

Evaluation of Jobs Growth Wales: final report

Executive Summary

1. Background, scope and methodology

- 1.1 Ipsos MORI, Wavehill and Wales Institute of Social and Economic Research, Data and Methods (WISERD) were commissioned by the Welsh Government (the WG) in October 2012 to conduct an evaluation of Jobs Growth Wales (JGW).
- 1.2 JGW is one initiative forming part of a wider set of WG initiatives to address youth unemployment. JGW, which was partly funded by the European Social Fund (ESF), was launched on 2 April 2012 and initially aimed to create 12,000 new job opportunities between April 2012 and June 2015 for unemployed and job-ready young people aged 16 to 24 that have experienced difficulty in securing employment¹. It provided 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 aimed 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.
- 1.3 While the primary benefits of the programme were 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 were that businesses declare that the opportunities created are additional to their existing workforce, and that there was the potential for jobs to be sustained at the end of the six month supported period. Therefore businesses had to declare that they had 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. WG, "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://gov.wales/newsroom/educationandskills/2013/7985117/?lang=en>

Evaluation scope and limitations

- 1.4 Running from October 2012 until May 2016, the evaluation aimed to assess the effectiveness of programme processes, measure the net impact of the programme, and assess the value for money of JGW, while also satisfying the requirements of the Welsh European Funding Office (WEFO).
- 1.5 The purpose of this report is to provide a final assessment of JGW over the period from the launch of the main stage of the programme on 2 April 2012² to the end of June 2015. This final evaluation largely focuses on the impact on young people participating in the programme, and the extent to which impacts have sustained since the interim assessment in 2013.

Methodological approach

- 1.6 The evaluation has been delivered in three phases: scoping (2012), interim (2013) and final (2015). The impact evaluation has been conducted by adopting a quasi-experimental approach in which labour market outcomes achieved by JGW participants were compared to a matched group of non-participants in order to provide an understanding of the counterfactual. This was the most robust approach the study could adopt without the possibility of a Randomised Control Trial (RCT)³.
- 1.7 A range of methods, including both qualitative and quantitative approaches, were required to assess the effectiveness of JGW processes and to inform understanding of the impact of the programme during the final evaluation stage. These were:
 - 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 support young people;
 - A stakeholder consultation involving in-depth interviews, conducted face-to-face and by telephone, with stakeholders involved in the design, management, delivery and monitoring of JGW and working in related policy areas (12 interviews);
 - Qualitative research with employers (25 in-depth telephone interviews) and young people (15 in-depth telephone interviews);
 - Qualitative research with mentors employed by JGW Managing Agents

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

³ The highest quality impact evaluation findings are usually - though not always - obtained through approaches that compare the outcomes of interest achieved by participants against a comparison sample of non-participants, with the highest levels of robustness usually obtained through RCTs. This involves random assignment of treatment (in this case, a JGW opportunity) across the eligible group. This was not a feasible approach for the JGW evaluation as participants self-select for treatment (through applying for JGW jobs) and employers select from the pool of applicants.

(MAs) (10 in-depth interviews);

- Follow-up telephone surveys of young people, who had secured jobs through the programme and were interviewed during the interim evaluation (258 interviews);
- Follow-up survey with a comparison group of applicants who had not been successful and were interviewed during the interim evaluation (255 interviews); and
- Survey of young people who had been assisted by the programme since the interim evaluation assessment in 2013 (425 interviews).

1.8 There are a number of methodological limitations to this evaluation which are set out in detail in the main report and Annex D.

2. Reflecting on the interim recommendations

2.1 At the point of the interim evaluation in 2013 a number of areas were identified as strengths and weaknesses of the programme.

2.2 **Strengths** included the clear and simple objectives for the programme which linked through to high levels of demand, the extent to which the WG leveraged existing structures in order to act quickly in the face of a potentially significant and long term recessionary impact on young people, and the nature of the application process which was quick and easy for young people to use and linked to the high volumes of applications to the programme at the interim stage.

2.3 **Areas for improvement** were identified and included streamlining the referral routes from other WG programmes into JGW, better joining up the delivery partners which would aid streamlining of the programme, and working to reduce the deadweight⁴ on the programme as the economic recovery begins to take hold (either by focusing on disadvantaged young people who would be less likely to access a job opportunity, or reduce overall rates of wage reimbursement, as economic pressures on employers ease).

