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# The effect of Active Labour Market policies on Youth Unemployment - Literature Review

## Final Report

# **The effect of Active Labour Market policies on Youth Unemployment –Literature Review**

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

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## ***Glossary***

ALMP	Active Labour Market Policies
ESF	European Social Fund
ETF	European Training Foundation
FJF	Future Jobs Fund
GDP	Gross Domestic Product
GO Wales	Graduate Opportunities Wales
HE	Higher Education
HEFCW	Higher Education Funding Council for Wales
ILM	Institute of Leadership and Management
ILO	International Labour Organization
JGW	Jobs Growth Wales
LFS	Labour Force Survey
NDYP	New Deal for Young People
NEA	New Enterprise Allowance
NEET	Young People not in Education, Employment or Training
OECD	Organisation for Economic Co-operation and Development
PES	Public Employment Service
RCE	Regional Competitiveness and Employment
SGW	Skills Growth Wales
WNF	Working Neighbourhoods Fund

## ***Key Findings:***

- At the time this review first reported in 2013, youth unemployment had risen sharply in the UK as a result of the recession, providing the impetus to implement youth Active Labour Market Policies (ALMP) such as Jobs Growth Wales (JGW). More recently, whilst youth unemployment at UK level has fallen, regional disparities are still prevalent, with Wales still experiencing one of the highest rates. This is the context in which the predecessor programme JGW II has been designed and implemented.
- The consistently low rates of youth unemployment in Germany and the Netherlands highlight the importance of the link between the education system and the labour market, as well as the institutional support that young people receive to make this transition. It demonstrates the importance of high quality vocational education that provides a structured pathway into work.
- While youth and adult unemployment share several common causes, particularly a lack of demand for labour, there are also some distinct causes of youth unemployment which need to be understood in order to design effective ALMP.
- A range of ALMP measures have been implemented internationally, including measures specifically for the youth labour market. These can be broadly classified into the following groups: public work programmes and community services; subsidised employment in private firms, self-employment and entrepreneurship, labour market training; job search assistance and other employment services.
- There are a range of alternative methodologies for estimating the impact of ALMP. The most appropriate method for evaluating JGW, as recommended when this review first reported in 2013, was felt to be quasi-experimental approach with statistical techniques such as propensity score matching and difference-in-difference analysis used to generate an appropriate control group. Most studies are only able to examine the short-run impact of ALMP, whereas the JGW final evaluation has been able to examine the medium to longer term labour market impacts of the programme<sup>1</sup>.

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<sup>1</sup> The JGW evaluation has incorporated a longitudinal assessment of the programme's labour market outcomes, collecting the evidence for this via surveys of a cohort of applicants for JGW vacancies who applied for jobs during 2012/13. This survey took place in May 2013 (an average 6.5 months following the initial application) and in September 2015 (an average of 27 months following the initial application)

- The international evidence provides mixed conclusions on the effectiveness of youth ALMP with some studies finding evidence of positive effects, but other studies finding negative effects consistent with young people being a hard group to reach. It is, however, difficult to make informative comparisons since the results may depend on the stage of the business cycle, institutional features of the labour market, the type of scheme in operation and the timescale of the evaluation. In terms of the latter, evaluations over the longer-term tend to produce more positive findings and should be borne in mind given the relatively short timescale for the evaluation of JGW.
- In terms of the nature of ALMP, the evidence suggests that wage subsidy programmes are more effective than training or public works and, consistent with this, programmes benefit from links to the private sector. This evidence is consistent with the design of JGW. Many evaluation studies also show more favourable outcomes for females than for males and it was therefore recommended in 2013 that the evaluation of JGW should consider the role of gender.
- Within the UK, there is evidence that the New Deal for Young People (NDYP) has been a successful policy intervention in the youth labour market. There have been a range of high quality evaluation studies using a quasi-experimental approach. In most cases, it has been found that the NDYP has had a significant positive effect on employment for participants and also that the marginal social benefit of the programme exceeded its marginal social cost.
- A range of ALMP has been introduced within Wales, including some schemes specifically for the youth labour market. ALMP is implemented at both a national and local level which makes identifying the contribution of each policy difficult. The evaluation evidence relating to these schemes is more limited, particularly since many have been introduced relatively recently.

## 1. Introduction<sup>2</sup>

As a consequence of the economic crisis, unemployment has risen dramatically in many OECD countries. A particularly worrying trend in the UK is the increasing number of young unemployed people. The youth unemployment rate in UK is higher than the EU or OECD average, and is far worse than the best performing countries such as Germany, the Netherlands and Switzerland. In 2012, almost a million young people are unemployed in the UK – 18.2 per cent of economically active 18-24 year olds and 36.3 per cent of economically active 16-17 year olds<sup>3</sup>. In Wales, 16-24 years olds make up over one third of the total number of benefit claimants, and youth unemployment has been consistently higher than in any other country in the UK<sup>4</sup>. Active labour market programmes (ALMP) are commonly used to fight youth unemployment and improve future labour market prospects. Reducing the number of young unemployed is a key priority for the UK and Welsh Governments and in recent years they have enhanced the level of support to young people through ALMP. A critical issue is therefore the effectiveness of ALMP, particularly the relative effectiveness of different types of ALMP in the current economic climate.

This literature review has been conducted in support of, the evaluation of Jobs Growth Wales being led by Ipsos MORI in partnership with WISERD and Wavehill Consulting. It provides a flavour of the national and international literature which evaluates existing youth ALMP, but not a full systematic review. It specifically aims to:

- Outline previous and existing youth ALMP, including those within Wales, to provide a context and an assessment of the rationale for the Jobs Growth Wales (JGW) Programme.
- Review the evaluation methodologies applied in the literature and assess their relative strengths and limitations to ensure the JGW evaluation is underpinned by a robust and appropriate methodology.
- Identify the nature of the most effective forms of youth ALMP and outline the impact of these schemes to provide a benchmark for the evaluation of JGW.
- Use the international evidence to identify key lessons for the evaluation and design of future ALMP in Wales.

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<sup>2</sup> This is not a full systematic review rather a review based on academic judgement of the quality and significance of material

<sup>3</sup> UK Labour Force Survey, August- October 2012 seasonally adjusted data.

<sup>4</sup> Claimant Count Age and Proportion Data (2012)



The review first reported in 2013, its primary purpose being to inform the evaluation design for the JGW evaluation and enable the evaluation team to understand how the programme model fit into the wider context of ALMP provision. A refresh has subsequently been undertaken in parallel with the delivery of the final JGW evaluation.

The report draws on literature and data covering the past decade to illustrate the range of ALMP approaches that have been taken in order to tackle youth unemployment and the results that these initiatives have achieved, where possible.

The Report is structured as follows: Section 2 provides a brief overview of recent trends in youth unemployment and Section 3 reviews the main causes of youth unemployment. Together they provide the rationale for youth ALMP. A detailed account of ALMP is given in Section 4 and the main methodological approaches to the evaluation of such programmes are assessed in Section 5. Section 6 provides an overview of the international evidence on youth ALMP. Section 7 focuses more specifically on the effectiveness of training measures, wage subsidies and job creation programmes. Section 8 concentrates on recent evaluation studies in the UK, paying particular attention to the New Deal for Young People. Section 9 reviews recent Governments initiatives targeting young unemployed people in Wales and Section 10 concludes by highlighting the key elements of the review for the JGW evaluation.

## **2. Recent trends in youth unemployment**

JGW was conceived against a backdrop of economic crisis, to which young people have always been more sensitive on account of their disproportionate reliance on new hiring, with employers during times of recession likely to attempt to retain older, more experienced workers where possible, but to curtail or delay recruitment plans.

The 2008 economic crisis led to a steady increase in the youth unemployment rate in a number of European countries, see Table 1. The most recent figures for which data on all countries is available indicate that Spain and Greece now experience the highest rates at 53 and 52 per cent of young people respectively, seemingly in line with the trajectory of the adult unemployment rate for these countries, albeit the rate is lower<sup>5</sup>.

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<sup>5</sup> The 2014 the adult unemployment rate for Spain was 25 per cent and for Greece 27 percent (European Labour Force Survey).

Among those with the highest rates as of 2014, most of these had experienced the highest rates pre-crisis, though not all. Cyprus and Ireland, for example, had lower than average rates in 2006 and have fared particularly badly.

In the UK, youth unemployment rose steadily before the recession but this increase rose sharply from 2008, peaking in 2011 at 21 per cent. Whilst it has reduced substantially over 2013 – 2014, it is still above pre-crisis levels at 17 per cent. Furthermore, the UK is one of the worst performers when reviewing the extent to which unemployment is focused disproportionately on the young, the others being Italy and Sweden. As Figure 1 shows, across OECD countries the youth unemployment rate typically runs around three times that of the adult (25+) unemployment rate, whereas for the UK it runs at nearly four times the rate.

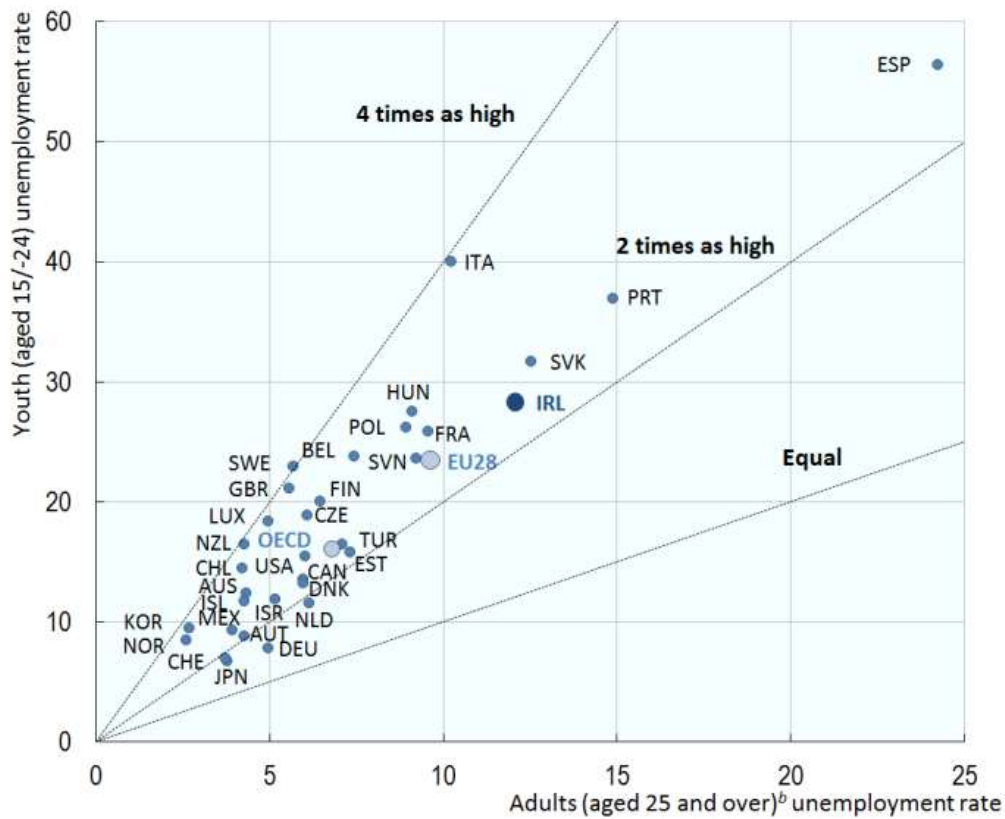
The reasons for the differences in the performance of international youth labour markets are complex and the depth of the recession can only partly explain cross-country variations in youth unemployment rates. As Table 1 indicates, young people's employment prospects were more severely affected by the recession in some countries than others and among the worst affected there have been quite variable trajectories in terms of their recovery. Germany and Luxembourg, for example saw youth unemployment fall over the period and labour market developments in Germany have attracted much attention all over Europe in recent years. Thus, the country-specific characteristics, different labour market institutions and benefit systems are likely to contribute to the variation in cross-country youth unemployment levels. The extent of youth unemployment depends, among other things, on the quality of the education system and the efficiency of transition from school to employment, including the type of labour market integration programmes available for young people. In the UK for example, young people have lower levels of skills compared to other OECD countries, in comparison to older UK workers whose skills are higher than average.

**Table 1** Youth unemployment rate for EU member states, % of youth labour force (aged 15-24), 2006- 2015

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Austria	9.8	9.4	8.5	10.7	9.5	8.9	9.4	9.7	10.3	-
Belgium	20.5	18.8	18.0	21.9	22.4	18.7	19.8	23.7	23.2	21.2
Bulgaria	18.3	14.1	11.9	15.1	21.9	25.0	28.1	28.4	23.8	21.5
Croatia	28.8	25.2	23.7	25.2	32.4	36.7	42.1	50.0	45.5	44.6
Cyprus	10.0	10.2	9.0	13.8	16.6	22.4	27.7	38.9	36.0	33.2
Czech Republic	17.5	10.7	9.9	16.6	18.3	18.1	19.5	18.9	15.9	12.6
Denmark	7.7	7.5	8.0	11.8	13.9	14.2	14.1	13.0	12.6	10.6
Estonia	12.1	10.1	12.0	27.4	32.9	22.4	20.9	18.7	15.0	-
Finland	18.7	16.5	16.5	21.5	21.4	20.1	19.0	19.9	20.5	22.4
France	22.0	19.5	19.0	23.6	23.3	22.7	24.4	24.9	24.2	25.1
Germany	13.6	11.8	10.4	11.1	9.8	8.5	8.0	7.8	7.7	7.3
Greece	25.0	22.7	21.9	25.7	33.0	44.7	55.3	58.3	52.4	-
Hungary	19.1	18.1	19.5	26.4	26.4	26.0	28.2	26.6	20.4	-
Iceland	8.2	7.1	8.2	16.0	16.2	14.6	13.6	10.7	10.0	8.8
Ireland	8.7	9.1	13.3	24.0	27.6	29.1	30.4	26.8	23.9	20.6
Italy	21.8	20.4	21.2	25.3	27.9	29.2	35.3	40.0	42.7	-
Japan	8.0	7.7	7.3	9.3	9.5	8.3	8.1	6.8	6.3	-
Latvia	13.6	10.6	13.6	33.3	36.2	31.0	28.5	23.2	19.6	-
Lithuania	10.0	8.4	13.3	29.6	35.7	32.6	26.7	21.9	19.3	16.6
Luxembourg	15.5	15.6	17.3	16.5	15.8	16.4	18.0	16.9	22.3	14.0
Malta	15.5	13.5	11.7	14.5	13.2	13.3	14.1	13.0	11.7	12.1
Netherlands	10.0	9.4	8.6	10.2	11.1	10.0	11.7	13.2	12.7	11.3
Norway	8.8	7.2	7.3	9.2	9.2	8.7	8.6	9.1	7.9	-
Poland	29.8	21.6	17.2	20.6	23.7	25.8	26.5	27.3	23.9	20.9
Portugal	21.2	21.4	21.6	25.3	28.2	30.2	38.0	38.1	34.7	32.0
Romania	20.2	19.3	17.6	20.0	22.1	23.9	22.6	23.7	24.0	21.4
Slovakia	27.0	20.6	19.3	27.6	33.9	33.7	34.0	33.7	29.7	26.4
Slovenia	13.9	10.1	10.4	13.6	14.7	15.7	20.6	21.6	20.2	15.7
Spain	17.9	18.1	24.5	37.7	41.5	46.2	52.9	55.5	53.2	48.3
Sweden	21.5	19.2	20.2	25.0	24.8	22.8	23.7	23.6	22.9	20.4
Turkey	16.5	17.2	18.5	22.8	19.8	16.9	15.8	17.1	18.0	-
United Kingdom	13.9	14.3	15.0	19.1	19.9	21.3	21.2	20.7	16.9	-
<b>EU 28</b>	<b>17.7</b>	<b>15.9</b>	<b>15.9</b>	<b>20.3</b>	<b>21.4</b>	<b>21.7</b>	<b>23.3</b>	<b>23.7</b>	<b>22.2</b>	<b>20.4</b>

Source: OECD Employment and Labour market, 2015.

**Figure 1 Youth relative to adult unemployment (2013)**

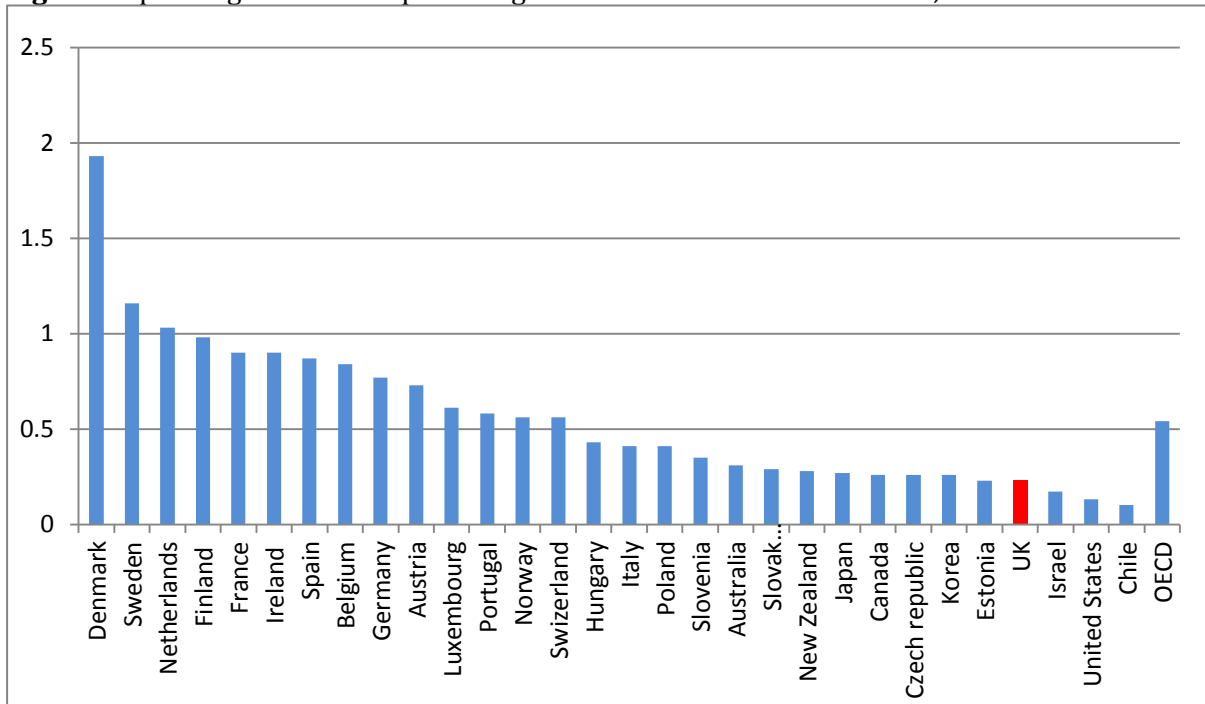


Source: Institute for Policy research (2014)

Against this recent background, reducing youth unemployment has been an expressed objective in a number of countries and well-designed ALMP policies have become increasingly important, though in the OECD, spending on ALMPs varies across member states and remains low as a percentage of Gross Domestic Product (GDP). Denmark, Sweden and the Netherlands are the biggest spenders on active measures as a percentage of GDP. In 2011, the most recent year for which UK data is available for comparison, Denmark spent 1.93 per cent of its GDP on active measures, whereas the UK spent only 0.23, which was well below the median for the 27 countries for which the OECD provided data (See 2)<sup>6</sup>.

