

Dadansoddi ar gyfer Polisi



Analysis for Policy



Llywodraeth Cymru  
Welsh Government

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Social research

Number: 79/2014

# Jobs Growth Wales: Interim evaluation report

# **Interim evaluation report: Jobs Growth Wales**

## **Ipsos MORI, Wavehill Consulting, WISERD**

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

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Welsh Government Social Research, 16 September 2014

ISBN 978-1-4734-2124-0

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## **Glossary of acronyms**

Communities First (CF)

Department for Economy, Science and Transport (EST)

Department for Work and Pensions (DWP)

European Social Fund (ESF)

Full-time equivalent (FTE)

Future Jobs Fund (FJF)

Higher Education Funding Council for Wales (HEFCW)

Jobcentre Plus (JCP)

Jobs Growth Wales (JGW)

Managing agent (MA)

Management information (MI)

National Minimum Wage (NMW)

National Qualifications Framework (NQF)

New Enterprise Allowance (NEA)

Not in Education, Employment or Training (NEET)

Randomised Control Trial (RCT)

Standard Industrial Classification (SIC)

Standard Occupational Classification (SOC)

United Kingdom (UK)

Wales Council for Voluntary Action (WCVA)

WEFO Cross Cutting Themes (CCTs)

Welsh European Funding Office (WEFO)

Welsh Government (WG)

Welsh Index of Multiple Deprivation (WIMD)

Work Based Learning Providers (WBLPs)

Work Limiting Health Condition (WLHC)

Youth Entrepreneurship Strategy (YES)

## Executive Summary

### Background, scope and methodology

1. Ipsos MORI, Wavehill and WISERD were commissioned by the Welsh Government (WG) in October 2012 to conduct an evaluation of Jobs Growth Wales (JGW).
2. JGW is one initiative forming part of a wider set of Welsh Government (WG) initiatives to address youth unemployment. JGW, which is partly being funded by the European Social Fund (ESF), was launched on 2 April 2012 and aims to create 16,000 new job opportunities between April 2012 and March 2016 for unemployed and job-ready young people aged 16 to 24 that have experienced difficulty in securing employment<sup>1</sup>. It provides participants with a job opportunity for a six month period paid at, or above, the National Minimum Wage (NMW) for a minimum of 25 hours per week up to a maximum of 40 hours per week, or a £6,000 bursary to support them to start their own business. The programme ultimately aims for its participants to move into sustainable employment or self-employment. The programme was a key manifesto commitment of the Welsh Labour Party and was included in the Programme for Government.
3. Whilst the primary benefits of the programme are focused on supporting young people into employment, there are secondary benefits for the Welsh economy through support to Welsh businesses, particularly small and medium-sized enterprises (SME). Key criteria for employer participation are that businesses declare that the opportunities created are additional to their existing workforce, and that there is the potential for jobs to be sustained at the end of the six month supported period. Therefore businesses must declare that they have plans for growth that would not be progressed (or would not be progressed at the same rate) without JGW support.

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<sup>1</sup> The programme was originally funded until March 2015, but it was announced in October 2013 that the programme would be extended for another year. Welsh Government, "A budget for jobs and growth: Deputy Minister welcomes £12.5 million to extend flagship Jobs Growth Wales programme", 18 October 2013, accessed online on 20 February 2014 at <http://wales.gov.uk/newsroom/educationandskills/2013/7985117/?lang=en>.

### *Evaluation scope and limitations*

4. Running from November 2012 until March 2015, the evaluation aims to assess the effectiveness of programme processes, measure the net impact of the programme, and assess the value for money of JGW, whilst ensuring it satisfies the requirements of the Welsh European Funding Office (WEFO).
5. The purpose of this report is to provide an interim assessment of JGW over the period from the launch of the main stage of the programme<sup>2</sup> on 2 April 2012 to the end of July 2013<sup>3</sup>. However, this interim evaluation largely focuses on the short term results of the programme, and it is too early at this stage to determine with confidence how far impacts are likely to prove sustainable in the long term.

### *Methodological approach*

6. A range of methods, including both qualitative and quantitative approaches, were required to assess the effectiveness of JGW processes and the impact of the programme.
  - Desk-based research: a rolling literature review of initiatives to get young people back into work; analysis of secondary sources of data on youth unemployment and employment demand in Wales; analysis of JGW monitoring information; a review of key WG policies and strategies related to youth unemployment; a review of skills, training and employment programmes designed to intervene amongst young people in Wales;
  - A stakeholder consultation involving in-depth interviews, conducted face-to-face and by telephone, with 34 stakeholders involved in the design, management, delivery and monitoring of JGW and working in related policy areas;

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<sup>2</sup> The pilot stage of the programme is not within the scope of this evaluation.

<sup>3</sup> This was the date on which MI was received from the WG. Some performance data included in this evaluation dates to the end of September 2013.

- Qualitative research with employers (21 in-depth telephone interviews) and young people (26 in-depth telephone interviews), including five matched case studies involving young people, employers, mentors and managing agents (MAs);
  - Telephone surveys of young people, including individuals who had secured jobs through the programme (595 interviews) and a comparison group of applicants who had not been successful (603 interviews); and,
  - A telephone survey of employers who had hired young people through JGW (328 interviews achieved).
7. There are a number of methodological limitations to this interim evaluation which are set out in detail in the main report and Annex D. In particular, it is important to note that the management information (MI) at individual level on which the analysis of programme performance against objectives is based was incomplete, which means performance may be understated<sup>4</sup>. In addition, a value for money analysis was not feasible at this stage due to a lack of accessible information on the financial resources absorbed by the scheme on the data system at the time the analysis would have been conducted. However, a formal cost benefit analysis will be conducted as part of the final evaluation.

### **Performance against objectives**

8. JGW has exceeded its goal of filling 4,000 job opportunities in the first year. It has now been operational for approximately a year and a half (and by 24 December 2013, had successfully filled 8,150 job opportunities<sup>5</sup>). The number of vacancies filled up until 24 December

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<sup>4</sup> Aggregate level data was available from providers. However, as the WG individual level database was not ready to use when JGW was launched in April 2012, when it became operational, managing agents (MAs) had to manually upload records that had been kept on Excel spreadsheets. MAs had not finished uploading the records of all successful applicants, including early leavers, at the time the samples were provided for this research on 1 August 2013, and this may have been a cause of the data being incomplete.

<sup>5</sup> *Jobs Growth Wales: December 2013* <http://wales.gov.uk/docs/statistics/2013/131224-jobs-growth-wales-december-2013-en.pdf>.

2013 is approximately equivalent to 18 per cent of all unemployed young people in Wales<sup>6</sup>.

9. Performance at a strand level was more variable. The private sector and self-employment strands have already over-performed against targets. The graduate strand has been delivering fewer jobs than anticipated, but looks on track to meet its revised target. Evidence from stakeholders involved in the management of JGW suggests that the underperformance of this strand may be due to other competing offers for employers with better wage subsidies. The third sector contracts were only awarded in August, explaining the lack of jobs filled in this strand to end of December 2014. The overall target was reached by re-allocating jobs to the more successful private sector strand.
10. JGW has also led to positive employment outcomes for participants beyond the lifetime of the vacancies supported by the programme (and during a period of high levels of competition in the labour market). Following completion of their JGW job, the majority of participants are now in productive employment either with their JGW employer or another organisation (including apprenticeships).
11. The evidence collected through this evaluation suggested that JGW has influenced employers' recruitment decisions. Although employers reported they would have created around two thirds of the *post* JGW positions anyway if they had not first recruited a worker through the programme, the evidence suggests that JGW has encouraged them to expand their workforce more rapidly than they would have otherwise done. Additionally, where employers would have otherwise recruited, there was evidence to suggest JGW had some influence in terms of encouraging employers to recruit a young person in preference to more experienced workers – 11 per cent of employers who recruited through JGW originally had plans only to recruit a more experienced temporary

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<sup>6</sup> This estimate is based on 8,150 jobs filled as at 24 December 2013 and approximately 45,800 unemployed young people in Wales (January to December 2013), according to NOMIS data.

worker. Employers also indicated that they had offered a position to 73 per cent of participants at the end of their JGW opportunity, with the majority accepting their job offer.

12. These findings were reinforced by the impact evaluation: successful JGW applicants spent longer in work (eight weeks longer on average) than those that were unsuccessful, and were more likely to be in employment post-completion of the job opportunity. Overall, it is estimated that 27 per cent of those finding work following their JGW job opportunity would not have found work<sup>7</sup> without JGW (at least in the short term)<sup>8</sup>, a result that is in alignment with evaluations of other wage subsidy programmes such as the Future Jobs Fund and is not unexpected. However, it is too early to assess how far the programme has led to lasting social benefits through dealing with the ‘scarring’ effects associated with long episodes of youth unemployment<sup>9</sup> (and this will form a key focus of the next wave of evaluation).
13. The scale of the benefits achieved by the programme will depend largely on the persistence of its impacts (i.e. the impacts that endure beyond the lifetime of the job opportunity). As part of this interim evaluation, some analysis of short term persistence effects over the period that had elapsed since the young people involved had completed their job opportunity (on average four and a half months after the job opportunity) was conducted. This analysis suggested a persistent impact on employability that endures beyond the lifetime of a JGW job opportunity (at least in the short term), but no persistent effect on earnings or hours

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<sup>7</sup> The evaluation will explore in more detail in the next phase the quality of work obtained by JGW participants compared to unsuccessful applicants.

<sup>8</sup> The views of young people themselves tended to overstate the impact of the programme, with 60 per cent of respondents reporting that they would have been unlikely to find paid work without JGW.

<sup>9</sup> ‘Scarring’ refers to the persistence of the impacts of youth unemployment on individuals up to 20 years later. For example, such individuals have a higher risk of suffering periods of unemployment or unstable employment later in life (Arumlamplam, W; Gregg, P.; Gregory, M. 2001, “Unemployment scarring”, in *Economic Journal*, Vol. 111, No. 475, pp. 577–584) and earn lower wages (Gregg and Tominey, “The Wage Scar from Youth Unemployment, *CMPO Working Paper Series No. 04/097*, <http://www.bris.ac.uk/cmppo/publications/papers/2004/wp97.pdf>). Youth unemployment also has lasting negative effects on happiness, health and job satisfaction (Morsy, H., 2012, “Scarred generation”, in *Finance & Development*, Vol. 49, No. 1, Mar.).

(although impacts on earnings may not be expected to have materialised yet). The key issue for exploration in the final evaluation will be how far these effects persist in the longer term over a 24 month period, as this will be critical in reaching a judgement on the longer-term social and economic benefits of the programme.

14. The impact evaluation assessed the short-term economic impact of JGW. It is estimated that the programme has led to a total short term increase in earnings for the young people concerned of £13.5 million<sup>10</sup>. If the likely increase in profits of firms is added, the short term economic impact of the programme could rise as high as £24.6 million<sup>11</sup>. However, these figures are likely to be overestimates as they do not take into account the existence of minimum wage (meaning some young people will be paid wages in excess of their marginal productivity) or effects whereby programme participants take up employment at the expense of competing jobseekers (as it was too early to assess these). Using Department for Work and Pensions (DWP) guidance to estimate the likely impact of substitution effects yields an estimated short-term economic impact of the programme, from its inception to end of August 2013, of between £10 million and £17 million. A more complete economic impact analysis will be conducted as part of the final evaluation.

### **Strength of Policy Rationale**

15. The JGW Programme was designed and implemented against a backdrop of recession where concerns about the longer term impacts of youth unemployment were significant. Young people have been more exposed to recessionary conditions in Wales than across the UK, and young people in Wales have also been disproportionately exposed to recession in comparison to other age groups. These imbalances are

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<sup>10</sup> The impact of participation in JGW on earnings since the first application is estimated at around £2,350. This is then applied to the number of participants in the programme, including those still in their JGW job (5,789 by end of July 2013).

<sup>11</sup> The Gross Value Added (GVA) is the sum of wages and profits. The 2012 Annual Business Survey suggests that for the non-financial sector employment costs build 55 per cent of the GVA.

indicative of a possible need for public intervention (even if justified only on an equity basis). Moreover, the economic cost of youth unemployment can be significant. Episodes of prolonged unemployment between the ages of 16 and 24 can lead to both long term difficulties in obtaining work and issues of underemployment, which can lead to a permanent loss of productivity. There are also wider social costs associated with youth unemployment. In light of this evidence, public intervention in enhanced employment support for young people may be justified if it allows them to acquire the skills and experience needed to compete effectively in labour markets and avoid the types of economic and wider social costs outlined above.

16. The Welsh Government conducted a review considering the bigger picture of provision tackling youth unemployment, whereby gaps in the current provision were identified and options for addressing these gaps were considered. A decision was made at political level that provision to create jobs for young unemployed people had to be prioritised, and subsequently to make JGW a manifesto commitment. Given the pressured environment in which JGW was conceived, there was a requirement for the project to be developed quickly, whereby main features of the programme were largely decided at a political level. The project team developed the more detailed design of the project considering different approaches for the support provided through JGW (e.g. length of job opportunity, amount of wage subsidy). The design of JGW drew on lessons from the FJF, the pilot phase of the programme, as well as wider evidence available from other work experience programmes in the UK.
17. JGW has both strong alignment with key WG strategies and operational links with WG programmes. The WG made efforts to ensure JGW was well-aligned to the Work Programme by designing eligibility criteria that avoided a duplication or substitution of UK-wide provision and met ESF guidelines/regulations. Several stakeholders referred to the poor alignment between the two programmes, referring to the fact that those

mandated onto the Work Programme (those claiming JSA for nine months) are ineligible for JGW, preventing the scheme from benefitting those at the greatest level of disadvantage in the labour market. However, the Welsh Government and WEFO are unable to justify the provision of additional support through JGW for those mandated on to the Work Programme as there is no guarantee that duplication and double-funding of provision will not take place. In addition, JGW and the Youth Contract both offer wage reimbursements to employers for recruiting young people, although importantly, the Youth Contract is targeted at 18 to 24 year olds on benefits for six months or more, and Work Programme participants are also eligible for the Youth Contract. Given the comparatively attractive wage reimbursement offered to employers through the JGW programme compared to the Youth Contract, employers may favour the former.

### **Process and Implementation Issues**

18. The programme's management has improved over time; however, issues around data collection and monitoring aspects of the programme remain. Initially, due to the database that was to be used to capture programme data not being ready in time for the launch of the programme, data was kept in a separate spreadsheet by each Managing Agent (MA). This data had to be retroactively entered in the database once it was finalised, which caused delays in the evaluation team accessing the data. Now that this process of retroactively entering data has been completed, and MAs enter new data directly onto the system, this problem has largely been resolved. However, issues remain around the follow-up with participants on leaving the programme and three months later, with MAs struggling to get in touch with young people. At the time the destinations data was provided to Ipsos MORI, although all MAs had submitted aggregate destinations data to the WG, individual data could not be supplied for a large proportion of young people in Ipsos MORI's sample because it was still in the process of being entered onto the database. The WG is working to resolve this.

19. The evidence indicates that efforts to promote the programme through Careers Wales and Jobcentre Plus have proven effective. Awareness of the programme is high amongst both young people and employers, and although success has been achieved in engaging young people from Communities First (CF) areas, these applicants are less likely to be successful in obtaining a JGW job opportunity<sup>12</sup>. Whilst promotion has overall been successful, more effort is needed to raise the profile of the third sector strand of the programme and to market JGW to employers in certain local authorities such as Rhondda Cynon Taff, where demand from employers has been weaker but high from young people. Promotion of JGW to those participating in other WG programmes could also be improved, as well as ensuring young people are sign-posted to the most appropriate strand for them once engaged.
20. The application process is straightforward and easy for young people. However, there is a need to provide constructive feedback in all instances to those who are unsuccessful to prevent them from becoming disheartened and encourage them to continue in their job search. Young people have the option of ticking a box to request feedback at the time they apply for a job. Those who do not tick this box are required to log back onto the system to find out the outcome of their application. It is unclear whether or not the young people who wished they had received feedback had ticked the box.
21. Employers generally have positive experiences of the processes employed to deliver JGW. The majority of employers were able to fill all of the positions they advertised through JGW, and those who were unable to fill all of their positions largely attributed this to the quality of applicants or a change in their own business circumstances rather than to a lack of applications. Some also found the recruitment process slow, and some are unclear about their ability to decide on the level of

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<sup>12</sup> 14 per cent of all applicants from CF clusters were successful in obtaining a JGW job compared to 26 per cent of all applicants from non-CF areas. The WG is creating a new strand of the JGW programme, which will create jobs exclusively for candidates from CF areas, which should help to address this issue.

involvement they would like to have in the process of advertising the vacancy and sifting applications.

22. There is evidence of a lack of consistency in the amount and nature of support offered by mentors to young people during their jobs. Levels of satisfaction with support provided by line managers provided by employers, however, are in general very high.

### **Nature of JGW job opportunities**

23. The majority of JGW jobs tended to be in occupations associated with lower skill levels and low wages (elementary positions and administrative and secretarial occupations). Employers reported that recruits were mostly performing tasks associated with entry level positions in the workplace or basic administrative tasks to support permanent staff. These findings are in line with expectations, as for many participants, this will be their first job.
24. Although employers were not required to provide formal training to JGW recruits, the majority of participants received at least some form of training on the programme in their temporary job, and the majority were satisfied with the training received. The evidence was inconclusive on how likely participants thought they would have been to find a job with similar opportunities for skills development without JGW.
25. Some employers highlighted that the young people they had recruited had low basic literacy and numeracy skills, which has led to the employer having to invest more time and support in the new recruit. It is clear that one of the main costs to employers on the programme is the time their staff invests in training and supervising the recruits, costs that may have been in part avoided through the recruitment of more experienced individuals (these costs in part provide a key element of rationale for wage reimbursements offered through the programme).
26. Reported earnings suggest that participants earned average hourly wages of £5.80. Early findings from this interim evaluation suggest that

in comparison to relevant benchmarks the wages in the programme are lower than the Welsh labour market and wage levels for young people<sup>13</sup>, at 67 per cent of the average in Wales for 16 to 24 year olds. Wages post-JGW are improved but still lower than across the Welsh labour market of 16 to 24 year olds at 76 per cent. However, this aspect requires further exploration in the final evaluation to establish the effect on wage levels over a longer period of time.

### **Benefits of JGW for participants and employers**

27. The main benefits of JGW reported by participants were the increase in confidence that they gained, the opportunities for future jobs, and gaining work experience to give them a better idea of the types of jobs they are interested in. Participants who gained employment after completing the programme tended to enter similar occupations (though with higher average hourly earnings of £6.50).
28. Employers suggested that the main benefit of the programme was to help their business to grow at an uncertain time when it was difficult to commit to recruitment. Employers suggested they were able to achieve cost savings and the recruit helping to deliver the existing workload.

### **Cost-effectiveness**

29. The evidence has suggested that JGW has broadly achieved its aims of supporting young people into employment, though there was little evidence to suggest that the programme had helped young people enter more productive occupations (i.e. those that pay higher wages) in the short term, which is explored as part of the wider benefits that JGW may create. At the same time, the programme provides generous wage reimbursements at substantial cost to the Welsh Government.
30. The extent to which the costs of the programme are justified by the social benefits involved will largely depend on the lifetime impact of the programme on the earnings of the young people concerned. While there

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<sup>13</sup> ONS, Provisional 2013 ASHE.

is evidence of a persistent effect of the programme on employability beyond the lifetime of the job opportunity, it is too early at this stage to make a formal assessment of these types of effect.

31. The results do suggest that a reasonable proportion of resources have been directed towards young people that would have found employment in the absence of the programme (73 per cent)<sup>14</sup> (although 27 per cent of participants would not have found a job without JGW). The programme also had a positive impact on the length of time participants spent in employment compared to unsuccessful applicants. As the costs associated with their employment would also have been incurred by employers anyway, this result suggests that the scheme has led to some redistribution of income from the public sector (and taxpayers) to the firms involved. This will be explored further as part of a formal cost benefit analysis and value for money assessment of the programme, which will be conducted as part of the final evaluation of the programme in 2015.

### **Cross-Cutting Themes**

32. Elements of the JGW programme address each of the WEFO cross-cutting themes (environmental sustainability and equal opportunities and gender). Whilst there is no target for green jobs created, the proportion created is monitored. The programme is compliant with equality legislation and the gender balance in terms of participation in the programme is fairly good. The proportions of young people who have participated in JGW and who are disabled or have a Work Limiting Health Condition (WLHC), who are from Black and Minority Ethnic (BME) groups, or who are lone parents, are all broadly in line with targets, though more work could perhaps be done to encourage lone parents in Competitiveness areas to take part in the programme.

### **Lessons learnt**

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<sup>14</sup> 59.1 per cent of the matched comparison group were in work at the point of the survey compared with 81.6 per cent of JGW participants completing their placements in work at the point of the survey.

33. Based on the conclusions discussed above this section has been structured to provide feedback on areas of good practice that should be continued, interim delivery level suggestions for programme improvement and also longer term considerations for the programme.

*Good practice*

34. **The objectives of JGW are clear and simple to articulate.** This has made raising awareness of the programme among stakeholders, young people and employers easy, which is likely to have contributed to the high levels of demand the programme has experienced from both target groups.
35. **The WG leveraged existing structures,** enabling them to avoid heavy administration costs, get the programme running quickly and minimise publicity costs. For example, by adding the application process for JGW to the existing Careers Wales and GO Wales websites, the WG minimised the costs associated with commissioning a new website, and ensured that young people and employers already accessing those sites would be made aware of JGW without any additional advertising. The WG also procured existing providers to manage the private and third sector strands, minimising the delays in launching the programme. This worked well in the case of the private sector strand, although in the case of the third sector strand it was less successful. However, for the second year of the programme a tender for the Third Sector strand took place, which has brought the delivery in line with the Private sector strand.
36. **The application process used for the private, graduate and third sector direct strands is quick and easy for young people to use.** Young people only have to register on the system and input all their details once, and then answer a small number of additional questions for each job application. This makes the process quick and simple which has contributed to the high numbers of applications received through the programme.

### *Areas for improvement*

37. Although JGW is well aligned with other WG provision targeting unemployed young people, it is suggested that consideration is given to **improving levels of promotion of JGW to those participating in other WG programmes** (in particular the Traineeships programme<sup>15</sup>).
38. It is suggested that **consideration is given to improving links between the delivery partners** (MAs, GO Wales, the Department for Economy, Science and Transport (EST), the Department for Education and Skills (DfES), JCP, Careers Wales) beyond the current formal governance structures. It is believed that this would facilitate improved signposting between strands of the programme; and also sharing of best practice and collective understanding about what the programme is seeking to achieve as a whole.
39. Whilst the private sector strand of JGW is open to all job-ready 16 to 24 year olds meeting the eligibility criteria, the open market recruitment approach for the private sector strand, by its competitive nature, serves to assist those individuals within the age cohort that are the strongest candidates for potential employment. Elements of the third sector were managed to ensure those more disadvantaged in the labour market benefitted. However, as the economic recovery takes hold, there may be further opportunities to improve cost-effectiveness by **exploring strategies to increase the proportion of funding reaching young people who would not have obtained employment anyway** (including the planned ring-fencing of vacancies for residents of Communities First areas), **or to reduce overall rates of wage reimbursement**, as economic pressures on employers ease. Changes to the targeting of JGW job opportunity may have implications for project costs as well as progression rates.

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<sup>15</sup> Traineeships are a learning programme in Wales for 16 to 18 year olds who have left school and are unemployed. It aims to give young people the skills needed to get a job or progress to further learning at a higher level, such as an apprenticeship or further education. (<http://wales.gov.uk/topics/educationandskills/skillsandtraining/traineeships/?lang=en>).

40. In qualitative interviews many young people who were unsuccessful in their applications to JGW stated that they did not receive any feedback from employers on why their application had not been successful, and that they would have wanted this feedback. It is unclear whether or not these young people were aware of having to tick the box at the point of application to request feedback. Based on this, it is suggested that **consideration is given to making the tick box to request feedback more prominent on the application system.**
41. Given the lack of consistency in the amount and nature of support offered by mentors to young people during their jobs it is suggested that the **WG examine the role of the mentor and assess how effectively this role can be fulfilled** given how heavy mentors' caseloads are.
42. Overlaps between the graduate strand and existing WG programming are significant. As such it is suggested that **consideration is given to discontinuing this strand of the JGW programme.**

# 1 Background, evaluation scope and methodology

## Background

- 1.1 Ipsos MORI, Wavehill and WISERD were commissioned by the Welsh Government (WG) in October 2012 to conduct an evaluation of Jobs Growth Wales (JGW). JGW, which is partly being funded by European Structural Funds (ESF), is a WG programme to address youth unemployment. JGW was launched on 2 April 2012 and aims to create 16,000 new jobs between April 2012 and March 2016 for unemployed job-ready young people aged 16 to 24 that have experienced difficulty in securing employment<sup>16</sup>. It provides participants with a job opportunity for a six month period paid at, or above, the National Minimum Wage (NMW) for a minimum of 25 hours per week up to a maximum of 40 hours per week, or a £6,000 bursary to support them to start their own business. The programme ultimately aims for its participants to move into sustainable employment or self-employment. The programme was a key manifesto commitment of the Welsh Labour Party and was included in the Programme for Government.
- 1.2 Whilst the primary benefits of the programme are focused on supporting young people into employment, there are secondary benefits for the Welsh economy through support to Welsh businesses, particularly SMEs. Key criteria for employer participation are that businesses declare that the opportunities created are additional to their existing workforce, and that there is the potential for jobs to be sustained at the end of the six month supported period. Therefore businesses must declare that they have plans for growth that would not be progressed (or would not be progressed at the same rate) without JGW support.

## Scope and aims of the evaluation

- 1.3 Running from November 2012 until March 2015, the evaluation aims to analyse the effectiveness of programme processes, measure the net impacts and

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<sup>16</sup> The programme was originally funded until March 2015, but it was announced in October 2013 that the programme would be extended for another year. Welsh Government, "A budget for jobs and growth: Deputy Minister welcomes £12.5 million to extend flagship Jobs Growth Wales programme". 18 October 2013, accessed online on 20 February 2014 at <http://wales.gov.uk/newsroom/educationandskills/2013/7985117/?lang=en>.

assess the value for money of JGW, whilst also ensuring the evaluation satisfies the requirements of the Welsh European Funding Office (WEFO).

1.4 The overarching aims of this evaluation are summarised below. For a more detailed discussion, please see Annex A.

- Understand the context within which the JGW programme works, and the extent to which each strand integrates into other initiatives in Wales and the UK;
- Review the processes of the programme, and how well it has been managed and implemented;
- Assess how effectively JGW has communicated and engaged with employers and young people, particularly in deprived areas; and
- Evaluate the impact of JGW on youth unemployment in Wales, both overall and for each strand, through exploring the end destination for participants and the impact of participation on employers' recruitment patterns and training programmes;
- Identify the key strengths of the programme and any constraints/issues.
- Provide an understanding of the value for money of the programme.
- Gather lessons learned and provide recommendations to inform future policies to support young people into employment.

1.5 The purpose of this report is to provide an interim assessment of JGW over the period from the launch of the main stage of the programme<sup>17</sup> on 2 April 2012 to the end of July 2013<sup>18</sup>. The report provides an analysis of the effectiveness of key programme processes in contributing to the delivery of the overall objectives of JGW, and of JGW's impact, including any impact the programme has had on reducing youth unemployment in Wales.

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<sup>17</sup> The pilot stage of the programme is not within the scope of this evaluation.

<sup>18</sup> This was the date on which Management Information (MI) was received from the WG. Some performance data included in this evaluation dates to the end of September 2013.

## Evaluation methods

1.6 A range of methods, including both qualitative and quantitative approaches, were required to assess the effectiveness of JGW processes and the impact of the programme. These are briefly outlined below, and further details can be found in Annexes B and C.

- Desk-based research: a rolling literature review of initiatives to get young people back into work; analysis of secondary sources of data on youth unemployment and employment demand in Wales; analysis of JGW monitoring information; a review of key WG policies and strategies related to youth unemployment; and a review of skills, training and employment programmes designed to intervene amongst young people in Wales;
- A stakeholder consultation involving in-depth interviews, conducted face-to-face and by telephone, with 34 stakeholders involved in the design, management, delivery and monitoring of JGW and working in related policy areas. These included:
  - those in the WG involved in managing and monitoring JGW (4)
  - stakeholders in other relevant divisions of the WG (5)
  - delivery organisations (management and staff) (22)
  - leads in other organisations/programmes with links to JGW (3);
- Qualitative research:
  - 21 in-depth telephone interviews with employers reflecting the size of strand:
    - Fourteen 'private sector' strand
    - Three 'third sector' strand
    - Three 'graduate' strand
  - 26 in-depth telephone interviews with young people (including five matched case studies involving young people, employers, mentors and MAs) reflecting the size of strand:
    - Ten 'private sector' strand
    - One 'third sector- direct' strand

- Two 'third sector- supported' strand
  - Two 'graduate' strand
  - Seven 'self-employment' strand
  - Four unsuccessful applicants
- Telephone surveys of treatment and comparison groups of young people, where the treatment group consisted of individuals who had secured jobs through the programme (595 interviews achieved) and the comparison group was made up of applicants who had not been successful (603 interviews achieved); and
  - A telephone survey of employers who had hired young people through JGW (328 interviews achieved).

### **Methodological limitations**

- 1.7 The evaluation team is aware of a number of methodological limitations that should be borne in mind when drawing conclusions from any final reporting outputs from this study. The main limitations are highlighted below, and further details can be found in Annex D.
- 1.8 *Inaccurate profiling of programme participants:* Analysis of the management information will not provide an accurate profile of all programme participants because the individual level management information (MI) about programme participants held by the WG was incomplete<sup>19</sup>.
- 1.9 *No verification of post-JGW destinations:* The analysis of participants' destinations is based on survey data (self-reported) and MI. However, the MI on immediate destinations was only 60 per cent in an accessible format at the time the analysis was conducted, reducing the robustness of these findings.
- 1.10 *Sampling of young people potentially skewed:* The sample of young people consenting for their data to be used for evaluation purposes did not include the entire population of those participating in JGW, leading to the survey population potentially being skewed.

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<sup>19</sup> At the time the samples were provided for this research on 1 August 2013, Managing Agents had not finished uploading the records of all successful applicants to the WG's database. Aggregate level data was available but did not include required information for the profiling exercise.

1.11 *Some strands too small to analyse quantitatively:* Due to the small numbers of young people who had participated in the self-employment strand at the time the research was conducted, the decision was taken not to include them in the survey but rather to conduct qualitative research with them. The small sample of graduates was included, but the number who took part in the survey was too small to enable sub-group analysis of this strand to be conducted.

1.12 *Sampling of employers potentially skewed:* The Standard Industrial Classification (SIC) code for the employers, which was used to ensure the sample was representative of employers of all sectors, was only available for a minority of records, leading to the sample population potentially being skewed<sup>20</sup>.

1.13 *Selection bias leading to a less robust impact assessment:* A Randomised Control Trial (RCT), the most robust approach to impact evaluation, is not a feasible evaluation approach in this case as participants self-select to be considered for treatment (through applying for a JGW vacancy), while employers choose participants from the pool of available applicants. The two selection processes involved in this evaluation arguably have the potential to generate bias in opposite directions:

- Participants' choice to apply: JGW vacancies are temporary and are (generally) paid at the minimum wage, possibly making them less attractive than other vacancies available in the labour market and attract jobseekers that are less able to compete in the open labour market. If comparisons were made against a representative sample of young unemployed people, these factors would likely place a downward bias on impact estimates.
- Employers' choice of applicant: At the same time, employers choose participants from the pool of applicants for the relevant vacancies. If employers choose those applicants who are most likely to be productive in employment, then this may bias results in the opposite direction: participants could be those most likely to obtain employment without intervention.

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<sup>20</sup> This was corrected to the extent possible through matching based on company name with Experian's database, but the match rate was poor because the MI did not include the Companies House Registration Number (CRN). This is a unique number for all businesses in the UK, which, by virtue of its uniqueness, would have increased the match rate of SIC codes.

1.14 Two key strategies were employed to minimise selection bias when analysing the impact of the programme on young people:

- Design of comparison sample: Bias can be minimised by ensuring the members of the comparison sample are as closely matched in terms of their labour market characteristics as possible to those obtaining a job through JGW. This was ensured by using a sample of unsuccessful applicants (both those who had applied for a vacancy and not been shortlisted and those who had been shortlisted for interview but not ultimately selected for a job).
- Analytical techniques: A kernel matching procedure was adopted to minimise the observed differences between the programme participants and the comparison sample (accounting for demographic and labour market characteristics, as well as the time that had elapsed since their first application to the programme). Technical detail is provided in Annex C.

1.15 *Lack of comparison data for employers leading to a less robust impact assessment:* It is likely that there is also an element of selection bias in the employers who choose to recruit through JGW. A more detailed assessment of impact on employers will be conducted as part of the final evaluation and will be based on a combination of cross-sectional and longitudinal analysis of self-reported data from employers, as well as, if feasible, a counterfactual analysis of employer outcomes using business survey data available at the Office for National Statistics' Virtual Micro-data Laboratory.

### **Interpretation of findings**

1.16 We have reported weighted percentages where the base is above 100 respondents, and where it is 100 or below we have reported unweighted numbers, unless otherwise stated.

1.17 Where percentages in tables do not add up to 100 per cent, this is due to rounding.

1.18 Where it is stated that one result is significantly different from another result, this has been tested at the 95 per cent level<sup>21</sup>.

1.19 The names of those who participated in case studies have been changed to protect their identities.

### **Structure of the report**

1.20 The structure of the report is as follows:

- Chapter 2 provides strategic context of the JGW programme.
- Chapter 3 presents the rationale, aims and objectives of the JGW programme, along with a discussion of the logic model and the outputs.
- Chapter 4 explores the effectiveness of the delivery model.
- Chapters 5 and 6 analyse the outcomes for young people and employers.
- Chapter 7 explores the impact of the programme.
- Chapter 8 discusses the WEFO cross-cutting themes and the link to JGW.
- Chapter 9 presents the conclusions and lessons learned from the evaluation.

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<sup>21</sup> This significance test assesses how accurate the reported value is. A significance test at the 95 per cent confidence level means that, in the instance of this data being collected repeatedly in the same way, in 95 out of 100 times the reported value would fall into the relevant confidence interval (the upper and lower limit of the possible true value).

## 2 Rationale and Programme Overview

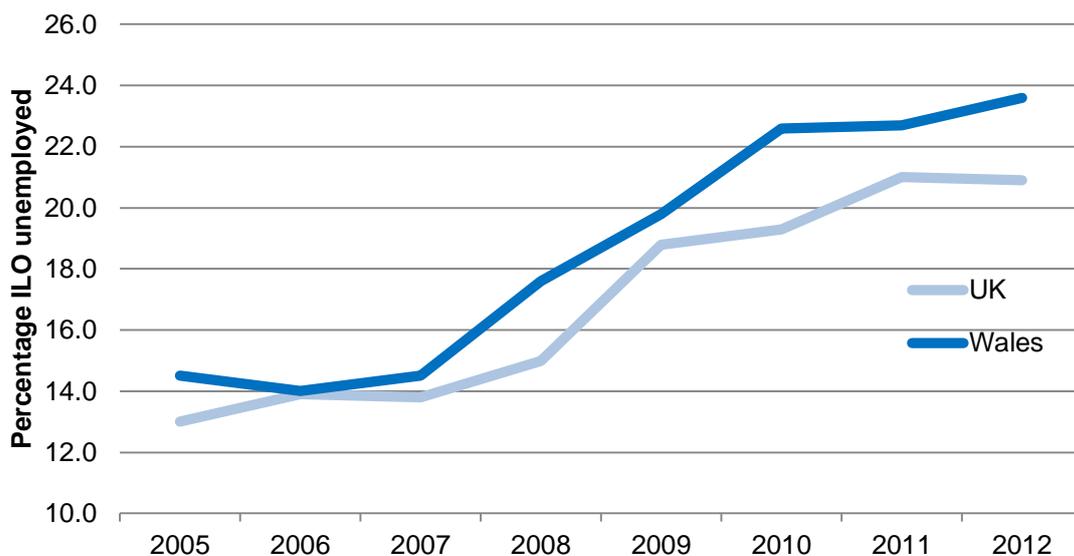
### Introduction

2.1 This section explores the market failure and rationale for JGW, provides a descriptive outline of the programme, and a framework for understanding its outputs and impacts. The section then summarises the evidence to inform an assessment of the logic for intervening in the market in this way.

### Evidence of Need

2.2 As suggested by Figure 2.1 below, young people have been more exposed to recessionary conditions in Wales than across the UK (with almost one quarter of young people aged 16 to 24 unemployed in 2012)<sup>22</sup>.

**Figure 2.1 Unemployment rate of the 16 to 24 Age Cohort between 2005 and 2012 for Wales and the UK**

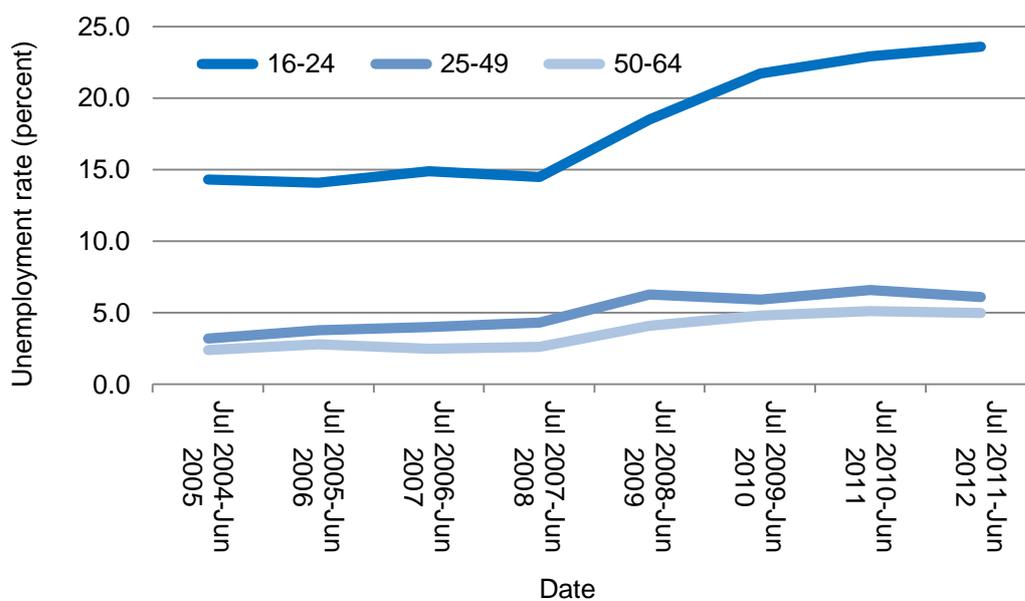


Source: Annual Population Survey, Unemployment rate – aged 16 to 24 [from Nomis on 11 September 2013]

<sup>22</sup> In accordance with international guidelines, people in full-time education (FTE) are included in the youth unemployment estimates if they have been looking for work within the last four weeks and are available to start work within the next two weeks.

