

The New Deal for Young People

REPORT BY THE COMPTROLLER AND AUDITOR GENERAL
HC 639 Session 2001-2002: 28 February 2002



The New Deal for Young People



REPORT BY THE COMPTROLLER AND AUDITOR GENERAL
HC 639 Session 2001-2002: 28 February 2002

Contents

Summary and recommendations 1

Part 1

Introduction	7
Background	7
Policy context	8
Main features of the programme	9
Organisation and delivery arrangements	11
Study scope and approach	11

Part 2

How far the new deal for young people has met its objectives	13
Introduction	13
Programme objectives	13
Number of young people placed into jobs	13
Reliability of the statistics relating to job outcomes	14
Conclusions	15

Part 3

Impact on the national economy	17
Introduction	17
Economic rationale for the programme	17
Our approach to assessing the programme's impact on the economy	17
Impact of the programme on levels of youth unemployment and employment	18
Wider impact of the programme on the national economy	18
Impact on public expenditure	19
Cost effectiveness of the programme	20
Managing the risks to the programme's continuing effectiveness	21
Conclusions	21

This report has been prepared under Section 6 of the National Audit Act 1983 for presentation to the House of Commons in accordance with Section 9 of the Act.

John Bourn National Audit Office
Comptroller and Auditor General 25 February 2002

The National Audit Office study team comprised:

Jeff Jones

Paul Dimblebee

Vincent McCarthy

For further information about the National Audit Office please contact:

National Audit Office
Press Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

Tel: 020 7798 7400

Email: enquiries@nao.gsi.gov.uk

Part 4

Performance at local level	23
Introduction	23
Delivery at local level	23
Variations in performance between units of delivery	23
Conclusions	25

Part 5

Making the programme more effective	27
Introduction	27
Structure of the programme	27
There is a need for more flexibility	27
Relative effectiveness of the programme's different stages	28
Employer involvement	29
Government paper, "Towards full employment in a modern society", March 2001	30
Conclusions	30

Glossary of terms	31
--------------------------	-----------

Appendices

1 The New Deal programmes	32
2 Main stages of the new deal for young people	33
3 Study methodology	35
4 Analysis of responses to survey questions	40
5 Research by the policy studies institute	43
6 Current initiatives designed to increase employer engagement in the New Deal for Young People	44



summary & recommendations

In this section

Main findings and conclusions	2
Overall conclusion	5
Recommendations	6

- 1 The New Deal for Young People is the Government's flagship welfare-to-work programme. It aims to help long-term unemployed young people aged 18 to 24 to move away from dependency on unemployment and social security benefits and into worthwhile employment. The programme's overall objectives are:
 - to help young unemployed people into jobs;
 - and to improve their prospects of staying and progressing in employment;
 - to increase the long-term employability of young unemployed people;
 thereby making a positive contribution to sustainable levels of employment and to a reduction in social exclusion.
- 2 The programme comprises a mix of advice, training, support and other assistance, including work experience. It seeks to place into suitable employment those participants who are job ready or almost job ready. For others, the programme seeks to identify and break down the barriers that are preventing participants from moving into employment, by developing appropriate skills and characteristics so that participants will be in a position to compete more effectively in the labour market. The Employment Service, an Executive Agency of the Department for Work and Pensions (the Department), has overall responsibility for delivering the programme in Great Britain through 142 local Units of Delivery.



- 3 The New Deal for Young People is mandatory for all 18 to 24 year olds who have been unemployed and claiming Jobseeker's Allowance continuously for six months or more. By the end of October 2001, more than 600,000 young people, some of whom had been through the programme more than once, had participated in the programme. During the same period (March 1998 to October 2001), the number of young people in the 18 to 24 age group claiming Jobseeker's Allowance fell by almost 130,000 to 226,000, with fewer than 34,000 unemployed continuously for six months or more.
- 4 We examined how effective the New Deal for Young People has been in reducing unemployment and how it might be improved. We took into account the reports on New Deal produced by the (then) Select Committee for Education and Employment. We focused mainly on those matters where we considered that there was some uncertainty about the programme's outcomes and impact.

Main findings and conclusions

How far the New Deal for Young People has met its objectives

- 5 The Government met its target of getting 250,000 under 25 year olds off benefit and into work before the end of the 1997 to 2002 Parliament in September 2000. By the end of October 2001, some 339,000 participants in the New Deal for Young People had ceased claiming Jobseeker's Allowance and had experienced at least one spell in employment, including subsidised employment. Of these, some 244,000 young people had left for sustained unsubsidised jobs. A further 30 per cent of leavers left to unknown destinations. Research indicates that 56 per cent of participants who left the programme and for whom no known destination was recorded (some additional 107,000 young people) had left to go into a job. However, some young people placed into sustained jobs (lasting for more than 13 weeks) will have returned to unemployment within that period without re-claiming Jobseeker's Allowance.
- 6 A large majority of the young people placed into sustained jobs remained out of unemployment for a substantial period. However, as might be expected in a dynamic labour market, some young people placed into jobs subsequently returned to a period of unemployment. This is a positive outcome as long as they remain employable, actively seek work and do not return to long-term unemployment. The Department told us that the subsequent pattern of unemployment of many of these young people matched that of newly unemployed young people, rather than that of the longer-term unemployed. As at October 2001, of those young people who had been on the programme more than once, 33,000 had had a period of unemployment of more than six months subsequent to obtaining a job during or following a previous spell on the programme.
- 7 The Employment Service has invested considerable resources in monitoring and evaluating the New Deal for Young People, and has closely monitored progress against the published objectives, which have included targets for helping young unemployed people into jobs. Targets were not set for the programme's other objectives, on the basis that they are not easily measurable. Although the Employment Service has not been able to systematically assess the quality of jobs that have been achieved and the progress that young people have made



within employment, there is evidence to suggest that the long-term employability of most young people who have participated in the programme has improved. And the Employment Bill includes provisions that should make it easier to track in employment former New Deal for Young People participants.

Impact of the programme on the national economy

- 8 The New Deal for Young People achieved its stated target of helping 250,000 young people into work in September 2000. But the economic impact of the programme cannot be measured simply in terms of the number of young people placed into jobs. For example, many of them would have found a job anyway because of natural labour market turnover and the general expansion of the economy. The overall impact of the programme therefore needs to be viewed in the context of wider labour market dynamics, as many young people will become unemployed and leave employment without any labour market intervention. Also, the headline figure of the number of young people placed into work does not measure the additional benefit for those who have participated in the programme in terms of their improved longer-term labour market position.
- 9 Research commissioned by the Employment Service into the first two years of the programme's operation estimated that the New Deal for Young People had reduced youth unemployment by 35,000 and increased youth employment by 15,000.

Our estimates of the effect of the New Deal for Young People on youth unemployment and youth employment

Effect	Plausible range of estimates
Reduced youth unemployment	25,000 - 45,000
Increased youth employment	8,000 - 20,000

- 10 Our analysis suggests that these estimates of the direct effects of the programme were reasonable. Because of inherent difficulties in evaluating the programme, they needed to be placed within a fairly wide range of plausibility, but it is clear that there is a positive effect.



- 11 The research also estimated that the programme indirectly had increased employment in groups other than 18 to 24 year olds by 10,000. Based on this research into the direct and indirect effects of the New Deal for Young People, we estimate that national income has grown by a minimum of £200 million a year.
- 12 The Government had spent £668 million on the programme by March 2000. After taking into account the programme's impact on other parts of the government budget, its estimated net cost was around £140 million a year. Applying this to our estimates of the programme's impact on levels of employment, the average annual cost per additional person of any age in employment lies within the range of £5,000 to £8,000.
- 13 This estimate is in a broad range and needs to be treated with caution, reflecting the considerable uncertainty in estimating the number of additional people in employment as a result of the programme. But it does indicate the cost of generating increases in employment and the other benefits of the programme that have not been measured. These include improvements in the employability of participants, reduced social exclusion and the estimated benefits to the economy as a whole. Also, given that there are risks to the programme's continuing cost effectiveness that need to be managed, in the light of changing economic conditions and the make-up of the client group, we believe that the estimate of cost per additional job provides a benchmark against which the continuing cost effectiveness of the programme can be measured. However, the Department considers that its usefulness as a benchmark is limited because the estimate is likely to change over time as more evidence becomes available about the long-run benefits.

Performance at local level

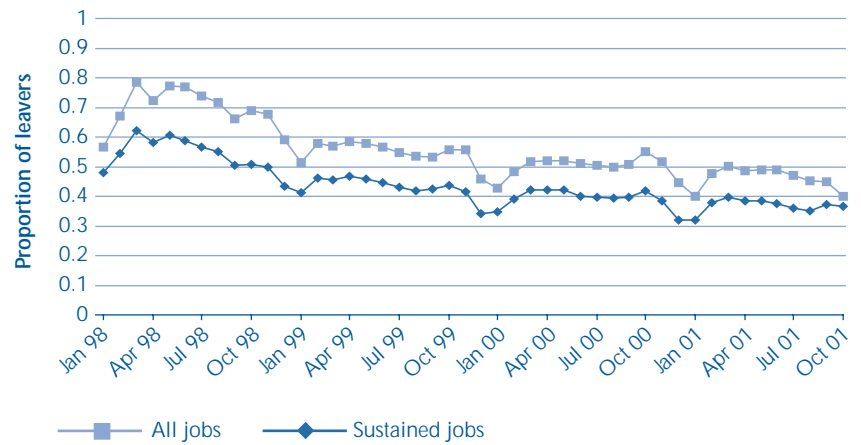
- 14 The Employment Service has been continuously monitoring the performance of Units of Delivery and has taken steps to reduce the variations and improve the programme's performance overall. Our analysis shows that most of the substantial variations in the outcomes achieved by Units of Delivery can be explained by external influences that are outside their control.
- 15 While there remains some scope for Units with lower levels of performance to improve their management and delivery, by March 2001 the programme, as then configured, had largely reached its limit for reasonably attainable improvement. Therefore, to increase or even maintain the programme's effectiveness in helping young people into employment, it was necessary to make changes to its structure and organisation.

Making the programme more effective

- 16 Overall performance, in terms of the proportion of participants placed into jobs, has remained broadly stable over the past two years, despite the increasing proportion of participants who are harder to help, having multiple barriers to employment. During the earlier months of the programme, a higher proportion of participants moved into work. This is because individuals are more likely to move into employment, rather than other destinations, at the start of their participation in the programme.



Proportion of New Deal for Young People leavers moving into employment each month



- 17 The Department has sought to continuously improve the programme. Changes introduced include a more intensive and focused Gateway, including the mandatory Gateway to Work course. The Government's Green Paper "Towards full employment in a modern society" contained proposals for further improvements in the design of the programme. The Paper included proposals for increasing the flexibility within the programme, increasing the participation of employers and the use of subsidised employment, and additional resources focused on those participants who have particular barriers to employment and are harder to help. The Department has already implemented some of these changes and work to introduce others is well advanced.

Overall conclusion

- 18 The New Deal for Young People has achieved the Government's Manifesto target of placing 250,000 young people into jobs ahead of schedule. However, as with other employment programmes its impact, in terms of placing people into sustained jobs that would not otherwise have been achieved, is less pronounced. Nevertheless, the programme has had a positive effect on the economy. This effect is likely to be sustainable in the medium to longer term if the programme adapts to changes in the economy and the make-up of client group, and if successful outcomes are generated from the increased resources that are being applied to those who are harder to help.

Recommendations

- 19 To enable progress to be quantified and monitored more systematically, we recommend that:
 - i The Department and the Employment Service should continue with the work that is in hand to enable targets relating to all of the programme's objectives to be set, and to monitor the cost effectiveness of the programme overall.
 - ii Additional performance measures should be designed to monitor the value added by the programme, such as the extent of improvements in employability, the number of additional jobs gained and the number of harder to help participants who have benefited from the programme. To support this the Employment Service should continue to take steps to identify and monitor the subsequent labour market activity of participants who are recorded as leaving the programme for unknown destinations or sustained employment.
- 20 To improve the performance of the programme overall, in implementing the proposals set out in the Government Green Paper we recommend that:
 - iii The Department re-consider the scope for extending the length of the Gateway period for certain clients who would clearly benefit from it.
 - iv The Employment Service should continue to expand the role of subsidised employment through more effective liaison with employers, greater involvement of employers in the delivery of the programme at local level and the provision of further incentives to encourage employer involvement.
 - v The Department should assess the continuing cost-effectiveness of the programme's work experience options other than subsidised employment, in the light of evidence of their more limited effectiveness in helping participants into sustained employment.
 - vi The Department should continue to develop more targeted forms of help for participants who have been through the programme previously or who have particularly severe barriers to employment.



Part 1

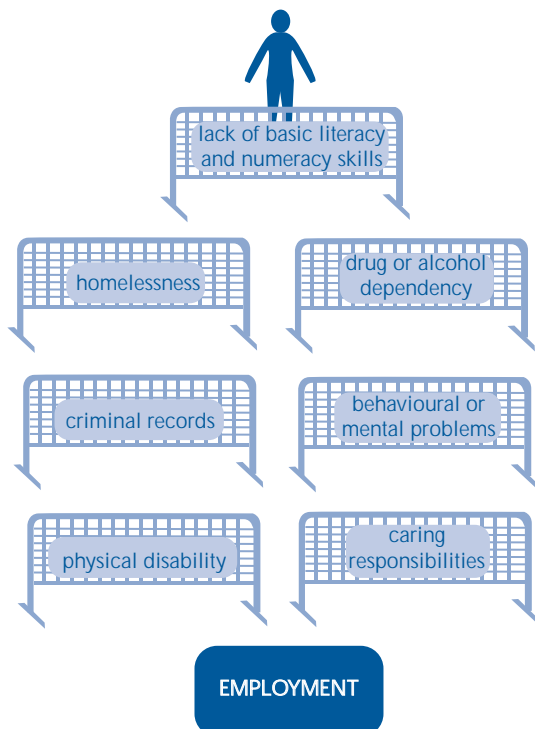
Introduction

Background

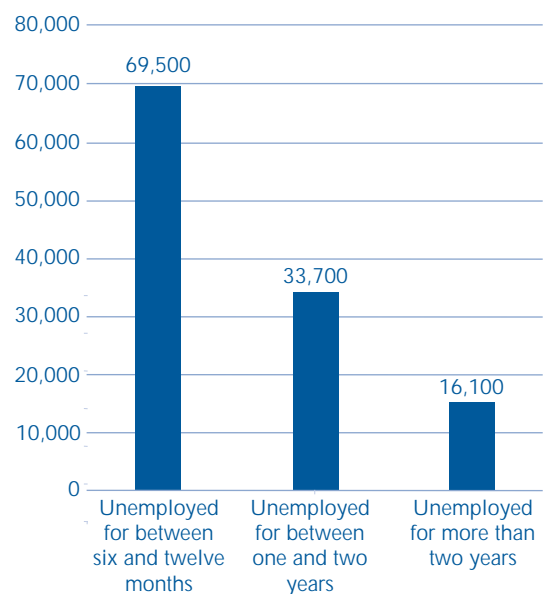
- 1.1 The New Deal for Young People is a mandatory programme of help for young people aged 18 to 24 who are classified as long-term unemployed - they have been unemployed and claiming Jobseeker's Allowance¹ continuously for more than six months.
- 1.2 The programme provides participants with a range of advice, training, support and other assistance, including work experience. It aims to place into suitable employment those participants who are judged to be job ready or almost job ready. For those who are not job ready, the programme seeks to identify and break down the barriers to employment (Figure 1), and develop appropriate skills and characteristics so that participants will be in a position to compete more effectively in the labour market.