<sup>6</sup> This relates to all 'active' labour market policy across the OECD countries, including those targeted at ages above 24 years old

**Figure 2** Spending on ALMP as percentage of the GDP – selected countries, 2011

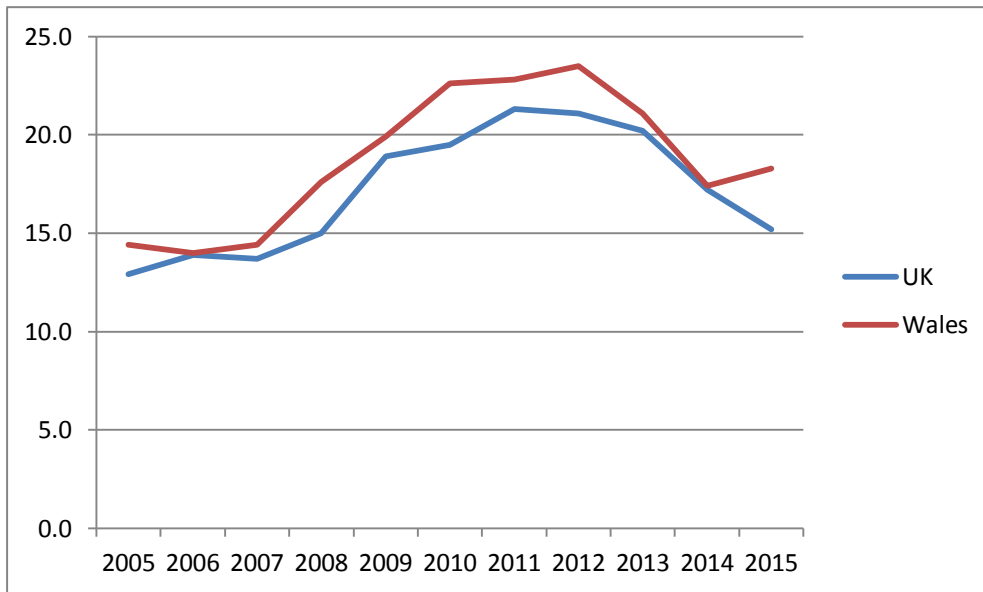


Source: OECD, 2011<sup>7</sup>.

Figure 3 reveals unemployment in both the UK and Wales increased over the period 2005 to 2015, with the average rate of youth unemployment in Wales consistently higher than the rest of the UK. Whilst for both Wales and UK level a downward trajectory began in 2012, the Wales rate has increased over 2014 – 2015 and is at 18 per cent compared with 15 per cent for the UK, according to the most recent figures.

<sup>7</sup> <http://stats.oecd.org/viewhtml.aspx?datasetcode=LMPEXP&lang=en#> - accessed 20/11/15

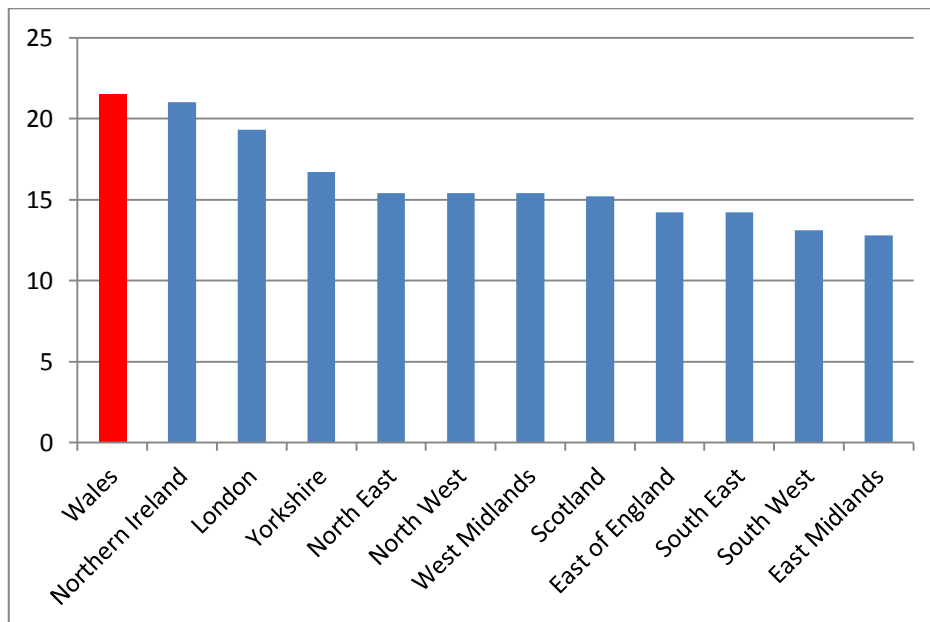
**Figure 3** Youth unemployment rate (aged 16-24), 2005-2015



Source: Annual Population Survey, Office for National Statistics.

There are also marked regional disparities in youth unemployment rates across regions within the UK. It is particularly high in Wales, Northern Ireland and London; (see Figure 4).

**Figure 4** Youth unemployment (aged 16-24) by UK region, 2015 (May – July)



Source: UK Labour Force Survey X02 2015<sup>8</sup>.

<sup>8</sup> [http://www.ons.gov.uk/ons/publications/re-reference-tables.html?newquery=\\*&newoffset=25&pageSize=25&edition=tcm%3A77-375343](http://www.ons.gov.uk/ons/publications/re-reference-tables.html?newquery=*&newoffset=25&pageSize=25&edition=tcm%3A77-375343)

In looking at the youth unemployment rate by local areas in Wales, we find that South West Wales stands out as the region with the highest unemployment rate Table 2 shows youth unemployment has increased across all areas over the course of recession. However, there are sub-regional variations in the level and growth of youth unemployment rates. For example, whereas East Wales and South East Wales appear to have returned to or be nearing pre-recession levels of unemployment (or for Mid Wales –having felt the effects later, recovered earlier and subsequently reduced its rate substantially), West Wales, North Wales and South West Wales still have rates that are comparable with 2009.

**Table 2** ILO youth (aged 16-24) unemployment rate within Wales

	2007	2008	2009	2010	2011	2012	2013	2014	2015
Wales	14.1	17.6	19.9	22.6	22.8	23.5	21.1	17.4	18.3
West Wales	14.6	18.9	21.9	22.1	23.7	22.2	22.7	18.7	21.0
East Wales	11.9	15.0	17.0	20.8	19.6	23.2	16.9	14.0	12.6
North Wales	10.1	12.5	16.2	16.4	18.1	18.1	15.9	16.5	16.7
Mid Wales	15.0	15.0	18.9	13.6	16.0	10.2	8.6	8.8	9.9
South West Wales	11.4	19.5	21.4	25.2	21.4	21.2	23.6	19.4	22.4
South East Wales	17.0	19.2	20.7	25.2	26.2	28.1	23.6	17.9	17.9

Source: Annual Local Labour Force Survey / Annual Population Survey, Office for National Statistics.

Notes: The North Wales figures are based on the aggregation of the six local authorities of Isle of Anglesey, Gwynedd, Conwy, Denbighshire, Flintshire and Wrexham. The Mid Wales data are based the aggregation of the two local authorities of Powys and Ceredigion. The South West Wales economic region data are based the aggregation of its four constituent local authorities: Pembrokeshire, Carmarthenshire, Swansea and Neath Port Talbot. The South East Wales economic region is based on the aggregation of its ten constituent local authorities: Bridgend, The Vale of Glamorgan, Cardiff, Rhondda Cynon Taff, Merthyr Tydfil, Caerphilly, Blaenau Gwent, Torfaen, Monmouthshire and Newport. Data for 2015 is based upon the 12 month period October 2014 – September 2015. Unemployment estimates below 500 (n) are not published, therefore for some local authorities for some years a mid-point of 250 has been applied in order to produce the percentages.

Young people experience additional labour market disadvantages beyond unemployment; for example, when in work they are more likely to be *underemployed* (i.e. work fewer hours than they would prefer) and to be on a lower hourly wage compared to older workers. While the real wages of the typical (median) worker has fallen by 8 -10 per cent – or around 2 per cent a year behind inflation – since 2008, among those aged 18-24, average wages have fallen 15 per cent<sup>9</sup>.

### 3. The causes of youth unemployment

In order to design macroeconomic policies and ALMP to promote better labour market outcomes for young people, it is necessary to understand the specific causes of youth unemployment. Although youth unemployment is strongly dependent on the overall labour market, young people also face specific barriers as they try to secure employment. These include the inexperience trap, which means that employers prefer experienced workers, and youths may not have had the opportunities to gain experience. Young people may also be disadvantaged in the sense of having fewer contacts in the world of work and these networks

<sup>9</sup> Britain in 2015 (ERSC), viewed online at <http://www.esrc.ac.uk/files/news-events-and-publications/publications/magazines-and-newsletters/britain-in/britain-in-2015-jobs/>

have been found to be important in transition from unemployment to work (Harris, 1987). Furthermore, once employed, they may still be among the first to be dismissed on the basis of the last-in first-out principle, as they have the least seniority. But even though young people might lack experience, they tend to be highly motivated and capable of offering new ideas or insights.<sup>10</sup> The underutilisation of the skills and resources of young people has a substantial economic cost. Designing appropriate policies to support their transition to stable employment should therefore be a country's highest priority (ILO, 2012).

According to O'Higgins (2001), youth unemployment has been attributed to three main causes, namely, a lack of aggregate demand, youth wages and size of the youth labour force.

- Aggregate demand affects youth unemployment in the same way that it affects the overall unemployment. A fall in aggregate demand will reduce the demand for labour. This, in effect, will lower the number of individuals, including young people that are hired for employment. It is typically cheaper for firms to fire young people compared to adults. In most cases, when there is a recession, firms freeze recruitment and this explains the relative rise in unemployment.
- Much of the debate in Europe over appropriate responses to youth unemployment has been conducted in terms of the relative importance of the youth/adult wage ratio and aggregate demand. It is frequently argued that young people price themselves out of the job market as their relative wages are too high compared to older workers with much greater levels of work experience. O'Higgins also cites research which notes the relative fall in the relative wages of young workers in the 1990s in OECD countries, was not accompanied by an increase in youth employment rates, rather falls. From this he concludes, "there is no strong evidence that youth unemployment rates are closely linked to youth/adult relative wage rates".
- The third major factor explaining youth unemployment is the size of the youth cohort. Obviously, the more young people entering the labour market, the more jobs will be needed to accommodate them. Korenman and Neumark (1997) studied this problem among 15 OECD countries, and estimated that the elasticity of youth unemployment with respect to the relative cohort size as 0.5, or that an increase in the relative size of the youth population by 10 per cent would raise youth unemployment by around 5 per cent. However, youth unemployment is more likely to increase if the aggregate labour market is not in a position to absorb the increasing number of young people coming into the labour market (O'Higgins, 2001).

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<sup>10</sup> Global employment trends for youth, 2012.



A study by Lee *et al.* (2012) identified the following combination of reasons behind the troubling rise in youth unemployment in the UK:

- *A changing focus on back-to-work support in the unemployment benefits system.* In the mid-2000s, the focus of ALMPs shifted from young people to those on inactivity benefits (for example, lone parents and incapacity claimants). This may have had a negative effect on young people's ability to move off benefits and into work (Goujard *et al.*, 2011).
- *A difficult transition from education to work.* The transition into employment for young people who do not continue in further education may be difficult (Sissons and Jones, 2012). For those young people with poor skill levels an increasingly competitive labour market is likely to place them in a position of increasing disadvantage (Bivand, 2012).
- *A focus on accredited qualifications.* The Government has sought to increase the participation rates of young people staying in non-compulsory education, and this has had a detrimental impact on those young people who choose to look for work instead. The minimum qualification level demanded by employers has risen to the detriment of those young people choosing to leave education earlier (Lee *et al.*, 2012).

#### 4. Classification of ALMPs

Active labour market policies (ALMPs) aim to move unemployed people into work by improving the functioning of the labour market in various ways, including enhancing labour supply and stimulating labour demand. ALMPs include programmes such as public employment services, labour market training and subsidised employment (Boone and Van Ours, 2004). These programmes are often targeted at specific groups, including young people. Given the focus of JGW on the youth labour market, it is important to distinguish between ALMP in general and those targeted at young people. In what follows, we provide a brief overview of different types of ALMP and narrow the classification by focusing on ALMP for young people.

There exist many different interpretations of the concept of ALMPs and a range of different ALMPs<sup>11</sup> have been suggested in the literature. The content of ALMPs also vary considerably by country. An ALMP can take the form of special support for job searching, training and education for the unemployed and as a subsidy for job creation. Some authors have attempted to deal with the classification by distinguishing between two types of active policies or activation: those which are about improving human capital, and those which use incentives to move people from social assistance into employment. Calmfors (1994) narrows the definition by focusing on

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<sup>11</sup> ALMP are intended to support those who are out of work move into work – including job search support, training, employment subsidies, job creation programmes.

measures which improve the functioning of the labour market by being directed towards the unemployed. ALMPs comprise three basic subcategories: i) job broking with the aim of making the matching process between vacancies and job seekers more efficient; ii) labour market training in order to upgrade and adapt the skills of job applicants; and iii) direct job creation, which may take the form of either public-sector employment or subsidisation of private-sector work.

The OECD provides data on the following five main categories of ALMPs:

- **Public employment services and administration** – includes activities of job placement, counselling, vocational guidance, unemployment benefits and referring job-seekers to available slots on labour market programmes;
- **Labour market training** – divided into two categories: 1) spending on vocational and remedial training for unemployed adults; 2) training for employed adults for labour market reasons;
- **Youth measures** – cover special programmes to support young people in transition from school to work. They do not cover young people’s participation in programmes which are open to adults. They include: 1) training and employment programmes targeted at the young unemployed; 2) apprenticeship training, mainly for school leavers, not for unemployed;
- **Subsidised employment** – covers targeted measures to provide employment for the unemployed and other groups (excluding youths and the disabled). It is divided into three categories: 1) hiring subsidies (subsidies paid to private sector employers to encourage recruitment of unemployed workers); 2) assistance for unemployed people starting their own business; 3) direct job creation in the public or non-profit sector;
- **Measures for the disabled** – includes special programmes for the disabled. The two categories are: 1) vocational rehabilitation training and related measures to make disabled more employable; 2) sheltered work programmes which directly employ disabled people;

Alternatively, ALMPs can be classified in accordance with the 2006 Labour Market Policy Database Methodology provided by the European Commission<sup>12</sup> into the following general groups:

- 1) Labour market services (counselling);
- 2) Measures (training, job sharing, subsidies, support to employment, public works);

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<sup>12</sup> European Commission (2006) ‘Labour market policy database: Methodology’, Revision of June 2006, Office for Official publications of the European Communities, Luxembourg.

3) Support (financial, support to the unemployed and early retirement);

A slightly different classification has been given by Lehman and Kluve (2010), where services and measures are put in the same category (see Table 3).

Table 3 ALMPs in OECD suggested by Lehman and Kluve (2010)

Type of programme	Main purpose
Public employment services and administration	<ul style="list-style-type: none"> <li>• Improve matching efficiency of unemployed workers to vacant jobs;</li> </ul>
Labour market training	<ul style="list-style-type: none"> <li>• Reduce skill mismatch;</li> <li>• Human capital accumulation;</li> </ul>
Employment incentives	<ul style="list-style-type: none"> <li>• Increase labour demand;</li> <li>• Improve job matching process;</li> </ul>
Direct job creation/ public sector employment	<ul style="list-style-type: none"> <li>• Increase labour demand;</li> <li>• Prevent human capital loss during spells of unemployment;</li> </ul>
Youth measures	<ul style="list-style-type: none"> <li>• Enhance the skills of school leavers;</li> </ul>
Measures for disabled	<ul style="list-style-type: none"> <li>• Integrate discriminated people into the labour market.</li> </ul>

Dar and Tzannotos (1999) describe the following types of ALMPs (see Table 4):

- *Public works schemes/public service employment* – policy funded low-wage employment schemes, which have generally been instituted in times of economic slowdown (participants are provided with jobs in various sectors of the economy e.g. construction, health, welfare). Public works often provide temporary employment and act as a short-term safety net. Although most countries target the displaced and the long-term unemployed, youths in some countries also participate as a way to introduce them to the labour market. For example, in Sweden, they have been used as a safety net for the young unemployed (Forsslund and Krueger, 1994);
- *Job search assistance/employment services* – comprises different types of services which aim to improve matching efficiency. Job search assistance is usually the least costly active labour market programme, but must be combined with increased monitoring of the job-search behaviour of the unemployed;
- *Training /retraining* for unemployed and those at risk of unemployment;
- Support to unemployed persons in starting small businesses (micro-enterprise development);
- Wage subsidies to firms to hire unemployed individuals.

Table 4 ALMP summarised by Dar and Tzannotos (1999)

Type of programme	Main purpose
Public work schemes/public service employment	• Create temporary employment ;
Job search assistance/employment services	• Matching jobs with job-seekers;
Training/retraining for unemployed	• Helping new entrants to the labour force and redeployed workers to accumulate skills that will enable them to compete for jobs;
Micro-enterprise development	• Creating and promoting small scale new businesses and self-employment through technical assistance, credit and other support;
Wage subsidies	• Aimed at the long-term unemployed and youth.

A study by Bonoli (2010), suggested distinguishing between four different types of ALMPs:

- *Incentive reinforcement* - refers to measures that aim at strengthening work incentives for people on benefits. For example, by making benefit income conditional on participation in work-schemes or other labour market programmes.
- *Employment assistance* – consists of measures aiming at removing obstacles to labour market participation and facilitating re-entry into the labour market. This includes placement services and job search programmes that increase the likelihood of a jobless person establishing contact with a potential employer.
- *Occupation* – aims to keep jobless people busy in order to prevent the depletion of human capital associated with an unemployment spell. This includes job creation and work experience programmes in the public or non-profit sector and job-related training.
- *Human capital investment* – aims to improve chances of finding employment by providing vocational training to jobless people.

### ***Types of ALMPs for young people***

ALMPs for young people aim to facilitate entry into good quality employment. They attempt to remedy failures of educational systems in equipping young people with skills and to improve the efficiency of labour market matching. There are many forms of ALMPs for young people and their type and scope varies widely across countries and over time, although they frequently combine different measures, targeting both labour demand and supply. Based on previously published material of the ILO's Programme on Youth Employment<sup>13</sup>, the types of ALMPs for young people can be classified in the following way (see Table 5).

<sup>13</sup> More information can be obtained from [www.ilo.org/youth](http://www.ilo.org/youth).

**Table 5** Types of ALMPs for young people

Type of programme	Main purposes	Advantages	Drawbacks
1. Public work programmes and community services	<ul style="list-style-type: none"> <li>• Common programmes in the context of economic downturns (temporary work in public services);</li> <li>• Involve subsidised employment on public projects, usually for infrastructure construction.</li> </ul>	<ul style="list-style-type: none"> <li>• Can easily target certain groups of young people by providing work experience and income support;</li> <li>• Develop physical and social infrastructure, with benefit for the local economy.</li> </ul>	<ul style="list-style-type: none"> <li>• Do not enhance long-term employment prospects, but possibly increase the productivity of low-skilled workers when combined with other interventions;</li> <li>• Participation in such programmes can send a negative signal (stigma effect) to potential employers.</li> </ul>
2. Subsidised employment in private firms	<ul style="list-style-type: none"> <li>• Wage subsidies or other financial incentives for employers who hire young people.</li> </ul>	<ul style="list-style-type: none"> <li>• If combined with training, these measures can be amongst the most effective type of ALMPs in promoting longer term employment prospects;</li> <li>• Can overcome cost and information barriers to the initial hiring of young people;</li> <li>• Easily targeted at disadvantaged young people.</li> </ul>	<ul style="list-style-type: none"> <li>• Subject to deadweight, displacement and substitution effects – young people are employed where they would have been in any case- careful monitoring is essential to avoid this.</li> </ul>
3. Self-employment and entrepreneurship programmes	<ul style="list-style-type: none"> <li>• Involves developing entrepreneurial attitudes amongst young people, training for business start-ups, accessing finance, supporting business development.</li> </ul>	<ul style="list-style-type: none"> <li>• Help finding additional career options by encouraging young people;</li> <li>• Help overcoming some of the barriers to business start-ups by young people.</li> </ul>	<ul style="list-style-type: none"> <li>• Cannot provide a general solution to young people’s unemployment as not all young people have entrepreneurial abilities.</li> </ul>
4. Labour market training	<ul style="list-style-type: none"> <li>• Aims to increase the employability of young people through skills development;</li> <li>• The implementation involves public employment services, local authorities, private employment agencies and training providers, working under contract to the public sector.</li> </ul>	<ul style="list-style-type: none"> <li>• Can help remedy problems of disadvantaged young people who leave school with few employment related skills;</li> <li>• Are more effective when linked to other elements such as subsidised employment and job search assistance.</li> </ul>	<ul style="list-style-type: none"> <li>• Training needs to be carefully calibrated to suit local conditions.</li> </ul>
5. Job search assistance and other employment services	<ul style="list-style-type: none"> <li>• Usually used as integral components of comprehensive labour market packages, although in some cases they are offered as stand-alone programmes; Commonly used as a matching tool and prepare young people for the labour market.</li> </ul>	<ul style="list-style-type: none"> <li>• Important role in guiding young people in their career choices.</li> </ul>	<ul style="list-style-type: none"> <li>• Impact evaluation studies found this type of programmes to be the most cost-effective type of intervention;</li> <li>• The programmes promote efficiency of matching but do not increase employment opportunities.</li> </ul>

Table 6 categorises the main government initiatives targeting youth unemployment problems, highlighting the nature of the problem and the main strategic directions to address these issues.