2.3 Young people in Wales have also been disproportionately exposed to recession in comparison to other age groups, as suggested in Figure 2.2. These imbalances are indicative of a possible need for public intervention (even if justified only on an equity basis).

**Figure 2.2 Unemployment rates – Comparison of Economically Active Age Cohorts in Wales June 2004-2012**



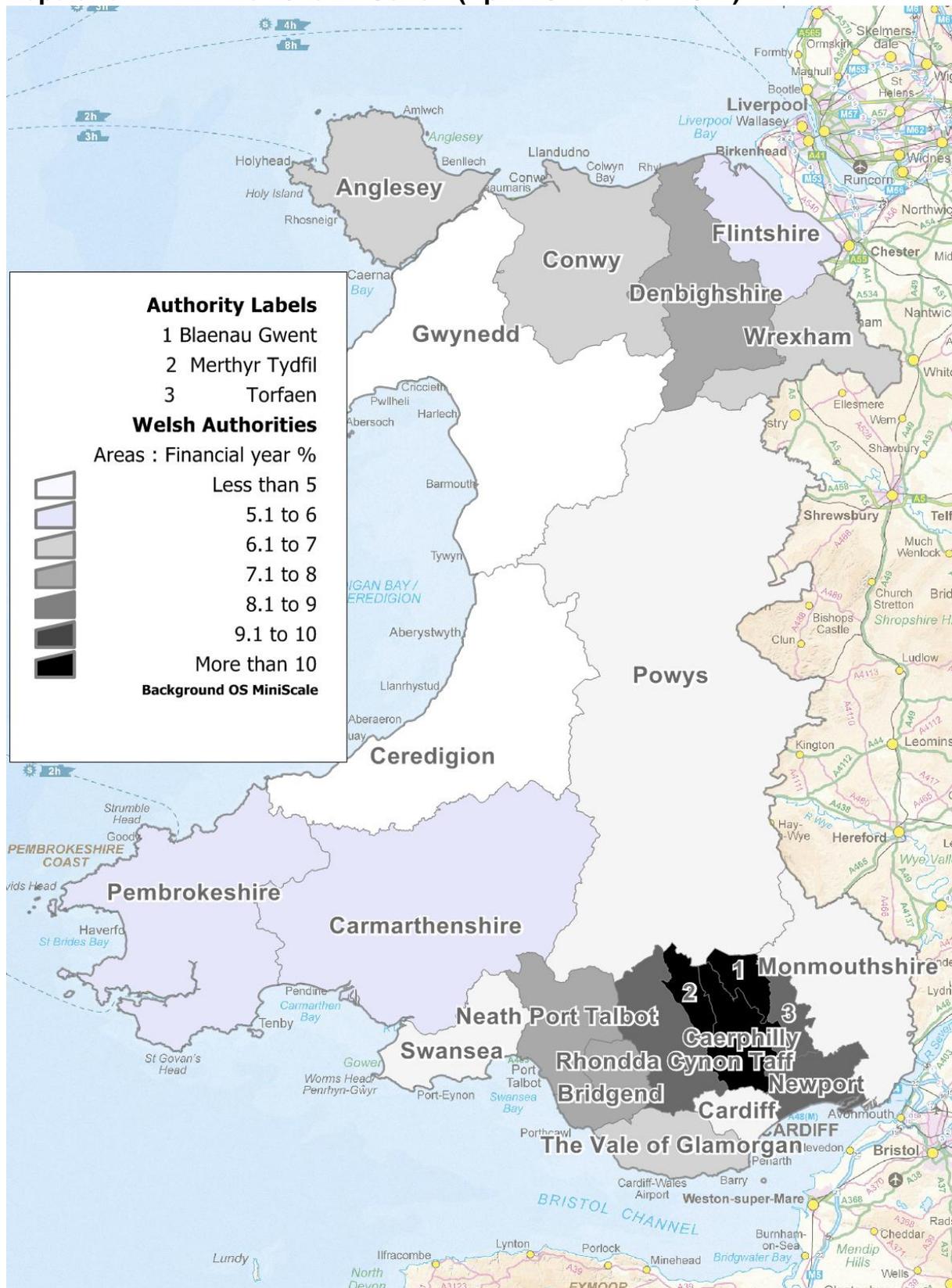
Source: UK Labour Force Survey/Annual Population Survey.

2.4 Spatial issues: There is significant geographical variance in youth unemployment in Wales with estimates ranging from a rate of 5.6 per cent amongst 16 to 24 year olds in Ceredigion to a rate of 37.5 per cent in Torfaen between January and December 2012<sup>23</sup>. Figure 2.3, explores claimant rates of 16 to 24 year olds as a proportion of the total population for that age cohort in each unitary authority area. Again, the data depicts a wide range of unemployment amongst 16 to 24 year olds with the Welsh Valleys once again experiencing the greatest levels of claimant count unemployment amongst this age cohort<sup>24</sup>.

<sup>23</sup> Annual Population Survey, 2012.

<sup>24</sup> Claimant Count 2011-2012.

**Figure 2.3: Claimant Rate for 16 to 24 Year Olds as a Percentage of the Total Population within the 16 to 24 Cohort (April 2011-March 2012)**



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 Contains Royal Mail data © Royal Mail copyright and database right 2013  
 Contains National Statistics data © Crown copyright and database right 2013

Source: Claimant Count 2011-2012

- 2.5 **Graduates:** The unemployment rate amongst recent graduates has almost doubled across the UK from 5 per cent in 2007 to 9 per cent in 2012<sup>25</sup> (compared to a rise from 4.5 per cent to 7.5 per cent over the same period for all 25 to 34 year olds). Graduate retention is also perceived as an issue in Wales with widely held view that Wales is a net exporter of graduates. However, research suggests that compared to other regions of the UK, Wales manages to retain high numbers of graduates<sup>26</sup>.
- 2.6 **Recent trends:** Claimant count data for the subsequent financial year (April 2012 to March 2013) has been reviewed to explore any emergent trends in claimant unemployment for 16 to 24 year olds. The 12 month average rate of 16 to 24 year old claimants has fallen from 7.1 per cent to 6.7 per cent between 2011/12 and 2012/13<sup>27</sup>, while increasing slightly for Wales overall. Since March 2013, the claimant count rate across the working age population has fallen in Wales by 0.8 percentage points from 4.2 per cent to 3.4 per cent whilst the 16 to 24 year old claimant rate has fallen 1.2 percentage points from 6.5 per cent to 5.3 per cent. Collectively the data suggests that economic recovery has taken hold in Wales.

## Market Failure

- 2.8 Employment fell in Wales by 0.1 per cent between 2009 and 2012 (and was accompanied by rising unemployment). While vacancies will still have been created through replacement demand and normal labour market churn, young people have been disproportionately exposed to the recession. Research highlights that Welsh employers, who had received applications from a young person in the last two to three years, had not recruited them because they did not meet the requirements typically referred to a lack of skills (61 per cent) or a lack of experience (61 per cent)<sup>28</sup>.

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<sup>25</sup> Annual Population/Labour Force Survey – see [http://www.ons.gov.uk/ons/publications/re-reference-tables.html?edition=tcm\\_per\\_cent3A77-333261](http://www.ons.gov.uk/ons/publications/re-reference-tables.html?edition=tcm_per_cent3A77-333261) – data available at the UK level only.

<sup>26</sup> Stay, leave or return? Understanding Welsh Graduate Mobility, WISERD and SKOPE, 2011.

<sup>27</sup> NOMIS – Claimant Count.

<sup>28</sup> *Employer Skills Survey: 2013 Data Tables*, <https://www.gov.uk/government/publications/ukces-employer-skills-survey-2013-supplementary-documents>.

- 2.9 The disproportionate effects of the recession on young people can lead to substantial social costs. Episodes of prolonged unemployment between the ages of 16 and 24 can lead to both long term difficulties in obtaining work and issues of underemployment. For example, an individual unemployed for a year between the ages of 16 and 24 is likely to spend just under nine per cent less time in work between the ages of 26 and 29 than they would have done otherwise. Early unemployment also leads to a significant negative impact of between 13 and 21 per cent on wages up to 20 years later<sup>29</sup>.
- 2.10 These results are indicative of a permanent loss of productivity: young people exposed to unemployment during recessionary periods are often prevented from reaching the levels of earnings that might be predicted by their educational attainment, due to difficulties in obtaining the entry level experience needed to progress to higher occupational levels. These long term economic costs have been estimated in 2007 at £979,023 per week in Jobseeker's Allowance payments and nearly £2.8 million per week in productivity losses<sup>30</sup>.
- 2.11 Research suggests that episodes of youth unemployment are also associated with wider social costs. An episode of unemployment experienced before the age of 23 lowers an individual's level of satisfaction with the way their life has turned out so far, and this impact has been shown to last over 20 years (with periods of unemployment experienced later in life not leading to similar effects<sup>31</sup>). Studies have found that increases in youth unemployment are significantly positively correlated with increases in burglary, theft, fraud, forgery and total crime rates<sup>32</sup>. Research also shows that unemployment of fathers negatively impacts on the work prospects of their sons<sup>33</sup>. The social status of fathers at birth is also correlated with the health of sons nearly 50 years later<sup>34</sup>.

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<sup>29</sup> Paul Gregg and Emma Tominey, "The wage scar from male youth unemployment," *Labour Economics* 4 (2005): 487-509.

<sup>30</sup> The Prince's Trust with the Centre for Economic Performance, *The Cost of Exclusion: Counting the cost of youth disadvantage in the UK* (The Prince's Trust, 2007): 15 and 17.

<sup>31</sup> David N. F. Bell and David G. Blanchflower, *Youth Unemployment: Déjà Vu?* (Bonn: IZA Discussion Paper No. 4704, 2010), accessed on 26 November 2012 at <http://ftp.iza.org/dp4705.pdf>: 27.

<sup>32</sup> F. Carmichael and R. Ward, "Youth unemployment and crime in the English regions and Wales", *Applied Economics*, 5 (2000): 559 – 571.

<sup>33</sup> Lindsey Macmillan, "The cost of youth unemployment," in The ACEVO Commission on Youth Unemployment, *Youth Unemployment: The crisis we cannot afford* (London: ACEVO, 2012): 82.

<sup>34</sup> David N. F. Bell and David G. Blanchflower, *Youth Unemployment: Déjà Vu?* (Bonn: IZA Discussion Paper No. 4704, 2010), accessed on 26 November 2012 at <http://ftp.iza.org/dp4705.pdf>: 28.

2.12 In light of this evidence, public intervention in enhanced employment support for young people may be justified if it allows them to acquire the skills and experience needed to compete effectively in labour markets and avoid the types of economic and wider social costs outlined above. Wage reimbursement programmes (such as JGW) aim to achieve this objective by creating financial incentives for employers to recruit from the target group. The incentives may in some cases compensate employers for the additional training and supervision costs that might be incurred by recruiting from the target group in preference to more experienced workers.

### **Jobs Growth Wales**

2.13 The creation of JGW was a key manifesto commitment of the current WG<sup>35</sup>. The primary rationale for JGW is to respond to the issue of rapidly rising youth unemployment in Wales following the financial crisis of 2007/08. It targets those young people who are job ready but whose lack of experience is the main barrier to employment. Providing a wage reimbursement seeks to overcome the market failures associated with recruitment of young people that are exacerbated during recessionary periods as employers are less likely to recruit and the pool of experienced staff available in the labour market grows.

2.14 Initially the programme aimed to create 4,000 job opportunities per year over the delivery period April 2012 to March 2015; however, a realisation that this would not be a good indicator of how well the programme had addressed youth unemployment resulted in targets being revised to relate to 4,000 vacancies filled. Meanwhile the programme has been extended until March 2016 to create and fill an additional 4,000 jobs.

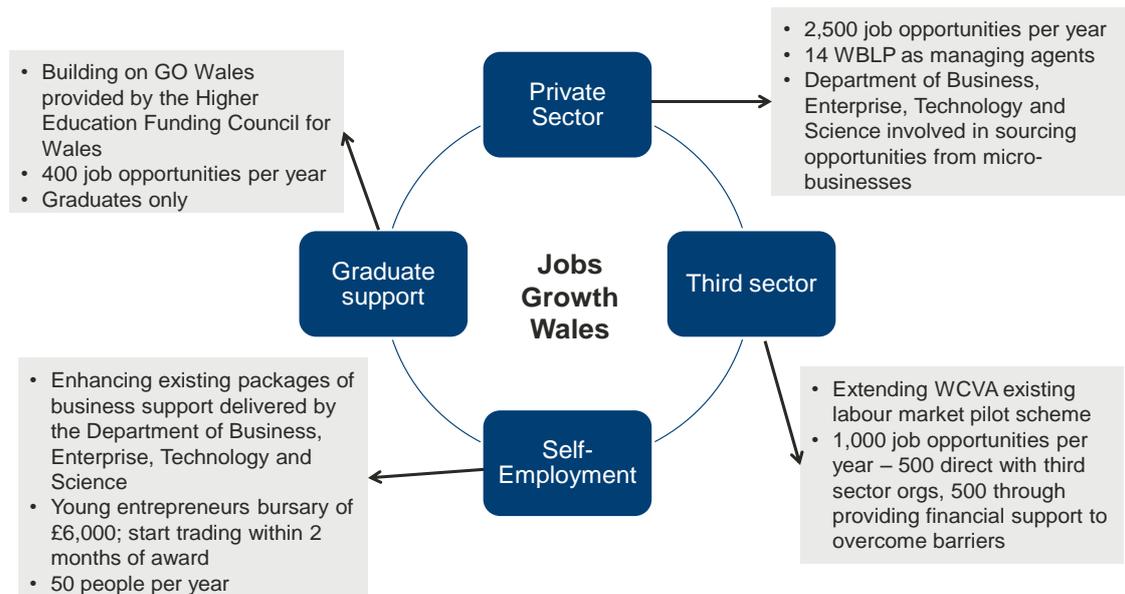
2.15 At its inception, the programme consisted of four distinct strands, which related to different routes to employment (private, third sector or self-employment) or targeted at specific groups of young people (e.g. graduates) and are delivered by different organisations.

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<sup>35</sup> *Programme for Government*, accessed online on 27 November 2012 at <http://wales.gov.uk/docs/strategies/110929fullen.pdf>: 4.

- 2.16 The private sector strand was provided by 14 Work Based Learning Providers (WBLPs) and aimed to create 2,500 job opportunities per year.
- 2.17 The third sector strand was provided by the Wales Council for Voluntary Action (WCVA) and its subcontractors. This strand has two components. The first component seeks to create job opportunities in third sector organisations, similar to the private sector strand. The second one aims to create 'supported' job opportunities within third sector organisations for individuals who face barriers to entering and remaining in employment. Examples of these barriers could include poor confidence or self-esteem, disillusionment causing issues around motivation and personal discipline, a history of knock-backs in job applications beyond the typical experience of a JGW-eligible young person, a background issue or specific personal circumstance that has hindered the individual in employment terms, or a physical or mental disability that requires a workplace adaptation and/or specific in-work support. However, participants in this element are still classed as job-ready and actively seeking employment. Additional funding is made available to support participants to overcome barriers to work such as providing one-to-one mentoring or specific training.
- 2.18 The graduate strand was specifically aimed at creating job opportunities for those with degrees, diplomas or certificates of higher education, or an equivalent. The strand was delivered by the Higher Education Funding Council for Wales (HEFCW), building on an existing employment support programme for graduates, GO Wales.
- 2.19 The self-employment strand (administered by the Department for Economy, Science and Transport (EST)) aimed to support young entrepreneurs through a revenue grant of £6,000 disbursed during the first four months of trading. This strand aimed to create 100 job opportunities per year.
- 2.20 An overview of the programme is provided in the figure overleaf.

**Figure 2.4: Summary of the JGW programme strands**



Source: Ipsos MORI

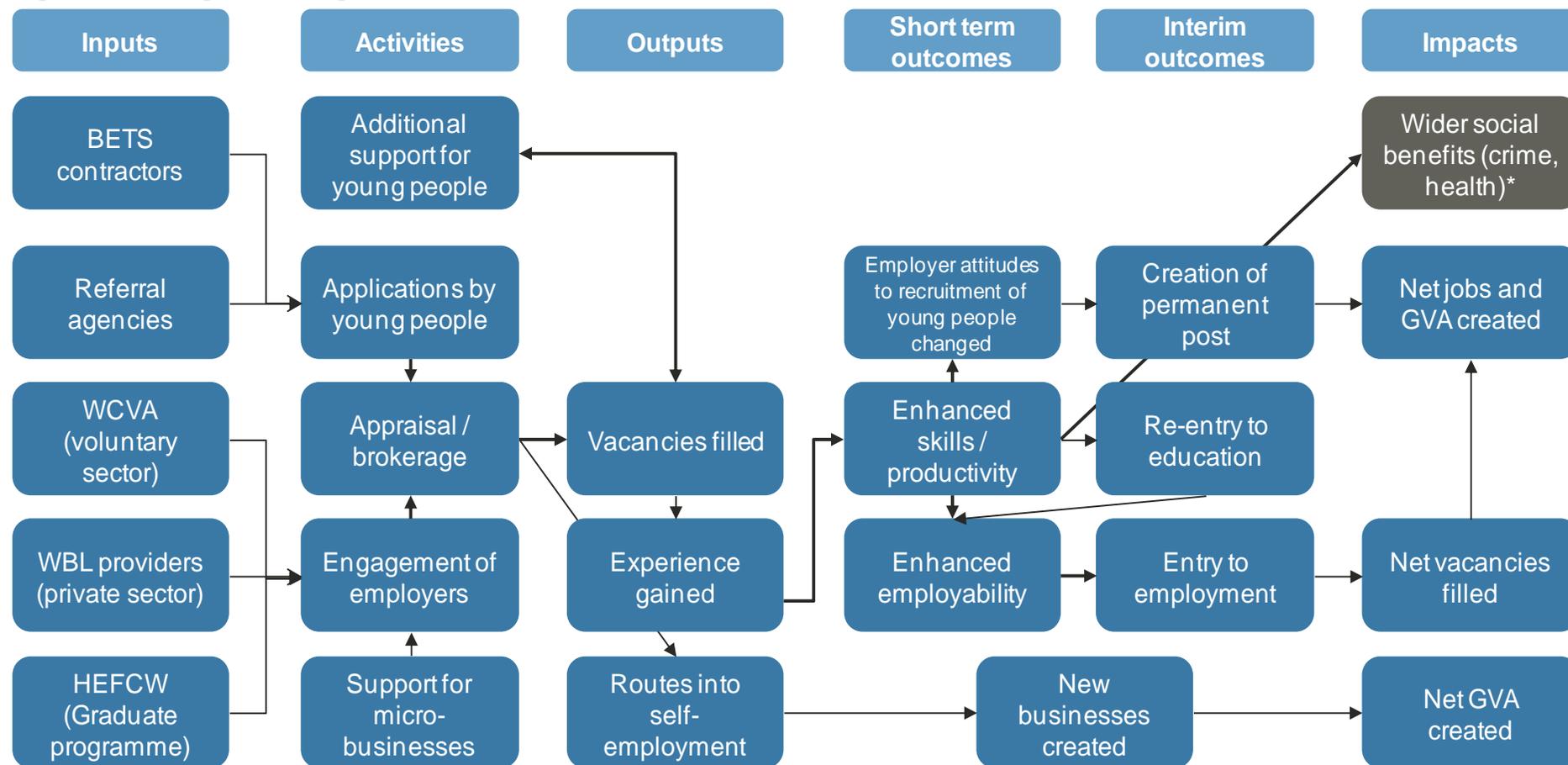
2.21 Several changes have been made to the programme delivery model since its inception:

- It has been agreed that a new strand will be created, targeting young people living in Communities First (CF) areas. This strand will be funded from the CF budget and is likely to be allocated 750 jobs over two years. This strand began to be delivered in December 2013.
- The third sector strand was retendered in mid-2013 and is being delivered by Groundwork North Wales and 3SC since 1 August 2013. They have been given a target of filling 650 jobs in 2013-2014.
- One of the providers for the private sector strand underperformed during the first year and it was decided that no further allocations would be offered to it.
- Procurement rules dictated that when further jobs were allocated to the private sector strand in October 2013, bidding would have to be open to all WBLPs. This resulted in four new WBLPs being allocated jobs: Ceredigion Council, Gower College, Marr Corporation and Rathbone.

## **Logic model**

2.22 Figure 2.5 sets out the logic model for JGW. It shows how the activities described will result in outputs and outcomes for young people and employers, which in turn will have impacts, particularly on the Welsh economy. This evaluation will examine all aspects of this logic model, except the wider social benefits which will not be measured. This interim evaluation report does not include an assessment of net Gross Value Added (GVA) created, but this will be included in the final report.

**Figure 2.5: Programme logic model**



Source: Ipsos MORI - \* Note: it will not be possible to quantify these wider social benefits as part of the evaluation

## Summary

- 2.23 Young people in Wales have been disproportionately affected by the recession, Unemployment rates have risen more rapidly amongst 16 to 24 year olds in Wales than for both similarly aged individuals across the UK, and faster than older age groups within Wales. Graduates have also been exposed to issues of unemployment and underemployment.
- 2.24 A range of research suggests that episodes of unemployment can have particularly damaging effects for young people during recessionary periods. In competition with more experienced workers, young people can find it challenging to acquire the work experience and skills at entry level required to progress to higher level occupations. As the economy recovers, these young people will often face greater levels of competition from those entering the labour market for entry level jobs, leading to further problems with both unemployment and underemployment. These 'scarring' effects can be seen in earnings and employability up to 20 years following episodes of unemployment.
- 2.25 The JGW programmes aims to tackle these issues by offering financial incentives to employers (through wage reimbursements for a period of six months) to encourage them to recruit unemployed, but job ready, young people. It is hoped that as far as these incentives prove effective, the experience gained by these young people will lead to long term gains in their employability, and allow them to enter more productive occupations (i.e. those paying higher wages) in the future. This in turn would lead to an increase in the number of jobs in Wales and Gross Value Added (GVA), both through the additional jobs and through the higher wages earned by JGW participants.

### 3 Strategic Context

3.1 This section provides an overview of the wider policy context in Wales and across the UK, and considers the strength of strategic alignment between JGW and wider initiatives aiming to address issues of youth unemployment and underemployment.

#### *Key Government Strategies*

3.2 The WG's Programme for Government, announced in 2011 included several key thematic areas, the first of these "Growth and Sustainable Jobs"<sup>36</sup> set out several commitments, namely:

- Supporting the economy and business;
- Improving Welsh Skills for employment;
- Improving our infrastructure.

3.3 This strategic framework is taken further through the WG's Child Poverty Strategy<sup>37</sup>. Produced in 2011, the strategy defines three strategic objectives for tackling child poverty:

- Reduce the number of families living in workless households;
- Improve the skills of parents and young people living in low income households so they can secure well-paid employment; and
- Reduce inequalities that exist in health, education and economic outcomes of children and families by improving the outcomes of the poorest.

3.4 The JGW Programme has been specifically developed to contribute to these priorities, and is identified as a flagship action to support this thematic area of the Programme for Government.

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<sup>36</sup> Programme for Government, Growth and Sustainable Jobs, 2011, <http://wales.gov.uk/docs/strategies/110929chap1en.pdf>.

<sup>37</sup> Welsh Government's Child Poverty Strategy, 2011, <http://wales.gov.uk/docs/dsjlg/policy/110203newchildpovstrategy2en.pdf>.

### *Programmes targeting youth unemployment*

3.5 The revised Youth Engagement and Employment Action Plan (2011 to 2015) sets out priorities for the WG to develop a clear customer journey in the development of training provision that complements rather than duplicates mainstream provision offered by the Department for Work and Pensions. The Action Plan also outlines how JGW aligns with other key initiatives:

- **Pathways to Apprenticeships:** Pathways to Apprenticeships offers an intensive one-year course of education and training to 16 to 25 year olds with the potential to enter an apprenticeship. The scheme has secured ESF funding and will continue until 2014 with emphasis on apprenticeships into key skills areas for Wales.
- **Young Recruits Programme:** The Young Recruits Programme provides financial support to private sector employers to offer high quality apprenticeship programmes to 16 to 24 year olds. All applicants must be enrolled upon a level 2 or level 3 apprenticeship framework with a WG contracted Work Based Learning Provider (WBLP).
- **Youth Entrepreneurship Strategy (YES):** YES aims to equip young people between the ages of 5 to 25 with entrepreneurial skills to help realise their potential<sup>38</sup>. YES equips individuals with the entrepreneurial skills they need to explore self-employment as an option and potentially secure the bursary offered through JGW.

3.6 The Employment Plan was recently succeeded by the launch of the WG's **Youth Engagement and Progression Framework Implementation Plan** in October 2013. The plan is focused on reducing the number of young people aged 11 to 25 who are not engaged in education, employment or training. The plan has six components:

- Identifying young people most at risk of disengagement.
- Better brokerage and coordination of support.

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<sup>38</sup> <http://wales.gov.uk/docs/det/publications/101115yesen.pdf> 11/03/13.

- Stronger tracking and transitions of young people through the system.
- Ensuring provision meets the needs of young people.
- Strengthening employability skills and opportunities for employment.
- Greater accountability for better outcomes for young people

#### *Programmes encouraging self-employment*

3.7 In addition to YES, the WG oversees the delivery a variety of interventions to encourage young people to start in businesses. These were formally launched in January 2013 as YES and include Big Ideas Wales. This is a campaign, managed by the Youth Entrepreneurship Team within WG to encourage young people to be more entrepreneurial. It involves a range of activities including the provision of role models, the development of curriculum materials to support the development of entrepreneurial skills and entrepreneurship shadowing where a young person interested in starting a business can work alongside an experienced entrepreneur.

3.8 Further support to encourage self-employment for young people is available through:

- **Graduate Start-Up Support Programme:** for those who have graduated in the last seven years or are currently in further or higher education providing one to one mentoring, a bursary (if their business idea shows potential for strong growth) and taster workshops.
- **Business Start Up service:** is the mainstream offer to encouraging self-employment. It is split into business support for micro businesses and one person businesses and business support for growth start-ups for those that have been trading for less than two years.

#### *Programmes aimed at graduates*

3.9 The GO Wales programme offers placements to graduates of on average a 10-week duration with employers from the third, public, and private sectors. The placements are built around projects, and are therefore designed to give the graduate some work experience, but with no expectation that the role will

become permanent. Integral to the placement experience is the opportunity to gain a work-based qualification called The City and Guilds Professional Development Award. This is a higher level award which allows students and graduates to quantify their experiences and development while on work placement. The programme is primarily aimed at those in their penultimate and final years of education, but there is no specific age criterion. Originally, employers were reimbursed at a flat rate of £95 per week, (subsequently increased to £100 per week in 2013), but must pay the graduate at least £250 per week.

*Alignment with Welsh Government youth unemployment provision*

- 3.10 Most of the above schemes are well aligned to (and have close operational links with) the JGW programme, offering progression routes into the programme or referral routes beyond the programme to sustain young people in employment through (primarily) apprenticeships.
- 3.11 There is concern about the extent to which the JGW graduate strand duplicates the existing GO Wales offer. Although there are key differences between the programmes, most importantly the length of the opportunity, and efforts have been made to ensure JGW does not undermine GO Wales by providing a higher level of wage reimbursement to employers of graduates, the target group for both programmes is very similar. Of greater concern is the fact that graduates may also apply for private sector strand jobs in JGW, which are reimbursed at a higher rate than GO Wales or JGW graduate strand jobs, leading to competition between the JGW private sector strand and GO Wales and the JGW graduate strand.

### *Alignment with wider youth unemployment provision and policy in the UK*

- 3.12 The Work Programme is a UK government-funded initiative to tackle adult unemployment (ages 18 or older). Young people aged 18 to 24 are mandated onto the programme when they have been unemployed for nine months. Eligibility criteria for JGW have been developed to try to ensure Work Programme provision is not duplicated, meaning that JGW is targeted at young people from their first day of unemployment, until they become eligible for the Work Programme. Targeting JGW at the short-term unemployed is likely to inflate deadweight<sup>39</sup> (by targeting those closest to the labour market) and thereby limit the cost effectiveness the programme.
- 3.13 The WG made efforts to ensure JGW was well-aligned to the Work Programme by designing eligibility that avoided a duplication or substitution of UK-wide provision and met ESF guidelines/regulations. Several stakeholders referred to the poor alignment between the two programmes, referring to the fact that those mandated onto the Work Programme are ineligible for the private and third sector strands of JGW, which cuts them off from this potential support. The WG and WEFO are unable to justify the provision of additional support through JGW for those mandated on to the Work Programme as there is no guarantee that duplication and double-funding of provision will not take place.
- 3.14 Following the announcement of the Work Programme, an additional policy intervention was established by the DWP in response to the challenge of youth unemployment with the introduction of the Youth Contract in April 2012<sup>40</sup>. The Youth Contract is aimed at providing 160,000 opportunities for 18 to 24 year olds in the UK, including apprenticeships and voluntary work experience. Wage incentives worth up to £2,275 each are available to employers where they employ an eligible 18 to 24 year old – someone who has been on benefits for at least six months, through Jobcentre Plus (JCP) or from the Work Programme. The wage subsidies cover the employer's National Insurance contributions for a year.

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<sup>39</sup> Deadweight refers to the extent to which JGW generates outcomes that are not additional to what would have occurred in the absence of the programme.

<sup>40</sup> <http://www.dwp.gov.uk/youth-contract/> 21/03/13.

3.15 The Youth Contract provides fiscal stimuli for employers with considerable similarities to JGW. However, questions remain regarding the level of take-up of the Youth Contract. Data suggests that 21,000 applications had been made and 2,070 payments delivered for young people completing 26 weeks on the scheme by May 2013 against a target of 160,000 subsidies to employers in the three years from April 2012<sup>41</sup>. Low levels of take-up are perceived to reflect low levels of awareness of the scheme and led to the launch of an advertising campaign to raise awareness levels of the programme in 2013.

3.16 Whilst the Youth Contract is therefore aligned to JGW in the sense that it offers wage subsidy/reimbursement to those ineligible for JGW, the level of reimbursement is lower than that offered by JGW despite these individuals being further from the labour market. An informed employer is likely to seek to participate in JGW ahead of the Youth Contract as it offers open market recruitment of those closer to the labour market and a higher level of wage reimbursement. The offer of JGW therefore may undermine the success of the Youth Contract in Wales. An evaluation of the Youth Contract in February 2013 could not explore this issue in detail due to the small number of Welsh employers participating in the survey, but did note, “In Wales, wage incentives are competing directly with the Welsh Assembly Government’s JGW initiative”<sup>42</sup>.

3.17 A further policy intervention, the New Enterprise Allowance (NEA) was introduced and rolled out across the UK in stages from April 2011. The NEA is targeted at JSA claimants, aged 18 or over, who want to start their own business with the provision of mentoring and financial support to help in the transition from welfare to self-employment. In Wales this support is offered by the WG’s Business Start-Up service. The NEA also has many similarities with the bursary offer for self-employment in JGW and is again available to those on the Work Programme thereby aligning with JGW for similar reasons to the

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<sup>41</sup> Social Mobility and Child Poverty Commission, 2013.

<sup>42</sup> Lizzie Jordan, Stephen McGinigal, Andrew Thomas and Nick Coleman, *Early evaluation of the Youth Contract wage incentive scheme* (Department for Work and Pensions, 2013), accessed online on 21 February 2014 at [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/194228/rrep828.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/194228/rrep828.pdf): 54.

Youth Contract. Whilst, NEA offers a significantly lower bursary value than the bursary offer for JGW, young people are able to access both elements of support (though the financial support is provided for different purposes). The schemes therefore appear to work well together despite a perception amongst some stakeholders that the schemes compete.

3.18 Overall, the evidence collected through this evaluation suggests that there have been some challenges in aligning JGW with other key UK wide programmes (particularly Work Programme and Youth Contract provision).

#### *European Social Fund Provision (ESF) – Pan-Wales*

3.19 The WG's Traineeships Programme delivers a flagship All Wales programme of engagement and Level 1 training to young people aged 18 and under, who have left compulsory education. The programme is in place to ensure they have an opportunity to acquire work skills, to sample work options and find job opportunities or other appropriate further training. In this respect the programme would appear to align well as a precursor to the JGW Programme.

3.20 A number of targeted ESF schemes are specific to the Convergence area and of relevance to JGW (such as the Engage Local Authority and Further Education initiative, led by Neath Port Talbot Council in collaboration with other councils; Potensial, run by Careers Wales; and Pre-VENT, led by Bridgend County Borough Council in collaboration with other councils). They all target individuals up to the age of 19 that are NEET or at risk of being so, with an emphasis of encouraging them to stay in education. In this respect they are well aligned to JGW as they seek to equip young people with skills and qualifications as a result of their retention in education, thereby placing them in a stronger position when they do ultimately seek employment.

### **Strength of Policy Design**

#### *Cost effectiveness of wage subsidies*

3.21 A review of literature from the UK and internationally found a widely held view that the use of wage reimbursements/subsidies has a positive employment

impact if it is well targeted at disadvantaged groups<sup>43</sup>. The success of wage subsidy programmes for young people would appear to depend on how they are combined with individual skills, employer involvement and other measures (such as follow-up). Internationally, a trial programme in Sweden, combined counselling, wage subsidy elements and follow-up and was found to have positive employment effects<sup>44</sup>. Similarly, the Future Jobs Fund (FJF), the most recent example of a wage reimbursement scheme in the UK, also generated positive employment effects (though a cost benefit analysis of the programme established that ultimately it represented a net cost to the exchequer).

3.22 In the majority of interventions reviewed (including FJF), wage subsidies were provided at lower levels than the full wage reimbursements for employment opportunities offered by the JGW programme. Research suggests that the level of wage subsidy for schemes such as FJF were too great. For the private and third sector strands of JGW the wage reimbursement is significantly greater again and perhaps there needs to be consideration as to whether reimbursement at a lower level to employers may still achieve similar outcomes, particularly now that the economy is showing signs of recovery.

3.23 The vast majority of past wage reimbursement/subsidy schemes were of six months duration. A lack of variation in the length of intervention provides difficulty in judging whether this is the optimal length for intervention however it would appear suitable given the experience of previous interventions.

#### *Eligibility criteria*

3.24 It would appear that JGW is the first major programme to be available immediately to individuals when they graduate, leave school/college or are made redundant. On other existing and previous schemes participants have only become eligible for provision following unemployment of at least six

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<sup>43</sup> Duell, N. (2012). "Can active labour market programmes reduce long-term unemployment?" Paper submitted for the thematic review seminar on 'Tackling long-term unemployment - effective strategies and tools to address long-term unemployment', Brussels, 8 November 2012.

<sup>44</sup> Liebig, T. (2009). "Jobs for immigrants: Labour market integration in Norway." OECD Social, Employment and Migration Working Papers N. 94.

months duration and therefore targeted those who are further away from the labour market.

3.25 Previous reimbursement schemes were largely delivered at a time when the economy was more buoyant with lower rates of unemployment generally, perhaps therefore warranting the emphasis on those young people considered to be further away (through their duration of unemployment) from the labour market. However the issue of significant deadweight has been identified on previous schemes of this nature which, through more relaxed eligibility criteria, may be increasingly prevalent within the JGW programme.

#### *Appropriateness of Delivery Mechanisms*

3.26 The aforementioned issues of deadweight on wage subsidy schemes would appear to be most significant in areas where there is greater economic prosperity and the geographical allocation of JGW<sup>45</sup> jobs in line with youth unemployment rates (at least in part) will have helped address this issue. However, The open market recruitment approach for the private sector strand also, by its competitive nature serves to assist those individuals within the age cohort that are the strongest candidates for potential employment, which may inflate the levels of anticipated deadweight further.

3.27 A further inflationary factor on the levels of deadweight arising through the programme is the recovering economy and the likely increased demand for recruitment which itself has led to significant falls in rates of unemployment in recent months in Wales. Collectively these factors suggest a need to review eligibility criteria for the JGW programme.

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<sup>45</sup> Jobs in the private sector strand of JGW are allocated based on the rate of youth unemployment in each local authority. However, jobs in the third sector strand were, in Year 1, allocated equally across Wales. Jobs allocated to the graduate and self-employment strands are not specific to local authorities but are pan-Wales jobs.

## Summary

- 3.28 The JGW programme is well aligned with both key WG strategies and has close strategic and operational links with key programmes designed to address issues of youth unemployment and unemployment more widely.
- 3.29 However, there are substantial weaknesses in the operational and strategic alignment of the programme with mainstream provision developed on a UK wide basis by the Department for Work and Pensions (DWP). Addressing youth unemployment has become an increasing priority for mainstream provision and has led the development of comparable initiatives (most notably the Youth Contract and the NEA). In both instances JGW offers far greater investment per individual (either as a wage reimbursement or a bursary) and would therefore appear a more attractive route to those beneficiaries eligible for both WG and DWP initiatives.
- 3.30 Some stakeholders believe that JGW is poorly aligned to the Work Programme with those mandated onto the programme ineligible for JGW. It is understood that the Work Programme has been an influential factor on eligibility criteria for JGW to avoid duplication of provision (particularly by becoming eligible for JGW from the first day of unemployment). The WG and WEFO are unable to justify the provision of additional support through JGW for those mandated on to the Work Programme as there is no guarantee that duplication and double-funding of provision will not take place. Had JGW followed an approach similar to FJF and New Deal for Young People where eligibility commenced following six months of unemployment, the window of opportunity for engaging and support unemployed young people would be extremely small (for a three month between the sixth and ninth month of claiming JSA, prior to being mandated onto the Work Programme). However, this also means that within the programme's target group of job-ready young people, JGW is targeting those young people who are the most likely to obtain employment.