- 1.3 Following its introduction in 12 "pathfinder" areas in January 1998, the Government launched the New Deal for Young People nation-wide in Great Britain in April 1998. At that time almost 120,000 young people were long-term unemployed and met the programme's eligibility criteria (Figure 2). In addition, each month a further 15,000 to 20,000 young people were becoming eligible.
- 1.4 During the first year or so, the number participating progressively increased as the stock of long-term unemployed young people was absorbed into the programme. The number of participants peaked at almost 150,000 in July 1999, since when numbers have gradually fallen. As at October 2001, 80,600 young people were on the programme (Figure 3 overleaf).

1 Examples of barriers to employment experienced by participants who are harder to help into employment



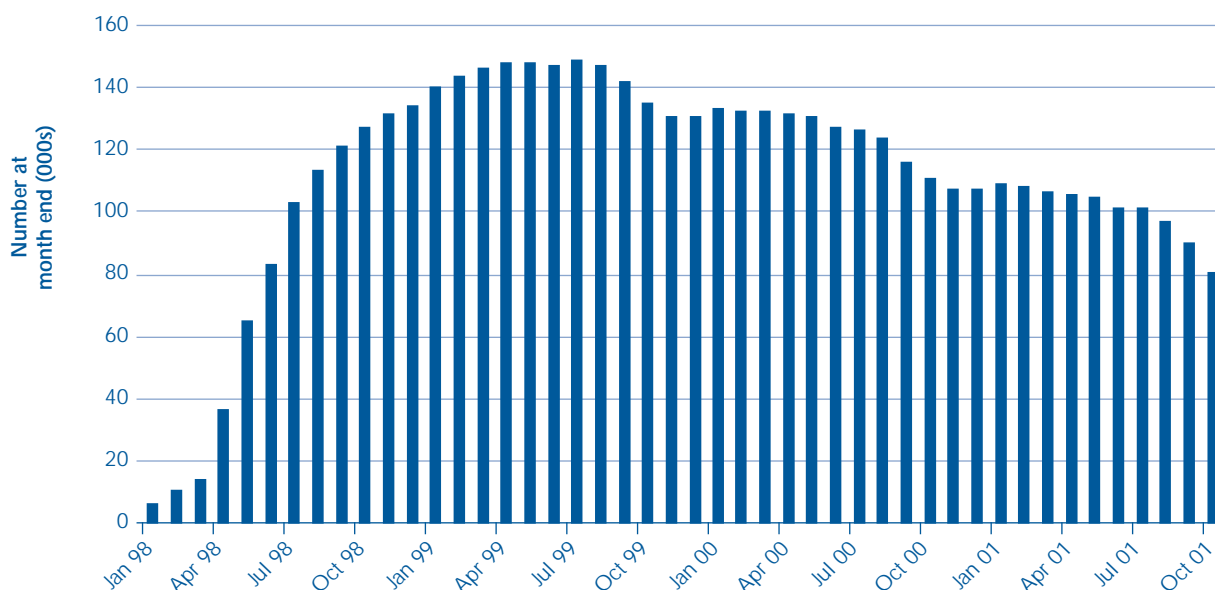
2 Number of young people eligible to join the programme and length of time unemployed as at April 1998



Source: Labour Market Trends, Table C12, March 2000

¹ Jobseeker's Allowance is the benefit for unemployed people of working age who are available for and actively seeking work.

3 The number of young people participating in the New Deal for Young People peaked in July 1999



Source: *Statistical First Release, December 2001*

- 1.5 Up to October 2001, 638,800 participants had completed or otherwise left the programme, of whom approximately 257,100 (40 per cent) had gone into a period of unsubsidised employment. During the same period, the number of young people in the 18 to 24 age group claiming Jobseeker's Allowance fell by almost 130,000 (Figure 4).

Policy context

- 1.6 The New Deal for Young People is one of a set of New Deal programmes (Appendix 1) and other labour market initiatives that share the common objective of increasing the level of sustainable employment and reducing social exclusion. The fundamental justification for them is the failure of the open market to reconcile the interests and vocational skills of individuals who are without jobs with the skills needs of employers.
- 1.7 The Labour Party manifesto for the 1997 General Election had promised that a future Labour Government would use the receipts from a windfall tax on the privatised utilities to fund a welfare-to-work strategy, aimed at raising employment and reducing benefit dependency. In addition one of the five election pledges highlighted in the manifesto was to "get 250,000 under 25 year olds off benefit and into work"².
- 1.8 The Chancellor of the Exchequer formally announced the strategy in his July 1997 Budget, and gave details of how the anticipated £5.2 billion receipts from the windfall tax would be allocated to a range of welfare-to-

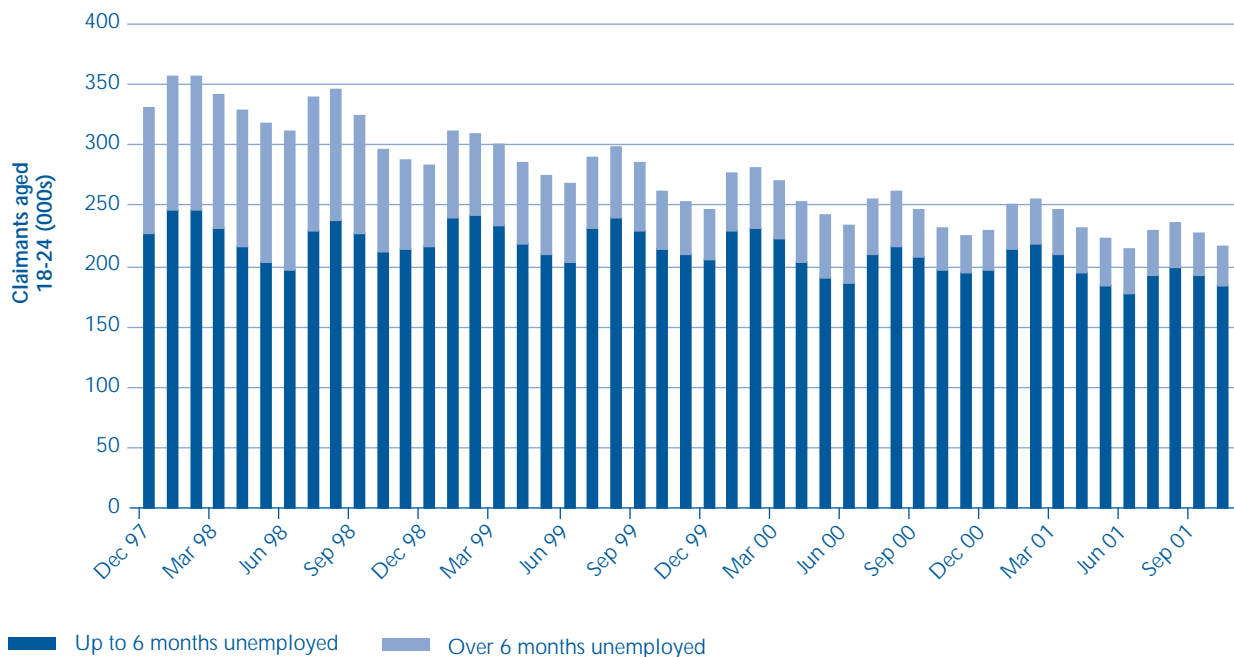
work programmes over the lifetime of the 1997 to 2002 Parliament. He allocated £3.15 billion to the New Deal for Young People.

- 1.9 The focus is on reducing long-term unemployment in the 18 to 24 age group and the negative impact unemployment has on the individuals concerned and the economy overall. When the programme was introduced, unemployment rates were falling and most areas had vacancies for a range of types of work. Nevertheless, there remained a substantial volume of young people who had been unemployed for more than six months. Many of them were likely to have had barriers to employment that had not been overcome by the forms of help that existed at that time. The programme was therefore designed to provide specific and personalised help to young people who had become detached from the labour market.
- 1.10 Originally intended to last for only the lifetime of the Parliament (1997 to 2002), in September 1999 the Government announced that the New Deal programmes would become a permanent feature of its welfare-to-work strategy. In March 2001 the Government announced proposals for the future development of the New Deal for Young People, building on the lessons learned and the outcomes to date³. Proposals included strengthening the links with employers and the labour market; increased access to subsidised employment; more individually tailored provision; and a more focused approach in areas of high unemployment and deprivation, and for those young people who have multiple barriers to employment and are harder to help.

² "New Labour: because Britain deserves better", Labour Party manifesto for the 1997 General Election.

³ "Towards full employment in a modern society", Cm 5084, March 2001.

4 Youth unemployment (the number claiming Jobseeker's Allowance) fell by almost 130,000 between March 1998 and October 2001



Source: Labour Market Trends, Table C12, December 2001

Main features of the programme

1.11 The New Deal for Young People is mandatory for all 18 to 24 year olds who have been unemployed and claiming Jobseeker's Allowance continuously for six months or more. Certain disadvantaged groups, such as people with disabilities, ex-offenders, people whose first language is not English or Welsh, and those with literacy and numeracy problems, can gain early access to the programme if they so wish. Failure by a young person to meet his or her responsibilities under the programme can result in the imposition of benefit sanctions.

1.12 There are three main stages:

- **Gateway:** up to four months of intensive advice, counselling and help with job search and related skills;
- One of four **Options:**
 - **the Employment Option** - a job for which the employer receives a subsidy for up to six months;
 - **Full Time Education and Training** - for up to 12 months and intended to lead to an approved qualification;
 - **the Voluntary Sector Option** - up to six months placed with a voluntary sector organisation;
 - **the Environment Task Force Option** - up to six months working on a project to improve the community's physical environment.

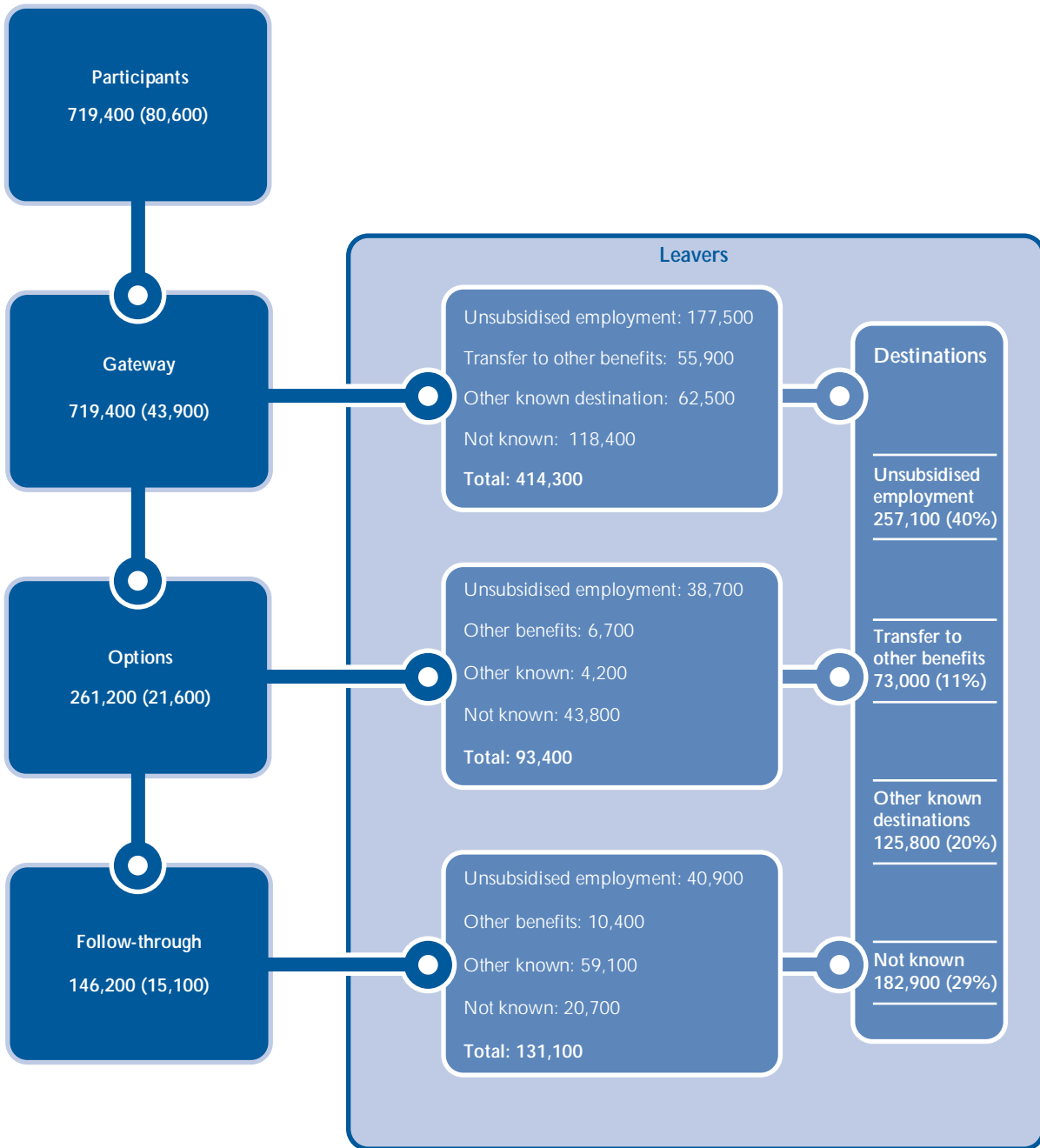
- **Follow-through:** a further period of up to four months' support and advice aimed at helping participants secure a job.

1.13 The details of each stage are set out at Appendix 2. A young person's pathway through the programme and the destinations of those who have left each stage are summarised at **Figure 5 overleaf**.

1.14 A number of important features cut across the three main stages, including:

- New Deal Personal Advisers have a pivotal and continuing role as focal points for all forms of support and assistance provided to participants throughout their time on the programme;
- all four Options include a training element intended to lead to a recognised qualification;
- as the principal purpose is to help unemployed young people to obtain employment, participants are expected to actively seek work at all times and are subject to the same job search requirements that apply to other Jobseeker's Allowance claimants. All stages, including the time spent on Options, should include job search activity;
- young people who leave the programme for employment or other reasons, and who subsequently reclaim Jobseeker's Allowance within a period of 13 weeks, will usually rejoin at the point they left.

