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Impact Of Skills And Training
Interventions On The Unemployed:
Phase I Report

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RESEARCH

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Executive Summary

Introduction

This report is the latest in a series of studies that analyse the returns to FE learning using matched ILR-WPLS¹ administrative data. This programme of investigation identifies good labour market returns to FE learning, and compelling evidence that previous less favourable findings [for instance relating to Level 2 vocational learning] were a result of data limitations, rather than truly insignificant value added. Analysis of ILR-WPLS data also identifies good labour market returns for many individuals undertaking FE learning at Entry level and Level 1 (for instance in Maths and/or English), where previously there was no evidence on outcomes.

In this Phase I report, and the accompanying Phase II study, we consider a specific group of individuals within the wider populations that have formed the focus of investigation during this programme of study – **we identify the returns to FE Learning for the unemployed in England**. In the Phase II report we use econometric techniques to identify the specific returns for unemployed individuals who engage with FE, and the data also allow comparison with the outcomes of unemployed individuals who do not undertake FE learning.

Phase I describes (i) the data creation process, (ii) identifies a number of broad *Client Segments* amongst the unemployed and (iii) presents a variety of descriptive statistics. This provides insight into the different segments of unemployed who are undertaking FE learning; the variety of outcomes they experience; and sets the context for an econometric investigation described in the Phase II report.

We create data for two cohorts of individuals; one starting an *active (job-seeking) benefit* claim between April 2005 and April 2009; and the other starting an *active benefit* claim between August 2010 and July 2012. The focus of analysis in the first cohort is on those becoming unemployed between 2006 and 2008, which covers the New Deal (ND) policy period; and analysis of the second cohort focuses on the 2011-2012 population, which covers the Work Programme (WP) period, and there are approximately 2.3 million unemployed individuals in each cohort. Our analysis of Cohort 1 during the Short Term Unemployed (STU) phase identifies 0.35 million individuals (15% of the total 2.33m inflow) with some form of FE learning aim within the ILR (that could be either achieved or not achieved); and 0.48 million FE learners amongst the unemployed individuals of Cohort 2 during the STU phase (20% of the total 2.34m inflow).

Unemployment history, FE learning and labour market outcomes: Cohort 1

Across all of the analysis, we find that individuals facing the highest barriers to employment are more likely to be observed in FE learning, and these groups, even with

¹ Individualised Learner Record - Work and Pensions Longitudinal Study

significant training interventions, may find it harder to secure a successful employment outcome. Phase II of this project will use econometric techniques to ensure we control for any such differences between those receiving FE training and our control groups.

Employment outcomes

Those engaged in FE have poorer labour market histories: For instance, amongst the entire Cohort 1 population, Fig. 1 shows that 44% of unemployed individuals aged 18 to 24 who do not undertake FE learning during the period of analysis, have at least one day in employment in the tax year three years before their claim start date; compared to only 37% amongst 18 to 24 year olds who we see being referred (or self-referring) to FE learning.

Fig. 1: Proportion of unemployed individuals with at least one day in employment, in years before and after claim start date: Cohort 1

	Three years before claim start date	Year before claim start date	Two years after claim start date	'Distance travelled', 1 year before to 2 years after claim
18-24 with No FE learning aim	44%	61%	70%	9 pts
18-24 with at least one FE Learning aim	37%	58%	72%	14 pts
25+ with No FE learning aim	60%	64%	66%	2 pts
25+ with at least one FE Learning aim	58%	62%	69%	7 pts

...but experience a greater improvement in the likelihood of being in employment than those who don't engage in FE

In contrast, those with '*At least one ILR learning spell aim*' are more likely to be observed in employment in the tax years after claim start date, when compared to those with '*No in-scope ILR learning aim*' – for instance amongst 18 to 24 year olds, 72% of the former group have at least one day in employment in the second tax year after claim start date, compared to 70% in the latter. The same pattern holds for those aged 25+ in Fig. 1, with more positive outcomes for unemployed individuals who undertake FE learning, but the individuals we see undertaking FE learning having much worse employment histories.

In Phase II, we account for such differential selection into FE learning, otherwise we would under-estimate any value added of FE – because, on average, those moving into FE learning face greater challenges to secure employment, as reflected in their less

favourable employment histories. The employment rate of 18 to 24 year olds who engage with some form of FE learning increases from 58% in the year before claim start date to 72% two years after – an improvement of 14 pts. In contrast, the improvement for those who do not take up FE learning is 9 pts (from 61% to 70%).

It is important to remember that these figures do not account for a variety of other potential differences between those observed in FE learning and those with no ILR record. However, when we consider the employment histories of these two groups, the suggestion is that, if anything, those observed in FE are (on average) starting from a more disadvantaged position than those who we see outside of FE learning.

To investigate the differential experiences of unemployed individuals within these populations of unemployed, the remainder of our analysis compares labour market outcomes for different categories of unemployed, according to their employment/unemployment history:

- **Unemployed group 1:** For the 60 months prior to claim start date, this group are either (i) always employed or (ii) have just one unemployment spell that lasts for less than 6 months. This is the group for which we expect (and observe) the most favourable labour market outcomes, whether or not they undertake FE learning.
- **Unemployed group 2:** Individuals with three or more distinct unemployment spells in the past 60 months (which can be of any duration, but are obviously constrained in length by the fact that they must be interspersed with periods of not being unemployed). This is the group we consider as ‘cycling’ between employment and unemployment.
- **Unemployed group 3:** These are the most ‘hard to place in work’ – we do not observe any HMRC employment spells for them over the entire 60 months prior to claim start date.
- **Unemployed group 4:** Groups one to three are mutually exclusive (i.e. we do not observe individuals in more than one group), but group 4 is not; as it contains all individuals with at least one prior continuous spell of unemployment, lasting 6 months or more.

Fig. 2 recreates the outcomes of Table 2 in the main body of the report. It presents employment outcomes for 18 to 24 year olds who have (i) at least one in-scope ILR learning aim, (ii) achieve at least one in-scope ILR learning aim or (iii) have no in-scope ILR learning aim; disaggregating each of these by the four categories above.

Those unemployed with more disadvantaged labour market backgrounds are more likely to engage in FE

Amongst those aged 18 to 24 there are very few individuals with no prior unemployment spell or a spell lasting less than six months (Group 1); and amongst this group, only 9% (2,250) are ILR learners. In contrast, amongst our most disadvantaged group (Group 3) who have no prior employment experience according to HMRC records, we observe 14% (27,471) engaged in some form of FE learning. These two groups of ILR learners are at opposite extremes; with 92% of Group 1 experiencing at least one day of employment in the second tax year after claim start date; compared to Group 3 for whom the figure is only 55.5%.

Fig. 2: Proportion of individuals aged 18-24 with at least one day in employment, in (tax) years after claim start date: All ILR learners and achievers

	(Numbers in brackets)	In Employment for at least 1 day		
		1 year after	2 years after	3 years after
Unemployed Group 1: Always employed or unemployed just once for less than 6 months, in previous 60 months	ILR Learner (2,250)	93.01	91.85	90.59
	ILR Learner & Achiever (1,650)	93.64	92.55	91.39
	No ILR (22,521)	92.44	91.13	89.48
Unemployed Group 2: 'Cycling' individuals with 3 or more unemployment spells in last 60 months	ILR Learner (27,509)	81.45	79.55	76.74
	ILR Learner & Achiever (17,570)	81.83	80.49	78.01
	No ILR (244,413)	79.36	77.23	74.24
Unemployed Group 3: Unemployed for all of the last 60 months	ILR Learner (27,471)	50.48	55.47	54.72
	ILR Learner & Achiever (17,916)	52.17	57.89	57.37
	No ILR (171,390)	46.21	48.55	47.96
Unemployed Group 4: At least one continuous spell of unemployment lasting for ≥6 months	ILR Learner (89,688)	70.30	70.99	69.12
	ILR Learner & Achiever (58,294)	71.25	72.51	71.02
	No ILR (676,833)	69.34	68.54	66.50
All Unemployed	ILR Learner (94,245)	71.36	71.94	70.09
	ILR Learner & Achiever (61,527)	72.37	73.50	71.99
	No ILR (722,029)	70.71	69.86	67.85

...and this group also see the biggest difference in outcomes, relative to those who don't engage in FE

We need to be careful when comparing 'raw' figures, but it is clear that amongst Group 3 there is a much greater percentage point (and therefore percentage) differential between ILR achievers; ILR learners and those who do not have an ILR learning aim; when compared to the same differentials for those in Group 1. ILR achievers in Group 3 clearly still have poor outcomes on average when compared to those of Group 1; but when compared to those in Group 3 who either do not achieve an ILR aim, or do not undertake an ILR aim, the potential for value added seems greater.

Again, these are raw figures and no attempt has been made to control for additional differences between those with and without ILR learning. This will only come from Phase II when we use more advanced econometric techniques; but the analysis here emphasises the need for control groups with similar (matched) unemployment histories when we carry out such an analysis, if we are to capture the true value added of FE learning across these very disparate groups.

Fig. 3 recreates the outcomes of Table 7 in the main body of the report. It presents employment outcomes for 25+ year olds who have (i) at least one in-scope ILR learning aim, (ii) achieve at least one in-scope ILR learning aim or (iii) have no in-scope ILR learning aim; disaggregating each of these by the four categories above.

Older claimants (aged 25+) are more likely to engage in FE:

There are many more individuals in Group 1 (than in Fig. 2) and a higher proportion (16.7%) are in some form of ILR learning when compared to the figure of 9% for 18 to 24 year olds in Fig. 2. However, once again we see an even higher proportion (19.2%) of the most disadvantaged group (Group 3) in some form of ILR learning in Fig. 3, reflecting a

similar relative pattern for those aged 25+, to that seen amongst 18 to 24 year olds. However, whilst this confirms similar relativities within the 18 to 24 and 25+ age groups, average employment levels amongst 25+ year olds are always lower.

All older claimants have lower employment outcomes than younger claimants:

Compared to 18 to 24 year olds in the same Group, those aged 25+ have employment rates that are around 5 to 6 ppts lower in Groups 1 and 2 by the third year; 7 to 8 ppts lower in Group 4; and in Group 3 we observe those aged 25+ with employment rates that are 10 to 12 ppts lower than 18 to 24 year olds in the same group, by the third year after claim start. We are seeing the first signs that those aged 25+ who we observe in unemployment are, on average, a more challenging group.

Fig. 3: Proportion of individuals aged 25+ with at least one day in employment, in (tax) years after claim start date: All ILR learners and achievers

		(Numbers in brackets)	1 year after	2 years after	3 years after
Aged 25+ Years	Unemployed Group 1: Always employed or unemployed just once for less than 6 months, in previous 60 months	ILR Learner (42,658)	86.34	86.30	84.98
		ILR Learner & Achiever (28,344)	86.23	86.50	85.24
		No ILR (213,109)	86.10	85.11	83.30
	Unemployed Group 2: 'Cycling' individuals with 3 or more unemployment spells in last 60 months	ILR Learner (58,124)	75.31	74.95	71.88
		ILR Learner & Achiever (35,818)	75.03	75.24	72.53
		No ILR (279,618)	74.27	72.50	69.05
	Unemployed Group 3: Unemployed for all of the last 60 months	ILR Learner (58,121)	40.51	45.10	44.26
		ILR Learner & Achiever (38,983)	41.47	46.88	46.22
		No ILR (244,847)	33.45	35.92	35.19
	Unemployed Group 4: At least one continuous spell of unemployment lasting for ≥6 months	ILR Learner (209,408)	62.97	64.63	62.61
		ILR Learner & Achiever (135,878)	63.10	65.33	63.61
		No ILR (960,618)	60.53	60.55	58.38
	All Unemployed	ILR Learner (266,640)	68.01	69.28	67.36
		ILR Learner & Achiever (173,431)	68.15	69.92	68.25
		No ILR (1,247,613)	66.43	66.18	64.05

In the report, we disaggregate these findings according to the following specific categories of learner amongst the 0.35 million in Cohort 1 and 0.48 million in Cohort 2 who we see undertaking ILR learning aims (to enable comparison with previous results, to allow sufficient numbers for analysis and to reflect the predominance of lower level FE learning amongst our unemployed cohorts):

- a) **Level 1/Level 2 Maths and/or English.** All learners who have a highest, or only, learning aim of Level 1/Level 2 Maths; or Level 1/Level 2 English; or both (this category does not include ESOL).
- b) **Preparation for Work at Level 1 or Below:** All learners with a learning aim of 'Preparation for Life and Work' and/or 'Entry to Employment (E2E) pre-apprenticeship offer' and/or 'Aims at Level 1 or Below'; and who do not have any higher FE learning aims. This is the most common form of FE learning amongst our unemployed cohorts.

- c) **Level 2/Full Level 2, and above:** Those with learning aims at Level 2 (that are not English or Maths) are split into two groups, one with '**Thin**' Level 2 and one '**Full**' Level 2. The Full Level 2 category includes learning aims that are equivalent to 5 GCSEs at grade A* to C or an NVQ2; and Thin Level 2 is learning at the same level, but falling short of the criteria to be considered as 'full'. One category for analysis contains those with highest learning aims of **Full Level 2 or above** (Full level 2+); and the other includes learners who we see with a highest learning aim of Thin **Level 2**.

Across these categories of learning, we generally observe an increasing gap between achievers and non-achievers as we consider higher levels of learning. For instance, considering outcomes for those aged 18 to 24 in Group 3, across all these categories of learning in the third year after claim start date; there is a +4.7 ppt gap between achievers and non-achievers undertaking English and/or Maths; a +6.6 ppt gap between achievers and non-achievers at L2; and an +8.7 ppt gap between achievers and non-achievers at FL2+. Generally the analysis of those aged 25+ confirms similar relative patterns of learning and outcomes; but as with the 18 to 24 year olds, variability in these gaps between achievers and non-achievers is small relative to differences in absolute employment levels between groups. For instance, there is more than a 50 ppt difference in first year employment rates between individuals in Group 3 and Group 1 who have a learning aim of L1/L2 Maths and/or English, which they do not achieve.

Those in Group 3 are likely to be of particular interest to policymakers so it is worth emphasising some key differences in their characteristics. For instance, those aged 25+ in Group 3 are more likely to be from (i) an ethnic minority (or 'non-white') group; (ii) report some form of disability; (iii) have been a lone parent at some point in the past; (iii) have dependent children; (iv) have refugee or asylum status, together with a variety of additional characteristics that represent a potential barrier to employment (including being a previous offender or having some form of drug/alcohol dependency). This group have similarly disadvantaged labour market profiles, but the specific reasons for this are extremely varied and many individuals likely face multiple barriers to employment.

Benefit and FE learning outcomes

18 to 24 year olds who achieve an ILR learning aim have lower average levels on active benefits in the years following their claim start, when compared to either the more general group of *ILR Learners* or those with *No ILR* – the one exception is Group 1, where the *No ILR* category have a slightly lower proportion on benefits. However, even amongst achievers in Groups 2, 3 and 4 we still observe approximately 43%, 47% and 42% respectively on active benefits in the third year after claim start – emphasising the seriousness of the challenge faced when attempting to improve the employment prospects of individuals in these groups. For those aged 25+, all categories of Achiever have higher proportions on benefits in the third year after learning, when compared to the *No ILR* category – in contrast to the findings for 18 to 24 year olds.

For both age groups, Achievers have higher proportions in some form of continued ILR learning three years from claim start, when compared to the more general *ILR Learner* populations. For 18 to 24 year olds the gap tends to be between 1 and 2 ppts across groups of unemployed and for those aged 25+ it is between 2 and 3 ppts.

Unemployment duration and labour market outcome: Cohort 1

This section recreates the previous analysis according to whether we see individuals from Cohort 1 with (i) at least one in-scope ILR learning aim, (ii) achieving at least one in-scope ILR learning aim or (iii) having no in-scope ILR learning aim; but this time selecting populations of unemployed who are still observed in unemployment (a) 6 months and (b) 12 months from claim start date.

As one would expect, when we compare these individuals with longer unemployment durations; to the outcomes for the entire inflow of 18 to 24 year olds, we observe lower employment rates across all groups. For instance, the *No ILR* category in Group 2 of Fig. 4 have a 64% employment rate three years from claim start date compared to a 74% rate for the same Group in Fig. 2.

Fig. 4: Individuals aged 18-24 who are still unemployed six months from claim start date; proportion with at least one day in employment, in (tax) years after claim start date

		In Employment for at least 1 day			
		1 year after	2 years after	3 years after	
Aged 18-24 Years	Unemployed Group 1: Always employed or unemployed just once for less than 6 months, in previous 60 months	(Numbers in brackets) ILR Learner (250)	87.29	85.17	86.40
		ILR Learner & Achiever (178)	92.13	88.76	89.89
		No ILR (1,796)	83.70	83.04	81.49
	Unemployed Group 2: 'Cycling' individuals with 3 or more unemployment spells in last 60 months	ILR Learner (4,771)	74.08	73.80	70.32
		ILR Learner & Achiever (2,992)	74.83	74.33	70.59
		No ILR (36,706)	68.34	67.84	64.18
	Unemployed Group 3: Unemployed for all of the last 60 months	ILR Learner (8,221)	45.67	53.61	53.04
		ILR Learner & Achiever (5,311)	47.07	55.23	55.11
		No ILR (51,564)	39.36	44.86	44.79
	Unemployed Group 4: At least one continuous spell of unemployment lasting for ≥6 months	ILR Learner (19,511)	60.11	63.91	62.09
		ILR Learner & Achiever (12,343)	60.95	64.95	63.44
		No ILR (135,640)	55.17	57.29	55.65
All Unemployed	ILR Learner (20,008)	60.74	64.41	62.62	
	ILR Learner & Achiever (12,684)	61.74	65.54	64.03	
	No ILR (139,236)	55.87	57.94	56.28	

Benefit outcomes

Consideration of the proportions on Active Benefits in the years following claim start date for 18 to 24 year olds who experience at least 6 months of unemployment, uncovers rather stark differences with the more general population. The proportion of 18 to 24 year olds on Active Benefits three years from claim start date is more than 15 percentage points higher for Group 1; and at least 10 ppts higher for Groups 2 and 4. As one would expect the gap is not so large for Group 3 (ranging from 5 to 8 percentage points), as they face particular

disadvantage, and focusing on those amongst this group who experience 6 months or more of unemployment does not have such a strong ‘sifting’ or selection effect.

However, despite these rather pronounced absolute gaps in active benefits rates between those with 6 months unemployment duration and the more general cohort of entrants; the same relative pattern again holds. For instance, 18 to 24 year olds who Achieve an ILR learning aim tend to have lower average levels on active benefits, when compared to either the more general group of *ILR Learners* or those with *No ILR* (whether we consider the entire population, or just those still on benefits 6 months from claim start date).

However this pattern, where Achievers have the lowest proportions on active benefits, does not hold for those aged 25+. Generally we have a pattern where the *No ILR* category in Groups 1 through to 4 have some of the lowest proportions on Active Benefits by the third year; followed by Achievers with slightly higher rates and finally the more general *ILR Learner* category tends to have the highest proportion on benefits three years after claim start date.

Cohort 2 outcomes

This section carries out some aspects of the previous analysis of employment and benefit outcomes, but this time for Cohort 2 (who have a claim start date between Aug 2011 and July 2012), with key outcomes summarised in Fig. 5.

Unemployed individuals with ‘*At least one ILR learning spell aim*’ are slightly more likely to be observed in employment in the tax year after claim start date, when compared to those with ‘*No in-scope ILR learning aim*’– for instance amongst 18 to 24 year olds, 68% of the former group have at least one day in employment in the first tax year after claim start date, compared to 67% in the latter.

Fig. 5: Proportion of unemployed individuals with at least one day in employment, in years before and after claim start date: Cohort 2

	Three years before claim start date	Year before claim start date	One year after claim start date	‘Distance travelled’, 1 year before to 1 year after claim
18-24 with No FE learning aim	40%	55%	67%	12 pts
18-24 with at least one FE Learning aim	31%	49%	68%	19 pts
25+ with No FE learning aim	62%	62%	63%	1 pts
25+ with at least one FE Learning	58%	59%	63%	4 pts

	Three years before claim start date	Year before claim start date	One year after claim start date	'Distance travelled', 1 year before to 1 year after claim
aim				

This suggests slightly more positive (raw) employment outcomes for unemployed individuals who undertake FE learning, but this is against a backdrop of differential selection into FE learning that seems even more pronounced amongst those of Cohort 2 than Cohort 1. For Cohort 2, the employment rate for 18 to 24 year olds who engage with some form of FE learning increases from 49% in the year before claim start date to 68% one year after (Fig. 5) – an improvement of 19 pts. In contrast, the improvement for those who do not take up FE learning amongst Cohort 2 is 12 pts (from 55% to 67%). The suggestion is that, if anything, the selection of more challenging individuals into FE learning is more pronounced amongst Cohort 2, when compared to Cohort 1.

Generally, across many of the specific categories of learner within Groups, we observe slightly lower employment rates in Cohort 2 than in Cohort 1, as we would expect with the onset of recession. For instance, the *No ILR* category of Group 3 (Cohort 1) have a first year employment rate of 46.2% and this is only 44.3% for Cohort 2.

However, we still observe a similar relative pattern when comparing *No ILR* and *ILR Learner* categories within each Group; suggesting that both before and after the start of recession, similar selection effects are at work when we consider those who do, and those who do not, take up ILR learning.

Conclusions

The findings presented in this report are part of a wider investigation that confirms the appropriateness of information contained in the matched WPLS-ND-ILR-LMS dataset as a resource for estimating the impacts of training undertaken by the unemployed within FE. The discussion underlines the strong selection effects at work when we compare the general population of unemployed with those who we observe in FE learning. More specifically, when considering the entire population of unemployed in Cohort 1 and Cohort 2, we see FE learners having much worse prior labour market histories, but better outcomes – and this 'negative selection' into FE seems even more pronounced amongst those of Cohort 2

The employment rate of 18 to 24 year olds in Cohort 2 who engage with some form of FE learning increases from 49% in the year before claim start date to 68% one years after. For those who do not undertake FE learning in Cohort 2, the prior rate of employment is much higher at 55% and the proportion in employment one year later is lower at 67%. The employment rate of those who do not take up FE learning amongst Cohort 1 goes from 61% in the year before claim start, to 71% one year after; compared to a rise from 58% to 71%, amongst those who undertake FE learning.