**Table 6** Youth unemployment problems, determinants and main strategic directions

<b>Nature of problem</b>	<b>Related determinants</b>	<b>Main strategic directions</b>
<b>Youth unemployment high (or rising) for all groups of young workers</b>	<ul style="list-style-type: none"> <li>• Lack of growth and net job creation;</li> <li>• Business recession;</li> <li>• Large cohorts of new entrants not absorbed by job supply;</li> <li>• Restrictive labour legislation.</li> </ul>	<ul style="list-style-type: none"> <li>• Policies improving investment climate and business environment (political stability, security, tax, infrastructure, openness to trade);</li> <li>• Labour market reforms providing more flexibility (contracting, pay).</li> </ul>
<b>High youth unemployment (mostly for less educated)</b>	<ul style="list-style-type: none"> <li>• Skill-biased growth (demand for unskilled workers increasing less than for skilled workers)</li> <li>• Downturn of business cycle.</li> </ul>	<ul style="list-style-type: none"> <li>• Growth and investment policies;</li> <li>• Education and training policies to increase human capital of youth;</li> <li>• Flexible labour market with wage premiums for higher levels of skills.</li> </ul>
<b>High youth unemployment concentrated in subgroups of youth population (minorities, poor)</b>	<ul style="list-style-type: none"> <li>• Demand for workers (usually with low education levels) increasing little with growth, and disproportionately affected during recessions;</li> <li>• Discrimination.</li> </ul>	<ul style="list-style-type: none"> <li>• Policies improving investment climate and fostering growth;</li> <li>• Targeted education and training programmes to raise human capital and employability;</li> <li>• Anti-discrimination policies.</li> </ul>
<b>High youth unemployment for highly-educated young workers</b>	<ul style="list-style-type: none"> <li>• Lack of (or slow) growth and insufficient job creation;</li> <li>• Segmented labour market with different work conditions and pay across sectors;</li> <li>• Inefficient education and training sector (inadequate skills).</li> </ul>	<ul style="list-style-type: none"> <li>• Policies to improve investment climate, business environment, and promote growth;</li> <li>• Labour market policies to increase flexibility and reduce segmentation;</li> <li>• Quality and relevance of education and training programmes, information about labour market opportunities.</li> </ul>
<b>Large number of casual, low-productivity, low-paid jobs held by young people</b>	<ul style="list-style-type: none"> <li>• Stage of economic development with a large informal sector;</li> <li>• Low level of education of youth cohorts;</li> <li>• Phenomenon accentuated in case of segmentation of labour market and restrictive labour legislation in the formal sector.</li> </ul>	<ul style="list-style-type: none"> <li>• Policies fostering job creation to induce gradual transformation of the economy (move from casual to more formal jobs);</li> <li>• Education and training policies and programs to raise the human capital level of youth cohorts;</li> <li>• Labour market reforms to allow greater flexibility and reduce segmentation.</li> </ul>

Source: Riboud (2012)

## 5. Methodological Approaches

The empirical evaluation of the effectiveness of ALMPs typically utilises post-programme indicators at the individual level, such as post-programme employment rates or wages, and attempts to assess the contribution of the programme to these outcomes. Such an evaluation aims to assess whether the programme meets its pre-specified goals and can also be used to compare the success of different programmes. While most evaluation studies in the US focus on earnings as the outcome of interest, the focus of most European studies is on employment success, including the length of individual spells of unemployment.

There are essentially two main approaches to evaluating policy interventions: a macro-econometric approach that uses aggregated administrative data and a micro-econometric approach that is based on individual level data from either an unemployment register or from a

labour force survey. Common methodologies proposed to tackle the evaluation issue include: *difference-in-differences* and *matching* methods (Rubin, 1977, Rubin, 2006). Propensity-score matching is used to narrow the comparison group to a sample whose observed characteristics and pre-programme outcomes closely matched those of the participants. However, matching can only control for observable differences between the treatment and comparison group, and the method assumes that there is no remaining unobservable heterogeneity between the two groups. The difference-in-differences matching method has been proposed by Heckman *et al.* (1997) as a combination of the two former methods. Alternative approaches for evaluating policy measures are control function<sup>14</sup> and instrumental variable techniques. It has been shown that choosing an appropriate evaluation technique is crucial in reaching the accurate conclusions about the effectiveness of such policy measures.

Following Grubb and Ryan (1999) and O'Higgins (2001), we highlight the following evaluation approaches:

- ***Non-experimental methods (gross outcomes)*** – the most common, and the simplest, form of evaluation is reporting the gross outcomes of programme participants. Non-experimental impact methods examine changes in the levels of risk or outcomes among programme participants, or groups including programme participants, but do not include comparison groups of other individuals, or groups not exposed to the programme. To assess the effect of a programme it is necessary to follow up with participants after completion. The four primary types of non-experimental evaluation designs include: 1) before and after comparisons of programme participants; 2) time series designs based on repeated measures of outcomes before and after the programme for groups that include programme participants; 3) panel studies based on repeated measurement of outcomes on the same group of participants; and 4) post-programme comparisons among groups of participants. However, this evaluation method gives very little information on the impact of the programme itself. Since information on what might have happened in the absence of the specific programme (comparison group) is missing from non-experimental studies, they cannot determine whether the participants have actually benefited from the programme itself and this may lead to highly misleading estimates.

- ***Weakly experimental evaluation (the use of comparison group)*** – by having a control group, the performance of trainees in labour market programmes can be compared with the performance of those young people who did not take part (the comparison group can be taken as a proxy for the experience that trainees would have had without the programme). The main

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<sup>14</sup> See Navarro (2008)

assumption is that non-participants differ from participants only in that they did not follow the programme. The ways of choosing an appropriate comparison group includes comparing the experience of participants themselves, before and after the training, or using other individuals of the same age group. One limitation of this type of evaluation is that general economic conditions may have changed in the intervening period and if this is not taken into account, the latter effect may be interpreted as an effect of the programme. Moreover, systematic differences between the control group and programme participants (treatment group) are likely to distort the results.

- **Quasi-experimental evaluation** – this method compares outcomes from programme participants to outcomes for comparison groups that do not receive programme services (treatment and control groups after the policy intervention). The critical difference is that the decision on who receives the programme is not random. Comparison groups are made up of members of the target population as similar as possible to programme participants on factors that could affect the selected outcomes to be observed. Recent studies use longitudinal data that follow individuals over a number of years and can assess the impact of specific active intervention. The quasi-experimental method applies multivariate statistical techniques to control for systematic differences between programme participants and non-participants. Thus, a regression analysis can be used, where the outcome variable is seen as jointly determined by several factors, affecting the likelihood of finding a job. In this way, the analysis controls for the differences in individuals belonging to each group and the effect of the programme net of this effect can be estimated (O’Higgins, 2001). However, as not all individual characteristics are observable by the evaluator, there remains a potential problem of sample selection bias<sup>15</sup>.

- **Highly experimental evaluation** – these techniques are carried out by selecting the control group from applicants who are willing and able to participate in the programme. A group of people who satisfy the entry requirements are randomly assigned to either the treatment or control group. There is no systematic difference between participants and the non-participating control groups, as the individuals are allocated randomly. The effects of the programme are estimated as a difference in the average outcome for participants and non-participants. The experimental type of evaluation, however, is costly and time consuming. Although these types of evaluations are the preferred design for an impact evaluation on scientific grounds, random

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<sup>15</sup> For example, programme participants may receive services because they are more motivated, or socially well connected than non-participants. Such differences are not easy to measure during a programme evaluation and the measured effect can overestimate the true impact of the programme.



assignment evaluations are not always the ideal choice in real-life settings. Indeed some interventions are impossible to study through randomized experiments.

According to Harrell *et al.* (1996) there are four basic types of evaluation:

- **Performance monitoring** – it is used to provide information on: key aspects of how a programme is operating; whether, and to what extent, pre-specified programme objectives are being attained; and identification of failures to produce programme outputs, for use in managing or redesigning programme operations. Performance indicators can also be developed to monitor service quality by collecting data on the satisfaction of those served, and report on programme effectiveness by assessing the relationship between the programme inputs and the output and outcome indicators.

- **Impact evaluation** – this focuses on the question of causality. Did the programme have its intended effects? What was the magnitude of the effect? Did the programme have any unintended consequences: positive or negative? These evaluations aim to compare programme outcomes with some measure of what would have happened without the programme. As noted above, the three possible designs for impact evaluation are experimental, quasi-experimental and non-experimental. Harrell *et al.* (1996) argue that experimental designs are the most powerful and produce the strongest evidence.

- **Cost-benefit analysis** – used to assess investments in programmes by collecting information on: 1) direct programme expenditures; 2) the costs of staff and resources provided by other agencies or diverted from other uses (expenditures for staff salaries; fringe benefits; training costs; travel; facilities; and supplies and equipment that have to be purchased); 3) costs for purchased services; and 4) the value of donated time and materials.

- **Process evaluation** – includes a systematic, focused plan for collecting data to: (1) determine whether the programme model is being implemented as specified and, if not, how operations differ from those initially planned; (2) identify unintended consequences and unanticipated outcomes; and (3) understand the programme from the perspectives of participants, and the community.

A complete assessment of the impact of a programme requires an analysis of the programme's general equilibrium effects - overall effects on the labour market because of indirect effects on

people who are not participants. In addition, cost-benefits analysis must incorporate the perspectives of participants, government and society as a whole (Betcherman *et al.*, 2004).

## 6. International evidence

This Section reviews the large international literature which seeks to evaluate the outcomes of ALMPs. Evidence which relates more specifically to the UK and Wales is reviewed subsequently in Sections 7 and 8 respectively. Most of the international literature relates to the United States and Canada where there is a long-standing tradition of evaluating labour market programmes. Recently, European countries (such as Belgium, Germany, the Nordic countries and Switzerland) have undertaken rigorous evaluations of their labour market policies. Overall, the literature on empirical evaluation of ALMPs is very complex and contradictory findings are often reported depending on country, time period and specific programme being observed. A key conclusion drawn from the cross-country summary of evaluation studies targeting young people is that programmes tend to have mixed results and there is no consensus on the effectiveness of such programmes. Existing results in Europe provide a rather heterogeneous picture of programme benefit<sup>16</sup>. Some detailed policy evaluations suggest ALMPs have not always been successful (Heckman and Smith, 1999a, 1999b). Surveys on existing evaluation studies by Martin (1998) and Heckman *et al.* (1999c) show that most of the OECD countries have failed in active labour market programmes directed at youths. Martin and Grubb (2001) concluded that the impact of many measures being implemented in the labour market did not have encouraging results in terms of increasing employment and earnings, especially when it comes to programmes for youths. A meta-analysis of 95 European evaluation studies by Kluge (2006) found that no particular form of ALMPs had been found to consistently promote youth employment. Larsson (2003) and Sianesi (2004) found no significant effect from the Swedish programmes. Drawing inferences about the aggregate effects of active programmes is a difficult task and it must be borne in mind that because institutions differ across countries, similar policy initiatives implemented across countries can have different results. While extensive surveys of ALMPs are given in Kluge (2006) and more recently Card *et al.* (2010), who undertook a further analysis by examining 97 studies over the period 1995 to 2007, our review focuses specifically on the effect of the programmes on youth unemployment.

The following Section provides a detailed international literature review on the effects of ALMPs on youth unemployment, summarising the main findings and attempting to identify consistent patterns at a country specific level. The Section also discusses the conclusions that can be drawn

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<sup>16</sup> See for example Centeno *et al.* (2009) for Portugal, Dorsett (2006) for the UK; Larsson (2003) for Sweden.

regarding ALMPs' effectiveness on the basis of evaluation research. Given the large number of studies, we systematically present the most recent findings, taking into account the programme type. Special attention is given to the German's dual system as an example of a particularly effective system internationally. In Table 9, we combine the information from the recent European evaluation studies focusing exclusively on unemployed youths. Depending on the type of programme, we find considerable heterogeneity across countries. But even though regulations differ, a broader classification into training and subsidy-type programmes is appropriate. Thus, in Section 7 our review focuses on the three main youth ALMP categories: training measures, wage subsidies and job creation programmes.

Broadly, the evaluation literature can be divided into two main types. The first one seeks to measure the impact of programme participation on an individual's employment and earnings after they have left the programme, comparing the outcomes against a control group of similar individuals who did not participate in the programme. The second type of evaluation attempts to measure the net effects of programmes on employment and unemployment by estimating 'dead-weight', 'substitution' and 'displacement' effects. These evaluations are mostly relevant for subsidised employment programmes. Dead-weight losses are incurred because some of the target group would have moved into employment without any intervention. Displacement occurs because firms using subsidised workers may steal market share from their unsubsidised counterparts (Bell *et al.*, 1999). Monitoring the labour market status and earnings of participants for a brief period following their spell on a programme provides useful information; however, it cannot answer the question of whether the programme has sustained effects. The assessment of long-term effects is particularly important, as ALMPs may not affect employment outcomes directly, but through their impact on participation decisions in terms of further education (Caliendo *et al.*, 2011).

An early study by Calmfors (1994) identifies three types of effects for the target group: 1) motivation effect – participants intensify their job search methods and this increases the probability of getting work; 2) lock-in effects – participation in labour market programmes makes the unemployed search less intensively for work because it takes time to participate in activation strategies; 3) qualification effects – participants improve their labour market qualification thus making it easier to find a suitable job.

Some general features found in the literature are:

- **The effects of ALMPs vary with the business cycle and the youth unemployment rate is cyclically sensitive.** Lechner and Wunsch (2009) considered the effect of training programmes in Germany and concluded that training appears to be more effective in periods of downturn. On average, programme participation reduced the employment probability by 15 percentage points in the short-run and increased the employment probability by 10 percentage points in the long-run. Accumulated over the 8 years that outcomes can be observed, the estimates showed time in employment increased by 5 per cent. Their analysis suggested that when unemployment at the time of entry was high, lock-in effects were less negative and long-run effects were more positive. Forslund *et al.* (2011) found that the relative size of the lock-in effect was smaller in recession and that the long-run effects became less beneficial in a downturn. This suggests that it is relatively more efficient to use labour market training schemes in a recession than in a boom. This contrasts with previous findings by Dar and Tzannatos (1999) who argued that training programmes for the long-term unemployed worked better during an expansion. Using data from 18 OECD countries over 1970-2008, Kawaguchi and Muraio (2012) showed that the firing restriction amplified the cyclical fluctuation of the unemployment rate for youths. Macroeconomic shocks were disproportionately absorbed by younger workers rather than older workers in economies with stricter firing restrictions. The other notable result was that macroeconomic shocks were less likely to be absorbed by young workers in economies with a generous unemployment insurance system, represented by a high-benefit replacement ratio.

- **ALMPs should take into account the context of overall macro-economy and set the right objectives and expectations, given specific circumstances.** Dar and Tzannatos (1999) reviewed about 100 evaluations conducted in several OECD countries and concluded that different programmes needed to be applied in situations of labour market distress. The authors note that it is difficult to address the problems of large scale unemployment through ALMPs, because these programmes may work for specific groups under specific circumstances. Programmes that work for one group in one country may not work for the same group in another country. In Table 7, we summarise Dar and Tzannatos (1999) main findings for each programme examined.

**Table 7** Overview of the effect of ALMP evaluated by Dar and Tzannatos (1999)

Type of programme	Main findings
<b>Public work schemes/public service employment</b> (9 quasi-experimental and 4 non-scientific studies)	<ul style="list-style-type: none"> <li>• Overall, no long-term effect in terms of reducing unemployment;</li> <li>• Provide mainly current benefits (temporary safety net);</li> <li>• Not a cost-effective instrument if objective is to get people into employment after programme completion.</li> </ul>
<b>Job search assistance/employment services</b> (6 experimental and 11 quasi-experimental evaluations)	<ul style="list-style-type: none"> <li>• Most studies indicate positive results which are large in a few cases;</li> <li>• Youth do not usually benefit;</li> <li>• Job-search assistance appears to help mainly adult unemployed generally when economic conditions are improving;</li> <li>• There is positive correlation between likelihood of programme success and local labour market conditions;</li> <li>• Relatively more cost-effective than other labour market interventions;</li> <li>• Difficulty lies in deciding who needs help in order to minimize deadweight loss.</li> </ul>
<b>Training/retraining for unemployed</b> (6 experimental, 13 quasi-experimental, 4 non-scientific studies)	<ul style="list-style-type: none"> <li>• The success of the programme for the long-term unemployed tends to be heavily dependent on the business cycle – programmes worked better when the economy was expanding;</li> <li>• Programmes seemed to be more effective for women;</li> <li>• Overall, the programmes are found to be no more effective than job-search assistance in increasing re-employment and post-intervention earnings and are much more costly.</li> </ul>
<b>Retraining for displaced workers through mass layoffs</b> (5 quasi-experimental, 5 non-scientific, 1 mixed study)	<ul style="list-style-type: none"> <li>• Little positive impact, mainly when economy is improving;</li> <li>• Overall, less effective than job-search assistance and significantly more expensive;</li> <li>• Usually negative rate of return of these programmes.</li> </ul>
<b>Training for youth</b> The programmes usually aim at assisting school dropouts. (5 experimental, 2 quasi-experimental studies)	<ul style="list-style-type: none"> <li>• No positive impact;</li> <li>• Employment/ earnings prospects not improved as a result of going through training;</li> <li>• Negative real rate of return both in short and long run.</li> </ul>
<b>Micro-enterprise development assistance</b> Helping unemployed starting up their own business. (2 experimental, 5 quasi-experimental, 6 non-experimental)	<ul style="list-style-type: none"> <li>• Low take-up rate among unemployed;</li> <li>• High deadweight and displacement effects;</li> <li>• Significant failure rate of small businesses – for example, in Denmark, the failure rate of business is 60% in the first year, in Australia – more than 70% in the first 2 years;</li> <li>• High costs.</li> </ul>
<b>Wage/employment subsidies</b> Used for long-term unemployed, those coming from disadvantaged areas and youth. (1 experimental, 11 quasi-experimental, 6 non-scientific)	<ul style="list-style-type: none"> <li>• High deadweight loss and substitution effect;</li> <li>• Wage and employment outcomes of participants generally negative as compared to a control group;</li> <li>• No long-term impact;</li> <li>• Careful targeting is necessary to reduce substitution and deadweight effects – unemployed could be targeted to work in occupation where there is excess demand.</li> </ul>

• **Programmes applied to young people at early stages of school are more likely to improve their employment prospects.** The evidence from Canadian and U.S. evaluations suggests the biggest pay-off for disadvantaged youths comes from early policy interventions. This involved not only intensive efforts to boost their performance at primary and secondary

school, it also reached back to early childhood including preschool<sup>17</sup>. Martin and Grubb (2001) concluded that early and sustained interventions were likely to be the most effective. Heckman (2008) found policy interventions in the early life of disadvantaged children have a much higher economic return than later interventions such as reduced pupil-teacher ratios, public job training, adult literacy programmes and tuition subsidies. He notes, “Skills beget skills and capabilities foster future capabilities. All capabilities are built on a foundation of capabilities that are developed earlier...If the base is weak, the return to later investment is low”. Carling and Larsson (2002), however, found no evidence that early interventions were important for reducing unemployment spells in Sweden.

