreement is reviewed and additional training needs assessed with the expectation that customers extend their job search in terms of travel to work distance, working hours, occupations considered etc. Two additional Targeted Reviews (TRs) can be applied to those not eligible for mandatory entry to Stage 3 but who still require extra support;
- **Stage 3 - 26 to 52 weeks:** Incorporating mandatory attendance of activities such as job preparation or pre-employment training, work trials or volunteering, all agreed in the stage 3 Action Plan; and
- **Stage 4 - after 52 weeks:** incorporating referral to Flexible New Deal (FND) - a flexible package of work preparation and job search support activities delivered by external providers.

2.34 A fundamental difference between these interventions and ReAct is that, even where support is provided to clients before 26 weeks' unemployment, there is no support for vocational training, beyond pre-employment training.

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<sup>31</sup> The Jobseekers Regime replaced the existing JSA regime, while the Flexible New Deal combines and replaces the New Deal 25 plus, the New Deal for Young People, Employment Zones, New Deal 50 plus, the New Deal for Musicians and Self-Employment provision.'

- 2.35 A second change emanating from the publication of the White Paper was to the introduction in April 2009, initially for a two year period as a response to the recession, of the Six Month Offer (SMO) which provides additional support for jobseekers who reach six months out of work. A key component of the SMO is 'Work Focused Training' which is designed to up-skill or re-skill individuals so that they can re-enter the local job market. Whilst this is delivered as a stand alone initiative elsewhere in the UK, it forms part of the Skill Build programme in Wales, which means that it forms part of an integrated package which incorporates pre-employment training to Jobseekers Allowance customers from their first day of unemployment.
- 2.36 Another component of the SMO was a 'Recruitment Subsidy' for employers taking on eligible individuals. The grant was packaged as a 'Self-Marketing Voucher' worth £500 which jobseekers could present to employers, with the promise of a further £500 for the employer if the individual remained on their books after 26 weeks<sup>32</sup>. The value of this grant was broadly in line with the value of the ReAct Employer Recruitment Subsidy over the first six months of a participant's employment, though under ReAct, employers are able to claim a similar amount over the subsequent six months. The Recruitment Subsidy element of the SMO was scrapped by the incoming UK Government in May 2010 as part of a move aimed at 'ending [what was asserted to be] ineffective elements of employment programmes'<sup>33</sup>.
- 2.37 The white paper also gave rise the introduction in April 2009 of the Support for the Newly Unemployed (SNU) scheme, in response to the recession. The scheme, which was initially introduced for a period of two years, offers supplementary job preparation and job search services from day one of a JSA claim. The support is designed for people who have recently become unemployed and who may have little experience of modern job search techniques (e.g. online job search, recruitment agencies). The support offered includes: a one-hour group session and one hour one-to-one session

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<sup>32</sup> Separate arrangements were made for employers who recruited large numbers of eligible unemployed individuals

<sup>33</sup> HM Treasury Press Notice PN04/10 24/5/10



covering job search methods and local labour market information; referral to an external agency for a one day session offering advice and coaching and further referral for specialist work preparation and tailored job search advice. Specialist help is also available for professionals/executives. To some extent, this scheme parallels the Adult Guidance service element of ReAct.

- 2.38 All these measures, including the Flexible New Deal, are to be replaced by the new Work Programme, which was announced by the new Coalition Government and which is due to commence in the Summer of 2011 across Great Britain. It is notable, however, that the Work Programme makes no specific provision for people recently made redundant.

### **England**

- 2.39 In England, the direct comparator of ReAct is the '**Response to Redundancy**' initiative which is delivered on a regional basis and funded through £50m ESF and £50m 'Train to Gain' funds. The initiative is open to adults aged 18 and over who are under notice of redundancy, or have recently been made redundant and to those who have been unemployed for longer but who could be made job ready through this package of support. Response to Redundancy encompasses job-search advice, careers advice, training needs analyses and training based upon sectoral priorities within each region. The training undertaken by beneficiaries need not lead to qualifications, but accreditation of units is required to provide individuals with transferable evidence of skills and knowledge for future progression. Response to Redundancy is very much seen as a short, job-focused intervention, but not a means of totally re-skilling beneficiaries.<sup>34</sup>
- 2.40 Response to Redundancy differs from ReAct in two fundamental ways:
- First, it is delivered by a mix of independent, college and voluntary providers contracted by government, whereas ReAct essentially puts the purchasing power in the hands of learners and/or their employers;

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<sup>34</sup> <http://pfu.skillsfundingagency.bis.gov.uk/programmes/responsetoredundancy/>

- Secondly, Response to Redundancy does not include the employer subsidy element which ReAct offers.

2.41 Although not directly comparable to ReAct, support in England is also available via the '**Training for those unemployed for six months**' programme. In each instance the training must focus on moving the individual towards the achievement of a full NVQ level 2 or level 3 qualification. The expectation is that the qualification will be started whilst the participant is funded under this offer and completed in the workplace once in employment or through mainstream funding (typically in a college).

2.42 More generally the '**Employability Skills Programme**' offers training opportunities to all Jobcentre Plus customers aged 18 plus with basic skills needs. Full-time learners can receive a Training Allowance (benefit plus a training premium) that provides access to Jobcentre Plus funded support for travel and childcare costs.

### **Scotland**

2.43 Partnership Action for Continuing Employment (PACE) is the Scottish Government's primary initiative for providing the support and guidance for people affected by redundancy. It includes a mix of support for finding work, applying for jobs, finding training and careers advice.

2.44 Announced in 2008 PACE represents a key component of the Scottish Government's Economic Recovery Programme. Led by Skills Development Scotland, PACE brings together key stakeholder agencies including Jobcentre Plus and a range of other national and local partners, to provide skills development and employability support.

2.45 The initiative has involved:

- Co-locating over 80 dedicated Skills Development Scotland (SDS) careers and skills advisers alongside staff in Job Centres;

- Establishing a national helpline, revamped website and improved information resources;
- Enhancing support at all 55 Careers Centres for individuals at risk of losing their jobs;
- Providing funding for an additional 7,800 apprentice new starts in 2009-10 contributing to the goal of 50,000 places by 2011;
- £7 million from the Scottish Funding Council to enable Scotland's Colleges to work with PACE, in providing tailored training and support to workers affected by redundancy.<sup>35</sup>

2.46 2009 review of PACE performance pointed to the need for a national protocol to ensure consistent approaches whilst retaining local flexibility in delivery. It also highlighted the need to proactively identify potential redundancies early and support workers under threat of redundancy whilst still in work.

2.47 Other relevant employment programmes in Scotland include the '**Training for Work**' initiative led by Skills Development Scotland which gives access to vocational training to (primarily) anyone over the age of 18 who has been continuously unemployed for 13 weeks and '**Get Ready for Work**' which is an initiative aimed at boosting vocational and core skills those aged 16 to 19. 'The latter offers beneficiaries a temporary work experience placement with a business relevant to their interests and skills.

## **ECONOMIC AND LABOUR MARKET CONTEXT**

2.48 If the policy context (particularly at a UK Government level) has been changing rapidly since the ReAct programme was developed, the economy and labour market of Wales have also undergone major changes which will have affected demand for, and the achievements of, the programme. In this

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<sup>35</sup>Scottish Government (March 2009) *Working together to address redundancies: partnership, prevention and programmes - a summary report of issues, possible solutions and actions*, PACE Summit (9 February 2009), Glasgow.

section, we consider some headlines in terms of recent economic trends, whilst a more detailed analysis of developments is presented at Annex 1.

- 2.49 The eight years preceding the current ReAct programme (i.e. 2000-2008) saw a steady growth in the number of workforce jobs in Wales. However, this headline picture masked fairly divergent trends across different sectors, with some (e.g. Health, Distribution and Retail and Construction) experiencing strong growth and others (most notably, Manufacturing) declining quite sharply. Allied to these changes, there were changes in the occupational profile of the Welsh workforce, with a noticeable increase in the proportion of employment in 'Professional' and 'Personal Service' occupations and a decline in the proportion of employment accounted for by 'Process, Plant and Machine Operative' occupations.
- 2.50 The launch of the current incarnation of ReAct in October 2008 coincided almost exactly with the advent of recession and a consequent decline in the number of workforce jobs. Employment within the Manufacturing sector continued to decline quite sharply after the programme's launch, but other sectors which had flourished in the previous few years also started to contract, with a marked reduction in the number of jobs in the Construction and Health sectors becoming apparent by September 2010. Other sectors which saw a reduction in the numbers of workforce jobs during that period included 'Transport', 'Information and Communications', 'Finance and Insurance' and 'Professional Services', albeit that they accounted for substantially fewer jobs in the first place.
- 2.51 Despite the growth in the number of workforce jobs, the unemployment rate edged up slightly over the period between 2004 and 2008, but rose much more sharply from the third quarter in 2008 to early 2010. Long term unemployment also increased during that time, with a near trebling of the numbers claiming benefits for more than six months between October 2008 and April 2010.

2.52 Thus, the economic climate changed significantly between the development of the current incarnation of ReAct and this evaluation. Whilst ReAct was initially intended as a vehicle to help workers adjust to on-going structural change within the Welsh economy and, thus, avoid damaging long term unemployment (by helping them to make the transition from declining, into growing employment sectors), the need for such assistance has become more pronounced and more urgent. The advent of the recession put a different complexion on the ReAct programme and the challenges facing those losing jobs to redundancy.

2.53 Whilst the first quarter of 2011 provided some hints at a more sustained recovery across the UK, structural change in the makeup of Welsh employment will continue with the changes seen to date providing little more than hint of the losses which could be experienced in parts of the non-market sector over the next two years as public sector spending cuts start to bite.

### **3. PERFORMANCE OF THE REACT PROGRAMME**

#### **INTRODUCTION**

3.1 In this section, we consider the performance of the ReAct programme over the two and a quarter year period to December 2010. The picture we present is based upon data provided by the ReAct team from the EDMS database as well as discussions with key stakeholders. We consider:

- Performance against the programme's output targets;
- Performance against the programme's results targets;
- Performance against the programme's financial targets;
- Value for money;
- The Team Wales approach to delivering ReAct; and
- Marketing ReAct.

#### **PERFORMANCE AGAINST 'OUTPUT' TARGETS**

3.2 In table 3.1 below we set out performance against the programme's revised output targets. In terms of overall participant numbers, it shows that 60% of the revised target<sup>36</sup> had been delivered by December 2010, which was some 38% of the way into the programme's expected life. Delivery in West Wales and the Valleys had exceeded targets rather more (at 63%) than delivery in East Wales, which stood at 56% of target at that point.

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<sup>36</sup> See item 2.12

Table 3.1: Programme Performance against Output Targets

	West Wales and the Valleys	East Wales	Total	Actual	Actual as a % of target
Total participants	15,570	8,988	24,558	14,826	60%
Female participants	8,096	4,673	12,769	3,148	25%
BME participants	258	148	406	304	75%
Older participants <sup>37</sup>	5,840	3,369	9,209	3,797	41%
Participants with work-limiting health condition or disability	777	447	1,224	35	3%
Lone parents	241	265	506	264	52%
Participants receiving support with caring responsibilities	241	265	506	190	38%
Employers supported	1,199	563	1,762	1,154	65%

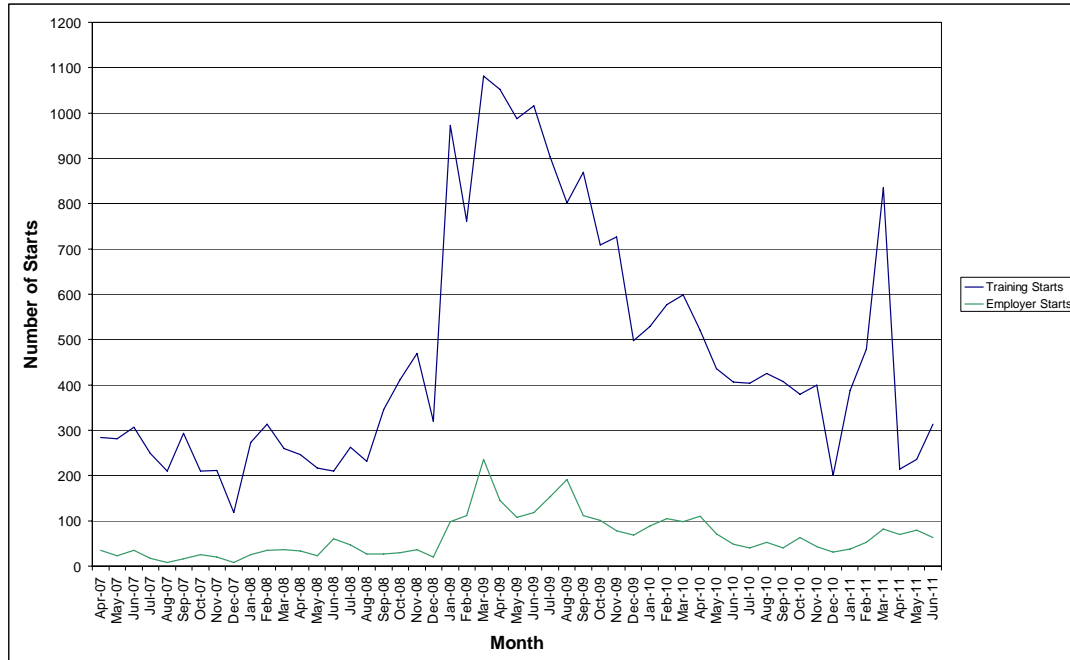
3.3 Performance against the target for female participants was, however, substantially below expectations at 25%. In this instance, performance in West Wales and the Valleys lagged behind that in East Wales, at 22% compared to 29%. Whilst the numbers of Black and Ethnic Minority participants exceeded target quite substantially, attainment in relation to ‘older participants’ and, indeed, ‘participants receiving support with caring responsibilities’ was more in line with what might be expected at this point in the programme’s life (though lower as a proportion of all participants than the original targets implied). It is not clear whether the very low numbers of participants with a work-limiting health condition or disability reflects issues over data collection (applicants are invited to ‘self-report’ disability and may not always choose to do so) or a real shortfall of such individuals being assisted by the programme.

3.4 Figure 3.1 shows the numbers of participants starting on the ReAct programme between April 2007 and November 2010. Although the current ReAct programme was not launched until October 2008, the inclusion of start numbers for the previous 18 months or so provides an indication of what might be described as ‘normal’ levels of activity and helps to illustrate the magnitude of the surge in demand for VTS in particular which coincided

<sup>37</sup> Strategic Framework indicates that this refers to people over the age of 50 (p. 21)

with the advent of the recession and, indeed, the launch of the current ReAct programme.

Figure 3.1: ReAct Starts between April 2007<sup>38</sup> and November 2010



3.5 Viewed in the context of the prevailing economic and labour market conditions during the period in question, as discussed in the previous chapter, it is not altogether surprising that individual demand for ReAct support exceeded expectations. Indeed, demand has subsided to more normal levels since peaking during virtually the whole of 2009. There is a possibility that forthcoming public sector redundancies could lead to further pressures upon private sector businesses in Wales (because of the loss of the ‘multiplier effect’ of public sector employment hitherto enjoyed) and a consequent resurgence of demand for support from existing private sector workers, albeit that this is unlikely to be at anything like the levels seen in 2008-2009.

3.6 Performance in terms of the numbers of employers recruited has also exceeded expectations somewhat, at 65% of the 2014 target. Performance in West Wales and the Valleys was more in line with expectations at 55% of

<sup>38</sup> Although the current incarnation of ReAct did not start until October 2008



target than in East Wales in East Wales, where 70% of the September 2014 target had already been delivered by December 2010.

- 3.7 It is notable that the numbers of participants benefiting from ERS (and, therefore, moving into new jobs) grew in 2009, despite the prevailing downward trend in employment. It is possible that this can be accounted for by participants shifting from those sectors hardest hit by the recession at that time e.g. manufacturing, construction and accommodation services and food to others less hard hit e.g. education and public services.
- 3.8 Clearly, this level of over-delivery presents the ReAct team with a challenge in terms of managing demand for ReAct support over the remaining programme period and this is discussed further in the section dealing with performance against financial projections below.

### **PERFORMANCE AGAINST RESULTS TARGETS**

- 3.9 Table 3.2 below shows performance against the programme's revised results targets by December 2010. Some 35% of the qualifications which the programme is expected to yield had been achieved at that stage, whilst 30% of the employment outcomes expected had been realised. These figures are below the levels envisaged in the programme targets, which imply that 39% of all participants should gain a qualification and 79% find employment (see Table 2.1).

Table 3.2: Programme Performance against Results Targets

	West Wales and the Valleys	East Wales	Total	Actual	Actual as a % of the target
Participants gaining qualifications	10,588	6112	16,700	5,870	35%
Participants gaining part qualifications	1,220	671	1891	0	N/A
Participants entering employment	12,300	7100	19,400	5,760	30%
Participants in employment at 12 months	12,456	7187	19,643	N/K <sup>39</sup>	N/K

- 3.10 It is likely, however that these figures rather under-represent the true situation, as will be seen in Chapter 4, where we discuss the findings of our survey of ReAct participants.
- 3.11 The ReAct team was candid that efforts to monitor the destinations of participants ‘went out of the window’ during the surge in demand for ReAct support which was seen in 2009. The team’s focus during this ‘time of crisis’ shifted from monitoring existing and previous programme participants to processing the applications of others made redundant at that time. In an attempt to recover lost ground, a ‘backlog of questionnaires’ was issued in February 2010, after demand had subsided to more normal levels.
- 3.12 It is notable in the context of the ‘participants gaining qualifications’ target that the Business Plans speak of ReAct’s contribution to Welsh Government ambitions to:
- ‘reduce the proportion of adults of working age without qualifications’; and
  - ‘increase the proportion of adults of working age with a [NVQ] level 4 qualification’<sup>40</sup>.
- 3.13 The changes made to the Business Plans in December 2010 certainly indicate an ongoing commitment to this agenda in that targets for individuals gaining qualifications and for individuals gaining qualifications at National

<sup>39</sup> Data are not gathered in respect of this indicator

<sup>40</sup> Convergence and Competitiveness ReAct Business Plans, p. 11

Vocational Qualification (NVQ) level 4 and above were virtually doubled from the original levels set. However, the revised target for participants achieving qualifications at level 4 and above is still extremely low at 41, or less than 0.4% of all participants.

## PERFORMANCE AGAINST FINANCIAL PROJECTIONS

- 3.14 Table 3.3 below shows the revised budgeted and actual costs of the programme to the 31 December 2010, along with the budgeted and actual sources of revenue. It shows that the project's costs were running at just over half (53%) of budgeted levels, just under two fifths (38%) of the way into the projects life.

Table 3.3: Projected Costs and Source of Funds

	West Wales and the Valleys		East Wales		Total	
	Budget	Actual	Budget	Actual	Budget	Actual
	£000	£000	£000	£000	£000	£000
Total Costs	50,335	27,536	27,681	13,900	78,016	41,436
Funded by:						
ESF	18,712	10,237	5,131	2,577	23,844	12,813
Private Match Funding	16,157	10,316	8,746	5,096	24,903	15,412
Public Match Funding	15,466	6,674	13,804	6,026	29,269	12,670
Intervention rate %	37%	37%	19%	19%	30%	31%

- 3.15 The ESF intervention rate is broadly in line with expectations at 31%, whilst contributions from private sector sources towards the costs of the project exceed expectations somewhat at 37%, which has allowed the public sector contribution to be a little lower than planned at 31%.
- 3.16 It is notable that the budgets available for ReAct have been revised at least three times over the last two and a quarter years, with additional funding being made available to accommodate the surge in demand for support - VTS in particular - in the wake of the recession. More recently, changes have been made to the programme, which are intended to reduce overall costs per participant and thus, ensure that ReAct remains within budgets over the next three years or so.

3.17 The changes introduced from April 2011 see the maximum value of VTS, which represented some 57%<sup>41</sup> of expenditure up to December 2010, being reduced by 40%, from £2,500 to £1,500 per participant. In parallel, the value of the ERS element of the programme will be increased by almost 45%, from £2,080 to £3,000 per participant. This second change essentially represents a means of ‘sweetening the pill’ which the reduction in the value of VTS represents, and is affordable because ERS has, hitherto at least, represented only a small part (5.8%<sup>42</sup>) of programme expenditure. In making these changes, the ReAct team has had to weigh up the relative merits of managing the programme within budgets and the likelihood of achieving results targets.

### **PROGRAMME’S APPARENT COST EFFECTIVENESS**

3.18 The December 2010 Convergence and Competitiveness Business Plans discuss the cost of ReAct relative to various output and results targets. The table below sets out how those costs panned out in relation to the programme’s main output and results targets across both Structural Funds programmes to December 2010.