5 Pathway through the New Deal for Young People and destinations of leavers as at the end of October 2001



NOTES

1. The numbers in brackets represent the number of young people who were still on the programme in October 2001.
2. "Other known destinations" include young people who returned to claiming Jobseeker's Allowance.
3. While a significant number appear as "Destination not known", research sponsored by the Employment Service suggests that leavers to unknown destinations actually leave for similar destinations as those with known destinations: 56 per cent employment; 16 per cent other benefits; and 28 per cent other known destinations.

Source: Statistical First Release, December 2001

Organisation and delivery arrangements

1.15 Policy responsibility for the New Deal for Young People rests with the Department for Work and Pensions (the Department)⁴. The Employment Service, an Executive Agency of the Department, has overall responsibility for the delivery of the programme through a network of 142 Units of Delivery, ten of which are led by private sector organisations. The Employment Service works in partnership with a range of organisations from the private, public and voluntary sectors. With effect from April 2002 the Employment Service is merging with parts of the Benefits Agency to form a new Agency, Jobcentre Plus.

Study scope and approach

1.16 We examined how effective the New Deal for Young People has been in reducing unemployment and how it might be improved. We have taken into account the reports produced by the then Select Committee for Education and Employment⁵. And we focused on those matters where there remained some uncertainty about the programme's outcomes and impact. In particular we looked at:

- how far the New Deal for Young People has met its objectives (Part 2);
- the impact on the national economy (Part 3);
- performance at local level (Part 4); and
- how the programme could be made more effective (Part 5).

1.17 A full description of our methodology is set out in Appendix 3.

⁴ Prior to June 2001, policy responsibility rested with the then Department for Education and Employment.

⁵ House of Commons, Education and Employment Committee: Session 1999-2000, Eighth Report (HC 510, "New Deal for Young People: Two Years On") and Eighth Special Report (HC 969, "Government's Response to the Eighth Report..."); Session 2000-01, Fifth Report (HC 58, "New Deal An Evaluation") and Ninth Special Report (HC 519, "Government's Response to the Fifth Report...").



Part 2

How far the New Deal for Young People has met its objectives

Introduction

2.1 In this Part of our report we consider how far the objectives of the New Deal for Young People have been achieved. We then focus on the number of jobs that have been obtained by participants and the reliability of the underpinning data.

Programme objectives

2.2 The overall objectives of the New Deal for Young People are:

- to help young unemployed people into jobs; and to improve their prospects of staying and progressing in employment;

- to increase the long-term employability of young unemployed people;

thereby making a positive contribution to sustainable levels of employment and a reduction in social exclusion⁶.

2.3 The Labour Party's 1997 manifesto commitment to get 250,000 under 25 year olds off benefit and into work before the end of the 1997 to 2002 Parliament was linked to the first objective. The commitment became a Public Service Agreement target shared between the then Department for Education and Employment and the Treasury. Performance is measured using data held on the New Deal Evaluation Database.

2.4 The Employment Service has invested considerable resources in monitoring and evaluating the New Deal for Young People and regular performance reports are provided to Ministers. The Employment Service's strategy for assessing progress against the objectives of all of the New Deals was set out in "New Deal - Objectives, Monitoring and Evaluation", published in March 1998. However, no targets were set for the other objectives, and the Employment Service does not have any systematic means of monitoring achievement. Monitoring of progress in improving the prospects of

young people staying and progressing in employment has been limited to the immediate destinations of participants who have left the programme. For those who have left to start a job, the Employment Service monitors whether any subsequent claims for Jobseeker's Allowance have been received within 13, 26 and 52 weeks. The nature and quality of jobs achieved and the progress that young people have made within employment are not systematically monitored. The Employment Bill that was presented to Parliament on 7 November 2001 includes provisions that should make easier the tracking in employment of former New Deal for Young People participants.

2.5 The Employment Service does not routinely gather and monitor data on improvements in employability, such as the number of qualifications gained. However, the design of the programme, with individual action plans for participants, is such that the long-term employability of young unemployed people should be improved, at least to some extent, by their participation in the programme. Research commissioned by the Employment Service suggests that the job-related skills of most participants have improved⁷.

2.6 Given the limitations in the available data on performance against objectives, we sought to gauge how successful the programme has been in terms of the number of young people who have been placed into jobs and the duration of those jobs.

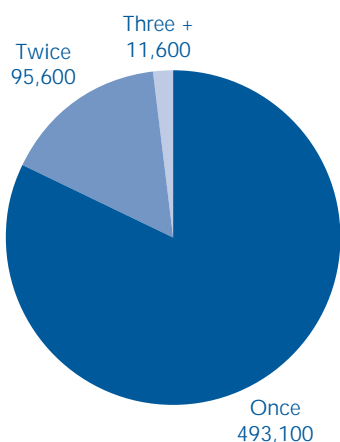
Number of young people placed into jobs

2.7 Up to the end of October 2001, more than 600,000 young people had participated in the programme. Of these, 18 per cent had done so more than once, if only briefly in some cases (**Figure 6 overleaf**). These young people had become eligible to join for a second or a third time by virtue of a six month period of unemployment some time after their previous participation.

⁶ "New Deal - Objectives, Monitoring and Evaluation", Employment Service, 1998.

⁷ "New Deal for Young People: National Survey of Participants: Stage 2", Policy Studies Institute and BMRB International, ESR 67, March 2001.

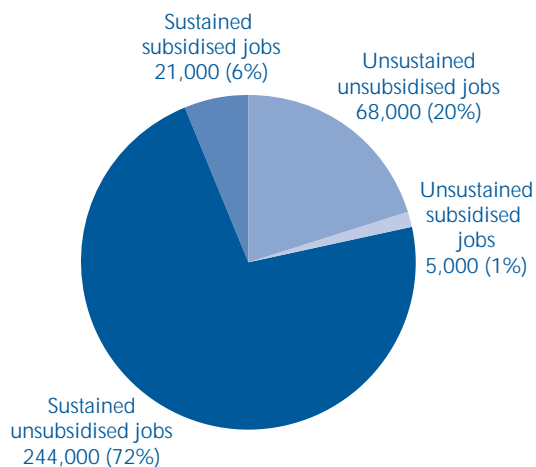
6 Number of times participants have been on the New Deal for Young People as at October 2001



Source: *New Deal Evaluation Database, December 2001*

- 2.8 To count as being placed into a job, the minimum requirement is that a participant ceases to claim Jobseeker's Allowance and starts the job within two weeks of leaving the programme. Against the Government's 250,000 target, by October 2001 339,000 participants had spent at least one period in employment, either during the programme or after having left it. Of these, 244,000 (38 per cent of all leavers) had left for sustained unsubsidised jobs (Figure 7). Those who return to Jobseeker's Allowance within 13 weeks of leaving the programme for a job (that is, those recorded as being in unsustained employment) re-enter the programme.
- 2.9 Our analysis of the extent to which young people stayed in employment following their participation on the programme showed that a number of those who obtained a sustained job subsequently became unemployed again and re-claimed Jobseeker's Allowance (Figure 8).
- 2.10 A return to unemployment should not be viewed as an adverse outcome if young people remain active in their jobsearch activity, continue to be successful in obtaining jobs, even if these are only short term in nature, and do not return to long-term unemployment. The Department told us that their analysis showed that the subsequent pattern of unemployment of many of these young people matches that of newly unemployed young people, rather than that of the longer-term unemployed. However, of the 107,000 young people who had been on the New Deal for Young People more than once as at October 2001, 33,000 had become long-term unemployed subsequent to obtaining a job during or following a previous spell on the programme.

7 Employment destinations of participants as at October 2001



NOTE

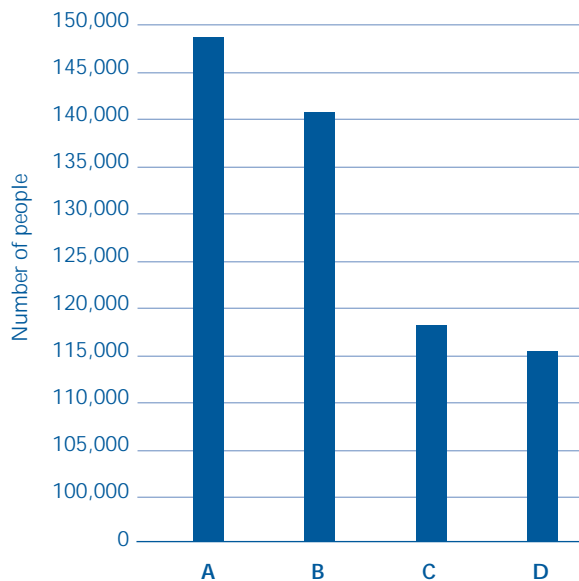
The figure includes employment outcomes only for participants for whom a known destination is recorded.

Source: *Statistical First Release, December 2001*

Reliability of the statistics relating to job outcomes

- 2.11 Each year Ministers set the Employment Service performance targets for placing unemployed people into jobs, and the Employment Service has a sophisticated system for validating measures of performance against these targets. In line with a request from the Chief Executive of the Employment Service, the National Audit Office reviews these systems and validates the related performance measures each year.
- 2.12 Based on our validation work since 1998, we can provide reasonable assurance that between 90 per cent and 95 per cent of the jobs recorded against the Employment Service's target are valid. The target and our validation work covered New Deal for Young People participants who have been placed into jobs by the Employment Service. They did not cover the estimated 12 per cent of placements that have been recorded by Option contractors and private sector deliverers of the programme. The Employment Service told us that job outcomes for the New Deal for Young People national statistics are recorded using even stricter criteria than those for Employment Service performance targets set by Ministers.

8 Number of young people who by the end of June 2000 had been placed in sustained employment and did not subsequently re-claim Jobseeker's Allowance



A = Number of young people who had moved from the programme into sustained unsubsidised employment as at the end of June 2000.

B = Number who had not reclaimed Jobseeker's Allowance 3 months later.

C = Number who had not reclaimed Jobseeker's Allowance 6 months later.

D = Number who had not reclaimed Jobseeker's Allowance 12 months later.

NOTE

When placing young people into jobs, the Employment Service assumes that the job will be sustained, until subsequent events prove otherwise.

Source: *New Deal Evaluation Database*

2.13 There are further uncertainties:

- Thirty per cent of leavers from the programme have no recorded known destination. Research commissioned by the Employment Service suggests that 56 per cent of these people had in fact entered employment, including sustained employment. This suggests that the number of leavers to sustained unsubsidised jobs recorded by the Employment Service is significantly understated;
- on the other hand, the number of young people placed into sustained jobs could be overstated, as a young person will not necessarily still be in employment if he or she does not reclaim Jobseeker's Allowance. For example, he or she might have gone into education and training, moved abroad, gone to prison or perhaps returned to unemployment and decided not to reclaim Jobseeker's Allowance.

Conclusions

- 2.14 The Employment Service has achieved its key target against the New Deal for Young People's objective of helping young unemployed people into jobs, but has not systematically measured progress against the programme's other objectives.
- 2.15 By counting the number of job starts the Employment Service succeeded, ahead of the target date, in meeting the Government's commitment to get 250,000 under 25 year olds off benefit and into work. These include jobs that were subsidised under the programme and jobs that may have been only of a short duration.
- 2.16 A substantial number of young people placed into jobs subsequently returned to a period of unemployment. This was to be expected in a dynamic labour market and should not be seen as a failure of the programme as long as the young people affected remain employable and do not return to long-term unemployment. The Department told us that the subsequent pattern of unemployment of many of these young people matched that of newly unemployed young people, rather than that of the longer-term unemployed. However, as at October 2001, of those young people who had been on the programme more than once, 33,000 had spells of unemployment lasting six months or more subsequent to obtaining a job during or following a previous spell on the programme.
- 2.17 The Employment Service has developed an evaluation strategy to assess the effect of the programme in respect of less readily quantifiable targets. Although there has been no systematic monitoring of the quality of the jobs that young people have been placed into, more than three-quarters of the jobs achieved were recorded as being sustained (lasting for more than 13 weeks). However, there is some uncertainty about the true number of sustained jobs achieved.
- 2.18 The quality of information on the programme's performance and outcomes would be improved if the Employment Service was better able to identify the subsequent labour market activity of young people who have left the programme for unknown destinations or sustained employment. The Employment Bill that was presented to Parliament on 7 November 2001 includes provisions that should make easier the tracking in employment of former New Deal for Young People participants.



Part 3

Impact on the national economy

Introduction

- 3.1 By October 2001, 339,000 young people had moved from the New Deal for Young People into employment, including subsidised employment. However, this simple statistic does not show the difference that the programme has made to the economy.
- 3.2 As with other labour market interventions, many of those who participated in the programme and found employment would have found a job anyway because of natural labour market turnover, the help available through other employment programmes and the general expansion of employment in the economy. Also, some might have displaced other workers from their jobs, and others would have returned to benefits following a spell in employment.
- 3.3 By taking these factors into account this part of our report examines the impact that the New Deal for Young People has been making on the labour market and the economy as a whole.

Economic rationale for the programme

- 3.4 From an economic and social perspective long-term unemployment is undesirable because it reduces the skills and employability of those affected and makes them much less attractive to employers. This, in turn, reduces job search effectiveness and the potential to reduce wage pressure, thereby limiting the scope for the economy to be run at a higher level without causing inflation. The programme was expected, therefore, to not only reduce levels of long-term youth unemployment but, by doing so, to also increase the overall level of employment in the economy.

Our approach to assessing the programme's impact on the economy

- 3.5 The Employment Service commissioned the National Institute of Economic and Social Research to evaluate the difference that the programme has made to unemployment and employment, how much it has cost and the programme's consequences for the macroeconomy⁹. The National Institute's report was based on evidence from the first two years of the programme's operation, to March 2000.
- 3.6 A number of other research organisations, such as the Institute of Fiscal Studies, have also carried out independent research to identify and quantify the macroeconomic effects of the programme.
- 3.7 There are, however, difficulties in evaluating the impact of the New Deal for Young People (see [Box 1 overleaf](#)), and these give rise to uncertainties about the reliability of the evaluation results. We therefore commissioned our own consultants, the National Centre for Social Research, to draw together the results of the different macroeconomic evaluations and to:
 - advise on the adequacy and robustness of the methodologies adopted for the evaluations, including the reasonableness and sensitivity of key assumptions; and
 - summarise the main conclusions that can be reasonably drawn from the research about the effectiveness of the New Deal for Young People.

⁹ "The New Deal for Young People: Implications for Employment and the Public Finances", National Institute of Economic and Social Research, December 2000.