We also see much higher proportions of FE learning amongst the most disadvantaged groups - for instance Group 3 who have no HMRC employment recorded in the 5 years prior to claim start date are the group with the highest proportion of FE learners. This suggests that we still observe the sort of negative selection effects amongst the unemployed that have confounded estimates of returns to low level vocational learning using survey data.

However, with up to 60 months of prior labour market history; a number of indicators that go back 8 years before claim start date; and the potential to create non-achiever control groups that overcome such negative selection effects, this Phase I report shows that the ILR-WPLS-ND-LMS dataset can capture such effects and arrive at robust returns to FE learning for the unemployed – justifying the commissioning of Phase II. The opportunity to also create alternative control groups from the general population of unemployed who do not undertake FE Learning, but who are flagged for basic support in the LMS [Client Segment 1)], also provides an important opportunity to compare returns to FE learning, against a more general control group who do not experience FE.

1. Introduction

This report is the latest in a series of studies that analyse the returns to FE learning using matched ILR-WPLS administrative data (see for instance, Patrignani and Conlon, 2011; Buscha and Urwin, 2013; Bibby et. al., 2014). This programme of investigation identifies good labour market returns to FE learning, and compelling evidence that previous less favourable findings (for instance, relating to Level 2 vocational learning) were a result of data limitations, rather than truly insignificant value added. In addition, analysis of ILR-WPLS data identifies good labour market returns for many individuals undertaking FE learning at Entry level and Level 1 (for instance in Maths and/or English), where previously there was no evidence on outcomes (see Cerqua and Urwin, forthcoming 2015).

In this Phase I report, and the accompanying Phase II study, we consider a specific group of individuals within the wider populations that have formed the focus of investigation during this programme of study – **we identify the returns to FE Learning for the unemployed in England**². In the Phase II report we identify the specific returns for unemployed individuals who engage with FE, and the data also allow comparison with the outcomes of unemployed individuals who do not undertake FE learning. This Phase I report describes (i) the data creation process, (ii) identifies a number of broad *Client Segments* amongst the unemployed and (iii) presents a variety of descriptive statistics. This provides insight into the different segments of unemployed who are undertaking FE learning; the variety of outcomes they experience; and sets the context for an econometric investigation described in the Phase II report.

The study (i) considers a population of individuals³ who we observe in unemployment, (ii) records relevant training interventions across a number of administrative datasets and (iii) identifies *what works and for whom*. We create data for two cohorts of individuals; one starting an *active benefit*⁴ claim between April 2005 and April 2009; and the other starting an *active benefit* claim between August 2010 and July 2012. The focus of analysis in the first cohort is on those becoming unemployed between 2006 and 2008, which covers the New Deal (ND) policy period; and analysis of the second cohort focuses on the 2011-2012 population, which covers the Work Programme (WP) period⁵, and there are approximately 2.3 million unemployed individuals in each cohort. Amongst the 2.3 million in Cohort 1 we

² Following a feasibility study authored by; Bibby, Speckesser, Thomson and Urwin, (2014), “Feasibility study to look at an impact analysis of training and skills for the unemployed”, Department for Business, Innovation and Skills and Department for Work and Pensions.

³ When dealing with administrative data we observe populations, so there is less consideration of whether individuals are ‘representative’, in a sampling methods sense. Our populations cover both the pre-recession and post-recession periods; with individuals engaged in training across the New Deal, Flexible New Deal and Work Programme policy regimes. We would suggest that this renders them ‘representative’.

⁴ JSA and JTA [and ESA-WRAG in the post-2011 population].

⁵ Readers will note that our ‘post-2011’ population starts in 2010. This is to ensure that our analysis of unemployed individuals in the long term unemployed (LTU) phase, contains enough individuals flowing into long-term unemployment from July 2011 onwards. Analysis of the short term unemployed (STU) phase only covers those with a benefit claim start date between 1st August 2011 and 31st July 2012.

observe 0.35 million with ILR learning aims and in Cohort 2 there are 0.48 million who undertake some form of FE learning.

For the first time we are able to estimate the returns to training for the unemployed using a dataset (the ILR-WPLS-LMS-ND) that combines the following administrative data sources:

(i) the Labour Market System (LMS), which holds information on referrals by Jobcentre Plus advisors to work-focused interventions (the majority of referrals considered in this Phase I report are to sessions on CV writing, interview technique and other basic support and guidance⁶).

(ii) the Individualised Learner Record (ILR) which contains information on more substantial training interventions, such as L1 and L2 Literacy and Numeracy qualifications, undertaken within Further Education Institutions (FEIs), as well as a variety of additional learning at Full Level 2 or above.

(iii) the Work and Pensions Longitudinal Study (WPLS), which contains information on benefit claims, earnings and employment, from HMRC and DWP records.

(iv) the New Deal (ND) datasets that contain additional information on interventions in the period prior to introduction of the Work Programme (WP) or Flexible New Deal (FND).

This is one of the few times (in the UK or elsewhere) that a study has been able to differentiate the returns to training, according to whether the unemployed individual achieves the learning outcomes of the course. Furthermore, in our consideration of the earlier cohort of unemployed individuals (2006-2008) we are able to track returns 60 months on from claim start date and match on 60 months of prior labour market and learning information. This represents a significant contribution to both the policy and academic literatures.

The approach to data creation (across the LMS, ILR, WPLS and ND datasets) is 'inclusive' – we attempt to capture all training and non-training interventions; we adopt very broad interpretations of 'the unemployed' and in each case where a decision needs to be made on inclusion of a particular aspect of the data, we err on the side of incorporation. As an example of this, we capture all 'in-scope' training undertaken by individuals with a relevant unemployment start date; whether or not this training is undertaken whilst the individual is still unemployed.

The approach to data creation set out in this Phase I report provides policymakers with extensive information on a variety of client segments amongst a representative cohort of unemployed individuals; and a framework through which to consider future work in this area. Some of these client segments would not necessarily be captured in typical studies of the unemployed, and this dataset therefore enables future studies to generate new insights. However, our first task in the accompanying Phase II report, is to use this data to focus on more typical segments of unemployed individuals – for instance, in the Phase II

⁶ The LMS also contains flags of referral to more substantial programmes of intervention, such as the Work Programme (WP), targeted towards the LTU, and these are considered in more detail in Phase II.

report we limit our evaluation to consideration of only those FE training interventions that are started whilst an individual is still on active benefits.

Ideally this Phase I report should be read alongside Phase II, as the former provides an overview of the entire unemployed population; whilst the latter presents estimated returns for the largest segments within this wider population (i.e. capturing unemployed individuals and training interventions that are typically selected in studies of ‘the unemployed’).

Section 2.1 of this Phase I report begins by describing the process used to select our population of unemployed individuals and Section 2.2 identifies and describes a number of broad *Client Segments* within this wider population; based on their apparent need for basic support and guidance, as flagged in the LMS and following discussions with Jobcentre Plus advisors. At the highest level, we observe around 30-40% of unemployed individuals having at least one referral for basic support and guidance recorded in the LMS; over half (50-60%) in a client segment with no LMS referrals during their spell of unemployment; and a further distinct segment (of around 3% to 6%) who appear to have an ‘early’ referral⁷ to either the New Deal (ND) or Work Programme (WP).

The question of ‘what works?’ in terms of training, will vary for each of these client segments, as they each have differing levels of need (as flagged by their interaction with Jobcentre Plus staff). The econometric results presented in the Phase II Report utilise this information on different client segments in the process of matching, allowing us to better estimate counterfactual outcomes⁸. Treatment and control groups are matched within (not across) these *LMS* client segments, as (by definition) they are likely to have differing needs, that reflect underlying characteristics and situations that may not be fully observable in the data⁹.

The focus of Section 2.2 is on the period of unemployment prior to an individual’s referral to a [mandatory] Active Labour Market Programme (ALMP) – for cohort 1 this is the period of an individual’s unemployment spell prior to any referral to the New Deal (ND) and for cohort 2, the period before referral to the Work Programme (WP). Any training that takes place between an individual’s claim start date and the expected date of referral to an ALMP is captured in the data. We refer to this period between an individual’s claim start date and their expected date of referral to a [mandatory] ALMP as the ‘Short Term Unemployment’ [STU] phase.

⁷ It is an ‘early’ referral because it occurs well before the expected date of referral to these mandated Active Labour Market Programmes (ALMP).

⁸ To capture the value added of a qualification, we need an estimate of an individual’s employment outcomes in the absence of FE learning - this is called the ‘counterfactual’ because it is ‘counter’ to the ‘factual’ state of the world (we can’t observe the outcomes from the same individual undertaking FE learning, and then also observe the outcomes from them not doing so). We need to create a comparison group that does not undertake training, but provides a credible estimate of what the individual undergoing training would have experienced, if they had not done so.

⁹ The main way that the econometric analysis ensures we are comparing like-with-like when capturing value added is to match individuals according to their labour market histories (including LMS interventions in previous unemployment spells and prior ILR learning). This approach allows us to better control for factors that possibly drive selection into training (as well as achievement and non-achievement), that may also be correlated with outcomes.

Much of the discussion in this Phase I report focuses on this initial STU period; with some analysis of the differences between specific groups of unemployed within this wider population, according to whether they experience unemployment spells in excess of (i) 6 months and (ii) 12 months. This is the starting point for our consideration of when it is best to deliver training interventions, as the question of ‘what works?’ also has a time dimension. We may expect earlier interventions (no matter what the characteristics of the individual) to be more effective (as unemployment ‘scars’¹⁰); but also, those who experience a period of unemployment lasting more than, for instance, 12 months may have characteristics that make it harder to help them back into employment [no matter when the intervention is delivered]. Our discussions in this Phase I report give some initial insight into this issue.

In the Phase II report we develop this much further, with a specific analysis of individuals who remain in unemployment beyond the point of referral to an ALMP and who start a mandated Option on the ND programme. This period is referred to as the Long Term Unemployed (LTU) phase, and we may expect the returns to training interventions administered during this period to differ from those undertaken in the STU phase – because it is harder to overcome the scars of LTU and because the training is now focusing on a very different segment of unemployed individuals (who may require more help, whatever point in their unemployment spell such help is administered). At the point where we see individuals join a mandated ALMP, we are concentrating on a subsection who have particularly limited labour market prospects¹¹.

In the Phase II report, we use the dates of ND/WP Referral and ND/WP Start to differentiate our consideration of the STU and LTU, as it is a particularly important cut-off point, at which we observe (predominantly) voluntary interventions becoming mandatory (see the following Data and Method section for more details). The section of the Appendix titled ‘*Capturing Training Interventions in the LTU Phase*’ describes the creation of a dataset that contains only individuals who we observe in the LTU phase¹², and which is the subject of econometric analysis in the Phase II report.

In Section 3 we present a variety of descriptive statistics that provide insight into the different segments of unemployed who do, and do not, undertake FE learning and the variety of outcomes they experience; with a key focus on differentiation of individuals according to their recent unemployment histories. This provides useful insight into the pathways that different segments of unemployed take through FE learning and provides us with some indication of the selection effects we need to overcome in the econometric analysis of Phase II.

¹⁰ See for instance, Royal Economic Society Special Session (Nov. 2001), “The ‘Scars’ Of Unemployment: Lower Earnings And A Higher Chance Of Being Jobless Again In The Future”. Three papers by Wiji Arulampalam, Paul Gregg, and Mary Gregory and Robert Jukes.

¹¹ We may observe poorer returns to training for this group, even for training delivered during the initial (STU) period of their unemployment spell, because they are particularly hard to help. When they are in the STU phase it may be hard to observe this difference between them and other STU individuals.

¹² This dataset includes all individuals from our original unemployed population who we see in unemployment beyond the expected date of referral [X] to either the ND or WP. For this group, we define treatment and control groups according to whether we observe FE training taking place over the next 12 months (after X).

Section 3.1 presents a variety of labour market outcome measures, according to the ILR learning undertaken, differentiated according to the unemployment history of individuals. Section 3.2 considers the same employment outcomes, differentiated according to whether individuals have been unemployed for (i) 6 months and/or (ii) 12 months. As with all studies that consider the returns to training and education, our analysis is necessarily retrospective and all the figures in Sections 3.1 and 3.2 are created through analysis of Cohort 1 (those with a claim start date between April 2006 and 2008). Section 3.3 therefore presents a number of descriptive statistics for the more recent cohort of unemployed (August 2011 to July 2012), to provide some comparison of the findings in Sections 3.1 and 3.2 with those from a more recent cohort (for whom we necessarily have less time over which to observe post-learning outcomes).

2. Data and Method

2.1 Defining the unemployed

We adopt a broad interpretation of ‘training for the unemployed’. This includes training delivered as part of Active Labour Market Programmes (ALMP), such as the New Deals (ND), Flexible New Deal (FND) or Work Programme (WP); training mandated as an intervention during a short spell of unemployment (for instance, under *Skills Conditionality*), together with training taken up by individuals who self-refer within unemployment spells. This is in line with much of the ALMP literature, but we go further in also considering training by individuals who experience unemployment spells, but who do not necessarily undertake this training during such a spell. We observe these training interventions across the Labour Market System (LMS), the Individualised Learner Record (ILR) and New Deal (ND) evaluation datasets¹³.

However, the focus of our analysis is on the evaluation of FE learning interventions undertaken by unemployed individuals in our two cohorts, and any training/non-training interventions identified in other datasets inform the process of matching - that is, **we isolate the impacts of FE learning having controlled for any differences in outcomes that arise as a result of other (non-FE) interventions.**

The study focuses on unemployed individuals in the following populations:

- *Pre-2011 Population*: approximately 2.3 million individuals with a First or Only ‘Active Benefits’¹⁴ claim start date between 6th April 2006 and 5th April 2008 (period covering the ND policy context).
- *Post-2011 Population*: approximately 2.3 million individuals with a First or Only ‘Active Benefits’ claim start date between 1st August 2011 and 31st July 2012 (period covering the WP policy context).

Within both of these populations we focus only on unemployed individuals in the WPLS who are resident in England, and the ILR data cover only FE institutions in England¹⁵. In Phase II we consider separately the impact of training interventions aimed at (i) the Short-Term Unemployed (STU) and (ii) the Long-Term Unemployed (LTU). Differential consideration of the STU and LTU is driven by methodological considerations and also the policy context. Methodologically, we are likely to observe differences in estimated returns

¹³ We capture training and non-training interventions in the LMS via ‘otptype’ and this also includes a field for referral to the Work Programme (WP). For those who join the WP, we can then only observe information on interventions for a subset of learners who also appear in the ILR.

¹⁴ JSA and JTA [and ESA-WRAG in the post-2011 population].

¹⁵ The ILR records training in all English FE Institutions, whilst the WPLS covers unemployed individuals resident in England, Scotland and Wales (not Northern Ireland). Clearly we could have individuals living in Wales/Scotland, close to the border with England, and attending an English FE – and vice versa. However, the numbers are likely to be relatively small and we therefore limit ourselves to the unemployed resident in England and training that takes place in English FE institutions. The population of England is approximately 86% of the population of England, Scotland and Wales.

to training delivered early in an unemployment spell, compared to that delivered much later in a spell (for those who experience longer spells). Also to accommodate the policy context, we need to consider training undertaken by those in the pre-Work Programme phase (STU), separately to that delivered as part of the Work Programme (LTU), post-2011. Similarly, pre-2011 we differentiate between (STU) individuals undertaking training prior to, as opposed to during, any period of referral to the New Deal (LTU).

Across the pre-2011 and post-2011 policy regimes, there is a distinct point in an individual's unemployment spell when we expect them to be referred to some form of ALMP intervention. For the purposes of policy, the individual moves from being considered as STU to LTU. This point in time varies according to the age of the individual, the specific policy regime and other relevant factors. In our general discussions we refer to the point where an individual is expected to become LTU, as the 'X' month of their unemployment duration. For instance, we expect an individual aged 18 to 24, with a claim start date falling within our pre-2011 inflow window, to be referred to the New Deal for Young People (NDYP)¹⁶ at a point 6 months on from their claim start date – X will be equal to 6 months. More specifically,

Cohort 1 (pre-2011)	X
18- to 24 year-olds ¹⁷	6 months
Aged 25+	18 months
<i>[Flexible New Deal 18-24 & 25+] 6 months</i>	

Cohort 2 (post-2011)	
18- to 24 year-olds	9 months
Aged 25+	12 months

In addition, we need to consider an intervening period overlapping these two policy regimes when the **Flexible New Deal** (FND) was introduced. We create X for individuals in this period, based on their claim start date, Jobcentre Plus district (to identify individuals impacted by the Phase I and Phase II roll-out of FND) and we also have information in the data on the point where an individual on FND starts Stage 3 or Stage 4. For individuals aged 25+ who fall within the remit of FND, there is a reduction in the expected period of X to 6 months, and we use the *start of Stage 3 FND* (which includes up to three mandated activities and a '6 month offer' during recession, very similar to that under ND) as equivalent to the point of referral to the New Deal¹⁸.

¹⁶ An ALMP aimed at the LTU aged 18 to 24.

¹⁷ Where 'age' is measured at claim start date and the appropriate amount of time added on to this, to calculate expected date of referral to ALMP.

¹⁸ Unfortunately we do not observe an FND referral date, because of the nature of the programme, but this is easily accommodated in the analysis and our approach to FND is detailed at various points in

As already suggested, we face a large amount of heterogeneity, in terms of our training ‘treatments’ and their impacts; both across, and within, populations of unemployed individuals; across policy contexts and also with respect to the timing of training interventions. Section 2.2 now describes how we accommodate this heterogeneity within an overall framework for analysis.

2.2 Training Interventions delivered in the STU phase

Figure 1 describes the process used to select training interventions delivered within the STU phase, following an individual’s claim start date. At this stage of the analysis we wish to adopt an inclusive approach to data creation, and therefore do not limit selection to only those interventions taking place whilst an individual is unemployed. Rather, the data captures all training interventions that occur up to a point X from claim start date of the individual.

As Figure 1 suggests, we first select *active benefits*¹⁹ spells if the claim start date falls within the inflow window. These spells are then used to create a dataset containing a record for each individual²⁰, with the individual’s claim start date marking the first reference point for analysis (or the claim start date of the first relevant unemployment spell, for those with multiple spells over the period). For each individual, the initial claim start date is considered as time (t) equal to zero, and then X (their expected date of referral to an ALMP) is calculated from this. We scan the Labour Market System (LMS), Individualised Learner Record (ILR) and New Deal (ND) datasets²¹ for all interventions/referrals (training or otherwise) that occur between time zero and X²².

following sections. We give claimants already unemployed for 6 months on 6th April 2009, who are living in a FND phase 1 area, an expected ALMP start date of 6th April 2009. It is worth noting that in the main text, reference to *ND/WP/FND referral* is, strictly speaking, reference to ND and WP referral and FND Stage 3 start.

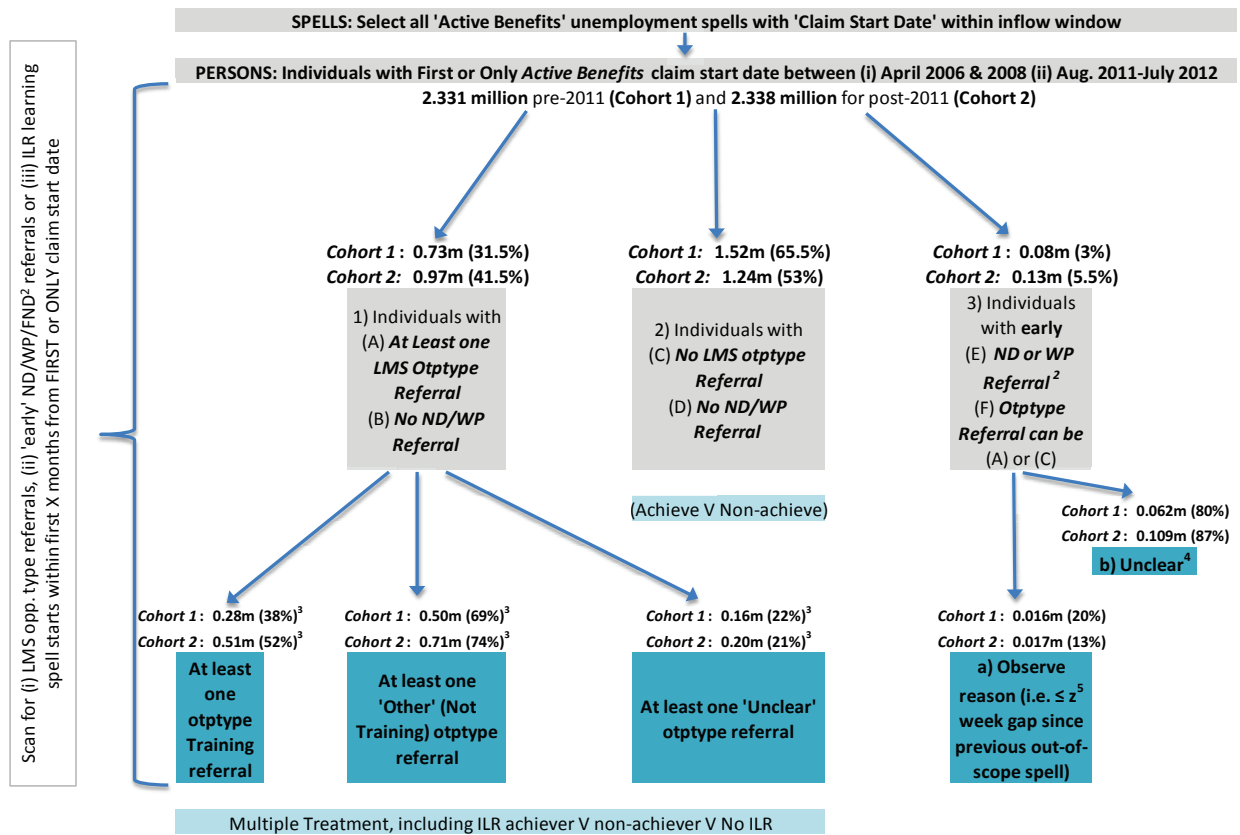
¹⁹ See footnote 14.

