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Jobs Growth Wales: Interim evaluation report Summary

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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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 employment¹. 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.

¹ 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 programme² on 2 April 2012 to the end of July 2013³. 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;
 - 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);

² The pilot stage of the programme is not within the scope of this evaluation.

³ 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.

- 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 understated⁴. 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 opportunities⁵). The number of vacancies filled up until 24 December 2013 is approximately equivalent to 18 per cent of all unemployed young people in Wales⁶.
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

⁴ 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.

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

⁶ 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.

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 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 work⁷ without JGW (at least in the short term)⁸, a result that is in alignment with evaluations of other wage subsidy programmes such as the Future Jobs Fund

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

⁸ 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.

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 unemployment⁹ (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 (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 million¹⁰. 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 million¹¹. 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)

⁹ ‘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.).

¹⁰ 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).

¹¹ 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.

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 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 opportunity¹². 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.

¹² 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.

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 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 people¹³, 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.

¹³ ONS, Provisional 2013 ASHE.

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 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)¹⁴ (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.

¹⁴ 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.

Lessons learnt

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 programme¹⁵).
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.
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

¹⁵ 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>).

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.**