Table 3.4: Programme Performance against Key Performance Indicators as at 31 December 2010

	Budgets/Targets as at December 2010	Results as at December 2010	%
Programme costs	£78,016,012	£41,435,348	53%
Number of participants	24,558	14,826	60%
Cost per participant	£3,177	£2,795	88%
Participants entering employment	19,400	5,760	30%
Cost per participants entering employment	£4,021	£7,194	180%
Participants gaining qualifications	16700	5,870	35%
Cost per qualification	£4,672	£7,059	151%

<sup>41</sup> Including employer costs/contributions

<sup>42</sup> Including employer costs/contributions

- 3.19 The cost per participant was a little lower than the revised forecasts discussed in the December 2010 Business Plans, although those forecasts were higher than original projections. The December 2010 Plans indicate that participant costs have been higher than originally expected because of a 'slight increase in provider prices' as well as employer demand for better skilled and qualified staff as labour market conditions loosened. In essence, participants were applying for support to undertake weightier and thus, more expensive courses in order to equip themselves with the skills and qualifications demanded by employers.
- 3.20 The costs per participant entering employment and gaining qualifications appear to be significantly higher than the levels forecast, reflecting the fact that a significantly smaller proportion of participants appear to have been gaining these positive outcomes than was envisaged in the design of the programme. However, as indicated above, our survey of ReAct participants suggests that the figures shown above under-represent the true position quite significantly, which probably owes something to delays in gathering results data. Employment outcomes are likely to have been adversely affected by the difficult labour market conditions<sup>43</sup> which have been considered in Chapter 2, as well as delays in gathering data.
- 3.21 Business Plans indicate that the costs of managing and promoting the ReAct will amount to 5% of total programme costs, whilst 'participant costs' will represent some 95% of expenditure.

### **THE 'TEAM WALES' APPROACH TO DELIVERING REACT**

- 3.22 The 'Team Wales' approach, which involves the ReAct team, Careers Wales and JobCentre Plus, is central to the delivery of the ReAct programme. The Team Wales approach entails:
- Joint working at a policy level;
  - Cooperation at an operational level in the case of large-scale redundancies, where employers are under a statutory duty to inform

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<sup>43</sup> See item 2.50

JobCentre Plus of impending job losses. In this situation, the Team Wales arrangements mean that JobCentre Plus invites the ReAct team and Careers Wales to work alongside its advisors in visiting employers' premises, giving presentations and offering advice to workers facing redundancy. This provides a mechanism for informing participants about different elements of the ReAct programme;

- Cooperation at an operational level in situations where fewer jobs are under threat. In this instance, employers are not under any duty to inform JobCentre Plus of forthcoming redundancies and partner organisations rely on local intelligence and inter-agency referrals in order to target individuals who might need support.

3.23 Stakeholders felt that cooperation at a policy level had improved over the last few years. Indeed, it was argued that earlier incarnations of the ReAct programme had paved the way for a greater level of cooperation between the Welsh Government and JobCentre Plus (which forms part of the non-devolved Department for Work and Pensions) in shaping employment policy more widely in Wales.

3.24 It was also said that involvement in ReAct over the years had helped to develop relationships between JobCentre Plus and Careers Wales. Increasingly, Careers Wales staff are being accommodated within JobCentre Plus offices and, although not entirely attributable to ReAct, this policy of 'co-location' was thought to be a very helpful development.

3.25 At an operational level, stakeholders said that the Team Wales arrangements worked extremely well in the case of large scale redundancies. Indeed, it was said that employers generally value partners' input, to the extent that some regard it as 'part of the package they can offer the people they're laying off' – in essence a means of 'softening the blow' of redundancy.

3.26 In the case of smaller scale redundancies, JobCentre Plus' involvement tends to be less pronounced, although JobCentre Plus advisers were still

seen as a key referral mechanism into VTS, via Careers Wales. However, a handful of stakeholders said that, on occasion, advisers had not been as proactive in promoting ReAct as they might have been, with some suggestion that this might be attributed to some advisers having a poor level of awareness of the programme. Although it was generally acknowledged that matters had improved over the last year or so, some argued that work still needs to be done to ensure that all JobCentre Plus advisers are fully aware of ReAct, not least because ‘that first interview is the ideal time to tell people about it’.

3.27 Careers Wales is central to ReAct in that applicants for VTS/VTES are required to undertake an assessment interview with Careers Wales advisers before support can be awarded. Stakeholders overwhelmingly thought that Adult Guidance (AG) service provided by Careers Wales is an ‘essential’ element of the ReAct programme. A number echoed the comments of one that ‘some people are hit so hard by redundancy ... particularly those who’ve been in the same job for years ... that it’s like bereavement for them’ to lose their jobs. It was argued that the guidance process, as well as the action plans developed alongside Careers Wales advisers, help ground participants’ aspirations in the realities of local labour markets, whilst also helping individuals to recognise the skills and attributes they have to offer employers and, thus, build their confidence as they search for new jobs. In this context, stakeholders pointed to the importance of tempering the advice given to take account of individuals’ circumstances – ‘some people need to get a job straight away in order to continue paying the mortgage, even if their long-term [career] prospects suffer as a result’ - and indeed the benefits system – ‘we take a lot of care to ensure that ReAct doesn’t interfere with JSA and wider benefits like housing etc ... some individuals can disengage if they are concerned about losing these benefits’. A handful of stakeholders also pointed to the importance of Careers Wales’ gate-keeping role in guarding against unscrupulous training providers directing participants into wholly inappropriate training.

- 3.28 Stakeholders praised Careers Wales' responsiveness in the face of increased demand during 2009 as well as large scale redundancy situations more generally, where it 'shifted staff around' as and when needed. Careers Wales was able to do this thanks, in part, to the provision of ESF support under the Careers Information Advice and Guidance (CIAG) ESF project. However, it was acknowledged that this responsiveness meant that activity elsewhere within the 'welfare to work agenda' had, on occasion been displaced, with advisers redirected from working with groups such as 'lone parents and people on probation' to work the victims of redundancy. In this context, it was recognised that Careers Wales companies, whose advisers are generally qualified to NVQ level 5, face a particular challenge in 'turning the programme on and off' with the ebbs and flows of demand and with the coming and going of ESF projects.
- 3.29 As discussed in the previous chapter, the ReAct programme is managed by a 23 strong team based in Swansea. Stakeholders were overwhelmingly complimentary about the dedication and responsiveness of the ReAct team, with senior managers within the team coming in for particular praise.
- 3.30 The ReAct team has made 'adjustments' to the ReAct programme over the last two years and, whilst the changes made were not always welcomed, stakeholders generally felt that they were based on sound evidence. An example of such a change was to confine the funding of construction related training to courses that would lead to NVQ level 2 and 3 qualifications. This was done in response to advice given to the ReAct team by Sector Skills Councils that 'taster' and 'short courses' offered did not generally provide the depth of skills required within the industry and did not lead to industry recognised qualifications. Another change was to make an exception of 'driver training', by funding providers on an 'outcomes' basis, rather than funding participants' course fees. This was done when it became apparent to the ReAct team that providers were putting 'people who were totally inappropriate' through Large Goods Vehicle (LGV) and Passenger Carrying Vehicle (PCV) training, with the result that some providers' success rate was as low as '10% ... compared to a national average of 46%'. The changes



‘imposed’ in this instance led to providers, who now bear the risk of training coming to naught, ‘only taking people on who are suitable for the training in the first place’.

- 3.31 Stakeholders were generally aware of the changes being made in April 2011<sup>44</sup>, but they were not universally convinced of their merits. To some extent, stakeholders’ misgivings were predictable in that learning providers, for example, questioned the merits of cutting funding for training which they argued would equip individuals with new skills as well as ‘certificates or qualifications which they have for life and [that] can be applied across a number of jobs’. Concern was also expressed that ERS runs the risk of people being recruited on short term contracts, without any guarantee of employment beyond the grant period. Others pointed to the existence of ‘ReAct habitués’, with some business relying too heavily upon the programme to support recruitment that they would have to undertake anyway.
- 3.32 One contributor argued that the ReAct programme is ‘fundamentally flawed’ in that it separates the vocational training and employment subsidy elements. It was argued that ‘the best way to do it would be to engage employers up front with a financial inducement for taking people on, but with the condition that a training and development plan is put in place and adhered to for that individual’.
- 3.33 Whilst it does not impact directly upon ReAct expenditure, stakeholders commented that, in order to avoid breaching Jobseekers Allowance conditions, non-employed ReAct participants often undertake training on a less intensive basis than they might thus possibly delaying their achievement of qualifications and progression into new jobs. This is clearly not a desirable situation and there may be scope for the Welsh Government and the Department for Work and Pensions to work together to find a way around rules which effectively undermine both organisations’ policy goals.

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<sup>44</sup> i.e. the increase in the value of ERS and the decrease in the maximum value of VTS and ETS discussed at item 3.17 above

- 3.34 The only criticisms made of the ReAct team related to a failure to set out clearly ‘what can and what can’t actually be funded’. It was argued that ‘it depends on who you ask and what you ask’, with the reasons for apparently inconsistent answers not always being made clear. In making this point, however, one contributor observed that ambiguity of this kind is a common feature of ESF projects and that ReAct is considerably better than some. There was a fear, however, that opaqueness in decision making could become more prevalent ‘as funding gets tighter’.
- 3.35 On the whole, stakeholders believed the administrative systems attached to ReAct to be effective, and considerably less onerous than those related to some other interventions. There were mixed views about the efficacy of introducing an on-line application system, although several saw the potential benefits of doing so, alongside an on-line participant ‘tracking’ system. The concerns which stakeholders expressed generally revolved around some potential participants not being ‘electronically minded’ and the danger of usurping the critical AG process. It was acknowledged, however, that there may be scope for introducing an on-line system alongside the existing one.

## **MARKETING REACT**

- 3.36 To a large extent, the promotion of the ReAct programme has relied on a combination of:
- the Team Wales approach, once employers have informed JobCentre Plus of forthcoming redundancies;
  - ‘word of mouth’, capitalising on partner organisations’ existing connections with employers, with individuals and with each other;
  - the Welsh Government’s ReAct web-site<sup>45</sup>, along with Careers Wales’ web-site<sup>46</sup>, although the likelihood is that individuals and employers would need some knowledge of the programme’s existence to think of accessing these;
  - training providers, although in this context, the ReAct team had written to over a thousand providers to ensure that they did not mislead potential

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<sup>45</sup> <http://wales.gov.uk/topics/educationandskills/skillsandtraining/reactemployers/?lang=en>

<sup>46</sup> <http://www.careerswales.com/adults/server.php?show=nav.2206>

participants and that they made it clear in their marketing materials (including web-sites) that individuals should be directed to Careers Wales in the first instance;

- JCP information materials, which include references to ReAct;
- occasional poster advertising campaigns – bus-backs etc.;
- occasional press releases and features issued by the Welsh Government; and
- what was described as ‘home-made’ advertising by partners in local media (including radio) in response to particular redundancy situations.

3.37 The ERS element of the programme is for the most part ‘sold’ to employers by job applicants who are eligible for grant support. However, one stakeholder pointed out that this is not a particularly attractive prospect for some people who have been made redundant because they would ‘rather get the job on their own merits ... they feel they’d be cheating their way into a job’ by parading potential grant funding in front of potential employers. Having said that, however, it was thought that people applying for higher level jobs are more reluctant to use the ERS as a carrot in selling themselves to potential new employers, whilst those applying for lower level jobs are far happier to do so.

3.38 There has never really been an explicit ‘marketing strategy’ in place for the programme and stakeholders had no sense of a ‘national marketing campaign’. Some stakeholders were critical of the rather ad-hoc approach taken to promoting ReAct, but the majority felt that ‘blanket marketing is unnecessary because the programme is targeted at people being made redundant ... blanket marketing would be ineffective and it’s better to identify and approach employers who are making redundancies’. Others concurred that ‘it is difficult to strike the right balance in marketing, because you don’t want to market the product to those who are ineligible’.

3.39 It was acknowledged that ReAct has received a significant level of coverage in the regional press over the last couple of years, and one stakeholder commented rather poignantly that ‘the recession was good for ReAct ...

“ReAct” became the stock answer for politicians’ to questions about what they intended to do in the face of job losses.

- 3.40 The one area of concern to stakeholders was that ‘overall awareness and understanding among employers is lower than it should be’. Some stakeholders found it difficult to understand why employers did not jump at the offer of a £2,080 wage subsidy for taking on a redundant worker, though others thought that employers are initially put off by what they anticipate to be a weighty, bureaucratic process in applying for ReAct support. It was argued that ‘this is an ingrained thing ... ReAct is a government programme ... government programmes are bureaucratic ... [ergo] ReAct is bureaucratic’.

## 4. SURVEY FINDINGS – INDIVIDUALS’ PERSPECTIVE

### INTRODUCTION

- 4.1 In this chapter we draw upon the findings of a telephone survey of 600 and a face to face survey with 10 ReAct participants, as well as our telephone survey of 100 individuals who applied unsuccessfully for ReAct support (unsuccessful applicants). In turn, we:
- present the profile of respondents to the two surveys;
  - discuss participants’ route into ReAct;
  - explore elements of the ReAct programme in which respondents participated;
  - discuss the nature and effects of the Adult Guidance element of ReAct;
  - consider the nature and effects of training undertaken; and
  - explore individuals’ employment status and the effects of ReAct upon that.
- 4.2 Unsuccessful applicants were surveyed in order to provide an insight into the counterfactual case i.e. what would have happened to individuals affected by redundancy in the absence of the ReAct programme. Like ReAct participants, they had been made redundant and were, therefore, a better match than the wider workforce for those benefiting from different elements of the ReAct programme. Before considering the findings of our surveys, however, it is worth touching upon the reasons why unsuccessful applicants might have been turned down for ReAct support. Possible reasons include:
- individuals taking up jobs before VTS/VTES applications had been approved;
  - individuals taking up jobs before prospective employers’ ERS/ETS applications had been approved;
  - individuals’ failure to produce evidence that they had been made redundant;
  - individuals’ participation in publicly funded learning since being made redundant.

- individuals' having worked continuously for a period of six weeks or more since being made redundant.

## PROFILE OF SURVEY RESPONDENTS

- 4.3 Table 4.1 below compares the distribution of ReAct participants by gender to the distribution of respondents to our survey. It shows that, in line with our sampling proposals, women were over-represented somewhat in our survey of ReAct participants, whilst men were under-represented. Women were also over-represented in our survey of unsuccessful applicants, though not to quite the same extent.

Table 4.1: Distribution of Survey Respondents by Gender (un-weighted)

Gender	Total Participants <sup>47</sup>	Participants Surveyed (n=600)	Unsuccessful Applicants Surveyed (n=100)
Male	79%	66%	76%
Female	21%	34%	24%

- 4.4 Table 4.2 below compares the distribution of ReAct participants by age to the distribution of respondents to our survey. The age profile of respondents was very much in line with the profile of ReAct participants, with a slight over-representation of those in the 16-24 age group. No data was held on the ages of unsuccessful applicants and was not, therefore, used as a stratifying criterion for this survey.

Table 4.2: Distribution of Survey Respondents by Age (un-weighted)

Age	Total Participants	Participants Surveyed (n=600)	Unsuccessful Applicants Surveyed (n=100)
16-24	6%	8%	5%
25-34	23%	23%	22%
35-44	28%	27%	20%
45-54	28%	27%	34%
55-64	15%	16%	18%
65+	0.7%	-	1%

<sup>47</sup> Those starting ReAct between October 2008 and December 2010

4.5 Table 4.3 below shows the distribution of respondents to our surveys by the size of the organisations for which they worked prior to being made redundant. This suggests that ReAct is succeeding in supporting employees from a wide range of businesses, including many who are not involved in large scale redundancies. The incidence of respondents to our survey of ReAct participants working for very small businesses (employing fewer than 10 people) before being made redundant was markedly higher in north Wales and the incidence of participants working in large businesses (employing more than 250 people) was higher in south Wales.

Table 4.3: Size of Survey Respondents' Employers Prior to Being Made Redundant

	Participants Surveyed (n=600)	Unsuccessful Applicants Surveyed (n=100)
<10 Employees	21%	18%
10-49 Employees	26%	36%
50-249 Employees	26%	22%
250+ Employees	26%	22%

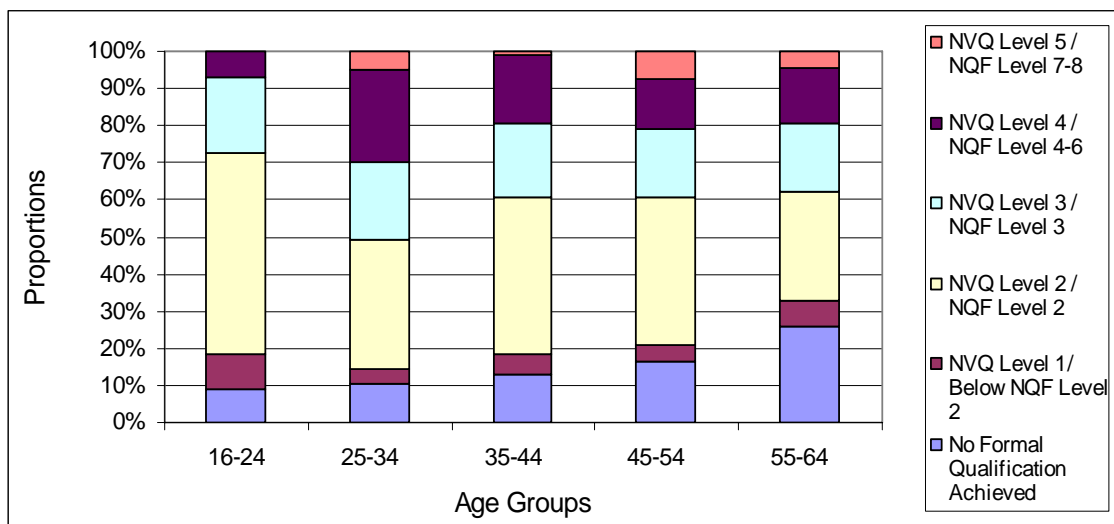
4.6 Table 4.4 below shows the distribution of respondents to our surveys by the number of hours they worked each week prior to being made redundant. It shows that comparatively few respondents worked part-time before being made redundant, which may be linked to low proportion of women benefiting from the programme. In line with general labour market patterns of a higher proportion of women working part-time, a greater proportion of women responding to both surveys worked fewer than 32 hours a week, whilst the majority of men worked more than 32 hours a week.

Table 4.4: Number of Hours per Week Worked by Survey Respondents Prior to Being Made Redundant

	Participants Surveyed (n=600)	Unsuccessful Applicants Surveyed (n=100)
<16 Hours per Week	1%	2%
16-24 Hours per Week	6%	4%
25-32 Hours per Week	6%	2%
>32 Hours per Week	88%	92%

4.7 Some 14% of participants responding to our survey of ReAct participants held no qualifications at all prior to being made redundant, which corresponds exactly to the proportion of the adult population lacking qualifications. Only 38% held qualifications at NVQ level 3 or above, compared to 51% of all adults in Wales<sup>48</sup>, although more than a fifth were graduates (qualified at NVQ level 4 or above). Female respondents tended to be slightly better qualified than their male counterparts, with 46% of females holding qualifications at NVQ level 3 or above compared to 35% of males. As shown in Figure 4.1, individuals in the 25-34 age group tended to be better qualified than other age groups, whilst those in the 16-24 age group were least qualified. However, the proportion of those with no qualifications at all was higher among older age groups.

Figure 4.1: Highest Previous Qualifications of ReAct Participants by Age Group

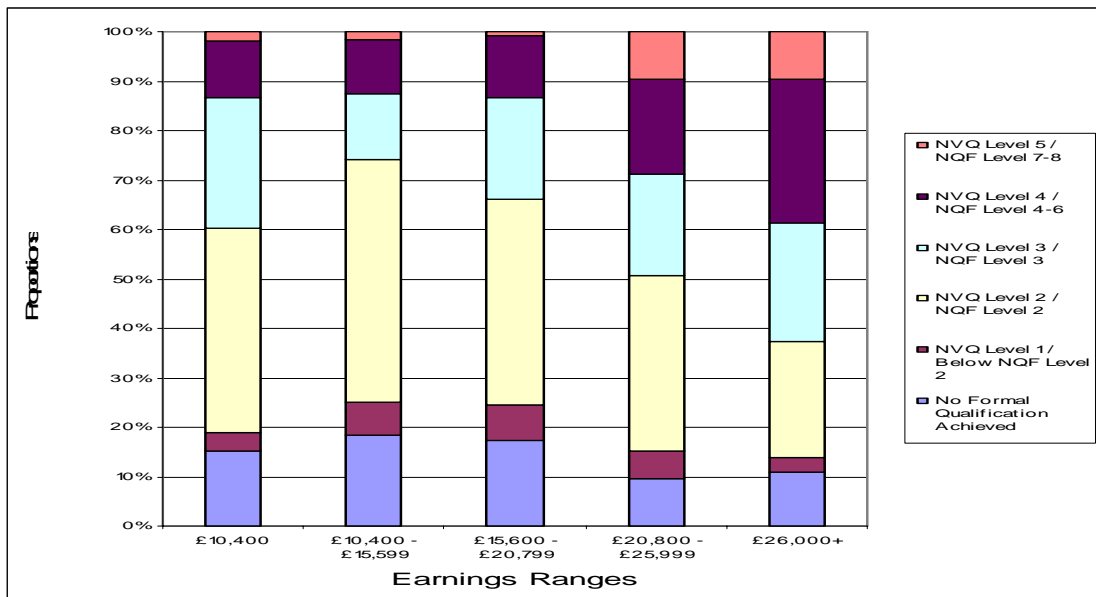


4.8 Figure 4.2 below shows that respondents' highest qualifications levels and their earnings prior to being made redundant were also related. Over 58% of those earning £26k or more per annum held qualifications at NVQ level 3 or above, compared to 34% of those qualified no higher than NVQ level 2. Almost 39% of those qualified to NVQ level 3 or above earned £26k or more, compared to less than 17% of those qualified no higher than NVQ level 2.