Box 1: Inherent difficulties in evaluating the New Deal for Young People and producing reliable and robust results

- The programme has not been running for very long, and there is sufficient data available only to judge its short-term effectiveness.
- It was launched as a national programme, which has limited the availability of robust methodologies to assess the difference the programme is making, as there are no experimental control groups or areas outside the programme to use as long-term controls.
- There are limitations in the extent to which it is possible to make robust judgements about the sustainability of the employment effects created by the programme.
- To evaluate the difference that the programme has made, evaluators need to identify the extent and effects of complex patterns of deadweight (if workers move into jobs they would have taken anyway), substitution (if workers replace other workers not eligible for the scheme) and displacement (if activity drops off in a complementary manner in those sectors less likely to use younger workers).
- The possibility of positive spillover, if the programme makes employers more willing to hire in general, also needs to be taken into account.
- Evaluators need to recognise that the programme is taking place against a particular economic and policy background. In particular, the effects of a buoyant economy on the labour market for young people and the introduction of the National Minimum Wage need to be taken into account in order to isolate the impact of the New Deal for Young People programme alone.

Impact of the programme on levels of youth unemployment and employment

3.8 The National Institute for Economic and Social Research estimated that by the end of March 2000 more than 200,000 young people had left unemployment sooner than would have been the case without the programme. Of these, about 60,000 had moved directly into work (including subsidised work). However, a number subsequently returned to unemployment. The National Institute translated the increased flows out of and into unemployment into estimates of changes in the stock of unemployed young people and the numbers in employment. They also estimated the changes in stocks by modelling them directly. Their analysis indicated that as a result of the New Deal for Young People:

- total youth unemployment had fallen by 35,000 (made up of a fall in long-term youth unemployment of 45,000 offset by an increase in short-term youth unemployment of 10,000);
- youth employment had increased by 15,000 (including subsidised jobs under the programme's Employment Option); and
- the stock of young people on government employment and training schemes (including the programme's Voluntary Sector and Environment Task Force Options), in training and education or in other destinations had increased by 20,000.

3.9 With the total stock of long-term youth unemployment standing at 52,000 in March 2000, the National Institute concluded that the number of young people classified as being long-term unemployed would have been almost

double if the New Deal for Young People had not been introduced. As at October 2001, the total stock of long-term youth unemployment stood at 34,000 (Figure 9).

3.10 The methodologies used by the National Institute and the resulting estimates were generally reasonable. However, given the inherent difficulties in evaluating the programme and the assumptions that had to be made in order to do so, the results are not very robust. The use of different assumptions, and also drawing on the results of other evaluation work, creates plausible ranges within which the estimates of the employment effects of the programme might reasonably lie (Figure 10 on page 20).

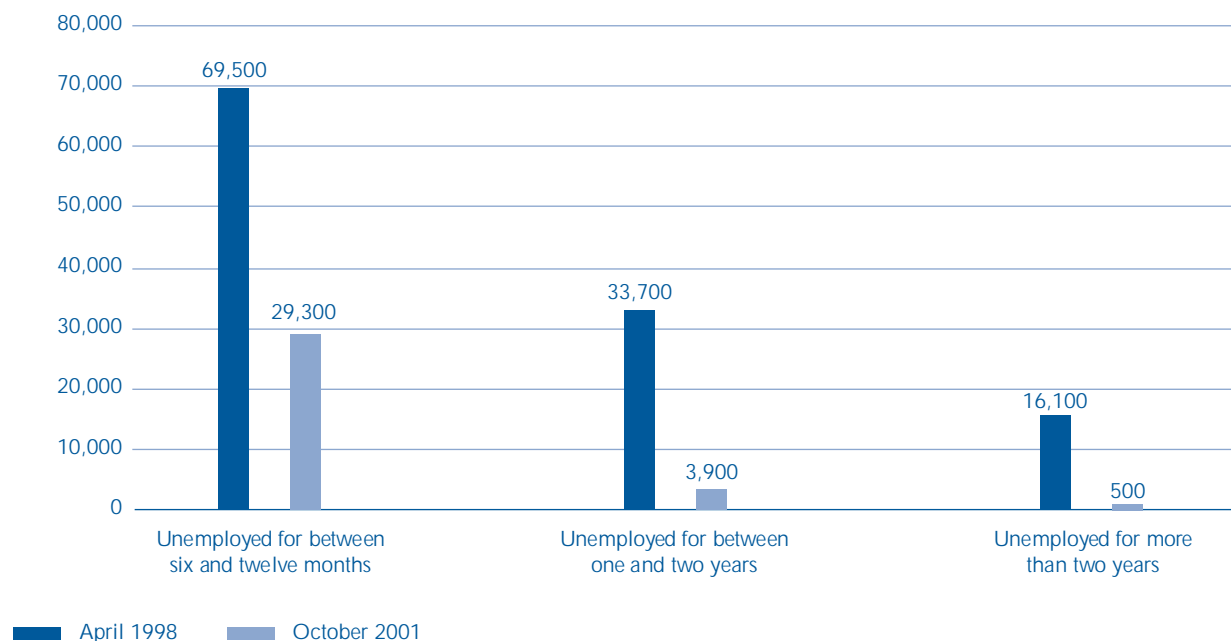
Wider impact of the programme on the national economy

3.11 The achievement of wider impacts is based upon the rationale that the conversion of a person who has been long-term unemployed into one who is short-term unemployed directly increases the level of job search activity, relieves upward pressure on wages and thereby increases the number of jobs in the economy.

Impact on employment for people outside the 18 to 24 year old age group

3.12 The National Institute of Economic and Social Research estimated that by increasing the level of job search amongst young people, the New Deal for Young People had had the indirect effect of increasing employment in groups other than 18 to 24 year olds by about 10,000. They noted, however, that this estimate was less firmly based than their estimates of the programme's direct effect on the youth labour market.

9 Changes in the stock of long-term youth unemployment between April 1998 and October 2001



Source: *Labour Market Trends, Table C12, March 2000 and December 2001*

3.13 The National Institute's estimate was reasonable, but the methodology used to arrive at the estimate was such that there is considerable doubt about its robustness. Also, there are no other studies that could independently corroborate the extent of the indirect effect. Accordingly, we have not been able to construct a plausible range within which the estimate of the indirect effect might lie.

Impact on national income

3.14 The National Institute estimated that the New Deal for Young People had created some 25,000 additional jobs and increased national income by around £500 million a year.

3.15 However, on the assumption that most additional jobs would have been at low (rather than average) wage rates, £300 million a year represents a more plausible central estimate of the effect of 25,000 additional jobs on national income. The plausible range of estimates of additional jobs (18,000 to 30,000) created by the programme suggests that the estimated growth in national income should probably lie somewhere in the range of £216 million to £360 million a year.

Impact on public expenditure

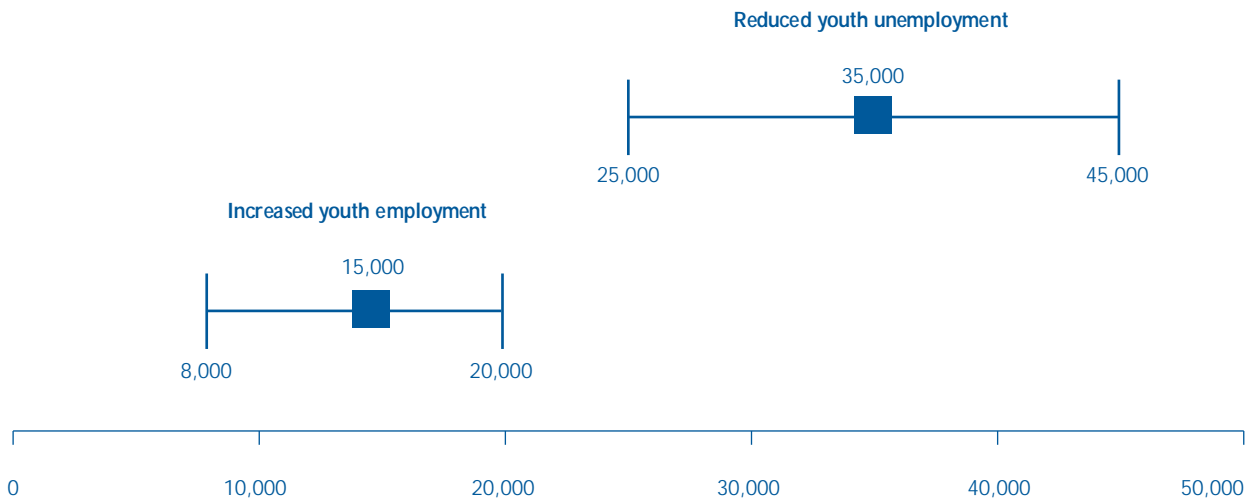
Gross cost of the programme

3.16 When the Chancellor of the Exchequer formally announced the welfare-to-work strategy in July 1997, it was expected that £1.6 billion would be spent in the first two years of the New Deal for Young People. However by March 2000, only an estimated £668 million had been spent and the Government's estimate of the cost of the programme over the lifetime of the Parliament (1997-2002) had been reduced from £3.15 billion to £1.48 billion.

3.17 The main reasons for this were:

- the fall in unemployment had been quicker and more substantial than expected, such that fewer young people were required to participate in the programme. At its peak in July 1999 the programme had less than 150,000 participants (Figure 3 on page 8), compared with the projected 250,000 at any one time; and
- a larger proportion of participants than expected left the programme from the initial Gateway period without needing to proceed to the Options. Planning assumptions were that 40 per cent of participants would leave the programme at the Gateway stage, with 60 per cent moving into Options. In the event only 39 per cent of participants moved on to the Options stage.

10 Estimates of the effect of the New Deal for Young People on youth unemployment and youth employment



NOTE

The small boxes show the estimates made by the National Institute for Economic and Social Research. The horizontal bars show the plausible ranges of estimates provided by our consultants, the National Centre for Social Research.

Source: "The New Deal for Young People: Implications for Employment and the Public Finances", National Institute of Economic and Social Research, December 2000; and our consultants.

Net cost of the programme

3.18 However, it is the net cost of the programme that is important when assessing its impact on public expenditure overall. Estimates need to take into account the likely impact on other parts of the Government budget, in particular:

- the reduction in expenditure on Jobseeker's Allowance and other welfare benefits, due to the reduction in unemployment achieved by the programme; and
- the rise in tax revenue due to the increase in employment and national income.

3.19 Given the small size of the programme in relation to the economy as a whole, the National Institute of Economic and Social Research were not able to observe the impact of the programme directly. Instead, they estimated its effects using macroeconomic modelling techniques, although they recognised that such estimates could not be very precise. In this way they estimated that for every £5 spent on the New Deal for Young People about £3 is returned to the Exchequer through savings on benefits and increased tax revenue, giving a likely average net cost to the Exchequer of £140 million a year.

3.20 This estimate is reasonable. However, it depends critically upon the assumptions made about the number of additional jobs created by the programme. A lower estimate of the number of additional jobs would increase the estimated net cost of the programme while a higher estimate would decrease the estimated net cost, because of the corresponding differences in savings from Jobseeker's Allowance and increases in tax revenue.

Cost effectiveness of the programme

3.21 Taking into account the range of estimates for the additional number of people in employment as a result of the programme, we estimate that the average annual cost per additional person of any age in employment lies within the range of £5,000 to £8,000.

3.22 Although this calculation takes no account of the other important benefits that the programme is aimed at achieving, such as improvements in the employability of participants, reduced social exclusion and the estimated benefits to the economy as a whole, it does give an indication of the cost of achieving them. The calculation also provides a benchmark against which the continuing cost effectiveness of the programme can be measured.

Managing the risks to the programme's continuing effectiveness

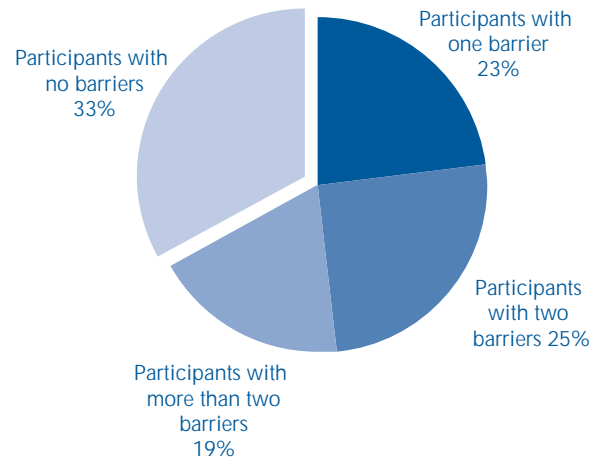
3.23 The effectiveness of the programme and its costs are likely to change over time:

- the New Deal for Young People was introduced in 1998 into a buoyant economy, and the labour market has subsequently continued to improve. The programme has therefore yet to be tested in deteriorating labour market conditions, where job outcomes may be more difficult to achieve;
- the make up of the client group has changed since 1998. Then, the stock of 120,000 young people eligible to join the programme included a large number who were either job ready or almost job ready, and many will have permanently left long-term unemployment. This sustained reduction in the stock of unemployed but job ready young people means that an increasing proportion of the remaining stock (who are eligible to join the programme) are harder to help and may face multiple barriers to employment (figure 1). Many of these young people will have been through the programme before (figure 6). Overall, Units of Delivery estimated that in 2000-01 two-thirds of participants had one or more barriers to employment and 44 per cent had at least two barriers (Figure 11); and
- there is also reduced scope to achieve positive outcomes given the way that national performance is measured, since only one job outcome is recorded for each participant. Therefore, the achievement of a job will not count if, for example, the young person had previously left the programme for a period of sustained unsubsidised employment, although the Employment Service's success in helping a young person into another job will be recorded under its Annual Performance Agreement targets and reporting system. Of the 98,000 participants on the programme in March 2001, seven per cent already had a sustained unsubsidised job scored against them.