²⁰ Clearly some spells outside the window will need to be brought in for those with multiple spells, but with a relevant first claim start date towards the end of our inflow window. For instance, an individual with a first claim start date of Jan 28th 2008 and claim end date of March 28th 2008 would qualify for analysis, but a subsequent spell that started on April 15th 2008 would not qualify as a relevant spell [if selecting only on spells] but is a relevant spell as it is within the period between claim start date and X for this individual.

²¹ We observe referral to the Work Programme in the LMS, but then only observe information on interventions for a subset of learners who appear in the ILR.

²² In recognition of the potential margin for error around the expected claim start date of X, a ‘fuzzy’ X is created covering the period between X – 2 weeks and X + 2 weeks. Some scans of the data run to the start of this period (X – 2 weeks) and some run to X.

Figure 1: Identifying STU populations from the LMS and ND datasets



- 1: Each individual has an expected ALMP referral date (X) and around this a band of +/- 2 weeks creates a 'fuzzy' X cut off point
- 2: For those who potentially fall under the Flexible New Deal, Category 3) includes individuals 'fast-tracked' to Stage 3 or Stage 4 FND.
- 3: Percentages do not add to 100% as categories are not mutually exclusive - many individuals have Training optypes and Other optypes
- 4: These individuals are not referred early because of a prior 'close' spell [as in a)] and so at present it is not clear why they are referred. More detailed analysis of the data at Phase II will clarify the reasons for early referral for many in this group.
- 5: For detail on the exact specification of Z please see the Technical Appendix

Figure 1 details our first dissection of this overall STU population into distinct *Client Segments*, based on information observed in ND and LMS datasets. The STU population consists of 2.331 million individuals from Cohort 1 (the pre-2011 population with a claim start date between 6th April 2006 and 5th April 2008) and 2.338 million from cohort 2 (the post-2011 population with a claim start date between 1st August 2011 and 31st July 2012). As we would expect (given that the latest recession began early to mid 2008, with unemployment rising from Feb 2008), Cohort 2 is almost exactly the same size as Cohort 1, even though the former only covers one year. **Segment 2)** covers 2.76 million individuals (1.52m in Cohort 1 and 1.24m in Cohort 2) who have no LMS referral (training or otherwise) or 'early' ND/WP/FND referral. These individuals have not been flagged for support of any kind by Jobcentre Plus staff between claim start date and X. There are many possible reasons for this – they may have a very short spell of unemployment or have no obvious need in terms of skills/work-readiness. Whatever the reason, we can

clearly distinguish these individuals from the 1.7 million (0.73m in Cohort 1 and 0.97m in Cohort 2) in **Segment 1**) who have some form of referral or intervention²³ in the LMS.

This distinction is key for policymakers tasked with provision of training to the unemployed, but it is also a central methodological consideration. When estimating the labour market returns to any training interventions identified amongst individuals in Segment 1), our control Segment of individuals must also come from Segment 1). Similarly, any analysis of the returns to training for those in Segment 2) must be estimated relative to a control group of individuals taken from Segment 2).

The proportion of unemployed in Segment 1) receiving some form of referral (training or otherwise in the LMS) is 10 percentage points higher amongst members of Cohort 2, compared to Cohort 1 (41.5% compared to 31.5% respectively). This seems to be mainly driven by the higher proportion of individuals receiving at least one Training referral (52% amongst Cohort 2, compared to 38% amongst Cohort 1); although the proportion of individuals receiving at least one non-training referral is also five percentage points higher amongst Cohort 2.

Figure 1 underlines the initial approach to evaluation, with (i) ND and LMS data providing information that allows differentiation of distinct client Segments, according to their apparent (flagged) need and (ii) ILR data providing more detailed information on training undertaken in FE settings (within these client Segments). The Phase II report sets out the results of an analysis that estimates value added to different forms of FE learning by comparing returns over the 60 months from learning start date, between (i) 'ILR achievers' (ii) 'ILR non-achievers' and (iii) those with 'no-ILR record'. Key to ensuring that this analysis provides an accurate indication of value added is the matching of individuals according to their unemployment histories and differentiation of returns according to the duration of their unemployment spell.

Section 3 presents a variety of descriptive statistics showing how overall outcomes vary according to the employment and unemployment experiences of individuals, but first we present some headline statistics that show how overall employment outcomes vary for the short-term unemployed in Figure 1. Descriptive statistics in this Phase I report cover all those included in Figure 1 and readers should refer to the Appendix Section titled '*Segment 3 (Figure 1)*' for a discussion of those identified as being in **Segment 3**).

Figure 2 sets out the proportion of individuals with at least one day in employment in the tax years prior to, and after, claim start date²⁴. Unfortunately, we are not able to identify all possible forms of prior employment using the administrative data. HMRC records identify

²³ The inclusion of an individual in Segment 1) depends on whether we observe at least one optype **referral** to any type of intervention. This defines segments, as it flags a decision by the Jobcentre Plus advisor to refer an individual for support – those **attending** interventions are a subset of this group flagged for intervention.

²⁴ The reference year for each chart is the tax year of the individuals claim start date (or first in-scope claim start if there is more than one). Somebody with a claim start in Jan 2008 has a reference tax year of 2007/2008; Tax year t-1 will be 2006/2007 and t+1 will be 2008/2009 and so on. Obviously individuals on the margins either side of a tax year cut-off will miss almost a year of prior- post-, but there is no reason to think that these are anything other than randomly distributed – any alternative approach has various pros and cons.

those who have an employee job, earning above the tax threshold; but previous spells of self-employment; employee jobs earning below the tax threshold and work carried out abroad is unobservable (see Data and Method Section from Phase II and the Online Appendix for more details).

As we would expect, this suggests that the proportion of individuals employed for at least one day in the tax years before their claim start date is much lower amongst those aged 18 to 24 at all points prior to claim start date, when compared to the 25+ age group; and this proportion declines steeply as we move further away from claim start.

Perhaps more interesting is the difference we see in experiences of those before and after the start of recession. The proportion of 18 to 24 year olds who have at least one day of employment in the year prior to claim start date, is 8 percentage points (ppts) higher for Cohort 1, than those of a similar age in Cohort 2. This difference narrows as we move further away from claim start date, but is still 4 ppts four years prior to claim start date. In contrast, those aged 25+ in Cohort 1 are only 3 ppts more likely to have at least one day of employment in the year prior to claim start date, compared to those of a similar age in Cohort 2; and this gap narrows to only 1 ppt four years prior to claim start date.

However, the gap in [at least one day] employment rates after claim start date for those aged 25+ and 18-24 show similar recession and pre-recession differences. Amongst Cohort 1, 67% of individuals in the 25+ age group are in at least one day of employment a year after claim start date and this is 4 ppts higher than the equivalent figure of 63% for cohort 2. For those aged 18 to 24 the absolute proportions in employment are higher (at 71% and 67% respectively), but the gap between cohort 1 and cohort 2 is still 4 ppts.

Figure 2: Proportion of individuals with at least one day in employment, in years before and after claim start date

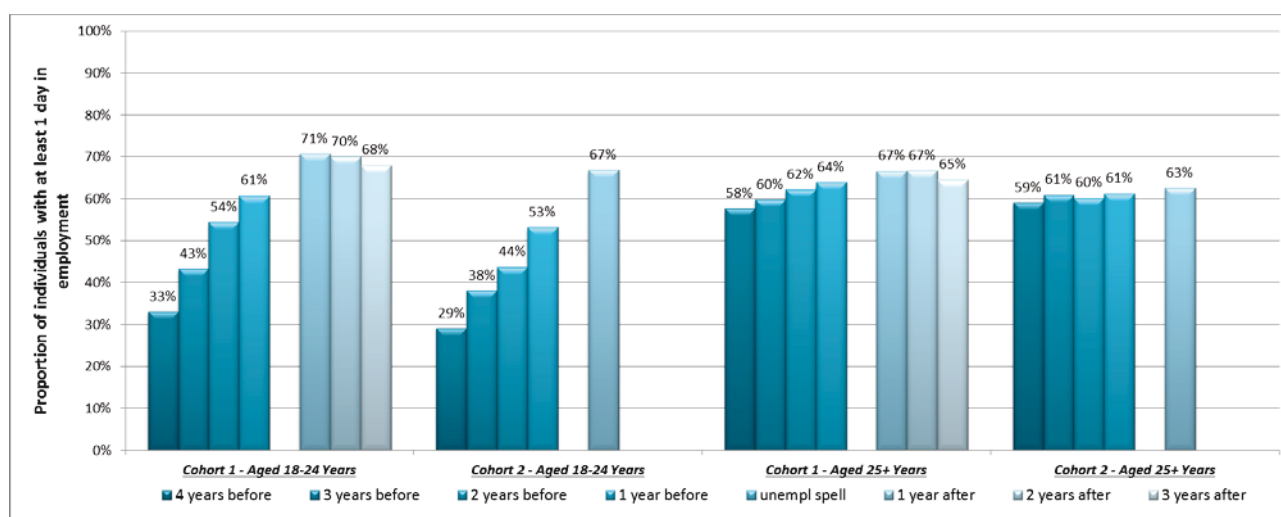
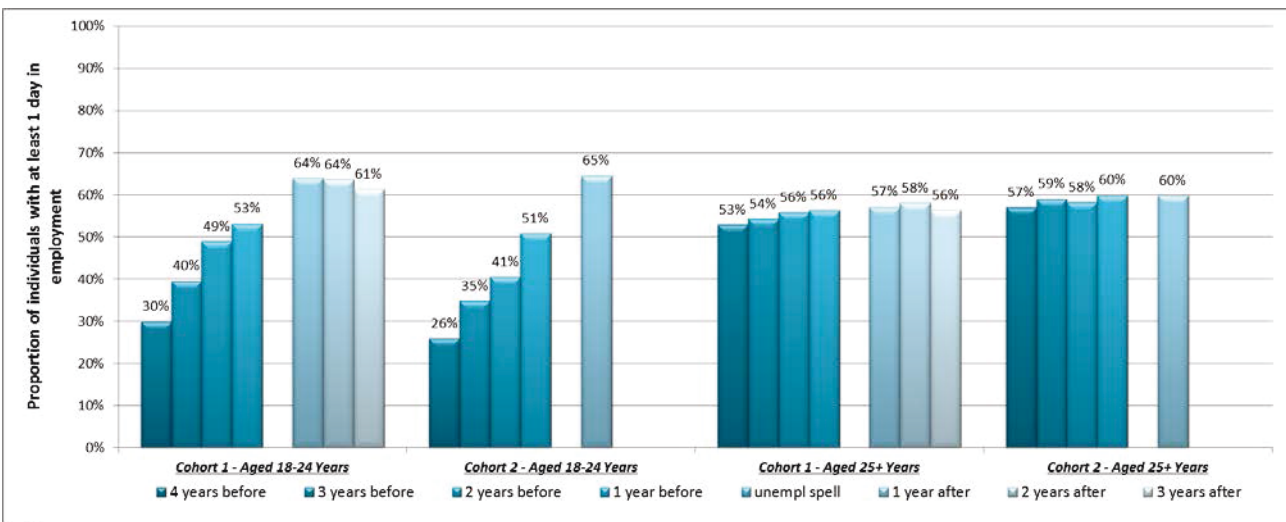


Figure 3 breaks this overall picture down and presents it separately for those in Segment 1) and Segment 2) of Figure 1. The general patterns of labour market activity do not change, but as we would expect, individuals amongst Segment 2) have much more favourable histories and outcomes. For instance, considering those amongst Cohort 1, 18-24 year olds in Segment 2) are approximately 10 percentage points more likely to be in employment for at least one day in the year before, and the years after, claim start date;

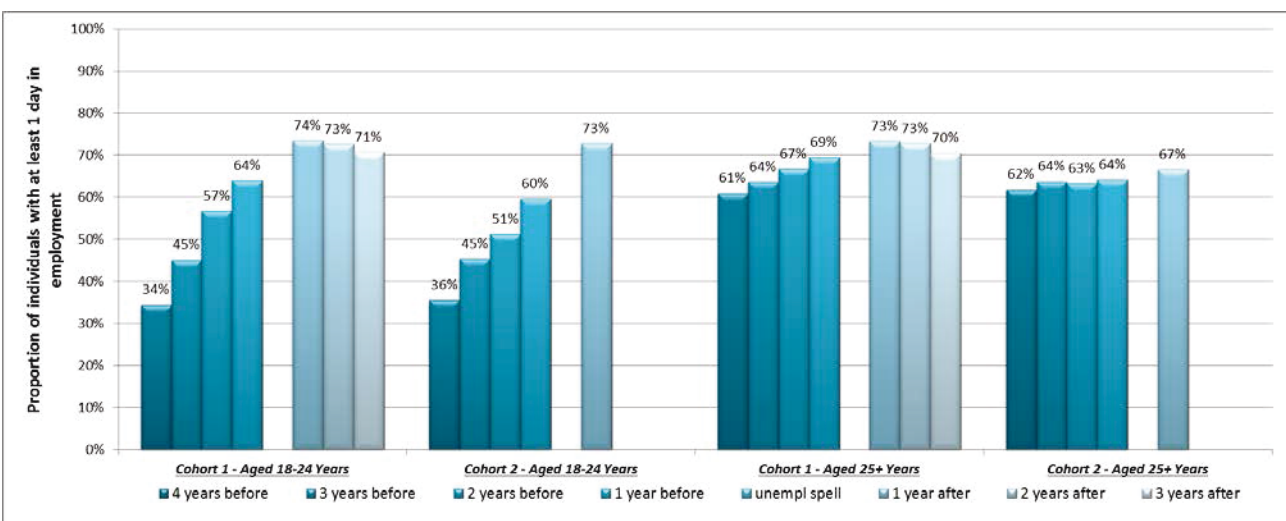
when compared to the equivalent individuals in Segment 1). In the same cohort, those aged 25+ in Segment 2) are approximately 13 percentage points more likely to be in employment in the year before claim start date and, on average, 15 pts more likely in the years after claim start date; when compared to the equivalent individuals in Segment 1).

These differences between individuals in Segment 1) and Segment 2) are repeated across both Cohorts and age groups, with the most pronounced differences observed between individuals aged 25+ in Cohort 1. In contrast, for those in Cohort 2 of a similar age, this gap is only 5 to 7 pts.

Figure 3: Proportion of individuals with at least one day in employment, in years before and after claim start date: Segment 1)



Proportion of individuals with at least one day in employment, in years before and after claim start date: Segment 2)



3. FE (ILR) Learning and Labour Market Outcomes

Table 1 gives an indication of how many learning aims and individual learners we observe in the ILR amongst our pre-2011 and post-2011 cohorts, between claim start date and X (i.e. during the STU phase). As one would perhaps expect, we observe much of the learning to be below Level 2; and many learning aims at, or above, Level 2 tend to be ‘part-time’ in nature (between 120 and 480 guided learning hours [GLH]; or less than 120 GLH). As we suggest in the *Data and Method* section, the overall numbers in Cohort 1 (2.331 million individuals) are almost identical to those in Cohort 2 (2.338 million) and for many categories of FE learning undertaken during these two periods, numbers are similarly balanced. For instance, there are slightly more learners in each of our *L1/L2 Numeracy and/or Literacy* categories in Cohort 2; slightly fewer with *ICT aims at Level 2 or above* (with less than 120 GLH/Unknown GLH) in Cohort 2; and numbers in the two categories of *Aims at level 2 or above* with 120+ or 480+ GLH are of a similar magnitude in the two periods. In contrast, *Aims at Level 1 or below* and *E2E access to apprenticeships* are more than twice as common amongst the more recent cohort, and the numbers taking *Preparation for life and work* more than quadruple between cohort 1 and cohort 2.

Table 1 clearly shows that many individuals have multiple ‘in-scope’ learning aims and there is a lot of overlap. In creating our categories of FE learning aim (from which achievers and non-achievers can be identified) we group according to highest learning aim. For instance, in the discussions just after Table 1, we describe the creation of a category of ‘*L1/L2 Maths and/or English*’. This group is made up of all those amongst the 84,688 and 74,345 individuals in the first two rows of Table 2, for whom these aims are the highest learning aims undertaken during the period between claim start and X (i.e. they are ‘in-scope’).

Table 1: Learning aims undertaken during the STU phase

STU phase (2006-2008 and 2011-2012 cohort inflows)

Cohort	Aim Type	Duration (days)		%	Numbers	
		Mean	St. Dev	Achieved	Aims	Learners
Pre-2011	L1/L2- literacy	57	105	65%	180501	84688
	L1/L2- numeracy	55	104	66%	172728	74345
	L1/L2- ESOL	124	95	60%	40207	25581
	Preparation for life and work	112	136	62%	65668	50730
	Entry to Employment (E2E) pre-apprenticeship offer	308	260	56%	31879	15368
	Aims at level 2 or above of 480 GLH or more	415	269	41%	7902	7260
	Aims at level 2 or above of 120 GLH or more	242	156	57%	55157	45796
	ICT Aims at level 2 or above less than 120 GLH/ unknown GLH	92	111	59%	55304	26660
	Other aims at level 2 or above less than 120 GLH/ unknown GLH	141	138	71%	126591	97560
	Aims at level 1 or below	90	100	61%	75866	54600
Other aims (non-accredited, enrichment etc.)	58	86	81%	57135	40336	
Post-2011	L1/L2- literacy	99	108	56%	111277	96963
	L1/L2- numeracy	98	106	57%	111525	95658
	L1/L2- ESOL	101	79	74%	47644	31262
	Preparation for life and work	35	64	84%	354503	231030
	Entry to Employment (E2E) pre-apprenticeship offer	176	140	33%	149546	51905
	Aims at level 2 or above of 480 GLH or more	252	214	22%	5734	5614
	Aims at level 2 or above of 120 GLH or more	188	117	62%	56485	50441
	ICT Aims at level 2 or above less than 120 GLH/ unknown GLH	54	65	71%	31117	25005
	Other aims at level 2 or above less than 120 GLH/ unknown GLH	60	82	78%	153650	102593
	Aims at level 1 or below	42	61	80%	169691	116321
Other aims (non-accredited, enrichment etc.)	50	79	85%	146881	119577	

In the following tables and in the Phase II report, analysis is carried out for the following amalgamated groups of highest learning aims taken from Table 1, which **covers all ILR learning included in Table 1, other than 'Other aims (non-accredited, enrichment etc.)'** which are dropped from the analysis. We group FE learning aims into the following categories:

- a) **Level 1/Level 2 Maths and/or English.** All learners who have a highest, or only, learning aim of Level 1/Level 2 Maths; or Level 1/Level 2 English; or both.
- b) **Preparation for Work at Level 1 or Below:** All learners with a learning aim of 'Preparation for Life and Work' and/or 'Entry to Employment (E2E) pre-apprenticeship offer'²⁵ and/or 'Aims at Level 1 or Below'; and who do not have any higher FE learning aims. This is the most common form of FE learning amongst our unemployed, particularly amongst cohort 2.
- c) **Level 2/Full Level 2, and above:** Those with learning aims at Level 2 (that are not English or Maths) are split into two groups, one with '**Thin** Level 2' and one '**Full** Level 2'. The Full Level 2 category includes learning aims that are equivalent to 5 GCSEs at grade A* to C or an NVQ2; and Thin Level 2 is learning at the same level, but falling short of the criteria to be considered as 'full'. One category for analysis contains those with highest learning aims of **Full Level 2 or above** (Full level 2+); and the other includes learners who we see with a highest learning aim of **Thin Level 2**.
- d) **L1/L2 ESOL:** Descriptive statistics are not presented separately for this category of learner, but estimated employment returns are presented in Phase II.

²⁵ E2E is a pre-apprenticeship 'offer' for those with few/no-qualifications and little experience. It covers basic reading, writing and communication skills; together with career planning and other basic employability skills.

As suggested, our categorisation of learning into five groups is driven by consideration of (i) numbers (which must be sufficient to allow sensible econometric investigation), (ii) the detail of information available in the ILR and (iii) the need for this exploratory study to provide extensive headline findings, with less opportunity for detailed investigation of disaggregated categories – setting a benchmark for future investigation and allowing comparison with existing studies (for instance, Bibby et. al., 2014)

In Sections 3.1 and 3.2 we describe how overall (i) employment, (ii) benefit and (iii) continued FE learning outcomes vary according to whether an individual in Cohort 1 undertakes FE learning, or not; and whether any FE learning aims are achieved – showing how such figures vary according to the unemployment experiences of the individual. In Section 3.3 we present some comparable figures using learners amongst the Cohort 2 population.

3.1 Unemployment history, FE learning and labour market outcomes

Figure 4 begins with headline descriptive statistics, which are then dissected according to the unemployment history of individuals. In doing so, we uncover some of the heterogeneity of experience amongst our population of unemployed, and highlight some of the problems of selection that we need to overcome in Phase II if we are to provide accurate estimates of value added. For instance, we often find that individuals facing the highest barriers to employment are referred to FE learning, and these groups, even with significant training interventions, may find it harder to secure a successful employment outcome. Phase II of this project will use econometric techniques to ensure we control for any such differences between those receiving FE training and our control groups. In this Phase I report we are often describing the nature of any selection effects that need to be accommodated in the Phase II econometric analysis.

Figure 4 is in three sections. The first part (4a) shows that unemployed individuals who have '*No in-scope ILR learning aim*' are more likely to have at least one day in employment in the tax years prior to claim start, when compared to those who have '*At least one ILR learning spell aim*' (4b). For instance, amongst those aged 18 to 24 who do not have an in-scope ILR learning aim (4a), 44% have at least one day in employment in the tax year three years before claim start date; compared to only 37% amongst 18 to 24 year olds who we see being referred (or self-referring) to FE learning (4b).