<sup>48</sup> Stats Wales quoted in 'Skills for Jobs: the National Strategic Skills Audit for Wales 2011, UKCES, 2011



Figure 4.2: Earnings by Highest Previous Qualifications



4.9 In this context it is notable that 38% of respondents to our survey of ReAct participants and 40% of unsuccessful applicants earned more than the median wage for all employee jobs in Wales<sup>49</sup> prior to being made redundant.

## ROUTE INTO REACT

4.10 Table 4.5 below shows that the means by which respondents to both surveys had most commonly heard about the programme was via JobCentre Plus, though those working in larger organisations (employing 50 or more staff) were slightly less likely to have heard about the programme in this way. Proportionately more respondents who worked for large organisations had been told about ReAct by their former employers, albeit that their former employers might have worked with JobCentre Plus to inform respondents of their options following redundancy. Indeed, there was a strong suggestion from our face to face discussions with ReAct participants that the 'Team Wales' approach worked well in large-scale redundancy situations, with individuals commenting upon information they had been given by both JobCentre Plus and Careers Wales in the run-up to redundancy.

<sup>49</sup> Which according to the 2010 Annual Survey of Hours and Earnings (ASHE) was £19,087

Table 4.5: How Survey Respondents First Heard about ReAct

	Participants Surveyed (n=600)	Unsuccessful Applicants Surveyed (n=100)
JobCentre Plus	33%	35%
Previous Employers	23%	24%
Word of Mouth	22%	14%
Careers Wales	16%	18%
New Employer	2%	-

4.11 Although they too had received information about ReAct, other interviewees were less clear about the organisations which had provided them with this. A couple of individuals commented that ReAct is not particularly well known by the general population and might not, therefore, be a place to which those affected by small scale redundancies would necessarily turn. Another individual said that staff at his local JobCentre Plus office seemed to have been unaware of the programme.

4.12 On the whole, the individuals we interviewed in person thought that the process of applying for ReAct support had been 'pretty straightforward', albeit that a small majority (51%) of survey respondents who had applied successfully for ReAct support thought that it might have been easier to go through the application process online, rather than having to complete paper forms. However, 43% of respondents did not think that an on-line system would improve matters and a slightly greater proportion (49%) of unsuccessful applicants tended to agree with this view. Reasons which were most commonly cited for preferring a paper-based system were a preference for face-to-face contact, including in some cases, help filling-in forms, a lack of easy access to ICT facilities and a dislike of using computers or doing things online.

## **ELEMENTS OF PROGRAMME IN WHICH INDIVIDUALS PARTICIPATED**

4.13 As was discussed in chapter 2, eligible individuals and/or their employers are able to apply for individual elements of the ReAct programme or a combination of elements. Almost half of all participants have benefited from

more than one element and Table 4.6 below provides a breakdown of the proportion of participants who had benefited from particular elements. This highlights the far lower take up of the employer centred strands of the programme (particularly ETS), than those centred on the individual.

Table 4.6: Proportions of Participant Survey Respondents Benefiting from Elements of the Programme

	Participants Surveyed (n=600)
Adult Guidance (AG)	65%
Vocational Training Support (VTS)	83%
Vocational Training Extra Support (VTES)	42%
Employer Recruitment Support (ERS)	23%
Employee Training and Support (ETS)	16%

## ADULT GUIDANCE

- 4.14 Almost two thirds (65%) of participants said that they had seen a Careers Wales adviser when they were made redundant, as did 74% of unsuccessful applicants. In the case of participants, there was some correlation between respondents' highest previous qualification level and the receipt of advice, with those least qualified most likely to have received advice. Of those who had contact with Careers Wales shortly after being made redundant, a slightly higher proportion of participants (81%) than unsuccessful applicants (72%) were in paid employment or self-employment at the time of our surveys.
- 4.15 Table 4.7 below shows the proportion of ReAct participants and unsuccessful applicants who had received various types of Careers Wales service.

Table 4.7: Proportion of those who Saw a Careers Wales Adviser Receiving each Type of Service

	Participants Surveyed (n=391)	Unsuccessful Applicants Surveyed (n=74)
Skills Assessment	51%	68%
Training Needs Identified	60%	64%
Careers/Job Related Advice	51%	47%

4.16 Our survey of ReAct participants revealed that 80% of those who had been through the skills assessment process found it useful, with proportionately more of those on the lowest earnings before being made redundant finding the process of value. Respondents to our survey of unsuccessful applicants were slightly less enthusiastic about the skills assessment process, albeit that 72% said that they had found it useful.

4.17 Participants and unsuccessful applicants aged 16-24 were considerably more likely than average to have had their training needs analysed. Some 89% of ReAct participants who had their training needs identified by Careers Wales and 87% of unsuccessful applicants found the process very or fairly relevant. Over four fifths (83%) of ReAct participants who had their training needs identified by Careers Wales went on to do some training, with 96% of those receiving support under the ReAct programme to do the training. This compared to just 29% of unsuccessful applicants doing any training since being made redundant.

4.18 In addition to skills assessments and training needs analyses, the kinds of services delivered by Careers Wales to respondents to our surveys included:

- help in putting together Curricula Vitae (CVs);
- help in focusing on a career path;
- help in applying for jobs;
- help in developing interview techniques;
- information about becoming self-employed; and
- help in identifying suitable training courses.

- 4.19 Some 91% of ReAct participants and 86% of unsuccessful applicants found the careers/learning advice they received from Careers Wales fairly or very helpful. This was very much endorsed by the ReAct participants we interviewed face to face, with individuals commenting that:
- 'I was just a lad 27 years ago when I went to work for [former employer] ... they [Careers Wales] showed me how to word a CV ... and to rewrite it for different jobs';
  - 'I'd never written one [a CV] in my life ... I got my last job just by word of mouth';
  - 'they did a mock interview with me ... and they gave me stock answers' to the types of questions which are typically asked at job interviews;
  - 'it confirmed what I knew [about the individual's career related training needs] ... but it was good to discuss it with someone ... yes, I was pleased ... it was worth a visit to the [Careers Wales] office'; and
  - 'if you're lacking the confidence and you don't have that support, then you won't do anything', referring specifically to undertaking vocational training.
- 4.20 Whilst another contributor thought that advice and information about potential training course options had been useful, she pointed out that it was helpful that she had 'a clear idea' of what she wanted to do beforehand. She also commented that the onus was very much on her to make contact with a training provider and organise her place on a course, with the implication that doing so helped to ensure that she was committed to the course selected.
- 4.21 Two face-to-face interviewees were rather less enthusiastic about the careers/learning advice they had received in that they found it 'a bit weak and generic ... the usual stuff, like telling you to look in newspapers, go on line and send your CVs off' to several employers. In essence, they did not feel that the advice they had received had helped them to differentiate themselves e.g. by enhancing their CVs or improving their interview techniques.

- 4.22 Turning back to the respondents to the two telephone surveys, the impact most often identified was that careers/learning advice had made them feel more confident in their own skills and ability (at 26% and 37%). A lesser proportion of ReAct participants surveyed (15%) than unsuccessful applicants (26%) said that the careers/learning advice received had no effect upon them.
- 4.23 Female participants were more likely to say that AG had a positive effect upon their confidence, whilst men were more likely to say that the advice received made no difference to them. The opposite was true amongst respondents to our survey of unsuccessful applicants, where a greater proportion of men than women said that guidance received had given them more confidence in their skills and ability, and women respondents were more likely than men to say that it had no effect upon them.
- 4.24 Our survey of ReAct participants also suggested that there was some correlation between age and respondents' perceptions about the effects which the advice had upon their confidence, with older people, and most particularly those in the 45 to 54 age group, being more likely to say that the advice had affected them positively. The advice received seemed to have had a greater positive effect upon better qualified people's confidence in their skills and abilities, and least effect upon those with no or only low level qualifications, although the numbers of respondents falling into these categories was fairly small and this finding, therefore, needs to be treated with a degree of caution.
- 4.25 Of those who had received Adult Guidance from Careers Wales, 28% of respondents to our survey of participants and 35% of respondents to our survey of unsuccessful applicants thought that they could have got advice elsewhere. Amongst respondents to our survey of participants, the incidence of those perceiving there to be alternative sources increased in line with age and better qualified respondents were more likely to say that there are other sources of careers/learning advice available. The alternative

sources of advice most commonly cited by respondents to both surveys were JobCentre Plus (38% and 42%), the Internet (24% and 23%), local colleges (9% and 12%) and other (15% and 12% respectively).

- 4.26 Almost two thirds (62%) of participants receiving Careers Wales advice and over three quarters (77%) of unsuccessful applicants opted for Careers Wales because the service was free. The other reasons most commonly cited by respondents to both surveys for capitalising upon Careers Wales' services were its apparent relevance to their situation (49% and 65%), its suitability to their needs (49% and 65%) and the fact that Careers Wales came to their former workplaces (33% and 19%).

## **VOCATIONAL TRAINING SUPPORT**

- 4.27 Just over four fifths 83% of ReAct participants had undertaken some form of training since being made redundant, largely thanks to VTS. This compared to a little under a third (29%) of unsuccessful applicants.
- 4.28 Of the respondents who undertook training with ReAct support, 90% had completed it, 5% were still in training and 5% had left training without completing their courses. Of those who did not complete their training, 58% failed to do so because they got a job and could not, therefore, attend courses.
- 4.29 Some 69% of ReAct participants that undertook training undertook this training with a particular job in mind, with that proportion rising to 86% amongst 16 to 24 year-olds and falling to 41% amongst 55 to 64 year-olds. A slightly higher proportion (84%) of respondents to our survey of unsuccessful applicants who had done some training (without ReAct support) said that they were interested in doing a specific job in embarking upon their courses. ReAct participants who had a particular job in mind in undertaking training were considerably more likely to complete their courses (71%) than those who did not have a particular job in mind (29%).

- 4.30 Just over half (52%) of respondents who benefited from VTS undertook training in order to acquire a qualification needed to get another job in the same field as the one in which they had previously been working, whilst 30% did so to get a job in a totally new area of work, suggesting a greater emphasis on up-skilling than re-skilling. Women were slightly more likely to have undertaken training in order to get qualifications required in a new field of work, whilst men were more likely to have done so to gain qualifications needed in the fields in which they had previously worked. Older people were slightly more likely to have trained for a qualification needed to secure a job in the same field. The 29% of respondents to our survey of unsuccessful applicants who had undertaken training since being made redundant gave similar reasons for doing so. Just over a third (36%) of these respondents said that they had paid for training themselves, whilst 15% said it was government funded or free and 14% said their new employers had paid for it. It is notable that 29% of unsuccessful applicants who had undertaken training thought that it had been funded by the ReAct programme. Just over half (54%) of respondents to our survey of unsuccessful applicants who had undertaken training said that the courses they pursued were relevant to their current jobs.
- 4.31 A slightly higher proportion of ReAct participants who trained for a qualification needed for a new area of work had received careers/learning advice (69%) than of those undertaking training to get a qualification needed to work in the field in which they had previously been employed (65%), but a lower proportion actually completed the training they undertook (at 85% compared to 91%). It is also notable that a greater proportion of respondents who subsequently became self-employed had undertaken training in order to gain a qualification needed to work in a totally new field.
- 4.32 Four fifths (81%) of respondents who had benefited from VTS achieved a qualification compared to 68% of those who had undertaken training without ReAct support. In both cases, a slightly higher proportion of men achieved qualifications than women, as did respondents in the 16 to 24 age group. Proportionately more respondents to our survey of ReAct participants who



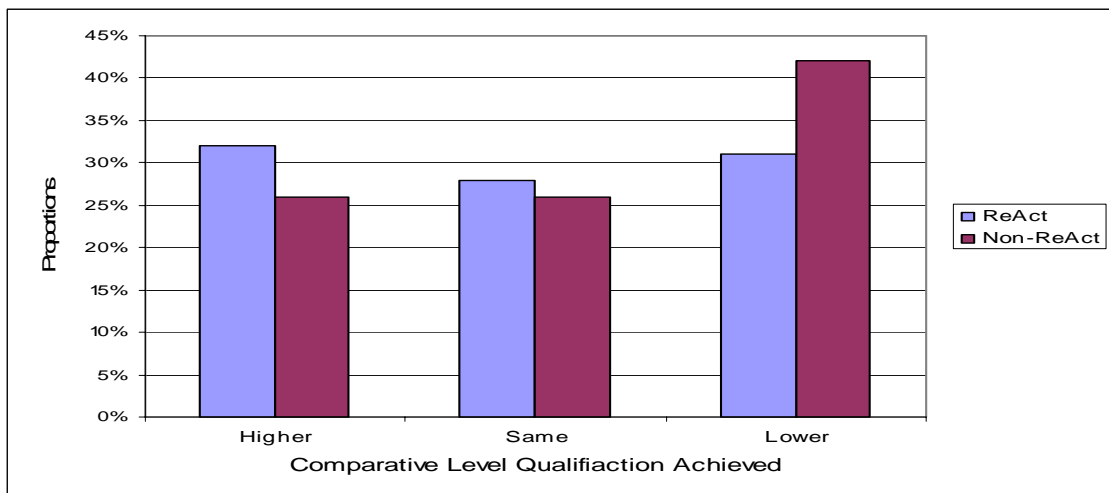
had worked since being made redundant and were in employment at the time of our survey had achieved a qualification than those who had not worked or who were not currently employed, possibly suggesting a positive link between qualification outcomes and employment outcomes.

4.33 The qualifications achieved by respondents to both surveys were various, but it is notable that:

- only men achieved HGV/LGV driving licence qualifications and construction related qualifications (CSCS/CPCS); and
- a greater number and proportion of women achieved ICT related qualifications, as did people aged over 35.

4.34 Figure 4.3 below shows the proportions of respondents to the surveys of ReAct participants and unsuccessful applicants who achieved qualifications at levels higher, the same or lower than the most advanced qualification they previously held. It shows that a greater proportion of ReAct participants increased the level of their highest qualification whilst a greater proportion of unsuccessful applicants achieved qualifications at levels lower than qualifications they already held.

Figure 4.3: Comparative Levels of Qualifications Achieved



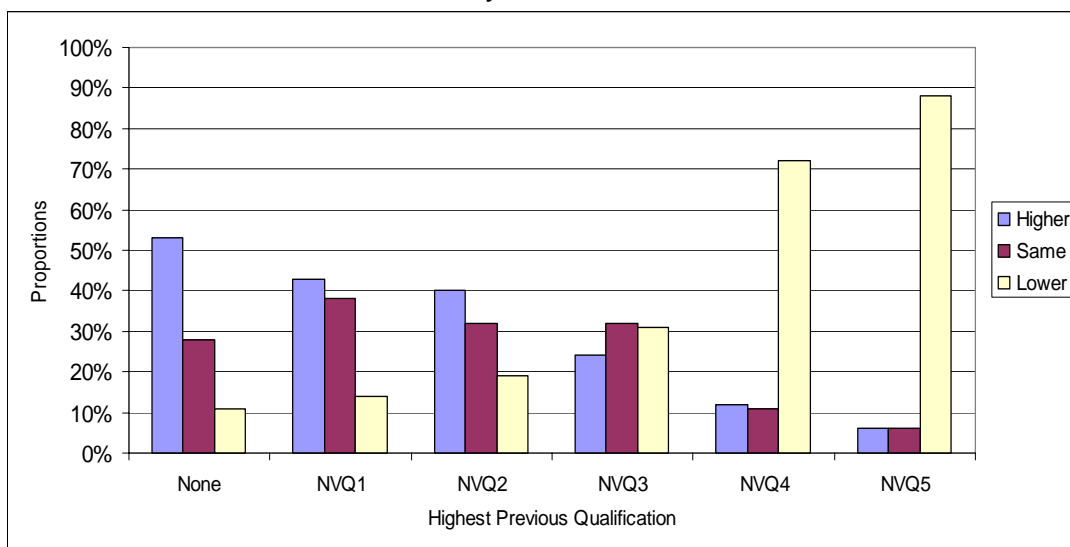
Base: those achieving a qualification since redundancy.  
 ReAct participants = 367, unsuccessful applicants = 19

4.35 Overall, however, only a third of VTS recipients gaining qualifications achieved a qualification at a higher level than they previously held. It is,

perhaps, not surprising that our survey of ReAct participants showed that proportionally more respondents in the 16 to 24 age group achieved qualifications at a higher level than any which they already held.

4.36 Figure 4.4 below also illustrates that a greater proportion of VTS recipients who previously held no qualifications or only qualifications at level 1 and NVQ level 2 elevated the level of their highest qualification than respondents who were previously better qualified.

Figure 4.4: Comparative Levels of Qualifications Achieved by Highest Qualification Previously Held



4.37 The Convergence Business Plan (p. 11) indicates that ReAct will ‘reduce the proportion of adults of working age without qualifications’. It is notable that 53% of survey respondents who did not previously hold any formal qualifications had achieved some form of qualification as a result of ReAct support. The Convergence Business Plan also points to ReAct’s role in increasing ‘the proportion of adults of working age with a NVQ level 4 qualification’. Whilst the survey of participants would certainly suggest that some beneficiaries who were previously qualified to NVQ level 3 had achieved qualifications at a higher level, it is clear that the programme’s impact in this respect has been fairly limited. Perhaps that this is not altogether surprising, given that beneficiaries of VTS are required to complete their training within 12 months of being made redundant.

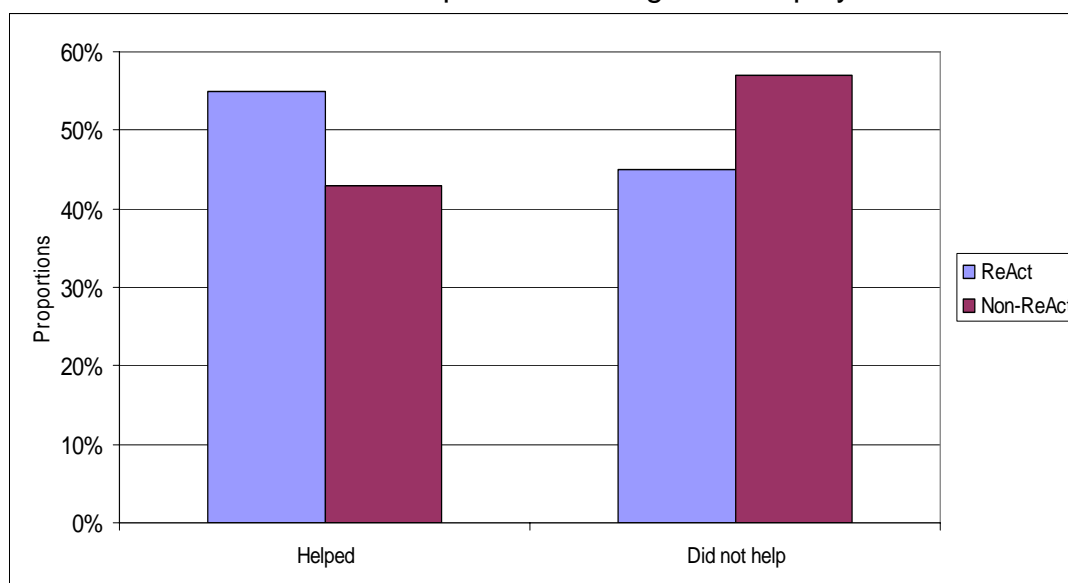
Realistically, few participants would be in a position to complete a NVQ level 4 qualification in that time, unless they already had a NVQ level 3 qualification or possessed the skills and evidence needed to undergo a process of accrediting their prior learning (APL). It is also notable that the requirement for employers applying for ETS is, 'where possible ... [to] make every effort to provide training to at least NVQ level 2 (or equivalent)',<sup>50</sup> rather than level 4, suggesting some internal inconsistency within the Business Plan.

- 4.38 The majority (79%) of ReAct participants enjoyed the courses that they pursued a great deal, and a further 18% said that they quite enjoyed them. Interestingly, proportionally more of those with no previous formal qualifications or those only qualified to NVQ level 1 said that they enjoyed their courses a great deal, although those qualified to NVQ level 5 also seemed particularly enthusiastic. Perhaps it is not surprising that people who completed their courses were somewhat more likely to say that they enjoyed them a great deal than those who did not complete. The majority (91%) of respondents to our survey of unsuccessful applicants also said that they had enjoyed the courses which they had undertaken.
- 4.39 Respondents to both surveys were mixed in their views about the extent to which the training they had undertaken had helped them secure employment afterwards, although a greater proportion of those who had benefited from VTS perceived that the training they undertook had been helpful. In both cases proportionally more men than women thought that the training had helped them get new jobs.