• **Training programmes improve employment prospects for participants and are more effective when conducted on the job.** Betcherman *et al.* (2004) provide an update to earlier assessments (Dar and Tzannotos, 1999; Martin and Grubb, 2001) by summarizing effects of 152 evaluation studies. Their findings are generally in line with Dar and Tzannotos (1999) and show positive programme impact on employability and earnings. The most effective type of intervention continues to be employment services which, according to most evaluations, can improve future employment and earnings prospects in a cost-effective way. However, employment services were of limited use in periods of high structural unemployment. Training programmes for the unemployed had a positive impact on employability, but not on earnings. These programmes were most effective when conducted on the job. Other types of training, for workers who became unemployed as a result of layoffs and youth participants, generally give less favourable results. With the exception of the very unique U.S. Job Corps programme, the evaluations in industrialised countries indicate that youth training rarely improves the employment and earnings prospects for participants. The Betcherman *et al.* (2004) review also provides weak effects of job-creation employment subsidies and public works. In Table 6, we summarise Betcherman *et al's* (2004) findings by different programme type.

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<sup>17</sup> Welsh Government has already introduced policies in the area of early years such as Breakfast clubs and the Foundation Phase.

**Table 8** Overview of ALMPs evaluated by Betcherman *et al.* (2004)

Type of programme	Main findings
<b>Employment services for job-seekers</b> (19 quasi-experimental studies from industrialised countries and 7 from developing/transition countries)	<ul style="list-style-type: none"> <li>• Favourable overall impact of employment services on subsequent labour market position of participants;</li> <li>• Generally positive impacts on employment and earnings in developed and transition countries;</li> <li>• Job-search assistance and related employment services are unlikely to have much effect where labour demand is weak unless they are combined with other interventions.</li> </ul>
<b>Labour market training for the unemployed</b> (35 evaluations from industrialised countries, 10 from transition and 4 from developing countries)	<ul style="list-style-type: none"> <li>• For transition and developing economies, training programmes often did have positive short-run impact and where they exit they are mostly confined to women;</li> <li>• No overall effect on earnings in developed countries;</li> <li>• Overall, higher costs compared to the benefits of the programme;</li> <li>• Results depend on the business cycle - programmes perform better in an economic expansion.</li> </ul>
<b>Retraining for displaced workers through mass layoffs</b> (7 studies from developed countries, 2 from industrialised)	<ul style="list-style-type: none"> <li>• Relatively unfavourable conclusions about the impact and cost-effectiveness of retraining programmes;</li> <li>• Very few examples of gains in terms of earnings;</li> <li>• The small number of studies limits the definitiveness of any general conclusion.</li> </ul>
<b>Training programmes for youth</b> (14 evaluations from developed, 5 from developing countries)	<ul style="list-style-type: none"> <li>• The new evidence reinforced earlier negative findings about effectiveness of youth programmes;</li> <li>• Negative impacts on employment and earnings in most developed countries;</li> <li>• All studies in developing countries appear to have had positive employment impact;</li> <li>• Works or internships experience seemed to have important effects;</li> <li>• All positive evaluations in developed and developing countries found that private trainers performed better than public institutions.</li> </ul>
<b>Wage/employment subsidies</b> (23 studies)	<ul style="list-style-type: none"> <li>• Positive outcomes for the industrialised economies;</li> <li>• Negative assessments in developed and transition countries;</li> <li>• Some new evidence of effective programmes, when employers use subsidy to screen future workers.</li> </ul>
<b>Public works programmes</b> Temporary community projects, labour-intensive and government delivered infrastructure projects. (9 studies from industrialised countries, 11 from developing and transition countries)	<ul style="list-style-type: none"> <li>• Mainly short-term benefit in the form of safety net and if well targeted they can be useful tools to fight against poverty by offering temporary employment;</li> <li>• Majority of evaluations in developed and transition countries show that participants are not better off after the completion of measures.</li> </ul>
<b>Micro-Enterprise development assistance</b> (13 quasi-experimental studies)	<ul style="list-style-type: none"> <li>• Mixed results- the programmes provide effective support for the small minority of unemployed workers who are interested in starting their own business, but some studies show negative or insignificant effects.</li> </ul>

• **Longer-term evaluations tend to be more favourable than short-term evaluations.** A meta-analysis by Card *et al.* (2010), which consists of 199 programme estimates drawn from 97 studies, found that subsidised public sector employment programmes are relatively ineffective, whereas job search assistance programmes have generally favourable impacts, especially in the short-run. Many programmes that exhibit insignificant or even negative impacts after only a year, have significantly positive impacts after 2 or 3 years. Classroom and on-the-job training programmes were not especially favourable in the short-run, but had more positive impacts after two years. Comparing across different participant groups, authors found that programmes

for youths were less likely to yield positive impacts than untargeted programmes. Overall, the evaluations contain little information on costs, making it difficult to establish how affordable large-scale expansion of successful programmes might be. Evaluations based on the duration of registered unemployment show more favourable short-term impacts than those based on direct labour market outcomes (employment or earnings). Larrson (2003) evaluated the direct effects of two Swedish active labour market programmes for youths – namely Youth Practice and Labour Market Training, launched in July 1992. The results suggested that both Youth Practice and Labour Market Training had negative short-term (one year) effects on earnings and employment. Two years after the programme started, however, the effects were no longer as obvious<sup>18</sup>.

• **Links to the private sector.** Programmes providing work experience in private firms (through in-company training and work placements) and programmes designed with the input and support of workers and employers’ organisations are found to be more effective (see Work Experience programme).

- The **Work Experience** programme, introduced in January 2011 and targeted at fourteen areas across Great Britain, was part of a package of additional support options delivered by Jobcentre Plus to help individuals into work, prior to referral to the Work Programme.

- Jobcentre Plus works with employers to offer young jobseekers the opportunity to overcome barriers to employment through offering them a Work Experience placement usually lasting two to eight weeks, which can be extended for another four weeks.

- The impact estimates for starts between January and May 2011 show that Work Experience decreased the likelihood of claiming benefit by 6 percentage points after 21 weeks following starting on placements. This means that Work Experience participants were about 16% more likely to be off benefits than non-participants after 21 weeks.

- Work Experience also increased the likelihood of being in employment by nearly 8 percentage points after 21 weeks following starting on placements. This means that Work Experience participants were about 28% more likely to be in employment after 21 weeks.

*Source:* Early impacts of Work Experience, DWP, 2012

<sup>18</sup> Similarly, Ackum (1991) and Regnér (1997) found mainly negative or zero effects of programmes on the labour market outcomes of Swedish youths. According to Ackum (1991) participation in labour market programmes was found to have no significant effects on earnings. Centeno *et al.* (2009) evaluate a set of ALMPs directed at both young and old Portuguese unemployed individuals, focusing on the short-term impact. The programmes under evaluation targeted all young people (less than 25 years old) before they have been registered unemployed for 6 months and all adults before they reach 12 months of unemployment duration. The authors focused on the duration of complete spells of unemployment of individuals leaving the programmes during the first 12 months of implementation (short-term evaluation) and 2 years later (a medium-term evaluation). The positive impact of the programmes in reducing unemployment duration was very limited and the length of unemployment spell durations of young individuals was only reduced slightly.



Young people have different experiences and their needs depend on their individual characteristics. This calls for intertwining employment and economic policies with targeted interventions that overcome the specific disadvantages faced by many young people. The main advantages and disadvantages of employment programmes targeting young unemployed people are summarised in Box 1.

**Box 1: Youth employment programmes: advantages and disadvantages**

Several studies of youth employment programmes have shown that some are successful while others fail to improve participants' chances of gaining a job. Some of the features of these programmes are summarised below.

Type of programme	Advantages	Disadvantages
<b>Training for employment</b>	Works better with broader vocational and employability skills that are in demand and includes work experience as well as employment services.	May produce temporary, rather than sustainable solutions and if not well targeted, may benefit those who are already "better off". Training alone may not be sufficient to increase youth employment prospects.
<b>Employment services (job search, career guidance and labour market information)</b>	Can help youth make realistic choices and match their aspirations with employment and training opportunities; improve information on job prospects as well as efficiency, effectiveness and relevance of initiatives.	May create unrealistic expectations if not linked to labour market needs.
<b>Employment intensive public works and community services</b>	Help young people gain labour market attachment and, at the same time, improve physical and social infrastructure and the environment - especially if combined with development and sectoral strategies - and enhance employability, if combined with training.	Low capacity for labour market integration; young workers may become trapped in public works programmes; often gender-biased; displacement of private sector companies.
<b>Employment subsidies</b>	Can create employment if targeted to specific needs (e.g. to compensate for initial lower productivity and training) and to groups of disadvantaged young people.	High deadweight losses and substitution effects (if not targeted); employment may last only as long as the subsidy.
<b>Entrepreneurship promotion</b>	Can have high employment potential and may meet young people's aspirations (e.g. for flexibility, independence); more effective if combined with financial and other services, including mentoring.	May create displacement effects and may have high failure rate, which limits its capacity to create sustainable employment. They are often difficult for disadvantaged youth, owing to their lack of networks, experience, know-how and collateral.

Source: Rosas G. and Rossignotti, G. (2005) Stating the new millennium right: Decent employment for young people, *International Review*, Vol. 144, p. 139-160.

Crowley *et al.* (2013) take a case study approach for four countries – Germany, Denmark, the Netherlands, and Australia and draw some important lessons for the UK from each of these approaches. Based on Germany’s vocational education system, the authors highlight the following key ways in which the UK system can be improved:

- A major educational pathway combined with high quality training. While in Germany vocational training is a key pathway for young people, in UK it is often perceived as having a secondary role<sup>19</sup>. The German vocational system is highly regarded amongst both participants and employers and is perceived to be a good indicator of occupational competence. In contrast, the UK system is often criticised for offering low quality apprenticeships (Wolf, 2011).
- High level of integration between education and labour market. Combined school and work-based learning, which are characteristic of the German vocational system, ensures that young people are well equipped with the skills they need to enter the labour market (Hoeckel and Schwartz, 2010).
- High levels of corporatist involvement. A key strength of the German dual apprenticeship system is the high level of engagement amongst employers and other social partners at national, regional, sector and company levels (Müller and Gangl, 2003). This rewards the industry with significant influence over the vocational curriculum and ensures a good match between the supply of and demand for skills in the labour market (Hoeckel and Schwartz, 2010).

**The main conclusions from Denmark’s ALMP are summarised as follows:**

- Implementing immediate activation policies to avoid the effect of long-term unemployment with a focus on reintegration into the schooling system for those with no qualification. In the UK, young Jobseeker’s Allowance claimants aged 18-24 years enter the Work programme after 9 months of being unemployed. Crowley *et al.* (2013) argue that earlier intervention is necessary to minimise the scarring impact of youth unemployment.
- Private sector on-the-job training which is likely to have better medium to long-term benefits compared to unpaid work experience placements.
- Classroom training programmes providing vocational skills linked to the needs of employers.
- Reading and writing tests for new benefit claimants, with courses available for those who do not meet acceptable standards.
- Re-integration with education for those who have not completed formal education.
- Balance between sanctions and activation policies.

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<sup>19</sup> In Germany, vocational schools provide at least 12 hours teaching per week and students spend three days a week as a part-time salaried Apprentice. This contrast with the education system in England and Wales where apprentices only need to complete approximately one day per month off the job learning (Steedman, 2010).

- More local autonomy and better co-ordination – Denmark provide a good model for more autonomy for local authorities and job centres.

The Netherlands' flexible approach is argued to have played a key role in combating youth unemployment. Crowley *et al.* (2013) highlight the following key aspects:

- A guaranteed part-time job for all unemployed young people. As part of the UK Government's youth contract, wage subsidies are being offered to employers who take on young long-term unemployed job-seekers.
- Flexible working arrangements (part-time and/ or flexible contracts) balanced by strong social security rights. Temporary workers in the Netherlands enjoy significantly better levels of employment protection, as well as rights to training, wage guarantees and supplementary pensions when compared to the UK.

Evaluations of the Australian activation strategies have reported some findings which raise doubts about their effectiveness:

- Australia's Work for the Dole policy, aiming to provide young job-seekers with work experience, opportunities to build networks, communication skills and motivation, was closely followed by the UK. However, the initiative has been criticised for an excessive emphasis upon the 'deficiencies of individual job-seekers'. Young job-seekers had been induced to exit the benefit system before commencement of their participation in work experience. Participation in the Work for the Dole programme has been found to result in reduced job search activity and, as a result, reduced likelihood of exiting unemployment benefit payments (Borland and Tseng, 2011).

The latest 2013 World Development Report<sup>20</sup> highlights that vocational courses have a positive impact on youth unemployment. In cross-country comparisons, it is generally found that countries maintaining a substantial dual apprenticeship system, i.e. Austria, Denmark, Germany and Switzerland, exhibit a much smoother transition from school to work, a lower proportion of young people not in education, employment or training (NEET), lower youth unemployment and below average repeated unemployment spells than other countries. Clement (1985) presented several arguments explaining why the dual system has been a major factor in keeping youth unemployment in Germany at comparatively low levels. He highlighted that an apprenticeship system on a 'high level' might be needed. However, Biavaschi *et al.* (2013) stressed that while dual vocational training facilitates a relatively smooth transition from school to work, international experiences show that an attempt at implementing such schemes often fails. Dual vocational training, and vocational training in general, only works sustainably if there

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<sup>20</sup> See Biavaschi *et al.* (2013) Background paper for the World Development Report.

is significant institutional support. Dual vocational training can only be effective if employers engage with this type of structure and systematic training and if training curricula are up to date. This requires the participation of employers in the design of training schemes, as only they know their current and expected needs. *Appendix I* examines in more details the strengths and weaknesses of the German 'dual system'.

**Table 9** Evaluation studies on the impact of ALMPs on youth unemployment

Study	Country	Programme	Target group	Outcome	Observation period	Methodology	Results
Fougère <i>et al.</i> (2000)	France	-Youth employment schemes for out-of-employment and low-skill young; -On-the-job training schemes.	Young unemployed (16-26 years old)	Employment probability; Post-training earnings	1986-1988	Summary of recent macro -econometric results.	<ul style="list-style-type: none"> <li>• Training programmes for unemployed young workers have, in general, no effects on post-training wages or employment probabilities.</li> </ul>
Caroleo and Pastore (2001)	Italy	-Various ALMPs targeted to youth long-term unemployed.	Young unemployed	Transition to different labour market status (unemployed, formal, informal sector, apprenticeship)	2000	Non-experimental study; Multinomial logit model.	<ul style="list-style-type: none"> <li>• Participation in training and ALMPs does not significantly improve the employability of younger workers.</li> </ul>
Brodaty and Fougère (2002)	France	-Workplace training programmes (private sector); -Workfare programmes (public sector).	Young unemployed	Transition rate to employment	1986-1988 1995-1998	Propensity score matching.	<ul style="list-style-type: none"> <li>• Positive effects for all programmes in the first cohort;</li> <li>• Higher effects for workplace training (for short-term unemployed);</li> <li>• Youth employment programmes less effective between 1995-1998, compared to the first period.</li> </ul>
Jensen <i>et al.</i> (2003)	Denmark	-Specially designed vocational education programmes (youth unemployment programme).	Young unemployed (receiving benefits, aged up to 25)	Unemployment duration	1996	Quasi-experimental study; Duration hazard model.	<ul style="list-style-type: none"> <li>• Weak effects on the transition rate from unemployment to employment;</li> <li>• Increased transition rate to schooling;</li> <li>• The effect of the programme has been partially successful.</li> </ul>
Larrson (2003)	Sweden	-Youth practice; -Labour market training.	Young unemployed aged 18-24	Employment probabilities; earnings	1992-1993	Non-parametric matching approach	<ul style="list-style-type: none"> <li>• Negative effects on earnings and employment probability;</li> <li>• Two years after the programme start the effects are no longer as obvious.</li> </ul>
Cockx and Göbel (2004)	Belgium	-Subsidised employment.	Young unemployed (unemployed for at least 12 months)	Transition rate to employment	1998-2000	Mixed proportional hazard model	<ul style="list-style-type: none"> <li>• Policy decreased transition rate from employment to non-employment in the first year of participation;</li> <li>• There is no significant effect on the transition rates in the second year;</li> <li>• Positive effect for women and only in the first year for men.</li> </ul>

Hämäläinen(2004)	Finland	-Labour market training; -Employment subsidy in public and private sector; -Youth practical training.	Young unemployed	Six different outcomes	1988-2000	Propensity score matching; Non-experimental study	<ul style="list-style-type: none"> <li>• Increased employment and earnings for labour market training and subsidy in public and private sector programmes;</li> <li>• Slightly negative impact on all outcomes for youth practical trainings.</li> </ul>
Hardoy (2005)	Norway	-Employment, vocational, training and combination programmes.	Young people aged 16–25 who entered the Register of the Unemployed	Employment probability and education levels, measured 2 years after the programme	1989-1993	Non-experimental study; Multinomial logit model	<ul style="list-style-type: none"> <li>• Overall, no positive effects on employment or education of any of the programme categories;</li> <li>• Modest positive effect for females -participation in employment and combination programmes increases their probability of full-time employment by 2–3 %; participation in vocational programmes increases the probability of education by 1.5 %;</li> <li>• No effects for males of any programme.</li> </ul>
Centeno <i>et al.</i> (2009)	Portugal	A large-scale ALMP implemented at the end of 1990s	Young people (less than 25 years old) and adults	Unemployment duration	January 1997 (1.5 years before the start of the programmes, and finish in December 2002	Difference-in-difference approach and matching	<ul style="list-style-type: none"> <li>• A small reduction on the length of unemployment spell durations of young participants;</li> <li>• Negative but insignificant effect on wages.</li> </ul>
Lechner and Wunsch (2009)	Germany	-Training programmes;	Unemployed	Short, medium, and long -run individual labour market effects of training programmes;	1986-1995	Matching estimator	<ul style="list-style-type: none"> <li>• Negative lock-in effects and positive medium to long-run employment and earnings effects of the training programmes in a 10 year period;</li> <li>• Considerable variation of the effects over time (the negative lock-in effects are smaller and the positive long-run effects are larger in times of higher unemployment).</li> </ul>

Source: Selective studies summarised by Kluve (2006) and author's literature review

## 7. Training measures, wage subsidies and job creation programmes

In what follows, we narrow our literature review by focusing on the effectiveness of three main ALMP categories – training measures, wage subsidies and job creation programmes. With the Jobs Growth Wales model including a self-employment strand supporting new enterprises<sup>21</sup>, we also provide some brief information on such programmes, though the available evidence base is fairly limited for this type of intervention.

### *Training measures*

Training measures are used by many countries as part of ALMPs to affect the long-term unemployed and their chances of re-employment. Some target specific groups, including youths and immigrants for example, while others target different business sectors identifying skills demands in the sector (e.g. Luxembourg). Bulgaria, Germany, Luxembourg, Hungary, Malta, Poland, the UK, Croatia, Turkey and Serbia also stress training as part of the standard service provided by the public employment services for the long-term unemployed. Training measures are the most important form of ALMPs in Germany in terms of budget and participants. A huge ‘transition system’ has been created for young people who do not succeed in accessing regular vocational education and training, among whom, young people from minority backgrounds are largely over-represented. In the UK, the Youth Contract was announced in November 2011 and includes a range of measures spread over three years to provide almost half a million new opportunities to the unemployed. These include cash subsidies to employers to recruit young people, a quarter of a million work experience places, apprenticeships, and more intensive support from Jobcentre Plus advisers. A new, promising measure to prevent young job-seekers falling into long-term unemployment in Luxembourg is the Job Guarantee, which encourages young job-seekers to get a job, a training scheme or apprenticeship within the first four months after registration at the National Employment Agency (European Employment Observatory, 2012).