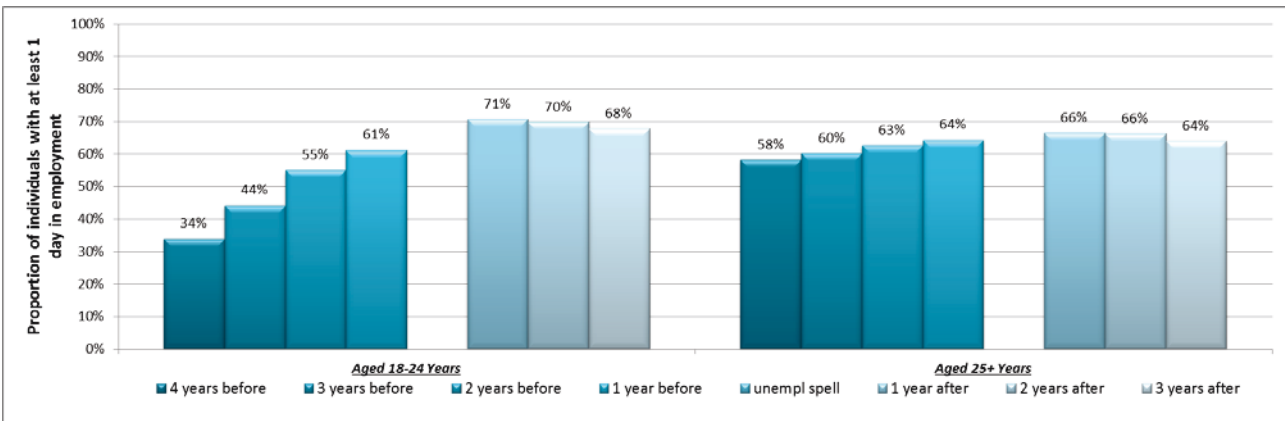
In contrast, those with '*At least one ILR learning spell aim*' are more likely to be observed in employment in the tax years after claim start date, when compared to those with '*No in-scope ILR learning aim*' – for instance amongst 18 to 24 year olds, 72% of the former group have at least one day in employment in the second tax year after claim start date, compared to 70% in the latter. This suggests more positive outcomes for unemployed individuals who undertake FE learning, but it is clear that, if we do not account for the differential selection into FE learning, then we will under-estimate any such impacts – because, on average, those moving into FE learning face greater challenges to secure employment, as reflected in their less favourable employment histories. The employment rate of 18 to 24 year olds who engage with some form of FE learning increases from 58% in the year before claim start date to 72% two years after – an improvement of 14 pts. In contrast, the improvement for those who do not take up FE learning is 9 pts (from 61% to 70%).

We can see that the process of selection of unemployed individuals into FE learning (whether mandated, referred or self-referred) is non-random, and our comparison of figures in 4a and 4b gives an idea of the nature of this selection. However, a particular strength of this study is that we can then go further and differentiate those who achieve and do not achieve, amongst the individuals who select into ILR learning. Section 4c of Figure 4 shows that the employment histories of those achieving at least one learning aim seem (i) almost identical to the wider population of those we observe (in 4b) with at least one in-scope ILR learning aim; therefore (ii) they are similarly ‘harder to help’ than the population with no ILR learning aim. However, when we consider outcomes, (iii) achievers of FE learning have employment rates that are 4 to 5 percentage points higher than those with no FE (ILR) learning across both age groups, 3 years on from claim start.

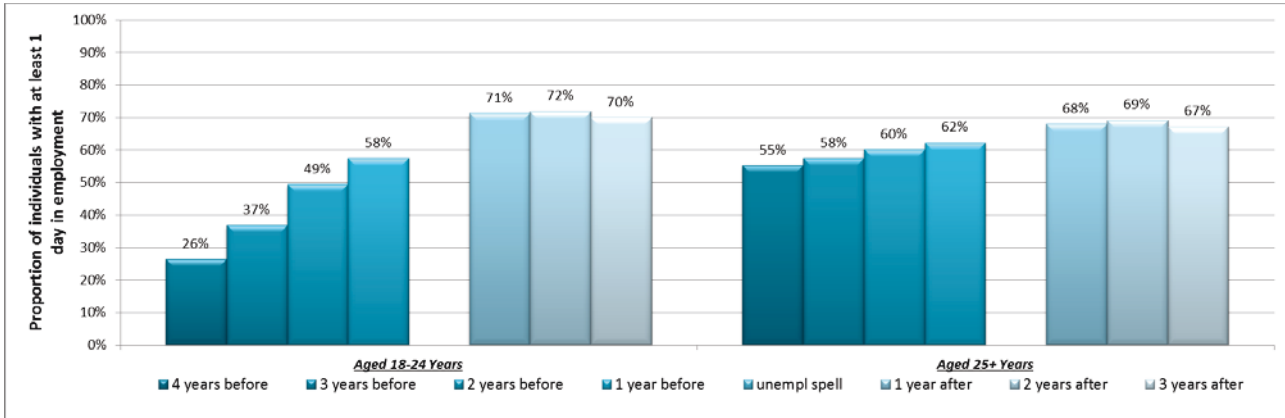
It is important to remember that this finding does not account for a variety of other potential differences between those observed in FE learning and those with no ILR record. However, when we consider the employment histories of these two groups, the suggestion is that, if anything, those observed in FE are (on average) starting from a more disadvantaged position than those who we see outside of FE learning.

Figure 4: Proportion of individuals with at least one day in employment, in years before and after claim start date: according to whether individuals have (a) No in-scope FE Learning Aim (b) At least one FE learning aim and (c) An FE aim that they Achieve

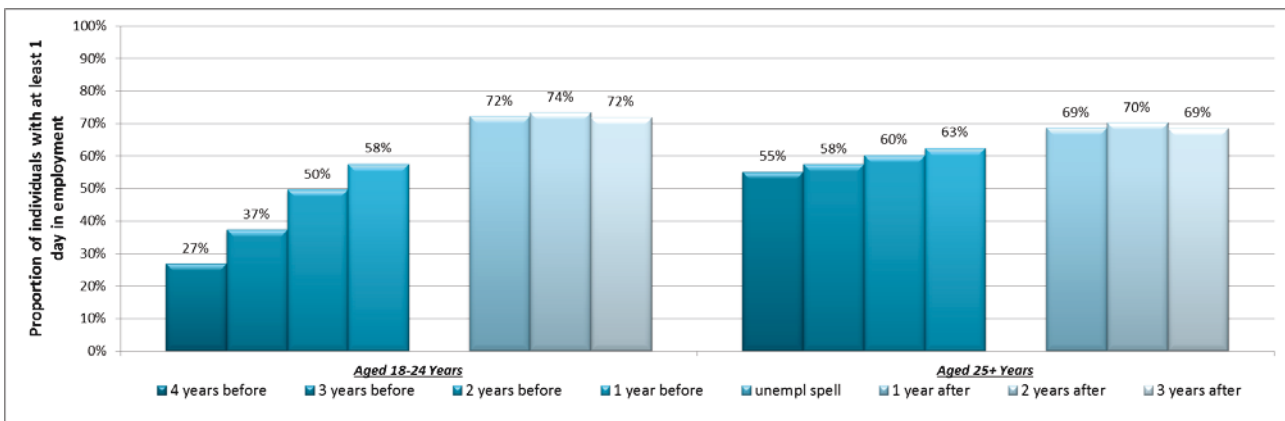
4a: All those with NO in-scope FE (ILR) learning



4b: All those with at least one in-scope FE (ILR) learning aim



4c: All those with in-scope ILR learning spell aim, that is achieved



This initial analysis suggests some support for estimates of value added that compare the labour market returns of achievers (4c); with those of non-achievers (a subset of those in 4b) as they seem to have similar employment histories. A comparison between achievers and those who have no in-scope ILR learning aim (4a) seems less desirable, as they have very different employment histories. Phase II of this study is able to make some comparison between achievers and those with non ILR learning aims, as we can utilise the information on LMS referrals, to identify a group amongst those with no ILR learning aim, who face similar challenges when attempting to secure employment. This is something that we return to in the Conclusion, but for now it is important to note that the statistics presented in Figure 4 hide a large amount of heterogeneity [underneath this 'average' or overall selection effect].

Tables 2 and 3 further disaggregate these findings, to identify the experiences of more specific groups of unemployed, differentiated according to their unemployment histories. We consider four separate categories of individual according to their unemployment history:

Unemployed group 1: We have created a group who, for the 60 months prior to claim start date, are either (i) always employed or (ii) have just one unemployment spell that

lasts for less than 6 months²⁶. This is the group for which we expect (and observe) the highest employment rates, whether or not they have *'At least one ILR learning spell aim'*, *'No in-scope ILR learning aim'* or *'Achieve at least one ILR learning spell aim'*.

Unemployed group 2: Individuals with three or more distinct unemployment spells in the past 60 months (which can be of any duration, but are obviously constrained in length by the fact that they must be interspersed with periods of not being unemployed). This is the group we consider as 'cycling' between employment and unemployment. The cut off point, of 3 or more unemployment spells in the last 60 months, is driven by considerations of the data and also seems the minimum number of spells we need to observe, to justify the moniker of 'cycling'.

Unemployed group 3: These are the most 'hard to place in work' – we do not observe any employment spells for them over the entire 60 months prior to claim start date. Some individuals in Group 3 may have a history of working overseas, under the tax threshold or in self-employment (as we do not capture these forms of working in the administrative data), but as we can see from the analysis of their outcomes; we are predominantly selecting a group who face particularly limited labour market prospects and in most cases the lack of an employment record reflects a lack of employment experience.

Unemployed group 4: Groups one to three are mutually exclusive (i.e. we do not observe individuals in more than one group), but group 4 is not; as it contains all individuals with at least one prior continuous spell of unemployment, lasting 6 months or more.

Table 2 presents employment outcomes for 18 to 24 year olds who have (i) at least one in-scope ILR learning aim, (ii) achieve at least one in-scope ILR learning aim or (iii) have no in-scope ILR learning aim; disaggregating each of these by the four categories above. As we can see, amongst those aged 18 to 24 there are very few individuals with no prior unemployment spell or a spell lasting less than six months (Group 1); and amongst this group, only 9% (2,250) are ILR learners. In contrast, amongst our most disadvantaged group (Group 3) who have no prior employment experience according to HMRC records, we observe 14% (27,471) engaged in some form of FE learning. These two groups of ILR learners are at opposite extremes; with 92% of Group 1 experiencing at least one day of employment in the second tax year after claim start date; compared to Group 3 for whom the figure is only 55.5%.

The employment outcomes for Group 3 are particularly poor when compared to those for Group 1, but this simple comparison underlines the need for robust control groups that provide an accurate estimate of counterfactual outcomes. We need to be careful when comparing 'raw' figures, but it is clear that amongst Group 3 there is a much greater percentage point (and therefore percentage) differential between ILR achievers; ILR learners and those who do not have an ILR learning aim; when compared to the same differentials for those in Group 1. ILR achievers in Group 3 clearly still have poor outcomes

²⁶ When we consider the distribution of unemployment durations for all individuals with only one prior unemployment spell, it is essentially 'flat' for most of the distribution beyond 5 months – we observe a similar (small) proportion with 6 months duration, 7 months duration, 8 months duration, 9 months duration, 10 months etc.....all the way up to 59 months. Therefore, we choose below 6 months as the cut off point.

on average when compared to those of Group 1; but when compared to those in Group 3 who either do not achieve an ILR aim, or do not undertake an ILR aim, the value added seems greater. Again, these are raw figures and no attempt has been made to control for additional differences between those with and without ILR learning. This will only come from Phase II when we use more advanced econometric techniques; but the analysis here emphasises the need for control groups with similar (matched) unemployment histories when we carry out such an analysis, if we are to capture the true value added of FE learning across these very disparate groups.

In-between our two extremes of Group 1 and Group 3, Group 2 contains individuals who we observe cycling in and out of unemployment in the 60 months prior to claim start date. FE learners amongst this group secure much better employment outcomes on average than those in Group 3, with 79.6% experiencing at least one day in employment two years from claim start date. But this is still more than ten percentage points lower than the comparable figure for Group 1. Similarly, the proportion of this group who we see in FE learning is somewhere in-between Group 1 and Group 3, with 10% (27,509) of Group 2 observed with an in-scope FE learning spell.

It is worth noting our use of the outcome *'at least one day in employment'*. There are various pros and cons associated with different employment outcome measures. Our choice of 'at least one day' may seem rather 'minimalist'; but, individuals incur relatively high costs when switching from benefits to employment, and therefore an observation of at least one day in employment is less minimal than it seems – individuals who we observe with at least one official day in employment during the financial year have made quite a significant step into the labour market. As Tables 26 and 27 of the Appendix show, when we consider the extent to which training leads to more sustained employment outcomes²⁷, our findings remain unchanged. As we would expect, the absolute levels of sustained employment are lower than the proportions with 'at least one day in employment', but the gap is very similar between each of our groups (showing the same relative pattern across groups) and the differences between achievers, ILR and non-ILR are almost identical (showing the same relative pattern within groups). Even for Group 2, where we may feel more of a need to gauge the extent to which an FE intervention breaks the 'cycle' of unemployment and temporary job spells, there is no additional insight from the use of a 'sustained' employment outcome. As we shall see in Phase II, this tends to be the case even when we adopt more robust econometric techniques.

Finally, Group 4 provides an indication of outcomes for a broader categorisation of unemployed individuals who likely face challenges when securing employment. These are individuals with at least one prior unemployment spell lasting 6 months or more, and amongst these 11.7% (89,688) are observed in some form of FE learning. This further confirms our pattern, where more disadvantaged groups have a higher probability of being observed in some form of FE learning; but also have the potential to secure greater value added, as long as we create robust counterfactual groups.

Table 2: Proportion of individuals aged 18-24 with at least one day in employment, in (tax) years after claim start date

²⁷ That is, an employment outcome that we observe lasting continuously for 6 months or more.

		In Employment for at least 1 day			
		1 year after	2 years after	3 years after	
Aged 18-24 Years	Unemployed Group 1: Always employed or unemployed just once for less than 6 months, in previous 60 months	(Numbers in brackets)			
		ILR Learner (2,250)	93.01	91.85	90.59
		ILR Learner & Achiever (1,650)	93.64	92.55	91.39
		No ILR (22,521)	92.44	91.13	89.48
	Unemployed Group 2: 'Cycling' individuals with 3 or more unemployment spells in last 60 months	ILR Learner (27,509)	81.45	79.55	76.74
		ILR Learner & Achiever (17,570)	81.83	80.49	78.01
		No ILR (244,413)	79.36	77.23	74.24
	Unemployed Group 3: Unemployed for all of the last 60 months	ILR Learner (27,471)	50.48	55.47	54.72
		ILR Learner & Achiever (17,916)	52.17	57.89	57.37
		No ILR (171,390)	46.21	48.55	47.96
	Unemployed Group 4: At least one continuous spell of unemployment lasting for ≥6 months	ILR Learner (89,688)	70.30	70.99	69.12
		ILR Learner & Achiever (58,294)	71.25	72.51	71.02
No ILR (676,833)		69.34	68.54	66.50	
All Unemployed	ILR Learner (94,245)	71.36	71.94	70.09	
	ILR Learner & Achiever (61,527)	72.37	73.50	71.99	
	No ILR (722,029)	70.71	69.86	67.85	

We now move on to consider outcomes across more specific categories of learning aim within the broader 'ILR learner' category. For instance, in Table 2 we have 1,650 ILR achievers amongst Group 1. In Table 3 we consider the 513 amongst this group of individuals who achieve a *L1/L2 Numeracy and/or Literacy* learning aim; in Table 4 we have 501 achievers at *L1 or Below* amongst this group; in Table 5, 597 *Level 2* achievers and in Table 6 only 120 achievers at *FL2+* amongst this group. The total number of achievers in Tables 3 to 6 (513+501+597+120=1,731) adds to slightly more than the overall number of ILR achievers (1,650) in Table 2, because we have individuals who achieve more than one learning aim within our population.

The findings for group 1 in Tables 3, 4 and 5 need to be considered with care, as the absolute number of achievers and non-achievers is less than one thousand in all cases. The 514 observations on achievers in Table 3 may seem like a relatively large number in the context of survey-based studies [which rely on samples]; but here we are considering populations.

Table 3: Proportion of individuals aged 18-24 with at least one day in employment, in (tax) years after claim start date: ILR L1/L2 Literacy and/or Numeracy Achievers and Non-achievers

		In Employment for at least 1 day			
		1 year after	2 years after	3 years after	
Aged 18-24 Years	Unemployed Group 1: Always employed or unemployed just once for less than 6 months, in previous 60 months	(Numbers in brackets)			
		L1/L2 Literacy/Numeracy Achievers (513)	93.96	91.03	88.89
		L1/L2 Literacy/Numeracy Non-Achievers (244)	91.39	91.39	88.93
	Unemployed Group 2: 'Cycling' individuals with 3 or more unemployment spells in last 60 months	L1/L2 Literacy/Numeracy Achievers (6,441)	81.11	79.34	76.98
		L1/L2 Literacy/Numeracy Non-Achievers (4,448)	80.26	78.13	74.35
	Unemployed Group 3: Unemployed for all of the last 60 months	L1/L2 Literacy/Numeracy Achievers (6,484)	50.79	55.74	55.44
		L1/L2 Literacy/Numeracy Non-Achievers (4,974)	46.88	51.69	50.78
	Unemployed Group 4: At least one continuous spell of unemployment lasting for ≥6 months	L1/L2 Literacy/Numeracy Achievers (20,917)	70.03	70.93	69.44
		L1/L2 Literacy/Numeracy Non-Achievers (15,218)	67.52	68.02	65.66
	All Unemployed	L1/L2 Literacy/Numeracy Achievers (21,999)	71.16	71.89	70.38
		L1/L2 Literacy/Numeracy Non-Achievers (15,761)	68.35	68.77	66.47

Considering the other categories in Table 3 we observe the largest 'raw'²⁸ gap, of around four percentage points (ppts), between achievers and non-achievers amongst Group 3. The gap between achievers and non-achievers in Group 4 is not far behind, increasing from 2.5 ppts to 3.8 ppts over the three years; and the gap widens more substantially between the first and third years for those in Group 2 (from 0.8 of a ppt to 2.6 ppts). There is clearly some variability in the magnitude of any gap between achievers and non-achievers, but this is small relative to gaps in absolute employment levels between groups – clearly one would not wish to use the outcomes of non-achievers in Group 2 as an estimate of counterfactual outcomes for achievers in Group 3.

Table 4 tells a very similar story, with Group 3 achievers and non-achievers having much lower absolute employment levels, but also the highest (8.6 ppt) gap between achievers and non-achievers by the third year – although Group 4 comes close with a 6.5 ppt gap by the third year.

Table 4: Proportion of Achievers and Non-achievers aged 18-24 with at least one day in employment, in (tax) years after claim start date: Preparation for Work at L1 or Below (no Literacy/Numeracy)

²⁸ 'Raw' in the sense that no attempt has been made to accommodate other differences between achievers and non-achievers, and therefore gaps cannot be taken as an indicator of value added.

		In Employment for at least 1 day			
		1 year after	2 years after	3 years after	
Aged 18-24 Years	Unemployed Group 1: Always employed or unemployed just once for less than 6 months, in previous 60 months	(Numbers in brackets)			
		L1 or below Achievers (501)	94.61	92.22	91.02
		L1 or below Non-Achievers (265)	91.32	92.08	89.81
	Unemployed Group 2: 'Cycling' individuals with 3 or more unemployment spells in last 60 months	L1 or below Achievers (6,251)	82.05	81.17	78.55
		L1 or below Non-Achievers (4,620)	80.69	77.42	74.89
	Unemployed Group 3: Unemployed for all of the last 60 months	L1 or below Achievers (7,332)	51.32	57.83	58.24
		L1 or below Non-Achievers (5,470)	46.65	50.26	49.62
	Unemployed Group 4: At least one continuous spell of unemployment lasting for ≥6 months	L1 or below Achievers (22,412)	70.27	72.22	71.21
		L1 or below Non-Achievers (16,469)	67.14	66.88	64.78
	All Unemployed	L1 or below Achievers (23,432)	71.24	73.02	72.00
		L1 or below Non-Achievers (17,031)	67.96	67.64	65.57

In Table 5 we consider the outcomes of achievers and non-achievers undertaking learning aims at 'thin' Level 2 and in Table 6 achievers and non-achievers at FL2+. In both tables, amongst those in Groups 2, 3 and 4 we observe achievers and non-achievers with much higher absolute levels of employment, when compared to those who select into the learning aims set out in Tables 3 and 4. For instance, in Table 5 and Table 6 we have 55.8% and 55% of Group 3 non-achievers in employment in the third year respectively; compared to 50.8% of non-achievers from this group who have a learning aim of L1/L2 Numeracy and/or Literacy in Table 3 and 49.6% in Table 4.

Across Tables 3, 5 and 6, by the third year after claim start we generally observe an increasing gap between achievers and non-achievers as we consider higher levels of learning. For instance, consider outcomes for Group 3 across all these tables in the third year after claim start date. There is a 4.7 ppt gap between achievers and non-achievers undertaking English and/or Maths in Table 3; a 6.6 ppt gap between achievers and non-achievers at L2 in Table 5; and an 8.7 ppt gap between achievers and non-achievers at FL2+ in Table 6. However, this general pattern does not hold for those undertaking Preparation for work aims at L1 or below in Table 4, where we see quite pronounced gaps between achievers and non-achievers – for instance, in group 3 of Table 4, there is an 8.6 ppt gap between achievers and non-achievers. There are many possible explanations, including the fact that this learning often takes place alongside other more substantial aims and this is something that is accommodated in the Phase II econometric analysis.

