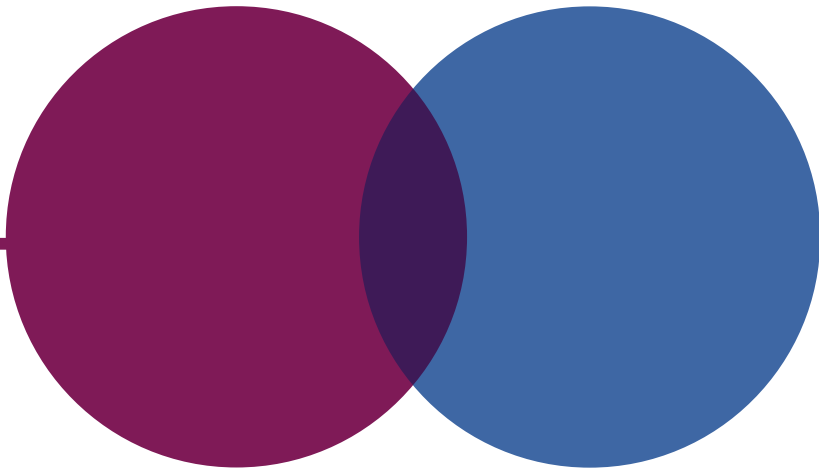




National Audit Office



# Employment support: The Kickstart Scheme

Department for Work & Pensions

---

**REPORT**

**by the Comptroller  
and Auditor General**

---

**SESSION 2021-22  
26 NOVEMBER 2021  
HC 801**

## Key facts

---

**£1.9bn**

budget for Kickstart, of which the Department expects to spend £1.26 billion

---

**250,000**

number of budgeted Kickstart job placements. The number of Kickstart participants is an important performance metric for the Department

---

**96,700**

number of Kickstart job placement starts as at 1 November 2021

---

**£7,000**

approximate cost of each Kickstart job placement

**£1.65:£1**

Department's current estimate of the economic returns for society, for every £1 of public money invested in Kickstart

**14.8%**

unemployment rate among young people aged 16 to 24, July to September 2020 (seasonally adjusted), around the time of Kickstart's launch

**195%**

rise in the level of unemployed 16- to 24-year-olds claiming Universal Credit for over 12 months and searching for work, from 48,800 in February 2020 to 144,000 in September 2021

**26%**

fall in the level of unemployed 16- to 24-year-olds claiming Universal Credit for under 6 months and searching for work, from 94,500 in February 2020 to 69,600 in September 2021

**1.2 million**

job vacancies in the economy, August to October 2021: seasonally adjusted, the highest number of job vacancies since records began in 2001

# Summary

**1** The Department for Work & Pensions (the Department) is responsible for the delivery of welfare, pensions and child maintenance policy. The Department launched the Kickstart Scheme (Kickstart) in September 2020 in response to a significant forecast rise in youth unemployment as a result of the COVID-19 pandemic. Kickstart forms part of the government’s overall Plan for Jobs, announced in July 2020. As initially announced, Kickstart aims to “create hundreds of thousands of high-quality six-month work placements aimed at those aged 16–24 who are on Universal Credit and are deemed to be at risk of long-term unemployment.”<sup>1</sup>

**2** Kickstart funds employers to create jobs for young people. Each job must provide a minimum of 25 hours work per week at the relevant minimum wage. Kickstart has a budget of up to £1.9 billion and the Department aimed to support up to 250,000 participants to start jobs by December 2021, when the scheme was originally scheduled to close. It is the Department’s flagship employment support programme for young people, and its most expensive intervention, on a per-person basis, across the full range of employment support schemes it currently offers. In October 2021, the Chancellor of the Exchequer announced that Kickstart would be extended so that new job placements could start up to the end of March 2022, with the scheme finally closing in September 2022.

## Scope of our report

**3** Our June 2021 report, *Employment support*, presented an overview of both the impacts of the COVID-19 pandemic on employment, and the Department’s response.<sup>2</sup> In this report we examine Kickstart in greater depth, covering the Department’s:

- business case for Kickstart (Part One);
- implementation of Kickstart (Part Two); and
- management of the two key aspects of Kickstart’s value for money: how well it targeted Kickstart at the young people most likely to benefit, and the quality and additionality of the jobs and employability support funded (Part Three).

<sup>1</sup> HM Treasury, Plan for Jobs, CP 261, July 2020, [www.gov.uk/government/publications/a-plan-for-jobs-documents/a-plan-for-jobs-2020](http://www.gov.uk/government/publications/a-plan-for-jobs-documents/a-plan-for-jobs-2020).

<sup>2</sup> Comptroller and Auditor General, *Employment support*, Session 2021-22, HC 291, National Audit Office, 9 June 2021.

**4** We considered Kickstart in the context of the government's response to the COVID-19 pandemic and the information available to the Department at the time it took key decisions. We also referred to good practice identified in our past reports and HM Treasury's Green Book. Our audit approach is set out in Appendix One, and the evidence we drew on is set out in Appendix Two.

## **Key findings**

Kickstart's rationale and business case

### **5 There was a clear rationale for Kickstart in the summer of 2020.**

The Department developed Kickstart in summer 2020, in the context of the ongoing pandemic, the planned end of furlough in October 2020 and an expected rise in youth unemployment. The size and focus of the scheme reflected the Department's aim to make a significant impact for a significant number of young people. The Department aimed to support around 250,000 participants, which was then more than half the total number of unemployed 16- to 24-year-olds who were claiming Universal Credit and searching for work. It wanted to set up something quickly and at scale. It expected that demand for Kickstart places would outstrip its funding and that finding people suitable to support would be straightforward (paragraphs 1.3 to 1.5).