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<sup>50</sup> <http://wales.gov.uk/topics/educationandskills/skillsandtraining/reactemployers/employerreact/trainingsupport/?lang=en>, accessed March 2011

Figure 4.5: Proportion of Respondents who Undertook Training Believing that it had been Helpful in Securing New Employment



Base: those undertaking training achieving employment post redundancy.  
 ReAct participants = 495, unsuccessful applicants = 28

4.40 Of those who believed that the training they had undertaken had been helpful, three quarters (74% and 75% respectively) thought that it had helped by giving them the qualifications they needed. Proportionately more men responding to our survey of ReAct participants believed this to be the case (82%) than women (59%), as did respondents who had no previous qualifications as well as those already holding qualifications at NVQ level 2. However, proportionately more women and older people (aged 45 and above) felt that VTS had been helpful in that it had given them the skills necessary to get a job and that it had given them the confidence to apply for particular posts. It is notable that 75% of those who did not complete their courses felt that the training undertaken had, nevertheless, given them the skills necessary to get a job and 25% felt that it had given them the confidence needed to apply for particular jobs.

4.41 Our survey of ReAct participants showed that the offer of VTS was crucial to most respondents' decision to undertake training, with 81% saying that it was unlikely that they would have done the training which they undertook without the offer of support. Only 7% thought it very likely that they would

have undertaken the training anyway and 12% thought it fairly likely. This finding was certainly echoed by our face to face discussions with ReAct participants, with individual contributors commenting that 'to be honest, the cost of the training would probably have put me off ... so ReAct was very good for me in that it meant that I could afford it' and 'my course fees were paid for ... it's a big difference ... courses these days aren't cheap'. One contributor conceded that he 'probably would have done some training in any event ... possibly ... though probably not quite the same thing', on the basis that the course he undertook would have been too expensive for him to fund from his own resources. Our survey of unsuccessful applicants also corroborates this finding in that 29% of respondents said that they had undertaken training since being made redundant, with only 36% of those (or 10% of all respondents) paying for the training themselves.

4.42 Turning back to our survey of ReAct participants, proportionately more of those with no previous qualifications or with qualifications at or below NVQ level 1 (84%) said that it was very unlikely that they would have undertaken training without support, possibly reflecting the (low) value which they attached to education and training and skills. By the same token, proportionately more respondents (24%) in the 35 to 44 age group thought it likely that they would have done some training without ReAct support. These findings provide useful indicators of both additionality and its converse, deadweight, attached to the programme and suggest strongly that the value added by the ReAct may not be distributed evenly across all categories of participant, with the greatest difference being made to people with no or only low-level qualifications (and less difference being made to those with prior higher level qualifications) and the least difference being made to people aged 35 to 44, compared to other age groups.

4.43 Two fifths (42%) of ReAct participants had received Vocational Training Extra Support (VTES) to help with the additional costs of undertaking training. Most of these (85%) had received help with travel/accommodation costs, whilst 20% had received support with course fees and 13% had been helped with the costs of learning materials. This support was also generally

thought important, with 55% of respondents saying that they were unlikely to have undertaken the training without the VTES, in addition to the VTS.

4.44 Just over a third (37%) of ReAct participants had done more training since that funded by VTS. The proportion of those undertaking further training was lowest amongst respondents who previously had no formal qualifications and amongst those who were not employed at the time of our survey. Indeed, 70% of those who had undertaken subsequent training said that their employer and/or ReAct funding (e.g. via ETS) had paid for that training with proportionately more men than women saying that this was the case. It is notable that 15% of respondents said that they had paid for further training themselves with that proportion rising to 44% of individuals already holding qualifications at NVQ level 5. Those who previously had no or only low-level qualifications were the least likely to have paid for any additional training themselves.

4.45 Just over half (54%) of those undertaking further training said that it was they who had decided to do so, and 30% said that it was their new employers' decision. Women were proportionately more likely to have decided for themselves, whilst men were more likely to have undertaken further training at their employers' behest. There was a clear correlation between respondents' propensity to undertake further training of their own volition and the highest level of qualification they previously held, with the best qualified being substantially more likely to have undertaken further training of their own volition. This again suggests that there is a lower level of additionality attaching to publicly funded training for well-qualified people. Those not in employment and those who had not worked since being made redundant were also more likely to have decided to pursue further training for themselves.

4.46 The further training undertaken by respondents tended to relate to their new jobs, with 75% saying that this was the case. Almost two thirds (64%) of those who had undertaken further training had also achieved a qualification as a result of doing the course, with 27% saying that the subsequent

qualification was at a higher level than any other they previously held. Almost three quarters (73%) of respondents said that they needed this additional qualification to get a specific job that they were interested in doing.

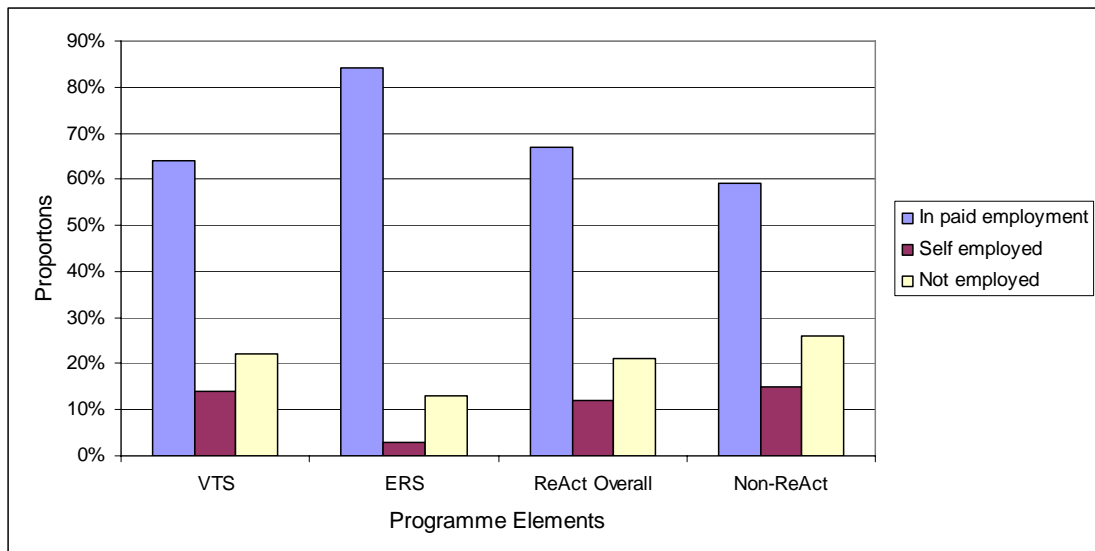
- 4.47 Most of the individuals we met face to face had undertaken some training since starting their new jobs, but none of this training had been funded by ReAct ETS. The bulk of the training undertaken by contributors was delivered in-house by their new employers and was generally job specific. None had achieved externally accredited qualifications, although two had participated in a highly respected engineering training programme which was pitched at a level equivalent to NVQ 2/3 units. Whilst neither contributor had any intention of leaving their new jobs, one commented that it would be 'nice' had the course been accredited, on the basis that the qualification would be portable, should the need ever arise in the future.
- 4.48 Two thirds (66%) of ReAct participants who had undertaken training since being made redundant thought it likely that they would undertake further training in the next year or so. This compared to 52% of unsuccessful applicants. In both cases, proportionately more respondents in the 25 to 34 and 35 to 44 age groups expected to do more training, whilst rather disturbingly, proportionately fewer in the 16 to 24 age group thought that they would. Whilst a similar proportion of respondents who were in paid employment (66% and 60%) said that they were likely to undertake further training in the next year, there was a marked difference amongst self employed individuals, with 77% of ReAct participants saying that they probably would do more training, compared to 45% of unsuccessful applicants. This might indicate that ReAct support helped to reinforce the value of training amongst participants, although it is also possible that individuals who applied successfully for ReAct VTS (as opposed to ERS) were better disposed towards training in the first place.
- 4.49 Our survey of ReAct participants also showed that those holding qualifications at or above NVQ level 4 as well as those with no formal

qualifications were considerably more likely to see themselves undertaking further training in the next year or so.

## EMPLOYMENT

4.50 Figure 4.6 below illustrates the current employment status of respondents to our two surveys. It breaks down the employment status of ReAct participants according to whether they benefited from VTS or ERS/ETS, albeit that a number of respondents will have benefited from both. Where this is the case, they are included in both VTS and ERS charts.

Figure 4.6: Current Employment Status of Individuals Responding to our Surveys



4.51 Overall, 79% of ReAct participants were either in paid employment or self-employed at the time of our survey, compared to 74% of those who applied unsuccessfully for ReAct support. Across both surveys, those least likely to be employed or self-employed fell into the 55 to 64 age group and, in the case of unsuccessful applicants, the 16 to 24 age group.

4.52 Almost three quarters (74%) of ReAct participants in paid employment and 69% of unsuccessful applicants were working for the same employer that took them on immediately after they were made redundant. Amongst ReAct participants, women were slightly more likely than men to have worked for

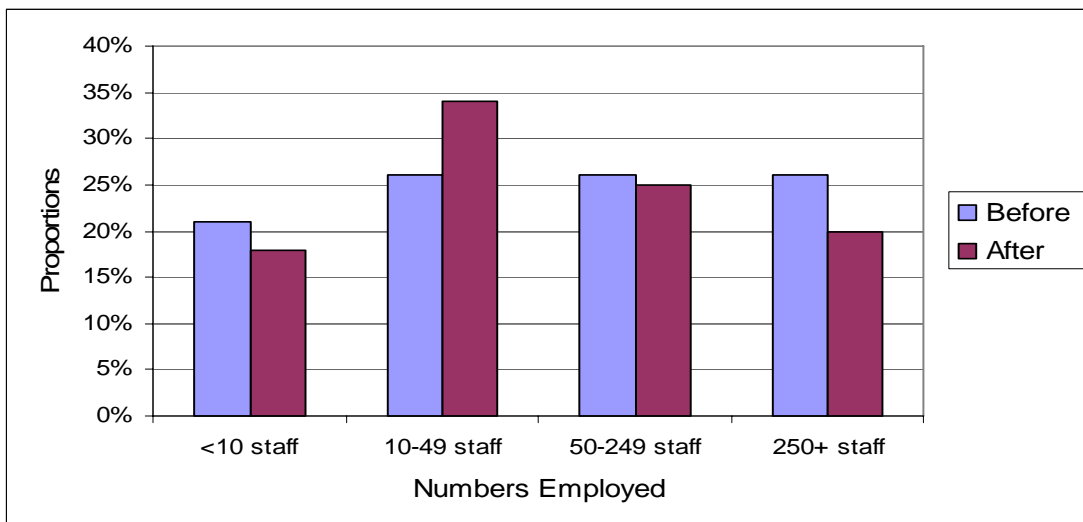


another employer since being made redundant as were people in the 25 to 34 age group. By contrast, a greater proportion of women who had applied unsuccessfully for ReAct support than men had remained with the employer that first took them on after they were made redundant.

4.53 There was some correlation between the size of the organisations for which respondents to both surveys previously worked and the chances of their remaining with the employers that first took them on following redundancy. Those who previously worked in smaller firms were generally more likely to have stayed with the organisations which subsequently took them on. In contrast, respondents who previously worked more than 32 hours were more likely to have worked for more than one employer since being made redundant than those who previously worked on a part-time basis.

4.54 Both surveys suggested a shift in employment towards organisations employing between 10 and 49 people and away from larger firms, particularly those employing more than 250 people. As illustrated in Figure 4.7 below, our survey of ReAct participants also suggested a small shift away from employment in firms employing fewer than 10 people.

Figure 4.7: ReAct Participants by Size of Previous and Current Employer



Base: Previous = 600, Current = 400

4.55 The majority of respondents to both surveys who had had continuous employment with their new employer (88% of ReAct participants and 95% of

unsuccessful applicants) were doing the same job at the time of our surveys as they were taken on to do. Of the ReAct participants who had changed jobs, 68% had been given a more demanding role or been promoted, whilst 24% had been given a different role or moved sideways. Women were more likely to have been promoted than men as were respondents in the 45 to 54 age group. It is also notable that individuals holding qualifications at NVQ level 2, as well as those with NVQ level 5 qualifications, were likely to have been promoted, though given that older respondents were also more likely to have been promoted, they may well have simply had the experience needed to do more senior jobs.

4.56 Of the ReAct participants who had worked for more than one employer since being made redundant, 70% had worked for one other employer only, 19% had worked for two other employers and the remaining 11% had worked for more than two other employers. A slightly greater proportion of unsuccessful applicants (78%) had worked for only one other employer, with 11% working for two other employers and 11% working for more than two other employers since being made redundant. On the whole, respondents who had worked for more than one employer left their first or second jobs within six months (60% and 56% respectively) or within 12 months (87% and 84% respectively). The reasons given by respondents to both surveys for leaving employers varied, but it is notable that a greater proportion of unsuccessful applicants (62%) than ReAct participants (46%) left employers for non-voluntary reasons such as being made redundant, being dismissed or because short term contracts came to an end. Other respondents left jobs voluntarily because they did not enjoy what they were doing, they thought that pay was too low or, more positively, they wanted to set up on their own. It is notable that amongst ReAct participants, beneficiaries of VTS only were marginally more likely to have been laid off by subsequent employers, whilst those who benefited only from employer recruitment and training support were marginally more likely to have left of their own volition. In this context, it is worth noting that a number of the contributors we met in person said that they would have done 'anything and everything' to avoid spending time 'on the dole', with one commenting that 'in the current economic climate you

have to take what's available. Two contributors explained that, despite being highly skilled individuals, they had taken up unskilled jobs in the first instance, but had left those when better, more skilled jobs were advertised locally.

4.57 Just under half of ReAct participants (45%), believed that ReAct had helped them get their current jobs. Men were more likely to say that this was the case than women (48% compared to 38%) as were respondents in the 25 to 34 age group. There was no real correlation between the highest previous qualification held by respondents and their perception of the part played by ReAct in helping them get their current jobs: the groups most likely to perceive that ReAct helped them secure their current jobs were at opposite ends of the qualifications spectrum i.e. those holding qualifications no higher than NVQ level 1 and those holding qualifications at NVQ level 5. The respondents most likely to say that ReAct definitely did not play a part in helping them secure their current jobs were those holding qualifications at NVQ level 2 and 3.

4.58 Respondents who had benefited from a combination of different elements of ReAct support were more likely to relate that support to their securing their current jobs, with 70% of those benefiting from a combination of AG, VTS and ERS/ETS saying that ReAct had been helpful. Respondents who benefited from only one element of the programme were less likely to say that it had helped, with 46% of those benefiting from VTS only saying that ReAct had helped, compared to 58% of those benefiting from ERS/ETS. Of those that perceived that ReAct had helped them secure their current jobs, 51% said that it had done so by enabling them to secure a qualification they needed to get and keep a job, 35% said that it enabled them to get the skills they needed and 19% and 16% said that the employer training grant and wage subsidy respectively made them more attractive to their new employer.

4.59 On the whole, a greater proportion of less well-qualified people perceived that the ERS and ETS had been helpful in enabling them to secure their

current jobs. Female respondents, on the other hand, were considerably less likely to think that the ERS or ETS had played an important part in making them more attractive to their new employers.

4.60 Individuals who we met face to face were also mixed in their views about the extent to which ERS/ETS helped them secure employment, with some saying that it 'made a big difference ... I wouldn't have got the job without the carrot of [ERS] funding' and 'it was an additional selling point ... that made me more confident in approaching employers, because I knew other candidates might not come with funds'. One contributor argued that ERS is useful because it is targeted at 'people who are genuinely looking for work as opposed to the long-term unemployed', many of whom this individual felt go through the motions of applying for jobs with no intention of working. In essence, this contributor saw ERS as a badge of respectability and quality that he could present to prospective employers.

4.61 Of the 55% of respondents who did not think that ReAct had helped them to get their current jobs, 42% said that they secured the jobs because they already possessed the skills which their employers were looking for and 16% said that they had the qualifications needed. Some 14% said that they had the attitude that the employer was looking for and 8% said that they had the experience which the employer required. Almost a quarter (22%) said that they already knew their new employer and 7% said that the employer had actually approached them. It is perhaps not surprising that older people were more likely to say that they were already acquainted with their new employer, though it is interesting to note that men were more likely to say this than women, at 26% compared to 15%. Indeed, a handful of the contributors we met face to face were candid that they already had jobs to go to when they heard about ReAct support. One individual commented that 'they [Careers Wales] came in to talk to us, but to be honest, I didn't take any notice ... it made no difference to me because I already had this job lined up'. It was also notable that some contributors had been taken on by companies which had bought the assets of organisations which had made them redundant and gone into liquidation. Although contributors were

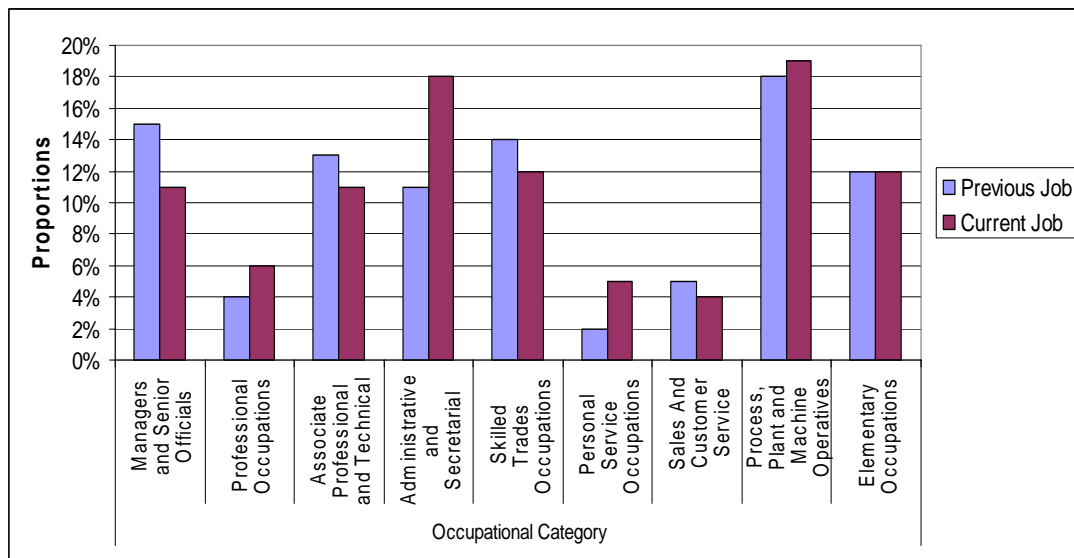
'approached by a former colleague', they thought that ERS might have been 'an extra carrot' that ensured that they were selected over other candidates. Whilst acknowledging that ERS might have helped make them slightly more attractive to employers, however, a number of contributors said 'I'd like to think that they [their employers] considered other things and that ReAct just edged it a bit my way' and 'ReAct was an extra incentive ... but a couple of grand is a drop in the ocean for a large employer'.

- 4.62 A significant majority (89%) of respondents in paid employment said that, in the absence of ReAct support, they would have looked for a job on their own, with 64% saying that they would have looked for help from sources such as JobCentre plus in doing so. A third (34%) said that they would have done some voluntary work as a step towards paid employment and 31% thought that they might have gone back into education/training. Respondents in the 16 to 24 and 25 to 34 age groups were most likely to say that they would have gone back into education and training. It is notable that respondents without formal qualifications were the least likely to think that this would have been an option to them. Just over a third (34%) of respondents said that their chances of getting the same or equivalent job under their own steam would not have been as good without ReAct support, whilst just over half (53%) thought that their chances would have been about the same and 11% said that they chances would have been better.
- 4.63 Figure 4.8 shows the occupational distribution of respondents to our survey of ReAct participants prior to being made redundant and at the time of our survey. Overall, the chart shows that the new jobs secured by respondents were pretty much in line with what they had done previously, albeit that there was a slight 'dumbing-down' of roles, with a decline in the proportions of respondents working in 'Managerial/Senior', 'Associate Professional/Technical' and 'Skilled Trade' occupations, and a growth in the proportions working in 'Administrative and Secretarial' and 'Process, Plant and Machine Operative' roles. Although a degree of caution is needed in comparing these patterns to trends across the Welsh workforce, it is notable that the slight shift in ReAct respondents' occupational profile rather bucked

the wider workforce trend. Across the Welsh workforce as a whole, there was a slight growth during 2009/10 in the proportions holding 'Managerial/Senior' and 'Associate Professional/Technical' posts and a decline in those working in 'Administrative and Secretarial' and 'Process, Plant and Machine Operative' occupations (see Annex 1).

4.64 These overall figures mask some rather more significant changes in the occupational profile of female respondents, however. There was a far sharper decline in the proportion of women holding 'Managerial/Senior' and 'Associate Professional/Technical' posts and a far sharper rise in the proportion working in 'Administrative and Secretarial' roles. In this context, it is notable that a marginally lower proportion of women than men said that their current jobs were in line with what they wanted.

Figure 4.8: Occupational Distribution of ReAct Participants before Being Made Redundant and at the Time of Our Survey



4.65 Our survey of unsuccessful applicants revealed a rather sharper shift away from 'Managerial/Senior' roles (-12%) though in this case, there was a compensating growth in 'Associate Professional/Technical' posts (13%), rather than 'Administrative and Secretarial' ones. There was also a marked decline in the number of respondents occupying 'Process, Plant and Machine Operatives' (10%) roles and a compensating growth in individuals in 'Elementary Occupations' (11%). In this context, it is notable that a lower

proportion of unsuccessful applicants (71%) than ReAct participants (80%) responding to surveys said that they were in the kinds of jobs that they wanted.