3.24 These are risks to the programme's continuing effectiveness that need to be monitored and managed by the Department. Together they are likely to increase the cost of successfully providing help, as well as decrease the proportion of positive outcomes achieved. A strategy for the effective management of these risks should include:

- continued monitoring of the programme's cost effectiveness;
- developing and implementing proposals for dealing with participants who have returned to the programme for a second or third time, or who have multiple barriers to employment; and

11 Number of participants in 2000-01 with barriers to employment



Source: National Audit Office survey of Units of Delivery

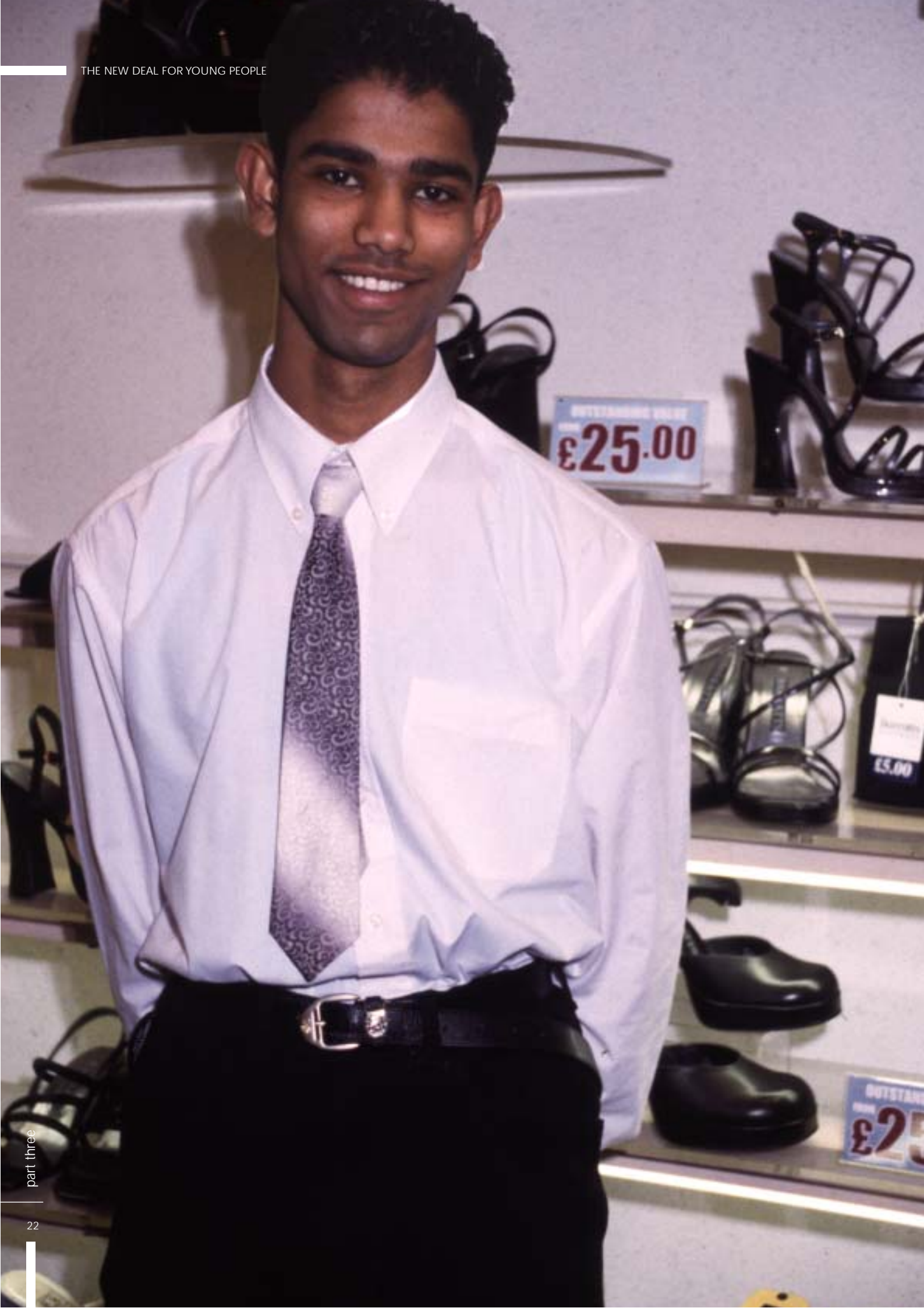
- additional performance measures to capture data relating to the programme's benefits other than job outcomes, such as improvements in the employability of participants.

Conclusions

3.25 There are inevitable uncertainties about estimates of the economic effects of the programme. However, the programme has had a small, beneficial impact on levels of unemployment and employment, and the economy more broadly, although the magnitude cannot be estimated precisely.

3.26 Estimates of the net cost of the New Deal for Young People and the average cost per additional young person in employment depend critically upon estimates of the additional number of young people in employment. These are not robust and to be plausible should be seen to lie within a very broad range.

3.27 Our analysis indicates the cost of additional people in employment, as well as the cost of achieving the other benefits of the programme. However, there are risks to the programme's continuing effectiveness, particularly as the economic background to the programme, its structure and the make-up of the target client group are continually changing. It is important therefore that the Employment Service continues to manage these risks, that changes being introduced to the programme allow sufficient flexibility to adapt to these risks and that the programme's cost effectiveness continues to be monitored and assessed.



Part 4

Performance at local level

Introduction

4.1 Parts 2 and 3 examined the overall effectiveness of the New Deal for Young People. This part of our report takes the analysis down a level, and looks at the performance of local Units of Delivery. It considers:

- the arrangements for delivering the programme locally;
- variations in performance between Units of Delivery; and
- the effect of action taken by the Employment Service to improve performance at local level.

Delivery at local level

4.2 The New Deal for Young People is delivered through 142 local Units of Delivery, which together cover Great Britain. Local delivery is intended to allow for the programme to be tailored to the requirements of the local labour market, the specific needs of local unemployed young people and the availability of service provision.

4.3 The Employment Service has lead responsibility for delivery, working in partnership with others in the community, including local authorities, voluntary sector organisations and private companies. Four broad partnership arrangements have emerged at local level: joint ventures, consortia, Employment Service led Units and private sector led Units. Given these differences and the encouragement of local flexibility, it is unlikely that any two Units of Delivery will be structured and will deliver the programme in exactly the same way.

Variations in performance between Units of Delivery

4.4 Ministers have set three main priorities for the local delivery of the New Deal for Young People. These are to:

- secure a high level of job entry for participants;
- help leavers to achieve sustainable employment; and
- achieve improved equality of outcomes.

4.5 The Employment Service uses key performance indicators to monitor the performance of Units of Delivery in achieving these priorities, and has taken continued management action to reduce the variations in performance, by encouraging and supporting improvement by the Units with lower performance levels and seeking to drive up performance overall (**Box 2 overleaf**).

4.6 There is evidence that these measures have had some success in improving performance locally. Overall performance, in terms of the proportion of participants placed into jobs, has remained broadly stable over the past two years, despite the increasing proportion of participants who are harder to help, having multiple barriers to employment. This followed the earlier period of the programme when many long-term unemployed young people who were almost ready to get jobs volunteered to join at the earliest opportunity and were helped quickly into work (**Figure 12 overleaf**).

4.7 We used key performance indicators relating to the first two Ministerial priorities to assess and compare the performance of Units of Delivery:

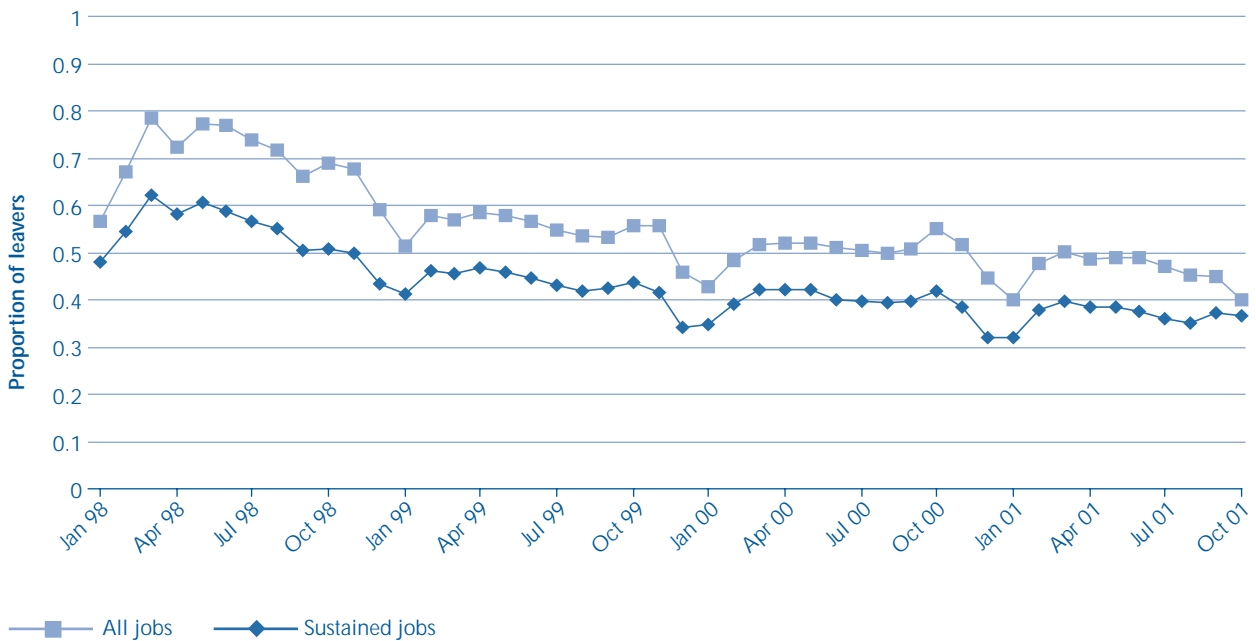
- the percentage of leavers who had obtained a job of any description during or after their current spell on the programme; and
- the percentage who left the programme to enter unsubsidised sustained jobs.

4.8 We analysed the performance of 128 Units of Delivery for the financial year 2000-01, covering almost 200,000 leavers from the programme. The largest Unit (Birmingham) had more than 7,800 leavers during the year and the average was just over 1,500.

Box 2: The main means by which the Employment Service has sought to stimulate improved performance by Units of Delivery has been by:

- holding regional directors personally to account for overall performance, a responsibility discharged through district managers who are directly responsible for the performance of Units of Delivery;
- agreeing action plans for performance improvement, supported by a programme of locally arranged activities, with those Units of Delivery that key performance indicators show to be performing relatively poorly;
- identifying critical success factors associated with good performance and encouraging their wider application;
- developing a range of performance and management information toolkits to support managers in their own monitoring and evaluation of performance;
- twinning Units of Delivery with lower performance with those that have similar characteristics but that are performing at a higher level, to compare delivery mechanisms and identify areas of transferability;
- sponsoring conventions and workshops so that staff from different Units can share experiences and exchange good practice;
- continuously improving the design of the programme, in part to reflect feedback from participants and New Deal Personal Advisers, such as introducing a mandatory Gateway to Work course as part of the Gateway stage of the programme in response to the large number of participants who had poor work-related interpersonal skills;
- setting targets for, and monitoring the job entry rates of, individual providers that have been contracted to provide services under the programme;
- improving the training and career structures of personal advisers; and
- using an Innovation Fund to trial innovative practices within Units of Delivery that, if successful, could have wider application.

12 Proportion of New Deal for Young People leavers moving into employment each month



Source: Statistical First Release, Tables 1 and 12, December 2001

- 4.9 Our analysis showed that the percentage of leavers recorded as having obtained a job of any description ranged between 37 per cent and 71 per cent (averaging 57 per cent), while the percentage who had left to enter unsubsidised sustained jobs ranged from 25 per cent to 52 per cent (averaging 39 per cent).
- 4.10 However, these raw figures do not provide a sound basis for comparing how well different Units have performed in achieving their results. This is because the analysis does not allow for local variations in the contexts within which different Units operate. Units of Delivery have no control over factors such as the background and characteristics of the local youth unemployed population and local labour market conditions, which can vary substantially across the country. For example, external influences on performance in inner cities might be very different from those affecting performance in rural areas.
- 4.11 To compare performance on more of a level playing field, we sought to remove those external factors that could have a significant influence on performance. The details of our analysis and the contextual variables considered are set out in Appendix 3.
- 4.12 We found that three factors had a fairly significant impact in terms of explaining the variation between the performance of different Units of Delivery:
- the proportion of the claimant count in the area that had been unemployed for six months or more;
 - the proportion of leavers from the programme who were from ethnic minorities; and
 - the proportion of leavers who had no educational qualifications.
- 4.13 These variables together explain 71 per cent of the performance variation using the performance indicator of leavers to any job, and 56 per cent of the variation on the basis of leavers to unsubsidised sustained jobs. There are also variations in the levels of unknown destinations which affect the performance of different Units. In particular, there are proportionately more unknown destinations in larger cities with more complex labour markets.
- 4.14 The remainder of the performance variation relates to factors that will include the way that the programme is managed and delivered locally. However, our statistical analysis of the responses to survey questions against the performance of Units in 2000-01 did not identify any management practices or other factors that, on their own, had a significant influence on performance. The details of the analysis are at Appendix 4. This suggests that:
- very little of the performance variations are within the control of Units of Delivery;
 - the variations in performance that are within the control of Units of Delivery are the result of factors that cannot easily be measured, such as the individual qualities and contributions of personal advisers; or
 - the action taken by the Employment Service to improve performance has reduced local variations to the extent possible, and the programme had largely reached its limit for reasonably attainable improvement by March 2001 when the Government announced proposals to further improve the design of the programme.

Conclusions

- 4.15 The Employment Service has been continuously monitoring the performance of Units of Delivery and has taken steps to reduce the variations in performance that are within the control of Units and improve the programme's performance overall. These measures have resulted in overall performance remaining broadly stable over the last two years.
- 4.16 A large part of the variation in performance between Units of Delivery can be explained by external influences that are outside their control. There may be some scope for Units with lower levels of performance to improve their management and delivery of the programme, but this is small and the programme had largely reached its limit for reasonably attainable improvement by March 2001. Therefore, to increase or even maintain the programme's effectiveness in helping young people into employment, it was necessary to make changes to its structure and organisation. In Part 5 we explore some of pressures on maintaining or improving overall performance, and consider ways in which the programme might be made more effective and how this is being taken forward.



Part 5

Making the programme more effective

Introduction

- 5.1 In Part 4 we concluded that by March 2001 there was limited scope to improve the effectiveness of the programme as it was then configured. In this part of our Report we therefore look at ways in which the programme might be refocused and restructured to increase its effectiveness. We also consider proposals for the future development of the programme set out in the Government Green Paper "Towards full employment in a modern society"¹⁰ and how they are being taken forward.
- 5.2 In considering these issues we drew on findings from our survey of 128 Units of Delivery to establish how the programme is managed and delivered at local level. We also convened a workshop of Employment Service personnel involved in the delivery of the programme to consider ways in which delivery of the New Deal for Young People could be improved in order to increase the number of participants moving into employment.

Structure of the programme

- 5.3 The structure and main features of the New Deal for Young People are outlined in paragraphs 1.11 to 1.14 and Appendix 2, and summarised in **Figure 13**.

There is a need for more flexibility

- 5.4 In our survey we asked Units of Delivery to make suggestions about how the programme could be improved. In relation to the structure of the programme 81 Units (68 per cent of those responding) pointed to the need for greater flexibility within the programme and/or enhanced use of the Employment (subsidised jobs) Option. Suggestions related mainly to extending for some participants the time spent on the Gateway or on Options and the flexibility to be able to transfer participants between Options.
- 5.5 Our workshop involving Employment Service staff made similar suggestions, including the need to extend the Gateway for some participants. This was because many participants had completed the four-month Gateway with major problems (such as drug abuse) unresolved and, as a result, had not been able to benefit fully from the Options. In addition, in some cases there would be benefits from providing more support, such as continued counselling, for participants once they had left the programme and entered employment.