Evaluation studies on the impact of training measures appear to suggest mixed results. Many studies tend to show poor and often negative impact in the short-run. The positive effect becomes apparent only in the medium term (Card *et al.*, 2010). Positive impacts could be recorded in particular in the case of on-the-job training (Card *et al.*, 2010; Kuddo, 2009). A study by Lauringson *et al.*, (2011) concluded that work-related training has been more beneficial to women, older people, the lower educated and those having experienced shorter

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<sup>21</sup> It is understood that the self-employment strand has been discontinued as part of the JGW II programme, which started filling posts in May 2015

unemployment durations. Thus, for the long-term unemployed, the effect is lower than for other groups. An evaluation of the 2009–10 ALMP carried out in Croatia by Matković (2009) identified that training programmes in general were not deemed to have any notable effect with respect to the risk of being unemployed or indeed long-term unemployed for participants in general, but some positive effect was discernible for those entering work without an upper secondary education or for young people, as they were slightly more likely to exit unemployment than their peers who had not participated. An example from the US with mixed employment outcomes, highlights that success did not appear to be linked to enforcement, the take-up services or childcare support (Wilson, 2013). De Koning (2005) reviewed 130 studies with most of the training programmes targeted at young people. The author found that the number of studies pointing to positive training effects is more or less the same as the number of studies showing insignificant or significantly negative effects. Kluve (2006) concluded that training programmes seem to have relatively small impact and often the impact is only significant in the longer-run. In his review covering 137 programmes (of which a quarter were programmes targeting the young unemployed), of the 70 training programmes, 38 had positive impacts while 32 had zero or negative impacts. Martin and Grubb (2001) found consistently negative results from training programmes for young people. Some of the possible reasons why training programmes targeting young people are less effective according to De Koning (2005) might be the design of the training programmes themselves. He argues that young people with low qualifications or no skills may be less motivated by classroom-based training. Martin and Grubb (2001) added that poor training effects may be in part explained by the attitudes to work among disadvantaged young people.

The effectiveness of training measures seems to be increased through implementation of smaller scale schemes prepared for competences demanded by (local) companies<sup>22</sup>. For example, the Youth Guarantee Scheme, that was developed in northern European countries and subsequently implemented in many other countries, revealed beneficial long-term effects for low-skilled young unemployed (Duell, 2012). There is evidence that the pre-vocational training in Switzerland, the so-called motivation semesters, had positive effects for participants (Duell *et al.*, 2010). Evaluation results by (Walther and Pohl, 2005) also found vocational preparation courses in Austria as a good practice. Based on Swedish experience during the 1990s, when the recession led to a huge increase in the number of people participating in training programmes, Calmfors *et al.* (2002) concluded that large-scale provision was not the most appropriate approach.

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<sup>22</sup> 'Small' scheme is not precisely defined in these reviews, but generally is used in contrast to large national scale programmes.



### *Wage subsidies*

In many countries the emphasis of ALMP measures focused on labour demand. The intention of wage subsidies is to compensate for a person's reduced productivity for a limited period of time. The duration of the subsidy is usually several months up to a year. Examples of these policies include the Working Families Tax Credit programme in the United Kingdom and the Self-Sufficiency Programme in Canada, which targets parents with children (Smith, 2006). Wage subsidies can offer financial benefits to employers which cover the total cost of a new post. Some programmes are targeted specifically at the long-term unemployed, such as in countries like Belgium, Bulgaria, Germany, Austria, Sweden and Iceland. For example, in Germany, the 'Job Perspective' programme is a small and targeted programme, which provides wage subsidies to employers. The programme is targeted at long-term unemployed people who have at least two employment barriers. In Austria, subsidies are provided to employers hiring unemployed people at risk of long-term unemployment. In Sweden, the 'Nystartjobb' programme introduced in 2007 is a subsidised form of employment for individuals that have been unemployed for more than one year (six months for young people 20–25 years old). The length of the support is proportional to the job-seeker's unemployment duration and the maximum duration of the wage subsidy is five years for job-seekers aged between 26 and 54 years old – a maximum 10 years for job-seekers older than 55 years old (European Employment Observatory, 2012).

The use of wage subsidies is widely acknowledged as having a positive employment impact if it is well targeted to disadvantaged groups (Duell, 2012). Overall, the employment impact of wage subsidies depends on the elasticity of demand, the extent of deadweight losses, substitution and job displacement effects, the registration effect (which translates in an increase in labour force participation), the overall level of unemployment and employer attitudes towards the target groups (Junankar, 2011). The success of wage subsidy programmes for young people depends on how they are combined with individual skills and employer involvement and the extent to which it is combined with other measures (such as a follow-up) as the example of Sweden and Germany reveal. A trial programme in Sweden, for example, which combined counselling, wage subsidy elements and a follow-up was found to have positive employment effects (Liebig, 2009). In the Netherlands, a tax measure that exempts employers from paying workers under the age of 23 with a low-income job (such as hotels, restaurants and wholesales) has had a positive effect, decreasing the wage costs for employers (Bekker, 2011).

### *Job creation measures*

Objectives of job creation measures may relate to demand or supply sides strategies, or combine both. These schemes create employment opportunities for those who cannot find a job and are generally targeted at the long-term unemployed. Evaluation results of the impact of job creation measures are mixed and contradictory. Some studies show a negative impact, in particular with regard to large-scale job creation measures (e.g. community work programmes in the UK in the 1980s, the large wage-subsidy based job creation programmes in Germany, and similar measures in France, see Meager and Evans, 1998). Matković (2009) revealed that amongst public works participants in Croatia, the chance of being unemployed later on actually increased compared to their peers, but this could be interpreted as an activation effect as well. On the other side, job creation measures might have had a positive impact on the motivation of participants. Evaluations carried on the New Deal in the UK show the importance of the programme (see next Section).

### *Self-employment provision*

Presently the UK Department for Work & Pensions are delivering support for self-employment via the New Enterprise Allowance (NEA), which has been operational since 2011, which includes both financial support and a mentoring element, targeting the unemployed and those on low incomes with the intention of moving them off of benefits and into sustainable employment. Application is open to those over 18 and in receipt of certain benefits (primarily – JSA)<sup>23</sup>, and subject to a specialist review of a business plan, applicants may receive a weekly allowance paid for up to 26 weeks (up to a total of £1,274), and apply for a start-up loan to help with initial costs<sup>24</sup>. The 2013 evaluation of the adopted a qualitative case study approach, concluding that the programme was offering effective support to those seeking to re-enter the labour market via the self-employment route (with the combination of financial and mentoring support considered to be a key strength of the model), though observed that the enterprises supported to establish were typically smaller and with less growth potential than anticipated.

The World Bank (Betcherman, G; et al. 2004) suggests that programmes promoting self-employment often work best when targeted towards older and better educated workers, though

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<sup>23</sup> Jobseekers Allowance (applicant or partner), Employment and Support Allowance (applicant or partner), Income Support (for lone parents or those who are sick), and in some instances, Universal Credit. Source: <https://www.gov.uk/new-enterprise-allowance>

<sup>24</sup> This compares with a much more generous bursary of £6,000 available to those on the JGW self-employment strand, payable in five instalments over a period of four months. The JGW model does not include any loan element, though there are consistent features e.g. a review of business plans precedes the application approval, and in order to receive the bursary recipients were required to attend workshops delivered by Business Wales

suggest that on the whole take up is low across the OECD countries as self-employment is often perceived as a less viable route to sustainable employment, given the generally high rate of failure for new businesses. However - as noted previously, the evidence base in relation to self-employment provision appears quite limited, with seemingly no publicly available quantitative impact assessments which assess the effectiveness of such programmes.

## **8. Evidence from the UK**

The following section outlines some of the key recent UK ALMP policies focused on young people, including evidence of their performance where possible. To set this into context, it is helpful to consider that the UK has a long tradition of delivering ALMPs, generally speaking (OECD, 2014), and programmes principally aimed at moving off of benefits and into employment have helped curtail the rise of unemployment following the recent recession.

The UK continues to be among the more active OECD countries in this space and continues to develop its policies, most recently via the implementation of Universal Credit and the Work Programme<sup>25</sup>.

### *New Deal for Young People*

A major ALMP in the UK was the 'New Deal for Young People' (NDYP) introduced in 1998 and directed at the 18 to 24 age group. It brought together many of the best features of other such initiatives, combining job search assistance in the first instance with subsidised job placement for those whom the initial treatment was not successful. Participation in the programme was compulsory and every eligible individual who refused to cooperate, faced a loss of their entitlement to benefits. Individuals who had been on unemployment benefit for six months were eligible for the scheme. The programme was composed of several parts, with different options offered to different groups of the unemployed. The New Deal options offered were: i) A subsidy equal to £60 per week for 26 weeks to be provided directly to an employer; ii) A job for 6 months on the Environment Taskforce with a wage or an allowance equal to Jobseeker's Allowance plus £400; iii) A job for 6 months with a voluntary sector employer with a wage or an allowance equal to Jobseeker's Allowance plus £400; iv) Entry into full-time education or training for 12 months without loss of benefits for those lacking basic qualifications (NVQ Level 2 or below). Before these options were made available to an individual, there was a 'Gateway'

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<sup>25</sup> Universal Credit, whilst representing major overhaul of the benefits system and principally aiming to ease work transitions for the unemployed/ underemployed, is not described in detail within this report, the principal focus of which is on human capital and job search/ matching programmes. The Work Programme is more relevant and is described later in this section.

period lasting for up to four months, during which the individual received extensive help with their job search (Bell *et al.*, 1999).

There is a large body of quantitative and qualitative research evaluating the effect of NDYP<sup>26</sup>. Overall, all of the existing studies concluded that the social benefits of the NDYP outweighed the costs. Riley and Young (2000), for instance, concluded that the programme had a beneficial impact on the UK economy, although the magnitude of this impact cannot be quantified exactly. During the first two years of the programme, over 200,000 young people left unemployment and within this total, roughly 60,000 more young people moved directly into work (including subsidised jobs) than would have been the case without NDYP. Bonjour *et al.* (2001) surveyed a cohort of NDYP participants 18 months after they started the programme. The cohort was drawn from starters between September and November 1999. The authors looked at three main outcome measures – employability, employment entry and unemployment exit, and job quality. Two types of analysis were used to consider the relative effects of the New Deal Options on a range of outcome measures. First, results based on the matching method were used to estimate the relative effects of the New Deal Options on the likelihood of being in work and the likelihood of claiming Jobseeker's Allowance. Second, duration analyses were used to ascertain whether some New Deal options were able to encourage respondents to move into employment more quickly than others. Bonjour *et al.* (2001) concluded that in terms of improving employability, the Employment Option of the programme performed strongly and it had the most advantageous effect in terms of access to training, attachment to the labour market and self-efficacy. The Voluntary Sector Option (iii) also performed consistently well on the employability measures. It scored highly on a number of job search methods used, and on self-confidence, while on human capital and perceived helpfulness, New Deal was bracketed with or close behind the Employment Option. The Full Time Education and Training Option performed poorly in relation to work-based training outcomes but its participants gained the highest level of qualifications. One of the weaknesses of the Bonjour *et al.* (2001) approach to analysing the long-term effect of NDYP is that participants were surveyed only 18 months after they started the programme.

Bell *et al.* (1999) examined the impact of NDYP focusing on the wage subsidy element. They used panel data from the quarterly Labour Force Survey (LFS) for the 20 quarters prior to the start of NDYP to estimate the effects of employment duration on gross wages (as a proxy for worker productivity). The authors stressed that the success of this type of labour market programme hinges on dynamic aspects of the youth labour market, in particular the pay-off to

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<sup>26</sup> See Hasluck (2000) for a detail review of the evidence.

experience and training. Bell *et al.* (1999) concluded that productivity effects were relatively modest compared to the size of subsidy deemed necessary to get the group into jobs. The main impact of the programme was on workers whose productivity levels were slightly below the offered wage.

Bradley (2004) analysed the outcomes of NDYP participants over a four year period by considering the following questions:

- 1) How long do people stay off benefits following a spell on NDYP? Using a cohort of leavers between July 1999 and June 2000 Bradley (2004) found that 25 per cent of leavers returned immediately to benefits, 50 per cent returned to benefits within six months of leaving NDYP and there was a 23 per cent chance that 1,500 days after leaving NDYP, a participant would not have returned to a benefit.
- 2) What were participants' destinations each year after leaving the programme? Bradley (2004) examined snapshots of what participants were doing one, two, three and four years after they left the programme. He found that only a minority of participants moved between the states of claiming benefits and not claiming benefits over the four year period examined. He also found that the proportion of participants claiming benefits remained stable at around 35 per cent after one year, falling slightly to 32 per cent in year four.
- 3) What factors influence the probability of long-term success from NDYP? Bradley (2004) used logistic regression to estimate the importance of a set of characteristics on the probability of experiencing a successful outcome (defined as spending less than 25 per cent of their time on benefits during the four years after leaving NDYP). The results were not significant but indicate the relative importance of the following characteristics in decreasing importance: stage of leaving NDYP, claim history, age, disability status, ethnicity and gender.
- 4) Do leavers from some stages perform better than leavers from other stages? A group of participants with similar characteristics was used to analyse the proportion of time participants spent claiming benefits during the four years since leaving the programme. In line with Bonjour (2001), Bradley (2004) found that Employment Option participants performed the best, followed by Full Time Education and Training Programme, Voluntary Sector Option and Environment Task Force Option participants.

A difference-in-difference approach was used by Wilkinson (2003) who compared over time people aged 18-24 with people aged 30-39. Wilkinson (2003) analysed both the direct and

indirect effects of NDYP. Two indirect effects were identified: (1) clients leaving prior to reaching six months unemployment to avoid programme participation and (2) clients not leaving Jobseeker's Allowance so that they could enjoy the programme benefits. Adding together direct and indirect effects, Wilkinson (2003) found NDYP was reducing unemployment by between 30,000 and 40,000 people, with around 25,000 resulting from fewer young people having claims lasting six months. A longer follow-up period produced a lower reduction in the probability of being unemployed. 12 months after New Deal entry, unemployment was found to be roughly 20,000 lower for men and around 8,000 lower for women. Six months after this, the unemployment reduction was around 10,000 for men and 5,000 for women.

Van Reenen (2003) concluded that the programme appeared to have had a significant effect in moving young people into work. He found that young unemployed men were about 20 per cent more likely to find a job each month as a result of the NDYP. A substantial part of this effect was attributed to the wage subsidy option, but there was also some job assistance effect. Similarly, Blundell *et al.* (2002) found that the NDYP programme raised the transition into employment by about 5 per cent. Part of this overall effect was the job subsidy element and part was a pure enhanced job search effect. Beale *et al.* (2008) find that participants in the programme spent, on average, 64 days less on benefits over a four year period. The authors argue that although the impact declines over time, participation on NDYP reduces active labour market benefit claims by 12 per cent. This estimate only includes the direct impact of NDYP on participants and not the indirect effects of the programme on the economy as a whole.

Most of the studies examined NDYP effects nationally, and relatively few systematic studies have focused on the programme's impact at regional or local level. There is considerable variation between regional labour markets in the UK, and the NDYP effects might vary according to the nature of said regional labour markets. Webster (1999) argued that locally-targeted job creation is the crucial missing element in current labour market policy. Supply-side policies of 'welfare-to-work' and welfare reform were inadequate, given the nature of unemployment at the local level (Webster, 2000). McVicar and Podivinsky (2003) examined how the NDYP programme has performed across the UK regions. Their findings suggest that NDYP has significantly boosted exit rates from unemployment for those unemployed for six months or more in all regions. The authors concluded that to tackle youth unemployment across the whole of the UK, one-size-fits-all policy interventions like NDYP might need to be supplemented by additional demand-side measures in high unemployment regions, otherwise many young people in high unemployment regions may be repeatedly re-cycled through NDYP with little prospect of gaining stable employment. Similarly, Sunley *et al.* (2001) argued that the

NDYP failed to address the local market variations. The authors examined differences in the NDYP effects on outflows to employment and on re-cycling of participants across the 144 local areas in UK. They concluded that the impact of NDYP varied significantly as between different local labour markets across the UK, and in particular has been less effective in many inner urban and depressed industrial labour markets. The programme may be less effective in the very localities in which unemployment and joblessness were most pronounced.

### *Future Jobs Fund*

In 2009, the Labour Government launched The Future Jobs Fund (FJF), as part of the Young Person's Guarantee scheme. The FJF aimed to provide around 150,000 six month long work experience contracts for young people. These contracts were predominantly provided by local authorities or within the voluntary and community sector. The FJF represented a shift in emphasis towards a demand side approach by targeting those between the ages of 18-24 who had been on Jobseeker's Allowance for at least six months. By March 2011, when the last FJF jobs were filled, the programme had placed 105,220 people in temporary employment<sup>27</sup>.

A study by Fishwick *et al.* (2011) analysed the impact of FJF on local and national labour markets, and the costs and benefits of this type of approach in seven areas covering England, Wales and Scotland, namely Tyne and Wear, Durham and Northumberland (seven councils); Liverpool City Region (six councils); Greater Manchester City Region (10 councils); Glasgow; Barnsley; Suffolk and Merthyr Tydfil. The authors note that the programme provided individuals with a 'real job with a real wage' and achieved noticeable impact on the youth labour market by creating employment. The study also highlights that the FJF moved people off long-term benefits, many of whom had been claiming for decades or had multiple barriers to employment. FJF jobs obtained by 18-24 year olds represented 22 per cent of young Jobseeker's Allowance benefit leavers who had been claiming for six months or more. In the programme's busiest months this figure reached 44 per cent, hitting 60 per cent in areas of the country with the fewest vacancies.

A further analysis of the value for money of FJF suggests that it had a net cost to the government of £3,946 per participant, or just over £9,000 per job outcome, when direct tax revenues and benefit savings are taken into account. This cost-benefit calculation does not account for benefits such as indirect tax revenues, wider community benefits and long-term tax revenues,

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<sup>27</sup> Young Persons Guarantee Official Statistics, July 2011, DWP.

so is likely to have overvalued the cost to government of FJF. The benefits of FJF equate to 70 fewer days on benefits than participants would have spent if the programme hadn't existed, above and beyond the time spent in FJF jobs. Both this figure and the estimated cost per job outcome are comparable to past evaluations of NDYP (Fishwick *et al.*, 2011).

A recent study by Allaker and Cavill (2011) presented the main findings of a qualitative research study into the experiences of FJF participants, based on interviews conducted two to four months after completing their six month FJF post. The interviews took place between November 2010 and January 2011. From a participant perspective, the reported strengths of the policy have been the opportunity to gather a wide range of skills (many of which should be transferable to a range of jobs); a significant improvement in self-confidence; and a positive change in aspirations and motivation to pursue their job goals. However, there was evidence of an inconsistent delivery of policy intent in terms of job-search support from the FJF employers, with some participants failing to receive adequate focus on getting a job post-FJF. Allaker and Cavill (2011) suggested that FJF has been successful in preparing participants for work.

Marlow *et al.* (2012) described a quantitative evaluation of the FJF, providing estimates of the net impact of FJF on the likelihood of young participants (aged under 25) receiving welfare support (defined as being in a FJF job or receiving a main out-of-work benefit or training allowance) over the 104 weeks following the start of their FJF job; the net impact of FJF on the likelihood of young participants (aged under 25) being in unsubsidised employment (defined as being in employment other than a FJF job) over the 104 weeks following the start of their FJF job; and the costs and benefits associated with the FJF programme. Marlow *et al.* (2012) showed that over the six-month period following the start of their FJF job, participants were more likely to be in receipt of welfare support by an average of 18 percentage points and less likely to be in unsubsidised employment by an average of 25 percentage points than if they had not participated, which the authors referred to as an expected 'lock-in' effect of the programme. Over the 18 months after the lock-in period had ended (i.e. 7-24 months after starting), participants were less likely to be in receipt of welfare support by an average of 7 percentage points and more likely to be in unsubsidised employment by an average of 10 percentage points than if they had not participated. At 104 weeks following the start of their FJF job, participants were less likely to be in receipt of welfare support by 7 percentage points (or 16% less likely) and more likely to be in unsubsidised employment by 11 percentage points (or 27% more likely) per participant than they would have been had they not participated. Finally, the costs and benefits analysis of the FJF programme is estimated to result in:

- a net benefit to participants of approximately £4,000 per participant;



- a net benefit to employers of approximately £6,850 per participant;
- a net cost to the Exchequer of approximately £3,100 per participant;
- a net benefit to society of approximately £7,750 per participant;

### *Working Neighbourhoods Fund*

In response to the onset of the recession, the Labour Government created the Working Neighbourhoods Fund (WNF), which aimed to streamline funding to the most deprived parts of the country. The WNF approach increased the scope for local authorities to deliver youth employment services, by implementing strategic targets in a more joined up manner. Through Area Based Grants, local authorities and partners were given the flexibility to allocate resources to whichever scheme it prioritised. Analysis by the Department for Work and Pensions (DWP) found that in pilot sites, job entry was 13 percentage points higher than that in comparison sites. Weaknesses identified included, “lack of attention to demand-side measures to overcome worklessness” and “penetration amongst non-traditional customer groups has remained fairly low” (Dewson *et al.*, 2007).