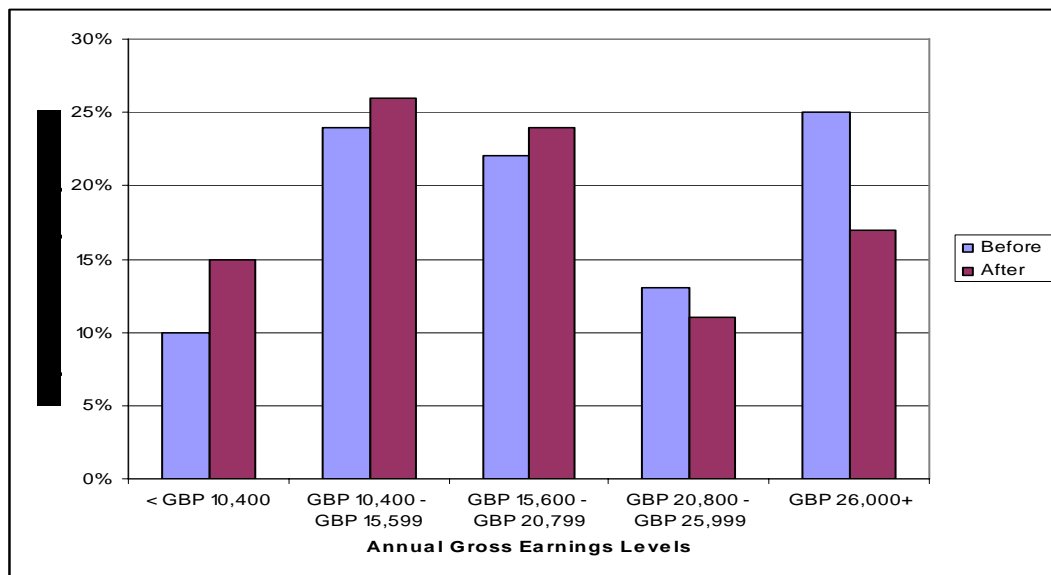
- 4.66 There was a shift away from full time employment (more than 32 hours per week) among respondents to both surveys, although the decline in full time working was slightly sharper among respondents to our survey of unsuccessful applicants. There was a decline of 12% in full time working among men who applied unsuccessfully for ReAct support compared to 4% among ReAct participants. The proportion of female respondents to both surveys working full time fell by 11 percentage points. Among ReAct participants higher proportion of men than women worked full-time, at 92% compared to 59% and proportionately more women shifted to part-time employment following redundancy. Respondents in the 35 to 44 and the 55 to 64 age groups were also more likely to have moved into part-time employment.
- 4.67 The shift from full to part-time working reflects the trend seen across the whole of the Welsh workforce between 2008 and 2010, though the incidence of full-time working fell more sharply among respondents to both our surveys. Labour Force Survey data<sup>51</sup> further suggest that the increase in part-time working owed something to people not being able to find full-time employment, which accords with the sentiments expressed by ReAct participants to whom we spoke that any job was better than none (see item 4.56 above).
- 4.68 Figure 4.9 shows the distribution of respondents to our survey of ReAct participants by earnings. Overall 10% fewer respondents earned more than £20,800 per annum prior to their being made redundant than at the time of our survey, with this decline extending to 12% amongst female respondents. A greater proportion of respondents aged 45 or older earned £26,000 or more before being made redundant and this group was particularly

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<sup>51</sup> Labour Force Survey: Full-time, part-time and temporary workers: by Government Office Region (GOR)

vulnerable to having experienced a decline in earnings by the time of our survey. Our face to face discussions with ReAct participants confirmed this finding and suggested that it reflects, in part at least, the shift towards less responsible jobs and towards more part-time employment. Those in the 25 to 34 age group were least vulnerable to a change in earnings levels as a result of being made redundant, although individuals in this age group tended to earn less than older respondents in the first place.

Figure 4.9: ReAct Participants in Employment by Annual Gross Earnings Before and After Redundancy



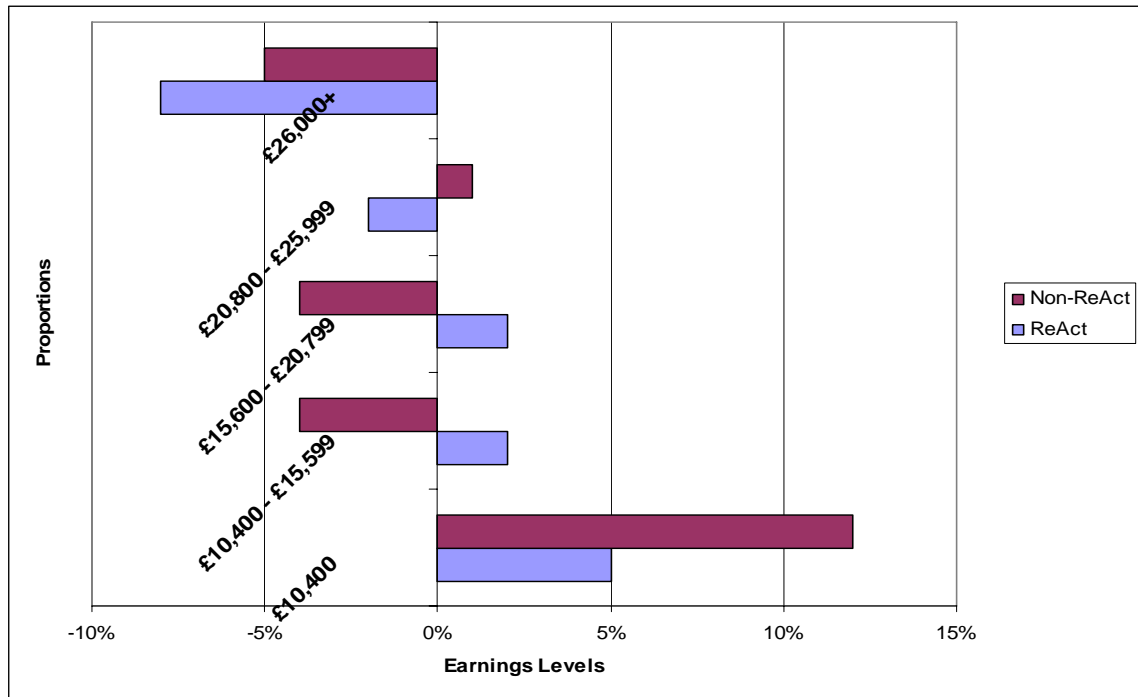
4.69 Respondents with qualifications at NVQ levels 2, 3 and 4 were also less vulnerable to a decline in earnings as a result of being made redundant, with those at either end of the qualifications spectrum, holding NVQ level 1 and level 5 qualifications being most likely to have seen a decline in their earnings.

4.70 Figure 4.10 below shows that respondents to our survey of unsuccessful applicants were also vulnerable to reductions in earnings, though in this instance, the proportion of respondents earning in excess of £20,800 only declined by 4%. However there was a growth of 12% amongst respondents earning less than £10,400 per annum, with individuals earning between £10,400 and £20,799 per annum most vulnerable to a decline in earnings. Again these shifts probably owe something to survey respondents moving



into less responsible jobs and into part time employment following redundancy.

Figure 4.10: Change in ReAct Participants and Unsuccessful Applicants' Earnings After Redundancy



4.71 Some 12% of ReAct participants were self-employed at the time of our survey, compared to 15% of unsuccessful applicants. Just under a quarter (22%) of ReAct participants and a third (33%) of unsuccessful applicants who became self-employed did so because it was something that they had wanted to do. This applied to a slightly higher proportion of ReAct participants in the 45 to 54 age group. However, the majority of respondents to both surveys who became self-employed did so for rather less positive reasons including their seeing little prospect of getting another job (this applied to 29% of ReAct participants and 40% of unsuccessful applicants responding to our surveys) and their being offered work on a self-employed basis (this applied to 12% and 13% of respondents respectively). To some extent this is corroborated by the fact that the majority of respondents to both surveys (74% and 67% respectively) did not become self-employed immediately after being made redundant, with some taking one or more jobs in the meantime.

- 4.72 Two thirds (64%) of respondents to our survey of ReAct participants who had become self-employed felt that the programme had helped them to do so, with that proportion ranging from 61% of men to 73% of women. Those in the 55 to 64 age group were the most likely to say that ReAct had helped them in this respect. Respondents said that ReAct had helped them by enabling them to get a qualification (51%) and/or the skills (43%) they needed to do what they wanted to do on a self-employed basis. Some 15% said that the careers advice they received had given them the motivation to set up on their own and 13% said that careers advice had given them the confidence that they could do it and succeed.
- 4.73 Three quarters (73%) of the ReAct participants who became self-employed thought that they would have looked for a job had they not set up on their own, with 59% saying that they would have looked for help from agencies such as JobCentre Plus. A third 32% said that they would probably have gone back into education/training and a fifth (19%) said that they would have done voluntary work.
- 4.74 Some 70% of ReAct participants and 60% of respondents to our survey of unsuccessful applicants who became self-employed said that they worked more than 32 hours a week. Across both surveys, a greater proportion of female than male respondents worked part-time, generally between 16 and 32 hours a week.
- 4.75 A substantially greater proportion of self-employed participants than those in paid employment said that they earned less than £10,400 a year (36% compared to 15%), though at the other extreme, a greater proportion also said they earned £26,000 a year or more a year (at 25% compared to 17%). Those in the 25 to 34 age group, on balance, earned most, whilst those in the 55 to 64 age group earned least, which to some extent reflects the fact that they worked fewer hours. The picture was less clear amongst unsuccessful applicants in that 43% of those surveyed either preferred not, or were not in a position, to disclose their earnings.

4.76 A fifth (21%) of ReAct participants were not employed at the time of our survey compared to 26% of unsuccessful applicants. As shown in Table 4.9 below, a markedly higher proportion of unsuccessful applicants than ReAct participants were registered unemployed at the time of our survey, whilst a higher proportion of ReAct participants were in education or training.

Table 4.9: Status of Non Employed Respondents to our Surveys

	Participants Surveyed (n=127)	Unsuccessful Applicants Surveyed (n=26)
Registered unemployed and available for work	43%	73%
Not registered unemployed but seeking work	24%	19%
In education or training	12%	4%
Doing voluntary work	3%	4%
Looking after family/home	10%	4%
Retired	3%	-
Incapable of work due to long-term illness or disability	12%	4%
Other	2%	4%

4.77 Some 93% of ReAct participants and 100% of unsuccessful applicants who were out of work had tried to get a job since being made redundant. Indeed, across both surveys, a half (57% and 50% respectively) of respondents had worked since being made redundant, though roughly two thirds in each case left those jobs within six months and the remaining third left within a year. Respondents most commonly left those jobs involuntarily i.e. because they were made redundant, were dismissed or because short term contracts came to an end.

4.78 A small majority of respondents to both surveys (57% and 54% respectively) who were not employed believed that they had not succeeded in finding employment because there were no jobs in their localities, though men (at 66% and 56%) were more likely to say this than women (at 39% and 50% respectively). A quarter (24%) of ReAct participants and almost half (46%) of unsuccessful applicants believed that a lack of qualifications and/or skills

hindered their efforts to secure employment. Age was also seen as a factor which prevented 16% of non employed ReAct participants and 31% of non employed unsuccessful applicants from getting jobs.

## 5 FINDINGS – EMPLOYERS’ PERSPECTIVE

### INTRODUCTION.

- 5.1 In this chapter we draw upon the findings of our telephone survey of 100 employers and face to face discussions with 11 employers who benefited from ReAct Employer Recruitment Support (ERS) and, in some cases, ERS and Employer Training Support (ETS). In turn we:
- present the profile of respondents to our survey (section 5.2);
  - discuss responding employers’ wider human resource management practices (section 5.3)
  - discuss the routes by which employers became involved with ReAct (section 5.4);
  - discuss the effects of ReAct Employer Recruitment Support (section 5.5);
  - discuss the effects of ReAct Employer Training Support (section 5.6); and
  - discuss other effects of the ReAct programme upon employers.

### PROFILE OF SURVEY EMPLOYERS

- 5.2 Table 5.1 below compares the proportions of employers which participated in each employer related element of ReAct to the proportions responding to our survey. It is notable that firms employing fewer than 10 people were considerably more likely to have received ReAct ETS than the norm.

Table 5.1: Elements of the Programme with which Employers had been Involved

Programme Element	Total Employers *	Employers Surveyed (n=100)
Employer Recruitment Support	100%	90%
Employer Training Support	24%	52%

\* Source: EDMS Database

5.3 Table 5.2 shows the number of participants which companies recruited with ReAct support. It shows that four fifths of companies took on one person only and, at the other extreme, that only 1% of firms took on more than 10 people. However, just short of half of all recruits were taken on by organisations recruiting only one ReAct participant whilst those taking on more than 10 people accounted for 15% of all recruits.

Table 5.2: Analysis of Participating Employers by Number of Participants Recruited

Number of Employees Recruited	Number of Companies*	% of all Companies	Number of Recruits	% of Recruits
1	745	80%	745	48%
2	87	9%	174	11%
3-5	67	7%	243	16%
6-10	22	2%	159	10%
>10	12	1%	227	15%
Total Numbers	933		1548	

\* Source: EDMS Database

5.4 Table 5.3 below shows the distribution of employers surveyed by size in terms of the number of people they employ. Information about the size of businesses benefiting from ReAct is not captured on the ReAct (EDMS) database and it was not, therefore, possible to compare the structure of the sample to the population of businesses involved in the programme. However, we do show the distribution of Welsh businesses in terms of the numbers of people they employ. Given the lower propensity for the smallest employers to access Government support of any kind, ReAct appears to be having reasonable success in reaching micro-businesses, even though the penetration rate is clearly far lower than for medium sized and large employers.

Table 5.3: Distribution of Survey Participating Employers by Number of Employees

Number of Employees	Welsh Business Population*	Employers Surveyed (n=100)
<10	94%	39%
10-49	4%	35%
50-249	1%	17%
250+	1%	9%

\* Source: Statistics for Wales 180/2010: Size Analysis of Welsh Businesses, October 2010

5.5 The EDMS database includes Standard Industrial Classification (SIC) codes for just over two thirds (67.8%) of participating businesses, with the remaining third (32.2%) having been classified as 'other'. Some of the businesses which have been SIC coded and which appear on the database more than once (having, for example, taken on more than one employee with ReAct support), have been allocated different SIC codes in relation to different 'transactions'. These factors clearly undermine our ability to report on the sectoral make up of businesses involved in the Programme. On this basis, Table 5.4 compares the distribution of the Welsh business population by SIC to those that responded to our survey.

Table 5.4: Distribution of Employers by Industry (un-weighted)

Industry	Total Enterprises*	Employers Surveyed (n=100)
Agriculture etc.	8.3%	0%
Production	7.0%	21.0%
Construction	20.7%	10.0%
Distribution, Retail, Transport, Hotels and Catering etc	23.4%	20.0%
Financial and Business Services	19.8%	14.0%
Public and other Services	20.8%	20.0%

\* Source: Annual Business Inquiry

5.6 Almost a fifth (17%) of the organisations surveyed were part of larger companies, 59% of which had their head offices in Wales. The majority of these larger companies (82%) employed more than 50 people and 41% employed more than 250 staff.

- 5.7 The 83% of companies surveyed which were not part of a larger group generally employed fewer people with 46% employing fewer than 10 people, 40% employing between 10 and 49 people, and only 14% employing more than 50 staff.

## **EMPLOYERS' WIDER HUMAN RESOURCE MANAGEMENT PRACTICES**

- 5.8 Almost two thirds (62%) of the companies surveyed had formal business plans which set out the organisations' objectives for the coming year, rising to 76% of employers which were part of larger organisations. Just short of two thirds (64%) of the organisations surveyed had formal training plans in place, which described the level and types of training need in the coming year. In the majority of cases (75%) training plans linked directly to the objectives set in respondent organisations' business plans. The degree to which employers responding to our survey have formal business and training plans in place compares favourably with the findings of the 2009 National Employers Skills Survey for England (NESSE), which revealed that 58% of employers had formal business plans and that only 43% had training plans in place. Having said that, however, our survey suggested that the businesses which engage with ReAct tend to be slightly larger than the norm and larger businesses generally make more use of formal management tools and practices.
- 5.9 Much in line with the findings of the National Employers Skills Survey for England, the degree to which respondents to our survey used formal planning approaches related strongly to the size of the organisation, with larger employers considerably more likely to have both business and training plans in place. For example, the proportion of respondents with business plans in place ranged from 41% of firms employing fewer than 10 people to 89% of those employing more than 250 staff.



- 5.10 A further parallel to the findings of the National Employers Skills Survey for England was that respondents from particular sectors had a greater propensity to have formal planning arrangements in place. Employers involved in sectors dominated by public service organisations almost universally had both business and training plans in place as did a majority of those sectors typically associated with the professions. Sectors which were least likely to have such plans in place included 'Manufacturing' and 'Wholesale and Retail Trade'. Whilst the small number of respondents prevent us from drawing definitive inferences, it is notable that only 40% of respondents from the 'Construction' sector had business plans, 80% had training plans in place, possibly reflecting the influence of the Construction Skills Certification Scheme (CSCS) upon the sector.
- 5.11 Over three quarters (77%) of the employers responding to our survey had formal job descriptions for at least some of their staff, with almost two thirds (63%) having job descriptions in place for all employees. A similar proportion undertook performance reviews with at least some of their staff, and two thirds (67%) did so with all staff. For two thirds (67%) of the employers surveyed, the performance review process involved the formal assessment of some employees' skills gaps, with 57% doing so for all staff. Larger organisations were generally more likely to employ these recognised human resource management practices, as were organisations in public service sectors. These findings again resonated with the findings of the National Employers Skills Survey for England.
- 5.12 Although small sample sizes prevented us from drawing definitive conclusions, it was notable that the occupational groups least likely to have formal job descriptions, to receive annual performance reviews or to be subject to skills assessments were 'Managers/Senior Officials' and those in 'Elementary Occupations': in essence, those at opposite poles of organisational hierarchies. 'Managers/Senior Officials' in small

organisations (employing fewer than 10 people) were significantly more likely to be without formal job descriptions than those in larger organisations, whilst 'Managers/Senior Officials' in larger organisations were more likely to go without an annual skills assessment. It is possible that this owes something to the prevalence of owner-managers within smaller businesses and of seasoned executives in larger ones.

5.13 Four fifths (81%) of the organisations surveyed had provided at least some of their staff with training in the last 12 months, excluding any training undertaken thanks to ReAct support. This proportion ranged from 59% of employers with fewer than 10 staff to 100 percent of those employing 50 people or more. Almost without exception, the training provided was in line with activities identified in the training plans of those organisations that had them in place. In this context it is notable that a significant proportion of the respondents from the 'Manufacturing' sector which had no formal training plans, had actually provided non-ReAct related training to staff in the previous 12 months.

5.14 Whilst smaller organisations were generally less likely to provide their staff with training, those that did so tended to train a greater proportion of their employees. The types of training which were most commonly delivered were:

- job specific/technical training, which was delivered by 94% of organisations responding to our survey;
- induction training, delivered by 83%;
- training for certificates which particular types of workers are required to have by law, delivered by 64%;
- ICT training, delivered by 59%;
- personal skills development (e.g. interpersonal skills and communication skills), delivered by 53% of organisations responding to our survey, though a significantly greater proportion of large organisations (employing 50 or more people)

than small organisations (employing fewer than 10 people) provided this kind of training;

- management skills development, delivered by 43%. Here again, larger organisations were considerably more likely to provide this kind of training;
- equal opportunities training, delivered by 38%;
- apprenticeships, delivered by 25%, with a greater portion of medium-sized organisations (employing 10 to 49 and 50 to 249 people) providing apprenticeships than of very small firms (employing fewer than 10 people) or large employers (with 250 or more staff).

5.15 The training provided was delivered in a range of ways, with most employers making use of more than one method of delivery. Almost four fifths (86%) of employers responding to our survey used their own staff to deliver training in-house whilst 65% used external providers to deliver training in the workplace. External providers were used to deliver training away from the workplace e.g. at a college or training centre by 79% of our respondents. A quarter (26%) of the employers which had provided some training had made use of computer-based training packages.

5.16 Just over half (52%) of the organisations which had formal business plans said that ReAct made no difference to their training policy, although 31% said that it had made a positive difference. Organisations with formal business plans were almost twice as likely to say that ReAct had a positive effect on training than those without such plans.

## **EMPLOYERS' ROUTE INTO REACT**

5.17 There was no one dominant source from which employers responding to our survey first heard about ReAct. Just over a quarter (27%) had heard about it by word of mouth, either from friends, colleagues, other employers or through business networks. A further quarter (26%) heard

about the programme from job applicants, with that proportion growing to as much as 41% amongst firms employing 50 – 249 people. Some 15% of respondents had heard about ReAct from the Welsh Government, including 7% via the programme website. Other sources included JobCentre Plus (8%), Careers Wales (4%), consultants (4%) and training providers (3%). Contributors to whom we spoke face to face had also heard about ReAct in a range of different ways, though a couple commented that the programme is not particularly well marketed and questioned the extent to which employers more generally are aware of its existence. Interestingly, one contributor commented that information about forthcoming redundancies is regularly shared at meetings of a business network to which she belongs, but to her knowledge, the availability of ERS to support other firms in taking-on redundant workers had never been discussed in this forum. Another contributor argued that business networks represent a particularly valuable vehicle for getting information over to business people who generally ‘file flyers in the bin’.