## 4 Effectiveness of the delivery model

4.1 This chapter assesses the effectiveness of JGW programme processes in contributing to the overall impact of the programme. It draws on analysis of MI, survey results and findings from the qualitative research.

### Delivery Model

4.2 All strands of JGW except the self-employment strand share certain common delivery features, as described below. Process maps for each of the strands can be found in Annex E.

4.3 Sourcing vacancies: The MAs of each strand are responsible for sourcing a certain number of vacancies from employers. MAs are also responsible for ensuring that the jobs fulfil the eligibility criteria. These vacancies should be both additional and sustainable. That is, they should be new jobs which would not have been created in the absence of JGW, and employers should want to keep the young person on at the end of the temporary contract if they are suitable for the role.

4.4 Advertisements: These vacancies are then worked up into job advertisements in collaboration with the employer. The MAs try to ensure that the advertisements match the job description. They are also quality assured by the WG to check additionality and sustainability before being posted on the JGW Live website (the GO Wales website in the case of the Graduate strand)<sup>46</sup>. Third sector supported vacancies are not publicly advertised; instead, prospective participants are identified by referral partners and provided with job descriptions for jobs to which they might be suited.

4.5 Skills assessment: Where appropriate, programme participants who have been referred to JGW by JCP or Careers Wales undergo a Skills Assessment, which is undertaken through Careers Wales. This consists of an interview and an online questionnaire where respondents answer a series of questions in order to identify their skills and ambitions to provide some direction in terms of the

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<sup>46</sup> Jobs Growth Wales Live:

<http://ams.careerswales.com/Public/Default.aspx?mode=vacancy&type=ams>.

GO Wales: <https://www.gowales.co.uk/en/Graduate/jgw>.

types of jobs in which they may be interested. The outcome of this is an action plan which is primarily a tool for the young person to use in their job search but is also used as a monitoring tool by MAs to track a young person's progress in improving their skills.

- 4.6 Self-referral: Participants may also self-refer to the programme by applying directly for JGW vacancies, in which case they will access the JGW Live website directly without being referred by JCP or Careers Wales.
- 4.7 JGW live profile: Participants then create a profile of themselves on the JGW Live website. They can apply for vacancies by declaring themselves eligible for the programme and answering two questions about why they would like the position and what skills and qualities they can offer.
- 4.8 Initial application sift: Depending on the preferences of the employer, the MA may undertake an initial sift of all the applications, and forward the most appropriate ones, or may forward all applications to the employer. At the sifting stage, any self-referred young people who a provider feels may benefit from it may be referred to Careers Wales for a Skills Assessment. Applications at this stage are anonymised; once the employer has chosen the candidates suitable for interviews, names and contact details are provided to the employer. At this stage, the MA undertakes an eligibility check of the candidates who have been offered interviews.
- 4.9 Interviews: The MA arranges the interviews with the applicants, who are then interviewed by the employer (unsuccessful applicants are referred back to Careers Wales if they are unsuccessful three times for a follow-up careers advice and guidance session with a view to addressing reasons why applications have been unsuccessful).
- 4.10 Verification of eligibility: Once the employer has selected a candidate for the position, the MA verifies that the young person is eligible for the programme (if they have not already done so). The MA also makes sure that the employer has appointed a line manager for the JGW job, and completes a health and safety assessment and any outstanding forms.

- 4.11 Job opportunity: The participant then starts the job, receiving a monthly phone call from or having a face-to-face meeting with a mentor from the MA to discuss any issues that may have arisen, so that the MA can satisfy themselves that the participant is getting high quality work experience and any problems/issues are resolved. Although employers are not required to provide training to JGW participants, they are encouraged to do so at their own cost, and the MAs monitor details of any training the participant is receiving.
- 4.12 Links to pre-employment and apprenticeship programmes: Young people who have undertaken a Traineeship or Steps to Employment placement can directly progress into JGW. Participants who have completed a JGW opportunity, subject to eligibility, can enter the Young Recruits Programme, where the employer can receive an additional 12 months of support, or go onto an apprenticeship.
- 4.13 Post-JGW: At the end of the job opportunity, the hope is that the employer will decide to make the position permanent. In the case that the position is not sustained, the MA and young person have an exit interview to look at the young person's options. The hope is that the young person will find work with another employer (supported or unsupported), undertake an apprenticeship or go on to further learning. The MA is required to contact the young person three months after the end of the job to determine what the young person is doing. If the young person is not in education, employment or training (NEET), the MA refers the young person back to Careers Wales for further career advice and guidance.
- 4.14 The self-employment strand is distinct from the other strands of JGW as it is the only part of the programme that is not a job-focussed delivery model. Whilst the other strands seek to provide participants with quality work experience, the self-employment strand aims to support young entrepreneurs through a revenue grant of £6,000 disbursed during the first four months of trading.
- 4.15 This strand, administered by the EST, is advertised through Careers Wales, JCP and the Prince's Trust. Applicants may also self-refer. Applicants must register with a Business Start Up provider and be receiving one-to-one support

through the Business Start Up Programme. They may also be receiving advice on business planning or attending workshops funded by EST.

4.16 The providers must check participants' eligibility for support through JGW prior to the young person applying for a Young Entrepreneur Bursary. Applicants may be denied a bursary if they do not meet the eligibility criteria<sup>47</sup> or if their business plans or financial forecasts are not of sufficient quality.

4.17 On approval of an application, an Award of Funding and State Aid letter is issued to the participant, who must sign the application form and return it to the WG. The applicant should begin trading within two months of the bursary award. However, funding at each stage is dependent on the outcomes of progress reviews, conducted by the provider, and the receipt of the progress report by the WG, a valid invoice and confirmation that the provider holds evidence on the applicant's file relating to the payment period<sup>48</sup>. Instalments of £750 are made at weeks two and four from the first day of training, and instalments of £1,500 are made at months two, three and four. The objective is that the business becomes sustainable by the end of the four months.

## **Financial inputs**

4.18 The main financial inputs for JGW are the wage reimbursements, the fees paid to providers, and administrative costs associated with running the programme. A full cost-benefit analysis, taking into account all these costs, will be conducted as part of the final evaluation.

### *Wage reimbursements*

4.19 The level of wage reimbursement for the private and third sector direct strands varies by age according to the NMW rate. As at 21 November 2013, the NMW varied by age bracket as follows: £3.72 per hour for 16 and 17 year olds, £5.03 per hour for 18 to 20 year olds and £6.31 per hour for 21 and over<sup>49</sup>. Participants of JGW work between 25 and 40 hours per week. Employers can

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<sup>47</sup> The eligibility criteria are: NEETs aged 18 to 24 with a business plan ready to start trading within two months and receiving one to one business advice and mentoring through an approved business support provider.

<sup>48</sup> This includes evidence that the business is still trading and continues to be the client's main source of income and/or employment.

<sup>49</sup> GOV.uk data, accessed 21<sup>st</sup> November 2013, <https://www.gov.uk/national-minimum-wage-rates>.

choose to pay their JGW employees at or above the NMW, but will only be reimbursed the NMW by the WG. The cost of reimbursing employers for each job will therefore vary between £93 for a 16 to 17 year old working 25 hours per week and £252.40 for a 21 to 24 year old working 40 hours per week. Where applicable the WG is also contributing a payment to cover the Employer National Insurance (NI) payment made for participants<sup>50</sup>.

- 4.20 Employers who have hired young people through the graduate strand are reimbursed at a lesser rate to ensure the strand aligns with existing GO Wales provision. Wage reimbursements for this strand are currently a flat rate of £100 per week (this increased from £95 per week in October 2013 in line with the increase in the NMW).
- 4.21 The wage reimbursement for the third sector supported strand is the same as that for the private and third sector direct strand, but an additional one-time support allowance is made available to support participants to purchase specialised equipment or undertake specific skills training. This allowance must be claimed against evidence of appropriate use on a monthly basis in arrears. In the first year of the programme, this allowance was £1,000 for 16 to 17 year olds and £750 for 18 to 24 year olds, and from the second year this allowance is £1,000 for all young people.
- 4.22 The self-employment strand bursary is £6,000, disbursed in instalments at weeks two and four from the first day of training (£750), and months two, three and four (£1,500).
- 4.23 Providers delivering JGW are paid fees for each programme participant. The WG only reimburses payments against evidence for actual payments made in respect of a participant's employment. A start-up fee is paid when a young person commences in a job opportunity. There is then a monthly administration fee for the subsequent five months for each participant (assuming the participant remains active within the programme for this period). Three months after the participant has completed the programme there is another

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<sup>50</sup> Where an employer chooses to pay above the NMW the NI contribution paid by the Welsh Government is only in respect of the element related to the NMW rate. Likewise the NI contribution will only be made in respect of hours worked up to the 40 hour per week maximum level.

administration fee to ascertain accurate destination and progression information (a destination form must be completed).

### *Outputs*

- 4.24 The target of creating 4,000 jobs per year shifted over time to be a target for jobs filled. Although this overall target remained the same, the targets for some of the strands were revised. The number of graduate jobs in Year 1 was revised from 400 to 150 due to the contract with HEFCW being finalised later than originally anticipated. The self-employment target of 100 was reduced to 50. The outstanding job allocations (300) were directed into the private sector strand.
- 4.25 In Year 2 the overall target remained 4,000 jobs filled. The private sector strand target rose to 2,750, while the third sector strand's target was reduced to 750 jobs, 475 supported and 275 direct. The graduate strand had its target reduced from 400 to 300 jobs as a result of HEFCW alerting the WG that it would be unable to deliver its original target.
- 4.26 Table 4.1 shows the performance of each strand of JGW against its target, for both years of the programme. Providers can be allocated more jobs than their targets, which is why the number of jobs achieved is sometimes higher than the target.
- 4.27 The programme surpassed its original aim of filling 4,000 jobs in Year 1. While the private sector, third sector supported and self-employment strands over-performed against their Year 1 targets, the third sector direct and the graduate strand underperformed against targets.
- 4.28 Performance in Year 2 is good. The private sector and self-employment strands have already over-performed against targets, and the graduate strand looks on track to meet its target. The third sector contracts were only awarded in August, explaining the lack of jobs filled in this strand to 24 December 2013.

**Table 4.1: Performance against targets by strand**

Strand	Year 1 target	Year 1 target revised	Year 1 achieved	Total year 1 achieved against revised target (per cent)	Year 2 target	Year 2 target revised	Year 2 achieved to date – as at 24 December 2013	Total target to the end of March 2014	Total jobs filled – as at 24 December 2013	Total jobs filled – as at 24 December 2013 (per cent)
Private Sector	2,500	2,800	3,086	110	2,750	2,850	3,389	5,650	6,475	115
Third Sector Supported	500	500	518	104	475	475	317	975	1,149	66
Third Sector Direct	500	500	314	63	275	275		775		
Graduate	400	150	72	48	400	300	242	450	314	70
Self-Employed	100	50	52	104	100	100	160	150	192	141
<b>Total</b>	4,000	4,000	4,042	101	4,000	4,000	4,108	8,000	8,150	102

Source: Welsh Government performance data (released 24/12/2013 <http://wales.gov.uk/statistics-and-research/jobs-growth-wales/?lang=en>, accessed 15<sup>th</sup> January 2014)

- 4.29 Overall performance over the two years is strong, with the programme surpassing the target of 8,000 jobs. The poor performance of the third sector, only achieving 66 per cent so far, is explained by the late allocation of the third sector contracts. The graduate strand, however, has underperformed and has had its targets revised and now looks on track to meet its revised target. Findings from the stakeholders involved in the management of JGW suggest that the underperformance of this strand could be due to the wage reimbursement being only partial: employers might instead recruit graduates through the private sector strand where they can benefit from the full wage reimbursement.
- 4.30 Performance has been variable across MAs working in the private sector strand. As previously mentioned, while one MA was not granted an allocation in year two due to poor performance, one has exceeded its targets and several others are performing well against theirs.
- 4.31 The Business Plan (which is currently being up-dated to reflect on the extension of the programme) states that JGW aims to fill 8,400 job opportunities for young people over three years in Convergence areas, and 2,735 in Competitiveness areas. Around 18 months after the programme launch, 3,974 young people from Convergence areas had obtained jobs through JGW (47 per cent of the current final target), and 1,810 young people from Competitiveness areas (66 per cent of the current final target). Around 14 per cent of the approximately 29,000 unemployed young people living in Convergence areas in Wales were successful in obtaining a JGW job, compared to 11 per cent of the approximately 17,600 unemployed young people living in Competitiveness areas<sup>51</sup>. This suggests that, although JGW is performing better in relation to its targets in Competitiveness areas, the programme is engaging fairly well with young people from the most economically disadvantaged area in Wales (on one measure).

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<sup>51</sup> Please note that these figures cannot be compared with the proportion of young people engaged overall, as the data on engagement with young people in Convergence and Competitiveness areas is based on sample data supplied by the Welsh Government in July 2013, when the programme had filled fewer vacancies.

4.32 Overall, 102 per cent of the target for jobs filled had been reached as of 24 December 2013.

### **Strength of Policy Design Processes**

#### *Policy design issues*

4.33 The detail of the programme was developed under tight time constraints. As JGW was a ministerial commitment, there was pressure for it to launch as quickly as possible, with a number of consequences.

- The WG conducted a review considering the bigger picture of provision tackling youth unemployment, whereby gaps in the current provision were identified and options for addressing these gaps were considered. A decision was made at political level that provision to create jobs for young unemployed people had to be prioritised, and subsequently to make JGW a manifesto commitment. Given the pressured environment in which JGW was conceived, there was a requirement for the project to be developed quickly, whereby main features of the programme were largely decided at a political level.
- The project team developed the more detailed design of the project considering different approaches for the support provided through JGW (e.g. length of job opportunity, amount of wage subsidy). The design of JGW drew on lessons from the FJF, the pilot phase of the programme, as well as wider evidence available from other work experience programmes in the UK.
- The policy team was aware of the evidence of the effectiveness of wage subsidy programmes, and the high levels of deadweight that tend to accompany such an approach. However, this aspect of the programme was decided at a political level based on the economic situation (i.e. the imbalance in the labour market) which was seen as a mitigating factor. The wage reimbursement model was thought to provide employers with a risk-free opportunity (as the cost was borne by the WG) to trial young people in their organisations, and to train them to the required level. At the same time, it would provide young people with experience, thought to be a major barrier to their obtaining employment.

- Alternative lengths of contract or levels of wage reimbursement were not considered. The six month length of the jobs was based on the FJF model and was part of the manifesto commitment. The decision about the level of the wage reimbursement was made based on ensuring buy-in from employers, without considering the evidence that even wage subsidy programmes that provide partial subsidies have high levels of deadweight. The amount of the bursary for the self-employment strand was based on an existing New Entrepreneurship Programme bursary.
- The aim of the programme was unclear to some stakeholders, who were unsure whether the target was number of jobs created or number of jobs filled, and indeed the target changed from one to the other during the first year of the programme.
- Varying advice about the state aid funding rules that should apply to the programme were provided during the course of the first year, leading to the programme being launched under one rule and then changing to another. The programme was launched under the General Block Exemption Regulation (GBER)<sup>52</sup>. Although not strictly in line with the GBER, it was considered possible to deliver 100 per cent of the wage costs over six months on the condition that employment was continued for a full 12 months. However, the State Aid Unit later confirmed that it would not be possible for a young person to progress directly from JGW to the Young Recruits Programme (YRP) if JGW were operated under the GBER, because then the employers would not be funding the young employee for the further six months required. This resulted in a change, where JGW is now run under the De Minimis rule<sup>53</sup> for smaller employers who are unlikely to exceed that

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<sup>52</sup> “The GBER... declares certain categories of aid compatible with the common market and exempts aid givers from the obligation to formally notify... Aid is only allowed if it has an **incentive effect**...

**Cumulation** of different measures of the GBER is possible as long as they concern different identifiable eligible costs. Cumulation is not allowed for partly or fully overlapping costs if such cumulation would lead to exceeding the highest allowable aid intensity applicable under GBER.” Department for Business, Innovation & Skills, *The State Aid Guide: Guidance for State Aid practitioners*, June 2011: 10.

<sup>53</sup> “The de minimis regulation sets a threshold figure below which Article 107(1) can be considered not to apply. As such the measure need not be notified in advance to the Commission. This is based on an assumption that in most cases, aid up to this amount will not affect trade and competition between Member States... The total de minimis aid granted to any one undertaking must not exceed €200,000 over any period of three fiscal years.” Department for Business, Innovation & Skills, *The State Aid Guide: Guidance for State Aid practitioners*, June 2011: 12.

threshold, and under the GBER for larger employers, with a strict requirement that companies employ the young person for a full 12 months and are not eligible for the YRP.

- The full range of stakeholders did not feel they were properly involved in the design of the programme. A stakeholder group was established during the development of the programme, and JCP, Careers Wales and DWP were involved in the design of the private sector strand, with HEFCW and the WCVA being involved in the development of the strands they managed. The stakeholder group also ensured that feedback from small businesses was fed into programme design. However, some stakeholders, including some of those working in EST, felt that their involvement began when important elements of the programme design had already been agreed. The consequence of this, they felt, was that their understanding of the programme's objectives was based on other stakeholders' interpretations of early conversations instead of their own conclusions.
- The design phase did include a pilot stage to test the programme, and the WG conducted an internal evaluation of the pilot. Key lessons from the pilot, such as only allowing employers to hire five young people unless they are granted special permission from the WG, were incorporated into the final design of the main stage of the programme. Due to time constraints, the self-employment strand was, however, not evaluated, nor was there a pause to allow for this between the end of the pilot and the launch of the main stage, despite the fact that the target group changed from the pilot, when it was focussed on harder to reach young NEETs, to the main stage, when all 16 to 24 year olds meeting the eligibility criteria became able to access this support.

#### *Building on lessons from the Future Jobs Fund*

4.34 There is some evidence that lessons learned from the FJF were built into the design of JGW. The decision about the sectors in which to create jobs was partially informed by evidence from FJF. Sustainability of jobs was not an aim of FJF, and the majority of the jobs it created were in the third sector and were not sustainable. Sustainability was considered important for JGW, so emphasis

was placed on creating jobs in the private sector. The WG also placed a requirement on MAs that, as the public sector was and is still contracting, jobs in the public sector would require approval from the JGW management team, so that additional sustainability checks could be undertaken.

### *Procurement*

4.35 Decisions about how to procure the programme delivery were made on the basis of speed and conforming to European Social Fund rules. For the private sector strand, the decision was made to put the tender out to WBLPs through an existing procurement framework, the innovation lot. This meant that there was a mini-competition rather than an open competition. One of the benefits of this is that many of the providers deliver other WG-funded programmes with links to JGW, such as Steps to Employment, Traineeships, Apprenticeships and YRP.

4.36 The third sector strand was given to the WCVA for one year through an add-on to their contract to deliver the Intermediate Labour Market programme, with a commitment that when this contract expired, the strand would go out to tender to comply with European rules. Similarly the graduate strand was given to HEFCW as an add-on to the GO Wales programme which they were already delivering on behalf of the WG.

### **Management of JGW**

4.37 Views on the quality of management of JGW by the WG are varied between stakeholders. Overall the programme has been implemented fairly well especially given the tight timescales. Stakeholders mentioned some problems when the programme was first bedding in, but believed management had improved over time.

4.38 Initial problems mentioned included the development of the JGW Live website and the MI database taking longer than expected to launch. Some stakeholders expressed dissatisfaction with the level of detail they were given about how the programme would run before it was launched.

4.39 Stakeholders mentioned monitoring and data collection as the poorest functioning parts of the programme. It was felt that the focus initially was on implementing the project, and monitoring was not considered until a later stage, causing some problems.

4.40 The team within DfES that manages JGW is small (around nine individuals), and stakeholders acknowledged being unprepared for the amount of work that would be required when the programme was first launched. WEFO recalls querying whether sufficient resource was available to manage the programme, and is unclear why the WG has not requested WEFO funding, for which they would be eligible, to grow the team.

## **Sourcing vacancies**

### *Engaging employers*

4.41 Employers surveyed as part of the evaluation were most likely to say they heard about JGW via another employer (16 per cent of survey respondents), 10 per cent were approached by a training provider whilst six per cent were made aware by advertising on television or radio. However, MAs indicated that demand from employers was high and they had to do very little to achieve the number of vacancies required; indeed, many employers proactively contacted MAs when they had a vacancy to advertise. Further promotion of JGW to employers is therefore probably not required, except perhaps in those areas where vacancies have been more difficult to create.

4.42 Within the third sector strand it would appear that there has been a greater level of active involvement and promotion by both the WCVA and its subcontractors to slowly build up awareness and demand for the programme. However subcontractors within this strand believe that further work is required to boost levels of employer interest.

4.43 For the graduate strand there has again been little need to actively source employment opportunities. However, a more active role for GO Wales has been required in negotiating the nature of the job opportunity (linked to the degree of specialisation associated with an opportunity) and also ensuring employers are realistic about the calibre of graduates they can attract if offering the NMW.

4.44 To explore if vacancies were being created in the areas where demand from young people was greatest, the Local Authorities of all employers participating in JGW and all young people who applied to the programme (both successful and unsuccessful) were analysed. Demand from employers is significantly higher than demand from young people in Cardiff, while the reverse is true in Rhondda Cynon Taf. Demand is relatively balanced in the other local authorities.

*Targeting employers who have not previously participated in similar programmes*

4.45 One of the aims of JGW was to change employers' attitudes to recruiting young people and those with low levels of experience. Survey evidence suggests that MAs have been successful in encouraging employers who had not previously participated in similar programmes to recruit through JGW, as 69 per cent of those surveyed had not participated in similar programmes.

*Ensuring additionality and sustainability of jobs*

4.46 MAs are required to ensure, to the extent possible, that the jobs being advertised through JGW are additional and will be sustainable. MAs discuss these requirements with employers, and employers must sign a declaration that the jobs they are advertising are additional and sustainable.

4.47 One way of assessing how sustainable jobs are likely to be is by analysing the number of vacancies an employer has created compared to the current size of the organisation. The research on early leavers from JGW, for example, showed organisations with early leavers had hired on average 3.3 young people, compared to organisations where young people had completed their contracts which had hired on average two young people through JGW. The evidence suggests that MAs could do more to dissuade smaller employers from hiring larger numbers of young people through JGW. Analysis of the MI showed that although most employers took on a small number of recruits through the programme (76 per cent hired one or two employees), 33 employers took on ten or more young people, with one organisation taking on as many as 50 new recruits. Further analysis of the MI showed that this organisation was small, with fewer than fifty employees to begin with.

## *Welsh Government quality assurance processes*

4.48 The WG undertakes a number of checks in addition to those carried out by MAs to ensure vacancies listed on JGW are of a high quality and will enable young people to acquire skills and experience that will help them obtain future employment opportunities. The WG verifies through Companies House that organisations exist and are, where appropriate, VAT registered. Further online research is undertaken of smaller, lesser known organisation to check for any bad press. Those employers who in the past have failed to offer recruits permanent positions are scrutinised more closely to understand the reason behind these failures and, if appropriate, they are removed from the list of employers with which the programme will be willing to work. In addition, if an employer has applied via a different MA than the typical MA for their geography/sector or strand then the WG will enquire why this is the case. This is to ensure that where one MA has excluded an employer with which they have had a negative experience in the past, another MA does not accidentally work with them. The quality assurance should take no more than three days and as no stakeholders flagged this up as an issue it is assumed that this target is being met.

## **Awareness Raising**

### *Programme publicity*

4.49 WG drove the promotion of the JGW programme and it was a widely held view amongst stakeholders that the marketing campaign was strong and that awareness raising activities had been effective.

4.50 Approximately 60,000 young people have accessed the JGW pages of the Careers Wales website, highlighting the level of awareness within the target age group, and by 10 October 2013, approximately 26,577 young people had submitted at least one job application through the programme. JGW has also benefitted from promotion via word of mouth with many participants of the programme becoming aware through JCP advisors (33 per cent of those who took part in the survey of JGW participants) or friends or parents (19 per cent).

4.51 It was considered that less awareness raising for the self-employment strand was carried out than for the other strands. The self-employment bursary was not typically advertised as part of the JGW marketing activities, though it does feature on DfES web, Business Wales web and business start-up materials. This was perhaps a reason behind an initial slow start to this strand, although volumes have now risen. The majority of young people interviewed who had discovered the JGW programme and the self-employment bursary offer through Business Advisers employed through the WG's Start Up Programme. Before applying for JGW, many were intending to start their own business but did not have the funding to do so.

4.52 Promoting the graduate strand was also challenging, in part due to young people confusing it with the GO Wales programme. Another difficulty MAs faced was that they were unable to promote JGW to undergraduates or allow them to sign up on anticipation of their graduation. Following graduation, MAs found it much more difficult to communicate with their former students as many relocate (often moving home) shortly thereafter.

#### *Communities First (CF)*

4.53 CF is a community-focussed programme which supports the WG's Tackling Poverty agenda. The programme is delivered through 52 Clusters, which include the 10 per cent most deprived communities in Wales, according to the Welsh Index of Multiple Deprivation (WIMD). The WG has been successful in promoting JGW to young people living in CF clusters. Of all those who have applied for a JGW job, including those who were successful and those who were not, 36 per cent live in CF clusters.

4.54 However, a significantly smaller proportion of applicants from CF clusters were successful in obtaining a job through JGW than applicants from non-CF areas (14 per cent of all applicants from CF clusters compared to 26 per cent of all applicants from non-CF areas). This suggests that young people from CF clusters may require more support to be successful in the programme, something that the CF strand should seek to address.

### *Young people with lower levels of qualifications*

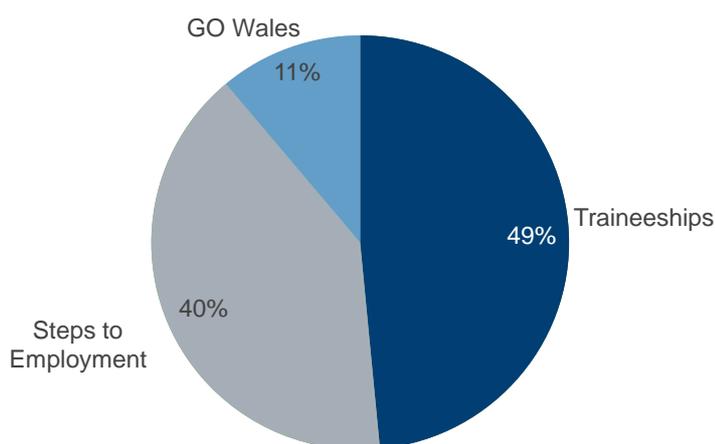
4.55 The MI analysis showed that the majority of successful applicants had comparably similar levels of qualifications to all 16 to 24 year olds in Wales. Just over half of all successful applicants (53 per cent) had a highest educational achievement of NQF Level 2 or below, compared to 50 per cent of all 16 to 24 year olds in Wales<sup>54</sup>.

### *Promotion of JGW among participants of other Welsh Government programmes*

4.56 Promotion of JGW among participants of other Welsh programmes has not been particularly effective. Analysis of the MI revealed that only a very small minority overall (3 per cent, or 151 young people) of successful applicants had progressed to JGW directly from other WG programmes, including GO Wales, Steps to Employment, and Traineeships.

4.57 Analysis of the MI found that gender had some bearing on recruits' likelihood to have participated in other programmes. Young males were almost twice as likely as females to have taken part in these other WG programmes (65 per cent compared to 35 per cent, respectively).

**Figure 4.1: Proportion of successful JGW applicants previously participating in other WG Programmes directly before JGW**



Source: WG database of successful applicants. Base: 151.

<sup>54</sup> Annual Population Survey (APS), 2013. Age is on an academic age basis in the APS whereas the JGW participant survey uses the participant's age at the start date of employment so care must be taken in the analysis.

4.58 Participation in other WG programmes also varied by region. Around a quarter (26 per cent) of successful JGW participants who had previously participated in WG programmes came from Neath Port Talbot or Rhondda Cynon Taff, both of which are local authorities facing high levels of deprivation.

*Promotion of JGW among jobs advisors in Jobcentre Plus, Careers Wales, and EST*

4.59 The promotion of JGW to young people through JCP has been successful, indicating high levels of awareness of JGW among advisors. One third (33 per cent) of surveyed young people in the private sector strand and 31 out of 80 from the third sector direct strand first became aware of JGW through a JCP advisor. The proportions of those hearing about JGW from a Careers Wales advisor were much lower: six per cent of surveyed young people on the private sector strand and two per cent from the third sector direct strand.

4.60 Six months into the programme, there were concerns that levels of awareness of the JGW self-employment strand among EST advisors were low. However, EST has produced an Operational Manual, conducted briefings, and built reporting on JGW into Delivery Managers' monthly reports, and findings from the consultations with stakeholders from EST show they are now confident that advisors are referring young people to the self-employment strand of JGW where appropriate.

*Ensuring individuals are referred to the most appropriate strand of JGW*

4.61 JGW aims to cater for young people who may wish to take different routes into employment, including sourcing jobs from different sectors and jobs that require varying levels of qualifications. The programme also has a strand that can support young entrepreneurs to start their own business. Ensuring individuals are referred to the best strand for them could be an important element in determining the sustainability of jobs.

4.62 Most young people do not distinguish between the private and third sector direct strands of the programme, as the jobs for both strands are listed on the same website and can be searched within one search application.

4.63 Identification of young people eligible for the third sector supported strand has been challenging. The level of ambiguity of the eligibility criteria led to some disagreement as to which young people could be put forward for this strand. Young people were meant to be 'job ready' but still needing some additional support, but partners referring young people to this strand had different interpretations of what this meant. This resulted in some referral agents putting forward candidates and then being told that the candidates were inappropriate because they were not 'job-ready'. This appears to have improved over time, however, as partners have come to a shared understanding of the types of candidates this strand is intended to benefit.

4.64 It is not clear the extent to which young people initially presenting to GO Wales, Careers Wales and JCP, but who might be interested in self-employment, are being referred to that strand. It was also unclear how well EST advisors understand the other strands of JGW and would therefore refer young people to them.

## **Application and selection process**

### *Young people's experiences*

4.65 The declaration of eligibility that participants must make when registering on the JGW Live website appears to discourage most ineligible young people from registering. Only a very small proportion (less than one per cent) of unsuccessful applicants gave addresses outside of Wales, which would have made them ineligible.

4.66 Very few young people who are ineligible for the programme are obtaining jobs through JGW. Analysis of MI indicates that four applicants were 25 years old when they started their JGW jobs. The MI also indicates that six other participants were ineligible for the programme on the basis of their age; however, the data is almost definitely unreliable in these instances (and validity checks could potentially be enhanced)<sup>55</sup>. A small number were also ineligible on the basis of previous employment status, such as the 56 young people who said they were in full-time education prior to joining JGW and six who said they

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<sup>55</sup> Three successful applicants were recorded as being 112 years old; two applicants were recorded as 113 years old, and one applicant was recorded as 0 years old.

were self-employed. A further 44 had an employment contract, but may have been working fewer than 16 hours per week in which case they would be eligible for JGW.

- 4.67 MI relating to the sustainability of businesses started with the help of the self-employment bursary one year after the final disbursement is currently unavailable. An assessment of the extent to which the criteria used to award the bursary are successful in selecting businesses that will be sustainable can therefore not be made at this time.
- 4.68 The Careers Wales and GO Wales websites are appropriate places for JGW vacancies to be posted. Many young people are already aware of the Careers Wales website, and graduates are used to accessing the GO Wales website.
- 4.69 Once their profiles were uploaded, most surveyed successful applicants found the website relatively straightforward to use. Young people found the identification of employment opportunities easy and most were able to find jobs that they found appealing. A very high proportion of surveyed successful JGW participants (88 per cent) agreed that the process of applying for vacancies was easy, and some of those interviewed in the qualitative research commented that they only had to answer two questions for each job once they had filled in their profile.
- 4.70 The qualitative research revealed that where applicants were shortlisted for interview they received a telephone call or email from an MA to inform them that this was case. Most participants considered this the most appropriate way to contact them as it was the most direct means to engage them on an urgent matter of this nature. However, some said they had missed emails notifying them of an interview or a new vacancy. One MA mentioned that they had implemented a text message system as this was a better way of ensuring that young people who did not check their email very often were alerted to invitations to interview and job offers. Many applicants to the self-employment strand were informed over the phone by their business advisors as to whether or not they had been successful, although one remembered finding out through a website and another had received a letter.

- 4.71 The qualitative research revealed that many young people had not received feedback on the reasons why they had not been successful during the application and interview process and this would have been useful for many of them. Young people have the option of ticking a box to request feedback at the time they apply for a job. Those who do not tick this box are required to log back onto the system to find out the outcome of their application. It is unclear whether or not the young people who wished they had received feedback had ticked the box.
- 4.72 This was a problem in the self-employment strand as well. At least one of those who had been unsuccessful, however, did subsequently reapply and was ultimately successful (with business advisors providing the support to strengthen their business case for the bursary). If universal feedback were offered where bursary applicants were unsuccessful in their submission, this would likely boost the proportion who re-apply and/or accelerate the re-application process.
- 4.73 The Skills Assessment is not widely used. Of 349 young people surveyed who had been unsuccessful in obtaining a job through JGW three or more times, only 24 per cent recalled being offered support or guidance from Careers Wales. Most young people interviewed in the qualitative research also had not heard about it. Of the 82 young people who had received support from Careers Wales, 78 unsuccessful young people found it helpful.

#### *Employers' experiences*

- 4.74 Employers' experiences of the selection process varied according to the strand and MA used, and indeed the extent of involvement employers desired. Some described the process as slower than traditional recruitment, and this may be due to the time taken for the job description to be agreed, the vacancy to be quality assured by the WG, and the job to be uploaded to JGW Live. MAs in the private sector strand were said to be flexible in accommodating employer's desires in relation to the extent to which they wanted to participate in the application and selection process. Some employers, for example, were very involved in the advertising, short-listing and interview process and wanted to be so. Others welcomed the additional support available from the MAs which

helped to streamline the recruitment process. It is evident, however, that some employers were unclear about the role they were able to have and whether or not they were permitted to choose how involved they wished to be in the process. Employers tended to be less satisfied with the process where they wished to have more support or wanted to be more involved and did not realise they could ask for this.

4.75 Contrary to the process outlined, most businesses hiring through the third sector strand were not supported in the sifting of applications, and in many instances there was a high degree of drop off in the number of young people shortlisted for an interview and the number who turned up for an interview. There are concerns that the level of drop off may reflect participants simply applying for positions to satisfy JCP in order to maintain eligibility for their benefits. Concerns were also raised that the online system did not capture participants who failed to turn up to interviews which could therefore lead to the scenario being repeated without the issue being picked up.

### **Young people's experiences of JGW jobs**

4.76 Levels of satisfaction with support from line managers is high (90 per cent) among surveyed participants.

4.77 Levels of satisfaction with mentors are significantly lower at 67 per cent. MAs were reportedly proactive in offering support to young people once their job had commenced, in accordance with their contract which stipulates that they must contact the participant on a monthly basis. However in many instances, engagement with the young people once in their job was said to be difficult. This is likely to be a result of the young person securing their desired outcome from JGW and therefore not perceiving a need for continued engagement or support. Where any issues for the young person did emerge they were far easier to get hold of or indeed contacted the MA themselves.

4.78 Some young people reported had very little contact with their mentors, and it appears that while most mentors try to get in touch with each young person they are responsible for every month, the degree to which they persist in trying to reach them if they are not successful in their first attempt varies. Mentors are

responsible for large numbers of young people (often more than 100) and some say they do not have time to try more than a couple of times to get in touch with the young person. However, they do encourage young people to get in touch with them if they have any issues.

4.79 The young people who applied to the self-employment strand were offered support and guidance and a range of workshops that would allow them to gain the necessary background skills to ensure the sustainability of their business. Participants thought the support was useful in helping them to understand the realities of starting their own businesses.

4.80 A challenge that emerged from the self-employment strand related to the delays in the timing of disbursements which was met with frustration by those starting their business and was echoed as an issue by stakeholders. The delays appear to relate to the need for a letter from JCP confirming that the individual is no longer in receipt of benefits. The process for release of this letter was, at least initially, somewhat disorganised within JCP, although one stakeholder commented that it was improving.

4.81 As MI relating to destinations on completion of JGW opportunities and three months thereafter is unavailable, an assessment of the extent to which exit interviews and three month monitoring calls are occurring cannot be made at this time.

## **Summary**

4.82 The private sector strand, the third sector supported strand and the self-employment strand all over-performed against targets in Year 1. The third sector direct and the graduate strands underperformed. Performance in Year 2 is good, with the private sector and self-employment strands over-performing against target, but the third sector (due to a retendering of the contract) and graduate strands lagging behind. Overall, 102 per cent of the target for jobs filled had been reached as of 24 December 2013.

4.83 The WG conducted a review considering the bigger picture of provision tackling youth unemployment, whereby gaps in the current provision were identified and options for addressing these gaps were considered. A decision was made at

political level that provision to create jobs for young unemployed people had to be prioritised, and subsequently to make JGW a manifesto commitment. Given the pressured environment in which JGW was conceived, there was a requirement for the project to be developed quickly, whereby main features of the programme were largely decided at a political level. The project team developed the more detailed design of the project considering different approaches for the support provided through JGW (e.g. length of job opportunity, amount of wage subsidy). The design of JGW drew on lessons from the FJF, the pilot phase of the programme, as well as wider evidence available from other work experience programmes in the UK.

- 4.84 Management of JGW has improved over time, but more attention needs to be paid to the data collection and monitoring aspects of the programme.
- 4.85 Awareness levels amongst employers are high with little need for MAs in the private sector, in particular, to actively source vacancies. Amongst the third sector and in certain regions, a greater level of promotion amongst potential employers has been required to boost levels of demand.
- 4.86 Awareness is also high among young people, and promotion through Careers Wales and JCP is working well. The programme has had some success engaging young people from CF areas, although these applicants are less likely to be successful in obtaining a job. Promotion of JGW to those participating in other WG programmes could be improved, as could ensuring young people are sign-posted to the most appropriate strand for them.
- 4.87 The application process is straightforward and easy for young people. However, there is a need to provide feedback to those who are unsuccessful to prevent them from becoming disheartened and encourage them, in the case of the self-employment, to re-apply for bursaries, and in the case of the other strands, to apply for other jobs.
- 4.88 Employers generally have positive experiences, though some find the recruitment process slow, and some are unclear about their ability to decide on the level of involvement they would like to have in the process of advertising the vacancy and sifting applications.