Table 5: Proportion of Achievers and Non-achievers aged 18-24 with at least one day in employment, in (tax) years after claim start date: 'Thin' Level 2

		In Employment for at least 1 day			
		1 year after	2 years after	3 years after	
Aged 18-24 Years	Unemployed Group 1: Always employed or unemployed just once for less than 6 months, in previous 60 months	(Numbers in brackets)			
		L2 Achievers (597)	93.13	93.30	92.80
		L2 Non-Achievers (220)	94.09	90.91	89.55
	Unemployed Group 2: 'Cycling' individuals with 3 or more unemployment spells in last 60 months	L2 Achievers (5,970)	82.71	82.35	80.17
		L2 Non-Achievers (3,864)	82.32	80.23	76.48
	Unemployed Group 3: Unemployed for all of the last 60 months	L2 Achievers (5,557)	54.85	62.37	62.46
		L2 Non-Achievers (3,064)	53.17	57.44	55.84
	Unemployed Group 4: At least one continuous spell of unemployment lasting for ≥6 months	L2 Achievers (19,653)	73.63	75.88	74.68
		L2 Non-Achievers (11,191)	72.60	72.78	70.20
	All Unemployed	L2 Achievers (20,790)	74.68	76.79	75.59
		L2 Non-Achievers (11,714)	73.55	73.63	71.10

Table 6: Proportion of Achievers and Non-achievers aged 18-24 with at least one day in employment, in (tax) years after claim start date: Full Level 2 & above (FL2+)

		In Employment for at least 1 day			
		1 year after	2 years after	3 years after	
Aged 18-24 Years	Unemployed Group 1: Always employed or unemployed just once for less than 6 months, in previous 60 months	(Numbers in brackets)			
		FL2+ Achievers (120)	N/A	N/A	N/A
		FL2+ Non-Achievers (189)	N/A	N/A	N/A
	Unemployed Group 2: 'Cycling' individuals with 3 or more unemployment spells in last 60 months	FL2+ Achievers (1,904)	82.25	83.14	80.99
		FL2+ Non-Achievers (1,934)	82.73	80.82	77.61
	Unemployed Group 3: Unemployed for all of the last 60 months	FL2+ Achievers (1,494)	54.42	63.05	63.72
		FL2+ Non-Achievers (1,375)	52.95	56.44	55.05
	Unemployed Group 4: At least one continuous spell of unemployment lasting for ≥6 months	FL2+ Achievers (5,814)	74.34	77.61	76.25
		FL2+ Non-Achievers (5,408)	73.69	73.17	69.79
	All Unemployed	FL2+ Achievers (6,181)	75.44	78.42	77.07
		FL2+ Non-Achievers (5,667)	74.47	73.88	70.62

Tables 7 to 10 repeat the analysis of Tables 2 to 6, but this time concentrating on those aged 25+. Generally these tables confirm similar relative patterns of learning and outcomes within both age groups. For instance, in Table 7 we now have many more individuals in Group 1 and we observe a higher proportion (16.7%) in some form of ILR learning when compared to the figure of 9% for 18 to 24 year olds in Table 2. However, once again we see an even higher proportion (19.2%) of the most disadvantaged group (Group 3) in some form of ILR learning in Table 7, when compared to the figure for 18 to 24 year olds in Table 2 of 14% - reflecting a similar relative pattern for those aged 25+, to that seen amongst 18 to 24 year olds (though with less of a ppt difference).

As with the discussions around Table 2, care is needed when comparing 'raw' figures in Table 7, but once again we see that amongst Group 3 there is a much greater percentage point (and therefore percentage) differential between ILR achievers; ILR learners and those who do not have an ILR learning aim; when compared to the same differentials for those in Groups 1, 2 or 4. The 'order' of disadvantage is again similar to that for 18-24 year olds, with those aged 25+ in Group 1 having the highest absolute employment levels (of around 86% in the first year); followed by Group 2, where employment levels are 74-75% in the first year and for Group 3 we see employment levels of between 33% and 41% in the first year.

However, whilst Table 7 confirms similar relativities within the 25+ age group, average employment levels amongst 25+ year olds are always lower. Compared to 18 to 24 year olds in the same Group, those aged 25+ have employment rates that are around 5 to 6 ppts lower in Groups 1 and 2 by the third year; 7 to 8 ppts lower in Group 4; and in Group 3 we observe those aged 25+ with employment rates that are 10 to 12 ppts lower than 18 to 24 year olds in the same group, by the third year. Part of the reason is that our categorisation of 'Group' relies on the specifics of labour market history and this has the potential to impact differently depending on the time that an individual has spent in the labour market. However as is clear in Phase II, we are also seeing the first signs that those aged 25+ who we observe in unemployment are, on average, a more challenging group.

Table 7: Proportion of individuals aged 25+ with at least one day in employment, in (tax) years after claim start date

		(Numbers in brackets)	1 year after	2 years after	3 years after
Aged 25+ Years	Unemployed Group 1: Always employed or unemployed just once for less than 6 months, in previous 60 months	ILR Learner (42,658)	86.34	86.30	84.98
		ILR Learner & Achiever (28,344)	86.23	86.50	85.24
		No ILR (213,109)	86.10	85.11	83.30
	Unemployed Group 2: 'Cycling' individuals with 3 or more unemployment spells in last 60 months	ILR Learner (58,124)	75.31	74.95	71.88
		ILR Learner & Achiever (35,818)	75.03	75.24	72.53
		No ILR (279,618)	74.27	72.50	69.05
	Unemployed Group 3: Unemployed for all of the last 60 months	ILR Learner (58,121)	40.51	45.10	44.26
		ILR Learner & Achiever (38,983)	41.47	46.88	46.22
		No ILR (244,847)	33.45	35.92	35.19
	Unemployed Group 4: At least one continuous spell of unemployment lasting for ≥6 months	ILR Learner (209,408)	62.97	64.63	62.61
		ILR Learner & Achiever (135,878)	63.10	65.33	63.61
		No ILR (960,618)	60.53	60.55	58.38
All Unemployed	ILR Learner (266,640)	68.01	69.28	67.36	
	ILR Learner & Achiever (173,431)	68.15	69.92	68.25	
	No ILR (1,247,613)	66.43	66.18	64.05	

Those in Group 3 are likely to be of particular interest to policymakers so it is worth emphasising some key differences in their characteristics, in addition to their labour market histories. Table 28 of the Appendix compares the characteristics of those aged 25+ in Group 3 of Table 7 with the more general population of unemployed of the same age. The suggestion is that Group 3 contains a higher proportion of individuals who (i) are from an ethnic minority (or 'non-white') group; (ii) report some form of disability; (iii) have been a

lone parent at some point in the past; (iii) who have dependent children; (iv) who have refugee or asylum status, together with a variety of additional characteristics that represent a potential barrier to employment (including being a previous offender or having some form of drug dependency). This group have similarly disadvantaged labour market profiles, but the specific reasons for this are extremely varied and many individuals likely face multiple barriers to employment.

As with the analysis of 18 to 24 year olds, we now move on to consider outcomes across more specific categories of learning aim within the broader 'ILR learner' category amongst those aged 25+. In Table 7 we have 28,344 ILR achievers amongst Group 1. In Table 8 we consider the 8,449 amongst this group of individuals who achieve a *L1/L2 Numeracy and/or Literacy* learning aim; in Table 9 we consider the 8,609 who achieve *Preparation for Work at L1 or Below*; in Table 10, the 11,404 who achieve a *Thin L2* qualification and Table 11 looks at outcomes for the 5,837 who achieve a *FL2+* qualification at FE. Again, the total number of achievers in Tables 8 to 11 (8,449+8,609+11,404+5,837=34,299) adds to more than the overall number of ILR achievers (28,344) in Table 7, because we have individuals who achieve more than one learning aim within our population.

Table 8: Proportion of Achievers and Non-achievers aged 25+ with at least one day in employment, in (tax) years after claim start date: L1/L2 Literacy and/or Numeracy

		In Employment for at least 1 day			
		1 year after	2 years after	3 years after	
		(Numbers in brackets)			
Aged 25+ Years	Unemployed Group 1: Always employed or unemployed just once for less than 6 months, in previous 60 months	L1/L2 Literacy/Numeracy Achievers (8,449)	83.35	83.79	82.53
		L1/L2 Literacy/Numeracy Non-Achievers (2,868)	83.05	82.36	80.75
	Unemployed Group 2: 'Cycling' individuals with 3 or more unemployment spells in last 60 months	L1/L2 Literacy/Numeracy Achievers (12,778)	71.44	71.44	68.78
		L1/L2 Literacy/Numeracy Non-Achievers (6,238)	69.77	68.68	65.61
	Unemployed Group 3: Unemployed for all of the last 60 months	L1/L2 Literacy/Numeracy Achievers (14,146)	36.79	41.35	41.30
		L1/L2 Literacy/Numeracy Non-Achievers (7,109)	30.48	34.79	34.07
	Unemployed Group 4: At least one continuous spell of unemployment lasting for ≥6 months	L1/L2 Literacy/Numeracy Achievers (47,532)	58.10	60.13	58.65
		L1/L2 Literacy/Numeracy Non-Achievers (22,273)	53.48	54.87	52.95
	All Unemployed	L1/L2 Literacy/Numeracy Achievers (58,862)	63.03	64.67	63.24
		L1/L2 Literacy/Numeracy Non-Achievers (26,307)	58.08	59.09	57.23

In Table 8 the largest 'raw' gap [of 7.2 pts by the third year], between achievers and non-achievers is again observed in Group 3. The gap between Group 4 achievers and non-achievers of 5.7 pts by the third year is not far behind; and the gap widens from 1.7 to 3.2 pts between the first and third years for those in Group 2. As with the 18 to 24 year olds, variability in these gaps between achievers and non-achievers is small relative to differences in absolute employment levels between groups. For instance, there is more than a 50 ppt difference in first year employment rates between individuals in Group 3 and Group 1 who have a learning aim of L1/L2 Maths and/or English, which they do not achieve.

Table 9 tells a similar story, with Group 3 achievers and non-achievers having much lower absolute employment levels, but also the highest (6.3 ppt) gap between achievers and non-achievers by the third year. We then have Group 4, with a 5.6 ppt gap between

achievers and non-achievers by the third year; the gap is only 2.7 ppts when we consider Group 2; and there is only a 0.5 ppt raw gap between achievers and non-achievers in the third year amongst Group 1.

Table 9: Proportion of Achievers and Non-achievers aged 25+ with at least one day in employment, in (tax) years after claim start date: Preparation for Work at Level 1 or Below (no Literacy/Numeracy),

		In Employment for at least 1 day			
		1 year after	2 years after	3 years after	
Aged 25+ Years	Unemployed Group 1: Always employed or unemployed just once for less than 6 months, in previous 60 months	(Numbers in brackets)			
		L1 or below Achievers (8,609)	83.70	83.82	82.63
		L1 or below Non-Achievers (3,720)	83.71	83.49	82.10
	Unemployed Group 2: 'Cycling' individuals with 3 or more unemployment spells in last 60 months	L1 or below Achievers (10,694)	71.96	71.59	69.58
		L1 or below Non-Achievers (6,332)	70.70	69.58	66.84
	Unemployed Group 3: Unemployed for all of the last 60 months	L1 or below Achievers (12,634)	37.94	43.31	42.73
		L1 or below Non-Achievers (6,748)	34.17	37.52	36.41
	Unemployed Group 4: At least one continuous spell of unemployment lasting for ≥6 months	L1 or below Achievers (42,184)	59.19	61.48	60.09
		L1 or below Non-Achievers (22,304)	56.51	57.34	55.25
	All Unemployed	L1 or below Achievers (53,453)	64.48	66.26	64.88
		L1 or below Non-Achievers (27,361)	61.56	62.13	60.12

All learners in Tables 10 and 11 have much higher absolute levels of employment, when compared to those who select into the learning aims set out in Tables 8 and 9. Again, it is in Groups 3 and 4 that we see the largest gap. For instance, even FL2 non-achievers in these two groups have third year employment rates of 52.5% and 69.5% respectively in Table 11; compared to only 34% and 53% amongst L1/L2 Literacy and/or Numeracy non-achievers in Table 8.

Table 10: Proportion of Achievers and Non-achievers aged 25+ with at least one day in employment, in (tax) years after claim start date: Thin Level 2

		In Employment for at least 1 day			
		1 year after	2 years after	3 years after	
Aged 25+ Years	Unemployed Group 1: Always employed or unemployed just once for less than 6 months, in previous 60 months	(Numbers in brackets)			
		L2 Achievers (11,404)	86.80	87.76	86.36
		L2 Non-Achievers (4,060)	88.25	87.66	86.33
	Unemployed Group 2: 'Cycling' individuals with 3 or more unemployment spells in last 60 months	L2 Achievers (12,780)	77.46	78.41	75.77
		L2 Non-Achievers (6,432)	77.74	76.82	72.96
	Unemployed Group 3: Unemployed for all of the last 60 months	L2 Achievers (10,550)	50.75	56.45	55.85
		L2 Non-Achievers (4,221)	45.49	48.64	48.35
	Unemployed Group 4: At least one continuous spell of unemployment lasting for ≥6 months	L2 Achievers (44,618)	69.32	71.85	70.20
		L2 Non-Achievers (19,012)	67.47	68.40	66.00
	All Unemployed	L2 Achievers (59,617)	73.74	75.83	74.21
L2 Non-Achievers (24,708)		72.18	72.88	70.61	

Table 11: Proportion of Achievers and Non-achievers aged 25+ with at least one day in employment, in (tax) years after claim start date: Full Level 2 and above

		In Employment for at least 1 day			
		1 year after	2 years after	3 years after	
Aged 25+ Years	Unemployed Group 1: Always employed or unemployed just once for less than 6 months, in previous 60 months	(Numbers in brackets)			
		FL2+ Achievers (5,837)	90.66	90.95	90.25
		FL2+ Non-Achievers (2,393)	90.81	89.85	87.25
	Unemployed Group 2: 'Cycling' individuals with 3 or more unemployment spells in last 60 months	FL2+ Achievers (6,229)	81.79	82.61	79.96
		FL2+ Non-Achievers (4,027)	81.97	80.03	74.75
	Unemployed Group 3: Unemployed for all of the last 60 months	FL2+ Achievers (4,729)	60.56	65.62	64.35
		FL2+ Non-Achievers (2,332)	55.10	55.96	52.49
	Unemployed Group 4: At least one continuous spell of unemployment lasting for ≥6 months	FL2+ Achievers (21,526)	76.37	78.26	76.21
		FL2+ Non-Achievers (11,492)	74.77	73.79	69.50
	All Unemployed	FL2+ Achievers (29,197)	80.06	81.54	79.79
FL2+ Non-Achievers (14,890)		78.34	77.32	73.27	

Tables 12 to 15 are similar in approach to Tables 2 and 7, presenting outcomes for our two age groups according to whether they have (i) at least one in-scope ILR learning aim, (ii) achieve at least one in-scope ILR learning aim or (iii) have no in-scope ILR learning aim; disaggregating each of these by the four unemployment categories. However in Tables 12 and 13 the outcome measured is the proportion on active benefits for at least one day in the first to third years after claim start date; and in Tables 14 and 15 it is the proportion in some form of ILR learning for at least one day.

As we would expect, in all four tables there is a large drop in proportions between the first and second years, as we are measuring some element of 'lock-in'. However, by the third year of learning Table 12 suggests that 18 to 24 year olds who achieve an ILR learning aim have lower average levels on active benefits, when compared to either the more general group of *ILR Learners* or those with *No ILR* – the one exception is Group 1, where the *No ILR* category have a slightly lower proportion on benefits (23.8% compared to 24.8% amongst achievers). However, even amongst achievers in Groups 2, 3 and 4 we still observe approximately 43%, 47% and 42% respectively on active benefits in the third year – emphasising the seriousness of the challenge faced when attempting to improve the employment prospects of individuals in these groups.

Table 12: Proportion of individuals aged 18-24 with at least one day on active benefits, in (tax) years after claim start date: All ILR learners and achievers

		On active benefits for at least 1 day			
		1 year after	2 years after	3 years after	
Aged 18-24 Years	Unemployed Group 1: Always employed or unemployed just once for less than 6 months, in previous 60 months	(Numbers in brackets)			
		ILR Learner (2,250)	41.96	29.33	26.62
		ILR Learner & Achiever (1,472)	40.69	27.04	24.80
		No ILR (22,521)	39.19	26.43	23.83
	Unemployed Group 2: 'Cycling' individuals with 3 or more unemployment spells in last 60 months	ILR Learner (27,509)	58.60	47.03	44.25
		ILR Learner & Achiever (16,346)	56.30	44.70	42.54
		No ILR (244,413)	57.67	46.21	43.48
	Unemployed Group 3: Unemployed for all of the last 60 months	ILR Learner (27,471)	70.29	54.29	49.66
		ILR Learner & Achiever (17,007)	67.84	51.46	47.08
		No ILR (171,390)	69.98	53.05	49.31
	Unemployed Group 4: At least one continuous spell of unemployment lasting for ≥6 months	ILR Learner (89,688)	62.14	48.10	44.46
		ILR Learner & Achiever (54,694)	59.64	45.39	42.26
No ILR (676,833)		60.87	46.81	43.45	
All Unemployed	ILR Learner (94,245)	61.30	47.33	43.74	
	ILR Learner & Achiever (57,620)	58.80	44.59	41.53	
	No ILR (722,029)	59.68	45.78	42.47	

There are some interesting differences in outcomes when we compare 18 to 24 year olds in Table 12 with those aged 25+ in Table 13. First, in Table 13 all categories of Achiever have higher proportions on benefits in the third year after learning, when compared to the *No ILR* category – an almost complete reversal of the findings for 18 to 24 year olds in Table 12. The suggestion is that, amongst those aged 25+, we see the most challenging individuals being steered towards FE learning and this is much more pronounced than any selection effects seen amongst the 18 to 24 year age group – this is re-enforced by the fact that this gap between the *No ILR* and *ILR Learner* groups is largest for Group 3 (4.1 pts by the third year) in Table 13. Despite this, the proportion on benefits amongst these Achievers is still lower than the proportions amongst the more general population of ILR Learners (by around 0.5 of a ppt in most cases). Whilst we must be careful in our discussion of these raw figures, we can see why an achiever V non-achiever comparison might be preferred over value added estimates that rely on an Achiever V No ILR

comparison – especially if we are concerned that some of the factors driving selection into FE amongst those aged 25+ are unobservable.

Table 13: Proportion of individuals aged 25+ with at least one day on active benefits, in (tax) years after claim start date: All ILR learners and achievers

		On active benefits for at least 1 day			
		1 year after	2 years after	3 years after	
Aged 25+ Years	Unemployed Group 1: Always employed or unemployed just once for less than 6 months, in previous 60 months	(Numbers in brackets)			
		ILR Learner (42,658)	52.29	27.11	21.94
		ILR Learner & Achiever (28,344)	52.58	26.97	21.64
		No ILR (213,109)	43.90	23.13	19.88
	Unemployed Group 2: 'Cycling' individuals with 3 or more unemployment spells in last 60 months	ILR Learner (58,124)	66.41	50.35	45.70
		ILR Learner & Achiever (35,818)	66.46	49.81	45.21
		No ILR (279,618)	59.59	46.98	44.27
	Unemployed Group 3: Unemployed for all of the last 60 months	ILR Learner (58,121)	71.29	49.27	41.16
		ILR Learner & Achiever (38,983)	71.47	49.34	40.65
		No ILR (244,847)	61.42	42.01	37.01
	Unemployed Group 4: At least one continuous spell of unemployment lasting for ≥6 months	ILR Learner (209,408)	65.71	45.39	39.18
		ILR Learner & Achiever (135,878)	65.76	45.01	38.49
No ILR (960,618)		57.28	40.27	36.54	
All Unemployed	ILR Learner (266,640)	62.94	41.98	36.05	
	ILR Learner & Achiever (173,431)	63.04	41.59	35.39	
	No ILR (1,247,613)	54.40	36.93	33.38	

Tables 14 and 15 suggest a similar pattern across our two age groups when considering the proportions who continue in FE learning into the second and third years after claim start date. In both tables Achievers have higher proportions in some form of ILR learning three years from claim start, when compared to the more general *ILR Learner* populations. For 18 to 24 year olds the gap tends to be between 1 and 2 pts across groups of unemployed and for those aged 25+ it is between 2 and 3 pts. As one would perhaps expect, by the third year proportions of 18 to 24 year olds in ILR learning are around 5 pts higher than those aged 25+.