- 5.18 Once they were aware of ReAct, the individuals to whom we spoke during our fieldwork found it ‘simple’ enough to access information about the programme, either by ‘Googling’ ReAct or calling the number given on paperwork provided by job applicants. The overwhelming majority (97%) of respondents to our survey said that they had found the ReAct team helpful during the course of their involvement with the programme and this was reinforced by contributors to whom we spoke during our fieldwork. Contributors were generally complimentary about the clarity of the information they were given and the speed with which enquiries were dealt, often over the phone. One contributor described the ReAct team’s ‘decision making’ as a particular ‘strength ... which is surprising as government programmes don’t always have a reputation for that’. Others were a little more critical, however, arguing that ‘the delay of between seven and 10 days’ which the application process entails ‘makes no sense from a business perspective’ or, indeed, from the perspective of individuals wishing to take up new posts. It was

suggested that the speed with which applications are processed 'varies according to the officer dealing' with each application, with some said to be more prone to 'nit-pick' than others. To some extent, it is almost inevitable that grant application process will 'be too long for businesses' and slow recruitment down a little, even in 'real emergencies' where the ReAct team succeeds in 'turning applications around in 48 hours' or less.

- 5.19 A large majority of those who had had some involvement with JobCentre Plus (93%) and Careers Wales (91%) as a result of their engagement with ReAct also thought that they had been helpful. These high satisfaction levels are particularly notable given that only 67% of those who dealt with JobCentre Plus in relation to ReAct thought it likely that they would have contacted the organisation for help with recruitment/training issues had the programme not existed, despite 83% of these employers having had a previous dealings with JobCentre Plus. Some of the contributors to our fieldwork confirmed that JobCentre Plus was not a natural place for them to look for new staff, and particularly so, skilled staff.
- 5.20 The same was true of Careers Wales, with only 59% of respondents saying that they would have gone to Careers Wales for help with recruitment/training, despite 73% of them being acquainted with the organisation. Indeed, one employer, which had run into difficulties since taking people on with ReAct support, had sought help from Careers Wales in the run up to making people redundant, with the express aim of giving those employees 'a head start in looking for jobs'.
- 5.21 Some 70% of employers responding to our survey thought that the process of applying for ReAct to support would have been easier had they been able to do so online, rather than having to complete paper forms. Among the reasons given by the remaining 30% for preferring the existing system were a preference for paper-based forms (15%), lack of easy access to computers (7%), a dislike of using computers or

doing things online (7%), a preference for direct contact with ReAct staff (7%) and an understanding that paper-based information/evidence would be needed in any event (7%). In this context it is notable that a small majority (61%) thought that they would be more likely to respond to Welsh Government requests for information or surveys if they were able to submit it on-line.

## **THE EFFECTS OF REACT EMPLOYER RECRUITMENT SUPPORT**

- 5.22 Just over half (54%) of respondents to our survey had taken on one new employee with ReAct support, whilst 18% had taken on two people, 17% taken on between three and five and 9% taken on six or more individuals. Not surprisingly perhaps, smaller organisations (employing fewer than 10 people) were more likely to have taken on one person, whilst larger firms were more likely to have recruited larger numbers.
- 5.23 Two thirds (62%) of employers said that all of the recruits taken on with ReAct support were still on their books, whilst 23% said that some of the individuals recruited were still in post and 14% said that none were. There was a strong correlation between the number of individuals recruited by respondent organisations and the likelihood that all or some of the new recruits were still working for those firms. Firms recruiting small numbers of participants were considerably more likely to have retained the people they took on, whilst organisations taking on six or more people were more likely to have experienced at least some turnover.
- 5.24 Where recruits had moved on, 68% of employers said that they had left of their own volition whilst 27% said that they had been dismissed by the organisation or made redundant.
- 5.25 The majority (82%) of employers thought that the people recruited through ReAct had the right kinds of skills and qualifications when they

were taken on. The skills and/or qualifications which recruits were most commonly thought to lack were job specific/technical skills (88%), knowledge of the organisation (69%), ICT skills (50%), management skills (38%) and certificates which particular types of workers are required to have by law (38%).

- 5.26 A quarter (26%) of employers said that they had needed to offer new recruits flexibility in relation to working hours and 11% said that they needed to adapt working areas or practices in order to accommodate disability.
- 5.27 Almost three quarters (74%) of employers thought that they probably would have taken staff on, even in the absence of ReAct ERS. However, smaller employers were considerably less likely to say that they would have taken people on anyway, with only 56% of those employing fewer than 10 staff saying that they would have done so, compared to 94% of those employing between 50 and 249 staff and 100% of those employing more than 250 people. Whilst sample sizes mean that a degree of caution is needed in inferring any differences between sectors, our survey suggested that employers involved in delivering public services were more likely to have taken staff on anyway. Of those employers who said that they would have taken staff on in any event, 10% said that they would have recruited fewer people, whilst 70% said that they would taken on the same number.
- 5.28 Not all the employers we met were quite so adamant, however, with one commenting that ReAct made 'a big difference' to the company's decision to recruit and probably resulted in its recruiting more people than it otherwise would have. It was also thought that the fact that individuals need to be recruited within six months of being made redundant to qualify for ReAct support might have acted as a catalyst for bringing some recruitment decisions forward. Another company saw ReAct as a useful tool in implementing its policy of taking on

unemployed individuals rather than people already in work, which it sought to do as part of its approach to social responsibility.

- 5.29 A handful of contributors said that individuals taken on with ReAct support tend to have a 'better work ethic' than other, longer serving members of staff. One contributor speculated that this owed much to their having 'been made redundant ... and some of them, especially ones in their 50s and 60s [being] extra grateful to have a job'. Others said that ReAct participants are more appealing to employers than individuals who have been out of work for a long time because 'they're more work ready' and also more appealing than young people because 'they have more experience', and in some cases the 'skills' needed for 'highly specific roles'.
- 5.30 Just over two thirds (68%) of respondents said that they would have employed the particular individual/s that they recruited had ReAct ERS not been available. Again, smaller organisations were less likely to say that they would have taken on the particular individuals they recruited than larger organisations. The majority (79%) of respondents who said that they would have taken particular individuals on regardless were comfortable that in taking on the individuals that they recruited, they did not overlook better suited candidates.
- 5.31 Our face to face interviews with employers suggested even more strongly that most ReAct participants would have been taken on regardless of the offer of ReAct support. In short, contributors argued that businesses take people on because they need to and the offer of £2,080 in grant funding is not a particularly persuasive factor in arriving at the decision to recruit. This is illustrated by the following comments which were made by contributors:
- 'if an employer wants to recruit 10 people, they just take a decision and recruit 10 people';
  - 'to be honest, it probably made very little difference ... we would have recruited for those posts anyway';



- 'it made no difference whatsoever ... [the recruits] would have been taken on regardless, at exactly the same time, on exactly the same levels of pay';
- 'we took on another 30 [non ReAct funded] people or more at about that time ... the company was expanding and we needed to expand the size of the workforce';
- 'the cost of replacing inappropriate employees [taken on with ReAct support] would significantly outweigh the financial incentives';
- 'the turnaround time' involved in processing ReAct applications meant that one firm had recruited individuals eligible for ReAct without grant support in order to get them on the books straight away;
- 'the individuals we recruited fitted the bill absolutely ... they wouldn't have got the jobs otherwise'; and
- 'I suppose if you had two candidates who came through the interview process well and were pretty much equal, if one had ReAct money and the other didn't ... in that instance it might make a difference ... but to be honest, I can't remember that happening here ... and even if it did, if they were that good, we'd probably take the other person on as well'.

5.32 The majority of employers who said that they would not have recruited in the absence of ReAct believed that taking staff on with ReAct support had been beneficial to the business, with 41% saying that a failure to recruit would have prevented them from expanding their existing business, 34% saying that it would have prevented them from serving their existing customers and 28% saying that it would have caused them to lose customers.

5.33 Almost a third (31%) of employers said that the availability of ReAct ERS meant that they had recruited sooner than they otherwise would have. Here again, smaller firms were slightly more likely to say that this was the case. A quarter (26%) of those who thought that ReAct ERS had led to their recruiting earlier than they otherwise would have

estimated that it had accelerated recruitment by less than one month, two fifths (42%) by between one and three months and a third (32%) by more than three months.

- 5.34 Three fifths (61%) of respondents said that they would be more inclined to recruit redundant or unemployed people in future as a result of their involvement with ReAct, whilst 36% said that they would be less inclined to do so. Smaller businesses were generally more positive about recruiting unemployed or redundant people in the future and larger firms less so.
- 5.35 Having said that, however, 72% of respondents said that they had taken on unemployed people in the last three years or so, with large employers being slightly more inclined to say that this was the case. Allied to this, 49% of respondents said that they would have advertised vacancies via JobCentre Plus had ReAct support not been available, suggesting that they would have targeted economically inactive individuals.
- 5.36 Three quarters (74%) of employers said that they had recruited individuals working in other firms within the last three years, 42% said that they had taken on school/college leavers, 22% said that they had taken on agency workers and 12% said that they had recruited migrant workers. Larger companies were considerably more likely to have recruited school/college leavers as well as individuals working for agencies. Respondents in public service sectors were most likely to recruit individuals working for other employers, which one stakeholder argued was unhelpful in that such practice leads to labour turnover, which adds to employers' costs and reduces productivity.
- 5.37 Whilst the offer of ReAct support was not generally an important factor in the decision to recruit, the funding was regarded by the employers we met as a 'welcome bonus'. One contributor was candid that ReAct funding simply helped to alleviate 'cash-flow problems' as the business

grew, whilst another said that it released resources which enabled the company to buy new machinery. More commonly, however, contributors said that ReAct had helped 'boost' recruitment and training budgets and, thus, enabled other activities to be undertaken e.g. 'spending more on advertising for specialist posts', 'taking apprentices on trips' in order to enhance their learning experience and 'rewarding apprentices better' via a bonus scheme. A site manager to whom we spoke said that he had been given 'a big pat on the back' from the company's non-Wales based Human Resources Director as a result of his securing ReAct money, and that as a consequence the Director is 'more likely to say yes [to the site manager] for other things'.

## **THE EFFECTS OF REACT EMPLOYER TRAINING SUPPORT**

- 5.38 Respondents to our survey of employers indicated that of those businesses that benefited from ETS:
- 90% used ReAct support to provide job specific/technical training to new recruits;
  - 73% provided induction training;
  - 52% used it to support training for certificates which particular types of workers are required to have by law;
  - 37% provided ICT training;
  - 35% provided equal opportunities training;
  - 33% used it to support personal skills development; and
  - 23% used it to undertake management skills development.
- 5.39 Over three quarters (77%) of employers surveyed said that they would have provided this training to the new recruits had the ETS not been available, although businesses employing fewer than 10 people were considerably less likely to say this (at 55%) than their larger counterparts. Of those respondents who said that they would probably have provided training even in the absence of ETS, 93% said that they would have done so from their own resources.

- 5.40 Two thirds (67%) of employers said that they had provided new recruits taken on with ReAct support with additional training, not funded by ReAct. Virtually all (96%) of these respondents had provided job specific/technical training whilst 42% had provided ICT training, 40% had provided training certificates which particular types of work are required to have by law and 33% had provided personal skills development opportunities. In the majority of cases (78%), the additional training provided was delivered in-house, by organisations' own staff although 55% also used external providers to deliver training at their premises. In addition to this, 70% of respondents said that they supported recruits to undertake training away from the workplace, for example at college or a training centre. In the main, this training was funded by organisations themselves (83%), although 15% of respondents said that they had received a government grant (other than ReAct funding) to pay for the training and 9% said that it was free.
- 5.41 Our face to face discussions with employers very much confirmed the findings of our survey, with most contributors indicating that new recruits would have received at least some training regardless of ReAct support, on the basis that 'all recruits go through the company's standard training programme'. That is not to say that some ReAct participants did not receive more training than they otherwise might have, however, and there was a strong suggestion that ReAct grants were used to 'top up the training pot' within several organisations and, thus, help fund learning opportunities for other workers as well as ReAct participants. One contributor argued that the ReAct application process and grant had helped to 'embed a culture of training, focused on the needs of the business'.
- 5.42 Just over four fifths (83%) of employers responding to our survey who had dealt with external training providers found them helpful. Almost two thirds (62%) of respondents were already familiar with these providers and almost four fifths (79%) said that they were likely to have

gone to them for help with recruitment/training even in the absence of the ReAct programme.

- 5.43 Just over half (56%) of the organisations surveyed said that involvement with ReAct had made no difference to the way they feel about training, although 31% said that it had made them more positive about training. Having said that, however, almost half (49%) of respondents said that their organisation was more likely to invest in training as a result of their involvement with ReAct, with that proportion ranging from 54% of businesses employing fewer than 10 people to 33% of those employing 250 people or more.

#### **OTHER EFFECTS OF THE REACT PROGRAMME**

- 5.44 A fifth (21%) of employers said that they had received advice relating to the organisation's Equal Opportunities policies as part of their involvement with ReAct. A quarter (26%) of those that had received advice (5% of all our respondents) said that it had caused them to think more carefully about equalities, but had not led them to changing their practices. Some 16% said that it had caused them to revise or update their Equal Opportunities policy and 11% said that it had caused them to put an Equal Opportunities policy in place.
- 5.45 Just 16% of employers said that they had received advice relating to the organisation's Environmental Sustainability policies and 21% of these said that it had led them to think more carefully about environmental issues, albeit that they made no changes to their practices. However, 14% (or 2% of all employers interviewed) said that they did actually make changes to their Environmental Sustainability policies.
- 5.46 In undertaking fieldwork, we sought to target employers which operate outside Wales as well as in the Principality. Our hope was that this would allow us to explore the differences that ReAct makes to

organisations' recruitment practices: in essence, to probe the counterfactual. Although we met with representatives from 10 organisations which have sites outside Wales, the Welsh operations of most ran on a semi-autonomous basis and contributors were generally unsighted about HRM practices elsewhere within the companies.

- 5.47 Two such contributors did, however comment that ReAct should primarily 'be about helping the individual and not funding businesses', with one describing the ERS as a means of 'bribing' businesses to take on people that they would probably recruit in any event. This particular individual commented that 'regional development aid should be separated from training support of individuals and at the moment, maybe it's too blurry' within the ReAct programme'

## **6 CONCLUSIONS AND RECOMMENDATIONS**

6.1 In this chapter, we return to the objectives of this study and present our conclusions and recommendations in terms of:

- the effectiveness of the programme in terms of delivery, management and marketing - objectives five and seven;
- the effectiveness of the programme in meeting structural fund programme objectives and targets (objectives two, three and nine) and in assessing cost-cutting themes - objective four;
- the programme's cost effectiveness - objective six;
- the impact and effectiveness of the ReAct programme in supporting those individuals affected by redundancy, including consideration of added value, deadweight and counterfactual position – objectives one and eight;
- the impact of the programme upon employers - objective one;
- the appropriateness of programme content and its shape going forward - objective five and nine.

### **EFFECTIVENESS OF DELIVERY, MANAGEMENT AND MARKETING ARRANGEMENTS**

6.2 ReAct is a long established programme that has over recent years come to be seen as a flagship initiative of the Welsh Government. Over time, the Team Wales approach adopted for the implementation of ReAct has helped to forge stronger links between the Welsh Government, JobCentre Plus and Careers Wales at a strategic and operational level. More recently, the process of co-location is helping to strengthen relationships at the coal face between JobCentre Plus and Careers Wales.

6.3 The Team Wales approach also means that there is a regular flow of information, which enables partners to respond swiftly to changing labour market conditions. Feedback from Team Wales partners and other stakeholders, such as SSCs, has also enabled the ReAct team to

make changes which help ensure the efficacy and value of training undertaken by participants. Indeed, the 'learner-commissioned' model upon which the programme is predicated provides flexibility that is not available to 'supplier-led' mainstream training programmes such as Skillbuild and Modern Apprenticeships.

- 6.4 Careers Wales is central to the delivery of ReAct in that the AG process helps to ground individuals' aspirations whilst also helping them to recognise the skills and attributes they have to offer potential employers. It also plays a key part in helping individuals to identify how they might develop their skills to better equip them for the modern labour market and, by virtue of its role in endorsing VTS applications, ensuring the labour market relevance of training to be undertaken with ReAct support. Our fieldwork showed that Careers Wales' job-search advice is invaluable to many individuals, and most particularly those who have been in the same jobs for a number of years. The fact that Careers Wales' advice is free was important to respondents to our surveys and it is notable that proportionally more of those on low incomes found the service of value.
- 6.5 The overall management of the programme rests with the Welsh Government's Swansea based ReAct team. The team is well respected by stakeholders, not least because of its responsiveness to feedback and its preparedness to go the extra mile, as and when needed. Despite occasional inconsistency in its decision making, stakeholders felt that the ReAct team administers the application process efficiently and fairly. Indeed, with the occasional exception, employers felt that ReAct stood out among government grant schemes for the simplicity and swiftness of the ERS/ETS application and administration process.
- 6.6 Contributors to our survey of ReAct participants and the stakeholders to whom we spoke were mixed in their views of the potential merits of introducing an on-line application system. The main concern was that some individuals may not have the wherewithal to use an on-line



system and that this would either disadvantage them in securing support or place an additional burden upon Careers Wales and JobCentre Plus staff in guiding the 'computer illiterate' through the application process. There was also some concern that the introduction of an on-line application system could undermine the AG element of the programme.

- 6.7 Respondents to our survey of employers were generally more open to the prospect of an on-line application and monitoring process, though again, some had reservations. However, the recent introduction of EDMS II may well provide an opportune moment to look at developing an on-line system as a means of cutting the costs of processing applications, whilst also improving the accuracy and coverage of participant data.

**Recommendation 1:**

The ReAct team should prepare costed proposals for the development of an on-line application and participant tracking facility which links directly to the EDMS database. In doing so, the likely longevity of the ReAct programme should be taken into account and the input of those working at the coal-face (i.e. JobCentre Plus and Careers Wales advisers) should be sought.

The proposals should be discussed with Team Wales partners and, if the costs are not prohibitive, a prototype system should be developed for piloting in selected areas/situations. Depending on the outcomes of the pilot, an on-line system might be rolled out more widely, although the ReAct team will need to be clear about how potential applicants who are not comfortable in using computers can be accommodated.

- 6.8 The surge in demand for ReAct support which occurred in 2009 put considerable pressure upon the ReAct team (alongside Careers Wales staff), though both coped remarkably well with the unprecedented level of applications to be processed. The increase in demand also led to

unexpected pressure upon ReAct budgets and the programme team was faced with a considerable challenge in sourcing additional ESF and public sector monies to meet the needs of the numbers of people being made redundant. Programme projections have been re-cast on four separate occasions and, more recently, the team has been obliged to make changes to the programme's structure in order to manage within budgets.

- 6.9 The need to manage the programme within budgets clearly raises questions about how the programme should be marketed going forward. Hitherto, Team Wales partners have been the primary means by which ReAct has been promoted to individuals affected by redundancy and this has been a particularly effective means of reaching victims of large scale redundancies. It is acknowledged, however, that it is more difficult to reach individuals being made redundant by smaller firms, albeit that use is made of Team Wales partner's 'local knowledge' in targeting individuals in this situation.
- 6.10 It was also acknowledged that the ERS/ETS elements of the programme have probably been under-promoted, though the problem here may well be to do with employers' perceptions of government grant schemes in general rather than low levels of awareness or poor perceptions of ReAct specifically.
- 6.11 To some extent, the ReAct team faces a dilemma in deciding how to promote the programme. In essence, ReAct is only relevant to individuals being made redundant, the employers making them redundant (as a conduit for letting people know about the support available) and employers who are taking people on. This rather argues against blanket marketing ReAct and endorses the targeted promotion of the programme which has been done from time to time, using the local media.

## **EFFECTIVENESS IN MEETING STRUCTURAL FUND PROGRAMME AGENDA**

- 6.12 ReAct has already far exceeded most of the outputs targets set in the original Business Plans. The main exceptions to this relate to the numbers of women supported, as well as to the numbers of people with work-limiting health conditions/disabilities and lone parents supported. Allied to this, fewer people than expected have received help with caring responsibilities. It is possible that the fact that a lower proportion of women have been supported than originally envisaged because of the concentration of job losses in sectors dominated by male employment: 'manufacturing' and 'construction' in particular. Going forward, however, the likelihood is that female redundancies will become more commonplace as the public sector sheds labour and the programme will probably come back in line with expectations.
- 6.13 The numbers of participants benefiting from ERS also exceeded expectations, despite the prevailing downward trend in employment. It is possible that this can be accounted for by participants shifting from those sectors hardest hit by the recession e.g. 'manufacturing' and 'construction' to others less hard hit e.g. 'accommodation services and food', 'wholesale and retail', 'education' and 'public services'.
- 6.14 The programme's performance against results targets has been somewhat more subdued, with the numbers of participants attaining qualifications or securing employment falling short of both the original and revised targets for the programme. In reality, however, it is likely that this apparent underperformance has more to do with weaknesses or delays inherent within participant tracking/monitoring systems than poor results.