4.89 There is evidence of a lack of consistency in the amount and nature of support offered by mentors to young people during their jobs. Levels of satisfaction with support provided by line managers, however, are very high.

## 5 Outcomes for young people

### Introduction

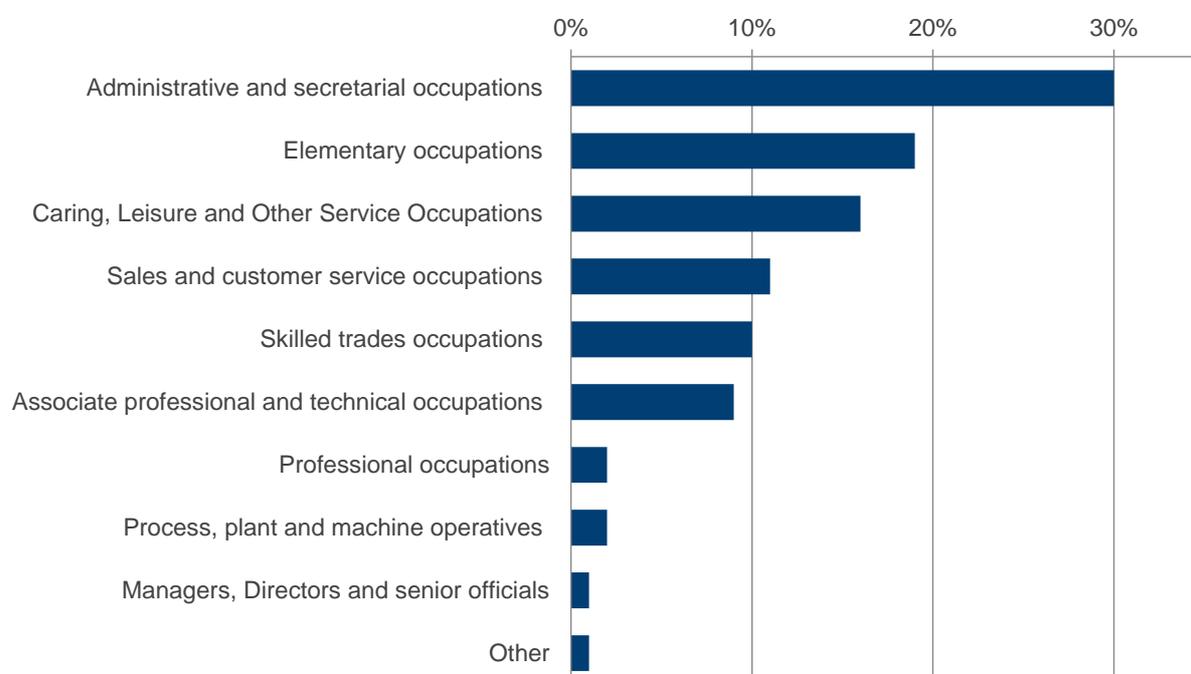
- 5.1 This section of the report outlines the outcomes for young people following participation in the JGW programme and follows a chain of causality described previously in the evaluation logic model (see Section 2).
- 5.2 This chapter draws upon data from Ipsos MORI's telephone survey of JGW participants, in-depth qualitative telephone interviews and secondary labour market statistics for relative comparison purposes. We present the top-line findings for each relevant question in the survey, drawing upon more detailed cross-tabular results where there are statistically significant differences in the sub-populations. Where no statistically significant differences exist, we will not present graphics or tables to keep this report concise.
- 5.3 The quantitative research involved a telephone survey of 595 young people who had participated (or are currently participating) in the programme. The methodology involved a random probability survey of programme participants. Of the 595 participants we surveyed 486 from the 'private sector'; 49 from 'third-sector supported'; 46 from the 'third-sector – direct; and 14 from the 'graduate' strand of the programme. The limited number of graduates who had participated in the programme by the time of the survey, and the consequent small sample who took part in the survey mean that subgroup analysis of the graduate strand would not be reliable. This strand is therefore not included in many of the figures presented in this chapter. Due to the small numbers of young people who had participated in the self-employment strand at the time the research was conducted, the decision was taken not to include them in the survey but rather to conduct qualitative research with them.
- 5.4 The qualitative research involved in-depth telephone interviews with twenty-two participants: ten from the 'private sector'; one from the 'third sector- direct'; two from the 'third sector- supported'; two from the 'graduate'; and seven from 'self-employment' strands. Additionally, five case studies were conducted with participants that took part in the quantitative survey, as well as their employers and their MAs or mentors.

## Experience of JGW Jobs

### JGW Job Details

5.5 Participants in the programme were asked about their job role in their JGW job. The most prominent occupations across participants in the JGW programme were administrative and secretarial occupations (30 per cent), elementary positions (19 per cent) and caring, leisure and other service occupations (16 per cent).

**Figure 5.1: What do/did you do in the job you secured through JGW?**



Source: Ipsos MORI survey of JGW participants; Base=595.

5.6 There are some differences across sub-populations. For example, whilst in both Convergence and Competitiveness areas the most common occupation for the 'JGW job' was in administrative and secretarial occupations, this was to a greater extent in Competitiveness areas (35 per cent versus 27 per cent in Convergence areas).

5.7 The gender distribution across occupations differs significantly however these differences are reflective of wider labour market trends. For example, over a quarter of males in JGW jobs were in elementary positions (27 per cent) compared to less than a tenth of females (eight per cent); a much higher

proportion of females (28 per cent) were employed in caring, leisure and other service activities compared to males (seven per cent); and almost two fifths of females (39 per cent) were employed in administrative or secretarial positions compared to males (23 per cent).

- 5.8 People with higher skills were more likely than people with lower skills to be employed in associate professional and technical occupations. With regard to skills the major differences are that a higher proportion of participants with NQF level 4-8 (51 per cent) were employed in associate professional and technical occupations compared against all programme participants (10 per cent).
- 5.9 Participants on the programme tended to work full time hours when employed in their JGW job. The average number of hours worked was 36 hours per week across the programme, although there were some significant differences across programme strand. Participants on the private sector strand worked 38 hours per week on average compared to 34 hours per week in the 'third sector – direct' strand and 27 hours per week in the 'third sector – supported' strand<sup>56</sup>.
- 5.10 To account for the differences in hours worked our analysis of wages has been undertaken on a 'per hour' basis. Wages are relatively low for most occupations when compared against the mean wage in Wales for 16 to 24 year olds working in each occupation. In particular, they are low for the associate professional and technical occupations and skilled trades. Overall the wage for JGW job opportunities is 67 per cent of the average wage in Wales for 16 to 24 year olds<sup>57</sup>.

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<sup>56</sup> Averages for the 'third sector- direct' and 'third sector- supported' have been based on small sample sizes of <50 and therefore caution must be taken when interpreting the data.

<sup>57</sup> Estimates are based on small sample sizes and therefore caution should be taken when interpreting the data.

**Table 5.1: Gross earnings per hour (excluding overtime) by type of occupation of JGW survey respondents in comparison with working 16 to 24 year olds in Wales**

	Jobs Growth Wales		Wales		Proportion JGW/Wales
	Gross hourly earnings (excluding overtime)	Survey base	Gross hourly earnings (excluding overtime)	Survey base	JGW earnings as a % of Wales (16-24) earnings
Elementary occupations	£5.56	102	£6.96	69	80%
Process, plant and machine operatives	£5.65	12	*	*	
Sales and customer service occupations	£5.72	62	£7.65	56	75%
Caring, leisure and other service occupations	£5.52	89	£6.82	66	81%
Skilled trades occupations	£5.81	49	£9.47	54	61%
Administrative and secretarial occupations	£5.78	169	£8.13	62	71%
Associate professional and technical occupations	£6.47	57	£9.75	40	66%
Professional occupations	*	*	£12.82	37	*
Managers, directors and senior officials	*	*	*	*	*
Other	*	*	-	-	-
Total	£5.79	532	£8.60	412	67%

Source: Ipsos MORI survey of JGW participants; ONS, Provisional 2013 Annual Survey of Hours and Earnings (ASHE). Estimates are based on small sample sizes and therefore caution should be taken when interpreting the data.

Note: No 'other' category exists in official wage data, in the survey of JGW applicants a small number of respondents were unable to align their job to the standard occupational framework.

\* Categories with less than 10 responses have been suppressed.

5.11 The majority of respondents (66 per cent) reported to have earned a wage that was at least equivalent to the NMW during their JGW work period<sup>58</sup>.

**Table 5.2: JGW wage distribution (excluding overtime) according to 2012/13 National Minimum Wage (NMW)<sup>59</sup>**

	Below NMW	NMW	Above NMW	Below NMW (%)	NMW (%)	Above NMW (%)
<b>Under 18</b>	*	*	*	*	*	*
<b>18-20</b>	55	48	55	35	30	35
<b>21 and over</b>	122	140	97	34	39	27

Source: Ipsos MORI survey of JGW participants

\* Categories with less than 10 responses have been suppressed.

5.12 Programme participants were asked about the nature of the sector that their employer was operating in. Participants indicated a high reliance on a small number of sectors providing jobs for JGW participants. Almost a fifth (18 per cent) of JGW participants were employed in human health and social work activities, with 31 per cent of females employed in this sector which corresponds with a high proportion of females working in caring, leisure and other service occupations. Male participants are more evenly spread across sectors with the largest proportion being employed in the wholesale and retail sector (12 per cent).

5.13 In the ‘third sector – direct’ strand of the programme, 23 out of 46 participants are employed in the human health and social work activities sector, compared to 18 per cent for the programme as a whole. This is unusual when compared to the proportion of individuals working in this sector in the Wales economy as a whole (eight per cent).<sup>60</sup>

5.14 The ‘self-employment’ strand held a lot of participants that had created businesses in the retail sector and a lot of their growth was felt to be reliant on their online offering. The fact that they had chosen to use online resources to develop their business is not surprising given the demographic, the flexibility it

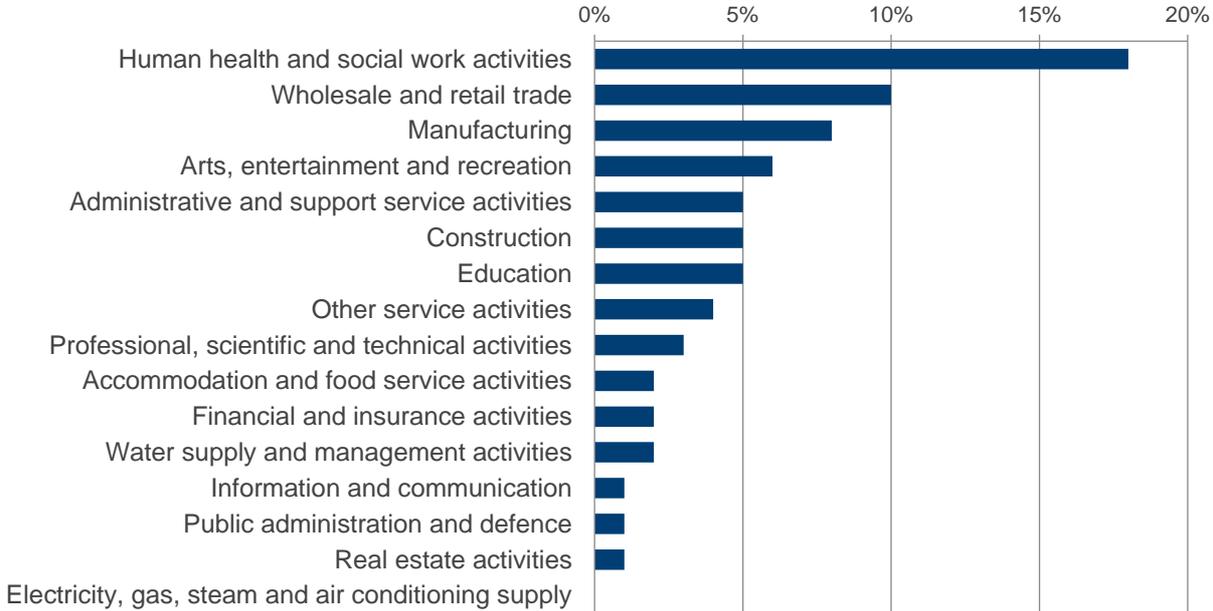
<sup>58</sup> All JGW employers commit to paying JGW participants at least the NMW. Those respondents reporting earning less than the NMW may have had trouble recalling their wage, or may have made errors when reporting the frequency of their pay. This issue will be further explored in the next wave of the evaluation.

<sup>59</sup> Age is based at the time of the survey and therefore might not be reflective of their age at the time of doing their JGW job which may affect the NMW brackets.

<sup>60</sup> Department for Business, Innovation & Skills, *Business Population Estimates for the UK and Regions 2012*.

gives for location, the cost savings (compared to a shop) and the marketing opportunities that online websites can also bring.

**Figure 5.2: Sector of employment in JGW job**



n = 595

Source: Ipsos MORI survey of JGW participants

**Training and skills**

5.15 Training of JGW participants in their roles was usually a mixture of formal and informal training but there were also occasions where no training was provided. Around three quarters of JGW participants (76 per cent) received some form of training, while 23 per cent did not receive any training. This section explores both the survey results and the more in-depth discussions we had with participants about the training they received.

5.16 The training received by most participants tended to be either formal training required for the role or quite general training. Almost three-fifths of these participants stated that they had received a formal training session to improve the skills required for the position (60 per cent) and a formal training session on health and safety (59 per cent). The qualitative in-depth discussions also showed a number of examples of quite general training such as Health and Safety training and training about the company, something mentioned by almost half (48 per cent) of respondents in the survey.

**Figure 5.3: Have you received any training from your employer?**



n = 595, multi-code question

Source: Ipsos MORI survey of JGW participants

5.17 Other types of training received by participants were quite specific training that offered them the chance to gain qualifications. Almost one fifth (18 per cent) stated they had received some other form of training. From the in-depth discussions there were a lot of examples of specific training that led to recognised qualifications in the ‘third sector’ strand of the programme. One participant who was currently working in the ‘third sector- supported’ strand had done an NVQ level 2 in First Aid and was due to start training in Forklift Driving. Another employed in the ‘third sector- direct’ strand had been able to start her Diploma in Childcare whilst with her employer.

5.18 However, almost a quarter (23 per cent) stated that they received no training at all. For those who did not receive any formal training, this was felt to be because they did not need it to perform their jobs or because their employer did not have sufficient capacity within the organisation to give them time away from their role.

*“Although I was offered to do a course in Ecology from Jobs Growth Wales, my workplace couldn’t give me the time off. I got to buy books from the money that was available from the funding though.”*

*Female, Third Sector- supported Strand, Aged 22 or older*

5.19 For the 'self-employment' strand there were some instances of recipients receiving training. Many had attended workshops mainly around the administration side of running a business. The support provided by the programme seemed to be well received by those with less experience or no previous training in running a business; however for those with more experience it felt more redundant.

*"I went to a workshop on how to set up and do all the groundwork and received lots of advice from other business people who had done it all before which was very interesting. I wanted to know what the reality would be like and knew it wasn't just going to be easy as anything, so this part of the process was useful"*

*Male, Self-employment Strand, Aged 19 to 21*

5.20 Most though were more enthusiastic about the support they received from their business advisor who was on hand to assist them from the application stage, to setting up the business and receiving the grants.

*"There were some workshops which [my business advisor] ran and I went to all of his things, but the one-to-one sessions under his guidance is what really helped"*

*Female, Self-employment strand, Aged 22 and older*

5.21 Participants received a relatively high amount of training while in the JGW job. Survey results indicate that on average participants received approximately 30 hours<sup>61</sup> of training during their six month temporary job. This equates to over one hour of training per week. The incidence of training was highest in the private sector (33 hours) and lower in the 'third sector-direct' (20 hours) and 'third sector – supported' (25 hours) strands<sup>62</sup>. This bears some relationship to the average numbers of hours JGW participants in the different strands worked each week, as 78 per cent of 'third sector – supported' strand participants

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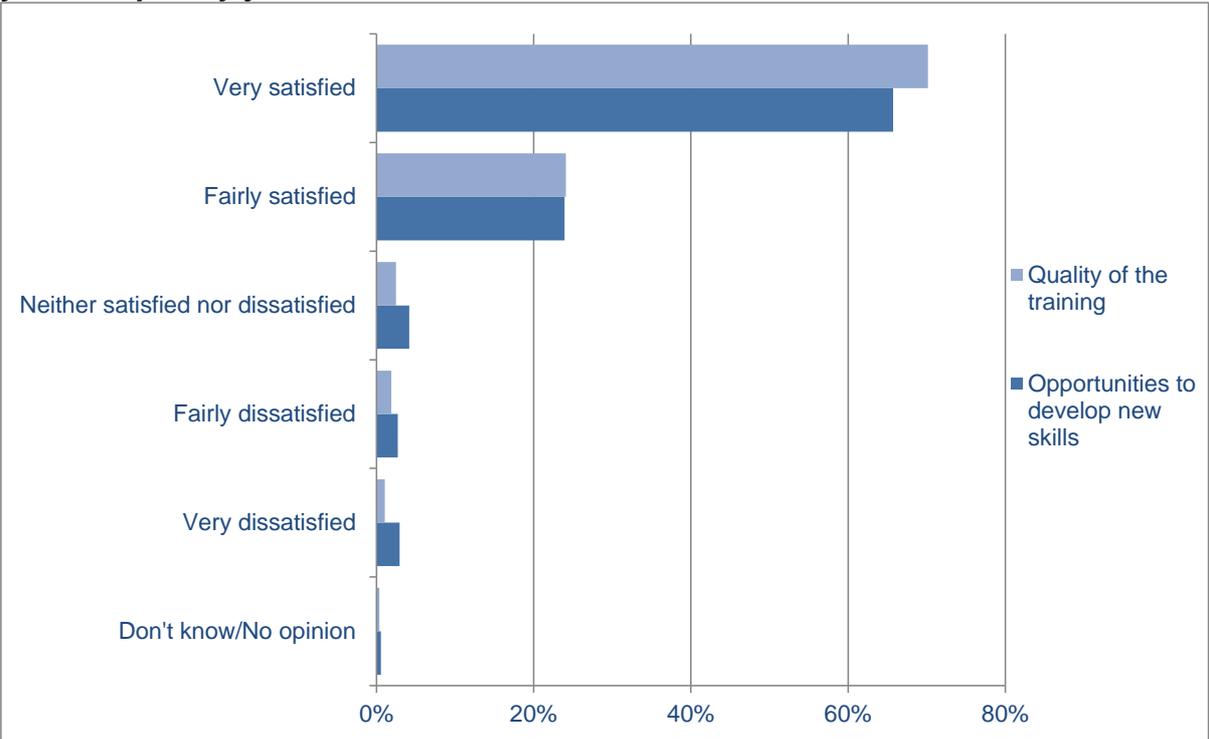
<sup>61</sup> The response of one participant who stated they had received 2,000 hours training during their six month placement has been removed.

<sup>62</sup> Averages for the 'third sector- direct' and 'third sector- supported' have been based on small sample sizes of <50 and therefore caution must be taken when interpreting the data.

worked 21 to 25 hours on average per week, in contrast to the 68 per cent of private and 19 out of 80 ‘third sector – direct’ participants who worked 36 to 40 hours on average per week.

5.22 Satisfaction with the opportunities participants were provided with to develop their skills and experience in their job and the quality of training provided was high. The majority of surveyed participants were either very satisfied or fairly satisfied (90 per cent) with the opportunities they were provided to develop their skills and experience during JGW job. Similarly, 94 per cent of participants who had received some form of training were satisfied with the quality of the training they were provided.

**Figure 5.4: How satisfied are you with: (i) the quality and type of training you received (ii) the opportunities to develop new skills and experience during your temporary job?**



Total n = 595; Participants who have received training n= 421  
 Source: Ipsos MORI survey of JGW participants

*Other outcomes*

5.23 Other than the obvious outcome of gaining a job and asking participants about the training offered and skills developed, there are a whole host of other outcomes that could be a result of the JGW programme. This section examines

both the survey results and the in-depth discussions to highlight what participants believed to be the main benefits of participation.

5.24 The programme has reportedly benefitted respondents by increasing their confidence. In the survey, participants were asked (unprompted) what they considered to be the benefits they gained from their JGW job and the most frequently reported was a general increase in confidence (17 per cent). This was most prevalent in the ‘third sector – supported’ strand (29 per cent) compared with the ‘third sector direct’ (22 per cent) and ‘private sector strand’ (15 per cent) strands of the programme. The in-depth discussions were aligned with this and participants across all strands of the programme discussed the confidence they gained in talking to colleagues, dealing with customers, confidence with taking part in further job interviews and in their job role. Improving their confidence should be seen as a significant benefit derived from participation in the programme. Some of the young people had been out of work for long periods of time, and others had very little work experience. Gaining confidence within the workplace is therefore very important in order for them to progress further, either with their JGW employer or with future employers.

*“Getting to know people in the company was a big confidence booster. I’ve had to talk to people around the business, which I previously would have found really difficult to do.”*

*Male, Private sector strand, Aged 22 or older*

5.25 However, in a small number of cases there were instances where confidence had been damaged rather than bolstered. When the employee did not have a good working relationship with their employer and was unable to resolve it through the MA, there is a chance that their confidence in being able to adequately perform a role has been damaged and they expressed that they may be more hesitant to apply for further employment.

5.26 Confidence was also a key benefit for those receiving grants in the ‘self-employment’ strand. Whilst they were gaining confidence from the act of running their own business because of the decisions they needed to make and

the people they needed to approach to run the business, the additional funding that was backing their business gave them more security and more confidence in their business.

*“I wasn’t very confident but now I’m really confident... I probably wouldn’t have had the confidence or success without it (JGW bursary)”*

*Female, Self-employment strand, Aged 22 and older*

5.27 The ability to have opportunities in order to gain further employment and understand what is involved in jobs was important to participants. The second most frequent benefit of the programme identified by respondents in the survey was the opportunities for new jobs (12 per cent) and nine per cent gained a better understanding of the types of jobs they were interested in. For many, having a better understanding of the types of jobs they were interested in became a key asset of the JGW programme. Its temporary nature was sometimes a positive when the participant was unsure of what career path they wanted to take. For them, six months was long enough to give them a real enough experience of the sector and job role without it being too big a commitment to something they were not certain about.

*“(Without JGW) I might not have gone into accountancy because people said it was boring. I wanted to try the job though first before making up my mind so it being six months seemed good.”*

*Male, Private strand, 22 and older*

5.28 However, the temporary nature of the job also caused problems for some. Although it was hoped that the jobs would turn into permanent positions, there was still the possibility that they would not and this uncertainty was difficult for some of the participants in the programme. For some, the financial uncertainty they had when they have financial responsibilities was difficult, but for others that were operating in niche sectors, they were worried they would be exiting the programme having gained non-transferable skills.

*“They’ve trained me up now and there’s not a job at the end of it... there’s not much of this type of work around”*

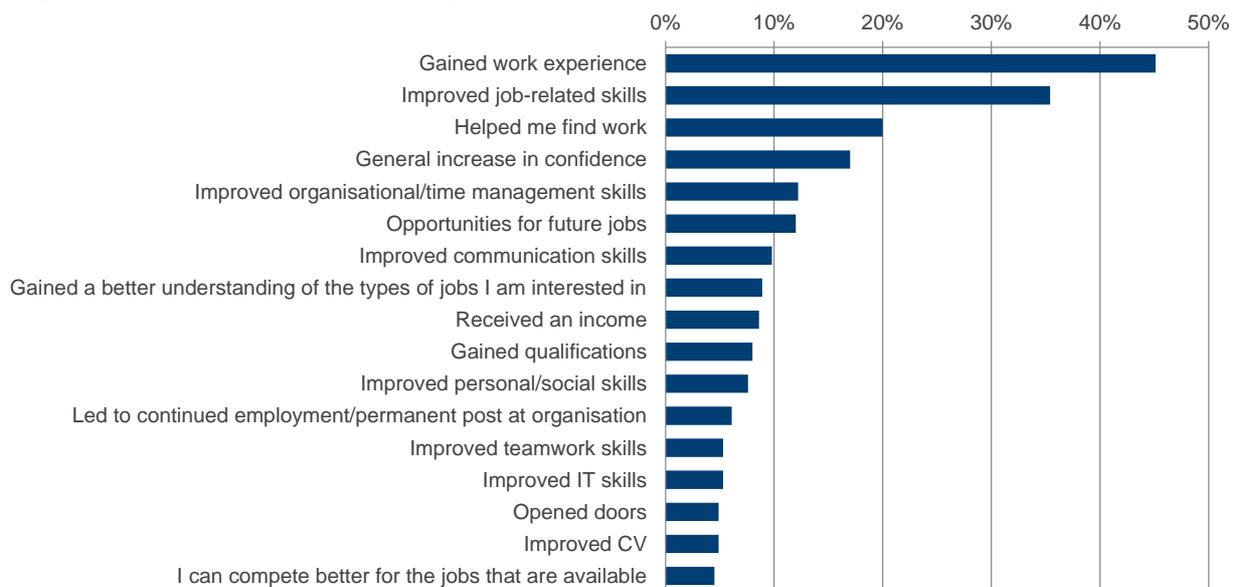
*Male, Third sector- direct strand, Aged 19 to 21*

5.29 Although not explicitly mentioned by participants in the ‘self-employment’ strand, they not only gained skills for becoming an entrepreneur but also for further employment as a result of setting up their own businesses. Skills mentioned that were gained included administrative, research and marketing skills. These had been developed as a result of setting up and then running their businesses but could also be applied for when they are employees and so go beyond the scope of the programme.

*“You have to think clever and be clever... and do your research... It’s been a bit like doing a mini course to be honest... I’ve learnt paper skills, business skills, people skills, all the skills in the world really. “*

*Female, Self-employment strand, Aged 22 or older*

**Figure 5.5: What benefits do you think you have gained from your JGW job?**



n = 595, multi-code question

Source: Ipsos MORI survey of JGW participants

5.30 From both the qualitative and quantitative research, it is clear that many participants considered gaining work skills experience a benefit to participating in the programme, whether they had held previous jobs or not. With regard to general skills, the most frequent benefit identified by participants was the work experience they gained through the programme (45 per cent). It is interesting to note that a lower proportion of people aged under 19 identified this as a benefit (34 per cent) compared to people aged 19 to 21 (48 per cent) and people aged

22 or older (47 per cent). This is perhaps surprising given that younger participants would, logically, have less experience, although it may be that they have not yet realised the importance of having experience. The qualitative research found that work experience for the older age groups was not necessarily just about having something to put down on your CV, but about enhancing it. The experience needed to give them a 'real' experience of work-life and therefore give them responsibilities as any other worker would have in the company.

*"I'm doing much the same job now as when I started. It was a proper job from the beginning and I'm doing the same job as my colleagues"*

*Female, Graduate strand, Aged 22 or older*

5.31 One of the other benefits gained that some of the participants discussed in the qualitative but not the quantitative research was their ability to move out of their parents' home and therefore gain more independence as a result of getting a job through JGW. This seemed particularly important for some of the older participants in the 22 or older age bracket and those in the 'self-employment' strand who might feel more ready than the younger participants to move out and gain this independence. The ability to stay in the local area or in Wales was also mentioned by some participants, who thought they could not have found a job in Wales without JGW. One participant also mentioned that if he had not been able to find employment in Wales he would have had to move to where his parents had moved.

*"It gave me the security of 6 months' work which meant I could stay in the area and move into a flat of my own."*

*Male, Private strand, Aged 22 or older*

5.32 One of the benefits that is particular to participants from the 'self-employment' strand was enabling those who might be traditionally left out of the labour market to participate. There were example of participants who had found it difficult to be in employment as employees because of either personal reasons such as anxiety and because they were a home carer or because of practical, logistical reasons such as rural locations. Setting up their own businesses gave

them extra flexibility to work the hours they needed, be located rurally or take things at their own pace, something they might not have been able to do in the traditional labour market.

*“It was the right thing for me. Mainly because I do a lot of other stuff, and I can work certain hours and stuff so I can work around other stuff I need to be doing. I’m a young carer for my mum, or I was a young carer, and I do stuff like that with my mum, so some days I can’t work and I can take time off and look after her. It fits around everything else.”*

*Male, Self-employment strand, Aged 19 to 21*

5.33 Participants from the ‘self-employment’ strand that received bursaries in order to help set up their businesses found this ‘cash-injection’ to be both a boost to help with set-up costs and a security net in case things did not go as well as hoped. For those making the first steps to set up their business it allowed them to invest in their infrastructure such as setting up websites and paying for the internet connection. For others, having the extra financial backing, particularly if they were also investing their own money, was comforting if either the business was not always doing well some months as much as others or if they were worried about the longevity of the business and losing their own money in the interim.

*“Everything’s really gone as well as it could have to be honest, as I said I’m a bit of a worrier and always knowing that money is there mainly if I haven’t got a lot of work but a lot of bills coming in I know I’ve got to be able to pay them, so I don’t over worry things anymore.”*

*Female, Self-employment strand, Aged 19 to 21*

#### *Participant views on the impact of JGW*

5.34 Data about the impact of JGW available through the quasi-experimental design is the most robust data, and findings from the impact assessment are reported in Chapter 7. However, for the assessment of the impact of the graduate strand (due to the small number of interviews achieved in the survey for this strand because of lower numbers of participants in this strand) and the self-

employment strand (which was not included in the survey due to the small number of participants), this evaluation is reliant on self-reported data, which is discussed here.

5.35 For the 'graduate strand' 24 of the 36 respondents stated that they 'definitely would have', or would have been 'fairly likely' or 'very likely' to have found a paid job by the time of the survey without JGW.

5.36 For the 'self-employment' strand, the programme was felt to have had a positive impact on their business' ability to survive. Evidence from qualitative interviews showed that beneficiaries felt that without the programme, and specifically the bursaries, they would not have a business and some felt they might not even be employed at the time of the research. One participant felt that they might have been able to set up their business without the bursaries but it would have taken them a lot longer to do. Another already had his business set up but the bursary meant that he could expand the business in terms of both head count and financially.

*"There would have been no way, no way that I could have started my business without JGW, I don't want to think about what I would have done without it"*

*Female, Self-employment strand, Aged 19 to 21*

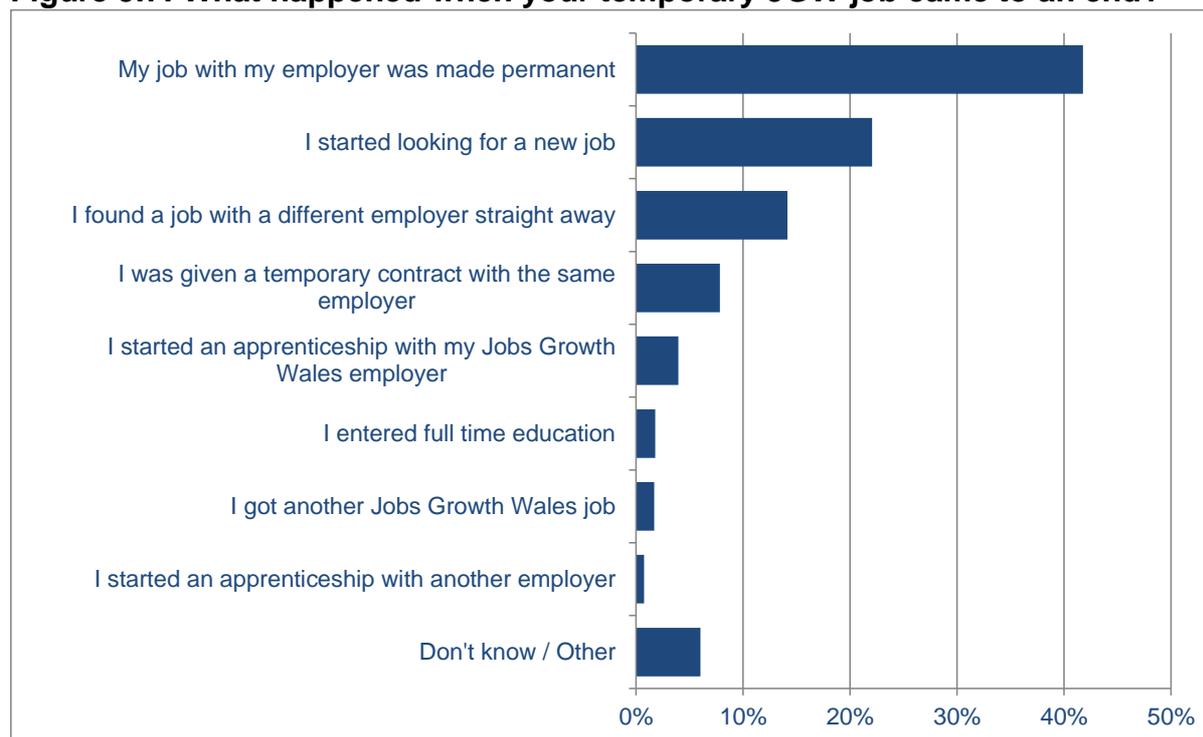
## **Post JGW Outcomes**

### *Employment outcomes*

5.37 One of the key aims of JGW was to provide young people with sustainable jobs, and the survey results indicate that the programme has been highly successful in this regard. Analysis of the survey data shows that the majority of participants were able to secure employment following the completion of their six month 'temporary' JGW job opportunity, most found a role with their JGW employer and over half of participants who started looking for another jobs on completion of the programme found a position with another employer. Approximately two-fifths (42 per cent) of programme participants had their job made into a permanent position. Of the remainder 14 per cent found another job with a different employer straight away; eight per cent were given another

temporary contract with the same employer; and four per cent started an apprenticeship with their JGW employer. A small number of participants entered full time education (two per cent); secured another JGW job (two per cent); or started an apprenticeship with another employer (one per cent).

**Figure 5.7: What happened when your temporary JGW job came to an end?**



n = 329

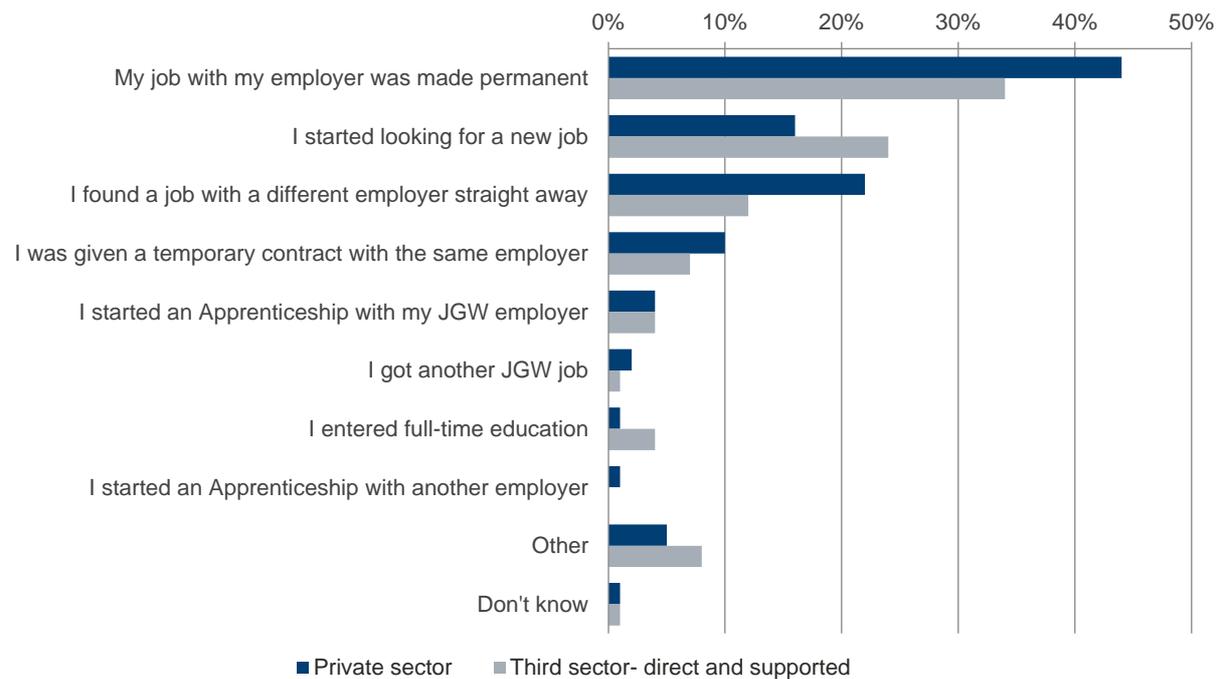
Source: Ipsos MORI survey of JGW participants

5.38 Immediate destination data for the private and third sector strands was also available from the MI system. Graduate destination data could not be matched to the original sample file drawn due to the lack of a unique reference number in the sample file (as unique references were excluded from the data provided for data protection reasons). Of the 5,658 records from the private and third sector strands, the immediate destination was unknown in 2,264 or 40 per cent of cases. This analysis should be treated with caution therefore, as it is representative of only 60 per cent of the total population of successful JGW participants from the private and third sector strands.

5.39 Analysis of the MI data presents a similar picture to the survey results. Of those participants for whom the destination is known and not labelled as 'Other' (3,200), 75 per cent had gone onto immediate positive destinations, including part-time (more than 16 hours per week) or full-time employment, Apprenticeships, self-employment, or further education and training, with the vast majority of these in the first two categories (11 per cent in Apprenticeships and 30 per cent in other employment). The other 25 per cent were either working 16 hours per week or less, or were unemployed, and most of these were either already on or were returning to benefits.

5.40 Differences across strands as identified in the survey data are relatively minor with regard to employment outcomes. The highest proportion of people who have had their jobs made permanent are in the private sector (44 per cent) compared to the ‘third sector direct’ and ‘third sector supported’ strands (34 per cent).