Table 14: Proportion of individuals aged 18-24 with at least one day in FE learning, in (tax) years after claim start date: All ILR learners and achievers

		In ILR learning for at least 1 day			
		(Numbers in brackets)	1 year after	2 years after	3 years after
Aged 18-24 Years	Unemployed Group 1: Always employed or unemployed just once for less than 6 months, in previous 60 months	ILR Learner (2,250)	66.09	37.11	27.33
		ILR Learner & Achiever (1,472)	74.52	41.98	28.06
		No ILR (22,521)	11.10	15.10	15.37
	Unemployed Group 2: 'Cycling' individuals with 3 or more unemployment spells in last 60 months	ILR Learner (27,509)	64.55	35.58	28.31
		ILR Learner & Achiever (16,346)	73.29	39.82	29.39
		No ILR (244,413)	12.75	17.21	18.02
	Unemployed Group 3: Unemployed for all of the last 60 months	ILR Learner (27,471)	72.13	41.43	31.95
		ILR Learner & Achiever (17,007)	82.31	47.57	34.33
		No ILR (171,390)	14.64	18.30	19.31
	Unemployed Group 4: At least one continuous spell of unemployment lasting for ≥6 months	ILR Learner (89,688)	69.09	39.29	30.25
		ILR Learner & Achiever (54,694)	78.74	44.57	32.01
		No ILR (676,833)	13.82	17.87	18.67
All Unemployed	ILR Learner (94,245)	68.96	39.07	30.10	
	ILR Learner & Achiever (57,620)	78.55	44.41	31.80	
	No ILR (722,029)	13.62	17.69	18.48	

Table 15: Proportion of individuals aged 25+ with at least one day in FE learning, in (tax) years after claim start date: All ILR learners and achievers

		In ILR learning at least for 1 day			
		(Numbers in brackets)	1 year after	2 years after	3 years after
Aged 25+ Years	Unemployed Group 1: Always employed or unemployed just once for less than 6 months, in previous 60 months	ILR Learner (42,658)	68.19	39.45	22.02
		ILR Learner & Achiever (28,344)	77.43	46.76	24.54
		No ILR (213,109)	1.44	6.42	8.71
	Unemployed Group 2: 'Cycling' individuals with 3 or more unemployment spells in last 60 months	ILR Learner (58,124)	68.76	39.48	24.86
		ILR Learner & Achiever (35,818)	76.69	46.22	27.33
		No ILR (279,618)	1.64	8.50	11.80
	Unemployed Group 3: Unemployed for all of the last 60 months	ILR Learner (58,121)	71.56	41.41	26.28
		ILR Learner & Achiever (38,983)	79.05	48.43	29.52
		No ILR (244,847)	1.46	6.71	9.07
	Unemployed Group 4: At least one continuous spell of unemployment lasting for ≥6 months	ILR Learner (209,408)	69.92	40.10	24.75
		ILR Learner & Achiever (135,878)	77.89	46.94	27.44
		No ILR (960,618)	1.53	7.36	10.12
All Unemployed	ILR Learner (266,640)	69.53	40.02	24.27	
	ILR Learner & Achiever (173,431)	77.74	46.95	26.91	
	No ILR (1,247,613)	1.49	7.16	9.86	

3.2 Unemployment duration and labour market outcomes

Tables 16 to 21 recreate some of the prior analysis according to whether we see individuals from Cohort 1 with (i) at least one in-scope ILR learning aim, (ii) achieving at least one in-scope ILR learning aim or (iii) having no in-scope ILR learning aim; but this time selecting populations of unemployed who are still observed in unemployment (a) 6 months and (b) 12 months from claim start date. For those aged 25+ this is relatively straightforward, as these sub-populations of individuals still in unemployment at either 6 or 12 months from claim start date, are still in our STU phase of unemployment²⁹. However, those aged 18 to 24 enter the LTU phase when their unemployment duration reaches 6 months (as this is the point of referral to the ND). We do not therefore present statistics for the population of unemployed aged 18 to 24 who have an unemployment duration of 12 months or more, as this would not be comparable.

Table 16 presents outcome measures for the population of 18 to 24 year old individuals in Cohort 1 who we observe having an unemployment duration of at least 6 months. As one would expect, when we compare this to the outcomes for the entire inflow of 18 to 24 year olds in Table 2, we observe lower employment rates across all Groups in Table 16. For instance, the *No ILR* category in Group 2 of Table 16 have a 64% employment rate three years from claim start date³⁰ compared to a 74% rate for the same Group in Table 2. As we would perhaps expect from previous discussion, this employment differential between comparable Groups in Tables 16 and 2 tends to be less pronounced when we consider ILR Learners and Achievers – as we tend to see FE learning targeted towards the more challenging. For instance, amongst those of Group 3, there is only a 1.7 ppt difference between the 54.7% of *ILR Learners* employed in the third year [in Table 2] and the comparable figure of 53% in Table 16.

Table 16: Individuals aged 18-24 who are still unemployed six months from claim start date; proportion with at least one day in employment, in (tax) years after claim start date (All ILR learners and achievers)

²⁹ During the pre-2011 New Deal period, those aged 25+ were not referred to mandatory ALMP interventions until their unemployment spell reached 18 months duration.

³⁰ To aid comparison with other tables, outcomes are still measured with reference to claim start date rather than the point in time 6 months (or 12 months) from claim start date. This means that the population observed in unemployment at 6 and 12 months will necessarily have worse outcomes in the first and possibly second year after claim start. However, this is not necessarily the case by the third year.

		In Employment for at least 1 day			
		1 year after	2 years after	3 years after	
Aged 18-24 Years	Unemployed Group 1: Always employed or unemployed just once for less than 6 months, in previous 60 months	(Numbers in brackets)			
		ILR Learner (250)	87.29	85.17	86.40
		ILR Learner & Achiever (178)	92.13	88.76	89.89
		No ILR (1,796)	83.70	83.04	81.49
	Unemployed Group 2: 'Cycling' individuals with 3 or more unemployment spells in last 60 months	ILR Learner (4,771)	74.08	73.80	70.32
		ILR Learner & Achiever (2,992)	74.83	74.33	70.59
		No ILR (36,706)	68.34	67.84	64.18
	Unemployed Group 3: Unemployed for all of the last 60 months	ILR Learner (8,221)	45.67	53.61	53.04
		ILR Learner & Achiever (5,311)	47.07	55.23	55.11
		No ILR (51,564)	39.36	44.86	44.79
	Unemployed Group 4: At least one continuous spell of unemployment lasting for ≥6 months	ILR Learner (19,511)	60.11	63.91	62.09
		ILR Learner & Achiever (12,343)	60.95	64.95	63.44
		No ILR (135,640)	55.17	57.29	55.65
	All Unemployed	ILR Learner (20,008)	60.74	64.41	62.62
		ILR Learner & Achiever (12,684)	61.74	65.54	64.03
		No ILR (139,236)	55.87	57.94	56.28

In Table 16 we see a similar pattern across all Groups, with Achievers having a slightly higher employment rate than the more general population of *ILR Learners* and with both of these groups having higher employment rates than the *No ILR* category. In Tables 17 and 18 this pattern is replicated, and we also observe a steady fall in the absolute proportions with at least one day in employment [in the third year] as we move from consideration of (i) all those aged 25+ in Table 7; to those aged 25+ with an unemployment spell of at least 6 months in Table 17 (a fall of around 8 to 12 pts); to those with an unemployment spell of at least 12 months duration in Table 18 (a fall of around 4 to 6 pts). Here we can see why Phase II (i) treats analysis of the STU and LTU separately and (ii) matches individuals in our treatment group (*Achievers*) and control groups (mainly *Non-achievers*, but also some sub-groups taken from the *No ILR* population), according to the time that ILR learning starts³¹, in addition to many other factors.

Table 17: Individuals aged 25+ who are still unemployed six months from claim start date; proportion with at least one day in employment, in (tax) years after claim start date: All ILR learners and achievers

³¹ For Achievers and Non-achievers this is straightforward, and represents the time elapsed between claim start date and start of the ILR Learning Spell for the STU; and time elapsed between X and start of the ILR Learning Spell for the LTU. When using a 'No ILR' control group, we match on the time elapsed to an imputed training start date.

	(Numbers in brackets)	In Employment for at least 1 day		
		1 year after	2 years after	3 years after
Unemployed Group 1: Always employed or unemployed just once for less than 6 months, in previous 60 months	ILR Learner (9,189)	73.18	77.16	76.13
	ILR Learner & Achiever (6,267)	73.08	77.34	76.29
	No ILR (31,457)	71.51	73.79	72.60
Unemployed Group 2: 'Cycling' individuals with 3 or more unemployment spells in last 60 months	ILR Learner (16,104)	63.42	66.68	63.80
	ILR Learner & Achiever (10,280)	63.34	67.23	64.79
	No ILR (59,058)	59.67	61.63	58.26
Unemployed Group 3: Unemployed for all of the last 60 months	ILR Learner (25,673)	29.35	37.63	37.78
	ILR Learner & Achiever (17,628)	29.99	39.39	39.63
	No ILR (81,899)	20.84	26.53	26.47
Unemployed Group 4: At least one continuous spell of unemployment lasting for ≥6 months	ILR Learner (72,139)	47.71	53.77	52.55
	ILR Learner & Achiever (48,100)	47.74	54.51	53.64
	No ILR (248,452)	42.82	46.79	45.33
All Unemployed	ILR Learner (83,940)	51.29	57.07	55.76
	ILR Learner & Achiever (56,086)	51.67	58.01	56.96
	No ILR (288,909)	46.83	50.57	49.12

Aged 25+ Years

Table 18: Individuals aged 25+ who are still unemployed 12 months from claim start date; proportion with at least one day in employment, in (tax) years after claim start date: All ILR learners and achievers

	(Numbers in brackets)	In Employment for at least 1 day		
		1 year after	2 years after	3 years after
Unemployed Group 1: Always employed or unemployed just once for less than 6 months, in previous 60 months	ILR Learner (3,361)	60.18	71.18	70.36
	ILR Learner & Achiever (2,335)	60.08	71.29	70.47
	No ILR (9,534)	59.34	67.31	66.96
Unemployed Group 2: 'Cycling' individuals with 3 or more unemployment spells in last 60 months	ILR Learner (7,056)	51.87	61.24	58.70
	ILR Learner & Achiever (4,631)	51.76	61.76	59.81
	No ILR (23,096)	46.50	55.22	52.37
Unemployed Group 3: Unemployed for all of the last 60 months	ILR Learner (14,480)	20.29	32.69	33.98
	ILR Learner & Achiever (10,238)	20.82	34.21	35.83
	No ILR (41,700)	12.74	21.60	22.24
Unemployed Group 4: At least one continuous spell of unemployment lasting for ≥6 months	ILR Learner (36,176)	35.50	46.77	46.54
	ILR Learner & Achiever (24,891)	35.62	47.66	47.75
	No ILR (110,684)	30.24	39.15	38.47
All Unemployed	ILR Learner (40,453)	38.11	49.34	48.98
	ILR Learner & Achiever (27,838)	38.29	50.22	50.16
	No ILR (122,907)	33.09	41.94	41.26

Aged 25+ Years

Table 19 considers the proportions on Active Benefits in the years following claim start data for the population of 18 to 24 year olds who experience at least 6 months of unemployment. The differences in outcomes between this population and the more general population in Table 12 seem particularly stark; with the proportion of 18 to 24 year olds on Active Benefits three years from claim start date more than 15 percentage points higher in Table 19 for Group 1; and at least 10 ppts higher for Groups 2 and 4. As one would expect the gap is not so large for Group 3 (ranging from 5 to 8 percentage points), as they face particular disadvantage, and focusing on those amongst this group who experience 6 months or more of unemployment does not have such a strong 'sifting' or selection effect.

However, despite these rather pronounced absolute gaps in active benefits rates between Groups in Table 12 and table 19, the same relative pattern holds; with 18 to 24 year olds who achieve an ILR learning aim having lower average levels on active benefits, when compared to either the more general group of *ILR Learners* or those with *No ILR* – the one exception again is Group 1, where the *No ILR* category have a lower proportion on benefits (38.5% compared to 42.3% amongst achievers).

Table 19: Individuals aged 18-24 who are still unemployed six months from claim start date; proportion with at least one day on active benefits, in (tax) years after claim start date: All ILR learners and achievers

		On Active Benefits for at least 1 day			
		(Numbers in brackets)	1 year after	2 years after	3 years after
Aged 18-24 Years	Unemployed Group 1: Always employed or unemployed just once for less than 6 months, in previous 60 months	ILR Learner (250)	80.08	47.03	44.49
		ILR Learner & Achiever (178)	81.14	44.57	42.29
		No ILR (1,796)	82.76	44.09	38.51
	Unemployed Group 2: 'Cycling' individuals with 3 or more unemployment spells in last 60 months	ILR Learner (4,771)	85.62	60.74	54.74
		ILR Learner & Achiever (2,992)	85.85	59.10	53.79
		No ILR (36,706)	87.13	61.05	56.33
	Unemployed Group 3: Unemployed for all of the last 60 months	ILR Learner (8,221)	89.61	62.43	54.12
		ILR Learner & Achiever (5,311)	89.13	60.48	52.68
		No ILR (51,564)	91.14	64.01	57.56
	Unemployed Group 4: At least one continuous spell of unemployment lasting for ≥6 months	ILR Learner (19,511)	87.99	60.54	53.53
		ILR Learner & Achiever (12,343)	87.80	58.82	52.27
		No ILR (135,640)	89.01	61.51	55.64
	All Unemployed	ILR Learner (20,008)	87.79	60.26	53.27
		ILR Learner & Achiever (12,684)	87.60	58.48	52.00
		No ILR (139,236)	88.83	61.12	55.28

In Tables 20 and 21 the suggestion is that this pattern, where Achievers have the lowest proportions on active benefits, does not hold for those aged 25+. There is some variability across the two Tables, but generally we have a pattern where the *No ILR* category in Groups 1 through to 4 have some of the lowest proportions on Active Benefits by the third year; followed by Achievers with slightly higher rates and finally the more general *ILR*

Learner category tends to have the highest proportion on benefits three years after claim start date. There are some exceptions to this (for instance Group 2 at 6 months duration), but in these cases the gaps are only around 0.5 of a percentage point. Again we observe a steady rise in the absolute proportions with at least one day on active benefits [in the third year] as we move from consideration of (i) all those aged 25+ in Table 12; to those aged 25+ with an unemployment spell of at least 6 months in Table 20; to those with an unemployment spell of at least 12 months duration in Table 21.

Table 20: Individuals aged 25+ who are still unemployed six months from claim start date; proportion with at least one day on active benefits, in (tax) years after claim start date: All ILR learners and achievers

		(Numbers in brackets)	On Active Benefits for at least 1 day		
			1 year after	2 years after	3 years after
Aged 25+ Years	Unemployed Group 1: Always employed or unemployed just once for less than 6 months, in previous 60 months	ILR Learner (9,189)	86.39	45.91	34.34
		ILR Learner & Achiever (6,267)	86.04	45.39	33.46
		No ILR (31,457)	82.67	38.77	29.29
	Unemployed Group 2: 'Cycling' individuals with 3 or more unemployment spells in last 60 months	ILR Learner (16,104)	91.16	65.53	56.62
		ILR Learner & Achiever (10,280)	91.32	65.09	55.90
		No ILR (59,058)	89.14	63.31	56.11
	Unemployed Group 3: Unemployed for all of the last 60 months	ILR Learner (25,673)	93.19	66.48	53.12
		ILR Learner & Achiever (17,628)	93.24	66.50	52.38
		No ILR (81,899)	90.36	62.19	51.36
	Unemployed Group 4: At least one continuous spell of unemployment lasting for ≥6 months	ILR Learner (72,139)	91.87	63.56	52.13
		ILR Learner & Achiever (48,100)	91.95	63.31	51.27
		No ILR (248,452)	89.09	59.72	50.29
	All Unemployed	ILR Learner (83,940)	91.09	61.32	49.93
		ILR Learner & Achiever (56,086)	91.10	60.92	48.99
		No ILR (288,909)	88.20	57.04	47.67

Table 21: Individuals aged 25+ who are still unemployed 12 months from claim start date; proportion with at least one day on active benefits, in (tax) years after claim start date: All ILR learners and achievers

	(Numbers in brackets)	On Active Benefits for at least 1 day			
		1 year after	2 years after	3 years after	
Aged 25+ Years	Unemployed Group 1: Always employed or unemployed just once for less than 6 months, in previous 60 months	ILR Learner (3,361)	100.00	74.39	50.82
		ILR Learner & Achiever (2,335)	100.00	74.54	50.31
		No ILR (9,534)	100.00	70.12	45.98
	Unemployed Group 2: 'Cycling' individuals with 3 or more unemployment spells in last 60 months	ILR Learner (7,056)	100.00	81.60	66.63
		ILR Learner & Achiever (4,631)	100.00	81.40	66.30
		No ILR (23,096)	100.00	80.47	65.80
	Unemployed Group 3: Unemployed for all of the last 60 months	ILR Learner (14,480)	100.00	82.70	63.62
		ILR Learner & Achiever (10,238)	100.00	82.78	62.95
		No ILR (41,700)	100.00	81.68	63.67
Unemployed Group 4: At least one continuous spell of unemployment lasting for ≥6 months	ILR Learner (36,176)	100.00	81.19	63.13	
	ILR Learner & Achiever (24,891)	100.00	81.13	62.49	
	No ILR (110,684)	100.00	80.23	62.79	
All Unemployed	ILR Learner (40,453)	100.00	80.49	61.95	
	ILR Learner & Achiever (27,838)	100.00	80.43	61.29	
	No ILR (122,907)	100.00	79.31	61.30	

3.3 Cohort 2 outcomes

The analysis in Sections 3.1 and 3.2 is carried out for Cohort 1 (who have a claim start date between April 2006 and 2008). Tables 22 to 25 carry out some aspects of the previous analysis of employment and benefit outcomes for Cohort 2 (who have a claim start date between Aug 2011 and July 2012)³². Similarly, Figure 5 is in three sections and sets out for Cohort 2, the same analysis as that for Cohort 1 in Figure 4. The first part (5a) shows that unemployed individuals who have '*No in-scope ILR learning aim*' are once again more likely to have at least one day in employment in the tax years prior to claim start, when compared to those who have '*At least one ILR learning spell aim*' (5b).

Similarly, those with '*At least one ILR learning spell aim*' are slightly more likely to be observed in employment in the tax years after claim start date, when compared to those with '*No in-scope ILR learning aim*' – for instance amongst 18 to 24 year olds, 68% of the former group have at least one day in employment in the first tax year after claim start date, compared to 67% in the latter. This suggests slightly more positive outcomes for unemployed individuals who undertake FE learning, but this is against a backdrop of

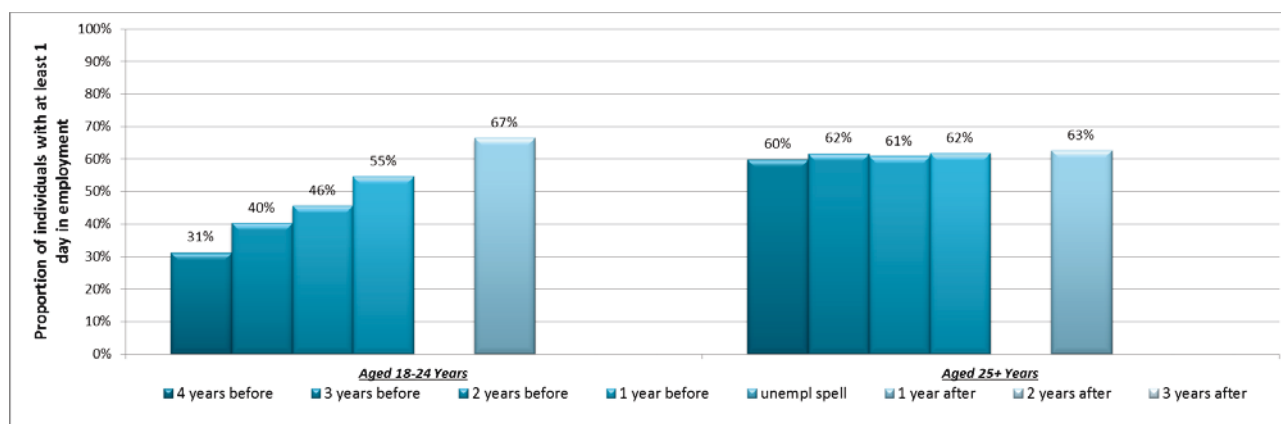
³² Figures reported for the first year after claim starts date are based only on the Cohort 2 individuals who have a claim start date between 1st August 2011 and 5th April 2012. We only have employment data for the 2012/13 tax year, and therefore, to observe at least one full tax year for all the inflow (using the categorisation we have adopted) we limit the inflow – there is no reason to expect that those left out of the stats are anything but a random draw from the population included.

differential selection into FE learning that is even more pronounced amongst those of Cohort 2 than Cohort 1. For Cohort 2, the employment rate for 18 to 24 year olds who engage with some form of FE learning increases from 49% in the year before claim start date to 68% one year after (Figure 5) – an improvement of 19 pts (compared to an increase of 13 pts from 58% to 71% amongst similarly aged Cohort 1 learners in Figure 4). In contrast, the improvement for those who do not take up FE learning amongst Cohort 2 is 12 pts (from 55% to 67%) compared to 10 pts (from 61% to 71%) in Cohort 1. The suggestion is that, if anything, the selection of more challenging individuals into FE learning is even more pronounced amongst Cohort 2, when compared to Cohort 1.

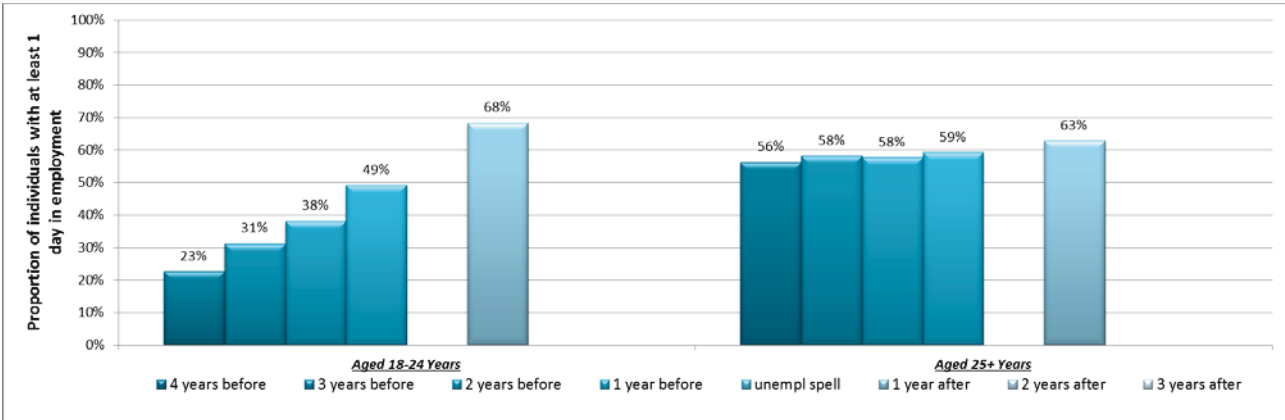
Section 5c of Figure 5 shows that (in line with the findings from Cohort 1) the employment histories of those achieving at least one learning aim seem almost identical to the wider population of those we observe (in 5b) with at least one in-scope ILR learning aim; therefore they are similarly ‘harder to help’ than the population with no ILR learning aim. When we consider outcomes, achievers of FE learning have raw employment rates that are only 1 percentage point higher than those with no FE (ILR) learning for the 18 to 24 age group, 1 year on from claim start. This is in contrast to a raw difference of around 4 to 5 pts amongst those of Cohort 1, possibly because the relative disadvantage of FE learners, compared to those without any FE learning, seems even more pronounced in Cohort 2 than Cohort 1, when they take up learning.