### **Recommendation 2:**

The ReAct team should seek to reinstate the system for monitoring participants' qualifications and labour market status. Not only would

such data help to demonstrate the effects and effectiveness of ReAct, but they would also enable the most effective targeting of support as resources become more limited.

Allied to this, the Welsh Government should consider using the data generated by this evaluation as the basis of a longitudinal study to explore the longer term effects of ReAct upon participants' employment experiences.

- 6.15 The survey of ReAct participants certainly suggested that VTS is helping individuals with no previous qualifications to step onto the qualifications ladder, though the time available to undertake training clearly restricts the extent to which people are able to progress, particularly toward the achievement of higher level qualifications.

#### **PROGRAMME'S APPARENT COST EFFECTIVENESS**

- 6.16 The ReAct business plans set out 'benchmark' costs for:
- number of participants
  - participants entering employment;
  - participants gaining qualifications;
- 6.17 The performance and financial information available would suggest that the programme was less cost effective than expected as at December 2010, with the costs per participant entering employment and gaining qualifications exceeding expectations by some margin. As discussed above, however, this is likely to owe more to delays in gathering data about participant results than the programme's failure to deliver the outcomes required.
- 6.18 This clearly highlights the need to address weaknesses within participant tracking/monitoring systems as a matter of some urgency.

## **IMPACT AND EFFECTIVENESS IN SUPPORTING INDIVIDUALS AFFECTED BY REDUNDANCY**

- 6.19 Our surveys demonstrated that AG is important to people being made redundant, with the overwhelming majority of ReAct participants and a significant majority of unsuccessful applicants claiming to have found the process useful. The surveys suggested that AG had the greatest positive impact upon people aged 45 years or more, as well as upon better qualified people. This might well be because AG sessions helped to highlight the skills they had (whether acquired through experience or training) and, thus, reinforce the qualities which they had to offer potential employers. Those with the least qualifications beforehand were less likely say that they found the AG process useful, possibly suggesting that it served to highlight deficits in their skills and the challenge which they face in securing and retaining good jobs.
- 6.20 Of course, AG was open to respondents of both our survey of ReAct participants and our survey of unsuccessful applicants, which means that it is not possible to talk about a counterfactual, 'policy-off' position in this context. However, it is possible to draw some inferences about the counterfactual position in relation to ReAct's effects upon training behaviours, given that ReAct participants received support, whilst unsuccessful applicants did not. Indeed, unsuccessful applicants probably represent a better match for participants in terms of their wider skills and employment profiles than any other group of individuals.

### ***Training Behaviours***

- 6.21 The most obvious indicator of the difference which ReAct makes to individuals' training behaviours is that almost three times as many participants as unsuccessful applicants undertook training having been made redundant, clearly suggesting a respectable level of additionality. Whilst some degree of deadweight might be inferred from the 29% of

unsuccessful applicants who also undertook training, it is notable that the training undertaken by 50% of these was publicly funded, pointing to an element of displacement rather than deadweight in the case of some 15%<sup>52</sup> of all unsuccessful applicants.

- 6.22 The survey of ReAct participants suggested strongly that the programme had a greater positive impact (additionality) upon the propensity to undertake training among individuals with no or only low-level qualifications. In contrast, it suggested that the greatest level of deadweight attached to those already qualified to NVQ level 3 and 4.
- 6.23 The proportion of ReAct participants completing the courses they signed up to do was high relative to other publicly funded programmes, although it should be acknowledged that a swathe of ReAct participants undertook comparatively short courses, and one would, therefore, expect higher completion rates. Nevertheless it is possible that the AG process, combined with the 'learner-commissioned' approach to training which ReAct entails, helps to ensure better completion rates.

### ***Qualifications***

- 6.24 A slightly greater proportion of respondents to our survey of ReAct participants than of respondents to our survey of unsuccessful applicants had undertaken training leading to the achievement of qualifications. The surveys also showed that a greater proportion of ReAct participants than unsuccessful applicants who achieved qualifications did so at a level higher than their previous best. However, the evidence of additionality was not as strong in this respect as it was relation to the programme's effects upon individuals' propensity to undertake training, which reinforces our finding that the achievement of qualifications is only one of the factors compelling individuals to undertake training.

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<sup>52</sup> (50% x 29%)

6.25 Allied to this, it is notable that the effects upon ReAct participants' highest qualification levels was most profound among those with no or only low level qualifications. This again suggests that the level of additionality attaching to ReAct is greater among the least well qualified and, arguably, the least well equipped to deal with redundancy.

**Recommendation 3:**

The Welsh Government should work with JobCentre Plus to explore how JSA rules might be changed to allow ReAct eligible claimants to undertake more intensive training (i.e. more than 16 hours a week) in order to ensure the more rapid acquisition of vocational skills and qualifications.

***Employment***

- 6.26 The launch of the current incarnation of ReAct<sup>53</sup> coincided with a sharp deterioration in economic conditions and large numbers of job-losses, particularly in sectors such as 'Manufacturing' and 'Construction'. Nevertheless, the majority of respondents to our survey of ReAct participants were in employment or self employment at the time of our survey, albeit that the effects of redundancy were apparent in terms of:
- a 'dumbing-down' of the kinds of jobs that respondents held, with individuals (women particularly) settling for less senior or less demanding posts following redundancy;
  - a reduction in full time working, and particularly so among women and older workers;
  - a decline in earnings, with the greatest impact being felt by older workers and people with no or only low level qualifications.
- 6.27 Although a majority of respondents were in work, an inescapable conclusion of our study is that ReAct involves a high level of

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<sup>53</sup> i.e. the 2008-14 ESF funded project

deadweight in relation to employment outcomes. Key indicators of deadweight include:

- 74% of respondents to our survey of unsuccessful applicants were in employment or self employment at the time of our surveys, compared to 79% of respondents to our survey of ReAct participants;
- 64% of respondents to our survey of ReAct participants who were in work thought that their chances of securing the same or equivalent jobs would have been about the same or better, even in the absence of ReAct support;
- 55% of the participants surveyed said that ReAct did not help them get a job;
- 74% of respondents to our survey of employers said that they would have taken staff on regardless of ERS/ETS;
- most of the employers we interviewed face to face were candid that they would have taken people on without ReAct support, describing ReAct funding as a 'bonus';
- some of the individuals we interviewed face to face said that they had received job offers before applying for ReAct support.

6.28 However, the evidence would suggest lower levels of employment outcome deadweight in relation to some groups of individuals than others and in relation to some kinds of businesses than others.

6.29 ReAct support seemed to have a more pronounced effect upon respondents' chances of finding and retaining alternative employment at either end of the age spectrum (i.e. those aged 16-24 and those aged 55-64). In the case of 55-64 year olds, individuals' failure to find jobs was mitigated to a degree by their becoming self-employed, with some suggestion that their decision to do so emanated from employers offering them jobs as sub-contractors rather than employees, thus avoiding employment related costs and risks.



- 6.30 At the other end of the age spectrum, however, our fieldwork with employers hinted at a slightly more malignant situation, with employers commenting that young people are a less attractive employment prospect because they lack the skills and experience which older people are likely to have.
- 6.31 Proportionally fewer respondents to our survey of employers who employed fewer than 10 people said that they would have recruited anyway, suggesting that ReAct support played a bigger part in encouraging them to recruit.

### **IMPACT UPON EMPLOYERS**

- 6.32 Although ReAct is primarily a programme aimed at mitigating the damaging effects of redundancy upon individuals' employment prospects, it clearly also impacts upon employers.
- 6.33 Our survey of employers suggested that a significant proportion of firms participating in ReAct already employed formal business planning and human resource management practices. This possibly suggests that they are not wholly representative of the business population as a whole as, indeed, did the fact that they were recruiting at a time when other firms were laying people off. The survey did show, however, that smaller firms are less likely to have formal planning or human resource management systems in place, as are those in three sectors which are important to Wales in employment terms - 'Manufacturing', 'Wholesale and Retail Trade' and 'Hotels and Restaurants'. There was also a strong suggestion that the use of training plans amongst firms in the 'Construction' sector is influenced by the existence of the CSCS scheme, rather than a more ingrained business or human resource management philosophy.
- 6.34 Given that a high proportion of employers responding to our survey said that they employed recognised human resource management

practices, it is not surprising that the majority said that they would have provided new recruits with training, regardless of ETS funding. This clearly points to a fairly high level of training related deadweight attaching to the programme, albeit that this was markedly lower among businesses employing fewer than 10 people than their larger counterparts.

- 6.35 Whilst the ETS element of ReAct undoubtedly involves a significant degree of training related deadweight, however, our fieldwork suggested a rather more complex situation with employers using ETS and, indeed ERS in many instances, to boost their recruitment and training budgets. In the main, this enabled them to cast their nets wider for specialist staff and, more commonly, to extend the training offered not only to ReAct participants, but also to other employees. Organisations without training plans were almost twice as likely to say that ReAct had made a positive difference to their training practices.
- 6.36 As discussed above, a majority of employers were candid that ERS funding made little difference to their recruitment decision, beyond accelerating the process by one or two months in some cases. However, our survey of employers did indicate that the grant support yielded other beneficial effects.
- 6.37 Involvement in ReAct influenced some respondent employers' attitudes towards redundant or unemployed workers, with almost two thirds saying that they would be more inclined to take on such individuals in future. In this context, it is notable that the majority of firms we surveyed still employed some, if not all of the people they took off with ReAct support, although some had been forced to lay off the individuals they had recruited.
- 6.38 Allied to this, it is also possible that the offer of ReAct support might have lessened the level of 'churn' within the labour market, in that the majority of respondents employers indicated that they were in the habit

of recruiting individuals working for other firms. It is arguable that their taking on ReAct participants might have helped to avoid unnecessary recruitment, induction and training costs, as well as the loss of productivity, for other firms not participating in ReAct.

6.39 It was clear that neither of the Structural Funds Programmes ‘Cross Cutting Themes’ were a particularly prominent feature of the ReAct programme from an employers’ perspective. However, a handful of firms responding to our survey said that ReAct had made them think more carefully about ‘equalities’, with some saying that it had led them to adopting or revising their Equal Opportunities policies. Given the programme’s focus on recruitment and skills, it is not altogether surprising that a rather smaller proportion of respondent employers had received advice in relation to their Environmental Sustainability policies.

## **PROGRAMME CONTENT AND THE WAY FORWARD**

6.40 Whilst ReAct comprises five elements<sup>54</sup>, they essentially boil down to two distinct strands: those elements centred on individuals (AG, VTS and VTES) and those centred on employers (ERS and ETS).

6.41 Our survey of individuals (both ReAct participants and unsuccessful applicants), as well as our face-to-face fieldwork suggested that a reasonably high degree of additionality attaches to the first of these strands i.e. those focused on the individual, with:

- AG helping individuals to make sense of their options following redundancy and, possibly to move forward more swiftly than they otherwise might;
- VTS enabling people to undertake training (leading to skills and qualifications) that they would not otherwise pursue.

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<sup>54</sup> Adult Guidance (AG), Vocational Training Support (VTA), Vocational Training Extra Support (VTES), Employer Recruitment Support (ERS) and Employer Training Support (ETS)

- 6.42 Whilst it was not possible to explore the counterfactual case in relation to AG, our parallel surveys of ReAct participants and unsuccessful applicants suggested that no more than some 15% to 30% of VTS beneficiaries were likely to have undertaken training in the absence of ReAct support (deadweight). The level of deadweight was lowest among respondents to our survey of ReAct participants with no or only low level qualifications beforehand, possibly arguing for the targeting of support upon such individuals.
- 6.43 This picture contrasts sharply with our findings in respect of the employer centred elements of the programme. It was clear that ReAct ERS/ETS had relatively little influence upon employers' decisions to recruit or, indeed, upon whom they recruited. Our surveys of individuals, our survey of employers as well as our subsequent discussions with employers suggest that the employer focused elements of the programme entail deadweight of some 60% to 70%. This echoes the findings of the 2008 evaluation of ReAct, which pointed to deadweight of up to 60% across the programme. It also with the findings of the Gregg Review in England, which indicated that some 80% of all JSA claimants find employment within the first six months of a claim, and which contributed towards the scrapping of the Recruitment Subsidy element of the Six Month Offer scheme by the UK Government.
- 6.44 Again, however, the degree of employment related deadweight is not evenly distributed, with ERS/ETS adding more to the employment chances of those at either end of the age spectrum (i.e. those aged 16-24 and those aged 55-64). This possibly argues the case for targeting recruitment grants upon younger and older people in order to equalise their chances of securing employment.
- 6.45 ERS/ETS also seemed to play a bigger part in encouraging firms employing fewer than 10 individuals to recruit, which may argue for targeting support upon smaller employers, albeit that they will inevitably

take on fewer people, whether ReAct eligible or nor, than larger businesses.

6.46 Whilst it is clearly necessary to manage the programme within budgets, particularly in advance of what is likely to be a surge in public sector redundancies, these findings clearly cast some doubt over the efficacy of the decision recently taken to rebalance the programme, rather than to find another means of controlling VTS costs. The changes made effectively shift the emphasis of the programme away from those elements which add most value towards those to which the highest level of deadweight attaches. In saying this, however, must be remembered that ERS represents only a small element of the programme, with costs amounting to only 5.8% of the programme's total costs as at December 2010.

**Recommendation 4:**

As a means of managing ReAct within budget and increasing the level of additionality attached to the programme, consideration should be given to restricting eligibility for VTS/VTES to certain groups of redundant workers. Those which our study has shown have the poorest labour market prospects should be prioritised:

- Young people (aged 16-24);
- Individuals with no or only low level qualifications;
- Those in elementary occupations.

In parallel, consideration should be given to increasing the value of VTS funding available to individuals falling into these categories to enable them to gain the skills and qualifications needed to secure and maintain work.

**Recommendation 5:**

In order to reduce the level of deadweight attached to the programme, consideration should be given to reducing the value of the ERS element of ReAct. At the same time, consideration should be given

to:

- restricting eligibility to ERS to smaller businesses (employing fewer than 10 people), whose recruitment decisions are more likely to be influenced by the offer of ReAct support;
- making the ERS conditional upon employers putting in place a 'training and development plan' for each new recruit supported by ReAct.

## ANNEX 1: ECONOMIC AND LABOUR MARKET CONTEXT

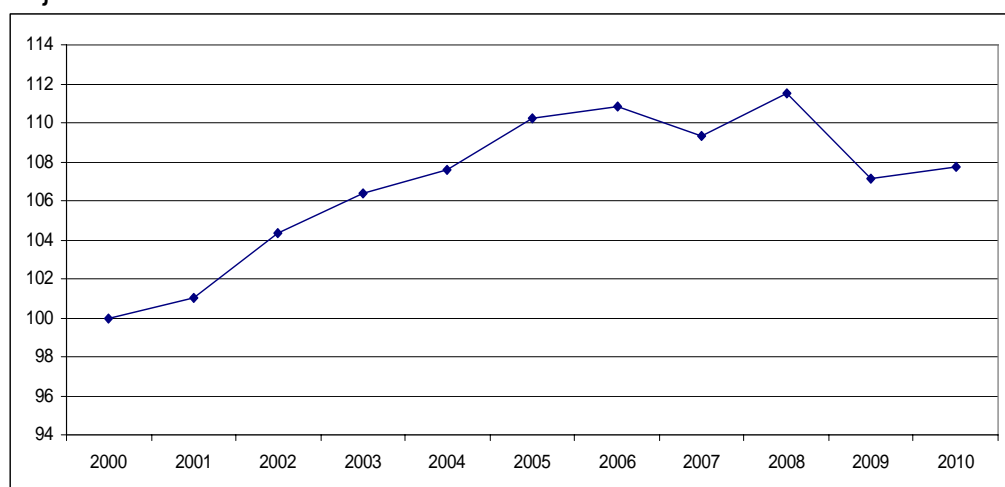
A1.1 As was stated in item 2.47, the economy and labour market of Wales have also undergone major changes which will have affected demand for, and the achievements of, the ReAct Programme.

A1.2 In this Annex, we consider some of the recent economic trends, particularly in terms of employment and training. We first consider the longer term employment and labour market trends in Wales which informed the development of the current ReAct Programme, before considering changes since it began to be implemented in 2008 and trends in terms of training. Finally, we offer some brief conclusions.

### Labour market trends prior to 2008

A1.3 Figure A1.1 shows that the period preceding the current ReAct programme saw a relatively strong growth in the number of workforce jobs in Wales, with consistent growth over the period 2000-2006, then a fall in 2007 before an increase between 2007 and 2008. Over the period 2000-08 the number of workforce jobs increased in Wales from an estimated 1.252m to 1.396m (an increase of 11.5%) or an annual average growth rate of around 1.4%.

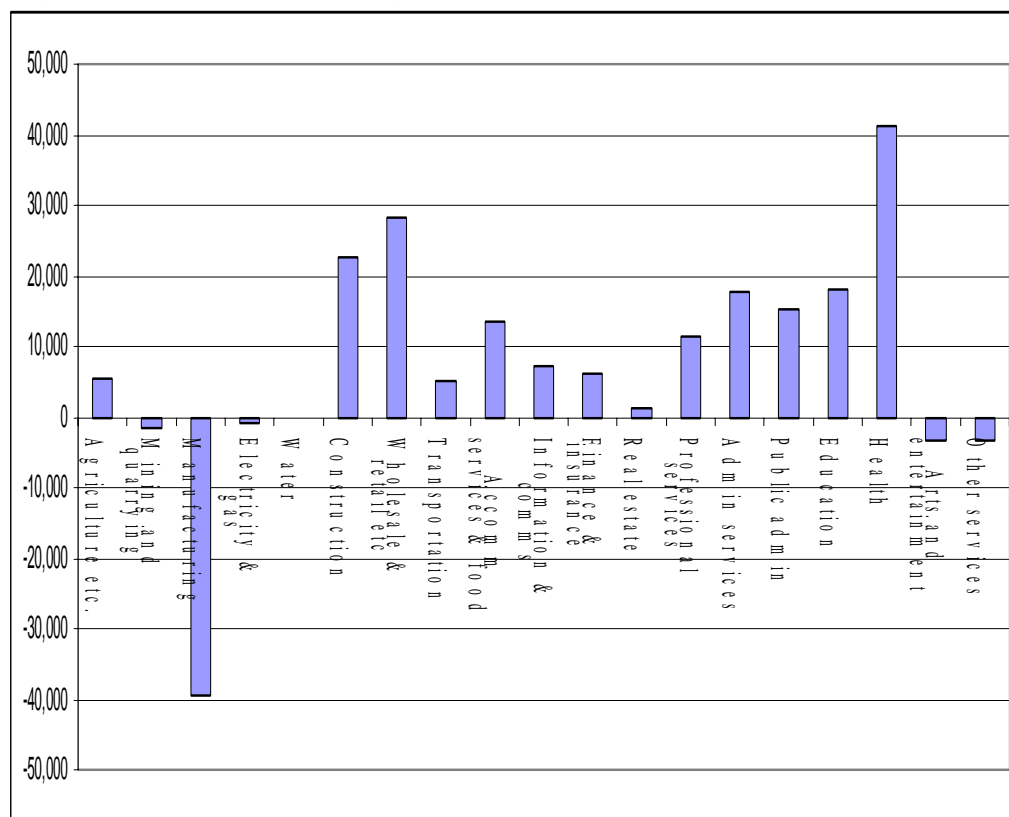
Figure A1.1: Wales - Workforce Jobs Index (2000=100) Seasonally Adjusted



Source: Annual Population Survey, NOMISWEB, ONS Crown Copyright Reserved

A1.4 However, the overall pattern of a growth in jobs inevitably conceals considerable churn in the labour market and varied performance across different sectors, as illustrated by Figure A1.2. Whilst the period 2000-2008 saw an increase of some 144,000 workforce jobs the patterns of gains were far from uniform. The main loser in the period was manufacturing which lost 40,000 workforce jobs. Stronger workforce jobs growth was found in the large health, distribution and retail and construction sectors.

Figure A1.2: Sectoral changes in workforce jobs in Wales 2000-2008



Source: Annual Population Survey; NOMISWEB, ONS Crown Copyright Reserved

A1.5 Table A1.1 shows that the rising number of jobs in the Welsh economy was accompanied by other changes in the Welsh labour market. The economic activity rate increased from 72.7% in 2004-05 to 73.4% in 2007-08, although the proportion population aged 16-64 who are employees was steady at around 60%. The unemployment rate (using the International Labour Organisation’s internationally agreed measure)



actually edged up over the period from 2004-05 to 2007-08 before the sharper increase through the financial crises.