**Figure 5.8: What happened when your temporary JGW job came to an end? (by strand)**



n = 182 (private)

n = 132 (third sector direct and third sector supported)

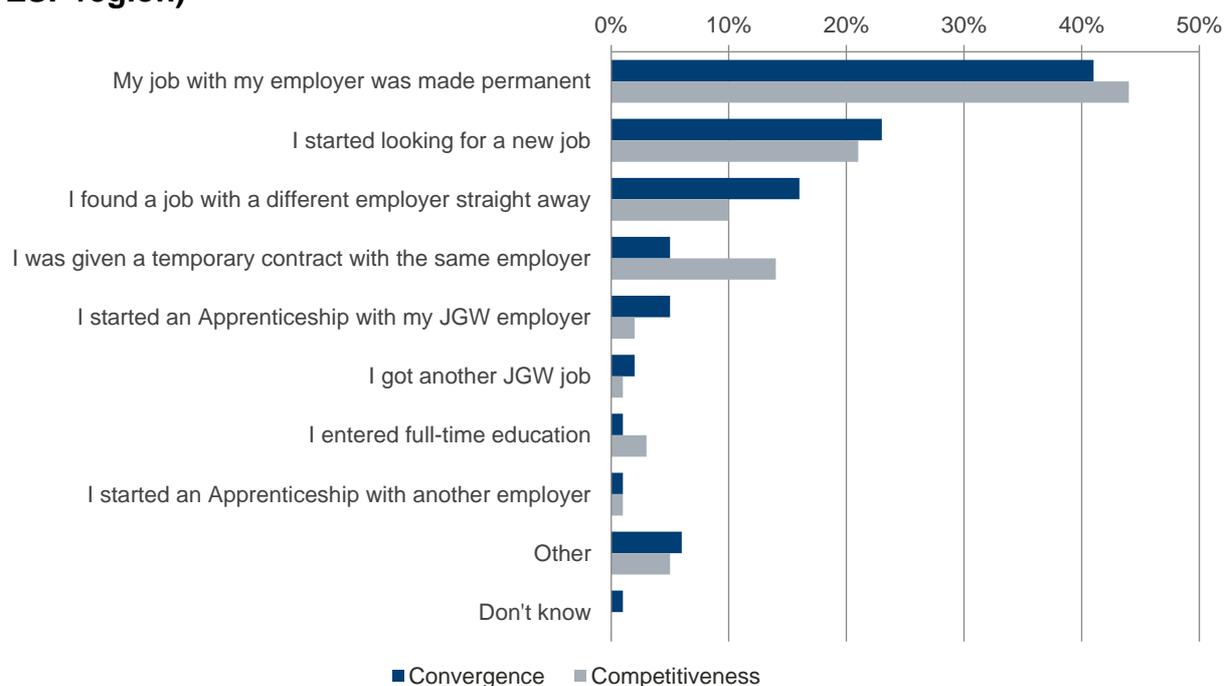
Source: Ipsos MORI survey of JGW participants

5.41 In accordance with the aims of the ‘third sector- supported’ strand, these participants, who are generally a bit further away from the labour market, although still job-ready, received more help in developing their skills in their jobs and were placed more easily into further employment than other strands. Evidence from the qualitative work suggested that the participants from the ‘third sector- supported’ strand received more help from their employer and their MA both to enhance their qualification and skills set and to ensure that they stayed with their employer. This might explain why 22 out of 81 young people from the ‘third sector – supported’ strand found a job with a different employer straight away, compared to 12 per cent (31 individuals) for the ‘private sector’ and eight out of 51 young people in the ‘third sector – direct’ strand.

5.42 Although the highest proportion of participants achieved a job through the ‘private sector’ strand, this strand also has the highest proportion of participants who started looking for a new job after their JGW job came to an end.

5.43 There are only minor differences in employment outcomes between Convergence and Competitiveness areas. The main differences emerging are that participants in Convergence areas are more likely to have found a job with a different employer straight away (16 per cent in Convergence areas compared to 10 per cent in Competitiveness areas). Another finding highlighted by the survey data is that participants in Competitiveness (14 per cent) areas are more likely to have been given another temporary contract with the same employer than in Convergence areas (five per cent).

**Figure 5.9: What happened when your temporary JGW job came to an end? (by ESF region)**



n = 207 (Convergence)

n = 122 (Competitiveness)

Source: Ipsos MORI survey of JGW participants

5.44 In the ‘self-employment’ strand there was evidence that for those who had received the final payment and therefore total amount of the bursary, that their businesses were continuing to exist and develop.

*“The business is still running and going from strength to strength. I’m now branching out into women’s clothing and more along the vintage lines.”*

### *Male, Self-employment strand*

5.45 Although the numbers in the quantitative survey were too small in the 'graduate' strand to analyse, there was some evidence in the case studies that some participants felt they would have not got their current job without having their JGW job first. Where the job was in a niche sector and gave the participants a good experience of the role, the graduate used this experience in order to gain a strong footing in further employment.

#### **Case study**

Daniel graduated after doing a music degree in 2012 and was looking to pursue something in this field.

Daniel did a 10 week GO Wales placement with a company in the field and after they had a position available that was advertised through JGW. As Daniel had really enjoyed working for them he applied and was successful.

*“Jobs Growth helped me to find work, it was a solid footing in finding work straight out of university, it was important to me not to have any gap regarding my employment history and also financially as I can't afford not to work. This has enabled me to stay living in Wales as I would have had to go to London or Manchester to get the work I'm doing now, especially paid work as many places expect you to do six months unpaid and who can afford to do that? I may have found work but it would have been in an industry my qualifications weren't suited to. This has also enabled me to be self-sufficient and independent.”*

He was offered a full time permanent contract by the organisation when his job opportunity ended.

*“The experience has been very positive; it's helped me to find work in an industry that is very difficult to get into. It has made me appreciate that people wanted me to stay in Wales as they recognise my skills and ability.”*

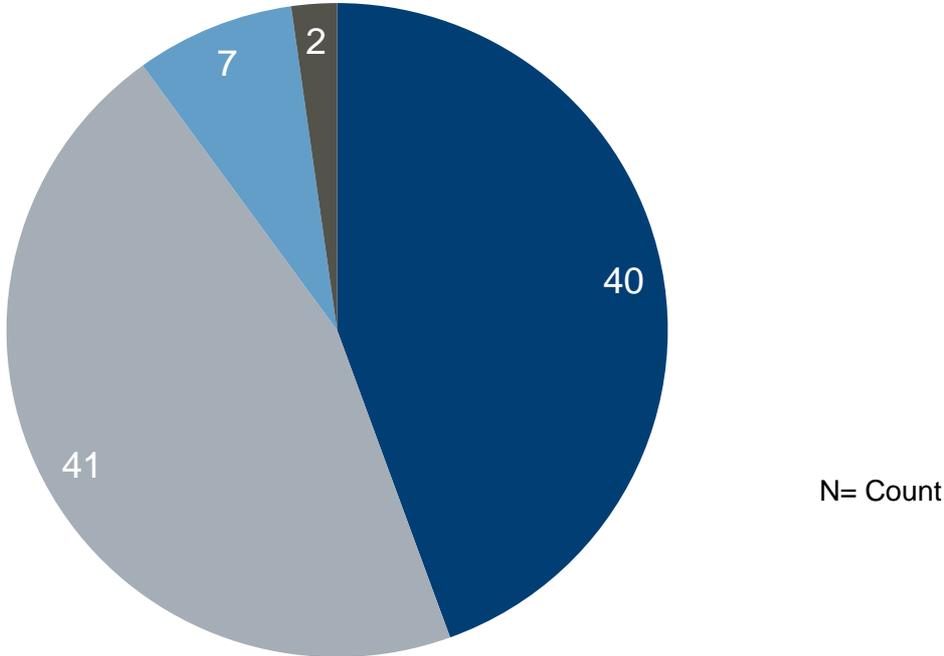
The graduate market in Wales that Jobs Growth were identifying was the type of market the business was looking for; as it was very competitive and there were a number of very highly qualified applicants.

*“I couldn't think of anyone better to do the job, his post is now part of our core costs. He has had a positive impact in every way. Financially, his ideas have brought in more money and with staff cohesion, he's the glue in the team and a joy to be around.”*

5.46 Of the participants who stated that they started looking for a new job when their JGW job came to an end 40 out of 90 were successful in finding paid work, 41 were still looking for work at the time of the survey and seven stated that they

had stopped looking for work (the survey did not explore the reasons why participants had entered economic inactivity).

**Figure 5.10: Did you find paid work after your JGW Job?**



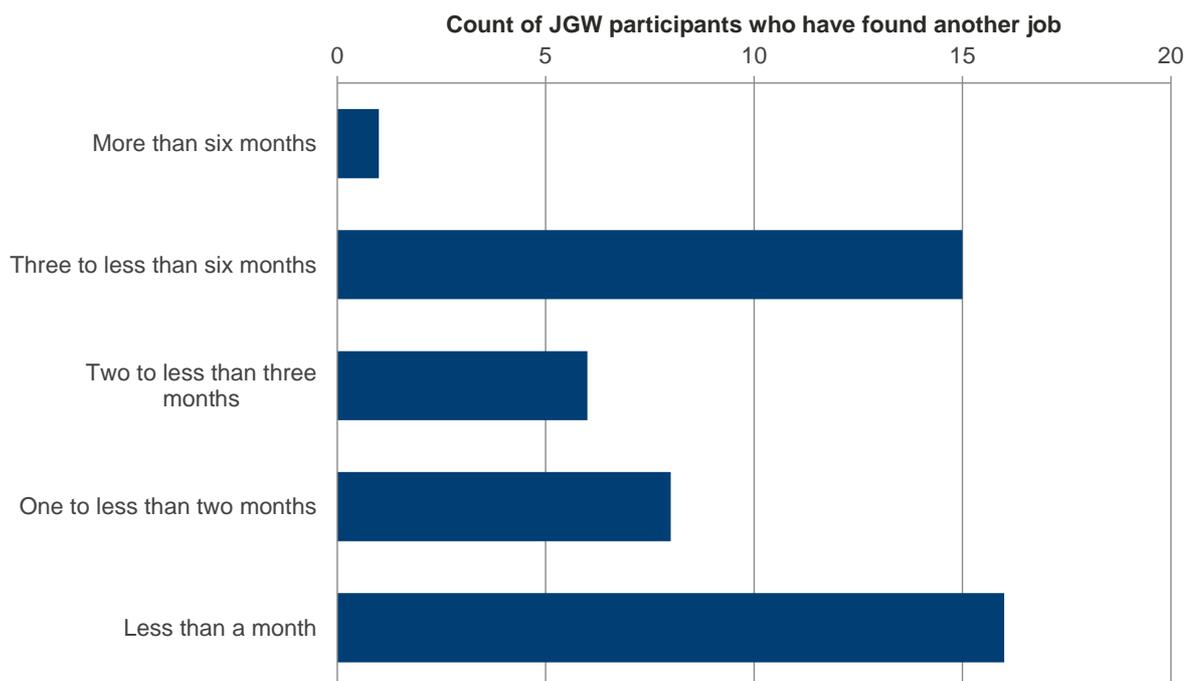
n = 90  
Source: Ipsos MORI survey of JGW participants

5.47 The participants who have not secured a job after JGW identified the greatest barriers to securing employment to be a lack of jobs near to where they lived (19 out of 48 young people); a lack of experience (nine young people) and a high level of competition for jobs (five people). It is worth highlighting that 14 of the 19 respondents who stated that the main barrier to gaining employment is a lack of jobs near to where they live are living in 'Convergence areas'. The relatively low number of people (nine people) stating that a lack of experience was the main barrier to achieving full time employment, after having gained six months of experience in their temporary job, compared to the 32 per cent of young people who felt this was the main barrier they faced before they got their JGW job, suggests that JGW did have a positive impact in terms of reducing the experience barrier to work. The high proportion stating that the greatest barrier was a lack of jobs near to where they lived suggests that a lack of labour mobility in some areas is a greater policy issue.

### *Duration of employment search*

5.48 Around half (24 out of 46 individuals) of those participants who found a job after their JGW job had ended had secured a job with another employer within two months. Only one participant had secured a job more than six months after their JGW job had ended.

**Figure 5.11: How many months did it take you to find this job?**



n = 46

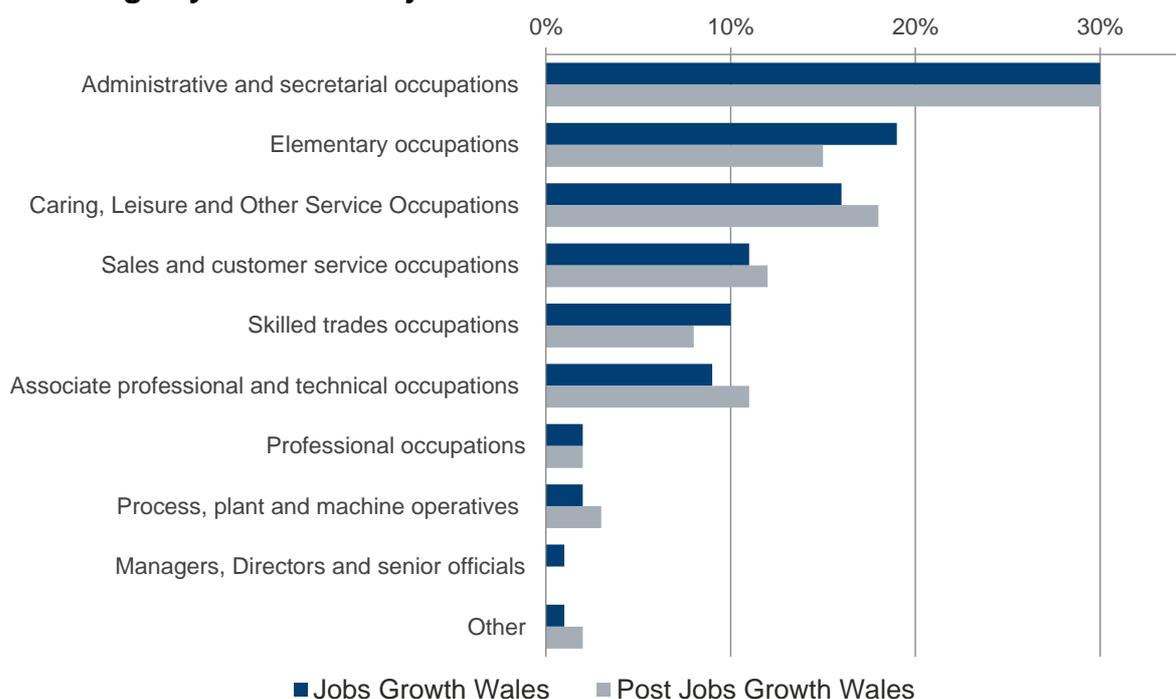
Source: Ipsos MORI survey of JGW participants

### *Indicators of job quality*

5.49 The majority of the applicants who are now employed are working in administrative and secretarial positions (30 per cent); caring, leisure and other service occupations (18 per cent); elementary positions (15 per cent); and sales and customer service occupations (12 per cent). There were a number of participants who are now working in associate professional and technical positions (11 per cent) which tend to be associated with greater skills and wages. There were very few participants who are working as professionals (two per cent) or managers (0.4 per cent), which is to be expected given the age profile of the participant group.

5.50 The profile of participant’s employment remained largely the same in their transition from the programme to the post JGW employment. The main differences were a lower proportion of elementary positions post their JGW job, and a marginally higher proportion of ‘caring, leisure and other service activities’ and ‘associate professionals and technical occupations’.

**Figure 5.12: What did you do in the job you secured through JGW? What are you doing in your new/this job?**



n = 535 (JGW)

n = 269 (post JGW)

Source: Ipsos MORI survey of JGW participants

5.51 In their post JGW employment participants reported that they worked on average 35 hours per week. There were only minor differences across strand, which is different than when the participants worked in their JGW jobs. Participants in the private sector strand (36 hours per week) indicated that they worked more hours than participants in the ‘third sector – direct’ (33 hours per week) and ‘third sector – supported’ (30 hours per week) strands.

5.52 The gross hourly wage in their current job reported by participants was lower across every occupation when benchmarked against the mean wage for 16 to 24 year olds in Wales for each occupation<sup>63</sup>. However, when compared to their JGW wages, there is evidence of participants ‘catching up’ to their peers’

<sup>63</sup> Estimates are based on small sample sizes and therefore caution should be taken when interpreting the data.

wages in their post-JGW jobs, especially in the sales and customer service and administrative and secretarial occupations. Overall, earnings in post-JGW jobs rose to 76 per cent of average wages for 16 to 24 year olds in Wales, from 67 per cent in their JGW jobs.

5.53 In their post JGW employment most participants earned a wage in excess of the minimum wage (59 per cent), a greater proportion than in their JGW job (30 per cent) reflecting a movement into higher paid employment.

**Table 5.3: Post JGW wage distribution (excluding overtime) according to 2012/13 NMW<sup>64</sup>**

	Below NMW	At NMW	Above NMW	Below NMW (%)	At NMW (%)	Above NMW (%)
Under 18	*	*	*	*	*	*
18-20	15	12	42	22	55	76
21 and over	37	36	99	22	21	58

Source: Ipsos MORI Survey of 251 JGW participants who have had one job since completing JGW

\* Categories with less than 10 responses have been suppressed.

5.54 Table 5.4 compares the reported earnings post-JGW with the wages of 16 to 24 year olds in Wales across different occupations. Since leaving JGW participants earned lower than the average in Wales for 16 to 24 year olds, at 76 per cent. This is, however, an improvement of the wages whilst in the programme. Every single type of occupation receives a higher wage in the open job market compared with post-JGW wages. The largest difference is found in the wages of those in 'Associate professional and technical occupations' where JGW recruits can expect to get 71 per cent of the same wage as those in the rest of the job market.

<sup>64</sup> The post JGW wage calculations are based on the first job respondents had after finishing JGW. If respondents have had more than one job then it is only based on their first job. Age is based at the time of the survey and therefore might not be reflective of their age at the time of doing their post-JGW job which may affect the NMW brackets.

**Table 5.4: Gross earnings per hour (excluding overtime) by type of occupation of JGW survey respondents (Post JGW) in comparison with working 16 to 24 year olds in Wales**

	Post-JGW job		Wales		Proportion Post-JGW/Wales
	Gross hourly earnings (excluding overtime)	Survey base	Gross hourly earnings (excluding overtime)	Survey base	Post-JGW job earnings as a % of Wales (16-24) earnings
Elementary occupations	£5.92	40	£6.96	69	85
Process, plant and machine operatives	*	*	*	*	-
Sales and customer service occupations	£6.59	29	£7.65	56	86
Caring, leisure and other service occupations	£5.75	47	£6.82	66	84
Skilled trades occupations	£6.48	16	£9.47	54	68
Administrative and secretarial occupations	£6.62	73	£8.13	62	81
Associate professional and technical occupations	£6.93	28	£9.75	40	71
Professional occupations	*	*	£12.82	37	-
Managers, directors and senior officials	*	*	*	*	-
Other	*	*	-	-	-
Total	£6.53	250	£8.60	412	76

Source: Ipsos MORI survey of JGW participants; ONS, Provisional 2013 ASHE. Estimates are based on small sample sizes and therefore caution should be taken when interpreting the data.

\* Categories with less than 10 responses have been suppressed.

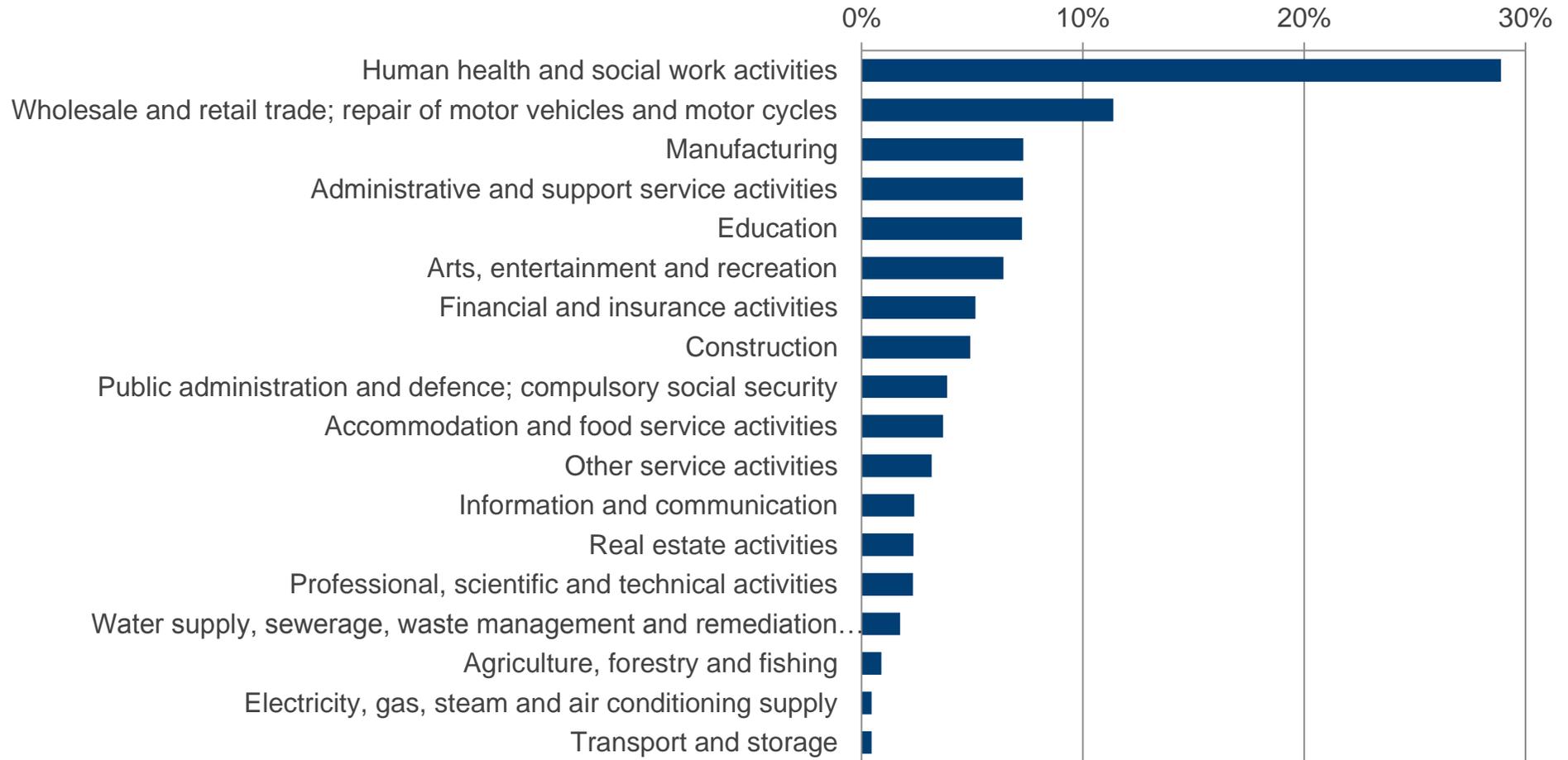
5.55 Of the respondents who either had their job made permanent, transferred to an apprenticeship with their employer or found employment with another employer after the programme<sup>65</sup> the destination where the most participants became employed was in the human health and social work activities (29 per cent). It is worth noting that the majority of the participants now working in this sector are women (45 out of 64 employees in health and social work activities), and that the sector has been the destination for almost half of the women in employment on the programme (45 out of 91 women).

5.56 The next largest sector for participants is the wholesale and retail sector (11 per cent). The participants who are working in this sector are mostly male (23 out of 24 employees in the wholesale and retail sector).

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<sup>65</sup> For those still employed by their JGW employer after their 6 month contract this calculation includes the sector of the JGW employer they mentioned at the beginning of the survey. For those with a new employer this calculation uses the sector of their new employer mentioned later in the survey.

**Figure 5.13: What does the firm you are working for do? (Post JGW)**

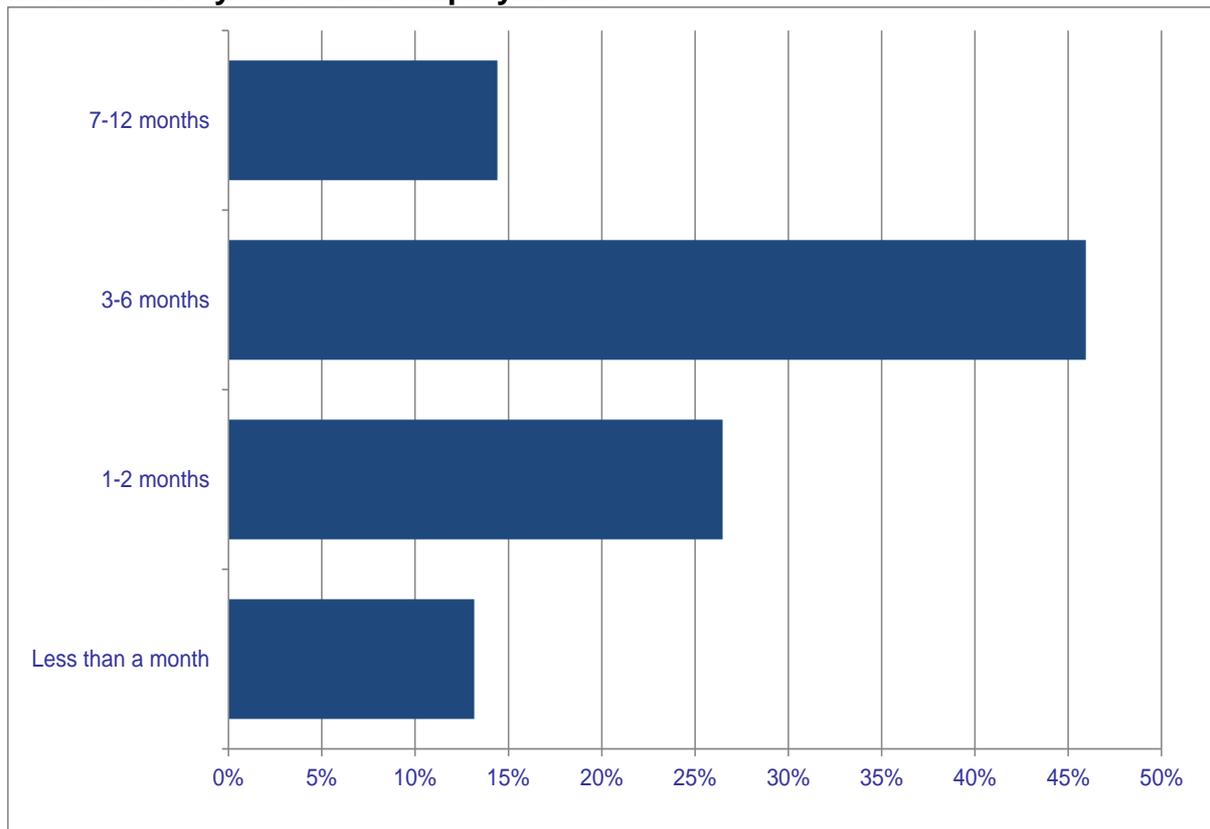


n = 238

Source: Ipsos MORI survey of JGW participants

5.57 Approximately 14 per cent of respondents indicated that since their JGW job came to an end they had been in employment for more than six months. Over two fifths (46 per cent) of respondents indicated that they had been in post JGW employment for three to six months, indicating that it is currently too early to make a robust assessment of the longevity of the employment.

**Figure 5.14: In total, since your temporary JGW job came to an end [an average of two to three months at the time of the survey], for how many months have you been in employment?**



n = 268

Source: Ipsos MORI survey of JGW participants

## Summary

5.58 The survey and qualitative research undertaken with JGW participants has highlighted some mixed views towards the programme. The key findings include:

5.59 Sustained employment for young people: The programme has led to positive employment outcomes for participants. The programme has provided employment for young people at a time when it would have been difficult for them to gain employment. Following completion of their six month JGW job the majority of participants are now in productive employment either with their JGW

employer or another organisation (including apprenticeships). The intervention has provided an important function in preventing a long period of unemployment for young people which can lead to hysteresis – where in periods of persistent unemployment become demotivated and their skills decline making it more difficult to gain employment – and this represents a positive social outcome.

5.60 Benefits of their JGW job: The main benefits reported by programme participants were the increase in confidence that they gained, the opportunities for future jobs and gaining work experience to give the participants a better idea of the types of jobs they are interested in.

5.61 Training and skills development: The majority of participants received at least some form of training on the programme in their temporary job, and the vast majority were satisfied with the training they received.

5.62 Details of jobs: The majority of JGW jobs have been in occupations which are associated with lower skill levels and low wages such as elementary positions and administrative and secretarial occupations. The profile of employment is largely similar for participants who gained employment after completing the programme, although it is too early to conclude on whether their experience with JGW will enable participants to move into higher skill and higher wage occupations.

5.63 Indicators of job quality: There is some evidence that participants felt underpaid in the temporary JGW job with over one quarter stating that they felt they would have been able to get a job with higher pay without JGW. Wage data indicates that participants earned a higher wage at in their post JGW job compared to their temporary job (£6.50 versus £5.80). However, early findings from this interim evaluation suggest that in comparison to relevant benchmarks the wages in the programme represent 67 per cent of that found in the Welsh labour market for young people. Post-JGW they are improved but are still at 76 per cent of that found in the Welsh labour market for young people. However, this aspect requires further exploration in the final evaluation to establish the effect on wage levels over a longer period of time.

## **6 Outcomes for employers**

### **Introduction**

- 6.1 This section of the report outlines the outcomes from the perspective of employers who participated in the JGW Programme. This chapter draws upon data from Ipsos MORI's telephone survey of JGW employers and in-depth qualitative telephone interviews with employers. We present the top-line findings for each relevant question in the survey, drawing upon more detailed cross-tabular results where there are statistically significant differences in the sub-populations. Where no statistically significant differences exist, we will not present graphics or tables to keep this report concise.
- 6.2 The quantitative research involved a survey of 328 employers who had participated (or are currently participating) in the programme. Of the 328 employers we surveyed 213 from the 'private sector'; 76 from the 'third-sector'; and 39 from the 'graduate' strand of the programme.
- 6.3 Fourteen employers from the 'private sector' strand; three from the 'third sector'; and three from the 'graduate' strand were interviewed as part of the qualitative research. Additionally, five case studies with participants, their employers and their MAs or mentors were conducted, and some aspects of this chapter draw on the descriptions employers gave of their experiences of the programme through these case studies.

### **Recruitment of participants**

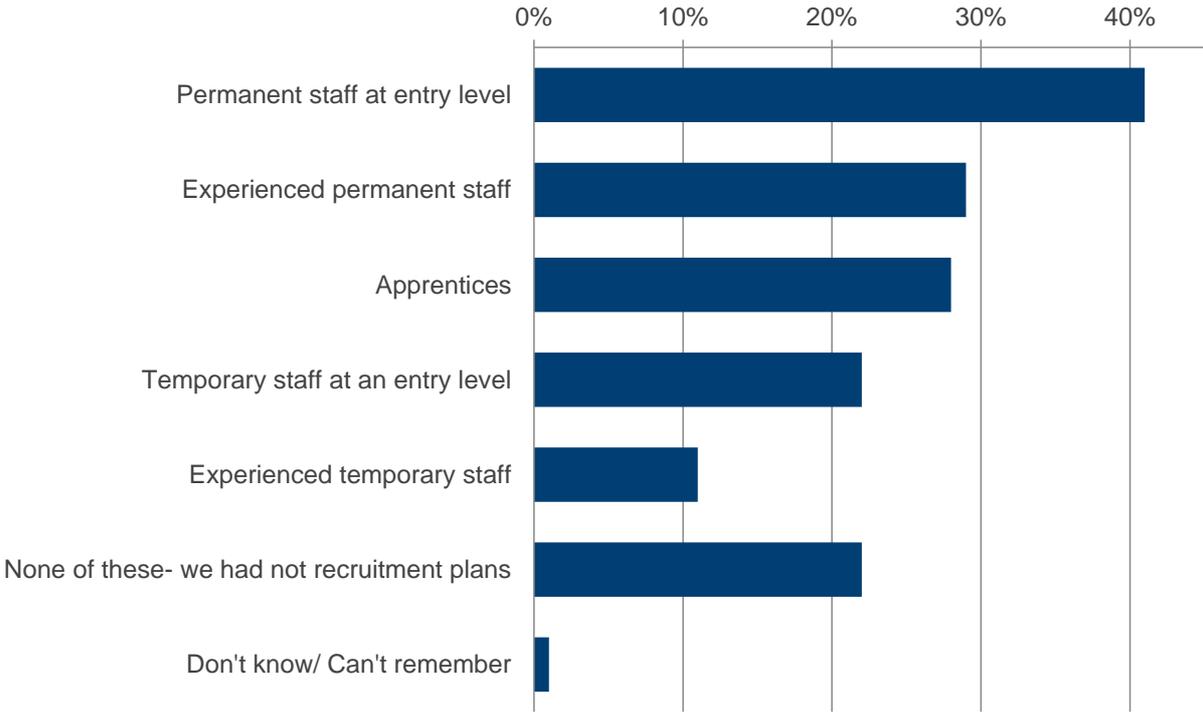
- 6.4 Most employers had plans to recruit additional staff either at entry or at an experienced level before hiring through JGW. Two fifths (41 per cent) of the 328 JGW employers surveyed stated that prior to hearing about JGW they had originally intended to recruit permanent staff at entry level. Employers also stated that prior to JGW they had pre-existing plans to recruit experienced permanent staff (29 per cent) and/or experienced temporary staff (11 per cent) and/or apprenticeships (28 per cent), suggesting that their participation in the programme may have represented some form of substitution activity.
- 6.5 Many employers who took part in the qualitative interviews expressed that whilst they did wish to hire someone, their recruitment plans were unclear as

they were uncertain if they could afford to hire additional staff, even though they had a goal to expand. Many of these businesses were micro enterprises and therefore having an additional member of staff could ease some of the burden on existing staff, particularly for administrative tasks.

*“We were looking for a flexible member of staff but were aware that it might be difficult to find someone who would be willing to do flexible hours. I also wanted to do less hours as an office manager to care for my elderly mother, so our recruitment plans were quite muddled at the time.”*

*Private strand, micro-business (zero to nine employees), North Wales, Convergence area*

**Figure 6.1: Prior to hearing about JGW, how would you describe your business’ or organisation’s recruitment plans for the following 12 months? Were you planning to recruit...**



**n = 328, multi-code question**  
 Source: Ipsos MORI survey of JGW employers

6.6 Over one fifth (22 per cent) of employers stated that they had no recruitment plans prior to participating in the programme: these were largely in the services sector (56 per cent) and/or in Convergence areas (71 per cent). The qualitative research revealed that some businesses had no plans to recruit at all until they

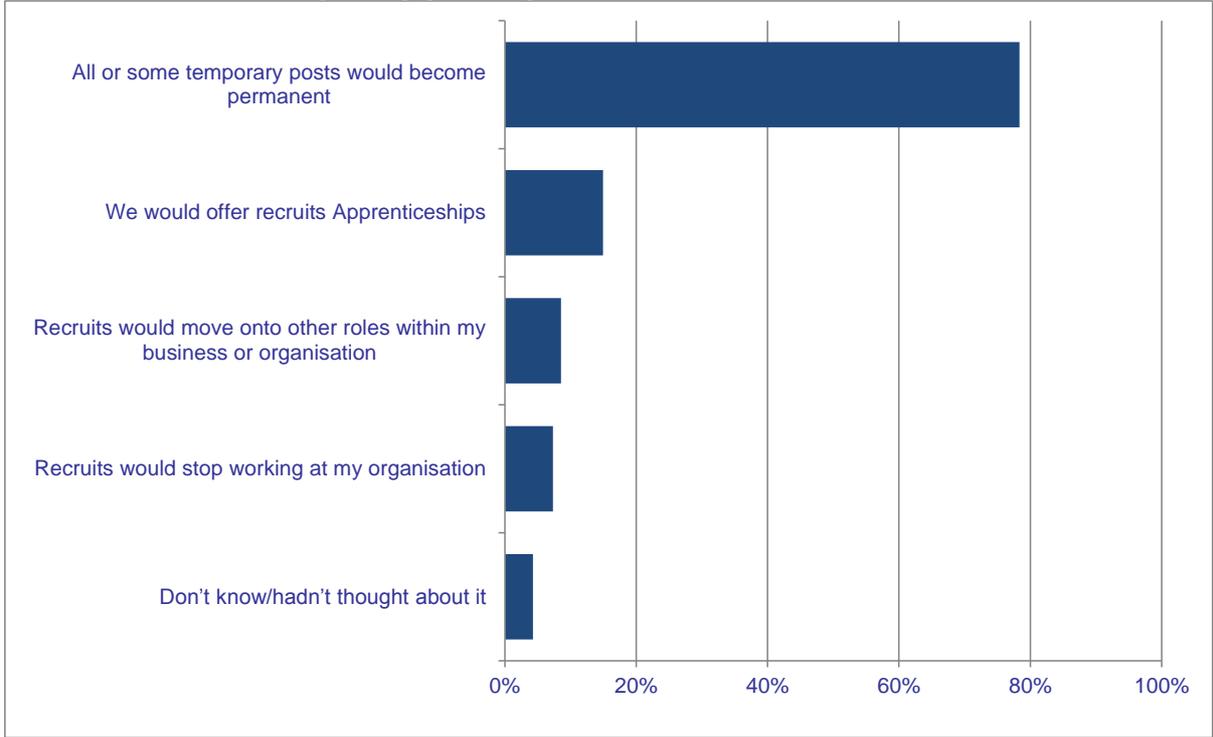
were made aware of JGW, mostly because they did not think they could afford to. Hearing about JGW changed this though and allowed them to explore the option of hiring more.

*“We had no recruitment plans before (hearing about JGW)... We didn’t think we’d be able to afford to hire an employee, Jobs Growth Wales gave us the opportunity to think about introducing a new role to the charity.”*

*Third sector- direct, Services industry, 10+ employees, South Wales, Competitiveness area*

6.7 The majority of employers initially planned that some or all of the temporary posts would become permanent (77 per cent). Initial recruitment intentions did differ amongst employers on different strands of the programme. Thirty-six out of 39 employers on the graduate strand intended to convert at least some of the temporary jobs into permanent positions which was greater than on the ‘private sector’ (77 per cent or 163 out of 213 employers), ‘third sector direct’ (34 out of 41 employers) and ‘third sector – supported’ (24 out of 35 employers) strands of the programme.

**Figure 6.2: At the beginning, what did you envisage would happen at the end of the six month temporary job or jobs?**



n = 328  
Source: Ipsos MORI survey of JGW employers

6.8 The 327 interviewed employers<sup>66</sup> initially wanted to recruit 607 staff, with over a fifth (22 per cent) of positions aimed at graduates. The graduate intensity of the recruitment intentions of firms differed across areas with 25 per cent of positions in Convergence areas intended to be graduate positions compared to 34 per cent in Competitiveness areas. Smaller<sup>67</sup> firms (31 per cent of positions) also had the intention of recruiting a higher proportion of graduates relative to larger firms with 10 or more employees (23 per cent of positions).