13 Summary of the programme's main stages

Stage		Description
Gateway		Up to four months of intensive advice, counselling and help with job search and related skills
Options	Employment	A job for which the employer receives a subsidy for up to six months
	Full Time Education and Training	Up to 12 months and intended to lead to an approved qualification
	Voluntary sector	Up to six months placed with a voluntary sector organisation
	Environment Task Force	Up to six months working on a project to improve the community's physical environment
Follow-through		A further period of up to four months' support and advice aimed at helping participants secure a job

- 5.6 The Department told us that much of the work put in place by the New Deal Next Phase project, set up following the publication of the Green Paper in March 2001, was addressing these issues. Mentoring and Tailored Pathway pilots (involving more flexible use of the Options) have already begun, as have Progress2work pathfinders that provide specialist support for clients with a history of drug abuse. Local Account Managers have been appointed to engage employers more fully and, from February 2002, more flexibility with regard to the training requirements of employers will be introduced. In addition, the Employment Service is working on a new approach for New Deal returners, called StepUp, to be piloted by Jobcentre Plus from April 2002. Work is also in progress to enable more effective engagement with minority ethnic groups and a more flexible approach to Intermediate Labour Markets from April 2002.
- 5.7 The Employment Service commissioned the Policy Studies Institute to carry out research into the experiences of young people who had participated in the programme (Appendix 5). The research findings broadly supported the outcomes of our workshop and our survey of Units of Delivery. They indicated that most people would have had a much better chance of being in a job six months after starting an Option if they had gone on the Employment Option (Figure 14).
- 5.8 The research also suggests that those who went on the Environment Task Force and Voluntary Sector Options may have been more likely to be better off on Full Time Education and Training, although the differences here are not very significant.
- 5.9 For participants with a large number of barriers to employment, however, the Employment Option and Full Time Education and Training Option were, in many cases, equally effective in improving their chances of getting a job in the long-term. We believe that the Full Time Education and Training Option would be the most appropriate option for many of these participants because, given its much larger training element, it has greater scope to address their underlying problems.
- 5.10 We commissioned the Policy Studies Institute to compare the results achieved by the New Deal for Young People and its component stages with similar programmes operating in different countries¹². Their research confirmed that wage subsidy programmes (similar to the Employment Option) were generally the more effective in terms of their impact on employment rates than classroom vocational training programmes (similar to the Full Time Education and Training Option). There was little evidence that job creation programmes (similar to the Environment Task Force and Voluntary Sector Options) had any effect on employment rates.
- 5.11 The research suggests that the overall effectiveness of the programme would be increased if a larger proportion of participants were able to move from the Gateway to the Employment Option, rather than to the

Relative effectiveness of the programme's different stages

5.7 The Employment Service commissioned the Policy Studies Institute to carry out research into the experiences of young people who had participated in the programme (Appendix 5). The research findings broadly supported the outcomes of our workshop and our survey of Units of Delivery. They indicated that most people would have had a much better chance of being in a job six months after starting an Option if they had gone on the Employment Option (Figure 14).

14 What would have happened if participants had taken a different route through the programme

OPTION	WHAT DID HAPPEN (How many people on each Option were in a job 6 months later)	WHAT WOULD HAVE HAPPENED (How many of these people would have been in a job 6 months later)...	
		... if they had gone on the Employment Option instead	... if they had gone on the Full Time Education and Training Option instead
Employment Option	50%	50%	32%
Full Time Education and Training	27%	46%	27%
Environment Task Force Option	20%	48%	28%
Voluntary Sector Option	22%	48%	30%
Stayed on Gateway	32%	49%	32%

NOTE

This figure shows the outcomes that might have been achieved if a larger number of participants had gone on the Employment Option or the Full Time Education and Training Option.

Source: "New Deal for Young People: National Survey of Participants: Stage 2", ESR 67, Policy Studies Institute and BMRB International, March 2001

¹¹ "New Deal for Young People: National Survey of Participants: Stage 2", ESR 67, Policy Studies Institute and BMRB International, March 2001.

¹² "Benchmarking the effectiveness of NDYP", Genevieve Knight and Michael White, Policy Studies Institute (unpublished research commissioned by the NAO).

other options. However, this would require employers to increase their support for the programme and to be willing to take on more participants, including those not fully prepared for work.

Employer involvement

5.12 The support and involvement of employers is critical to the programme's success in at least two ways: employers' requirements should be taken into account in preparing participants for the workplace; and it is employers that provide subsidised job vacancies under the Employment Option.

5.13 The Employment Service recognise that increasing the level of employer involvement was key to improving the programme's effectiveness, and they told us that the programme's success in engaging employers should not be underestimated:

- more than 90,000 employers had signed up to the New Deal programmes, more than half of whom had never been involved in a Government programme before;
- research had indicated that many employers viewed the New Deal for Young People as one of the best attempts to tackle youth unemployment in recent times and were supportive of its aims; and
- only 27 per cent of employers said that it was unlikely that they would recruit a New Deal for Young People participant again.

5.14 Research commissioned by the Employment Service, however, indicates that there were a number of obstacles to increasing the involvement of employers as providers of subsidised employment, especially for participants with particular barriers to employment¹³:

- the knowledge and understanding of the programme among employers were uneven;
- employers tended to apply the same recruiting criteria to participants from the programme as to other job applicants. They wanted employees who were keen, trainable, and who had a good attitude and work discipline. Employers tended not to be prepared to lower their recruiting standards for New Deal for Young People participants or to provide special support. In particular, they were strongly averse to participants who had criminal records, language problems or mental health problems;

- just over half of employers were motivated to employ participants by the £60 a week subsidy offered; others considered the subsidy to be too small to influence their recruitment practices; and
- employers tended to find the one day a week training requirement and the paperwork connected with subsidised employment a disincentive.

5.15 Our workshop involving Employment Service staff raised the issues of the low involvement of large employers (especially in central and local government) and the small number of subsidised vacancies offered by employers. Our survey also showed that nearly a quarter of Units had no employers among their strategic partners and a further third had just one employer in their partnership.

5.16 From our workshop and our survey of Units of Delivery we were able to identify a number of measures that would be likely to improve the position, including:

- customising the programme to develop and train participants to meet the needs of specific industries or employers;
- greater flexibility in administering the Employment Option, with particular regard to the requirement for training, and simplification of the process of making payments to employers involved in the Option;
- additional incentives to employers to take on young people who have particular barriers to employment that need to be overcome;
- increasing the work-readiness of participants before they are sent on Options; and
- increasing the role of employers in the direction and running of the programme at local level.

5.17 The Employment Service have told us about some of the current initiatives designed to increase employer engagement in the New Deal for Young People programme. These are listed at Appendix 6.

13 "New Deal for Young Unemployed People: National Case Studies of Delivery and Impact", Julie Hills and Elliot Stern, The Tavistock Institute, November 1999; "Early Lessons from the Evaluation of the New Deal", Chris Hasluck, Institute for Employment Research, June 2000; "New Deals for Young People and for Long-term Unemployed: Survey of Employers", Jon Hales, Debbie Collins, Chris Hasluck and Steve Woodland, National Centre for Social Research, September 2000.

Government Green Paper, "Towards full employment in a modern society", March 2001

5.18 The Paper includes proposals for the future development of the New Deal for Young People that have the potential to address a number of the suggestions for improvement considered in this part of the report. Proposals in the Green Paper include:

- more flexible, individually tailored provision during the Options period;
- increasing participants' access to subsidised employment;
- strengthening links with employers and the labour market;
- customising the provision of help to participants to the identified needs of specific industries and employers; and
- more provision aimed at participants who are harder to help, such as
 - screening to identify young people who lack basic skills and piloting strategies to address such needs;
 - a £40 million mentoring and training programme to help people off drugs and into work; and
 - pilot transitional employment programmes to provide the hardest to help with a highly supportive working environment to ease them gradually into regular employment.

5.19 The Department and the Employment Service have taken, and are continuing to take, action to implement the Green Paper's proposals, many of which are now in place in pilot form.

Conclusions

5.20 There is scope for the overall performance of the programme in meeting its objectives to improve, particularly in respect of the increasing proportion of participants who are harder to help.

5.21 The Government's Green Paper included proposals intended to improve the overall level of performance and we note the work being done to take the proposals forward. In implementing them the Department and the Employment Service should pay particular attention to:

- ensuring that there is scope to extend the Gateway period for certain clients who would clearly benefit from it;
- expanding the role of subsidised employment, through more effective liaison with employers and the provision of further incentives to encourage employer involvement in programme delivery;
- assessing the continuing cost-effectiveness of the programme's work experience options other than subsidised employment; and
- more targeted forms of help for participants who have been through the programme previously or who have particularly severe barriers to employment.

Glossary of terms

Cognitive mapping	An operational research technique that can be used to generate a shared understanding of a complex issue, system or process.
Deadweight	Where workers are placed into jobs they would have taken anyway.
Displacement	Where activity drops off in sectors less likely to use young workers.
Harder to help	A term used to describe participants on the programme who are harder to help into employment by virtue of particular or multiple barriers to employment.
Jobseeker's Allowance	The benefit for people of working age who are available for and actively seeking work.
Long-term youth unemployment	The number of young people aged 18 to 24 who have been claiming Jobseeker's Allowance continuously for six months or more.
Positive spillover	If a programme makes employers more willing to hire in general.
Short-term youth unemployment	The number of young people aged 18 to 24 who have been claiming Jobseeker's Allowance continuously for less than six months.
Substitution	Where young people replace other workers not eligible for the scheme.
Sustained employment	Where a young person starts a job and does not reclaim Jobseeker's Allowance for at least 13 weeks.
Unsustained employment	Where a young person starts a job and reclaims Jobseeker's Allowance within 13 weeks.

Appendix 1

The New Deal programmes

The six New Deal programmes

Programme	Start Date	Budget 2000 Estimated Cost (£ million 1997-02) ¹⁴	Description
The New Deal for Young People	April 1998	1,480	The programme is mandatory for 18-24 year olds who have been on Jobseekers' Allowance for more than six months. It provides training, counselling, help with jobsearch and a period of subsidised employment or the opportunity for a period of full-time education.
The New Deal 25 plus	June 1998	600	The programme is mandatory for people aged 25 or over who have been on Jobseeker's Allowance for 18 months or more. Provides similar help to that provided by the New Deal for Young People.
The New Deal for Lone Parents	October 1998	220	The programme is available to Lone Parents who have a child under 16 years old. It helps participants to find jobs, identify training opportunities and find childcare, and provides support during the transition to employment.
The New Deal for People with Disabilities	April 1999	210	The programme is available to people of working age who are receiving benefits by virtue of a disability. It provides help to overcome barriers to work and for schemes to support participants in employment.
The New Deal for Partners of the Unemployed	April 1999	50	The programme is available to unemployed partners of people in receipt of Jobseeker's Allowance for more than six months. Those between 18-24 and without children join the New Deal for Young People. Others are referred to a programme of training and jobsearch tailored to their individual needs.
The New Deal for People aged 50 plus	April 2000	40	The programme is available to people over 50 who have been claiming benefits for 6 months and their partners. It provides a job subsidy, personal advice and help with jobsearch.

Appendix 2

Main stages of the New Deal for Young People

- 1 There are three main stages to the New Deal for Young People:

the Gateway;

Options; and

Follow-through.

The Gateway

- 2 Eligible young people enter the programme through the Gateway, in which each participant develops jointly with a dedicated New Deal Personal Adviser a plan to find a job, to enhance their employability or to prepare for the New Deal Options. During this period, which normally should last for no more than four months, participants remain on Jobseeker's Allowance and receive ongoing guidance and support from their Personal Adviser. The Personal Adviser concentrates on intensive job search in order to help those who are job ready into unsubsidised jobs. For those that are not job ready, a range of counselling, advice, guidance and other help (such as help in improving basic skills) should be available, tailored to individual needs and aimed at improving a participant's employment prospects. From June 2000 the support available during Gateway intensified with the inclusion of a compulsory full-time course involving job search activity and addressing "soft" skills such as punctuality, team working and communications skills. Those young people unable to find a job during their time on Gateway should, with the assistance and advice of their Personal Adviser, select, prepare for and enter one of four New Deal Options.

Options

- 3 The placement of a young person on an Option is determined by a combination of the young person's preferences, the direction given by Personal Advisers during the Gateway and the availability of placements. The four Options are:

- subsidised employment;
- full-time education and training;
- work in the voluntary sector; and
- work in the Environment Task Force.

- 4 The three work-based Options are intended to increase employability through work experience and an element of training. The Full Time Education and Training Option provides an opportunity to acquire skills and qualifications, although it may also contain an element of work experience.

Employment Option

- 5 This Option comprises a job for which the young person receives a wage and the employer receives a subsidy of £60 a week for up to six months. £750 is also available towards the cost of providing the young person with training, equivalent to one day per week, towards an approved qualification.

Full Time Education and Training Option

- 6 Lasting up to 12 months and intended to lead to an approved qualification, this Option is suited to those young people whose lack of basic or vocational skills is their main barrier to employment. The young person receives an allowance equivalent to their Jobseeker's Allowance and continues to receive any linked benefits.

Voluntary Sector Option

- 7 This Option involves placement in work with a voluntary sector organisation for up to six months. The work must provide benefit to the individual, the organisation and the wider community. The young person receives an allowance equivalent to their Jobseeker's Allowance and continues to receive any linked benefits, plus a grant of £400 payable over the six months. £750 is also available towards the cost of providing the young person with training, equivalent to one day per week, towards an approved qualification.