2.4 Other areas for improvement recommended by the interim evaluation also included aspects which would increase the effectiveness of delivery such as making the tick box to request feedback more prominent on the application system, examining the role of the mentor to improve its effectiveness, and consider discontinuing the graduate strand as it overlapped with other WG programming.

2.5 In the design of the JGW II programme⁵ many of these areas for improvement have been taken up. The only area for improvement in which progress has been more limited is 'working to reduce the deadweight on the programme as the economic recovery begins to take hold'.

⁴ 'Deadweight' refers to outcomes which would have occurred without intervention.

⁵ JGW II, the successor programme to JGW, is funded by the 2014-2020 ESF programme. It was launched in June 2015.

3. Key findings from the final evaluation

Economic context for intervention has changed in recent years however there was a strong rationale for intervention when JGW was conceived.

- 3.1 Young people in Wales were disproportionately affected by the recession; unemployment rates rose more rapidly among 16 to 24 year olds in Wales between 2009 and 2012 than for both similarly aged individuals across the UK, and faster than older age groups within Wales also. Graduates had also experienced a greater rise in unemployment, at UK level. There was considerable concern (based on information available at the time of programme development) that these impacts in the short term would lead to scarring impacts for younger people in the long term. This was the context in which JGW was designed and implemented, providing a strong rationale for public intervention in order to mitigate against this risk.
- 3.2 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 Future Jobs Fund (FJF) and the pilot phase of the programme, as well as wider evidence available from other work experience programmes in the UK.
- 3.3 A review of the wider literature suggests that the WG's policy response was broadly in line with the activities of other nations (in particular those of other EU countries and the US) attempting to respond to youth unemployment. Many sources identify some benefits from wage subsidy programmes; however, these may not always represent the best value for money. Furthermore, these types of active labour market policies (ALMP) are shown to be less effective (with higher levels of deadweight) when targeting criteria is broad, and unemployment levels are at a high level.
- 3.4 Overall, national statistics and other data sources indicate that economic recovery has now taken hold in Wales; levels of unemployment among young people are beginning to return to pre-crisis levels (consistent with the more experienced older generations), and the 'gap' between young people and older generations reducing somewhat. Despite this recovery for young people in Wales, however, performance continues to lag behind that seen in the UK overall, suggesting a continued need for intervention.
- 3.5 JGW is strongly aligned with other WG programming, its eligibility criteria were designed to avoid overlap with UK mainstream provision and it is the largest financial investment in tackling youth unemployment in Wales.
- 3.6 JGW is one of a large number of programmes which have been identified as targeting young people in Wales to assist them into work. Its job opportunities, wide scale of eligibility and a high level of subsidy make JGW distinct from the other

programming. It is 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.

- 3.7 However, the alignment of the programme with mainstream provision developed on a UK wide basis by the Department for Work and Pensions (DWP) has created challenges. 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 New Enterprise Allowance). 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 the WG and DWP initiatives.

JGW has performed well against its core objective of creating job opportunities for young people in Wales, and exceeded most of its ESF targets for post-JGW outcomes

- 3.8 JGW has filled 14,984 jobs including 392 business start-ups supported across the three years of delivery, and has achieved 135 per cent of its combined (final agreed) target for jobs filled/businesses supported.
- 3.9 Performance at a strand level was however variable. The private sector strand over-performed against targets, the third-sector and self-employment strand performed less well against their original targets and there were some issues with the third-sector supported strand referring young people who were not job ready to the programme. That said, close monitoring of the strand and MA level performance allowed the WG's central management team to flexibly reallocate jobs targets across the programme to successfully manage risk around under achievement of targets for the programme as a whole.
- 3.10 The programme had targets associated with its ESF funding, for participation and post-JGW outcomes (employment, further learning, and other positive outcomes). All of these were comfortably exceeded, with the exception of the Convergence region employment target, against which an achievement of 88 per cent was recorded.

Employers were able to recruit quicker in a time of economic uncertainty than they would have otherwise without the JGW subsidy.

- 3.11 There were an equal proportion of JGW employers that did, and did not, have some intention of recruiting staff, or planned to recruit in the absence of the programme. Although this was the intention for some, both waves of research showed that financial restrictions would have delayed, or in some instances prevented, the desired recruitment and so the JGW programme accelerated the process of recruitment for many companies. For those that had no intention of recruiting staff, the JGW programme offered the opportunity to create additional jobs. Employers interviewed for this final evaluation re-confirmed 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.