6.9 As would be expected, 79 per cent of the positions in the graduate strand were targeted at graduates<sup>68</sup>, compared to 18 per cent on the private sector strand, 37 per cent in the Third sector direct strand and four per cent in the third sector supported strand.

**Table 6.1: Total number of participants amongst surveyed employers<sup>69</sup>**

		Number of employees firms wanted to recruit	Number of positions aimed at graduates	Vacancies advertised through JGW	Number recruited through JGW	Number of persons completing 6 month placement
ESF regions	Convergence	393	80	455	426	385
	Competitiveness	171	54	179	164	152
Strand	Graduate	13	15	19	18	19
	Private	448	97	529	492	442
	Third sector-direct	51	19	52	50	40
	Third sector-supported	78	4	97	93	80
Sector	Service	305	77	334	306	286
	Production	74	16	80	75	63
Size	0-9	333	93	358	326	296
	10+	233	40	279	265	238
	Total	607	132	715	671	591

Source: Ipsos MORI survey of JGW employers  
n: 327

Note: The response of one firm has been omitted from this analysis as the numbers quoted appeared too high to be plausible

Note: Sub categories may not add to the total. Some respondents are excluded where it was not possible to identify their classification.

6.10 Firms across all categories advertised more vacancies through JGW than they had previously indicated that they wanted to recruit. This finding could be

<sup>66</sup> One firm that wanted to employ 200 people was removed from this analysis.

<sup>67</sup> Firms with less than 10 employees.

<sup>68</sup> Note that this figure was derived by comparing the number of positions aimed at graduates to the total number of positions each firm advertised. It is possible that employers categorised as 'Graduate strand' employers also recruited through another strand, thus this figure is not 100 per cent.

<sup>69</sup> The figures presented in this table have been weighted.

interpreted in two ways. Firstly, it could possibly indicate that firms did not expect to fill all of the advertised vacancies at the beginning of the project. Secondly, it could indicate that initial recruitment was successful and employers subsequently decided to advertise and fill more vacancies through JGW.

- 6.11 The number actually recruited by employers is more closely aligned with the number of vacancies advertised than the original amount they wanted to recruit, with firms filling 94 per cent of the number of vacancies they advertised through JGW. The number actually recruited exceeded the number that firms stated they wanted to recruit across all categories with the exception of 'Competitiveness' areas and firms with 0-9 employees. Employers estimated that 88 per cent of those recruited were still with the employer four months into their six month JGW job.
- 6.12 Three quarters (76 per cent) of employers indicated that they were able to fill all of the vacancies that they advertised, and just over a tenth indicated that they were able to only fill some of the vacancies (13 per cent) or just one of the vacancies (11 per cent). Across the programme surveyed employers' responses indicated that they were able to fill 94 per cent of the 715 vacancies they advertised.
- 6.13 Standardising the data on a 'per firm' basis highlights that the average firm was likely to have recruited two employees through JGW. There are some differences by firm category, with an average firm in the 'third sector supported' strand likely to recruit 3.1 employees through JGW. Firms in Convergence areas are likely to have recruited 2.1 employees compared to 1.6 in Competitiveness areas.

**Table 6.2: Average number of participants per firm amongst surveyed employers<sup>70</sup>**

		Number of employees firms wanted to recruit	Number of positions aimed at graduates	Vacancies advertised through JGW	Number recruited through JGW	Number of persons completing 6 month placement
ESF regions	Convergence	1.9	0.4	2.2	2.1	1.8
	Competitiveness	1.6	0.5	1.7	1.6	1.5
Strand	Graduate	1.2	1.2	1.6	1.5	1.5
	Private	1.7	0.4	2.0	1.9	1.7
	Third sector-direct	2.2	0.8	2.3	2.1	1.7
	Third sector-supported	2.5	0.1	3.1	3.1	2.7
Sector	Service	1.8	0.5	2.0	1.8	1.7
	Production	1.8	0.4	2.0	1.9	1.6
Size	0-9	1.6	0.5	1.8	1.6	1.5
	10+	2.0	0.4	2.5	2.4	2.1
	Total	1.8	0.4	2.2	2.0	1.8

Source: Ipsos MORI survey of JGW employers  
n: 327

Note: The response of one firm has been omitted from this analysis as the numbers quoted appeared too high to be plausible

Note: Sub categories may not add to the total. Some respondents are excluded where it was not possible to identify their classification.

6.14 The majority of employers stated that the primary reason for them not being able to fill all of their vacancies was that applicant quality was considered to be too low (17 of 37 employers). A high proportion also indicated that there was a change of circumstances and the firm could no longer recruit a temporary worker through JGW (10 of 37 employers). Only a small number of employers (5 of 37 employers) indicated that did not receive enough applications indicating that supply constraint was not a major issue. The qualitative research also found many instances of employers stating the quality of the applications was very low, despite some of them particularly in the ‘third sector’ strand expecting this to be the case.

6.15 A number of the employers in the qualitative research also stated that there were too low a number of applicants or there were problems with interviewees not turning up. However, many were quick to point out that this was because of the specialised nature of the role, the rural location and sometimes due to, what they felt was, the MA’s failure to advertise the vacancy effectively enough. A couple of employers though mentioned that they were surprised that there were

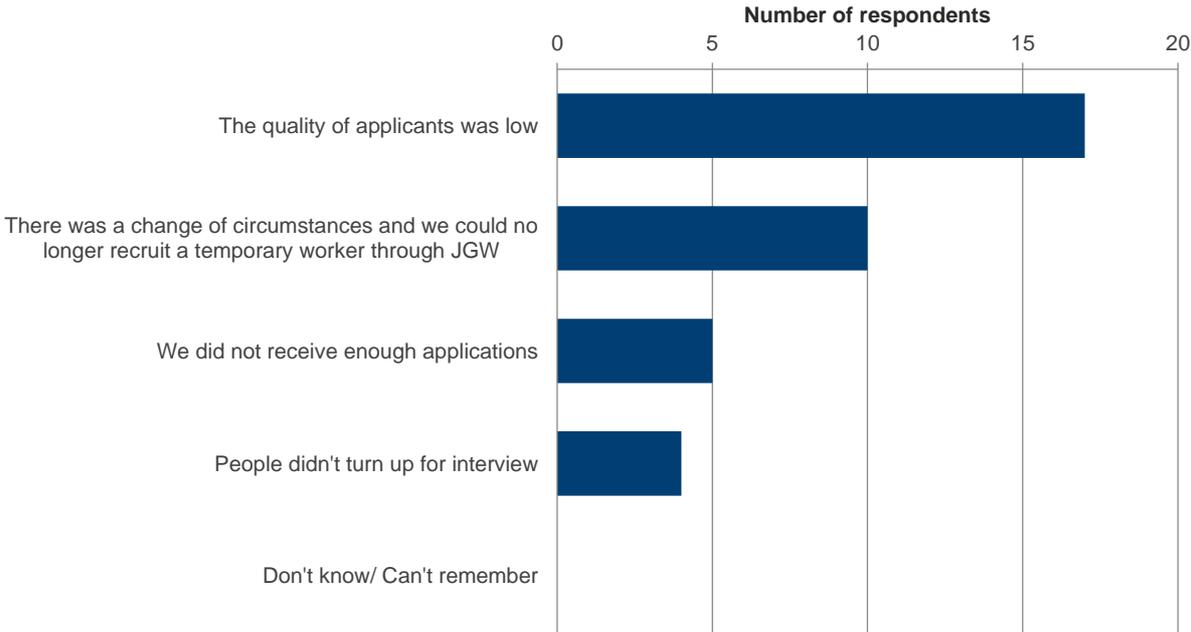
<sup>70</sup> The figures presented in this table have been weighted.

not more applications considering the high number of young unemployed people in the area.

*“The applications received were not up to standard: the job was beyond their capabilities. We received 10 applicants, which wasn't enough considering the economy. Only six of the applicants were [invited for interview] and only three of them attended the interview. I wonder if these people had been forced into the scheme, and were not really bothered about it in all honesty. We've worked with NEET candidates in the past and knew what to expect, but we were shocked with the process from the beginning.”*

*Third Sector- direct strand, Services industry, 10+ employees, South Wales, Competitiveness area*

**Figure 6.3: Why could you not fill all of the vacancies you advertised through JGW?**

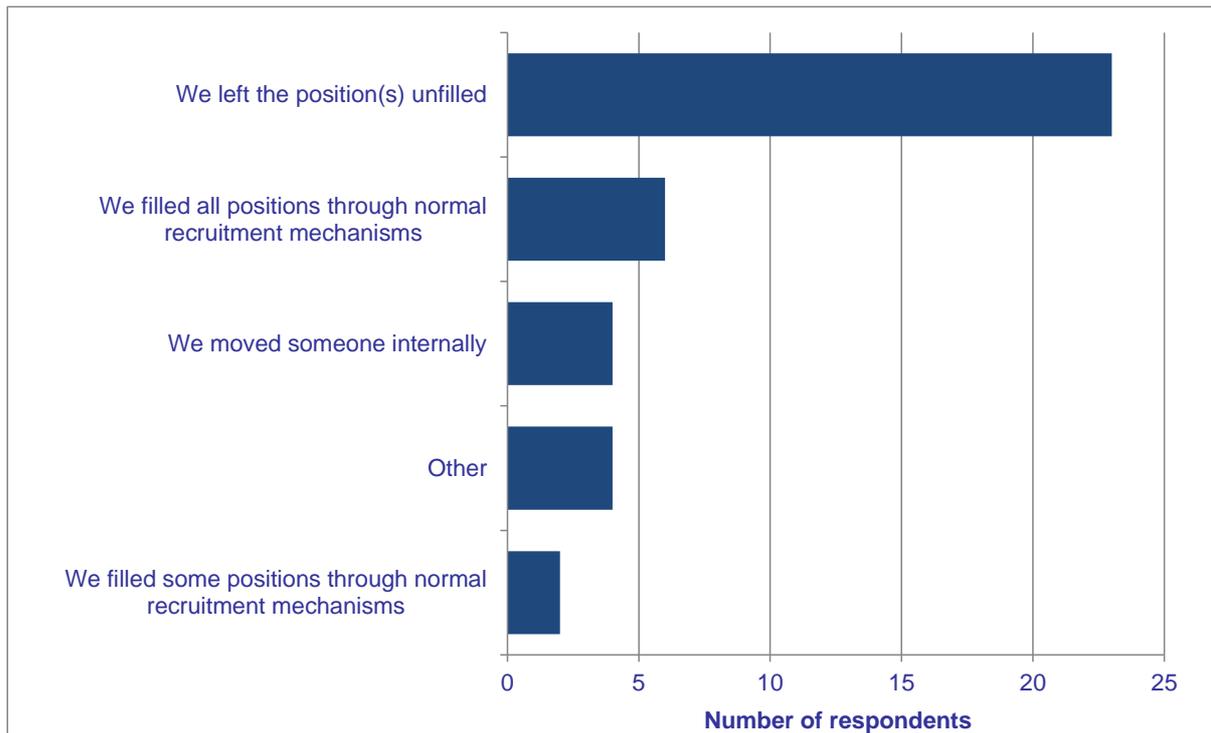


n = 37

Source: Ipsos MORI survey of JGW employers

6.16 In most instances, where employers could not fill vacancies advertised through JGW, employers left the position unfilled (23 of 37 employers), while others filled the positions through normal recruitment mechanisms (6 of 37 employers) and a small proportion filled the position through internal transfer (4 of 37 employers).

**Figure 6.4: What did you do to fill the position or positions that you could not fill?**

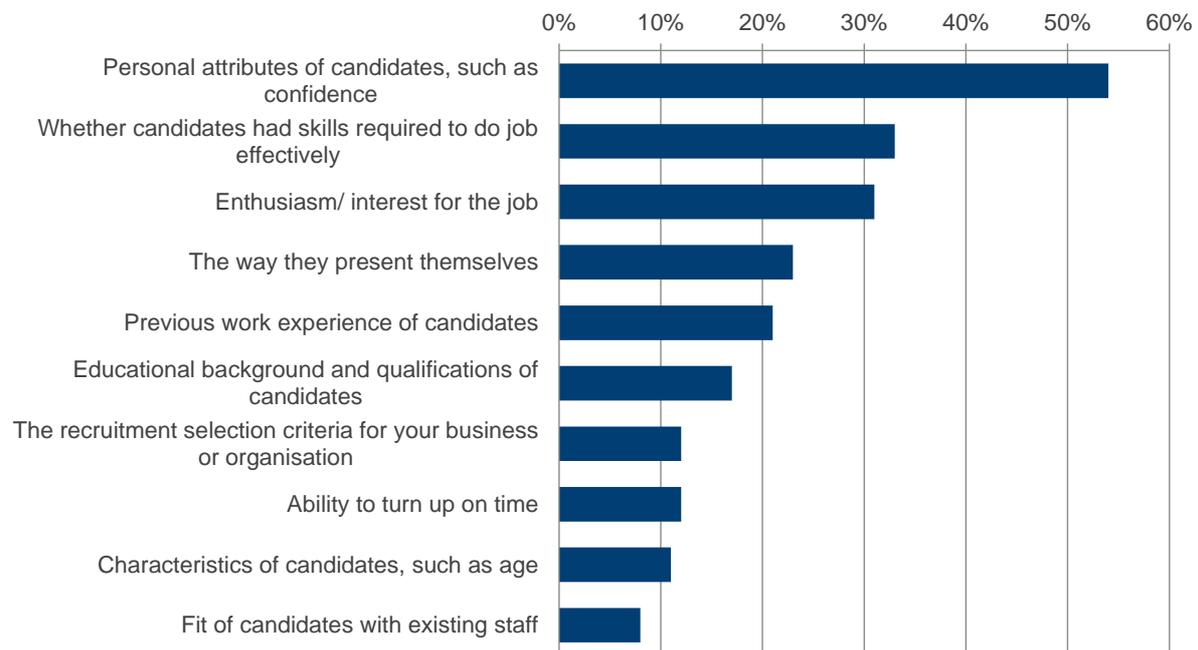


n = 37

Source: Ipsos MORI survey of JGW employers

6.17 The most important factors considered by employers when recruiting a JGW participant were personal attributes such as confidence (54 per cent) and whether the candidates had the skills required to do the job (33 per cent). A number of other factors were also mentioned by employers including their enthusiasm or interest for the job (31 per cent), the way in which candidates presented themselves (23 per cent), previous work experience (21 per cent) and education and qualifications (17 per cent). Therefore, although previous work experience was cited as an important factor, employers also considered a range of other factors when assessing candidates.

**Figure 6.5: What were the most important factors you took into account when deciding which candidate to offer a JGW job? (top 10 most important factors)**

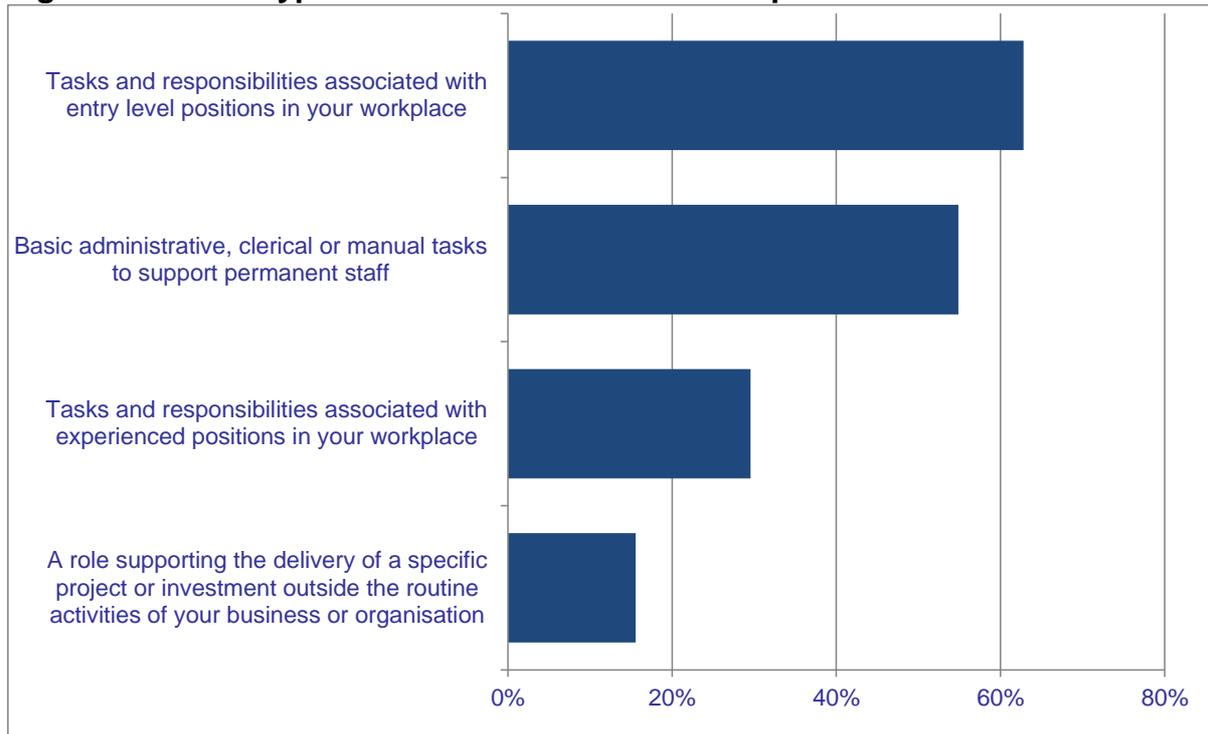


n = 328, multi-code question  
 Source: Ipsos MORI survey of JGW employers

**Job effectiveness, skills and training**

6.18 The majority of employers indicated that employees typically spent their working day carrying out tasks and responsibilities associated with entry level positions in their workplace (63 per cent) or basic administrative clerical or manual tasks to support permanent staff (55 per cent). Although, it is worth noting the sizable minority of employers who identified that the tasks of the JGW employees were typically responsibilities associated with experienced positions (30 per cent).

**Figure 6.6: What type of work did the JGW recruit perform?**



n = 328, multi-code question

Source: Ipsos MORI survey of JGW employers

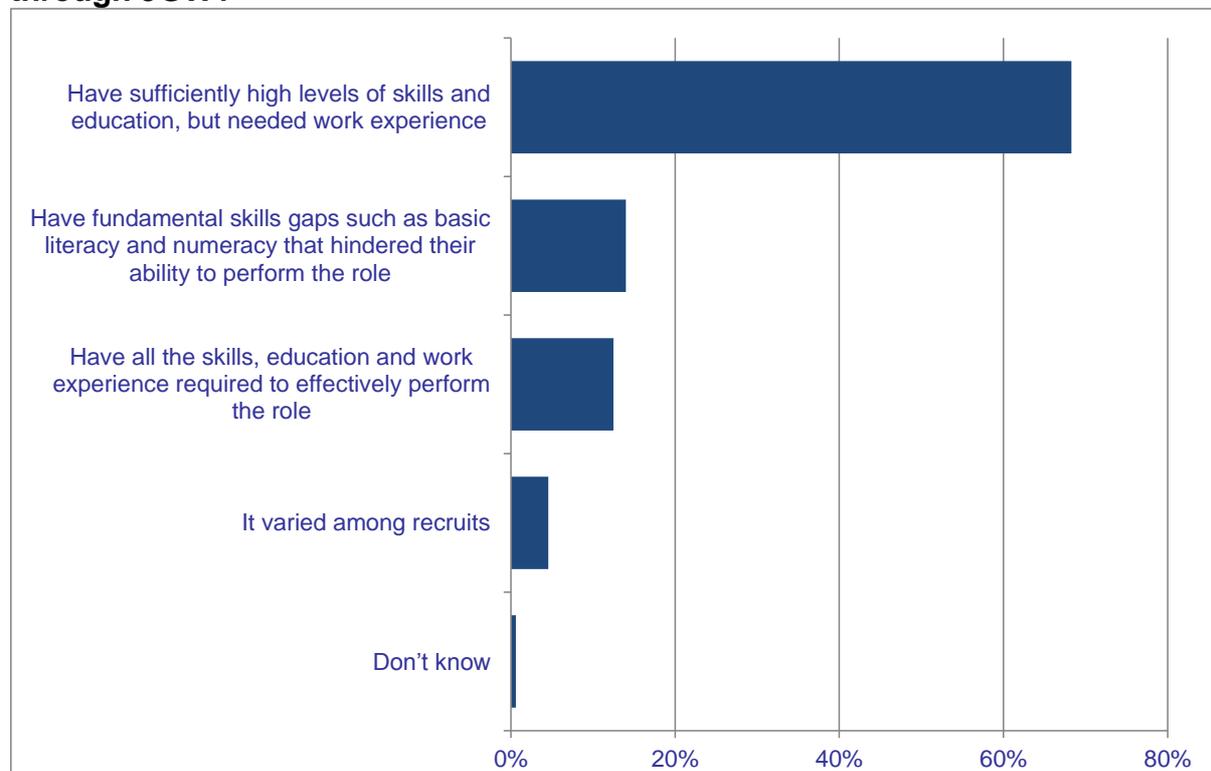
6.19 Whilst most employers felt that the recruits had adequate skills, a high proportion felt there was still a lot of work to be done to get them to the adequate standard required to perform the job effectively. The majority of employers expressed the view that the JGW employees had sufficiently high level of skills for their position but needed the work experience (67 per cent); however, some employers felt that they needed quite a lot of input from themselves in order to support the young person in their role. Some felt that this was because of their age and, perhaps generation, whilst others found the young people's personal issues, such as childcare issues, a lack of ability to focus on tasks for long periods of time, lack of confidence or lack of motivation, sometimes became a problem.

*“They have performed well, though there have been some issues regarding maturity, compliance and attitude. This is generally true of many young people these days.”*

*Graduate strand, Production industry, 10+ employees, North Wales, Convergence area*

6.20 Further to this, skills gaps were reported to be a problem by a significant minority of employers. Some employers felt that the young people had fundamental skills gaps such as basic literacy and numeracy that hindered their ability to perform in the role (16 per cent) and sometimes led to them requiring more guidance and training. This was frustrating for some because it meant they had to take more time away from their job role to help the young person. Whilst only just over a tenth (13 per cent) indicated that employees had both the necessary skills and experience to effectively perform their role, this is perhaps not a surprising or a concerning figure because the programme is designed to help those with not much work experience.

**Figure 6.7: Which of the following best describes the person you recruited through JGW?**



n = 328

Source: Ipsos MORI survey of JGW employers

6.21 The majority of employers indicated that the JGW employees needed a moderate amount of training (51 per cent) to be able to make an effective contribution to their business. There were some differences across employer, with 16 per cent indicating that the programme participant required a minimal amount of training compared to 29 per cent of employers who indicated that they required a significant amount of training.

6.22 Employers largely offered informal on the job training or mentoring (95 per cent). A significant minority of employers stated that participants received formal off the job training to improve skills required for the job (42 per cent), which corresponds with what the young people said in the young people survey. However, a smaller than expected proportion of employers when benchmarked against the survey responses of young people, said they provided the young people with any training on the company or an induction (68 per cent) or provided formal off the job health and safety training (55 per cent).

**Figure 6.8: Did the worker(s) you recruited through JGW receive any of the following types of training during their six month job(s)?**



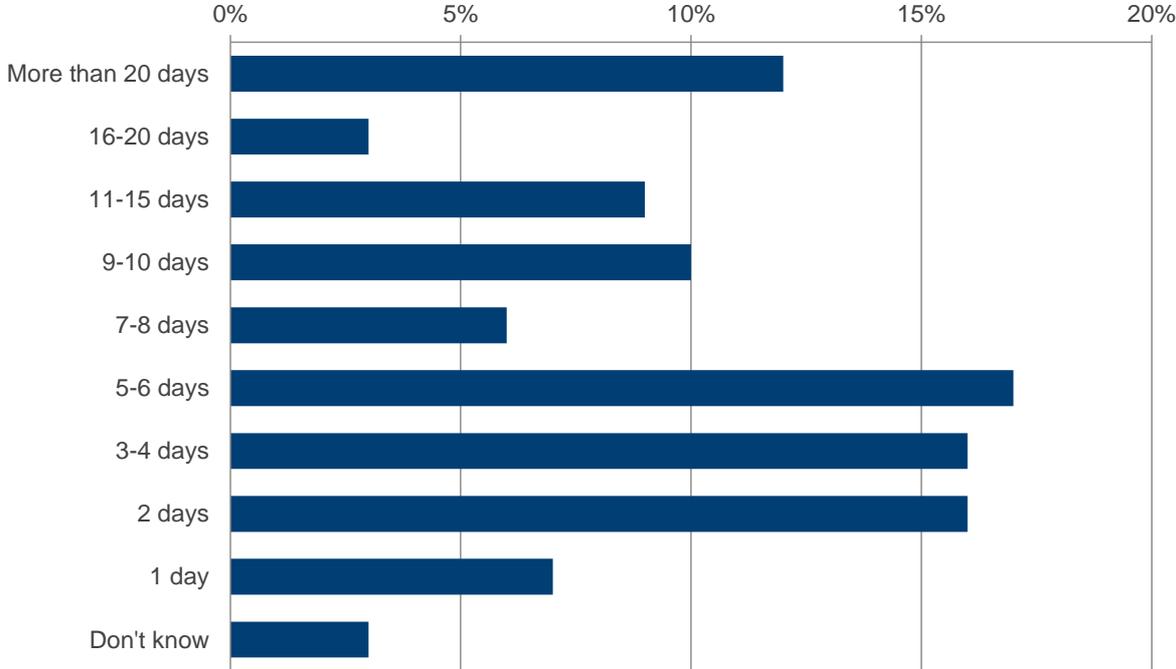
n = 328, multi-code question

Source: Ipsos MORI survey of JGW employers

6.23 There was a relatively wide distribution with regard to the number of days spent on 'off the job' training suggesting that the time spent on training was specific to each participant depending on their training needs. A striking finding is that more than one tenth (12 per cent) of employers stated that their JGW employee(s) spent more than twenty days on 'off the job' training, which is

equivalent to spending approximately one sixth of the temporary position away from immediate work positions.

**Figure 6.9: How many days off-the-job training did you provide the worker during their six month placement?**

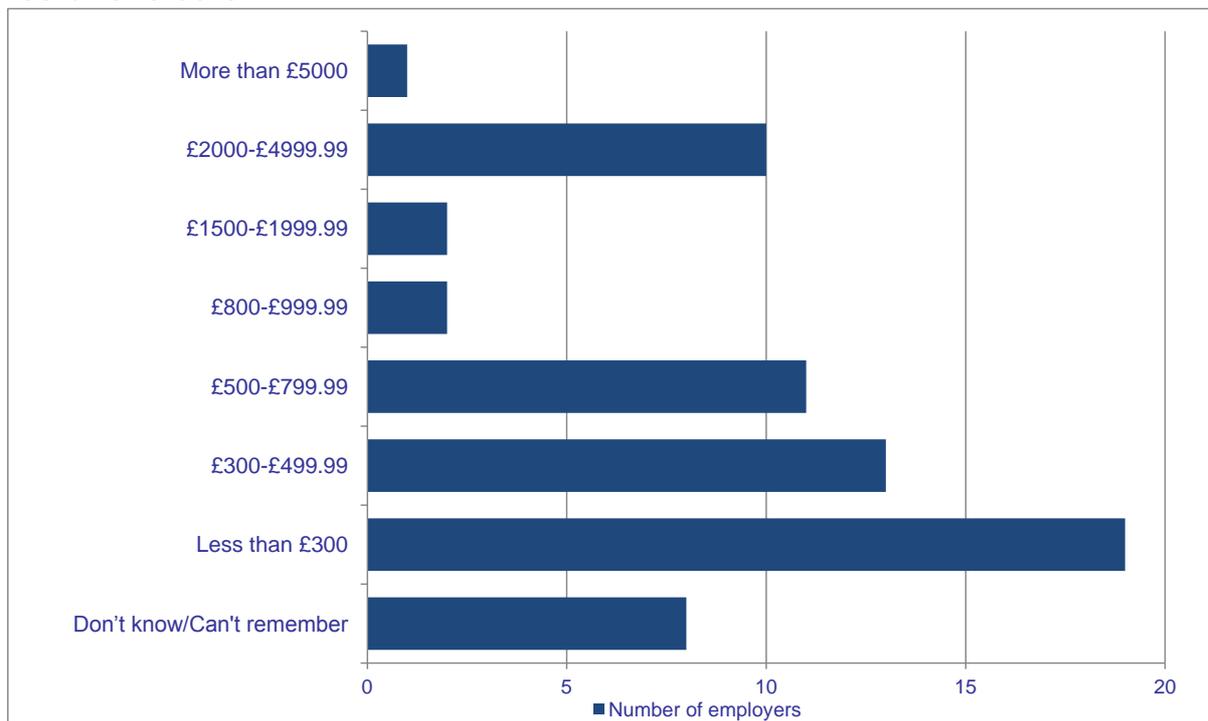


n = 144

Source: Ipsos MORI survey of JGW employers

6.24 Some employers (44 per cent) indicated that they had incurred a financial cost as a result of 'off the job' training provided. In most cases this was a relatively small direct financial cost, with almost half (32 of 66 employers) of employers indicating that the direct cost of off-the-job training was less than £500. However, some employers did indicate that they had incurred a higher cost, with 11 of 66 employers surveyed indicating that the cost was over £2,000.

**Figure 6.10: Approximately, what is the additional training cost for all JGW recruits to date?**



n = 66

Source: Ipsos MORI survey of JGW employers

6.25 The greatest cost to employers has been indirectly in the form of the time of their staff training and supervising new recruits. On average, line managers have spent 14 hours per week supervising JGW participants, including 28 firms who indicated that the staff they recruited through required constant supervision. Although this sounds high, the qualitative research found instances where the employers felt the supervision was constant because there was always a more senior member of staff on hand who, in the case of retail, may be overhearing and supervising the recruit in their approach with customers. In some cases therefore this was normal for all new members of staff and was not particular to JGW employees.

6.26 Without JGW most employers indicated they would have had to cover the work of the participant, as opposed to it not being completed by anyone. Over two fifths (41 per cent) of employers stated in the survey if they had not recruited an employee their work would have been completed by an existing employee, and almost one quarter (23 per cent) would have hired other workers through normal recruitment means. Whilst some might be able to afford to hire workers through normal recruitment means in order to get the work done, some were

not in a position to do so. They would have had to deliver the current workload with their existing workforce which would have placed more pressure on existing staff or possibly led to delays in work being delivered on time.

*“Yes, but not so soon. It would have taken a lot longer for us to complete the work and we would have missed out on other lettings opportunities as a result.”*

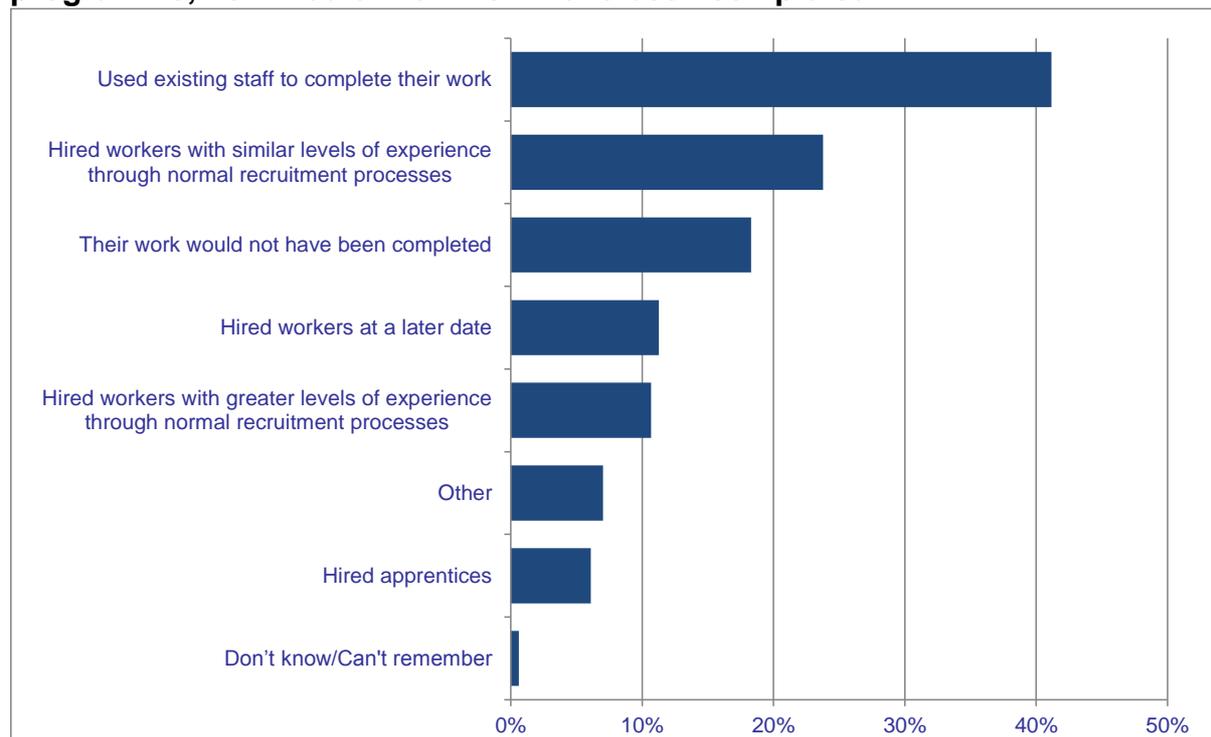
*Private strand, Service sector, 10+ employees, South Wales, Competitiveness area*

6.27 For employers who would not have been able to have the work completed, this will likely have constrained economic output. Almost one fifth (19 per cent) of employers indicated that the work completed by the employee would not have been completed, if they had not recruited the employee through the JGW programme. This is important for the programme to recognise as one of its successes and selling points for businesses in Wales that are creating additional roles that otherwise would not have existed at that time.

*“The work needed would not have been completed as we are always looking for ways to expand and Jobs Growth Wales allowed us to do this whilst trialling these changes first.”*

*Private strand, Services sector, 10+ employees, North Wales, Convergence area*

**Figure 6.11: If you had not recruited a temporary worker(s) through the programme, how would their work have been completed?**



n = 328, multi-code question  
 Source: Ipsos MORI survey of JGW employers

### Main benefits of JGW participation

6.28 Employers reported that recruiting through JGW has helped their organisation to grow. Three in ten employers (30 per cent) saw this as a main benefit to their business from the programme. This is encouraging given the programme’s aims to promote sustainable jobs and further supports the findings that suggest they needed additional labour in order to expand their businesses.

*“It’s allowed the business to develop and grow as it’s freed up man power and allowed me to concentrate on the administrative side.”*

*Graduate strand, Production sector, zero to nine employees, South Wales, Competitiveness area*

6.29 Employers also experienced cost savings through reduced wage bills (29 per cent) as a main benefit to their business but some recognised that this was not a long-term solution. Although the WG pays the young person’s wages up to minimum wage for six months this was seen by some as only a short-term solution, though it did mean that employers could explore options which could

in turn help the business grow without the risk of them having wasted six months' salary.

*“The wage reimbursement was the biggest attraction. It gave us the breathing space that we needed in order to pick up the work that we couldn't do... It was very important to us that it worked for the company and for the individual.”*

*Private strand, zero to nine employees, South Wales, Competitiveness area*

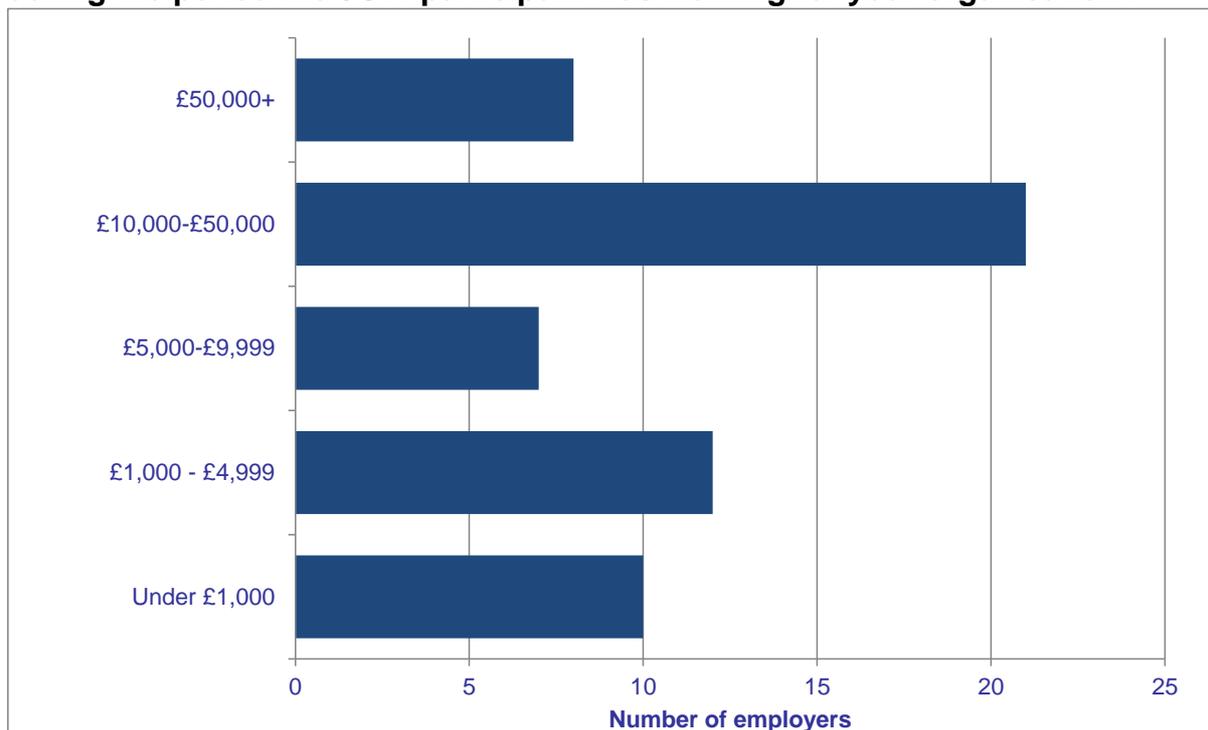
**Figure 6.12: Overall, what were the main benefits, if any, to your business or organisation as a result of recruiting through JGW?**



n = 328, multi-code question  
 Source: Ipsos MORI survey of JGW employers

6.30 Although the majority of businesses (64 per cent) reported that the recruitment of a JGW participant did not help the business secure any additional sales, some did report an increase and were able to be quite specific about it. Of the businesses who identified an increase in sales almost 22 out of 58 surveyed indicated that the increase was relatively small at under £5k. However, 29 of 58 employers surveyed indicated that they experienced an increase in income, grants or sales at or in excess of £10k. One employer in the qualitative research divulged that their turnover was up to 60 per cent on the previous year and felt that this was largely due to their JGW recruits' ability to “perform tremendously”.