Figure 5: Proportion of individuals in COHORT 2 with at least one day in employment, in years before and after claim start date: according to whether individuals have (a) No in-scope FE (ILR) Learning Aim (b) At least one FE learning aim and (c) An FE aim that they achieve

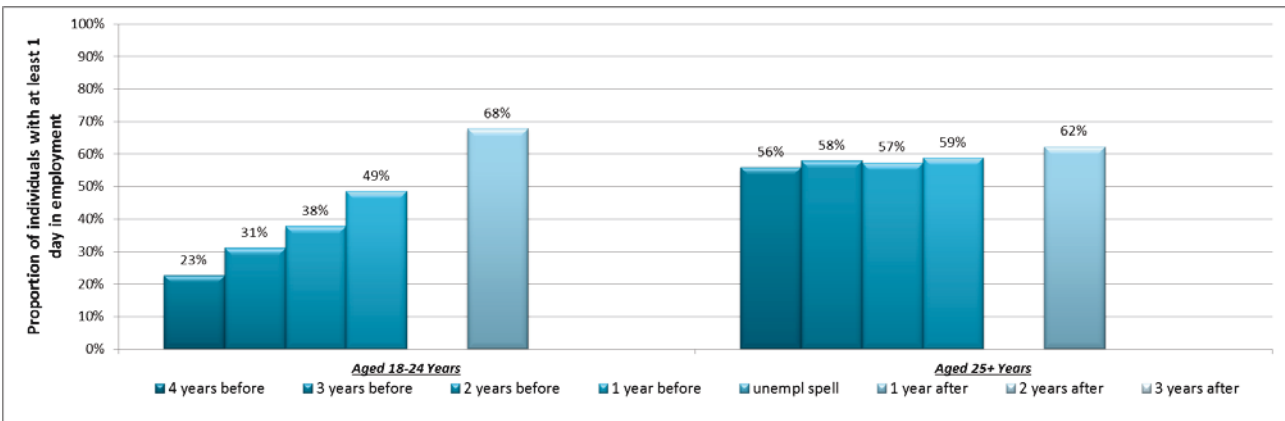
5a: All those with NO in-scope FE learning



5b: All those with at least one in-scope FE learning aim



5c: All those with an in-scope FE learning aim, that is achieved



Limitations of the data mean that the analysis in Table 22 can only consider outcomes one year from claim start date for Cohort 2. We must be careful in jumping to conclusions with such a limited time span for analysis, but it is perhaps surprising how little the first year employment proportions differ from those for Cohort 1. In Group 1 the figure of 92% for achievers in Table 22 is slightly lower than the figure of 93.6% in Table 2 – but there is no difference with the *No ILR* and *ILR Learner* categories. Generally, across many of the specific categories of learner within Groups, we observe slightly lower employment rates in Cohort 2 than in Cohort 1, as we would expect with the onset of recession. For instance, in Table 2 the *No ILR* category of Group 3 have a first year employment rate of 46.2% and this is only 44.3% for Cohort 2 in Table 22.

However, we still observe a similar relative pattern when comparing *No ILR* and *ILR Learner* categories within each Group. Within Group 1 there is virtually no difference in the raw employment outcomes between the *No ILR* and *ILR Learner* categories in the first year; whilst in Group 2, *ILR Learner* employment rates are 2.3 pts higher than the *No ILR* category in the first year; and the equivalent gap is 6.7 pts for Group 3. These descriptions hold true whether we are considering first year employment rates in Cohort 1 or Cohort 2. This suggests that both before and after the recession, similar selection effects are at work when we consider those who do, and those who do not, take up *ILR* learning. However, when we consider first year employment outcomes for achievers relative to the wider population of *ILR Learners* we see less of a gap in Cohort 2 than we did in Cohort 1 (where the raw employment rates tend to be relatively higher for achievers). These are raw figures and as a result there are two possible explanations,

either we have lower returns to achievement in the post 2011 period or when we control for differences between achievers and non-achievers in Cohorts 1 and 2 in Phase II, we will see similar returns (see Section 7 of the Phase I report).

Table 22 also presents proportions on active benefits and those undertaking some form of ILR learning in the first year after claim start. Given the large fall-off in rates for these indicators after the first year, they must be treated with care, but generally we tend to observe higher proportions in Cohort 2 across most Groups, as we would expect with the onset of recession.

Table 22: Proportion of individuals aged 18-24 with at least, one day (i) in employment, (ii) on benefits or (iii) ILR learning in first tax year after claim start date: Cohort 2, with claim start date between August 2011 and July 2012

		Status One Year after Claim Start Date			
		In Employment for at least 1 day	On Active Benefits for at least 1 day	In ILR learning for at least 1 day	
Aged 18-24 Years	Unemployed Group 1: Always employed or unemployed just once for less than 6 months, in previous 60 months	ILR Learner (1,965)	92.76	63.10	77.96
		ILR Learner & Achiever (1,436)	91.99	66.92	82.73
		No ILR (10,236)	92.49	46.89	7.19
	Unemployed Group 2: 'Cycling' individuals with 3 or more unemployment spells in last 60 months	ILR Learner (33,758)	80.42	79.02	77.23
		ILR Learner & Achiever (24,489)	79.77	80.47	81.40
		No ILR (122,270)	78.12	68.49	11.71
	Unemployed Group 3: Unemployed for all of the last 60 months	ILR Learner (47,829)	51.00	82.37	80.54
		ILR Learner & Achiever (36,372)	50.76	82.90	84.54
		No ILR (122,089)	44.30	73.42	14.92
	Unemployed Group 4: At least one continuous spell of unemployment lasting for ≥6 months	ILR Learner (129,963)	67.64	80.03	79.42
		ILR Learner & Achiever (96,992)	67.03	81.00	83.53
		No ILR (391,022)	65.22	69.70	13.18
All Unemployed	ILR Learner (133,934)	68.37	79.56	79.35	
	ILR Learner & Achiever (99,862)	67.73	80.60	83.48	
	No ILR (410,692)	66.50	68.81	12.93	

Again, when considering those aged 25+ in Table 23 we see little difference in the first year employment proportions from those for Cohort 1, with slightly lower employment rates in Cohort 2 than in Cohort 1, as we would expect. However, as with our analysis of 18 to 24 year olds in the two Cohorts, we still observe a similar relative pattern when comparing *No ILR* and *ILR Learner* categories within each Group. Within Groups 1 and 2 of Cohort 1 there is very little difference in the raw employment outcomes between the *No ILR* and *ILR Learner* categories in the first year (Table 6) – and in Table 23 this changes slightly amongst those of Cohort 2, as we see the *No ILR* category in these two Groups having slightly higher first year employment rates. The suggestion is that in the recessionary period ILR learning is perhaps being targeted towards the more challenging amongst the unemployed within these Groups.

Amongst those of Group 3 and Group 4 the same pattern of selection seems evident as amongst those of Cohort 1. For instance, amongst Group 3 in Cohort 2 we observe *ILR Learner* employment rates 7 pts higher than the *No ILR* category in the first year (a gap that is almost identical to that in Cohort 1). Again, there is less of a gap in first year employment outcomes for achievers relative to the wider population of *ILR Learners* in Cohort 2 than in Cohort 1 (where raw employment rates tend to be relatively higher for achievers).

Table 23: Proportion of individuals aged 25+ with at least, one day (i) in employment, (ii) on benefits or (iii) ILR learning in first tax year after claim start date: Cohort 2, with claim start date between August 2011 and July 2012

		Status One Year after Claim Start Date			
		In Employment for at least 1 day	On Active Benefits for at least 1 day	In ILR learning for at least 1 day	
Aged 25+ Years	Unemployed Group 1: Always employed or unemployed just once for less than 6 months, in previous 60 months	ILR Learner (39,901)	85.99	73.24	76.70
		ILR Learner & Achiever (29,776)	85.30	76.24	80.73
		No ILR (181,600)	87.85	57.19	3.00
	Unemployed Group 2: 'Cycling' individuals with 3 or more unemployment spells in last 60 months	ILR Learner (55,487)	75.18	84.90	78.90
		ILR Learner & Achiever (42,400)	74.40	86.88	82.34
		No ILR (208,389)	76.24	71.90	5.38
	Unemployed Group 3: Unemployed for all of the last 60 months	ILR Learner (62,526)	31.82	85.96	82.61
		ILR Learner & Achiever (49,665)	31.71	87.49	85.76
		No ILR (228,276)	24.73	73.20	4.31
	Unemployed Group 4: At least one continuous spell of unemployment lasting for ≥6 months	ILR Learner (197,813)	56.82	84.32	80.64
		ILR Learner & Achiever (154,034)	56.01	86.26	84.16
		No ILR (727,467)	54.29	70.88	4.75
All Unemployed	ILR Learner (249,489)	62.95	82.08	79.81	
	ILR Learner & Achiever (192,422)	61.92	84.29	83.45	
	No ILR (963,497)	62.61	67.64	4.36	

Tables 24 and 25 provide a breakdown of the employment outcomes presented in Tables 22 and 23 according to the more specific FE learning aim undertaken. The relative patterns within more specific categories of learning are similar to those seen in Tables 22 and 23, in most cases. For instance, in Table 24 we see 18 to 24 year old achievers have lower first year employment rates than non-achievers across all groups of unemployed when we consider *L1/L2 Maths (numeracy) and/or English (literacy) and Preparation for Work at L1 or Below*; and across most groups (apart from Group 3) *Level 2* learning aims. In contrast, those achieving *FL2+* aims have higher raw employment rates than non-achievers.

Once again we must be careful in comparing raw outcomes between achievers and non-achievers in the first year after learning, as any difference may reflect more of a lock-in effect for the former group (as the latter contain many drop-outs); and we need to consider the outcomes from Phase II Section 7, where we compare outcomes for achievers and non-achievers, who are matched to ensure that we are comparing 'like with like'.

Table 24: Proportion of individuals aged 18-24 with at least one day in employment in first tax year after claim start date, by type of in-scope ILR learning³³: Cohort 2, with claim start date between August 2011 and July 2012

		Proportion with at least one day in employment, one year after claim start date (numbers in brackets)				
		In-scope ILR Literacy/Numeracy L1/L2 aim	In-scope ILR Level 2 (L2)	In-scope ILR Full Level 2 and above (FL2+)	In-scope ILR L1 or below (not Literacy or Numeracy)	
Aged 18-24 Years	Unemployed Group 1: Always employed or unemployed just once for less than 6 months, in previous 60 months	Achievers	94.12 (391)	91.21 (307)	92.55 (282)	90.93 (948)
		Non-Achievers	95.51 (245)	95.50 (111)	90.70 (86)	96.94 (327)
	Unemployed Group 2: 'Cycling' individuals with 3 or more unemployment spells in last 60 months	Achievers	81.90 (6,143)	79.32 (4,532)	81.25 (4,310)	79.92 (17,828)
		Non-Achievers	84.22 (4,595)	80.12 (2,193)	80.27 (2,114)	84.48 (5,605)
	Unemployed Group 3: Unemployed for all of the last 60 months	Achievers	51.52 (9,628)	51.68 (5,875)	55.45 (4,426)	51.40 (27,585)
		Non-Achievers	54.73 (6,939)	49.73 (2,815)	51.67 (2,212)	55.33 (7,652)
	Unemployed Group 4: At least one continuous spell of unemployment lasting for ≥6 months	Achievers	68.28 (24,760)	67.97 (16,977)	71.50 (14,250)	67.09 (72,512)
		Non-Achievers	71.05 (18,148)	67.47 (8,055)	68.04 (6,733)	72.07 (21,282)
	All Unemployed	Achievers	69.05 (25,537)	68.75 (17,597)	72.28 (14,839)	67.70 (74,409)
		Non-Achievers	71.72 (18,660)	68.12 (8,274)	68.80 (6,951)	72.79 (21,945)

Table 25: Proportion of individuals aged 25+ with at least one day in employment in first tax year after claim start date, by type of in-scope ILR learning: Cohort 2, with claim start date between August 2011 and July 2012

³³ As with previous analyses, Tables 24 and 25 provide outcomes across more specific segments of learning aim within the broader 'ILR learner' segments in Tables 22 and 23. For instance, in Table 22 we have 24,489 ILR Achievers amongst Group 2. In Table 24 we consider the 6,143 amongst this group of individuals who achieve a *L1/L2 Numeracy and/or Literacy* learning aim; as well as the 4,532 *L2* achievers; 4,310 achieving *FL2+* and 17,828 *Preparation for Work at L1 or Below*. The total number of achievers in Table 24 (32,813) adds to more than the overall number of ILR achievers (24,489) in Table 22, because we have many individuals who achieve more than one learning aim within our population – with some implication that the numbers with multiple achievement is greater in Cohort 2 than Cohort 1.

**Proportion with at least one day in employment, one year after
claim start date (numbers in brackets)**

		In-scope ILR Literacy/Numeracy L1/L2 aim	In-scope ILR Level 2 (L2)	In-scope ILR Full Level 2 and above (FL2+)	In-scope ILR L1 or below (not Literacy or Numeracy)	
Aged 25+ Years	Unemployed Group 1: Always employed or unemployed just once for less than 6 months, in previous 60 months	Achievers	86.50 (6,194)	86.70 (6,120)	85.98 (7,032)	84.27 (20,104)
		Non-Achievers	91.19 (2,724)	87.47 (1,652)	90.16 (2,358)	89.90 (3,603)
	Unemployed Group 2: 'Cycling' individuals with 3 or more unemployment spells in last 60 months	Achievers	75.11 (8,542)	75.97 (7,729)	77.22 (8,665)	74.39 (29,659)
		Non-Achievers	80.62 (4,366)	75.27 (2,709)	78.20 (3,514)	78.87 (5,576)
	Unemployed Group 3: Unemployed for all of the last 60 months	Achievers	32.69 (11,741)	39.60 (6,718)	42.73 (7,782)	30.45 (32,374)
		Non-Achievers	33.74 (4,407)	37.22 (1,929)	40.19 (2,565)	32.46 (5,369)
	Unemployed Group 4: At least one continuous spell of unemployment lasting for ≥6 months	Achievers	56.39 (33,470)	61.78 (25,201)	63.88 (28,851)	55.63 (103,900)
		Non-Achievers	62.52 (14,334)	62.20 (7,867)	64.52 (10,432)	60.75 (18,083)
	All Unemployed	Achievers	62.25 (41,500)	67.72 (33,065)	69.23 (37,889)	61.42 (129,764)
		Non-Achievers	68.58 (18,048)	67.91 (10,093)	70.60 (13,601)	66.93 (22,909)

4. Conclusion

The statistics presented in this report are part of a wider investigation that confirms the appropriateness of information contained in the matched WPLS-ND-ILR-LMS dataset as a resource for estimating the impacts of training undertaken by the unemployed within FE. The discussion underlines the strong selection effects at work when we compare the general population of unemployed with those who we observe in FE learning. More specifically, when considering the entire population of unemployed in Cohort 1 (Figure 4) and Cohort 2 (Figure 5), we see FE learners having much worse prior labour market histories, but better outcomes – and this ‘negative selection’ into FE seems even more pronounced amongst those of Cohort 2

The employment rate of 18 to 24 year olds in Cohort 2 who engage with some form of FE learning increases from 49% in the year before claim start date to 68% one years after. For those who do not undertake FE learning in Cohort 2, the prior rate of employment is much higher at 55% and the proportion in employment one year later is lower at 67%. The employment rate of those who do not take up FE learning amongst Cohort 1 goes from 61% one in the year before claim start, to 71% one year after; compared to a rise from 58% to 71%, amongst those who undertake FE learning.

We also see much higher proportions of FE learning amongst the most disadvantaged groups - for instance Group 3 who have no HMRC employment recorded in the 5 years prior to claim start date are the group with the highest proportion of FE learners. This suggests that we still observe the sort of negative selection effects amongst the unemployed that have confounded estimates of returns to low level vocational learning using survey data. However, with up to 60 months of prior labour market history; a number of indicators that go back 8 years before claim start date; and the potential to create non-achiever control groups that overcome such negative selection effects, this Phase I report shows that the ILR-WPLS-ND-LMS dataset can capture such effects and arrive at robust returns to FE learning for the unemployed – justifying the commissioning of Phase II. The opportunity to also create alternative control groups from the general population of unemployed who do not undertake FE Learning, but who are flagged for basic support in the LMS [Client Segment 1]), also provides an important opportunity to compare returns to FE learning, against a more general control group who do not experience FE.

This is of immense value, as it begins to shed light on the extent to which we can expect any returns to FE learning to apply across a wider group of unemployed individuals. However, it also constitutes another test of robustness for the achiever V non-achiever approach. It is perhaps easiest to understand why this additional control group allows us some insight into the validity of achiever V non-achiever comparisons if we focus on an example from the report.

If we look at Table 2 Group 1, we might question whether the ‘No ILR’ group is a valid control for ILR learners (whether achievers or not) because overall those in ‘Unemployed Group 1’ (always employed or unemployed just once, for less than 6 months in last 60 months) are a relatively strong group of unemployed – they are likely to contain individuals who are, on average, relatively more able, possibly in ways we cannot observe. Here we are likely to experience more substantial negative selection effects (that may not be observable in the data), for those who select into FE from this ‘relatively’ able group. Both

achievers and non-achievers in this case (when we control for a variety of factors) may have worse outcomes than even a matched 'No ILR' group, because the latter are not a good comparison for those who select into FE. This is potentially analogous to the situation we see in survey-based studies, where unobservable negative selection into FE may be responsible for negative estimated returns (though we must remember that such negative returns relate to earnings, selection of less able individuals into FE would similarly impact employment rates).

However, as we move down Table 2, we come to more disadvantaged groups and we see the No ILR group (for instance in Group 3) having slowly worsening outcomes, relative to either achievers or non-achievers. As we consider Groups with ever more limited labour market prospects (as reflected in their unemployment histories) then those who select into FE (achievers and non-achievers) more closely resemble those who are left behind in the No ILR group – because they all have such lessened labour market prospects, we do not suffer so much from (possibly unobservable) negative selection effects. Group 3 are such a challenging group that selection into FE likely becomes positive (those selecting into FE are potentially a more employable subset of Group 3) – the 'No ILR' group have very poor outcomes, when compared to achievers or non-achievers.

The econometric analysis in Phase II provides us with an opportunity to investigate these issues, in an environment where we have treatment and control groups matched on observable characteristics, to ensure a balance in employment rates during the 60 months prior to claim start date. The accompanying Phase II report provides this insight, whilst also utilising the dataset described here, alongside the LTU data (described in the Appendix to this report), to provide insight into what works and for whom amongst a representative sample of unemployed.

The data created as part of this project allow the analysis of returns and other insights in a way that is actionable by BIS and DWP colleagues. Client groups are categorised across policy regimes and use existing (and on-going) flags within administrative systems. This allows any findings to be brought back into the process of policy development, as individuals can easily be identified within these systems and linked to a particular set of policy recommendations from Phase II – the ability to identify client groups is already embedded within administrative systems going forward.

The results will not be dependent on any particular framework for delivery and therefore much more widely applicable – we consider the short-term unemployed, long-term unemployed, before and after 2011 (when policy regimes changed), before and after 2008 (when the present crisis struck) and both younger and older (18 to 24 and 25+) age groups. Findings will be applicable going forward, whatever the economic climate over coming years.