- 3.12 Evidence from employers at both the interim and final evaluations stages indicated that in some cases JGW employees needed a moderate amount of training to perform the tasks that formed part of their job. This added an additional cost to their businesses but would be anticipated when hiring someone often in their first employed position. Training costs were seen as being the biggest costs incurred by employers as part of the programme.
- 3.13 Most, but not all, employers interviewed as part of the final evaluation stated that the programme would have no impact on their attitudes towards employing young people, but this was primarily because they already had positive attitudes to employing young people.

Young people gained valuable work experience, improved their job-related skills and the majority were in paid work within two months of completing their temporary opportunity.

- 3.14 The programme has led to positive employment outcomes for participants. Following completion of their six month JGW job the majority of participants were in productive employment either with their JGW employer or another organisation (including apprenticeships). Furthermore, the majority of those who did not find paid work immediately did so within two months of completion of their JGW job opportunity.
- 3.15 The main benefits reported by programme participants were gaining work experience and improved job-related skills which would help them secure future employment. Some of the young people had been out of work for long periods of time, and others had very little work experience prior to their temporary job opportunity. Getting the opportunity to participate in work and obtain practical experience via JGW enabled many young people to gain confidence and belief in themselves that they can work and achieve many benefits. This was deemed important to progressing further in their work with their JGW employer, or with other employers in the future. Indeed, over half of participants (56 per cent) who secured employment following their temporary job felt it was unlikely they would have found the job without their JGW work opportunity. Some participants from the self-employment strand felt that without the programme they would not have a business or be in employment. They explained how the bursaries provided a 'cash-injection' to help with set-up costs and a security net in case things did not go as planned.
- 3.16 The majority of participants received at least some form of training on the programme, and the vast majority were satisfied with the training they received. Some participants reported receiving specific training that offered them the chance to gain qualifications. For the self-employment strand there were some incidences of recipients receiving training (e.g. workshops on the administrative side of running a business). The programme is therefore helping young people's employability by building up their CVs through providing both work experience and some formal training.
- 3.17 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. However, among the second cohort of young people there was an increase in the proportion of job opportunities in associate professional and technical occupations. Overall the profile of employment is largely similar for

participants who gained employment after completing the programme. Most were working full-time hours in one job and this pattern did not change across the two phases of research.

- 3.18 Wage data indicates that participants earned a higher wage at their post JGW job compared to their temporary job (£6.77 versus £5.95). Three in ten (31 per cent) expected to have received lower pay if they had not participated in JGW (compared to 16 per cent who expected their pay to be higher). On the whole participants were overwhelmingly positive about their future employment prospects and the majority felt that JGW contributed to this to at least some extent.

There is evidence of a significant net short term employability impact on young people participating in JGW (compared to a matched comparison group) but limited evidence of any longer term gains. The rate of return on investment to the public sector of £1.22 per £1 of WG expenditure compares favourably to the FJF.

- 3.19 The results of the analysis suggest that JGW had a significant short term effect on employability of participants. Six months following initial application for a JGW vacancy, it is estimated that 35 per cent of participants would not have been in work without the programme. Additionally, it is estimated that JGW participants spent an additional 4.6 months in work and 2.1 fewer months claiming benefits over the 27 months following their initial application as a consequence of the programme. Finally, there was no evidence of adverse effects on the employability of older workers as a consequence of the programme.
- 3.20 The combined monetary value of these impacts is estimated at a present value of £71.5m and compares to programme delivery costs of £58.5m. This implies a return on investment to the public sector of £1.22 per £1 of WG expenditure on the programme, in the form of additional income for young people and costs savings through reduced benefit payments. This rate of return compares favourably to those associated with the FJF, an analogous scheme with similar objectives delivered between 2009 and 2011 by the DWP (despite JGW delivering less sustainable effects⁶).
- 3.21 However, while there was evidence that JGW delivered positive results in the short term, the extent to which the scheme addressed its underlying objective of ameliorating the threat of scarring effects⁷ in the longer term has been limited. The results of the evaluation suggest that the impacts of JGW have been primarily short term in nature: 27 months after the initial application for a JGW vacancy, there were no statistically significant differences between the employment rates of JGW participants and the matched comparison group. Additionally, there was no evidence

⁶ As established in the impact assessment of JGW conducted by Ipsos MORI as part of this evaluation.

⁷ Long episodes of unemployment experienced by young people during such periods lead to negative impacts on earnings that are visible over the course of a lifetime. The technical term for this is 'hysteresis'.

that the programme had a significant effect on the productivity or hours worked by participants. Such effects might have been expected given the underlying aim of the programme to avoid the 'scarring' effects associated with episodes of unemployment caused by recessionary conditions.