Table A1.1: Wales - Key labour market indicators

	2004 /05	2005 /06	2006 /07	2007 /08	2008 /09	2009 /10
Economic activity rate - aged 16-64	72.7	72.9	73.0	73.4	73.0	72.8
% aged 16-64 who are employees	60.0	60.2	59.9	60.3	58.4	58.0
% aged 16-64 who are self employed	8.5	8.4	8.4	8.5	8.4	8.2
Unemployment rate - aged 16-64	4.9	5.3	5.5	5.6	7.8	8.3

Source: Annual Population Survey, ONS Crown Copyright Reserved

A1.6 Along with significant changes in the sectoral composition of the workforce, there were also changes in its occupational composition. Table A1.2 shows that key changes going into the ReAct programme in 2008-09 were a noticeable increase in the proportion of employment accounted for by professional occupations and personal services. In part this links through to the trends identified in Figure 2.2. Equally noticeable was the decline in the percentage of employment in process, plant and machine operatives in part linking to the fall in manufacturing prospects over the period.

Table A1.2: Wales - Distribution of employment by occupation

	2004 /05	2005 /06	2006 /07	2007 /08	2008 /09	2009 /10
% in employment						
Managers and senior officials	12.4	12.5	12.9	13.0	12.8	13.0
Professional occupations	10.8	11.3	11.2	11.8	12.0	12.5
Associate prof & tech occupations	13.3	13.4	13.5	13.6	13.7	14.5
Admin. and secretarial occupations	12.3	12.0	11.4	11.2	11.0	10.8
Skilled trades occupations	12.6	12.4	13.0	12.3	12.5	12.2
Personal service occupations	8.0	8.5	9.0	9.1	9.2	9.8
Sales and customer service	8.4	8.3	8.1	7.9	7.9	7.6
Process, plant and machine operatives	9.5	8.9	8.8	8.8	8.0	7.3
Elementary occupations	12.5	12.5	11.9	12.2	12.5	11.8

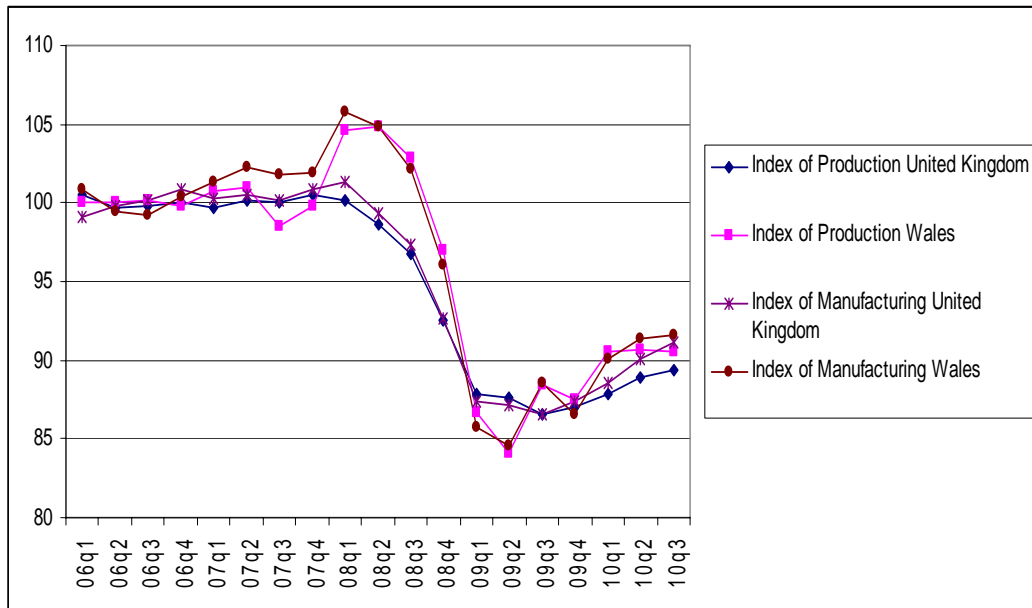
Source: NOMISWEB, ONS Crown Copyright Reserved

A1.7 There were marked changes in the labour market, which arguably made a strong case for the ReAct Programme as a way of ensuring that redundant workers without relevant skills did not fail to make the transition to new employment opportunities. The changes included a loss of jobs in manufacturing even as other sectors were growing sharply, a significant change in the occupational structure of the Welsh economy and slightly increasing unemployment, despite the growth in jobs.

### **Changes since 2008**

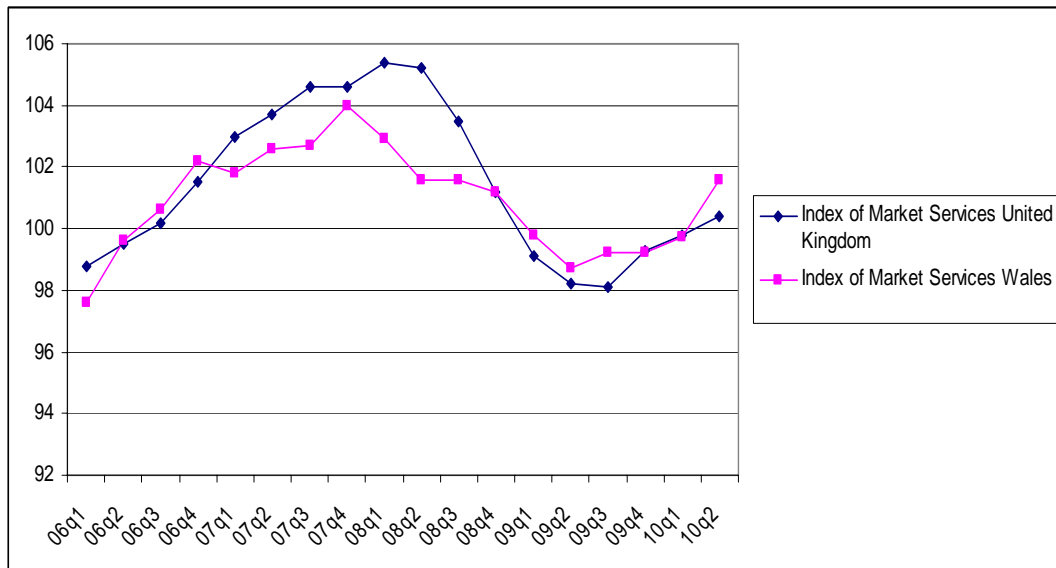
A1.8 The Welsh indices of production and market services provide a useful summary of regional progress through the recent recession. As indicated in Figure A1.3, the start of the current ReAct programme occurred near the bottom of the steep slide in the Welsh index of production, which fell by 20 percentage points in the year to 2009Q2, before a gradual recovery that then slowed in the second half of 2010. The index of market services (Figure 2.4) reveals a similar pattern but again with uncertainty over the strength of recovery in market services in Wales in 2010.

Figure A1.3: Recent movements in the Welsh & UK Indices of Production



Source – Office for National Statistics, Crown Copyright Reserved

Figure A1.4: Recent movements in the Wales & UK Indices of Market Services



Source – Office for National Statistics and Statistics Wales, Crown Copyright Reserved

A1.9 In terms of the labour market impact of these changes, Table A1.3 shows that the recession impacted some Welsh sectors far harder than others. The first year of ReAct corresponded with a fall of 3.9% in the number of workforce jobs, with sharp falls in construction (17%) and

accommodation services & food (19.3%). It is accepted that some caution is required in interpreting these changes because employment in sectors such Accommodation and Food can be very volatile. The percentage increases and decreases are perhaps a little misleading because they do not reveal the size of the underlying sectors. For example, workforce jobs in the health sector fell by 4.5% but this equated to over 9,000 jobs, but with this being counteracted in part by increases in the education sector. In the period to 2009-2010 (we have taken September in each of these years in Table A1.3) there were sharp falls recorded in a large number of sectors but stronger growth in accommodation services & food, and the distribution & retail sector contributed to the overall number of workforce jobs increasing by 0.5%.

A1.10 However, noticeable in this period were continued losses in the manufacturing sector. Indeed this data suggests that over the two year period to September 2010 manufacturing lost nearly 27,000 jobs.

A1.11 By contrast, non-market services provided Wales with something of an employment shield through the worst of the recession. Wales has a higher proportion of jobs in sectors such as public administration and health (an estimated 343,000 in public sector employment in 2010). Table A1.3 shows workforce jobs by industry. However as the industries below do not show public/private sector jobs the official public sector employment estimates<sup>55</sup> have been used to assess changes in employment in the public sector. They show that between 2008 and 2009 employment in the public sector in Wales rose by 10,000 (largely due to the reclassification of some banks to the public sector) before falling by 3,000 between 2009 and 2010.

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<sup>55</sup> <http://www.statistics.gov.uk/STATBASE/Product.asp?vlnk=13615>

Table A1.3: Wales - Recent trends in Workforce Jobs (Seasonally Adjusted)

	2008	2009	2010	% Change 08-09	% Change 09-10
Agriculture etc.	35,100	34,000	33,500	-3.1	-1.5
Mining and quarrying	2,100	2,100	1,600	0.0	-23.8
Manufacturing	162,300	155,500	135,400	-4.2	-12.9
Electricity & gas	4,600	4,000	4,800	-13.0	20.0
Water	8,800	9,300	7,200	5.7	-22.6
Construction	109,800	91,100	99,000	-17.0	8.7
Wholesale & retail etc	222,100	206,000	234,900	-7.2	14.0
Transportation	52,700	55,500	44,800	5.3	-19.3
Accomm services & food	95,400	77,000	112,800	-19.3	46.5
Information & comms	29,100	28,900	20,400	-0.7	-29.4
Finance & insurance	34,400	33,800	28,600	-1.7	-15.4
Real estate	12,000	14,600	13,900	21.7	-4.8
Professional services	56,200	55,700	51,200	-0.9	-8.1
Admin services	83,500	79,900	84,100	-4.3	5.3
Public admin	94,700	91,300	90,800	-3.6	-0.5
Education	125,400	134,600	137,700	7.3	2.3
Health	206,800	197,500	183,600	-4.5	-7.0
Arts and entertainment	31,400	33,800	32,800	7.6	-3.0
Other services	29,400	36,700	31,400	24.8	-14.4
Total	1,395,800	1,341,400	1,348,300	-3.9	0.5

Source Annual Population Survey, ONS Crown Copyright Reserved

Note: Data for September in each year

A1.12 In terms of unemployment, there has been a sharp increase over the period in both the Labour Force Survey (LFS) measure (Table A1.4) and the claimant count (Figure A1.5). LFS unemployment reached an estimated 123,000 or a rate of 8.4% for the three months to November 2010 (males 10.0%), some 50,000 higher than the equivalent period in 2007, having peaked at around 9.1% in 2010Q2.

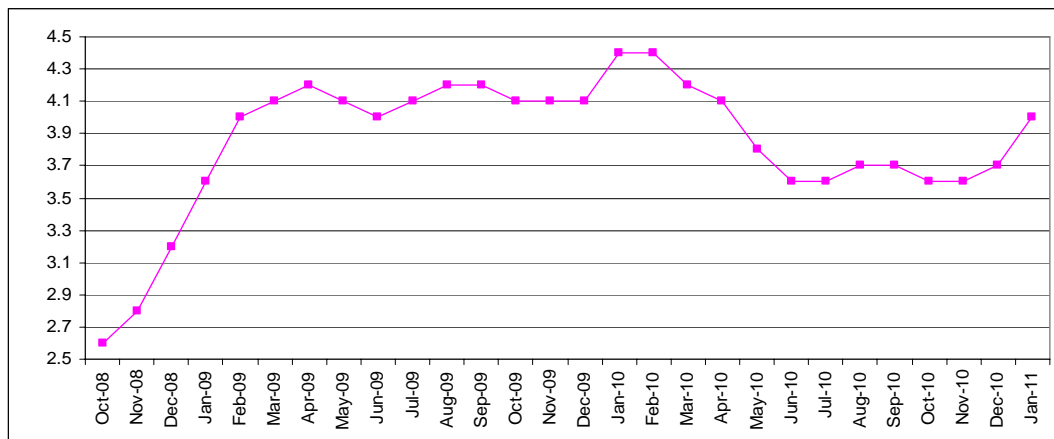
Table A1.4: Recent Labour Market indicators (16 and over; seasonally adjusted) Wales.

	Quarter			
	Sep 2007 to Nov 2007 000s	Sep 2008 to Nov 2008 000s	Sep 2009 to Nov 2009 000s	Sep 2010 to Nov 2010 000s
Econ Activity Level	1,429	1,437	1,424	1,455
Employment Level	1,357	1,337	1,303	1,332
Unemployment Level	73	101	122	123
Economic Activity Rate	59.7	59.7	58.9	59.8
Employment Rate	56.6	55.5	53.9	54.8
Economic Inactivity Rate	40.3	40.3	41.1	40.2

Source: Derived from NOMISWEB, ONS Crown Copyright Reserved

A1.13 In terms of the claimant count, at the beginning of the ReAct programme this was 2.6% rising to 4.2% in April 2009, an increase from 48,406 to 79,477 claimants. Clearly these data reflect some seasonal variation but with the rate reaching a new peak of 4.4% in January and February 2010 before trending down for the remainder of the year. However, claimant count rates entering 2011 were still well above those prevailing during the final quarters of 2008.

Figure A1.5: Claimant count rates for Wales: Oct 08-Jan 11

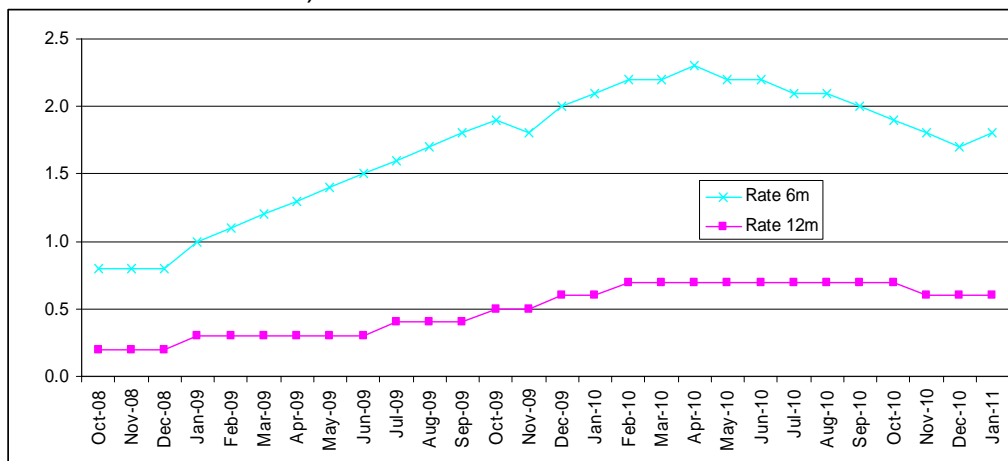


Note: Rates based on resident population 16-64.

Source: Derived from NOMISWEB, ONS Crown Copyright Reserved

A1.14 As Figure A1.6 shows, long term unemployment has also increased, with the number of those claiming benefits for more than six months rising sharply between October 2008 and April 2010. This represents an increase from 10,845 claimants to 29,830 claimants. Claimants of over six months duration then trended downwards to December 2010. The increase in those claiming for over 12 months was less severe, trending upwards from just over 4,000 in October 2008 to just over 13,000 for much of 2010; this then trended down in the final months of 2010.

Figure A1.6: Claimant rate for Wales (percentages claiming over 6m/12m)

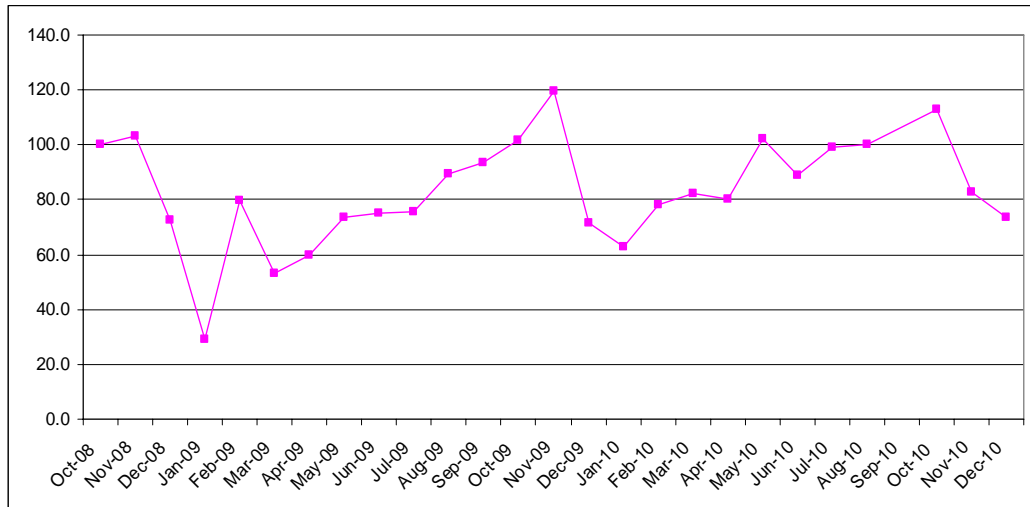


Note: Rates calculated using the resident population aged 16-64.

Source: Claimant counts from NOMISWEB, ONS Crown Copyright Reserved

A1.15 The increase in unemployment in the period to the first quarter of 2009 also corresponded to a fall in the number of notified vacancies, as shown in Figure A1.7. In October 2008 there were 19,251 notified vacancies, falling to 5,586 in January 2009 with a strong element of seasonality here exacerbated by poor economic conditions. By October 2009 notified vacancies were close to levels in October 2008, and by October 2010 the number of notified vacancies was slightly above those in October 2008.

Figure A1.7: Wales - Index of notified vacancies (October 2008-Dec 2010)



Source: Jobcentre Plus; NOMISWEB, ONS Crown Copyright Reserved

A1.16 It is important to tie the labour market trends revealed in this section to overall Welsh economic performance. The period 2008 to 2010 as a whole saw Wales more affected by the recession than the UK as a whole. However the most recent Labour Force Survey data (for the 3 months to April 2011) shows that the gap between Wales and the UK in terms of economic inactivity is at its lowest since comparable records began in 1992 with the gap in the employment rate near to the lowest it has ever been.

A1.17 Thus the implementation of the ReAct Programme has coincided with a period of a sharp increase in unemployment and a shortage of vacancies, although there are some indications of a return to more settled conditions more recently.

### **Trend in Job Related Training**

A1.18 The on-going acquisition of new skills is vital to ensure individuals' continued employability and businesses' continued viability as the economy changes. ReAct supports participants in undertaking job-related training, either under their own steam after being made



redundant (via the VTS strand of the programme), or shortly after taking up new jobs (via the ETS strand). This study explores the difference which ReAct support makes to the training behaviours of those being made redundant and in order to provide some context for this, it is worth looking at the level of training which takes place within the wider workforce.

A1.19 There is less evidence of major changes over recent years in the proportion of the workforce benefiting from job-related training as is clear from Table A1.5 and Table A1.6 which consider the proportion of employees receiving training over the previous four weeks and the previous 13 weeks respectively. In general a higher proportion of employees in managerial and professional occupations and in services sectors and the public sectors received training.

Table A1.5: Wales – Proportion of employees having job related training-last 4 weeks

	Oct08- Sep09	Jan09- Dec09	Apr09- Mar10	Jul09- Jun10
% of all adults who received job related training in last 4 wks - aged 16-64	9.5	9.6	9.7	9.6
% all who received job related training in last 4 wks - employees & self employed aged 16-64	14.1	14.3	14.5	14.3
% all who received job related training in last 4 wks - in managerial and professional occupations	18.6	18.4	18.7	18.8
% all who received job related training in last 4 wks - in service industries	16.0	16.2	16.1	15.9
% of all who received job related training in last 4 wks - in private services	11.5	11.9	11.6	11.4
% of all who received job related training in last 4 wks – in production	9.3	9.3	9.7	9.9
% of all who received job related training in last 4 wks - public sector	21.4	21.4	21.7	21.2
% of all who received job related train. in last 4 wks - working full-time	14.1	14.3	14.6	14.7

Source: Annual Population Survey, ONS Crown Copyright Reserved

Table A1.6: Wales – Proportion of employees having job related training-last 13 weeks

	Oct09- Sep09	Jan09- Dec09	Apr09- Mar10	Jul09- Jun10
% of all adults who received job related training in last 13 wks - aged 16-64	19.1	19.0	18.7	18.6
% all who received job related training In last 13 wks - employees & self employed aged 16-64	28.5	28.5	28.1	27.9
% all who received job related training in last 13 wks - in managerial & professional occupations	37.1	36.8	36.8	36.9
% all who received job related training in last 13 wks - in service industries	31.3	31.4	30.8	30.6
% all who received job related training in last 13 wks - in private services	22.1	22.4	21.3	20.7
% all who received job related training in last 13 wks - in production	20.2	20.0	20.5	20.9
% all who received job related training in last 13 wks - public sector	42.6	42.6	42.3	42.4
% all who received job related training in last 13 wks - working full-time	29.4	29.3	29.1	29.0

Source: Annual Population Survey, ONS Crown Copyright Reserved

### ***Conclusions about the Economic Climate***

A1.20 The period over which the ReAct programme has operated has seen major changes in the make-up of employment in Wales. While the first quarter of 2011 provides some hints at a more sustained recovery across the UK, the labour market in Wales has changed markedly since 2008 with a major reversal in the number of opportunities available in the manufacturing sector. However, structural change in the makeup of Welsh employment is ongoing, with the figures reported above not really providing anything more than hint of the losses which could be experienced in parts of the non-market sector over the next two years as public sector spending cuts start to bite.