Environment Task Force Option

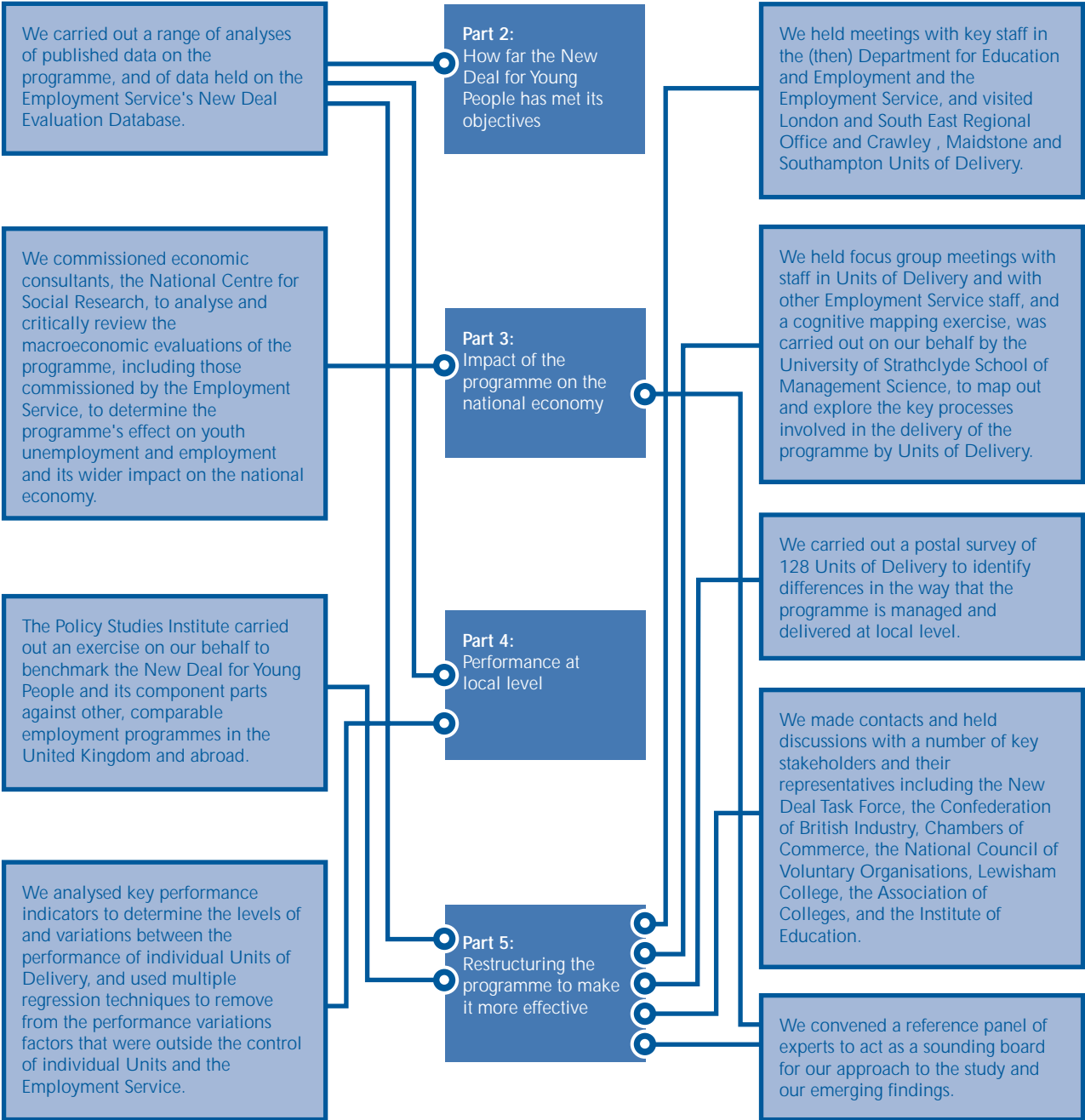
- 8 Under this Option, the participant works for up to six months on a project that aims to improve the young person's employability while also improving the community's physical environment. The young person's remuneration and rights to receive training are similar to equivalent entitlements under the Voluntary Sector Option.

Follow-through

- 9 Young people who have reached the end of their Options without having left for employment or other reasons enter the Follow-through stage of the programme. The purpose of this stage is to consolidate the benefits that participants have acquired during the earlier stages of the programme. They continue to receive support and individually tailored advice to help them secure a job, including further intensive help from their Personal Adviser and access to a range of other measures. During this period, which can last for at least four months, participants claim Jobseeker's Allowance.
- 10 Those young people who have not found employment during the Follow-through stage and who continue to claim Jobseeker's Allowance continuously for a further six month period will be required to partake in the programme again and will re-enter the programme at the Gateway stage.

Appendix 3 Study methodology

1 We used a range of information sources and analytical techniques to meet our objective of examining how effective the New Deal for Young People has been in reducing unemployment and how its success could be improved. Our methodology and how it relates to each part of the report is summarised below.



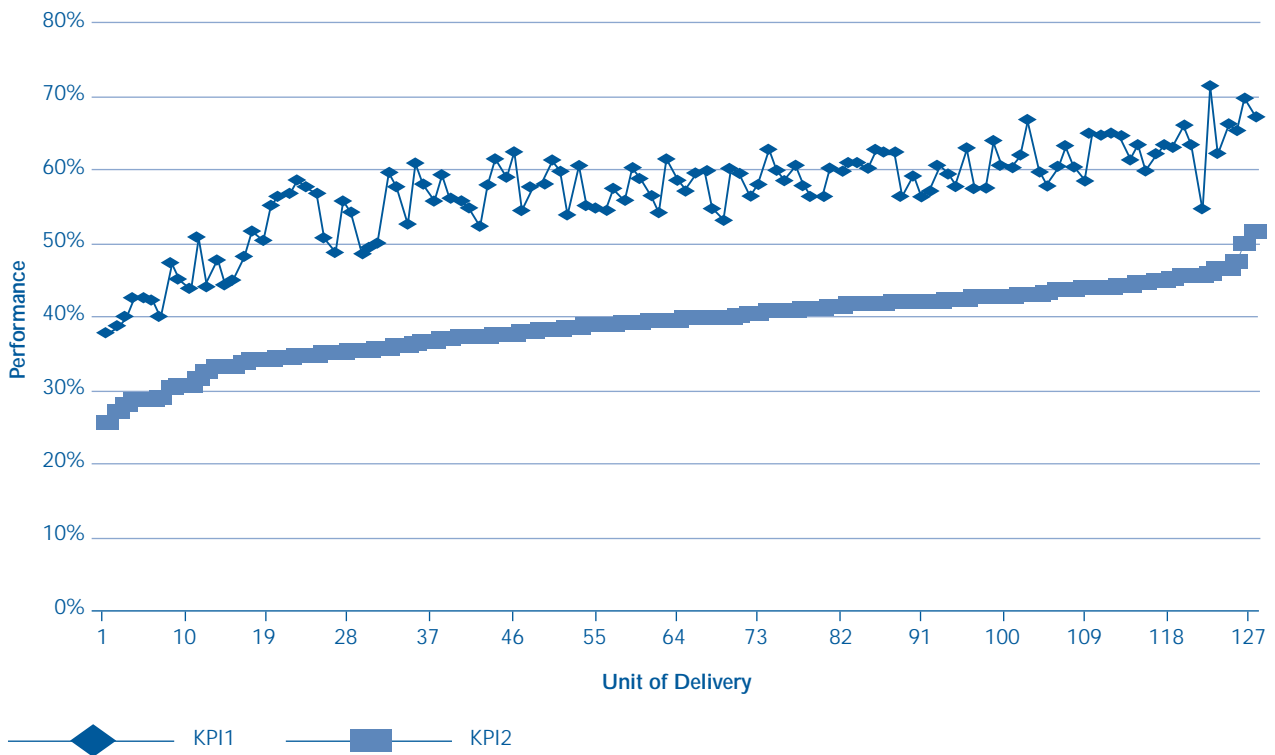
Details of the regression analyses in Part 4 of the report

2 We carried out ordinary least squares regression using as dependent variables key performance indicator 1 and key performance indicator 2, calculated at the Unit of Delivery level for the period April 2000 to March 2001.

Key performance indicator 1 (KPI1)	The percentage of New Deal for Young People leavers who have ever had a job of any description on their current spell on the programme.
Key performance indicator 2 (KPI2)	The percentage of New Deal for Young People leavers who left the programme to enter unsubsidised sustained jobs.

3 The figure below shows the range of raw performance scores for the 128 Units of Delivery included in the analysis:

Variations in the performance of Units of Delivery in 2000-01



Source: National Audit Office analysis of key performance indicators

4 In order to ensure like-with-like comparisons of Unit of Delivery performance it is necessary to have a conceptual model of the influences on performance that are determined by context and outside the control of the Units. If there are good logical or theoretical reasons for including a contextual variable in the model, it should be included: the question of using statistical techniques to determine the significance of individual regression coefficients does not arise. Our conceptual model suggests that we should control for characteristics of participants and labour market conditions.

5 The explanatory variables we used were:

MO6_CL	The proportion of benefit claimants in the Unit of Delivery who had been unemployed for six months or more.
ETHNIC	The proportion of New Deal leavers in the Unit of Delivery from ethnic minority backgrounds.
NO_QUAL	The proportion of New Deal leavers in the Unit of Delivery with no qualifications.

- 6 These variables were chosen as providing a parsimonious description of our underlying conceptual model of factors influencing Unit of Delivery performance. The regression diagnostics for the simple models (with no link functions) were found to be satisfactory. The purpose of the modelling work was exploratory and diagnostic. More detailed analysis would require multilevel logistic modelling using the underlying participant-level data: carrying out such detailed work was beyond the scope of this study.
- 7 There are other possible proxies for the contextual factors we used (such as: International Labour Organisation estimates of employment rates; 12-month rather than 6-month long-term unemployment rates; long-term unemployment as a fraction of the population rather than of the claimant count). However, once the three variables listed had been controlled for, putting these additional variables into the models either did not significantly increase their explanatory power, or led to substantively negligible improvements. Also, the size of Units of Delivery (measured by the number of leavers in 2000-01) did not have a significant effect once the other three factors had been controlled for. Hence the variables chosen to proxy the conceptual model appear to be sufficient.
- 8 Table A1 gives the correlations between dependent and independent variables, and Tables A2 and A3 give the coefficient estimates from the models.

Table A1: Correlations

	KPI1	KPI2	MO6_CL	ETHNIC	NO_QUAL
KPI1	1	.87	-.66	-.80	-.17
KPI2		1	-.69	-.62	.02

Table A2: Regression of KPI1 on explanatory variables

	B	std.error	t	p
(constant)	.741	.026	28.2	<.001
MO6_CL	-.335	.057	-5.87	<.001
ETHNIC	-.236	.023	-10.4	<.001
NO_QUAL	-.007	.048	-1.37	.172

$F=105.1$ ($d.f.=126$, $p<.001$); $R^2_{adj}=.71$

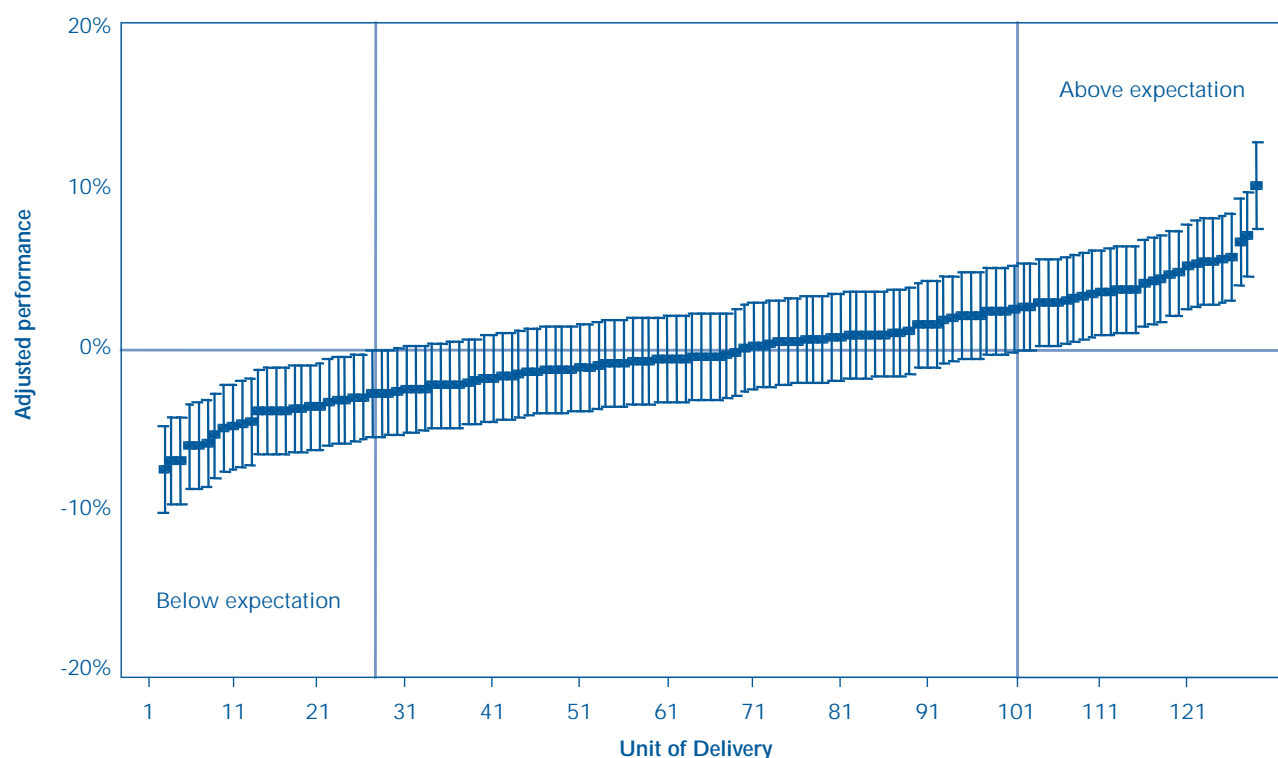
Table A3: Regression of KPI2 on explanatory variables

	B	std.error	t	p
(constant)	.518	0.24	21.4	<.001
MO6_CL	-.357	.053	-6.79	<.001
ETHNIC	-.108	.021	-5.19	<.001
NO_QUAL	.005	.044	1.24	.219

$F=53.57$ ($d.f.=126$, $p<.001$); $R^2_{adj}=.56$

- 9 The context-adjusted performance of each Unit of Delivery was then the residual from the value predicted by the regression model. Confidence intervals around these residuals were constructed such that, when presented graphically, non-overlapping intervals for a pair of Units of Delivery indicate significant differences between residuals, at the stated significance level. (For details, see Goldstein, H and Healy, M J R (1995), 'The graphical presentation of a collection of means' *J. R. Statist. Soc. A* **158**, 175-177.)
- 10 Therefore, by comparing each Unit's actual performance with its expected performance (allowing for the Unit's contextual information), we obtained a measure of performance that is adjusted for context. This allowed us to rank Units on the basis of how they performed against expectations and identify which Units had performed significantly better or worse than expected (see figure overleaf).

Performance of Units of Delivery using key performance indicator 2 - the proportion of leavers obtaining unsubsidised sustained jobs - adjusted for context



NOTES

1. Each point represents the context-adjusted performance of a Unit of Delivery. A score of zero indicates performance in line with expectations.
2. The vertical bars surrounding each Unit's adjusted performance score represent 75 per cent confidence intervals to give a plausible range for the score.

Source: National Audit Office

- 11 The figure shows that the performances of any two Units that do not have overlapping bars are significantly different at the 25 per cent significance level. It also identifies at the 25 per cent significance level those Units of Delivery that performed significantly below expectation and those that performed significantly above expectation.
- 12 We carried out a similar analysis using key performance indicator 1. As might be expected, given the strong relationship between the two indicators, many of those Units that performed significantly above or below expectations under key performance indicator 2 also did so under key performance indicator 1.
- 13 There could, of course, be quite adequate reasons for the apparently good or poor performance of a Unit of Delivery highlighted by this analysis. This is because the analysis only identifies the variations in Unit performance that cannot be explained by the contextual local factors identified in paragraph 5. It does not identify all of the external factors that could influence the performance of each individual Unit. However, the reasons for the residual variation will include factors that are within the control of Units of Delivery, including the way that the programme is managed and delivered locally. The analysis is therefore a useful way of identifying those Units of Delivery where further detailed investigation might be worthwhile, to identify the causes of apparently poor performance or to identify good practice in the management and delivery of the programme.