Actions have been taken to address many of the process effectiveness issues flagged in this and the subsequent evaluation in the redesign of JGW II.

- 3.22 JGW was designed and implemented in a pressurised environment and delivered by a relatively small team who perhaps did not anticipate the volume of work involved in administering the programme. While there have clearly been issues in relation to establishing clear processes, monitoring MAs to an appropriate level and data capture, the delivery team has done well to achieve the level of jobs that have been filled through the programme.
- 3.23 Employers generally have positive experiences of the processes employed to deliver JGW including the role of the MA. The majority of employers were able to fill all of the positions they advertised through JGW and at the final evaluation stage cited more satisfaction than at the interim report stage with the quality of candidates they were accessing through JGW.
- 3.24 Young people generally found the process of applying for a job straightforward and few reported issues. There were some issues with the self-employment strand specifically where interviewees revealed they found the application challenging initially but most had received support which had been helpful. Young people were also broadly happy with the level of support they received from mentors however it was described as more of a 'light touch monitoring' as opposed to 'mentoring among some MAs.
- 3.25 There is a lot for the WG to consider in implementing JGW II but broadly the changes to the model and the process refinements appear to align with feedback from the interim evaluation. In addition, the reduction in MAs from over 20 to six across Wales should enable closer dialogue and management of MAs from the central team.
- 3.26 From the evidence collected across the interim and final evaluation, it appears the stranded approach for JGW enabled the WG to test out different routes to employment, but the streamlining to only the private and third-sector strand appears very sensible on balance. The private sector jobs have been crucial to the programme, whereas the graduate strand was felt to overshadow the GO Wales⁸ offer and was also less attractive to employers compared to employing graduates through the other strands with higher wage subsidies.
- 3.27 The third-sector supported strand suffered from a lack of clear eligibility criteria and was to some extent at odds with the core principle of the programme in that the

⁸ Graduate Opportunities Wales (GO Wales) aimed to help HE students and graduates to find work, or work experience, and to encourage Welsh businesses to use Welsh graduates to meet their higher level skills needs. The project ended in 2014. See <http://www.gowales.co.uk/>.

programme was for young people who were more work ready. It should be noted though that evidence has not suggested young people on this strand have had a poorer experience.

- 3.28 The self-employment strand was discontinued as part of the successor programme JGW II on the basis that the programme would work more efficiently with a more streamlined design, and that business support should be accessed via the European Regional Development Fund (ERDF) rather than ESF. As the study team understands it, there is no alternative start-up bursary available to young people now that the Young Enterprise Allowance through JGW has been discontinued.
- 3.29 The improvements made to programme processes for mentoring and screening are in line with findings from the interim evaluation. In relation to the latter; it will be important to get the balance right and consider the approach in the context of the employers allowed to access the programme. For example, small charities may be open with MAs about the funding uncertainty they face (as some have reported that they have been through the qualitative interviews). This may impact on their ability to state that they could sustain the jobs beyond the programme and this should be considered in context by the MAs.
- 3.30 Planned links with Regional Skills Partnerships (RSPs) should ensure that the WG is truly getting the most out of the programme increasing the quality and economic relevance of jobs created through the programme.
- 3.31 Young people taking multiple jobs through the programme should be minimised as part of JGW II - potentially these young people should be referred back to pre-employment provisions.

Cross-Cutting WEFO Themes and Welsh Language Scheme are delivered against. Performance in this regard could be enhanced beyond the minimum.

- 3.32 Elements of the JGW programme were designed to address each of the WEFO cross cutting themes (CCT) (environmental sustainability and equal opportunities and gender mainstreaming). While there were no discrete targets for Green Jobs approximately eight per cent of JGW jobs⁹ created were classified in this way, this may be an overestimate of achievements however due to poor classifications within the management information (MI). In relation to equal opportunities and gender mainstreaming, the evaluation found that JGW addressed this in a number of ways. The programme met its targets for the proportion of participants who were disabled or had a Work Limiting Health Condition (WLHC), who were from Black and Minority Ethnic (BME) groups, or who were lone parents. The only exception was the lone parents target in the Competitiveness area, against which the underachievement was slight (1.5 per cent of participants, according to the MI, compared to a target of 1.6 per cent)¹⁰.

⁹ This figure is for the pan-Wales programme. Isolating the jobs identified as being ESF-eligible, the figure is 7 per cent.

