# The New Deal for Young People

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

LONDON: The Stationery Office
£0.00

Ordered by the
House of Commons
to be printed on 25 February 2002

# summary & recommendations

**In this section**



**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.

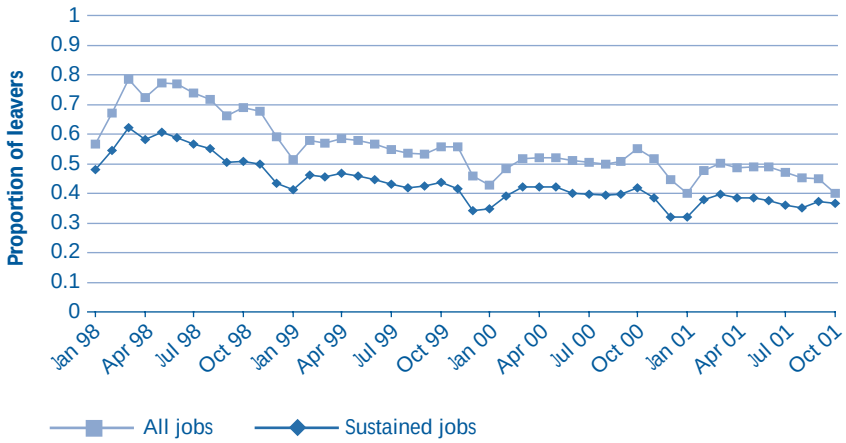
**15** While there remains some scope for Units with lower levels of performance to improve their management and delivery, by March 2001 the programme, as then configured, had largely reached its limit for reasonably attainable improvement. Therefore, to increase or even maintain the programme's effectiveness 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.