### *UK level policy initiatives*

In November 2011, the Deputy Prime Minister announced a £1 billion Youth Contract to help young unemployed people find a job. Over three years from April 2012 the Youth Contract provided at least 410,000 new work places for 18 to 24 year olds. This includes: 160,000 individuals receiving wage subsidies worth up to £2,275 each, for employers who recruit an 18-24 year-old through the Work Programme<sup>28</sup>; 250,000 work experience placements; at least 20,000 more incentive payments to encourage employers to take on young apprentices. The wage subsidies cover the employer’s National Insurance contributions for a year. This offer is designed to make it easier for employers to take on young people, and so “we are talking to providers and employers about the most effective way of delivering it”<sup>29</sup>. Work Experience is one of a series of ‘Get Britain Working’ measures and is part of the Jobcentre Plus flexible menu of support to help claimants seek and obtain employment prior to their eligibility for referral to the Work Programme. It offers eligible unemployed people between two and eight weeks work experience, with an optional extension to up to 12 weeks if the employer decides they would like to offer the participant an apprenticeship and that offer is accepted. From January 2011 up to and including August 2011, 16,360 claimants have started a Work Experience placement.

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<sup>28</sup> The Work Programme provides support for claimants who need more help to undertake active and effective job seeking. Participants receive support to overcome barriers that prevent them from finding and staying in work. It is delivered by Department for Work and Pension contracted service providers who have been given complete autonomy to decide how best to support participants while meeting their minimum service delivery standards.

<sup>29</sup> DWP Youth Contract Briefing.

Results of early analysis have been encouraging. More than half of those who enter the scheme are off benefits within three months.

The Youth Contract focuses on the private and voluntary sector. Past initiatives, such as the Future Jobs Fund, by contrast, were unsustainable insofar as they encouraged employment in the public sector, at a time when public sector employment was about to contract significantly<sup>30</sup>. An early evaluation of the Youth Contract's Wage Incentive scheme is provided by Jordan *et al.* (2013). The evaluation focuses specifically on the wage incentive; work experience, including sector-based work academies; and additional Jobcentre Plus delivered support. It has been acknowledged that it will be difficult for wage incentives to create a significant number of new vacancies. The survey findings confirm that only 9 per cent of employers in the survey created an extra vacancy as a result of the wage incentive introduced. A further 7 per cent would not have recruited a young, unemployed person without wage incentives. However, it should be noted that job creation was not the primary policy aim of this scheme (Work and Pensions Committee, 2012)<sup>31</sup>. Furthermore, the survey findings suggest that, although the number of vacancies created directly through wage incentives may be small, there may be other impacts. Around one in four employers (28 per cent) said that the wage incentive had made them more likely to keep the employee on for at least six months, and 13 per cent said that it had affected the hours worked. Small businesses (with fewer than ten employees) were more likely than large employers to say that wage incentives had made an impact in some way. Hiring an employee eligible for a wage incentive payment may also have a longer-term impact on employer attitudes and recruitment practices. The vast majority (86 per cent) of employers in the survey said that they would be likely to take on someone else in the future who is eligible for a wage incentive, and 31 per cent said that hiring someone eligible for a wage incentive payment had made them more likely to recruit young, unemployed people (Jordan *et al.*, 2013).

Table 10 summarises the main features including target group, study design, observation period, methodology and main outcome results of the most recent UK evaluation studies, listed chronologically. NDYP has been evaluated through a wide range of research projects and micro-empirical studies.

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<sup>30</sup> Work and Pensions Committee - Youth Unemployment and the Youth Contract, Written evidence submitted by the Confederation of British Industry.

<sup>31</sup> Work and Pensions Committee (2012) Second report: Youth unemployment and the Youth Contract, House of Commons.

**Table 10** Micro-economic evaluations of ALMP on youth unemployment in the UK

<i>Study</i>	<i>Programme</i>	<i>Target group</i>	<i>Observation period</i>	<i>Outcome</i>	<i>Methodology</i>	<i>Results</i>
Dolton <i>et al.</i> (1994)	Youth Training Scheme	Young unemployed aged 16-17	1987, 1988, 1989	Employment effect; (time taken for a school leaver to enter first job)	Non-experimental, data from Youth Cohort Study; Probit; Duration analysis; Sample selection	<ul style="list-style-type: none"> <li>• Programme participation lowered the employment probability for men but not for women;</li> <li>• Limited evidence that young men benefited from the programme;</li> <li>• Positive effect found for women.</li> </ul>
Bell <i>et al.</i> (1999)	Wage subsidy element of the NDYP	Young people aged 18-24, unemployed for more than 6 months	1982-1999	Outflow to employment	Two evaluation methodologies: -ex post evaluation based on 'trend adjusted difference in differences' approach; -ex ante model based approach	<ul style="list-style-type: none"> <li>• Modest productivity effects compared to the size of subsidy deemed to get the group into jobs;</li> <li>• After six months, 64% of the sample are still in employment while 33% have returned to unemployment.</li> </ul>
Riley and Young (2000)	NDYP	Young unemployed aged 25-29	Before NDYP period - March 1995 - February 1998; After NDYP period - March 1998 - February 2000	Outflow to employment	Difference in difference; The % change in outflow rates from unemployment for 18-24 year olds compared to the % change in outflow rates from unemployment for 25-29 year olds and 30-49 year olds since the introduction of NDYP	<ul style="list-style-type: none"> <li>• The programme had beneficial impact on the UK economy;</li> <li>• For young unemployed for more than 9 months, the NDYP has increased the probability of finding an unsubsidised job by 26%;</li> <li>• For those unemployed between 6 and 9 months, the change is more modest at 14%;</li> <li>• The NDYP increased the outflow rate to unsubsidised jobs for those unemployed between 3-6 months. However, this effect is much smaller than for the long-term unemployed;</li> <li>• In the case of the very short-term unemployed the impact of NDYP is slightly negative, but statistically insignificant from zero.</li> </ul>
Bonjour <i>et al.</i> (2001)	NDYP	Young unemployed aged 18-24	18 months after the start of the programme (September-November 1999)	Outflow to employment at local level	Propensity score matching	<ul style="list-style-type: none"> <li>• The Employment option of the programme performed strongly and it had the most advantageous effect in terms of access to training, attachment to the labour market;</li> <li>• Full-time and education options of the programme performed poorly in relation to work-based training outcomes.</li> </ul>
Sunley <i>et al.</i> (2001)	NDYP	Young unemployed aged 18-24	March 2000-January 2001	Outflow into employment at local level	Mapping New Deal outcomes <sup>32</sup>	<ul style="list-style-type: none"> <li>• The programme was less effective in many inner urban and depressed industrial labour markets as compared to the other parts of the country;</li> <li>• Over 50 per cent of participants in many local rural areas</li> </ul>

<sup>32</sup> The study uses information gained from interviews in several local programme areas in order to explore some of the interactions between local labour market conditions and New Deal outcomes. A total of more than 200 semi-structured interviews were conducted between March 2000 and January 2001, covering New Deal managers, young workfare participants and collaborating employers.

<i>Study</i>	<i>Programme</i>	<i>Target group</i>	<i>Observation period</i>	<i>Outcome</i>	<i>Methodology</i>	<i>Results</i>
						moved into unsubsidised jobs (particularly in Southern England and much less in Wales and Scotland); <ul style="list-style-type: none"> <li>• Job retention (proportion of participants remaining in jobs 26 weeks after leaving New Deal) is found to be lower in Northern England, Cornwall, Wales and Central Scotland.</li> </ul>
Blundell <i>et al.</i> (2002)	NDYP	Young unemployed aged 18-24	1982-1999	Outflow to employment	Difference in difference approach	<ul style="list-style-type: none"> <li>• Positive effect for men within the first 4 month;</li> <li>• The programme raised the transition into employment by 5% - part of this effect is the job subsidy element and part is due to job search assistance.</li> </ul>
White and Riley (2002)	NDYP	Young unemployed aged 18-24		-Youth unemployment; -Long-term unemployment rate; -The impact of NDYP on movements across the whole youth labour market	Macro evaluation study	<ul style="list-style-type: none"> <li>•The impact of NDYP on the net unemployment of 18-24 year olds was both in terms of stocks (or levels) and in terms of flows</li> <li>• NDYP led to a reduction in long-term (of more than six months' duration) youth unemployment of 45,000. Long term youth unemployment would have been almost twice as high in 2000 without NDYP;</li> <li>• Total youth unemployment was reduced by approximately 35,000 over the same period. This took account of some increased inflows into short-term unemployment following NDYP;</li> <li>• Over the first two years of the programme, 60,000 more young people moved into jobs than would have been the case without NDYP. More than half moved into unsubsidised jobs;</li> <li>• National income was around £500 million per annum higher as a result of NDYP, indicating a welfare gain to the economy as a whole.</li> </ul>
Dolton and O'Neill (2002)	Monitoring and job search assistance	Young unemployed	1982-1994	-Long-term unemployment rate; -Cost-benefit analysis	Bivariate duration model; Experimental study	<ul style="list-style-type: none"> <li>• Restart programme had a significant effect on unemployment rate;</li> <li>• Participants experienced a reduction in time spent in unemployment in short-run.</li> <li>• Unemployment rate among males in the treatment group was 6 % lower than that of the control group 5 years after the initial experiment;</li> <li>• Little evidence of long-term benefit for women.</li> </ul>
Van Reenen (2003)	NDYP	Young unemployed aged 18-24	1998-2002	Outflow to employment	Difference in difference approach; Quasi-experimental	<ul style="list-style-type: none"> <li>• Young unemployed men are 20% more likely to gain jobs as result of the programme;</li> <li>• The cost-benefit analysis suggests the programme is worth</li> </ul>

<i>Study</i>	<i>Programme</i>	<i>Target group</i>	<i>Observation period</i>	<i>Outcome</i>	<i>Methodology</i>	<i>Results</i>
						continuing.
Wilkinson (2003)	NDYP	Young unemployed aged 18-24	32 months after the start of the programme	Unemployment rate	Difference-in difference approach; People aged 18-24 are compared with people aged 30-39	<ul style="list-style-type: none"> <li>• A longer follow-up period produces a lower reduction in the probability of being unemployed;</li> <li>• Most regions display little or no NDYP effects on young people unemployed for less than six months;</li> <li>• NDYP effects vary considerably from region to region;</li> <li>• In most regions, the primary effect of NDYP has been to shift young people into education and training rather than into employment.</li> </ul>
McVicar and Podivinsky (2003)	NDYP	Young unemployed	October 1996 - August 2001	Probability of exit of unemployment across UK regions	Duration analysis (hazard functions)	<ul style="list-style-type: none"> <li>• NDYP significantly boosted exit rates from unemployment for those unemployed for six months or more in all regions.</li> </ul>
Bradley (2004)	NDYP	Young unemployed aged 18-24	Cohort of leavers between July 1999 and June 2000		Logit regressions	<ul style="list-style-type: none"> <li>• 25% of leavers return immediately to benefits; 50% returned to benefits within 6 months of leaving NDYP;</li> <li>• Only minority of participants moved between the states of claiming benefits and overall the proportion of participants claiming benefits remained stable at 35% after 1 year, falling to 32% in year four.</li> </ul>
De Giorgi (2005)	NDYP	Young unemployed	April 1998- December 2001	Employment probability of participant males	Regression Discontinuity design;	<ul style="list-style-type: none"> <li>• No evidence of possible general equilibrium and substitution effect;</li> <li>• The programme enhance employability by about 6-7%.</li> </ul>
Dorsett (2006)	NDYP	Young unemployed	All males entering NDYP between September - November 1998	Outflow to employment	Non-parametric matching approach	<ul style="list-style-type: none"> <li>• The programme is effective in reducing unemployment among young men;</li> <li>• Employment options dominates the other NDYP options;</li> <li>• Remaining on the Gateway<sup>33</sup> option of the programme appears more effective than entering the remaining options.</li> </ul>
Beale <i>et al.</i> (2008)	NDYP	Young unemployed; Data comes from Work and Pensions Longitudinal Study	Leavers from NDYP between July 1999 and June 2000 has been followed for 4 years	Long-term unemployment	Propensity score matching; Logit regressions	<ul style="list-style-type: none"> <li>• Participants in the programme spent on average 64 days less on benefits over 4 years period;</li> <li>• Although the impact declines over time, participation on NDYP reduces benefit claims by 12%.</li> </ul>
Fishwick <i>et al.</i> (2011)	Future Jobs Fund (FJF)	Young unemployed	2009-2011	-Impact of FJF on local and national labour markets;	Non-experimental analysis	<ul style="list-style-type: none"> <li>• The programme achieved noticeable impact on the youth labour market by creating employment;</li> <li>• 22% of young unemployed who had been claiming benefits for</li> </ul>

<sup>33</sup> The Gateway stage is a period of intensive job search under the supervision of a caseworker, intended to last no longer than four months.

<b>Study</b>	<b>Programme</b>	<b>Target group</b>	<b>Observation period</b>	<b>Outcome</b>	<b>Methodology</b>	<b>Results</b>
				-Cost-benefits of the programme		6 months or more, moved into employment; <ul style="list-style-type: none"> <li>• The benefit of the FJF equate to 70 days fewer on benefits;</li> <li>• As the period of their study is two years only, Fishwick <i>et al.</i> (2011) conclude that the impact of the FJF on participants' time on benefits may be significantly greater than NDYP in longer-term.</li> </ul>
Allaker and Cavill (2011)	Future Jobs Fund (FJF)	89 FJF participants from across the UK (64 respondents were under 25 age group)	November 2010-January 2011	-Gather customer feedback on their experiences of FJF; -Understand the strengths and weakness of the delivery of the policy from customers viewpoint	Qualitative techniques (telephone interviews)	<ul style="list-style-type: none"> <li>• Respondents reported substantial gains in terms of depth of their skills set and the acquisition of a range of qualifications and accreditation certificates;</li> <li>• Positive change in respondents confidence in future career prospects due to taking part in FJF;</li> <li>• The participants reported an inconsistent delivery of job search support with some participants receiving limited or no help.</li> </ul>
Marlow <i>et al.</i> (2012)	Future Jobs Fund (FJF)	Young participants aged under 25	A cohort of young participants who started their FJF job between October 2009 and March 2010 and were receiving JSA one week before their job started <sup>34</sup>	-Benefit outcomes; -Employment outcomes; -Number of benefit claims	Propensity score matching;	<ul style="list-style-type: none"> <li>• In total, over the two years following the start of participation, the net impacts of FJF on participants were to:</li> <li>- Decrease the number of days that participants spent receiving welfare support by 8 days;</li> <li>- Increase the number of days that participants spent in unsubsidised employment by 12 days;</li> <li>• The longer the beneficial impacts of the programme persist beyond the 104-week tracking period, the greater the estimated net benefit to participants, the Exchequer and society would be.</li> </ul>
Jordan <i>et al.</i> (2013)	Youth Contract Wage Incentive Scheme	Young people that had been claiming Jobseekers Allowance for at least six months aged	2012-2013	Key questions to be answered: <ul style="list-style-type: none"> <li>• Are wage incentives influencing employer decisions to hire young people?</li> </ul>	Two quantitative surveys with employers taking up wage incentives.	Wage incentives affected employers' behaviour in the following ways: <ul style="list-style-type: none"> <li>• 9% created an extra vacancy because of wage incentives;</li> <li>• 7% would not have recruited a young, unemployed person without wage incentives;</li> <li>• 28% of employers said wage incentives had made them more likely to keep the employee on for at least six months;</li> </ul>

<sup>34</sup> Individual characteristics are taken from DWP administrative systems.

<i>Study</i>	<i>Programme</i>	<i>Target group</i>	<i>Observation period</i>	<i>Outcome</i>	<i>Methodology</i>	<i>Results</i>
		18 to 24		<ul style="list-style-type: none"> <li>• Have wage incentives influenced the number of vacancies or choice of candidate?</li> <li>• What types of employers (by sector) are taking up wage incentives?</li> <li>• Employers' views of wage incentive policy;</li> <li>• Do wage incentive jobs last longer than non-wage incentive jobs?</li> </ul>		<ul style="list-style-type: none"> <li>• 13% said that wage incentives influenced the hours worked.</li> </ul>

## 9. Recent ALMP initiatives in Wales

This Section outlines recent ALMP initiatives within Wales<sup>35</sup>, distinguishing between ALMPs in general and those targeted at young people. The Intermediate Labour Market programme is reviewed under the youth ALMP Section, as one of the target groups for the programme includes young people not in employment, education and training (NEET). Table 11 summarises the main evaluation strategies, some of which also relate to the adult labour market. In addition to the policies and initiatives at Welsh Government level, there are some local strategies relating to young people who are NEET, which are briefly described in *Appendix II*.

The evaluation evidence relating to ALMP schemes in Wales is limited, particularly since many have been introduced relatively recently. According to the Youth Engagement and Employment Action Plan, a series of further independent evaluations and reviews are taking place to identify effective practices.

One of the problems highlighted recently, was not so much the lack of programmes out there for getting graduates and young people into work but the fact that there were so many separate initiatives amongst the different government bodies, that young people are no longer sure what help is available to them. There is a lack of flexibility in and between the various programmes set up to get people into work. The Jobs Summit discussed ways of getting more coordination and communication so that different governmental departments, employers from local businesses and young people are aware of what resources are available to them.

### *Youth ALMPs*

Reducing the number of young people who are NEET remains a key priority for the Welsh Government. In 2009, the Welsh Government published an action plan for 'Reducing the proportion of young people not in education, employment or training in Wales', which focused on the 16-18 years old age group only<sup>36</sup>. In 2010, the Government commissioned two groups<sup>37</sup>

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<sup>35</sup> The section has been structured around programmes identified as significant at the time the literature was first produced (2013) and has provided an update/ new evaluation evidence where possible. WG is currently finalising its ESF activities for NEET young people for the 2014- 2020 programme, and also many of its evaluation reports for the 2007-2013 programmes,, therefore we have not been able to refer to final evaluations in some instances

<sup>36</sup> Welsh Government, Reducing the proportion of young people not in education, employment or training in Wales, April 2009.

<sup>37</sup> These were: (i) an internal operational group to look at the path of children and young people aged 0-25 years old who may become economically inactive or disengaged from learning and society and who are subsequently at risk of becoming not in education, employment or training (NEET) in the future, and (ii) an external task and finish group, chaired by Martin Mansfield of Wales TUC, which looked specifically at what more should be done to counter the effects of the recession on young people (O'Toole, 2011).



to look at the issue of youth employment in Wales (O'Toole, 2011). In January 2011, the Welsh Government published '2011-2015 Youth Engagement and Employment Action Plan', which sets out some of the key measures that will be implemented to prevent young people from disengaging from learning and help support them with entry to the labour market. These are:

- **Jobs Growth Wales (JGW) programme**<sup>38</sup> - commencing in April 2012, the programme aimed to fill 4,000 job opportunities a year for young people aged 16 to 24 throughout Wales. JGW provided a job opportunity for a six month period paid at national minimum wage (NMW)<sup>39</sup> for a minimum of 25 hours per week. The programme offered opportunities mainly in the private sector, where the Welsh Government appointed a network of work-based learning providers to act as managing agents to source job opportunities and ensure that only job ready candidates were referred to employers for interview. JGW also provided support for new micro-businesses set up by unemployed young people, building on and enhancing existing packages of business support offered by the Welsh Government's Department of Business, Enterprise, Technology and Skills. The Young Entrepreneur bursary<sup>40</sup> offers a discretionary award of £6,000 to young people aged 18-24 who at the time of applying for the award are not in education, employment or training and who have yet to start trading but are due to within two months of the award being approved. JGW also supported community-based job opportunities for young people who required more intensive support in the workplace by working with the Wales Council for Voluntary Action by creating 1,000 jobs opportunities a year.