¹⁰ East Wales - covers 7 local authority areas in East Wales: Cardiff, Flintshire, Monmouthshire, Newport, Powys, Vale of Glamorgan and Wrexham.

- 3.33 Applicants who are further from the labour market and need additional support accounted for seven per cent of all JGW jobs across the three years of delivery. It is understood that activity around, and monitoring of, WEFO CCT, will now be conducted centrally across all ESF programmes, presenting the opportunity for a more proactive approach or consideration of new processes to drive outcomes in this regard.
- 3.34 Evidence indicated that while JGW adheres with the WG's Welsh Language Scheme, more could be done to proactively embrace the scheme as part of JGW II. Welsh language skills are higher among young people, and may represent a competitive advantage to them in the workplace. Collection of data related to the language needs of vacancies could give further insight into where opportunities exist for young people.

Conclusions and considerations for JGW II

- 3.35 Jobs Growth Wales was the WG's mitigation action/insurance policy against the potentially significant recessionary impacts on the future employment prospects of its young people. The design and implementation of the scheme was quickly established against a backdrop of slower moving mainstream policy provision. There were a number of challenges during the delivery, and the programme was delivered with a minimal overhead/central cost. Despite this, regular reviews and flexibility in the targeting approaches has meant that the scheme has delivered a substantial volume of jobs for young people in Wales over the last three years.
- 3.36 Over the period of the programme's delivery both the economic context and labour market opportunities in Wales and the UK have shown substantial improvements, more so than would have been anticipated at the outset to the recession in the view of the evaluation team. As such the rationale for such high levels of investment in youth unemployment is not as strong now as it was pre-2012. This said there still are differences between how Wales compares to the broader UK in this regard and so extra support provision to young people in Wales could still be justified.
- 3.37 Young people who have participated in the programme and employers alike are generally positive about their experience. Young people have gained valuable experience, improved their confidence and acquired broader employability skills from their JGW opportunity. Employers were able to recruit at an uncertain time when they may have held off making an investment in staff.
- 3.38 While the Return on Investment for the programme is relatively modest (a return for the public sector of £1.22 for every £1 of WG expenditure) this does compare favourably with other similar programmes such as the FJF. The analysis undertaken suggests that there is no evidence that the focus on employment for young people has had any negative effects on the employment prospects of older people in the Welsh labour market.
- 3.39 Given the significant shift in the economic context and in particular unemployment rates of young people in Wales it may be worth WG reconsidering the level of investment needed to deliver a positive employment outcome for young people in Wales. This may involve some or a number of the following:

- A review of the full suite of interventions targeting young people into employment in Wales to determine where investment could best help to achieve a positive outcome at reduced levels of deadweight.
- A reduction in the subsidy offered to employers in Wales who provide a six-month job for JGW participants.
- A reduction in the number of job opportunities created through the programme in line with the reduction in need.
- A change in the targeting for the programme, which prioritised providing job opportunities for those who are further from the labour market and from disadvantaged backgrounds.

3.40 Other minor enhancement to the current design for JGW II which should be considered include:

- Reviewing the feedback mechanism so that it is clearer and easier for young people to request feedback as to why they have been unsuccessful in their job application.
- Ways in which the programme could more proactively engage with and monitor progress against WEFO CCT and the Welsh Language scheme¹¹.
- Giving careful consideration to specific rules around employer eligibility and ensuring that the business or organisation's particular context is fully understood by the assessor. This would help to both ensure that certain employers such as charities are not disadvantaged or excluded whilst also helping to minimise the possibility of employers taking advantage of the programme.
- Embedding mechanisms to encourage MAs to provide better quality management information within a quicker timeframe to the WG so that the programme monitoring is enhanced.
- How the central team could more effectively use change controls to record how the programme targets have changed and why this has been deemed necessary.

¹¹ Statutory standards replaced the Welsh language scheme in March 2016. The standards stipulate how organisations should use the Welsh language.

Report Authors: Kelly Beaver, Chris Hale, Vicky Tuck, Graham Keilloh



Available at: <http://gov.wales/statistics-and-research/evaluation-jobs-growth-wales/?lang=en>

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

For further information please contact:

Faye Gracey
Social Research and Information Division
Knowledge and Analytical Services
Welsh Government
Cathays Park
Cardiff
CF10 3NQ

Email: Faye.Gracey@wales.gsi.gov.uk / research.evaluation@wales.gsi.gov.uk

Mae'r ddogfen yma hefyd ar gael yn Gymraeg.

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