Technical Appendix

Table 26: Proportion of individuals aged 18-24 with at least 6 months in continuous employment, in years after claim start date: All ILR learners and achievers

		(Numbers in brackets)	In Sustained Employment for at least 6 months		
			1 year after	2 years after	3 years after
Aged 18-24 Years	Unemployed Group 1: Always employed or unemployed just once for less than 6 months, in previous 60 months	ILR Learner (2,250)	73.69	81.87	81.51
		ILR Learner & Achiever (1,472)	75.15	83.45	83.15
		No ILR (22,521)	75.13	82.64	81.90
	Unemployed Group 2: 'Cycling' individuals with 3 or more unemployment spells in last 60 months	ILR Learner (27,509)	44.22	58.10	58.64
		ILR Learner & Achiever (16,346)	46.10	60.50	60.82
		No ILR (244,413)	44.52	56.90	56.86
	Unemployed Group 3: Unemployed for all of the last 60 months	ILR Learner (27,471)	20.31	34.31	38.66
		ILR Learner & Achiever (17,007)	22.27	37.62	42.11
		No ILR (171,390)	20.47	31.25	34.28
	Unemployed Group 4: At least one continuous spell of unemployment lasting for ≥6 months	ILR Learner (89,688)	37.07	50.57	52.64
		ILR Learner & Achiever (54,694)	39.23	53.35	55.51
		No ILR (676,833)	38.62	50.18	51.17
All Unemployed	ILR Learner (94,245)	38.62	51.96	53.91	
	ILR Learner & Achiever (57,620)	40.90	54.81	56.81	
	No ILR (722,029)	40.60	52.00	52.88	

Table 27: Proportion of individuals aged 25+ with at least 6 months in continuous employment, in years after claim start date: All ILR learners and achievers

		(Numbers in brackets)	In Sustained Employment for at least 6 months		
			1 year after	2 years after	3 years after
Aged 25+ Years	Unemployed Group 1: Always employed or unemployed just once for less than 6 months, in previous 60 months	ILR Learner (42,658)	62.76	75.24	76.30
		ILR Learner & Achiever (28,344)	63.15	75.74	77.00
		No ILR (213,109)	68.00	76.86	76.27
	Unemployed Group 2: 'Cycling' individuals with 3 or more unemployment spells in last 60 months	ILR Learner (58,124)	38.23	51.84	53.06
		ILR Learner & Achiever (35,818)	39.16	53.12	54.66
		No ILR (279,618)	42.51	53.25	51.98
	Unemployed Group 3: Unemployed for all of the last 60 months	ILR Learner (58,121)	20.80	31.71	35.43
		ILR Learner & Achiever (38,983)	21.79	33.30	37.43
		No ILR (244,847)	20.15	27.25	28.90
	Unemployed Group 4: At least one continuous spell of unemployment lasting for ≥6 months	ILR Learner (209,408)	34.94	47.39	49.73
		ILR Learner & Achiever (135,878)	35.93	48.75	51.48
		No ILR (960,618)	37.66	47.04	47.25
All Unemployed	ILR Learner (266,640)	40.64	53.14	55.17	
	ILR Learner & Achiever (173,431)	41.71	54.51	56.90	
	No ILR (1,247,613)	44.37	53.68	53.63	

Table 28: Descriptive Statistics of the differences between individuals aged 25+ in Group 3 and those aged 25+ in the general population of unemployed

Variables	<u>Unemployment Group 3</u>			<u>The rest of the Unemployed</u>		
	ILR Learner	ILR Learner & Achiever	No ILR	ILR Learner	ILR Learner & Achiever	No ILR
Socio-demographic characteristics						
Male	59.66%	58.23%	71.42%	61.85%	61.16%	70.21%
Age in years	40.04	40.19	41.76	38.56	38.72	39.48
White ethnicity	54.73%	54.74%	70.66%	71.75%	72.38%	77.84%
Disability	33.35%	32.26%	35.55%	26.22%	25.36%	24.00%
Offender	0.85%	0.76%	0.80%	0.41%	0.39%	0.30%
Ever lone parent	19.68%	19.75%	15.13%	12.10%	11.57%	10.03%
Children	26.51%	26.23%	22.48%	19.14%	18.69%	17.52%
Dependency	0.28%	0.25%	0.30%	0.12%	0.12%	0.09%
Refugee status	3.94%	4.14%	1.10%	0.72%	0.69%	0.39%
Ever Asylum seeker	1.34%	1.28%	0.77%	0.69%	0.65%	0.45%
Number of prior caseworker referrals	0.29	0.27	0.28	0.17	0.17	0.14
Previous ALMP referral	0.19	0.18	0.25	0.18	0.17	0.17
Regional characteristics						
IMD score	26.50	26.53	25.16	24.61	24.65	23.54
Employment ID score	21,256	21,482	19,049	18,619	18,697	16,982
Local employment rate	71.14%	71.13%	72.17%	72.91%	72.90%	73.58%
Local unemployment rate	6.05%	6.04%	5.65%	5.35%	5.34%	5.11%
Percentage in:						
North East	5.78%	6.05%	6.39%	7.11%	7.44%	6.29%
North West	12.99%	13.36%	15.07%	14.76%	14.93%	15.46%
Yorkshire and the Humber	11.04%	11.30%	10.58%	11.62%	11.80%	11.18%
East Midlands	7.18%	7.28%	7.08%	9.11%	9.11%	8.76%
West Midlands	13.93%	14.21%	11.65%	14.09%	14.40%	11.97%
East of England	6.23%	5.92%	8.47%	8.15%	7.92%	9.78%
London	28.17%	27.66%	23.68%	15.37%	14.91%	15.15%
South East	8.82%	8.42%	10.89%	10.82%	10.44%	12.97%
South West	5.88%	5.80%	6.12%	8.98%	9.04%	8.43%
FE qualification history						
Number of prior ILR starts	1.71	1.79	0.61	1.66	1.70	0.75
Number of prior ILR achievements	1.04	1.11	0.37	0.99	1.03	0.46
Entry Level qualification (past 5 years)	0.01	0.01	0.01	0.02	0.02	0.01
L1/L2 qualification (past 5 years)	0.11	0.11	0.03	0.08	0.09	0.03
FL2+ qualification (past 5 years)	0.00	0.00	0.00	0.00	0.00	0.00
Labor market history						
Months employed in last 6 months	0	0	0	3.71	3.76	3.70
Months employed in last 2 years	0	0	0	14.65	14.85	14.76
Months employed in last 8 years	2.09	2.02	2.53	48.21	48.71	49.54
Daily earning in the tax year Before claim start	£7.70	£8.65	£8.66	£34.24	£35.46	£38.79
N	58,121	43,072	244,847	208,519	154,046	1,002,766

Segment 3 (Figure 1)

Figure 1 also defines a **Segment 3** which includes all individuals with apparent 'early' referrals to either the ND, FND or WP (i.e. before their expected ALMP referral date around 'fuzzy' X). In both Cohort 1 and Cohort 2, this group make up between 3 and 5.5% of all those flowing into unemployment. A small proportion amongst this client group are early referrals only because they have a very short break (less than Z weeks³⁴) between their prior unemployment spell and the spell that qualifies them for consideration in the inflow window. For instance, an individual aged 25+ with a claim start date in January 2007 and a claim end date in March 2008 will have an expected date of referral (X) to ND25+ in July 2008 (18 months later). This suggests that, whilst we may observe interventions in the LMS or ILR, we should not observe a referral to ND25+, because the individual exits unemployment before their expected date of referral (X). However, we may observe them being referred to the ND25+ in, for instance, May 2007 partly because they had a prior spell starting before April 2006 that finished less than 6 weeks before the January 2007 claim start date.

Jobcentre Plus staff will have referred this individual to the ND25+ because they are effectively LTU, but (importantly) they are LTU as defined by an earlier inflow window. Moving the inflow window further back in time to incorporate this example will simply create other examples of this phenomena. In contrast, allowing just these early referrals to appear in our LTU sample would be the same as expanding the inflow window back for just this Segment of unemployed individual – bringing in an element of differential selection.

Perhaps more importantly, as *Note 4* to Figure 1 suggests, the majority of Segment 3) [79% in Cohort 1 and 84% in Cohort 2] do not seem to be early referred for the reasons suggested above. Individual's in Segment 3) constitute only between 3 and 5.5% of the population inflow and they are not prioritised for investigation in Phase II. This group are not a priority for investigation, but they do need to be separately categorized; an individual who is early referred to an ALMP is 'exceptional' in some way, and the specific reasons for this may be unobservable in the data – hence this very small group of individuals is dropped from the analysis in Phase II.

Capturing Training Interventions in the LTU Phase

Figure 6 describes the process carried out to select individuals receiving training interventions delivered within the LTU phase. The criteria for selection of individuals included in the LTU dataset in Figure 6 can be seen as representing a subset of STU individuals in Figure 1, but this is not strictly correct. To ensure that we have large enough numbers to carry out a useful analysis of the LTU, we expand our inflow window. We select all individuals with a First Active Benefit Claim Start Date between April 2005 and 2009 (rather than 2006-2008) for Cohort 1 and between August 2010 and July 2012 (rather than 2011-2012) for Cohort 2, to ensure we have enough individuals selecting into

³⁴ This is a simplification of the underlying decision rules followed by Jobcentre Plus staff. A detailed explanation of these rules and our translation of them into algorithms for selection is detailed in the Online Technical Appendix.

our population of LTU. However, in terms of the criteria for selection, the LTU are a subset of the STU.

We record all referrals/interventions (training or otherwise) taking place in the 12 months following an individual's expected date of referral to an ALMP programme (X^{35}), for all individuals who have an unemployment spell that overlaps X (1.137 million in Cohort 1 and 1.235 million in Cohort 2). Once again, we adopt an inclusive approach to data creation, and therefore do not limit consideration to only those interventions taking place whilst an individual is unemployed. Rather, we capture all of the training interventions that occur between (fuzzy) X and $X+12$ months; and the approach to selection leaves us with a segment who are considered as 'back in unemployment', alongside a more typical segment who are 'still in unemployment' (X months from claim start date).

More specifically,

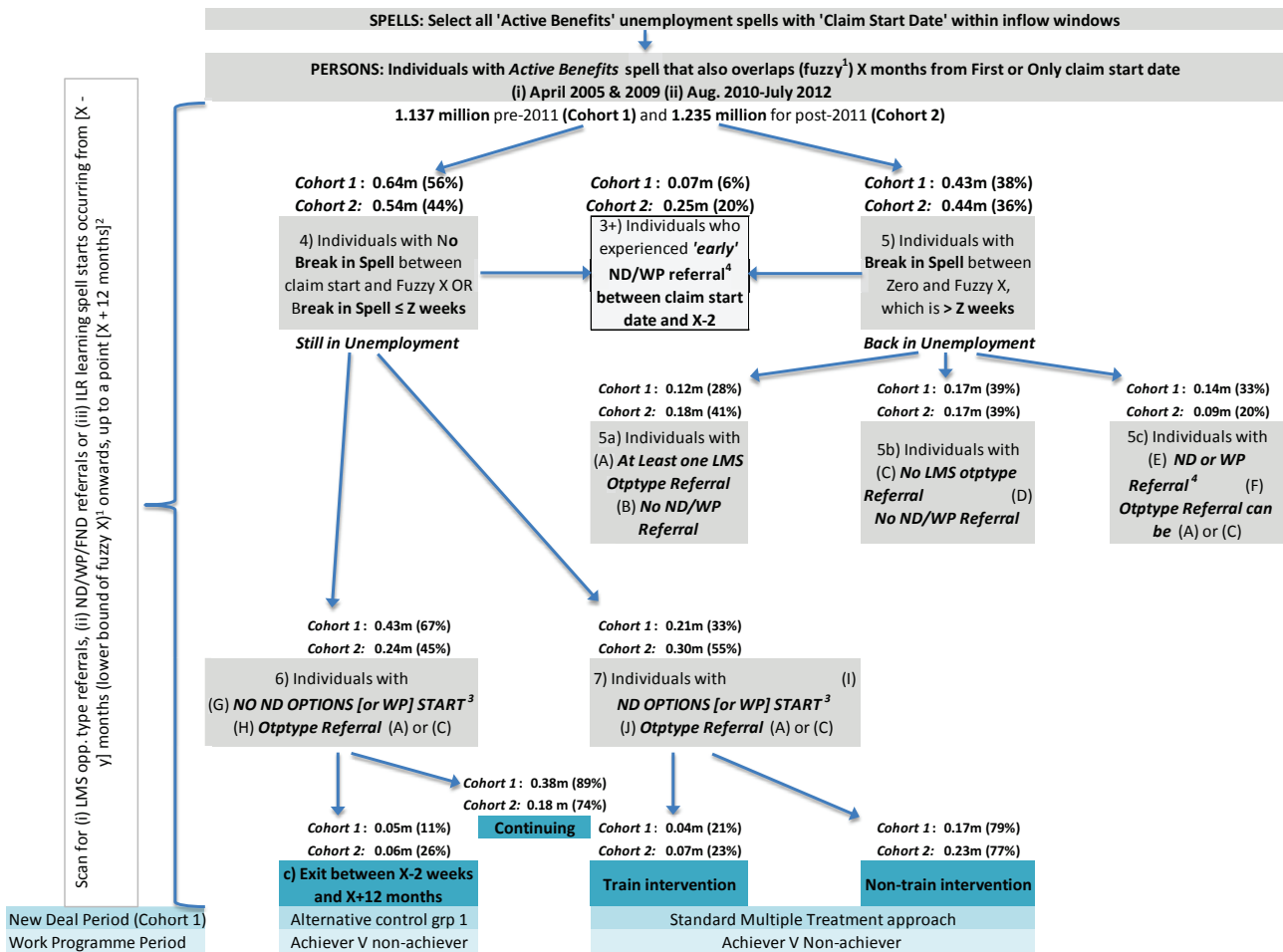
- We have 0.64m Cohort 1, and 0.54m Cohort 2, individuals in **Segment 4)** of Figure 6 who have either (i) no gap in unemployment spells between claim start and fuzzy X (i.e. the same spell overlaps both) or (ii) any gap is small enough ($\leq z$ weeks) that we would expect to observe a referral to ALMP at some point after X because Jobcentre Plus staff will treat this as a contiguous spell.
- There are 0.43m Cohort 1, and 0.44m Cohort 2, individuals in **Segment 5)**, which includes all individuals who, using this approach to LTU selection, have a gap **greater than z** between (i) the first claim start date that makes them eligible for our population inflow window and, (ii) the unemployment spell that overlaps the period between $X-2$ weeks and $X+2$ weeks (or Fuzzy X).

Segment 4) includes a LTU population who are *still in unemployment X months on from first claim start date* and Segment 5) includes those who are *back in unemployment X months on from first claim start date*. Segment 5) captures more explicitly a client group of individuals who have at least one 'cycle' in and out of unemployment during a STU period. Segment 4) captures a LTU population more typical of studies that attempt to gauge the efficacy of ALMPs and who form the focus of analysis for the Phase II report.

We then trawl the Labour Market System (LMS), Individualised Learner Record (ILR) and New Deal (ND) datasets for all interventions/referrals (training or otherwise) that occur between fuzzy X and a point 12 months on from X (as this period of 12 months captures 90% of all individuals in the data who have a ND start, and ND end, date). Figure 6 details the dissection of segments 4) and 5) into more distinct client groups, that will form the focus of analysis. However, before detailing this classification we first need to clarify those who fall under **Segment 3+)**.

³⁵ X is the point when, given their characteristics, we would expect an individual to be referred to the relevant ALMP. Around this date we create a 2-week band either side, creating a 'fuzzy' X .

Figure 6: Identifying LTU populations and Segments from the LMS and ND datasets



1: Each individual has an expected ALMP referral date (X) and around this a band of +/- 2 weeks creates a 'fuzzy' X cut off point
2: From an analysis of the ND data around 90% of those who complete the New Deal programme do so within 12 months.
3: For those who fall under the Flexible New Deal, Category 7) includes individuals observed starting Stage 4 FND.
4: Individuals in these categories who fall under the remit of Flexible New Deal are those 'fast-tracked' to Stage 3 or Stage 4 FND.

Dealing with early referrals [Segment 3] in Figure 1] who flow into LTU [Segment 3+] in Figure 6]:

1. The criteria for selection of LTU individuals into Figure 6 represent a subset of STU individuals in Figure 1 and as a result we will have individuals in Figure 6 who have a recent unemployment history that broadly falls into segments 1), 2) and 3) from Figure 1. Individuals with and without optype interventions [Segments 1) and 2)] will be spread around each client group in the LTU population of Figure 6 and when calculating the returns to training for the LTU it will be important to match on the extent to which individuals have received interventions whilst STU. However, we wish to deal differently with the subgroup of individuals who are amongst Segment 3) of Figure 1, who also qualify for inclusion in the LTU population of Figure 6.
2. Figure 6 recognizes an initial split in the LTU population into Segment 4) and Segment 5), as described above. All individuals that fell into Segment 1) or Segment 2) from Figure 1 flow down into LTU Segments 5a), 5b), 5c), 6) and 7) – they are individuals we observe taking a relatively 'standard' trajectory from STU to LTU, and they will form

the focus of study.

3. However, all individuals in Segment 3) from Figure 1 have a less standard trajectory, as they are referred early in the STU Phase, for reasons we may not be able to observe. The subgroup of individuals from Segment 3) of Figure 1, who also qualify for inclusion in the LTU population, are separately categorized as **Segment 3+)** in Figure 6.

Defining LTU Client Groups in Segments 5a), 5b), 5c), 6) and 7) of Figure 6:

One of the criteria for categorization of the STU in Figure 1 is the existence or otherwise of an **early referral** to ND/WP/FND, during the period between claim start date and X. As suggested above, any individual from this group who also qualifies for inclusion in the LTU population, is separately categorized into Segment 3+). Therefore, when considering the categorization of individuals in Figure 6, by default we 'ignore' early referrals to ND/WP/FND for the client groups that form the main focus of analysis [5a), 5b), 5c), 6) and 7)]. In addition, because of differences in the way that data are recorded for the WP, ND and FND we now need to consider separately the criteria for selection into the LTU in (i) the (pre-2011) ND period, (ii) the (post-2011) WP period and (iii) the overlapping FND period.

(i) Categorisation of LTU client groups during the ND (pre-2011) period

Individuals flowing down from **Segment 4)** into **Segment 6)** or **Segment 7)** will be those who are 'Still in Unemployment' at Fuzzy X – these are the LTU typically considered in studies that evaluate the efficacy of ALMP interventions such as the New Deal and a focus of our Phase II analysis. They have had either no break or a brief (less than z-week) break, and as a result we expect to see them either experiencing some form of ND intervention during the Options stage, or exiting prior to any such intervention.

Segment 6) is therefore created to include all individuals who have **NO ND Options Start between X-2 and X+12**. These individuals may, or may not, have a ND Referral and/or Gateway start date between X-2 and X+12. It is important to record these dates, as they are useful in any matching processes and they are the points in an individual's timeline when, in Phase II of the project, we consider prior/post labour market profiles. However, the existence or otherwise of a referral to ND and/or Gateway start does not determine whether somebody flows into Segment 6) as opposed to Segment 7).

Segment 7) is therefore created to include all individuals who have **ND Options Start between X-2 and X+12**. We would expect a large majority of these individuals to have a ND Referral and/or Gateway start date between X-2 and X+12, but some may not – again, the existence or otherwise of a referral/Gateway start does not determine selection into this Segment.

Individuals flowing down from **Segment 5)** into **Segment 5a), Segment 5b)** or **Segment 5c)** will be those who are 'Back in Unemployment' at Fuzzy X – these are individuals not typically seen in studies gauging the efficacy of ALMP interventions. They have had a more substantial break in unemployment spells (greater than z-weeks), and as a result we would not necessarily expect them to receive a **ND referral**. This group will more likely be

treated by Jobcentre Plus staff in a similar way to the STU in Figure 1 – whilst they have a prior spell before the one that overlaps X, it is far enough in the past that advisors would likely treat them as a new claim. Therefore, this group are split in the same way as our STU in Figure 1, using **ND Referral** (alongside otype referral) as the main factor distinguishing allocation into Segments 5a), 5b) and 5c). It is important to record ND Starts on the Gateway or Options stage, but this does not determine selection into these segments³⁶.

(ii) Categorisation of LTU client groups during the WP (post-2011) period

The analysis of training interventions under the Work Programme (WP) will be less extensive in the early stages of this programme of work, because the data are limited. We observe no information on the nature of any training/non-training interventions in the LMS and have nothing for the WP that is equivalent to our ND datasets. All we observe are (i) referrals to WP in the LMS, (ii) WP Starts in the LMS and (iii) FE training recorded in the ILR, for a subset of those referred or starting the WP.

Figure 6 still remains relevant, but there is a slight difference in the criteria determining allocation to client groups created under the WP, compared to the ND description above. In the first instance, the same criteria for selection into the initial Segments 4), 3+) and 5) are used. Individuals flowing down from **Segment 4)** into **Segment 6)** or **Segment 7)** will be those who are ‘Still in Unemployment’ at Fuzzy X (in the same way this group were defined under the New Deal scenario above).

However, **Segment 6)** is now created to include all individuals who have **NO WP Start between X-2 and X+12** (i.e. No *LMS ORF_DATE_STARTED*). These individuals may, or may not, have a WP Referral between X-2 and X+12. It will be important to record this referral date, as it will be useful in any matching processes, but as above it does not determine selection into Segment 6).

Segment 7) is therefore created to include all individuals who have **WP Start between X-2 and X+12** (they have *LMS ORF_DATE_STARTED*). We would expect a large majority of these individuals to have a WP Referral between X-2 and X+12, but some may not – again, the existence of otherwise of a referral does not determine selection into Segment 7).

³⁶ Implicit in the discussions of 5a), 5b and 5c) is the assumed treatment of this group of individuals ‘back in unemployment’ in a slightly different way to the STU in Figure 1. Many of those flowing down from Segment 5) of Figure 2 will be treated as starting a new unemployment spell by Jobcentre Plus advisors (as in the STU phase of Figure 1), but in order to treat them in exactly the same way as Figure 1 we would need to have a new expected date of ALMP referral (say X1), created from the point of claim start of the spell that overlaps X. There are a number of reasons why this is problematic, not least the complications faced when creating X1 for those individuals that span ND/FND/WP policy divides. Therefore, we have carried out scans of LMS, ND and ILR datasets between X and X+12 months for referrals/interventions for this Segment, as we do for other Segments in Figure 6. This will allow exploratory analysis of the interventions that this group experience, consideration of the extent to which interventions differ from other groups and discussion of possible strategies to identify value added.

Individuals flowing down from **Segment 5)** into **Segment 5a), Segment 5b)** or **Segment 5c)** will be those who are 'Back in Unemployment' at Fuzzy X and we would not necessarily expect to see them receiving a **WP Referral**. This group are split in the same way as our STU in Figure 1 – that is, using **WP Referral** (alongside other optype segments), as the main factor distinguishing allocation into Segments 5a), 5b) and 5c). As with the ND evaluation, for the WP the aim is to focus analysis on segments 5a), 5b), 6) and 7) in Figure 6.

As the final few lines of Figure 6 suggest, any future analysis of returns to training for individuals in Segment 6) and Segment 7) under the WP will need to rely on an achiever V non-achiever approach, as the only data on interventions is in the ILR.

(iii) Categorisation of LTU client groups during the FND period

Before discussing the allocation of individuals to Segments in Figure 6 under the FND, it is worth noting that generally the approach represents a closer alignment to the WP. Stage 3 of the FND includes elements of the ND Options stage and at Stage 4 individuals are referred to external providers, in a similar way to the WP. We consider individuals starting Stage 4 of FND as equivalent to individuals starting the WP and this is considered as equivalent to the start of ND Options stage – aligning our approach somewhat closer to the WP.

The following criteria determine allocation to client groups in Figure 6 for those under the FND. In the first instance, we have the same criteria for selection into the initial Segments 4), 3+) and 5) as under the ND/WP. However,

- **Segment 6)** is now created to include all individuals who have **NO FND Stage 4 Start between X-2 and X+12**.
- **Segment 7)** is therefore created to include all individuals who have **FND Stage 4 Start between X-2 and X+12**.

Individuals flowing down from **Segment 5)** into **Segment 5a), Segment 5b)** or **Segment 5c)** will be those who are 'Back in Unemployment' at Fuzzy X and we would not necessarily expect to see them Starting Stage 3 or 4 of FND. This group are split in the same way as STU individuals in Figure 1 – that is, using **early Stage 3 or 4 FND Start** (alongside other optype segments), as the main factor distinguishing allocation into Segments 5a), 5b) and 5c).



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