JGW stopped filling posts in June 2015. A new redesigned version of the programme was subsequently launched, filling posts immediately following the cessation of the predecessor programme. Within new programme, referred to as JGW II, the self-employment provision has been discontinued. The job-focused element of the programme has been retained albeit the model has been streamlined, and WG are seeking to focus more of the subsidised job opportunities on regional growth industries.

The interim evaluation report for JGW<sup>41</sup>, published in September 2014, confirmed that the programme was performing well in terms of its overall targets for jobs filled, but found that performance across the different strands of the model was variable and made some

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<sup>38</sup> <http://gov.wales/topics/educationandskills/skillsandtraining/jobsgrowthwales/?lang=en> .

<sup>39</sup> Whilst WG will subsidise jobs at this level, employers are free to 'top up' wages for positions that they wish to be remunerated above NMW

<sup>40</sup> <http://gov.wales/topics/educationandskills/skillsandtraining/jobsgrowthwales/youngpeopleselfemployment/?lang=en> .

<sup>41</sup> <http://gov.wales/statistics-and-research/evaluation-jobs-growth-wales/?lang=en> . At the time of writing the final evaluation report is in draft form, and will be publicised when finalised as per the interim report.

recommendations around streamlining the model. The impact evaluation concluded there had been positive short-term impacts in terms of employment prospects of participants, who were more likely to be in work post-JGW compared to a control group and had spent longer in work, though could not at this early stage assess the persistence of these impacts<sup>42</sup>.

• ***Graduate Opportunities Wales (GO Wales)*** – was an employability and higher level skills project that helped to better prepare students and graduates for work and their future careers via paid and unpaid work experience opportunities and its new Graduate Academy and Freelancer Academy programmes. It also provided support for the training and development of graduates employed in small and medium sized businesses in Wales. The focus of activity was on undergraduates and graduates from Welsh universities, and those from other institutions who were domiciled in Wales, and Welsh small and medium sized companies. The programme was managed by Higher Education Funding Council for Wales (HEFCW), partly funded by the Welsh Government and partly by the ESF. There were six strands of activity within the GO Wales programme:

- Work Placements - 10 week paid placements within Welsh businesses for HE students and graduates;
- Work Tasters – up to 10 days of work tasters in Welsh businesses for HE students and graduates;
- Graduate Training and Development – offering financial support for the training of graduates within Welsh businesses;
- Graduate Academy – an opportunity for graduates to develop work readiness skills;
- Freelancer Academy – introductory training for graduates exploring a freelancing career; and
- GO Wales Jobs – job advertisement website.

EKOS Consulting, in collaboration with Wavehill Consulting, was commissioned by the HEFCW to conduct an evaluation of Phase 2 of the GO Wales programme. Phase 2 of the programme ran between April 2005 and December 2006. The evaluation was designed to assess the impact of the GO Wales programme on graduate retention and employability and to identify significant issues which impacted on the future development and design of the programme. DTZ was appointed by the HEFCW to undertake interim evaluation of Phase 5 of the programme. This phase of activity was committed to run over the period January 2009 – December 2011 (later being extended to run to December 2014). Overall, the findings of the Phas3 5 interim

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<sup>42</sup> The treatment group scrutinised, where they had completed their JGW job, had on average completed it four and half months previous

evaluation were broadly consistent with the earlier report on Phase 2<sup>43</sup>. Feedback and survey responses indicated very high levels of satisfaction and perceived success from individual and business participants. Almost three quarters of employers reported a significant positive impact upon participants. The evaluation suggested that:

- There had been a positive effect on graduate retention in Wales, with a number of participants indicating that they would not be working in Wales if it were not for the experiences gained through GO Wales.
- For those in employment, after participation in the placement and taster strands, there was evidence of a positive wage impact based on survey responses.
- There was a strong belief that the skills and experiences gained would have a positive impact on participants' future career.
- The evidence pointed to a range of positive impacts upon businesses as a result of the high level skills and additional resource that participants contributed. After consideration of all relevant factors, net additional job creation over the period January 2009 – December 2011 from work placements was estimated at 694 jobs. As a result there was evidence of lower than average unemployment among participants.

Evaluation has found evidence of wage uplifts equivalent to £1.48 million to the Welsh economy and a net increase in participant business turnover of £39.6 million. 50% of participating businesses reported the introduction of new products and processes as a result of the GO Wales intervention.

The final evaluation of GO Wales Phase 5<sup>44</sup>, published in March 2015 found similar high levels of participant satisfaction and noted that programme had performed well in relation to both hard and soft outcomes. Net additional job creation over the period January 2009 to December 2014 was estimated to be 1,800 and the programme was assessed to have impacted positively on wage creation, as per the previous report.

The evaluation was positive about the design of the programme and rationale behind it, and described Go Wales as broadly well aligned with other WG activities, though concluded that in later years there had been overlap between its work placement strand and the JGW programme.

At the time of writing, the GO Wales programme no longer has funding, and a decision on additional funding is pending.

• ***The Traineeship and Steps to Employment programmes*** – are learning programmes which were introduced by the Welsh Government in August 2011 to replace the Skill Build Youth and

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<sup>43</sup> GO Wales Evaluation of Phase II, (2007), Go Wales Evaluation Report, EKOS Consulting (UK) Limited.

<sup>44</sup> Final Evaluation of Go Wales, Final Report (March 2015), Hardisty Jones Associates on behalf of HEFCW

Adult learning programmes. The initiatives aim to give young people between the ages of 16 to 18 the skills needed to get a job or progress to further learning at a higher level, such as an apprenticeship or further education. Ultimately they aim to reduce the number of NEET young people in Wales.

The Traineeships programme is offered at three distinct levels: Engagement, Level 1 and Bridge to Employment. Participation on the Traineeships programme ensures that individual learners get the support and encouragement needed to help them to progress. The Steps to Employment programme aimed to help unemployed adults aged 18 and over, who were in receipt of a Department for Work and Pensions benefit, to access purposeful training and work experience opportunities in preparation for employment or further learning. The programme was offered at two distinct levels: Work Focussed Learning and Routeways to Work.

At the time of writing there has not been a final evaluation released for either programme. However, a 2013 report focusing on the early performance of WG's 2011 – 2015 WBL programme indicated that:

- Among leavers of Traineeships, 68 per cent of learners from the Engagement strand had a positive outcome (progression to paid employment, voluntary work or further learning), and 56 per cent from the Level 1 strand;
- Half of those on the Steps to Employment programme over the 2011/12 period had achieved a positive outcome – reaching the 'good' performance threshold, though this was significantly below the level achieved through most of the other WBL programmes.

The evaluation reported some evidence of concerns in relation to Traineeships, including, from the provider perspective, that they were often receiving referrals from young people who were not work ready and required significant input to bring them closer to the labour market. From the WG perspective, there was concern the programme was achieving too little progression beyond level 1 and also that providers were not developing innovative responses to participant's needs (as the broad specification for the programme had intended) but were over reliant on pre-existing and standardised support packages that were too classroom-centred.

The evaluation did not provide detailed findings on delivery of Steps to Employment, which was around that time (2013) withdrawn and replaced with the Work Ready programme.

As the time of writing it is not confirm whether Traineeships will be approved to continue under the 2014- 2020 ESF programme in Wales.

• ***Reach the Heights – First Footholds*** – aimed to strengthen the position in Wales for young people aged 11-19 who were (NEET) or at risk of being so. The project was developed to take advantage of the funding opportunities from the 2007 – 2013 ESF programme in Wales. *Reach the Heights* included two projects to provide help and new opportunities to young people: i) First Footholds, which worked with some of Wales' most disadvantaged young people to help them defeat some of the barriers they face; and ii) Routes to the Summit, which aimed to raise the skills and aspirations of young people to enable them to make better progress in education and training and move more easily into work or higher education.

The final evaluation of Reach the Heights<sup>45</sup> was predominantly reliant on qualitative methods due to limited availability of MI data for the programme. It reported high levels of participant satisfaction and some examples of best practice among the local activities, though there were concerns about the strength of the business case, the approach to developing targets for individual schemes and potential for overlap with local activities. Ultimately, the programme achieved its participation targets (though had engaged lower levels of NEET young people than anticipated) but underspent substantially. It has since been discontinued.

• ***Intermediate Labour Market (ILM) programme*** – the ILM programme's objective was to reduce economic inactivity by funding organisations to provide paid work experience and training for over 2,500 economically inactive people facing barriers to employment. The ILM model aims to do that by developing the skills, confidence, job readiness and basic training for people who have never been in the job market or have been out of employment. The main target groups for the programme include people in receipt of incapacity benefit; women who want to return to work; black, Asian and minority ethnic people; people with work-limiting health conditions or disability; and people over 50 years of age. Other target groups include ex-offenders, people with a history of substance misuse, lone parents, young people who are NEET, and the economically inactive. The four-year programme (2008 to 2012) was made up of two separate projects funded by the Welsh Government and European funding programmes in Wales; the Convergence programme in West Wales and the Valleys and the Regional Competitiveness and Employment (RCE) areas of East Wales.

The evaluation of the programme conducted by Roberts *et al.*, (2012) found that the programme was beneficial in a number of different ways. The feedback from participants on the support

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<sup>45</sup> Final Evaluation of Reach the Heights, ICF GHK (GHK Consulting Ltd) on behalf of WG, 2013. Available at: <http://gov.wales/docs/caecd/research/2014/140113-reach-heights1-en.pdf>

that they had received via the specific ILM project that supported them was generally very positive. The survey of participants in 2012 found that:

- 90 per cent believed the ILM where they worked understood their needs;
- 81 per cent believed they received the right sort of training at the ILM;
- 89 per cent believed they received enough support at their ILM job;
- 83 per cent believed the ILM matched their needs.

Roberts *et al.*, (2012) also report that the programme has achieved a number of positive results for participants:

- 82 per cent of participants interviewed by the evaluation team in 2012 believed they had developed their 'job skills' during their time with the ILM programme. The main job skills developed, according to the participants, were their communication skills (40 per cent), team working abilities (11 per cent), and interview skills (9 per cent);
- Three-quarters of participants perceived an increase in their confidence;
- A further three-quarters of respondents stated that they perceived that they were more likely to get a job as a result of their involvement with the ILM;
- Participants believed that the lack of work in the area (39 per cent), lack of experience on their part (14 per cent), and lack of qualifications (8 per cent) were the main reasons why they were finding it difficult to find a job (pre-ILM support) all of which are issues being tackled by the ILM;
- 55 per cent of participants interviewed who had left the ILM programme had secured a job after leaving. This is clearly positive although this figure reduced to 46 per cent who were in employment at the time of the interview suggesting that at least a proportion of those who move into employment immediately after being supported will leave or lose that job;
- 83 per cent of the respondents who were employed after exiting the ILM programme felt it was the sort of job they wanted and 74 per cent said that they believed they were likely to stay in the job over the next 12 months.

• ***The Young Recruits programme*** – launched in 2009, the programme provides financial support to employers offering high quality apprenticeship programmes to recruit and train additional young apprentices (16-24 year olds). The programme offers employers £50 per week, per apprentice, for 52 weeks. During 2011-2012, the programme was extended and the

original target of 1,000 applications had almost doubled with 1,995 direct employer applications for support<sup>46</sup>.

The evaluation of the programme, conducted on behalf of the Welsh Government (2012)<sup>47</sup>, shows the following key points:

- The programme was straightforward and attracted a significant number of employers (6 out of 10 employers (58%) had never had an Apprentice before and a further 14% had not had an Apprentice in the last 18 months).
- It had value in avoiding some young people becoming NEET and the possible benefit was large in relation to the cost of the subsidy.
- Employers were satisfied with their young recruits. 84% of employers acknowledged the importance of the young recruits' subsidy to their decision to take on an Apprentice.

At the time of writing it was not confirmed whether the programme would continue to be funded under the new WG ESF programme.

• ***Pathways to Apprenticeships (PtA) scheme*** – ran from 2009 to 2014, with ESF support from 2010/11. The programme supported young learners aged between 16 and 24 years of age through intensive training to put them on the pathway to becoming an apprentice. It is a year-long training scheme, including a guaranteed work placement, in preparation for a full apprenticeship for young learners to fast-track them to a Level 3 qualification.

The final evaluation of the scheme reported positive feedback from both young participants and employers; however the programme had fallen short of its targets for participation ('starts') and progression. In relation to progression – the programme had set a target of 75 per cent of learners moving into an apprenticeship; whereas only 35 per cent did, though very few were found to be unemployed on completing the programme.

The evaluation included a cost benefit analysis which used proxies for benefits based on government assessments of the wage uplift achieved through possession of certain qualifications, and indicated that each pound spent by PtA generates £3.02 for learners and £2.12 for the public purse.<sup>48</sup>

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<sup>46</sup> <http://gov.wales/about/programmeforgov/growth/trackingindicators?lang=en>.

<sup>47</sup> See Welsh Government Social Research (2012) Evaluation of the Youth Recruit programme, BMG Research.

<sup>48</sup> Final Evaluation of Pathways to Apprenticeships Programme (2015) BMG

At the time of writing it was not confirmed whether the programme would continue to be funded under the new WG ESF programme.

In a recent report (2014) on NEETS, the Wales Audit Office concluded, “The Welsh Government is well placed to help reduce the numbers of 16-18 year olds who are not in education, employment and training (NEET) but less well placed to reduce the number of 19-24 year olds who are NEET and determine if it is achieving value for money”. Particular concerns, however, were raised in the appraisal on costs to meet objectives, although more positively it was noted synchronisation between the Welsh Government and European funding was in progress. The Report also highlights the lack of a clear plan to ensure that individuals from certain relatively disadvantaged groups who are at a greater risk of being NEET are supported. These would include certain ethnic groups, care leavers, young offenders, or individuals with disabilities. It therefore recommends that data is collected for such groups and included in any programme evaluations. Research has consistently revealed the difficulty of programmes reaching and benefitting certain relatively disadvantaged groups.

• **Redundancy Action Scheme (ReAct)** – The Welsh Government provided funding for training for people living in Wales who were facing redundancy. The programme was designed to react quickly and positively to all redundancy situations through a series of measures designed to alleviate the negative effect of redundancy and provide all redundant individuals with the skills necessary to secure new employment in the shortest time possible. The programme was designed to complement and supplement the service offered by Jobcentre Plus and Careers Wales to individuals who had become unemployed in the last 6 months as a result of redundancy, were currently unemployed, and who had not been in continuous employment for 6 weeks or more since being made redundant; or, were currently under notice of redundancy; had not undertaken any publicly funded training since being made redundant, including the Work Based Learning suite of programmes. *ReAct* comprised five main strands, three of which were targeted at individuals made redundant<sup>49</sup> and two of which are targeted at employers recruiting people made redundant by other organisations<sup>50</sup>.

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<sup>49</sup> Elements targeted at individuals include: 1) Adult Guidance service, which provides eligible individuals sessions with qualified adult guidance officers. These sessions enable individuals to discuss their aspirations, to review their skills, to identify training needs and to develop individual careers/learning action plans; 2) Vocational Training Support, which provides eligible individuals with a grant to meet the costs of training, up to a maximum of £2,500. The training supported must be completed within 12 months of participants being made redundant; 3) Vocational Training Extra Support, which provides eligible individuals with financial support to meet the additional costs associated with undertaking training e.g. the costs of learning materials, equipment, travel, overnight accommodation and childcare.

<sup>50</sup> Elements targeted at employers include: 1) Employer Recruitment support, which represents a ‘wage subsidy’ of £2,080 payable in 4 instalments over a 12 month period to employers who take on individuals eligible for ReAct



The programme was evaluated at an interim point by Old Bell 3 Ltd, in association with Dateb, IFF Research Ltd. Although a majority of respondents were in work, one conclusion of their evaluation study was that *ReAct* involved a high level of deadweight in relation to employment outcomes. The evidence also suggested lower levels of deadweight in relation to some groups of individuals than others and in relation to some kinds of businesses than others. The programme seemed to have a more pronounced effect upon respondents' chances of finding and retaining alternative employment at either end of the age spectrum (i.e. those aged 16-24 and those aged 55-64, with employers commenting that young people are a less attractive employment prospect because they lack the skills and experience which older people are likely to have).

- ***ReAct II*** – placed a greater emphasis on supporting businesses to take-on people made redundant by increasing the value of the wage subsidy element of the programme from £2,080 to £3,000 over twelve months. The scheme also helped employers who were downsizing their businesses or were recruiting staff. At the same time, slightly less emphasis was placed on updating the skills of redundant workers by reducing the maximum value of vocational training support from £2,500 to £1,500 and by reducing the proportion of employer training costs to be met by *ReAct* from 70% to 50%, albeit that the maximum value of Employer Training support was retained at £1,000.. *ReAct III* was founded in April 2015. The final evaluation of *REACT II* was not available at the time of writing.

- ***Genesis Cymru Wales 2 Project*** were two projects, which delivered across both the Convergence and Regional Competitiveness and Employment areas in Wales, aiming to bring individuals, primarily female lone parents, identified as being “furthest away” nearer to the labour market. Set up in 2008, the project aimed to provide a package of easy to access, client centred support including personal development and soft skills, enabling the project to tackle barriers to employment. These included low skills or qualifications, low self-esteem, lack of confidence, health issues or family concerns.

A recent internal review of *Genesis Cymru Wales 2*, however, identified that the programme was under-performing in relation to some key performance outputs. This followed a previous review of performance undertaken in 2011, which highlighted the need to focus delivery more clearly on identified employment and training outcomes. It became clear through ongoing performance monitoring and reviews that, whilst *Genesis* helped many hard-to-reach

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support; 2) Employer Training support, which allows employers taking on eligible individuals to reclaim up to 70% of the cost of any eligible training which the individual undertakes, up to a maximum of £1,000.

individuals to develop their confidence and self-esteem, the programme continued to under-perform against its key outputs<sup>51</sup>. The Welsh Government subsequently decided to de-commit £23m for the programme from the Wales European Funding Office..

• ***Employer Pledge Programme*** – is part of the Welsh Government Basic Skills in the Workplace Project<sup>52</sup> and is a workforce skills training programme. The Welsh Government anticipated that between April 2010 and 31 December 2015, the Basic Skills in the Workplace programme will engage 1031 employers in the Employer Pledge programme. The scheme is to be delivered in parallel with other skills support available to employers through the Workforce Development Programme.

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<sup>51</sup> See Written Statement - Genesis Cymru Wales 2, <http://wales.gov.uk/about/cabinet/cabinetstatements/2013/genescymruwales2/?lang=en>

<sup>52</sup> Welsh Government, *Basic Skills in the Workplace* [Accessed 16 August 2011].