**Figure 6.13: How much additional income, sales were you able to secure during the period the JGW participant was working for your organisation?**



n = 58

Source: Ipsos MORI survey of JGW

6.31 The majority of employers saw no disadvantages of recruiting through JGW. When asked what was the main disadvantage of recruiting an employee through JGW almost three fifths (58 per cent) of employers indicated that there were no disadvantages. Where employers identified disadvantages, these included paperwork and administration tasks taking too much time (21 per cent) and the most of the others were down to amount of time needed to invest in the young people with one in five (20 per cent) of employers stating that the recruits required too much supervision and almost a fifth (18 per cent) stating that the recruits were a burden on senior staff time.

6.32 When employers cited negative experiences regarding the paperwork and administration tasks, this was seen as largely at the fault of the respective MA in charge. In the qualitative research there were examples of MAs not being proactive enough with the paperwork and following through with their tasks and there were a few instances of employers not receiving the payments in time.

6.33 Experiences with the young people could be very varied and when they were negative it could often result in the employer feeling that the young person required too much time. There were instances in the qualitative research where

the young person either had a lower skills set than expected, did not have enough experience or was experiencing personal problems. All of which seemed to mean that they required more time than expected. Although the majority of employers seemed to expect that the young people would require some integration time to get used to the role and working, some were disappointed if it seemed to take too long for this to happen or did not seem to be improving. However, most were keen to point out that this was not a fault of the policy design, rather the recruitment processes or the individual young person.

*“We were happy with her work when she applied herself but we spent a lot of time counselling her because of personal problems and this influenced her work. She was a tough candidate and we spent many hours in meetings with the managing agent trying to sort things out.”*

*Private strand, Service sector*

**Figure 6.14: What were the main disadvantages to your business from hiring a JGW employee?**



n = 328, multi-code question  
 Source: Ipsos MORI survey of JGW employers

### Post JGW-job outcomes

6.34 Of the 200 employers who indicated that either all or some of their JGW employee job opportunities had come to an end 73 per cent were offered some sort of employment with their JGW employer. Almost two-fifths (39 per cent) of JGW employees were offered a permanent position in the same role after the JGW job ended and almost three in ten (27 per cent) were not offered further employment. The remaining JGW employees were either offered a permanent position in a different role (7 per cent), offered a further temporary contract (13 per cent) or offered an apprenticeship (14 per cent). Around nine in ten (91 per cent) of JGW employees who have been offered a position have accepted their offer.

**Table 6.3: What happened at the end of the six month contract? (Percentage of recruits)**

	Percentage of recruits from employers with one recruit (%)	Percentage of recruits with more than one recruit (%)	Total (%)
Recruit was offered a permanent position in the same role	48	36	39
Recruit was offered a permanent position in a different role	2	9	7
Recruit was offered a further temporary contract	11	13	13
Recruit was offered an Apprenticeship	16	13	14
Recruit was not offered any further employment	21	29	27
Total	100	100	100

Source: Ipsos MORI survey of JGW employers

n: 200 employers with 388 JGW recruits in total

Note: Where employers hired multiple young people through JGW, they were asked about each of these recruits.

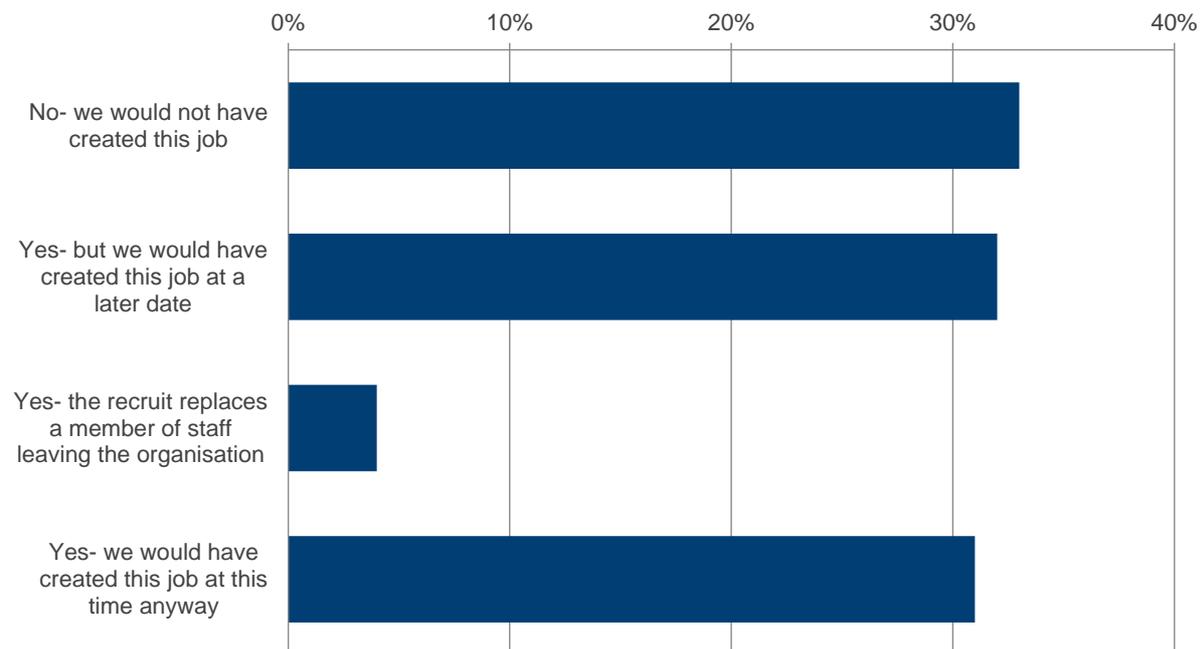
6.35 There are some differences across employer type, with employees more likely to have been offered a job in the same role in a business that hired one recruit via JGW (48 per cent of recruits) than in business who hired multiple JGW participants (36 per cent of recruits).

6.36 Surveyed employers indicated that they would have created two thirds of the positions anyway (67 per cent) if they had not initially recruited through JGW indicating a high level of deadweight<sup>71</sup>. Employers reported that around one third (31 per cent) of the positions would have been created at this time anyway and a similar proportion (32 per cent) would have been created anyway but at a later date. The latter provides evidence of some partial additionality, by bringing forward employment creation it has helped to reduce the period in which young people are in unemployment. Long and persistent periods of unemployment can lead to a decline in people skills and employability, making them less likely to get jobs<sup>72</sup>. A small number of the positions were to replace a member of staff leaving the organisation, indicating some minor substitution effects.

<sup>71</sup> Deadweight refers to the extent to which JGW generates outcomes that are not additional to what would have occurred in the absence of the programme. Results on deadweight in this case should be interpreted with caution as these are based on self-reported data only.

<sup>72</sup> Sissons, P. and Jones, K. (2012) Lost in transition: The changing labour market and young people not in employment, education or training. The Work Foundation.

**Figure 6.15: Would this job have existed in your business organisation had you not initially recruited a worker through JGW? (% of positions created)**



n = 150

Source: Ipsos MORI survey of JGW employers

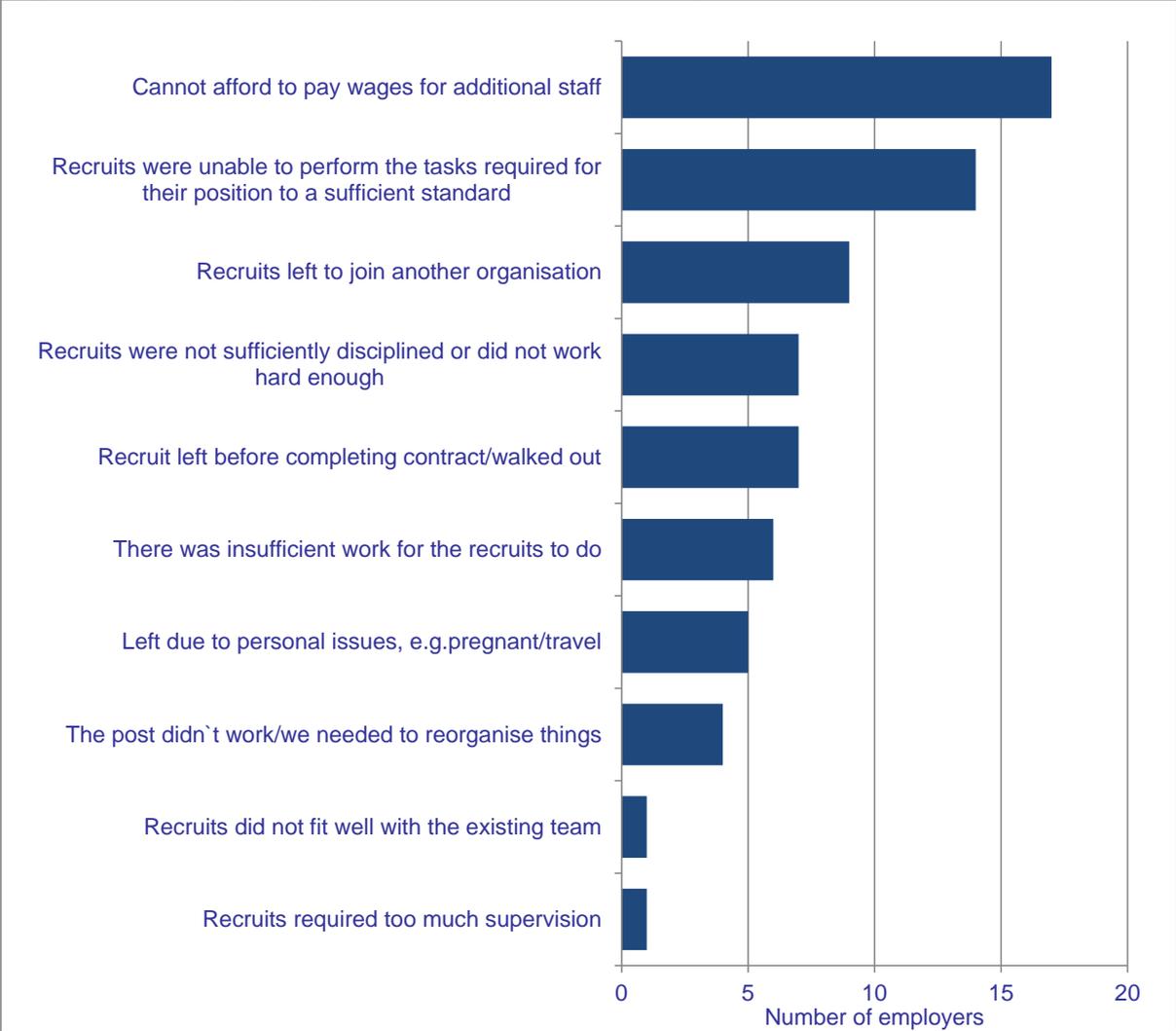
6.37 Employers indicated that almost one third (33 per cent) of the positions would not have been created if they had not first recruited a worker through JGW, indicating that these positions were wholly additional. Smaller firms tended to report a higher level of additionality in comparison to larger firms with two fifths (40 per cent) of firms with less than 10 employees indicating that the jobs would not otherwise have been created compared to approximately three in ten (29 per cent) of firms with more than 10 employees.

6.38 Most employers who did not employ/retain the young person found that they could not afford another member of staff's wages but some were also not satisfied with the young person's performance on the job and so did not retain the recruit(s). Employers were asked the reasons why they did not retain their JGW employee with the most frequently cited reason being that employers could not afford to pay wages for additional staff (17 of 55 employers). A quarter (14 of 55 employers) of employers cited that recruits were unable to perform tasks required for the position to a decent standard.

6.39 As discussed earlier, some employers were disappointed with the young person's skills not being sufficiently developed, which in some cases led to the employer not wanting to retain them longer than the six months of the

programme. A similar story was also seen with more than one tenth (seven of 55 employers) of employers that stated that recruits were not sufficiently disciplined / did not work hard enough, indicating that the quality of labour recruited through the JGW programme has been a concern to some employers. It is also worth noting that a sizable proportion of the recruits (nine of 55 employers) had left to join another company.

**Figure 6.16: Why did you not retain the recruit you hired?**<sup>73</sup>



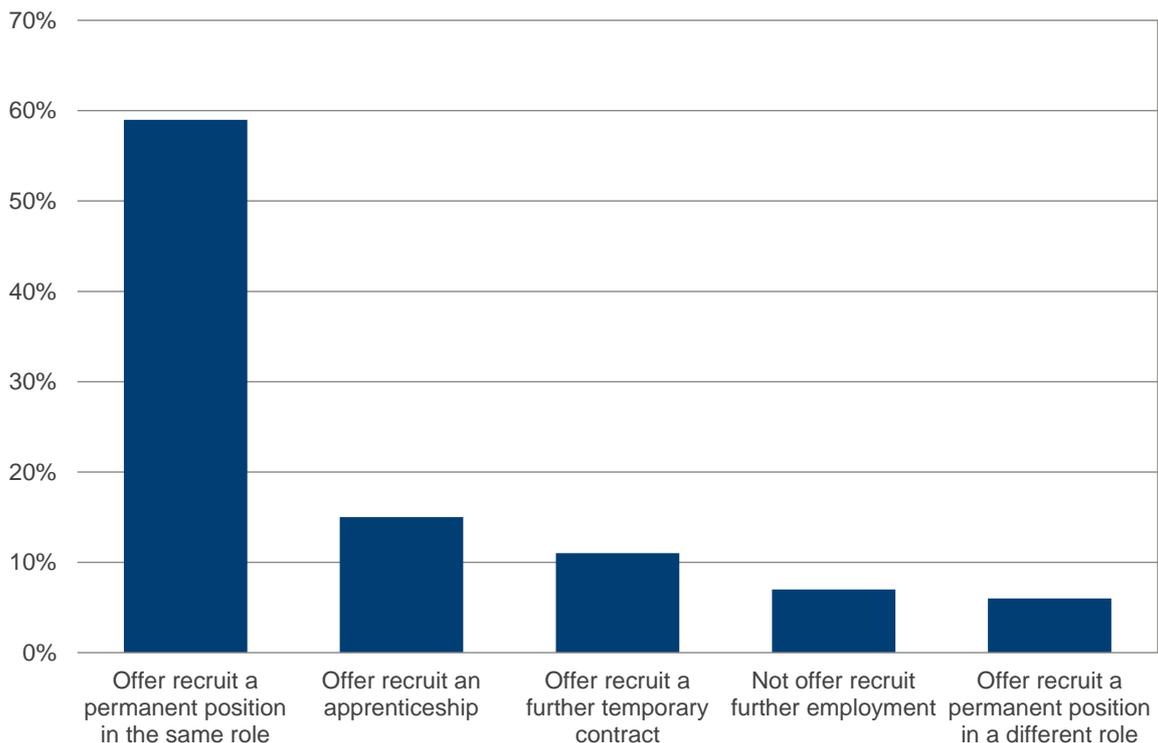
n = 55  
 Source: Ipsos MORI survey of JGW employers

6.40 Employers indicated that they intended to offer 59 per cent of the ongoing temporary JGW jobs permanent positions at the ends of the six month period, and employers planned to offer a further 20 per cent of the current JGW participants either a permanent job in another role or an apprenticeship.

<sup>73</sup> The response of one firm has been omitted from this analysis as the numbers quoted appeared too high to be plausible.

6.41 The recruitment intentions of firms who currently have a JGW employee are greater than those who had recruits who have already completed the six month temporary job timeframe, with 92 per cent of recruits who are currently engaged in their 6 month job opportunity likely to be offered a position (either a permanent or temporary role, or an apprenticeship) compared to 72 per cent of recruits who have completed the programme.

**Figure 6.17: For temporary positions that have not come to an end, what do you plan to do at the end of the six months?**



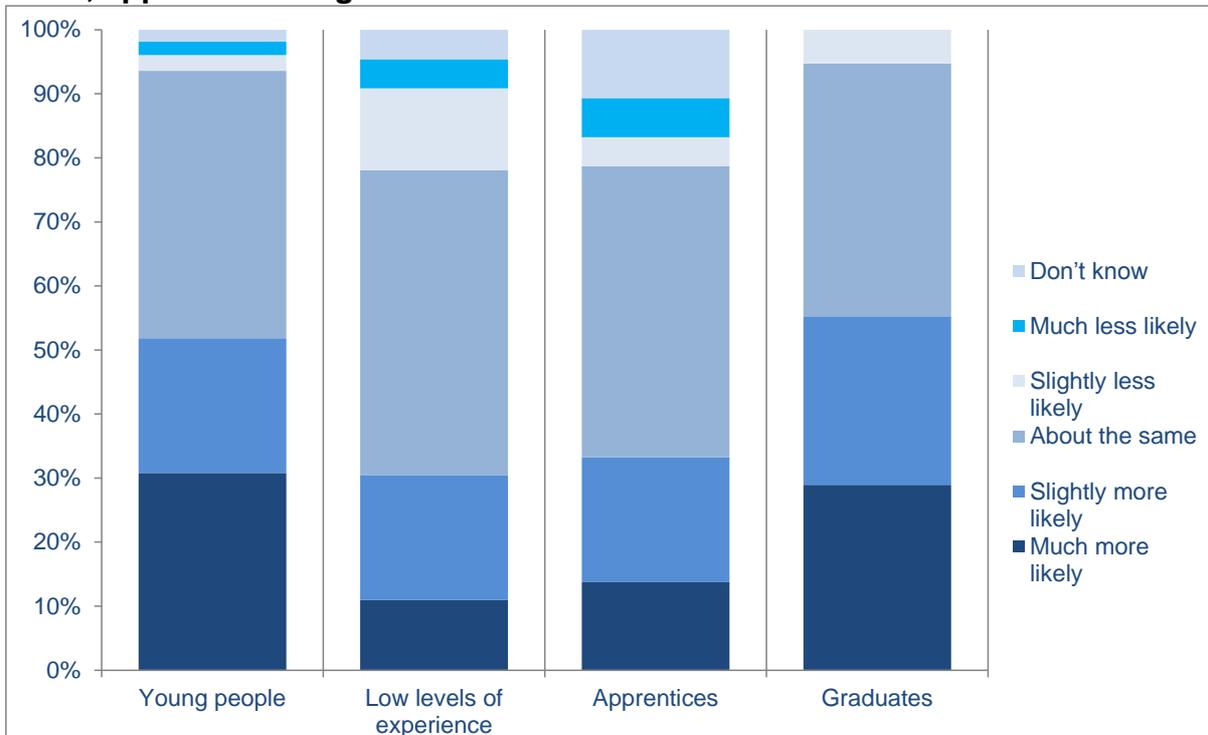
n = 190

Source: Ipsos MORI survey of JGW employers

6.42 Employers were asked what impact their experiences have had on their future recruitment intentions. Over half (51 per cent) of employers indicated that their experience on the programme has made them more likely to recruit a young person. Almost a third (31 per cent) stated that they would be more likely to employ a person with low experience as a result of their experience on the programme. One third (33 per cent) of respondents indicated that they were more likely to recruit an apprentice and over half (55 per cent) stated that they were more likely to recruit a graduate than they were prior to their experience on the programme. A number of employers in the qualitative research also

stated that they would participate in a WG skills, training or employment programme again in the future.

**Figure 6.18: As a result of your experiences through JGW, would you say in the future you are more or less likely to recruit young people, people with low skills, apprentices or graduates?**



n = 328

Note: Only 38 respondents answered the question with regard to graduates due to the small number of employers surveyed on the graduate strand.

Source: Ipsos MORI survey of JGW employers

6.43 Some organisations reported that they were already willing to hire young people because of their work in the community (largely ‘third sector’ strand employers). However, some felt they were more positive towards hiring young people in the future. Some employers recognised the benefits of being able to mould someone with little experience but the right skills set to fit with their company. Other employers considered it to be ethical to provide young people with a chance to learn and prove themselves in a challenging job market. Only a small percentage (16 per cent) of employers was less likely to recruit young people with low levels of experience following their participation in the programme.

*“I’ve realised that everybody deserves a chance and it’s a clean slate to train them how you want them to be trained.”*

## **Summary**

6.44 The survey and qualitative research undertaken with JGW employers has highlighted some key findings including:

- Recruitment of participants: Employers highlighted that the most important factors they considered when recruiting a JGW job were personal attributes such as confidence and the overall quality of the applicants. The majority of employers were able to fill all of the positions they advertised through JGW. Those who were unable to fill all of their positions largely attributed this to a change in their own business circumstances.
- Additionality of JGW jobs: A large number of employers had already intended to recruit staff prior to them becoming involved in the JGW programme. The majority of employers had some plans to recruit in the next 12 months, although the programme did bring forward the recruitment for a large portion of employers therefore demonstrating partial self-reported additionality. Employers identified that only a relatively small number of the positions they recruited through JGW were wholly additional and that if the JGW recruit had not been available to them the work would have been completed by another employee or they would have recruited another worker. Where employers would have otherwise recruited, there was evidence to suggest JGW had some influence in terms of encouraging employers to recruit a young person in preference to more experienced workers – 11 per cent of employers who recruited through JGW originally had plans only to recruit a more experienced temporary worker. Employers also indicated that they had offered a position to 73 per cent of their JGW recruits at the end of their JGW opportunity, with the majority accepting their job offer. The majority of firms reported that their JGW recruit did not produce any additional sales, and in those cases, where an increase was recorded, the quantum of that increase was relatively minor (though there was evidence that in many cases, employers would not have completed the work undertaken by recruits).

- Details of JGW Jobs: Employers reported that recruits were mostly performing tasks associated with entry level positions in the workplace or basic administrative tasks to support permanent staff. Due to the basic nature of many of the tasks associated with the JGW positions, employers largely reported that the recruits had the necessary skills to perform the role.
- Skills and training: Some employers highlighted that some of the recruits had low basic literacy and numeracy skills, which has led to the employer having to invest more time and support in the applicant. Almost all employers offered either formal or informal training, although the time spent on off the job training varied significantly across employers. It is clear that one of the main costs to employers on the programme is the time their staff invests training and supervising the recruits (though often these supervision costs were no higher than for those recruited outside JGW).
- Benefits of the programme: Employers identified that the main benefit of the programme was to help their business to grow at an uncertain time when it was difficult to commit to recruitment. Other benefits highlighted by employers included cost savings and the recruit helping to deliver the existing workload. Employers were also asked about negative aspects of the programme, but tended to state that there were no disadvantages associated with the programme. Of the small number who mentioned disadvantages, the administration and paperwork associated with the programme were the most common negative aspects.
- Post JGW-job outcomes: Employers indicated that they had offered a position to 73 per cent of the applicants at the end of their JGW job, with the vast majority accepting their job offer. Although employers reported they would have created around two thirds of the *post* JGW positions anyway if they had not first recruited a worker through the programme, the evidence suggests that JGW has encouraged them to expand their workforce more rapidly than they would have otherwise done.

## 7 Impact assessment

7.1 This section provides an overall assessment of the short term economic impacts associated with the JGW programme focusing on the net impacts of the programme on labour supply, employability and productivity amongst 16 to 24 year olds benefitting from the programme. This moves beyond the analysis set out in the previous sections by considering the counterfactual (i.e. what would have happened in the absence of the JGW programme).

### Key impacts of JGW at an individual level

7.2 As illustrated in Chapter 2, the market failure rationale for the programme is grounded in the risk of hysteresis effects during recessionary periods: long episodes of unemployment amongst young people lead to negative impacts on earnings over the course of a lifetime<sup>74</sup>. This implies there is a social cost associated with youth unemployment in the form of a permanent loss of productive capacity in the economy through the long term underemployment (or unemployment) of these labour inputs.

7.3 For example, well qualified young people emerging from education may be forced into less productive occupations than they might have otherwise obtained in periods of stronger economic growth (as a consequence of competition in the labour market from more experienced unemployed workers). Such compromises may have a permanent effect on their ability to move into more productive occupations during a period of economic recovery, leading to economic costs in the form of lost potential economic output (GVA) as well as other costs (for example, the resource cost of 16-18 year olds not in education, employment or training was estimated at between £21m and £76m in a 2010 Audit Commission study).

7.4 The JGW programme reimburses the wages of young people aged 16 to 24, creating financial incentives for employers to offer work experience to this group of individuals. To the extent that these incentives enable young people to obtain work experience that helps them compete more effectively in the labour

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<sup>74</sup> See for example David N. F. Bell and David G. Blanchflower, "Youth Unemployment: Déjà vu?" *IZA DP No.4705* (January 2010): 15-17.

market such a scheme may have lasting economic benefits. This might be achieved through a permanent improvement in the employability of the young people concerned (bringing unemployed factor inputs back into use) or increasing their ability to secure higher paid work (redeployment of resources for more productive purposes). Both of these impacts imply an expansion in the productive capacity of the Welsh economy, that can be valued in terms of the additional economic output (GVA) produced by the young people concerned.

7.5 Finally, where wage imbursements have led to short and longer term effects on the employability of young people, there may also be positive fiscal benefits. If young people would have otherwise been claiming out-of-work benefits, then this will reduce pressure on public finances (an effect that is particularly important to consider given the UK wide priority of reducing Government borrowing and the deficit).

7.6 The JGW programme may lead to wider negative effects, if employers are encouraged to recruit 16 to 24 year olds at the expense of other unemployed individuals (i.e. substitution effects). Under normal circumstances, such effects would be expected to be short term in nature: the implied increase in unemployment amongst older workers would be expected to lead to a reduction in wages, creating incentives for employers to recruit additional workers (offsetting these negative effects in the medium term). However, given the recessionary period in which the programme has been delivered, there is also a risk that such substitution effects will lead to similar hysteresis effects amongst other groups of workers. For example, episodes of long term unemployment amongst older workers can have similar permanent effects on employability, productivity and earnings. As such, an assessment of the net economic benefits of the programme would ideally account for these types offsetting negative effect.

7.7 In light of these considerations, the key focus of this impact assessment has been on establishing insight into the effectiveness of JGW in leading to improvements in the following labour market outcomes for participants since their successful application for a JGW vacancy:

- Time spent in work

- Hours worked per week
- Productivity (approximated by total hourly earnings)
- Time spent claiming benefits

7.8 As far as feasible, consideration has been given to how far any impacts on these labour market outcomes have endured beyond the six month lifetime of JGW vacancies to establish the effectiveness of the programme in bringing about the redeployment of workers that would have otherwise been utilised (thereby leading to more permanent economic benefits).

### **Key impacts of JGW at a firm level**

7.9 An alternative approach would be to explore the effects of JGW at the level of the firms participating in the programme. The wage reimbursements provided through JGW will effectively reduce the cost of labour for participating firms on a temporary basis. If firms are able to expand their sales (net of any displacement of sales from competitor firms based in Wales), then the resultant increase in GVA should closely mirror the effects observed at an individual level (as described above). A detailed assessment of these effects has not been provided at this interim stage owing to the absence of a comparison group, though an assessment driven primarily through secondary data will be provided at the final evaluation stage.

## **Method**

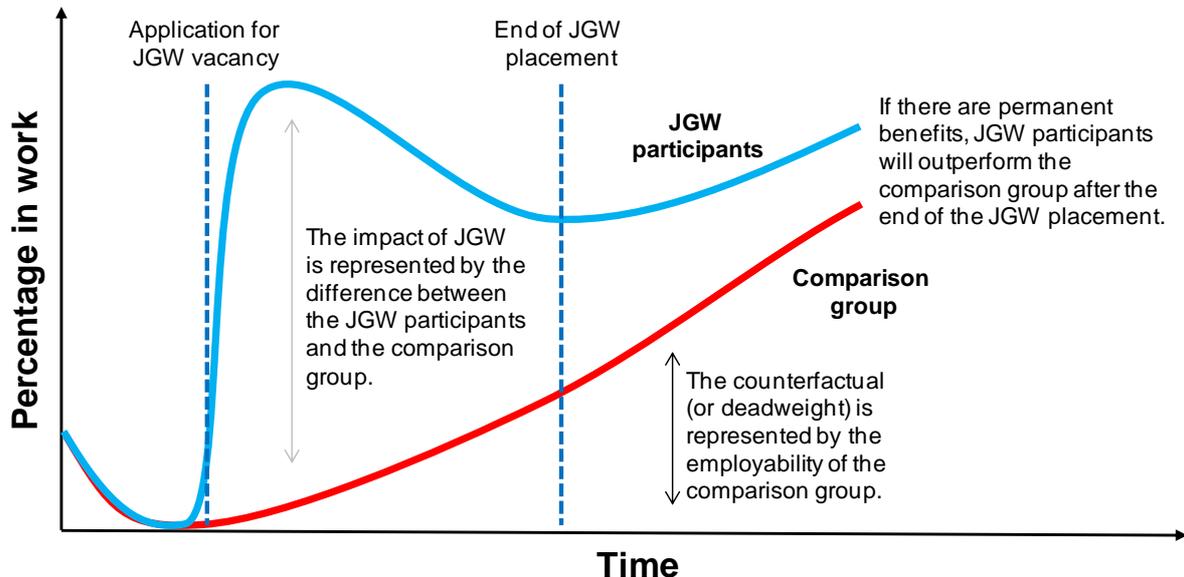
### *Principles*

7.10 A credible assessment of the labour market impacts of JGW should incorporate an appropriate counterfactual (i.e. an assessment of what would have happened in the absence of the programme). This evaluation has adopted an approach in which the labour market outcomes achieved by JGW participants have been compared to a group of non-participants providing this counterfactual.

7.11 In principle, comparisons between participants and non-participants should describe the net effects of JGW (i.e. the increase in employment, earnings, and

economic output that would not have occurred without the programme). The principles underpinning this approach are illustrated in the figure below.

**Figure 7.1 Graph showing the percentage of JGW participants and the comparison group in work over time**



### *Addressing Selection Bias*

7.12 As participants were not selected randomly from the overall pool of applicants, there are substantial issues associated with the selection of successful applicants that need to be addressed in the evaluation.

7.13 For example, applicants to the programme are likely to differ systematically to non-applicants. By their temporary and potentially low paid nature, vacancies advertised through JGW may be less attractive to those that feel they can compete more effectively for permanent or higher paid vacancies. As such, comparisons between applicants and non-applicants to the programme may be biased (and will likely understate the overall impact of the programme). To avoid this issue, the counterfactual sample of non-participants has been drawn from the pool of unsuccessful applicants to vacancies advertised through the private sector, graduate and third sector (direct) strands of the programme<sup>75</sup>. These applicants will share unobserved characteristics motivating application for JGW vacancies with successful applicants.

<sup>75</sup> The third sector (supported) and self-employment strands did not have a similar application process.

7.14 The second source of potential selection bias comes from the process by which employers select successful applicants from the pool of candidates. Successful applicants are also likely to differ systematically from the unsuccessful applicants in ways that influence their probability of obtaining work. For example, our survey evidence suggested successful applicants tended to be older with higher level qualifications than unsuccessful applicants. Again, this may bias comparisons between the two groups: successful applicants may be more likely to obtain employment causing comparisons between the two groups to overstate impacts.

7.15 The issue has been addressed as far as possible through ensuring that the comparison group was chosen so as to resemble JGW participants as far as possible in terms of the following characteristics (at the point they applied to the programme):

- Age and other personal characteristics (such as gender and ethnicity)
- Prior educational attainment
- Working history and occupational background
- Duration of unemployment
- Family environment
- Timing of first application to the programme

7.16 This selection was achieved through two main mechanisms. Firstly, a random probability survey of unsuccessful applicants was stratified so as to reflect the characteristics of JGW participants observed in management information. This sampling strategy served to minimise the differences between the two groups as far as feasibly possible at the ex-ante stage.

7.17 However, the set of characteristics captured in monitoring information was limited to a narrow range of individual characteristics, so the surveys of both successful and unsuccessful were used to collect additional information on their working and education histories. This information was used to weight the survey results associated with unsuccessful applicants so they more closely resembled successful applicants (using a statistical technique known as kernel matching, which is described in Annex C).

7.18 An overall discussion of the nature and the quality of the matching process is also outlined in Annex C (including comparisons of the unmatched and matched group of unsuccessful applicants against the JGW participants). However, the survey results suggested that both successful and unsuccessful applicants were similar in terms of their pre-JGW characteristics (with the matching process serving to increase the similarity of the two groups based on their observable characteristics).

7.19 While this approach goes some way to addressing some of the potential issues associated with selection bias, there is a residual risk that any unobserved characteristics may lead to bias in comparisons. For example, motivation to work may be challenging to accurately measure in surveys (though some attempt was made to capture attitudinal factors in the matching process). In this example, if successful applicants have higher levels of motivation than unsuccessful applicants, then the estimates of the impact of JGW set out below may be overstated. Additionally, evidence on pre-treatment characteristics (such as working histories) was captured retrospectively in a single ex-post survey, so there be unknown recall issues that may bias results.

#### *Establishing evidence on outcomes*

7.20 The surveys of successful and unsuccessful applicants were used to establish the outcomes of interest by reconstructing the working histories of successful and unsuccessful applicants after their application for a JGW vacancy (and after their job opportunity came to an end in the successful applicants). This reconstruction captured:

- Duration of any episodes in employment
- Characteristics of any episodes of employment (including earnings and hours worked)
- Details of any episodes spent unemployed or economically inactive
- Details on the duration of any episodes spent on benefits

7.21 The surveys were undertaken in a single wave (in August to September 2013), while applications for vacancies under the programme have been made since April 2012. The implication of this was that different periods of time had

elapsed since the point of first application for each of the successful and unsuccessful applicants surveyed. As time elapsed since first application is likely to be highly correlated with the outcomes of interest (e.g. unsuccessful applicants making their first application at earlier points in time may have been more likely to be in work at the point of the survey, for example). This was accommodated by including time elapsed since first application as matching variable in the process outlined above<sup>76</sup> (however, as the successful and unsuccessful applicants were well balanced, only four observations were discarded through the matching process).

### *Controlling for wider external factors*

7.22 Given the short period over which this interim impact assessment has been undertaken, no attempt has been made to control for the role of wider economic conditions in the analysis that follows. However, given the longer timescales over which impact will be considered as part of the final evaluation (and early evidence of a wider economic recovery); this will be explicitly addressed in the results that feed into the final impact assessment.

### **Impacts on employability, earnings and time spent on benefits**

7.23 This section sets out estimates of the short term impact of JGW on the employability, labour supply, and earnings of young people participating in the programme.

- **Employability:** The results suggested that employment effect of JGW was significant. 90 per cent of JGW participants reported they were in work at the time of the survey, compared to 59 per cent of the matched comparison group.
- **Time spent in work:** JGW participants had spent nearly 74 per cent of the time elapsed since their first application for a JGW vacancy in work, in comparison to 47 per cent of the matched comparison group. On average, this amounted to an additional eight weeks in employment.

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<sup>76</sup> A total of 10.19 and 8.79 months had elapsed since an application was first made to the programme for the unmatched successful and unsuccessful applicants surveyed respectively. For the matched sample, the equivalent values were 10.23 and 10.17 months.

- **Earnings:** JGW participants earned an average of £8,822 since their first application for a JGW vacancy, £2,349 more than the matched comparison group. However, for those in work at the point of survey, there was no evidence that JGW participants earned more (in terms of average weekly earnings) than the comparison group.
- **Benefits:** Impacts on time spent on benefits was less strong, with no statistically significant differences between the time spent on benefits amongst JGW participants and the comparison group since the point of their first application for a JGW vacancy. This finding is potentially an anomaly, and could potentially be explained by reduced propensity to claim benefits for which they are eligible given the age group involved. This will be given additional attention in qualitative research in the final evaluation.

**Table 7.1: Impacts on employment, earnings, and labour supply**

Outcome	JGW participants	Matched Comparison Group (unsuccessful JGW applicants)	Difference (i.e. estimated impact of JGW by Jul 2013)
Percentage in employment or education at time of survey	91.2	65.9	25.3
Percentage in work at time of survey (all participants)	89.8	58.8	31.0
Percentage in work at time of survey (participants who completed their six month job opportunity only)	81.6	59.1	22.5
Percentage of time spent in employment since first application for JGW vacancy	73.6	46.8	26.9
Weeks in employment since first application for JGW vacancy	29.6	21.6	7.9
Hours in employment since first application for JGW vacancy	942.8	600.0	342.8
Percentage of time spent on benefits since first application for JGW vacancy	0.135	0.183	-0.05
Total months spent on benefits since first application for JGW vacancy	1.4	1.6	-0.20
Total earnings since first application for a JGW vacancy	£8,822	£6,474	£2,349
Average weekly earnings (those in employment at the time of the survey only)	£223.7	£227.9	-£4.2

## Strand level effects

7.24 Table 7.2 below breaks down the key effects by strand (except for the graduate strand where there were insufficient sample volumes to isolate impacts at a strand level). These results should be treated with additional caution as owing to the smaller sample sizes involved; the comparison group is less effectively matched the treatment group.

7.25 Table 7.2 suggests that the supported strand had the strongest effect on time spent in employment (54 per cent), but the weakest effect on earnings (22 per cent). This finding is likely an artefact of programme design: participants of the supported strand bypassed the application process, and as a consequence the lags between initial registration on the system and the beginning of work would have been substantially lower than for other strands (and there is a risk that these estimates are subject to an upward bias). The private sector strand led to the strongest earnings effects (41 per cent higher amongst participants than the matched comparison group).