Details of the survey of Units of Delivery in Parts 3, 4 and 5 of the report

- 14 We sent a questionnaire to the 128 larger Units of Delivery (each of which had more than 300 leavers during 2000-01) included in our analysis of Unit performance in Part 4 of the report. We sought information on local management practices and delivery arrangements, local prevailing conditions and views on how the programme might be improved. We developed the questionnaire in liaison with the Employment Service, which helped us to distribute the questionnaire to Units of Delivery and collect responses. We carried out statistical analyses of the questionnaire responses to determine whether there were any local practices or other features associated with better or poorer performing Units.

Details of the cognitive mapping exercise in Part 5 of the report

- 15 Cognitive mapping is an operational research technique that can be used to generate a shared understanding of a complex issue, system or process. It can assist organisations in decision-making or strategy development, to understand how decisions are made, or to explore the factors that help or hinder an organisation in achieving its objectives. A number of people involved in operating a process gather together in a workshop and through discussion build up a 'map' of how the process works and its key elements, how the elements interact and how they can be changed to make the process work more effectively.
- 16 We commissioned the University of Strathclyde School of Management Science to facilitate a cognitive mapping workshop to look at ways in which delivery of the New Deal for Young People could be improved in order to increase the number of participants moving into employment. Nine representatives from Units of Delivery and the New Deal Co-ordinator from the Office for Scotland took part in the workshop.

Membership of our reference panel of experts

- 17 Membership of our reference panel comprised:

Professor Robert Bennett, MA, PhD FBA	Professor of Geography, University of Cambridge
Mr Vince Hughes	Assistant Regional Director of the Employment Service's East Midlands and Eastern Region
Mr Dominic Rice	Analytical Services: Employment and Adult Learning Division in the (then) Department for Education and Employment
Dr James Robertson	National Audit Office Director for Health Value for Money studies, formerly Chief Economic Adviser to the (then) Department of Employment
Ms Pat Russell	Team Leader from the Employment Service's Jobseeker Mainstream Service Division, responsible for the implementation of New Deal Options

- 18 The reference panel met just once, to consider and discuss the proposed issues and methodology for the study.

Appendix 4

Analysis of responses to survey questions

- 1 We carried out a survey of 128 of the 144 Units of Delivery that were operational in 2000-01. To avoid distorting the analysis we excluded the 15 smallest Units, each of which had fewer than 300 leavers in 2000-01 and one Unit that had changed its boundaries during 2000-01. 119 of the Units surveyed returned the survey questionnaire in time for us to include their responses in our analysis.
- 2 The survey asked a range of questions about the local features, management practices and views of the individual Units. We asked questions about those features and practices that we considered were most likely to affect performance. To do this, we engaged in extensive discussions with the Employment Service and carried out a review of exercises conducted in recent years by the Employment Service to identify probable 'good practices'.
- 3 The questions in the survey related to the following main subject areas:
 - numbers of staff;
 - external sources of funding and non-funding support;
 - each Unit's views on what was working best in the management of the programme at Unit level and what could be done to make the programme operate more effectively;
 - Advisers - numbers, turnover, caseload, experience, characteristics, training, working practices and how the Advisers were managed;
 - clients - characteristics and how each Unit dealt with its clients;
 - employers and the working practices which each Unit used in dealing with employers; and
 - providers and contractors supplying services to each Unit for the programme.

Analysis of results

- 4 We carried out statistical analyses to examine how far particular features or practices at Units, as indicated by our survey results, were actually associated with the performance of the Units. The features and practices we examined included:
 - size of Unit;
 - caseload per member of management or per Adviser;
 - level of external funding;
 - Adviser characteristics - sex, age, caseload, experience, training, turnover;
 - various practices widely considered to improve performance;
 - number of clients with barriers to employment;
 - number of clients repeating the programme;
 - range and quality of services supplied to the Unit by external providers or contractors; and
 - resources applied to marketing the programme to employers and areas of emphasis in marketing.
- 5 The results of the analyses were as follows.

Results against key performance indicator 2 unadjusted for contextual factors

- 6 Key performance indicator 2 is the percentage of clients who left the programme to enter sustained unsubsidised jobs (see Appendix 3 paragraph 2). We looked at the relationship of the variables described at paragraph 4 above to key performance indicator 2 and we found the following associations.
 - Performance at a Unit was likely to be *better* the larger the proportion of Advisers at the Unit who were aged over 50.

- Performance at a Unit was likely to be *worse*:
 - the greater the proportion of Advisers at the Unit who were aged under 30;
 - the greater the turnover of Advisers;
 - the greater the proportion of clients starting who had barriers to employment; or
 - the greater the proportion of clients starting who had been on the programme before.
 - In addition, performance was also likely to be worse in the following circumstances where intuitively one would expect it to be better:
 - the larger the number of a suite of 'good practices' the Units said they were following;
 - where Units said they targeted employers to encourage them to employ clients or had special arrangements for employers to notify them of vacancies likely to be suitable for clients.
- 7 The strength of these associations can be measured by the 'coefficient of correlation', *r*. An *r*-value of +1 indicates a perfect positive linear relationship; an *r*-value of -1 indicates a perfect negative linear relationship.
- 8 The correlation between Advisers aged over 50 and performance was +0.3. The correlation between clients starting who had barriers to employment and performance was -0.2. All the other correlations were -0.3. These correlations are significant but quite weak.

Results against key performance indicator 2 adjusted for contextual factors

- 9 We adjusted the results just described for the contextual factors described at Appendix 3, paragraph 5, relating to unemployment, ethnicity and level of educational qualification. We did this by entering the variables into the regression model for key performance indicator 2 described at Appendix 3, paragraphs 2 to 13. We found that, after controlling for context in this way, none of the variables had more than a negligible association with performance, with one anomalous exception, which we discuss below (paragraphs 10 to 12). The strong inference is that the apparent association between variables and performance identified in the immediately preceding section is not a causal connection but the result of the underlying contextual factors operating on both the variables and performance.

Association with good practices: why discounted

- 10 We did find one significant association with key performance indicator 2 after allowing for contextual factors: this was with a suite of good practices, which we treated collectively, scoring one point for each practice that a Unit had reported itself to be observing, and then examining the relationship between the score for each Unit and key performance indicator 2 after adjusting for context. The association, however, was negative: for every additional good practice a Unit reported itself as following, there was an average reduction of about 0.5 per cent in performance in terms of key performance indicator 2 after adjusting for context.
- 11 We tried correlating performance with individual practices and found that there was an association - again, negative - with two practices:
- for Units which in the survey reported that they frequently used mentoring arrangements for clients, we found that, after adjusting for context, their key performance indicator 2 measures were 1.6 per cent less than Units which reported that they did not use this practice;
 - for Units which reported that they commissioned courses to train clients to meet the specific requirements of employers in the area, we found that, after adjusting for context, their key performance indicator 2 measures were 2.0 per cent less than Units which reported that they did not use this practice.
- 12 Although these effects were statistically significant, they were not substantively large. We do not consider that they provide evidence of a causal link between these practices and performance on key performance indicator 2.

Results against key performance indicator 1

- 13 We found that none of the variables we examined had an effect on performance as measured using key performance indicator 1 (that is, the percentage of leavers who ever had a job during their current spell on the programme - see Appendix 3, paragraph 2).

Results of comparing private sector led Units with Employment Service led Units

- 14 Most Units of Delivery are 'led' by the Employment Service, which is responsible for delivering the programme in those Units. About 10 Units are 'led' by private sector organisations. We examined the relationship between Units' status in this regard and performance. We found no significant difference in performance between the Employment Service led Units and private sector led Units.

Comparison of Units performing significantly better than expected with Units performing significantly worse than expected

- 15 We also compared the survey responses of the Units of Delivery that had performed significantly better than expectations with the responses of those Units that had performed significantly below expectations in 2000-01 (paragraph 10 of Appendix 3). Overall the results of the comparison were inconclusive. For example, the better performing Units had relatively fewer clients with multiple barriers to employment and a larger proportion of their personal advisers met together on a regular basis to share good practice, which were results we would have expected. However, the poorer performing Units appeared to be relatively more active in tailoring the programme to the specific needs of local employers, which was a result we had not expected.

Overall interpretation of results

- 16 The fact that our statistical analyses did not, for the most part, identify any significant relationship between a wide range of features and practices at the Units of Delivery and performance suggests that systematically imposed changes in current practices are unlikely to improve the present level of performance significantly. This does not rule out the possibility that there are practices specific to individual Units of Delivery that would improve performance.

Appendix 5

Research by the Policy Studies Institute

"New Deal for Young People: National Survey of Participants: Stage 2", ESR 67, Policy Studies Institute and BMRB International, March 2001

- 1 The Policy Studies Institute and BMRB International interviewed 3,358 former participants on the New Deal for Young People who entered the programme between September and November 1998. They carried out in-depth interviews in spring 1999 and again in spring 2000 to see what effects the programme had had on their prospects for employment and the quality of the jobs they obtained in the long-term. This exercise constitutes the most comprehensive analysis of the effects of the programme on individual participants yet conducted.
- 2 As part of their study the Institute used a 'matching methodology' technique, which enabled it to predict what would have happened to participants if they had followed different routes through the programme. The technique consisted of making comparisons between groups of participants who had taken different routes through the programme but who otherwise closely resembled each other across a range of key characteristics such as age, sex, employment history, education and ethnicity. It then assumes that any differences between these groups are the result of the effect of the programme. In particular, it enables us to predict what would have happened to people if they had joined alternative Options.

Appendix 6

Current initiatives designed to increase employer engagement in the New Deal for Young People

The National Employment Panel

1 Employer involvement has been key in improving the effectiveness of New Deal and the National Employment Panel has played a major role in effecting change within Government employment policy. The National Employment Panel, formally known as the New Deal Task Force, was launched in October 2001. It is an employer led advisory body, which provides independent advice to ministers on the design, delivery and performance of Welfare to Work programmes. The Panel's members are drawn from leading businesses, voluntary and training organisations. The Panel provides a crucial role in linking employers with Government and the design of its Welfare to Work programmes. The Panel works closely with Department for Work and Pensions, Jobcentre Plus, other Government Departments, the Learning and Skills Council and key partner organisations. The panel is supported by staff recruited from Government, business and the voluntary sector.

Ambitions

2 The Ambition initiatives are to be a premier product of Jobcentre Plus. They are sector led initiatives, designed by employers to meet the recruitment and retention needs of the sector. Ambitions aim to help the most disadvantaged clients by providing high quality and sustainable work. There are Steering and Operational groups established for each sector initiative, comprising Chief Executives and Human Resource Directors from major businesses within the sector. These employers have been instrumental in the design and content of each Ambition. Ambitions currently being developed include:

- **Ambition: Construction:** - launched by the Secretary of State for Work and Pensions, and supported financially by the Construction Industry Training Board, Innovation and New Deal funds. This training and employment programme has been designed by the sector, including the Construction Industry Training Board and major construction companies and organisations. Ambition: Construction will be piloted in seven areas across the United Kingdom;
- **Ambition: Retail:** - launched by the Chancellor of the Exchequer, Ambition: Retail is a development programme designed by employers within the sector, including major retail companies. The aim of Ambition: Retail is to provide quality training in retail, with a specific aim of reducing staff turnover and producing quality opportunities and progression for New Deal clients; and
- **Ambition: IT:** - launched to help unemployed people succeed in a technology / information rich society and to help meet skills shortages in the information technology sector. The Ambition:IT Project is directed by a steering group operating under the auspices of the National Employment Panel and the Employment Service with representation from many of the major Information Technology employers. Ambition: IT has three components:
 - First Ambition will provide training for basic Information and Computer Technology qualifications for high volumes of New Deal participants. It will be available to all New Deal clients and will train up to 15,000 clients, all of whom will have started on a voluntary basis;
 - Career Ambition will offer technician training and jobs in the Information and Computer Technology sector for 5000 participants over a period of three years. Major sectoral employers will be involved in its development. It will be available to participants on the New Deal for Young People, New Deal 25 plus and to unemployed adults and lone parents; and
 - Challenge Ambition will support innovative ways of using Information Technology throughout the New Deal delivery system. It will identify potential areas for the use of Information Technology and test these out through projects.

3 First Ambition and Career Ambition will be piloted in six areas: Tyneside; Leeds; London; Birmingham; Manchester; and Edinburgh and the Forth Valley.

4 The National Employment Panel and Jobcentre Plus are working closely with employers, including employers from the energy and printing industries, on a number of other sector Ambitions, in order to develop and design high quality, demand led initiatives.

- 5 In addition there are 12 Innovation Fund projects that are testing out demand led strategies and engaging employers. For example, two London based training organisations, Lewisham College and NEWTEC, are working specifically with financial services companies. The projects are very much in their early stages, but both have experienced some success in re-engineering their training and organisational culture to meet the needs of employers.
- 7 In a similar vein much work has been done with the British Retail Consortium and leading retail sector employers to develop a retail recruitment framework. Individual deals have also been done with leading companies, resulting in the development of Service Level Agreements which set out each partner's expectations of the recruitment process, including the delivery of short Gateway style preparatory courses.

Large Organisation Unit

- 6 Links with employers are increasingly being developed along sectoral lines, to understand better employers' precise recruitment needs and hiring standards, whilst at the same time developing Employment Service staff's occupational awareness. The Large Organisation Unit now brigades employers' accounts in the Hospitality, Retail, Public, Construction and Business Services sectors. This has strengthened links with other partners in the sector, including employers organisations and the respective National Training Organisations, and has led to the development of bespoke sector specific Gateway and other training interventions. Typical of this approach is the work with the Hospitality Training Foundation to develop a highly customised Gateway to ensure clients have the necessary customer-facing skills and attitudes to sustain jobs within the industry. Employers have responded positively and have given interview and job guarantees to clients completing the short introductory Gateway.
- 8 In construction, the Construction Industry Training Board and the Construction Confederation along with major employers have played a key role in developing a sector specific Good Practice Guide, which offers practical assistance and background on the industry to Jobcentre staff dealing with construction vacancies and employers. The Employment Service's construction sector partners have also supported the development of a customised Gateway model, including input on site safety and general health and safety awareness.
- 9 These and other developments recognise that employers are generally more interested in job readiness than wage subsidies, and have proved useful in ensuring that Employment Service clients, including those most at a disadvantage, are able to compete more effectively in tightening labour markets.