**Table 11** Welsh Government initiatives and evaluation results in

Programme	Design/ Potential Risks	Main Purposes	Evaluation Methodology /Comments	Potential Impacts and Evaluation results
Jobs Growth Wales (JGW)	<ul style="list-style-type: none"> <li>The programme is divided into four separate but interlinked strands - the private sector (the largest of the programme); the Third sector strand, the graduate strand and the self-employment strand.</li> </ul>	<ul style="list-style-type: none"> <li>Create jobs opportunities for young people aged 16 to 24;</li> <li>Provides support for micro-business and community-based job opportunities.</li> </ul>	<ul style="list-style-type: none"> <li>Quasi-experimental approach with counterfactual group generated from longitudinal participant survey -</li> </ul>	<ul style="list-style-type: none"> <li>Interim evaluation report showed that 6 months into the programme Jobs Growth Wales had created 3,161 job opportunities, with 1,705 young people now in work<sup>53</sup>.</li> </ul>
Skills Growth Wales (SGW)		Provides financial support for training businesses that could demonstrate a commitment to growth (10% increase in turnover, or productivity, or 10 jobs created)	<ul style="list-style-type: none"> <li>Evaluation in progress by ICF International in partnership with Arad Research.</li> </ul>	<ul style="list-style-type: none"> <li>Raise skills base of the workforce and support progression in employment through basic and intermediate level skills.</li> </ul>
Redundancy Action Scheme (ReAct)	<ul style="list-style-type: none"> <li>5 main elements: <u>Elements targeted at individuals:</u> <ul style="list-style-type: none"> <li>-Adult Guidance provided by Careers Wales;</li> <li>-Vocational Training Support;</li> <li>-Vocational Training Extra Support;</li> </ul> </li> <li><u>Elements targeted at employers:</u> <ul style="list-style-type: none"> <li>-Employer Recruitment Support;</li> <li>-Employer Training Support.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Complements and supplements the service offered by Jobcentre Plus and Careers Wales to individuals who have become unemployed in the last 6 months as a result of redundancy, are currently unemployed, and who have not been in continuous employment for 6 weeks or more since being made redundant.</li> </ul>	<ul style="list-style-type: none"> <li>Review of programme documentation and databases;</li> <li>Telephone survey of 600 former ReAct participants;</li> <li>Telephone survey of 100 employers who benefited from ReAct support;</li> <li>Telephone survey of 100 individuals who applied unsuccessfully for ReAct support;</li> <li>Face to face interviews with 11 employers and 9 individuals who benefited from the support.</li> </ul>	<ul style="list-style-type: none"> <li>ReAct made a difference to individuals' propensity to improve their existing skills or to acquire new skills;</li> <li>Less evidence of a positive impact of ReAct on participants' employment prospects;</li> <li>possible high level of deadweight in relation to employment outcomes suggested from interim evaluation survey.</li> </ul>
Genesis Cymru Wales 2 Project		<ul style="list-style-type: none"> <li>The projects aim to increase labour market participation by identifying and providing support to individuals who are furthest away from the labour market.</li> </ul>	<ul style="list-style-type: none"> <li>Recent internal review has identified that the programme is under-performing in relation to some key performance outputs.</li> </ul>	<ul style="list-style-type: none"> <li>It was anticipated the programme will support 20,000 participants – 15,000 participants in the Convergence area and 5,000 in the Regional Competitiveness and Employment areas;</li> <li>The back-to-work scheme is supported by £36m of public money and faces being wound up a year early after a review found it was failing to hit its targets.</li> </ul>

<sup>53</sup> This review has been conducted in parallel with the final evaluation of JGW, the findings from which are being made available online by Welsh Government in 2016

<p>Graduate Opportunities Wales (GO Wales)</p>	<ul style="list-style-type: none"> <li>• The evidence from external stakeholders indicates that the programme is perceived primarily as a placement and work experience programme, with relatively little understanding of the other strands of activity.</li> </ul>	<ul style="list-style-type: none"> <li>• To up-skill participants, building on and enhancing their academic qualifications and ease access to employment;</li> <li>• To help graduates develop careers in the Welsh economy where they can use their higher level skills;</li> <li>• To develop a website where employers can advertise posts that are of particular interest to graduates, free of charge, and where graduates who want to work in Wales can search for vacancies.</li> </ul>	<ul style="list-style-type: none"> <li>• The methodology employed included a substantial review of policy and background documentation, analysis of project monitoring records and participant feedback data, a telephone survey of beneficiaries and a control group, and consultations with project managers, operational staff and external stakeholders.</li> </ul>	<ul style="list-style-type: none"> <li>• It contributes to the development of stronger links between employers and HEIs;</li> <li>• Around 60% of placement participants secure further employment with the host organisation;</li> <li>• Net additional job creation over the period January 2009 – December 2011 from work placements is estimated at 694 jobs;</li> <li>• Evidence of wage uplifts equivalent to £1.48 million to the Welsh economy;</li> <li>• A net increase in participant business turnover of £39.6 million.</li> </ul>
<p>Traineeship and Steps to Employment programmes</p>		<ul style="list-style-type: none"> <li>• The initiatives aim to give young people between age of 16 to 18, the skills needed to get a job or progress to further learning at a higher level, such as apprenticeship, work placements.</li> </ul>	<ul style="list-style-type: none"> <li>• Data on learner destination within 3 months of leaving the programme is collected and analysed via the Lifelong Learning Wales Record.</li> </ul>	<ul style="list-style-type: none"> <li>• 59% of leavers from Traineeship programmes between 1 August 2011 and 31 January 2012 had a positive progression to employment (including self-employment or voluntary work);</li> <li>• 38 % of leavers from Steps to Employment programmes during the same period had a positive progression to employment (including self-employment or voluntary work).</li> </ul>

## 10. Latest evaluation studies

### *Concluding findings on the debate of which programmes are more effective*

The evidence outlined so far suggests that studies examining the programme effectiveness present mixed or sometimes contradictory findings, partly due to research design, data, and methodological limitations.

Card, Kluve and Weber (2015) reviewed impact evaluations from over 200 recent ALMP programmes worldwide, classifying the estimates by programme type and target group. This review is the most recent and the most comprehensive in scope, in terms of the number of programmes scrutinised. It concluded that, on average, programmes had relatively small impacts in the short term (up to one year post completion), but had larger effects in the medium (1-2 years post) and longer (2+ years post) term. In terms of programme type, human capital programmes were found to generate the largest gains in the medium and longer term, whereas 'work first' programmes based on job search assistance and sanctions had larger short term impacts. In terms of participant group, impacts were found to be stronger with females and the long term unemployed, and the review also noted that AMLPs delivered during a recession were more likely to show positive impacts.

A range of other studies were considered by this review, including;

- **Puerto (2007)** – this study considered the empirical results from a sample of 172 evaluation studies – including net impact evaluations and evaluations of gross outcomes – and concluded that programme success was not determined by the type of intervention, but rather by targeting the programmes at disadvantaged youth, by the country level of development, and the flexibility of the labour market regulations.
- **Greenberg *et al.* (2005)** - in a meta-analysis of 27 experimental evaluations of 116 welfare-to-work intensive programmes, Greenberg *et al.* (2005) determined that support for job search has persistent positive impacts on labour market outcomes, while basic education, vocational training, and work experience have a marginal or negative impact.
- **Barnow and Gubits (2002)** – this study reported that longer-term, intensive training strategies appeared to be considerably more effective than short-term work-first strategies.
- **Bloom and Michalopoulos (2001)** – this study reviewed experimental evaluations of 20 programmes and concluded that the most effective programmes combined employment-focused and educational/training strategies.

Data from the youth employment inventory, however, shows there are no major differences across types of interventions in terms of possible impact, suggesting that policy-makers should consider which type of intervention best addresses the problem of concern. Importantly, the meta-analysis of the inventory conducted by Puerto (2007) showed that country context matters when assessing the impact of youth employment programmes. An employment programme implemented in a developing or transitional country has at least a 50 percent higher probability of yielding a positive impact for youth than a developed-country programme. Moreover, targeting interventions on economically disadvantaged youth appears to have a substantial positive impact on participants' labour market prospects.

Overall, the findings outlined above suggest that wage subsidy programmes and programmes aimed at enhancing job search efficiency are mostly positive, although there are also some studies which have identified negative effects, see Greenberg et al (2005) above, for example. The evidence for training programmes is more mixed but is again predominately positive, while for public sector job creation the evidence is less favorable. Looking at a few recent studies and in particular studies following the Great Recession, generally the evidence is slightly less positive, with a majority of studies reporting negative or insignificant impacts. Obviously, the choice of ALMP type would depend on the labour market needs and orientation towards achieving certain objectives.

#### *The latest evaluation studies*

A comprehensive study by Kluge (2014) analysed the role of the youth ALMPs in European Training Foundation (ETF) partner countries. The main focus of the analysis was on determining which programmes work and under what conditions. For each programme type the author formulates key features, objectives and expected impacts in order to provide an outline of the constitutive elements and mechanisms of the ALMPs (see Table 12). Importantly, whereas these programmes were originally designed in OECD countries and the majority are currently implemented there, the framework is applicable to any country, including ETF partner countries. In terms of the latter, there is little evidence as most of these countries use active programmes on a limited scale. Many of these countries have, however, started to engage in more systematic use of ALMPs and to assess their effectiveness.

**Table 12** Key features of ALMPs (Kluve, 2014)

	<b>Job-search assistance</b>	<b>Training</b>	<b>Private sector incentives</b>	<b>Public employment</b>
<b>Components</b>	<i>Job search training; monitoring; job clubs, sanctions, counselling</i>	<i>Classroom training; work practice, basic skills training; life skills training</i>	<i>Wage subsidies, self-employment assistance; start-up grants</i>	
<b>Government cost</b>	Low	Medium/high	High	High
<b>Short-run effect</b>	Positive	Negative	Positive	Positive
<b>Long-run effect (best case)</b>	Small positive	(Large) Positive	Small positive	Zero to small positive
<b>Long-run effect (worstcase)</b>	Small negative	Small negative	Negative	Large negative
<b>Displacement</b>	Medium	Low	High	High
<b>Business cycle</b>	Any time, expand in recession	Any time, expand in recession	Any time	Recession

Source: Kluve (2014).

Another study by Nekby (2008), provides a comprehensive overview of the ALMPs literature in the Nordic labour market. The purpose of this study is to provide a general overview of the success and failure of different types of ALMPs as well as a more detailed account of the Nordic experience with targeted programmes towards vulnerable groups such as unemployed youth and immigrants. The author concludes that the types of ALMPs found to be efficient in reducing unemployment duration and increasing employment chances for the unemployed in general are also the most efficient for vulnerable groups. Programmes that more closely approximate regular employment such as those provided by wage subsidised employment programmes produce positive results for subsequent employment outcomes. In addition, intensive contact and counselling with Public Employment Service (PES) caseworkers is found to be effective for vulnerable groups. Studies on recent Nordic vocational training programmes suggest that more focused programmes with competitive admission and documented qualifications that are recognised by employers, can be successful in improving the employment chances of unemployed youth. Several studies also suggest that intensive PES counselling can have a positive impact on transition rates out of unemployment for young people.

A recent report by the 2014 Sustainable Governance Indicators project,<sup>54</sup> sorts the OECD and EU countries according to their performance, related to how effective the labour market policies are in addressing unemployment. The highest score of 9 is given to countries such as Germany, Norway and Switzerland, which successfully address the unemployment issue<sup>55</sup>. The UK has been given score of 7, highlighting that attempts at increasing labour market flexibility through

<sup>54</sup> 2014 Labour Markets Report, Sustainable Governance Indicators, Labour Market Policy.

<sup>55</sup> The scale varies from 10 (best) to 1 (lowest). This scale is tied to four qualitative evaluation levels. 10-9 - Successful strategies ensure unemployment is not a serious threat; 8-6 - Labour market policies have been more or less successful. 5-3 - Strategies against unemployment have shown little or no significant success; 2-1 - Labour market policies have been unsuccessful and rather effected a rise in unemployment.

deregulation and the lowering of secondary wage costs have showed little effect so far. However, while the UK labour market may be in worse shape than it was a decade ago, it still shows better performance indicators than those of many European countries.

## 11. Conclusions

This review has sought to outline the existing international evidence on the nature and effectiveness of youth ALMPs, including schemes within Wales. The above discussion highlights the following main points:

- The international evidence provides mixed conclusions on the effectiveness of youth ALMPs, and the results depend on the context, concluding the stage of the business cycle and institutional features of the labour market. Indeed, while there is evidence that some programmes have been successful in improving the employment prospects in the youth labour market, for others there is no evidence of an impact on the probability of gaining a job. This variation in the evidence, however, is unsurprising given the range of ALMP measures that have been implemented internationally and the range of evaluation methods and timescales under consideration. Within the UK, there is, however, consistent evidence that the NDYP has been a successful policy intervention in the youth labour market.
- There are many forms of ALMPs for young people and their type and scope varies widely across countries and over time. The right mix of passive and active policies is essential to solve the problem. According to the ILO's Programme of Youth Unemployment, wage subsidies combined with training which increases the employability of young people through skill development, are amongst the most effective type of ALMP in promoting longer term employment prospects. The success of the wage subsidy programmes depends crucially on how they are combined with individual skills and employer involvement and with other follow-up measures.
- For policy to be effective it needs to be targeted, depending on the nature of the problem, the country context and taking into account the particular issues faced with entering the labour market. However, one of the problems highlighted in recent work is a lack of clarity and flexibility in and between the various programmes set up to get people into work. The existence of multiple separate initiatives provided by different



government bodies and agencies leads to confusion about the nature of help and support available to young people.

**Box 1:** Commonly used terms in the impact evaluation literature

Some of the commonly used terms in the evaluation literature are defined below:

- **Deadweight loss:** Programme outcomes are not different from what would have happened in the absence of the programme. For example, wage subsidies place a worker in a firm which would have hired the worker in the absence of the subsidy;
- **Spill-over effect:** occurs when non-participants see a gain in their labour market outcomes due to the programme;
- **Crowding out:** occurs when fewer jobs are available to non-participants as a result of the programme;
- **Substitution effect:** A worker hired in a subsidised job is substituted for an unsubsidised worker who would otherwise have been hired. The net employment effect is zero;
- **Displacement effect:** This usually refers to displacement in the product market. A firm with subsidised workers increases output, but displaces/reduces output among firms who do not have subsidised workers;
- **Treatment and control group:** Programme participants are the 'treatment' group. Their outcomes are compared with a 'control' group of individuals who did not participate in the programme. The treatment and control group could be assigned at random ex-ante (before the programme) or chosen ex-post;
- **Randomized experiment:** Individuals eligible for the programme are randomly assigned to a treatment and control group, these two groups differ from each other neither in observable nor in unobservable characteristics;
- **Selection bias:** Programme outcomes are influenced by unobservable factors not controlled for in the evaluation (individual ability, motivation, willingness to work). Such factors can also arise as a by-product of the selection process into programmes where individuals 'most likely to succeed' are selected into programmes.
- **Randomized bias:** This refers to bias in random-assignment experiments. The behaviour of individuals in an experiment will be different because of the experiment itself as individuals know that they are part of treatment group and may act differently. The potential change in behaviour is referred to as the Hawthorne effect (Dar and Tzannotos, 1999).

*Notes:* Author's collection of different sources.

## APPENDIX I: The German's 'dual system'

The German system, which trains about 1.5 million people annually, has been largely successful in combating youth unemployment and therefore may hold important insights for the UK. The system functions so effectively that Germany's youth unemployment rate is lower than in countries with more open job market regulations. In the UK, for example, the rate is double that of Germany's, although the percentage of university degree-holders is also nearly double that of Germany<sup>56</sup>. The system is characterised by a high participation rate in education and training schemes, highly regulated vocational training and relatively low levels of apprentice remuneration, standing at around one-third of the skilled workers' wage as opposed to two-thirds in the UK. In general, vocational training in Germany is organised as apprenticeship training and in full-time vocational schools. The apprenticeship is organised within the so-called 'dual system', which is determined by the combination of school-based and firm-based training. The dual apprenticeship system is based on occupation-specific regulations issued by the federal government. It currently covers 350 officially recognised occupational degrees defined with the advice of employers and trade unions (Biavaschi *et al.*, 2013). The firm-based training is responsible for the more practical part of the training, while the schools are responsible for the subject's theoretical and general education. Usually, trainees spend one or two days in school. Part-time vocational schools and firms are, by law, defined as equal partners in training (Leschinsky and Cortina 2003). This style of training brings future job applicants in close contact with the job market and generates more reliability when it comes to qualification standards. It also offers a long period in which employers can get to know young employees, offering managers a relatively reliable insight into trainees' skills and potential for development. That limits employers' risks when taking on young workers. One of the crucial aspects of the German dual system is that it is created by a cooperation of the employers and the trade unions.

O'Higgins (2001) summarises the strengths of the German system as follows:

- It is based on nationally regulated and universally accepted skills certification, with a high degree of standardisation. Young people acquire institutionally defined and nationally recognised skills that are highly portable within (and to some extent across) occupations. This facilitates labour market matching and, in principle at least, labour market mobility.

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<sup>56</sup> Germany's youth unemployment recipe, By Hilmar Schneider, Institute for the Study of Labour (IZA), <http://www.dw.de/germanys-youth-employment-recipe/a-15917476-1>.

- Employers' and workers' organisations are involved in determining the content of training and in supervising certification. This improves the relevance of qualifications, as well as increasing the commitment of these organisations to the success of the system.

- The system has solved the financing problem. Trainees are prepared to accept part of the training costs because they know they will end up with a high level of marketable skills.

- The dual system effectively provides a sheltered entry point into employment. Low apprentice remuneration encourages employers to participate in the scheme and the provision of high-quality training means that skilled young workers are likely to find employment when they complete their apprenticeship.

Its weaknesses can be summarised as follows:

- It is highly structured and inflexible. Young people's career patterns are decided very early on in life, although this is perhaps due more to the structure of the three-tier schooling system than to that of post-school dual apprenticeships.

- It is difficult to generalise whether such a rigid system can adequately cope with rapid changes in the economic environment. In particular, the apprenticeship system has not adjusted sufficiently to the growth of service sector occupations.

- While the system has gone a long way towards solving the teenage unemployment problem, deteriorating labour market conditions following reunification have led to the emerging problem of young adult unemployment.

- The German system has not entirely solved the problem of disadvantaged youths. Failing early on in the transition from school to work has long-lasting effects on later careers and incomes. Those who initially fail to undertake some form of vocational training are unlikely to be able to re-enter training to upgrade their qualifications later in life.

## APPENDIX II: Local government's initiatives within Wales

- **Pre-VENT** – collaborative project between Bridgend, Blaenau Gwent, Caerphilly, Merthyr Tydfil and Torfaen councils that aims to address the underlying causes of disengagement and tendency to economic inactivity. The scheme also collaborates with further education colleges in the area and seeks to raise the aspirations of young people.
- **Want2Work** – is a labour market scheme that aims to help people into employment, in selected areas of Wales. It is a pilot scheme that has been developed jointly by Jobcentre Plus and the Welsh Assembly Government to increase economic activity levels in Wales. The pilot was funded from both Objective 1 and Objective 3 ESF grants, through ESF projects directly delivered and managed by Jobcentre Plus, and ran from September 2004 to March 2008. The project was spatially targeted with concentrated activity taking place in selected wards within the Cardiff, Neath Port Talbot, Merthyr Tydfil, Ceredigion and Denbighshire unitary authority areas. The main focus was individuals in receipt of Incapacity Benefits.
- **ENGAGE**<sup>57</sup> – local authority and further education initiative lead by Neath Port Talbot Council in collaboration with Swansea, Pembrokeshire, Ceredigion and Carmarthenshire councils. The initiative targets 14-16 year olds facing difficulties such as underachievement or absenteeism, and 16-19 year olds who are already in college but are at risk of dropping out.
- **Neetly into Business** – project run by Mid and West Wales Chamber Limited, a not-profit organisation in Llanelli, that aims to give young people with a business idea to get started through enterprise skills, an NVQ in self-employment, and mentoring from local business community. The project is funded through the Wales Council for Voluntary Action Engagement Gateway project, and is supported by European funding.
- **Intermediate Labour Market Programme** – provides a period of paid supported employment and training to help people overcome barriers to work and build confidence. The programme first operated across North and East Wales, and in 2011 a new £900,000 pilot scheme to help young people aged 16 to 17 into employment in South and West Wales has been announced<sup>58</sup>.
- **Bridges into Work** – was an opportunity for economically inactive and unemployed people in South East Wales, funded through a £10million grant from the European Social Fund. The

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<sup>57</sup> Welsh Government Press release, £32m funding boost will 'ENGAGE' young people, 12 November 2009.

<sup>58</sup> Welsh Government Press release, 10 February 2011.

project provides a boost to individuals and companies, providing opportunities for retraining or improving skills in subjects that are in demand by employers. The aim is to help nearly 3,000 people into sustainable employment by August 2012. The Bridges into Work project provides access to a wide variety of free courses and the opportunity of advice and guidance from a team of Learner Support Officers. It is made available in six local authority areas – Caerphilly, Torfaen, Blaenau Gwent, Bridgend, Merthyr Tydfil and Rhondda Cynon Taff who have joined together to strategically develop and run Bridges into Work. The programme is available to all residence aged 16-65 (or if over 65 willing to sign an intention to work statement) who are not in full time education; those not in work or working for less than 16 hours per week but who wish to move closer to the job market with the ultimate aim of becoming employed.

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