**Table 7.2: Key Effects by Strand**

Strand	Number of weeks in employment since first application for a JGW vacancy	Total earning since first application for a JGW vacancy
<b>Private Sector</b>		
JGW participants	29	£9,130
Matched comparison group	21.5	£6,490
<i>Percentage impact</i>	35 %	41 %
<b>Third Sector: Direct</b>		
JGW participants	30.4	£8,528
Matched comparison group	21.8	£6,361
<i>Percentage impact</i>	39 %	34 %
<b>Third Sector: Supported</b>		
JGW participants	33.4	£7,009
Matched comparison group	21.7	£5,742
<i>Percentage impact</i>	54 %	22 %

## Economic impacts

7.26 The analysis above suggests that the average impact of participation in the JGW programme (i.e. net of deadweight) on earnings from the point at which they made their first application for a vacancy was in the region of £2,350. Applying this result across the 5,789 participants of the programme (between 2 April 2012 to the end of July 2013)<sup>77</sup>, it is estimated that the programme has led to a total short term increase in earnings for the young people concerned of £13.5m.

7.27 Gross Value Added (GVA) can be estimated as the sum of wages and profits. As such, a focus on income will understate the overall short term GVA impacts of the programme. The 2012 Annual Business Survey suggests that for the UK non-financial sector, employment costs represented 55 per cent of overall GVA<sup>78</sup>. Applying this result, the short term economic impact of the programme could rise as high as £24.6m.

7.28 However, this may overstate the scale of economic impacts involved. The presence of a minimum wage will likely mean that some young people will be paid wages in excess of their marginal productivity. This is reinforced by research into the impact of apprenticeships on the profitability of firms. While the training of experienced workers is normally associated with equal payoffs for workers (in the form of wages) and firms (in the form of profits<sup>79</sup>), such effects could not be observed amongst firms taking on apprentices (suggesting that inexperienced workers are often paid wages in excess of their marginal products).

7.29 These estimates will also overstate the short run economic impacts of the programme as no adjustments have been made for any offsetting substitution effects (where programme participants have gained employment at the expense of competing jobseekers). Systematic treatment of these issues will be provided as part of the final evaluation (an econometric analysis of the

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<sup>77</sup> 5,789 participants is the number of participants in the programme in the MI from the start of the JGW programme until the date on which MI was received from the WG and includes those who were still in their JGW jobs

<sup>78</sup> Annual Business Survey, Office for National Statistics, 2012

<sup>79</sup> See Firms' Engagement with the Apprenticeship Programme, McIntosh et al (2011).

relative employment probabilities of different groups of workers will help establish how far such offsetting effects have been observed). However, given the short period over which the programme has been running, there is currently insufficient longitudinal data to perform such an analysis.

7.30 However, a survey of evaluation evidence undertaken by the Department for Work and Pensions suggests that the short run substitution effects associated with wage subsidy programmes may be substantial (with estimates from past studies ranging from 20 per cent to over 90 per cent)<sup>80</sup>. The DWP recommend that sensitivity values for substitution effects of between 30 and 60 per cent should be employed for the purposes of cost benefit analysis. Following this guidance, the short run economic impact of JGW (i.e. impacts until August 2013) may fall to between £10m and £17m.

**Table 7.3: Key Estimated Economic Impacts Associated with JGW to July 2013**

Effect	Total estimated impact
Additional wages for JGW participants	£13.5m
Additional GVA produced by JGW participants	£24.6m
Net additional GVA (assuming low substitution effects – 30 per cent)	£17.2m
Net additional GVA (assuming high substitution effects – 60 per cent)	£9.8m

## Persistence

7.31 As stressed above, the scale of the benefits achieved by the programme will be dependent largely on how the impacts described above are persistent (i.e. they endure beyond the lifetime of the JGW job opportunity). This interim evaluation focuses largely on the short term effects of the programme. However, a significant proportion of the participants surveyed had completed their job opportunity (or left their job early), allowing some analysis of short term persistence effects over the period that had elapsed since the young people involved had completed their job opportunity (on average four and a half months after the JGW job).

<sup>80</sup> Improving DWP Assessment of the Relative Costs and Benefits of Employment Programmes, Department for Work and Pensions, 2011

7.32 A separate analysis of the impacts of the programme on the current employment status, earnings and hours worked amongst those completing their JGW job opportunity was completed to examine these types of impact (again, participants were compared against a separately matched group of comparison observations). The findings are summarised in the table below, with the following key findings.

- **Employment:** As shown in Table 7.1 82 per cent of programme participants completing their JGW job opportunity were in work at the point at which they were surveyed, in comparison to 59 per cent of the matched comparison group (as measured through the surveys of participants). This is suggestive that participation in JGW leads to a persistent impact on employability that endures beyond the lifetime of a JGW vacancy (at least in the short term).
- **Average earnings and hours:** However, there was no evidence that the programme at this stage had a persistent effect on earnings or hours. Amongst those in work, both groups reported average weekly earnings in the region of £225 per week. Average weekly hours worked were also similar at 34 hours per week for JGW impacts and 32 hours per week for the comparison group (this difference was not statistically significant).

7.33 These results are positive in that they illustrate that the programme has achieved a persistent effect on the employability of young people (and made some contribution to the overall objectives of the programme). The key issue for exploration in the final evaluation will be how far such effects persist in the longer term over a 24 month period, as this will be critical in reaching a judgement on the longer-term social and economic benefits of the programme.

7.34 However, as comparatively high proportions of the comparison group also found work in the longer term, these results are suggestive of high rates of deadweight. Although JGW may have accelerated young people's movement into employment, it is estimated that 27 per cent of JGW participants finding work after their JGW job opportunity would not have been in employment anyway (i.e. 73% of JGW participants would have found employment

anyway)<sup>81</sup>. Additionally, the evidence does not suggest that JGW jobs have yet had any material impact on the productivity of young people (as no wage effect has been observed, the evidence does not suggest they have been able to move into more productive occupations, which might be expected given the potential for scarring effects noted in chapter 2). This may be due to the short term focus of this interim evaluation (for example, the timing of wage negotiations or promotions rounds may constrain the extent to which such productivity effects might be observed). However, at this stage, the evidence does not suggest that the programme has delivered economic benefits beyond the redeployment of unemployed labour inputs for productive purposes, but will be a key area of investigation in the final evaluation.

## Summary

7.35 The results of the impact assessment show some significant positive findings: the programme has led to a material impact on the employment prospects of young people (the key objective of the programme), which persists beyond the lifetime of the JGW job (at least in the short term). As such, the scheme may generate lasting social benefits through increasing the long term employability of young people (and a more robust assessment will be made as part of the final evaluation once it is feasible to track these outcomes over a longer provided period of time).

7.36 While JGW may have had significant effects in bringing forward recruitment decisions (with participants spending eight weeks longer in work than unsuccessful applicants), it is estimated that 73 per cent of JGW participants in work following the completion of their JGW job opportunity would have been in work at that point in time without the programme. These findings align with the results obtained by evaluations of other wage subsidy programmes (such as the Future Jobs Fund) and are not unexpected.

7.37 These results have possible implications for the cost-effectiveness of the programme. The Welsh Government has contributed a high proportion of the

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<sup>81</sup> This is calculated as followed: 59.1 per cent (the proportion of the matched comparison group in work at the point of the survey) / 81.6 per cent (the proportion of JGW participants completing their placements in work at the point of the survey).

costs involved through reimbursing the wage costs for job opportunities up to the value of the minimum wage. The results suggest a share of these costs would have been incurred by employers anyway (although potentially at a later date if recruitment decisions were accelerated), implying that the programme may have resulted in some redistribution of income from the public sector (and hence taxpayers) to employers.

7.38 There are a number of caveats associated with the findings presented here. Firstly, our evaluation strategy does not accommodate any unobserved characteristics of participants that might influence the probability they are successful in their application to the programme. Additionally, offsetting negative effects in the labour market through substitution of other unemployed workers for JGW participants have not been given formal treatment in this analysis (though this will form a focus of the final report). Both of these factors will place an upward bias on the estimates presented above, and as a consequence, do not alter our qualitative conclusions.

## **8 WEFO Cross-cutting Themes and the link to JGW**

- 8.1 In Wales, to qualify for ESF funding, projects must incorporate actions to address the WEFO Cross Cutting Themes (CCTs). These themes are considered essential for the achievement of a well-balanced, sustainable and innovative economy.
- 8.2 There are two CCTs integrated into the 2007-2013 Structural Fund Programmes for Wales. The first of these, environmental sustainability, focuses on delivering the WG low-carbon strategy across sectors. The second, equal opportunities and gender mainstreaming, requires that gender equality, equal opportunities and the protection of all persons against discrimination are promoted in the preparation, implementation, monitoring and evaluation of the Structural Funds Programmes. In Wales, the commitment to integrate the equal opportunities CCT also includes provision to support the Welsh Language. WEFO has set objectives and associated indicators and targets to deliver on the themes, but outcomes can also be delivered outside of the indicators, and these are captured through project and programme evaluation.
- 8.3 JGW has integrated these CCTs through promoting green jobs and offering supported employment as well as other forms of support. How environmental sustainability and equal opportunities has been incorporated in JGW will be discussed in turn.

### **Environmental Sustainability**

#### *Green Jobs*

- 8.4 The WG has stated that creating jobs that contribute to the WG's drive to deliver their low-carbon strategy must be prioritised, and JGW aims to do so by promoting 'green' jobs, although it does not have a specific target for the proportion of jobs created that are 'green'. 'Green' jobs are defined as those commonly recognised as such, such as fitting solar panels, providing energy advice services or working within waste recycling industries, although more 'light green' occupations, such as facilities managers, may also be included within this definition if the role has a positive impact on the environment and the future sustainability of Wales.

8.5 'Light green' jobs include work in agricultural, manufacturing, research and development, administrative and service activities that contributes to preserving or restoring environmental quality. Specifically, but not exclusively, this includes jobs that either: help to protect ecosystems and biodiversity; reduce energy, material and water consumption; de-carbonise the economy; and, minimise, or avoid, the generation of forms of waste and pollution<sup>82</sup>. The WG recommended MAs to seek views from the recruiting employer as to whether they perceive the scope of the work to be undertaken within a job as fitting within this broad definition.

**Table 8.1: Green jobs by strand (per cent)**

Strand	Not green job	Green job
Graduate	85	15
Private	93	7
Third sector- direct	84	16
Third sector- supported	64	36
<b>Total</b>	<b>89</b>	<b>11</b>

Source: Management information provided by WG on 1 August 2013

8.6 It can be seen from Table 8.1 that in total 11 per cent of all jobs in JGW were considered 'green', most of these in the third sector supported strand, but also more than one in six jobs in the third sector direct and graduate strands. As the industry code for each job is only available for 13 per cent of these jobs (from MI and from an attempt to match in sector through Companies House data) an analysis of the sectors across which they are distributed was not possible.

## Equal Opportunities

### *Equal Opportunities and Diversity*

8.7 It is a contractual obligation for MAs to ensure that their duties towards current and potential participants are implemented consistently and effectively<sup>83</sup>. They must demonstrate that they have formal policies and procedures in place to ensure equal access and equality of opportunity, irrespective of disability, gender, race, age, religion/belief or non-belief and sexual orientation. There is also a specific mechanism in place to promote employability of those with

<sup>82</sup> Programme Specification, Version 3 – *For Welsh Government Jobs Growth Wales Programme.*

<sup>83</sup> Programme Specification, Version 3 – *For Welsh Government Jobs Growth Wales Programme.*

disabilities: JGW links with Access to Work to reduce barriers to employment for this group.

8.8 The effectiveness of JGW in promoting employment of various equality strands can be assessed by comparing the proportion of successful applicants in each group to the targets set out in the JGW Business Plans. There are two JGW Business Plans, one for Convergence areas and one for Competitiveness areas, and targets and performance for each plan is reported separately in Tables 8.2 and 8.3. As can be seen from Table 8.2, JGW is achieving its targets for the proportion of women participating in the programme. Table 8.3 shows that the proportions of young people who have participated in JGW and who are disabled or have a Work Limiting Health Condition (WLHC), who are from Black and Minority Ethnic (BME) groups, or who are lone parents, are all broadly in line with targets, though more work could perhaps be done to encourage lone parents in Competitiveness areas to take part in the programme.

**Table 8.2: Youth employment in Wales by gender**

	Proportion of males / females of all 16-24 year old unemployed in Wales	Convergence		Competitiveness	
		WEFO Business Plan target of males / female ratio	Proportion of 16-24 males / females engaged in JGW (per cent)	WEFO Business Plan target of males / female ratio	Proportion of 16-24 males / females engaged in JGW (per cent)
Male	52.4	60	60	57	56
Female	47.5	40	40	43	44

Source: Unemployment figures June 2012 to July 2013 from ONS (accessed 28 November 2013), WEFO Business Plans, MI data

**Table 8.3: Participation in JGW of those with disabilities, from BME backgrounds and who are lone parents**

	Convergence		Competitiveness	
	WG Business Plan target of proportion of JGW participants (per cent)	Actual proportion of JGW participants (per cent)	WG Business Plan target of proportion of JGW participants (per cent)	Actual proportion of JGW participants (per cent)
Participants with WLHC or disability	1.4	1.6	1.4	1.4
BME <sup>84</sup>	1.4	1.4	5.3	5.6
Lone parents	1.7	1.6	1.6	1.2

Source: WEFO Business Plans and MI data

8.9 An Equality Impact Assessment that was completed for JGW by the WG found that there were no issues relating to equality legislation for any of the equality strands assessed<sup>85</sup>, although a more in-depth assessment of the age-targeted nature of the programme was required. The position on the targeted approach taken with this programme is that it is lawful to take positive action (not to be confused with positive discrimination) to encourage people from particular age groups to take advantage of opportunities for training or work experience schemes, or encourage them to apply for particular employment where they are underrepresented. The evidence to support positive action is provided through the statistics that demonstrate that 16 to 24 year olds are disproportionately affected by the economic conditions, resulting in high levels of unemployment for that age profile.

#### *Link with the Work Programme and DWP Access to Work*

8.10 JGW was linked with the Work Programme in terms of making available opportunities for those with health conditions and / or a disability (including pre-employment training). If individuals needed special help or if they were unsuccessful in applying for a JGW job, the young person would be signposted to the Work Programme and then encouraged to resubmit their application to JGW. Furthermore, the WG stated that additional support must be provided for participants with additional needs which:

<sup>84</sup> This is everyone from MI data excluding: “White”, “White-British”, “White-English”, “White-Irish”, “White-Scottish”, “White-Welsh”, “Any other white background”.

<sup>85</sup> These included disability, race, gender, age, religion and belief, sexual orientation, human rights, pregnancy and maternity, and civil partnerships.

- arise from a learning difficulty and/or disability
- are over and above that provided for in the programme
- are necessary to enable the individual to participate in the programme.

8.11 Participants who are disabled can access the DWP Access to Work programme which is a specialist disability service delivered by JCP. This service provides practical advice and support to disabled people and their employers to help them overcome work-related obstacles resulting from disability. It is provided where the employee requires support or adaptations beyond those “reasonable adjustments” which an employer is legally obliged to provide under the ‘Equality Act 2010’.

8.12 Where necessary, applications for further additional support (such as reasonable aids and adaptations) can be made separately, in writing, to the WG.

8.13 The WLHC scheme was also available for applicants needing additional support. In total, 49 participants in JGW have received assistance through WLHC.

#### *Third sector supported strand*

8.14 The third sector supported strand aimed to create 500 job opportunities per year. Some of the eligible candidates for JGW will have circumstances and face personal factors that have a greater impact on their employability and cause more difficulty in successfully applying for jobs and/or staying in employment than the typical JGW candidate.

8.15 This strand of the programme is aimed at candidates who may find it difficult to successfully interview for a job aimed at a ‘job-ready’ 16-24 year old, may struggle to adapt and apply themselves immediately to a work environment and would best suit a job in a supportive culture with mentors who are experienced in building employability and skills.

8.16 Some typical characteristics of candidates who would best suit the supported employment route are<sup>86</sup>:

- poor confidence levels and/or self-esteem issues
- disillusionment causing issues around motivation and personal discipline
- history of knock-backs in job applications beyond the typical experience of a JGW-eligible young person
- a background issue or specific personal circumstance that has hindered the individual in employment terms
- a physical or mental disability that requires a workplace adaptation and/or specific in-work support

8.17 Jobs created through the third sector supported strand are new roles in the same way as the other opportunities created through JGW, but with added support to meet the needs of the least job-ready candidates to ensure the optimum outcome in terms of experience, and future employment prospects beyond the six-month funded period.

8.18 The additional features of the jobs include:

- designated mentors and employability coaches providing in-work support
- needs and skills gaps assessment at the outset leading to support to develop broader employability skills and to provide for individual requirements beyond those specific to the job
- use of support tools such as numeracy and literacy assessments and soft skills analysis to chart the personal development of the individual.

8.19 The number of jobs filled at the end of September 2013 in the third sector supported strand was eight per cent of the total, equalling 480 jobs<sup>87</sup>.

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<sup>86</sup> Agreement between WCVA and the Welsh Ministers, “**Supported Employment and Direct Employment**”.

<sup>87</sup> Data from Management information provided by WG on 19 November 2013.

### *Skills assessment*

- 8.20 Where appropriate, prospective participants identified through the referral agents (Careers Wales and JCP) may undergo a Skills Assessment prior to applying for JGW jobs to obtain independent advice and guidance on what jobs might be suitable and how to improve their application. Through this, an action plan will be developed with the young person.
- 8.21 Where prospective participants are self-referring to the opportunities on the JGW Live system, the MA should endeavour to work in partnership with Careers Wales and JCP at the sifting stage to identify participants who would benefit from a Skills Assessment and refer to Careers Wales in the first instance. However, the WG recognises that advice and guidance may already have been received by the young person through previous engagement with JCP, Careers Wales or a WBLP while in a previous programme such as Traineeships or Steps to Employment, and in such cases a Skills Assessment may not be necessary. Applicants are also automatically offered to undergo a Skills Assessment if they are unsuccessful in applying for a JGW job three times.
- 8.22 In practice, the Skills Assessment does not appear to have been a prominent element of the programme. The qualitative research with stakeholders indicated that it was not used very much, and the survey of young people showed that of those who had submitted three unsuccessful applications, only 24 per cent recalled receiving support or guidance from Careers Wales (who administer the assessment).

### *Welsh Language Scheme Requirements*

- 8.23 The WG has placed a duty on MAs to ensure that delivery of all elements of the support is compliant with the WG's Welsh Language Scheme.
- 8.24 All MAs collect information about whether participants read, speak, write and understand Welsh, as well as their preferred language. This enables them to communicate with participants in that preferred language. Only a small proportion of participants (seven per cent) prefer Welsh, while the vast majority prefer English. The WG does not currently mandate the collection of data

regarding the language requirements of jobs, and this may be something the WG could explore in future.

## **Summary**

8.25 Elements of JGW address each of WEFO's two cross-cutting themes, environmental sustainability and equal opportunities and gender mainstreaming.

8.26 JGW addresses the environmental sustainability theme by monitoring the proportion of 'green' jobs, or jobs that would commonly be recognised as having an environmental focus, although there is no target for the proportion that must fulfil this criterion. Across all strands, 11 per cent of JGW jobs are classified as 'green' jobs.

8.27 The second theme is addressed in a number of ways. MAs are required to ensure that their duties towards current and potential participants are implemented consistently and effectively regardless of participant characteristics, and there is no evidence that they have acted otherwise. There is a slight gender bias towards males in the programme, suggesting that perhaps more could be done to encourage the participation of unemployed females. An Equality Impact Assessment of JGW was also conducted, and the programme was found to be compliant with equality legislation.

8.28 Applicants with disabilities or health conditions are provided with additional support through the WLHC scheme and links to provision through the Work Programme and Access to Work. The proportions of young people who have participated in JGW and who are disabled or have a Work Limiting Health Condition (WLHC), who are from BME groups, or who are lone parents, are all broadly in line with targets, though more work could perhaps be done to encourage lone parents in Competitiveness areas to take part in the programme.

8.29 Applicants who are further from the labour market and need additional support are referred to the third sector supported strand, which provides additional funding to enable MAs and employers to provide these participants with the support they need.

8.30 MAs are required to ensure delivery of all elements of the support is compliant with the WG's Welsh Language Scheme, although analysis of the MI suggests the proportion of participants preferring Welsh is low. The level of completeness of the MI in relation to the Welsh language skills of participants suggests that MAs are complying with this aspect of the scheme.

## 9 Conclusions and lessons learnt

### Conclusions

#### *Performance against objectives*

- 9.1 JGW exceeded its goal of filling 4,000 job opportunities in the first year. It has now been operational for approximately a year and a half (and by 24 December 2013, had successfully filled 8,150 job opportunities<sup>88</sup>). The number of vacancies filled to 24 December 2013 is approximately equivalent to 18 per cent of all unemployed young people in Wales<sup>89</sup>.
- 9.2 Performance at a strand level was more variable. The private sector and self-employment strands have already over-performed against targets. The graduate strand has been delivering fewer jobs than anticipated, but looks on track to meet its revised target. Evidence from stakeholders involved in the management of JGW suggests that the underperformance of this strand may be due to other competing offers for employers with better wage subsidies. The third sector contracts were only awarded in August, explaining the lack of jobs filled in this strand to end of December 2014. The overall target was reached by re-allocating jobs to the more successful private sector strand.
- 9.3 JGW has also led to positive employment outcomes for participants beyond the lifetime of the vacancies supported by the programme (and during a period of high levels of competition in the labour market). Following completion of their JGW job, the majority of participants are now in productive employment either with their JGW employer or another organisation (including apprenticeships).
- 9.4 The evidence collected through this evaluation suggested that JGW has influenced employers' recruitment decisions. Although employers reported they would have created around two thirds of the *post* JGW positions anyway if they had not first recruited a worker through the programme, the evidence suggests that JGW has encouraged them to expand their workforce more rapidly than they would have otherwise done. Additionally, where employers would have

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<sup>88</sup> *Jobs Growth Wales: December 2013* <http://wales.gov.uk/docs/statistics/2013/131224-jobs-growth-wales-december-2013-en.pdf>.

<sup>89</sup> This estimate is based on 8,150 jobs filled as at 24 December 2013 and approximately 45,800 unemployed young people in Wales (January to December 2013), according to NOMIS data.

otherwise recruited, there was evidence to suggest JGW had some influence in terms of encouraging employers to recruit a young person in preference to more experienced temporary workers – 11 per cent of employers who recruited through JGW originally had plans only to recruit a more experienced worker. Employers also indicated that they had offered a position to 73 per cent participants at the end of their JGW job opportunity, with the majority accepting their job offer.

9.5 These findings were reinforced by the impact evaluation: successful JGW applicants spent longer in work (eight weeks longer on average) than those that were unsuccessful, and were more likely to be in employment post-completion of the JGW job opportunity. Overall, it is estimated that 27 per cent of those finding work following their JGW job would not have found work without JGW (at least in the short term)<sup>90</sup>, a result that is in alignment with evaluations of other wage subsidy programmes such as the Future Jobs Fund and is not unexpected. However, it is too early to assess how far the programme has led to lasting social benefits through dealing with the ‘scarring’ effects associated with long episodes of youth unemployment<sup>91</sup> (and this will form a key focus of the next wave of evaluation).

9.6 The scale of the benefits achieved by the programme will depend largely on the persistence of its impacts (i.e. the impacts endure beyond the lifetime of the JGW job opportunity). As part of this interim evaluation, some analysis of short term persistence effects over the period that had elapsed since the young people involved had completed their JGW job opportunity (on average four and a half months post placement) was conducted. This analysis suggested a persistent impact on employability that endures beyond the lifetime of a JGW job opportunity (at least in the short term), but no persistent effect on earnings

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<sup>90</sup> The views of young people themselves tended to overstate the impact of the programme, with 60 per cent of respondents reporting that they would have been unlikely to find paid work without JGW.

<sup>91</sup> ‘Scarring’ refers to the persistence of the impacts of youth unemployment on individuals up to 20 years later. For example, such individuals have a higher risk of suffering periods of unemployment or unstable employment later in life (Arumlamplam, W; Gregg, P.; Gregory, M. 2001, “Unemployment scarring”, in *Economic Journal*, Vol. 111, No. 475, pp. 577–584) and earn lower wages (Gregg and Tominey, “The Wage Scar from Youth Unemployment, *CMPO Working Paper Series No. 04/097*, <http://www.bris.ac.uk/cmppo/publications/papers/2004/wp97.pdf>). Youth unemployment also has lasting negative effects on happiness, health and job satisfaction (Morsy, H., 2012, “Scarred generation”, in *Finance & Development*, Vol. 49, No. 1, Mar.).

or hours (although impacts on earnings may not be expected to have materialised yet). The key issue for exploration in the final evaluation will be how far these effects persist in the longer term over a 24 month period, as this will be critical in reaching a judgement on the longer-term social and economic benefits of the programme.

- 9.7 The impact evaluation assessed the short-term economic impact of JGW. It is estimated that the programme has led to a total short term increase in earnings for the young people concerned of £13.5 million<sup>92</sup>. If the likely increase in profits of firms is added, the short term economic impact of the programme could rise as high as £24.6 million<sup>93</sup>. However, these figures are likely to be overestimates as they do not take into account the existence of minimum wage (meaning some young people will be paid wages in excess of their marginal product) or effects whereby programme participants take up employment at the expense of competing jobseekers (as it was too early to assess these). Using Department for Work and Pensions (DWP) guidance to estimate the likely impact of substitution effects yields an estimated short-term economic impact of the programme, from its inception to end of August 2013, of between £10 million and £17 million. A more complete economic impact analysis will be conducted as part of the final evaluation.

#### *Strength of Policy Rationale*

- 9.8 The JGW Programme was designed and implemented against a backdrop of recession where concerns about the longer term impacts of youth unemployment were significant. Young people have been more exposed to recessionary conditions in Wales than across the UK, and young people in Wales have also been disproportionately exposed to recession in comparison to other age groups. These imbalances are indicative of a possible need for public intervention (even if justified only on an equity basis). Moreover, the economic cost of youth unemployment can be significant. Episodes of prolonged unemployment between the ages of 16 and 24 can lead to both long

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<sup>92</sup> The impact of participation in JGW on earnings since the first application is estimated at around £2,350. This is then applied to the number of participants in the programme, including those still in their JGW job (5,789 by end of July 2013).

<sup>93</sup> The Gross Value Added (GVA) is the sum of wages and profits. The 2012 Annual Business Survey suggests that for the non-financial sector employment costs build 55 per cent of the GVA.

term difficulties in obtaining work and issues of underemployment, which can lead to a permanent loss of productivity. There are also wider social costs associated with youth unemployment. In light of this evidence, public intervention in enhanced employment support for young people may be justified if it allows them to acquire the skills and experience needed to compete effectively in labour markets and avoid the types of economic and wider social costs outlined above.

9.9 The WG conducted a review considering the bigger picture of provision tackling youth unemployment, whereby gaps in the current provision were identified and options for addressing these gaps were considered. A decision was made at political level that provision to create jobs for young unemployed people had to be prioritised, and subsequently to make JGW a manifesto commitment. Given the pressured environment in which JGW was conceived, there was a requirement for the project to be developed quickly, whereby main features of the programme were largely decided at a political level. The project team developed the more detailed design of the project considering different approaches for the support provided through JGW (e.g. length of job opportunity, amount of wage subsidy). The design of JGW drew on lessons from the FJF, the pilot phase of the programme, as well as wider evidence available from other work experience programmes in the UK.

9.10 JGW has both strong alignment with key WG strategies and operational links with WG programmes. The WG made efforts to ensure JGW was well-aligned to the Work Programme, by designing eligibility criteria that avoided a duplication or substitution of UK-wide provision and met ESF guidelines/regulations. Several stakeholders referred to the poor alignment between the two programmes, believing that those mandated onto the Work Programme (those claiming JSA for nine months) are ineligible for JGW, preventing the scheme from benefitting those at the greatest level of disadvantage in the labour market. However, the Welsh Government and WEFO are unable to justify the provision of additional support through JGW for those mandated on to the Work Programme as there is no guarantee that duplication and double-funding of provision will not take place. In addition, JGW and the Youth Contract both offer wage reimbursements to employers for

recruiting young people, although importantly, the Youth Contract is targeted at 18 to 24 year olds on benefits for six months or more, and Work Programme participants are also eligible for the Youth Contract. Given the comparatively attractive wage reimbursement offered to employers through the JGW programme compared to the Youth Contract, employers may favour the former.

### *Process and Implementation Issues*

9.11 The programme's management has improved over time; however, issues around data collection and monitoring aspects of the programme remain. Initially, due to the database that was to be used to capture programme data not being ready in time for the launch of the programme, data was kept in a separate spreadsheet by each Managing Agent (MA). This data had to be retroactively entered in the database once it was finalised, which caused delays in the evaluation team accessing the data. Now that this process of retroactively entering data has been completed, and MAs enter new data directly onto the system, this problem has largely been resolved. However, issues remain around the follow-up with participants on leaving the programme and three months later, with MAs struggling to get in touch with young people. At the time the destinations data was provided to Ipsos MORI, although all MAs had submitted aggregate destinations data to the WG, individual data could not be supplied for a large proportion of young people in Ipsos MORI's sample because it was still in the process of being entered onto the database. The WG is working to resolve this..

9.12 The evidence indicates that efforts to promote the programme through Careers Wales and Jobcentre Plus have proven effective. Awareness of the programme is high amongst both young people and employers, and some success has been achieved in engaging young people from Communities First (CF) areas (although these applicants are less likely to be successful in obtaining a JGW job opportunity<sup>94</sup>). Whilst promotion has overall been successful, more effort is needed to raise the profile of the third sector strand of the programme and to

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<sup>94</sup> 14 per cent of all applicants from CF clusters were successful in obtaining a JGW job compared to 26 per cent of all applicants from non-CF areas. The WG is creating a new strand of the JGW programme, which will create jobs exclusively for candidates from CF areas, which should help to address this issue.

market JGW to employers in certain local authorities such as Rhondda Cynon Taff, where demand from employers has been weaker but high from young people. Promotion of JGW to those participating in other WG programmes could also be improved, as well as ensuring young people are sign-posted to the most appropriate strand for them once engaged.

9.13 The application process is straightforward and easy for young people. However, there is a need to provide constructive feedback in all instances to those who are unsuccessful to prevent them from becoming disheartened and encourage them to continue in their job search. Young people have the option of ticking a box to request feedback at the time they apply for a job. Those who do not tick this box are required to log back onto the system to find out the outcome of their application. It is unclear whether or not the young people who wished they had received feedback had ticked the box.

9.14 Employers generally have positive experiences of the processes employed to deliver JGW. The majority of employers were able to fill all of the positions they advertised through JGW, and those who were unable to fill all of their positions largely attributed this to the quality of applicants or a change in their own business circumstances rather than to a lack of applications. However, some found the recruitment process slow, and some are unclear about their ability to decide on the level of involvement they would like to have in the process of advertising the vacancy and sifting applications.

9.15 There is evidence of a lack of consistency in the amount and nature of support offered by mentors to young people during their jobs. Levels of satisfaction with support provided by line managers provided by employers, however, are in general very high.

#### *Nature of JGW job opportunities*

9.16 The majority of JGW jobs tended to be in occupations associated with lower skill levels and low wages (elementary positions and administrative and secretarial occupations). Employers reported that recruits were mostly performing tasks associated with entry level positions in the workplace or basic

administrative tasks to support permanent staff. These findings are in line with expectations, as for many participants, this will be their first job.

9.17 Although employers were not required to provide formal training to JGW recruits, the majority of participants received at least some form of training on the programme in their temporary job, and the majority were satisfied with the training received. The evidence was inconclusive on how likely participants thought they would have been to find a job with similar opportunities for skills development without JGW.

9.18 Some employers highlighted that the young people they had recruited had low basic literacy and numeracy skills, which has led to the employer having to invest more time and support in the new recruit. It is clear that one of the main costs to employers on the programme is the time their staff invests in training and supervising the recruits, costs that may have been in part avoided through the recruitment of more experienced individuals (these costs in part provide a key element of rationale for wage reimbursements offered through the programme).

9.19 Reported earnings suggest that participants earned average hourly wages of £5.80. Early findings from this interim evaluation suggest that in comparison to relevant benchmarks the wages in the programme are lower than the Welsh labour market and wage levels for young people at 67 per cent of the average in Wales for 16 to 24 year olds. Wages post-JGW are improved but still lower than across the Welsh labour market of 16 to 24 year olds at 76 per cent. However, this aspect requires further exploration in the final evaluation to establish the effect on wage levels over a longer period of time.

#### *Benefits of JGW for participants and employers*

9.20 The main benefits of JGW reported by participants were the increase in confidence that they gained, the opportunities for future jobs, and gaining work experience to give them a better idea of the types of jobs they are interested in. Participants who gained employment after completing the programme tended to enter similar occupations (though with higher average hourly earnings of £6.50).

9.21 Employers suggested that the main benefit of the programme was to help their business to grow at an uncertain time when it was difficult to commit to recruitment. Employers suggested they were able to achieve cost savings and the recruit helping to deliver the existing workload.

### *Cost-effectiveness*

9.22 The evidence has suggested that JGW has broadly achieved its aims of supporting young people into employment, though there was little evidence to suggest that the programme had helped young people enter more productive occupations (i.e. those that pay higher wages) in the short term. At the same time, the programme provides generous wage reimbursements at a substantial cost to the Welsh Government.

9.23 The extent to which the costs of the programme are justified by the social benefits involved will largely depend on the lifetime impact of the programme on the earnings of the young people concerned. While there is evidence of a persistent effect of the programme on employability beyond the lifetime of the job opportunity, it is too early at this stage to make a formal assessment of these types of effect.

9.24 The results do suggest that a reasonable proportion of resources have been directed towards young people that would have found employment in the absence of the programme (73 per cent)<sup>95</sup> (although 27 per cent of participants would not have found a job without JGW). The programme also had a positive impact on the amount of time participants spent in employment compared to unsuccessful applicants. As the costs associated with their employment would also have been incurred by employers anyway, this result suggests that the scheme has led to some redistribution of income from the public sector (and taxpayers) to the firms involved. This will be explored further as part of a formal cost benefit analysis and value for money assessment of the programme, which will be conducted as part of the final evaluation of the programme in 2015.

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<sup>95</sup> 59.1 per cent of the matched comparison group were in work at the point of the survey compared with 81.6 per cent of JGW participants completing their placements in work at the point of the survey.

### *Cross-Cutting Themes*

9.25 Elements of the JGW programme address each of the WEFO cross-cutting themes (environmental sustainability and equal opportunities and gender). Whilst there is no target for green jobs created, the proportion created is monitored. The programme is compliant with equality legislation and the gender balance in terms of participation in the programme is fairly good. The proportions of young people who have participated in JGW and who are disabled or have a Work Limiting Health Condition (WLHC), who are from BME groups, or who are lone parents, are all broadly in line with targets, though more work could perhaps be done to encourage lone parents in Competitiveness areas to take part in the programme.

### **Lessons learnt**

9.26 Based on the conclusions discussed above this section has been structured to provide feedback on areas of good practice that should be continued, interim delivery level suggestions for programme improvement and also longer term considerations for the programme.

### *Good practice*

9.27 **The objectives of JGW are clear and simple to articulate.** This has made raising awareness of the programme among stakeholders, young people and employers easy, which is likely to have contributed to the high levels of demand the programme has experienced from both target groups.

9.28 **The WG leveraged existing structures,** enabling them to avoid heavy administration costs, get the programme running quickly and minimise publicity costs. For example, by adding the application process for JGW to the existing Careers Wales and GO Wales websites, the WG minimised the costs associated with commissioning a new website, and ensured that young people and employers already accessing those sites would be made aware of JGW without any additional advertising. The WG also procured existing providers to manage the private and third sector strands, minimising the delays in launching the programme. This worked well in the case of the private sector strand, although in the case of the third sector strand it was less successful. However,

for the second year of the programme a tender for the Third Sector strand took place, which has brought the delivery in line with the Private sector strand.

9.29 **The application process used for the private, graduate and third sector direct strands is quick and easy for young people to use.** Young people only have to register on the system and input all their details once, and then answer a small number of additional questions for each job application. This makes the process quick and simple which has contributed to the high numbers of applications received through the programme.

#### *Areas for improvement*

9.30 Although JGW is well aligned with other WG provision targeting unemployed young people, it is suggested that consideration is given to **improving levels of promotion of JGW to those participating in other WG programmes** (in particular the Traineeships programme<sup>96</sup>).

9.31 It is suggested that **consideration is given to improving links between the delivery partners** (MAs, GO Wales, the Department for Economy, Science and Transport (EST), the Department for Education and Skills (DfES), JCP, Careers Wales) beyond the current formal governance structures. It is believed that this would facilitate improved signposting between strands of the programme; and also sharing of best practice and collective understanding about what the programme is seeking to achieve as a whole.

9.32 Whilst the private sector strand of JGW is open to all job-ready 16 to 24 year olds meeting the eligibility criteria, the open market recruitment approach for the private sector strand, by its competitive nature, serves to assist those individuals within the age cohort that are the strongest candidates for potential employment. Elements of the third sector were managed to ensure those more disadvantaged in the labour market benefitted. However, as the economic recovery takes hold, there may be further opportunities to improve cost-effectiveness by **exploring strategies to increase the proportion of funding**

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<sup>96</sup> Traineeships are a learning programme in Wales for 16 to 18 year olds who have left school and are unemployed. It aims to give young people the skills needed to get a job or progress to further learning at a higher level, such as an apprenticeship or further education.  
(<http://wales.gov.uk/topics/educationandskills/skillsandtraining/traineeships/?lang=en>).

**reaching young people who would not have obtained employment anyway** (including the planned ring-fencing of vacancies for residents of Communities First areas), **or to reduce overall rates of wage reimbursement**, as economic pressures on employers ease. Changes to the targeting of JGW job opportunity may have implications on project costs as well as progression rates.

9.33 In qualitative interviews, many young people who were unsuccessful in their applications to JGW stated that they did not receive any feedback from employers on why their application had not been successful, and that they would have wanted this feedback. It is unclear whether or not these young people were aware of having to tick the box at the point of application to request feedback. Based on this, it is suggested that **consideration is given to making the tick box to request feedback more prominent on the application system.**

9.34 Given the lack of consistency in the amount and nature of support offered by mentors to young people during their jobs it is suggested that the **WG examine the role of the mentor and assess how effectively this role can be fulfilled** given how heavy mentors' caseloads are.

9.35 Overlaps between the graduate strand and existing WG programming are significant. As such it is suggested that **consideration is given to discontinuing this strand of the JGW programme.**