**6 The Department based Kickstart on a previous scheme but also made changes it was unable to test before implementation.** It based Kickstart on the Future Jobs Fund, which ran from 2009 to 2011, and which had been positively evaluated. However, it did not have time to develop a business case for Kickstart before the government announced its intention to set up the scheme. It designed Kickstart with some significant changes compared with the Future Jobs Fund. This included encouraging more involvement from private-sector employers, as well as public and voluntary sector employers. It expected this would both increase the number of job placements available and mean they more closely resembled 'real' jobs that would help young people find sustained employment after the scheme. The Department recognised this created the risk that some funding might go to businesses that would have created jobs anyway. In addition, whereas the Future Jobs Fund was largely administered by local authorities, the Department decided to administer much of the Kickstart Scheme itself. It therefore had to build its own relationships with employers and develop brand new systems to administer Kickstart, which it was unable to test prior to the launch of the programme because of the limited time available (paragraphs 1.14 to 1.16).

**7 Kickstart costs more than the Department's other employment support programmes, but the Department believes the scheme's economic benefits will outweigh the £7,000 per person cost if the scheme achieves two key assumptions.**

Kickstart is different from the Department's other current employment support programmes because it aims to create jobs directly and funds participants' wages. As a result, per participant, it costs more than twice the Department's next most expensive employment support scheme. It does, however, have a lower cost per participant than the Future Jobs Fund as it provides employers with less funding for their upfront costs and employability support. The Department's cost-benefit analysis, produced shortly after Kickstart launched, showed that it would likely result in a net loss to the taxpayer. The Department estimates that, taking account of a wider range of benefits, it would generate a return for society of up to £1.65 for every £1 invested if:

- Kickstart participants spend, on average, 52 more days in work (and 80 fewer days on benefits) in the five years after their Kickstart job placement, compared with non-participants – a forecast based on results from the Future Jobs Fund; and
- Kickstart jobs create real economic value, with at least 50% of the economic output of the subsidised jobs being 'additional', meaning they would not have been created otherwise (paragraphs 1.11, 1.12, 1.21, 1.22 and Figures 2 and 3).

**8 The Department has plans to evaluate whether Kickstart participants spend more time in work in the longer term.** The Department has plans to evaluate Kickstart's impact on participants' employment outcomes over the five years after they complete the programme, using its administrative data to compare Kickstart participants' ongoing employment and time on benefits, to similar non-participants. The Department also plans to assess participants' wider experience of the scheme as part of its evaluation but does not expect to start receiving results from its user survey until December 2021, with Kickstart due to close in March 2022 (paragraphs 1.24 to 1.26).

**9 The Department will not be able to say how much of the economic value of Kickstart jobs is additional.** In a scheme such as Kickstart there is an intrinsic risk that a proportion of the jobs funded would be created anyway (an effect known as deadweight) or will result in other negative effects in the wider economy, such as ‘substitution’ and ‘displacement’ where Kickstart jobs and hiring result in losses elsewhere. The Department recognised this risk in its business case, assuming that only 50% of the economic output of Kickstart jobs would be additional. It also calculated it could be as low as 30% and the scheme still have a positive social return, if the scheme also has the intended employment impact. The Department considers this to have been a conservative assumption at the time given low demand in the economy and the controls it has in place, but also recognised the risk that non-additionality could increase as the economy recovered. Assessing the additionality of jobs can be difficult, and the Department does not expect its evaluation to achieve a robust estimate of Kickstart’s impact on the wider economy. This means that the Department’s final assessment of value for money will depend on an untested assumption about additionality (paragraphs 1.27 and 1.28).

#### **Implementing Kickstart**

**10 The Department launched an initial version of Kickstart rapidly, despite disruption caused by the pandemic, and developed it further once in operation.**

The Department launched Kickstart on 2 September 2020, after around six weeks of detailed development, and in time for the then expected end of furlough in October 2020. To meet this timetable, the Department adopted an ‘agile approach’, first launching Kickstart as a ‘minimum viable product’. This means it focused on processes that allowed it to open the scheme to applications from employers, even though not all of the supporting systems and processes were ready. As a result, it experienced a number of problems, leading to some criticism from stakeholders about unclear rules, a lack of published data on progress and short notice about changes. The Department made changes in response, continuing to develop its rules, systems, and management information over time. By summer 2021 it was satisfied it had a working product that it could use through to the scheme’s end (which was then expected to be June 2022 but was subsequently extended to September 2022) (paragraphs 1.2, 1.17 to 1.19, 2.3 to 2.5 and Figure 4).

**11 Almost immediately after Kickstart launched, the economic situation changed significantly, lowering immediate demand for the scheme.** The extension of the furlough scheme from October 2020 reduced the expected surge in youth unemployment. The second and third lockdowns that followed meant that businesses were not able to operate normally and suppressed demand from employers for Kickstart participants. In addition, during lockdown, the Department’s work coaches found it harder to communicate the opportunities available through the scheme and to encourage young people to apply for them. The Department told us that it was only from April 2021, when it more fully reopened job centres and face-to-face interviews with claimants resumed, that its work coaches were able to explain the value of Kickstart to potential participants in person (paragraph 2.11).

**12 The number of Kickstart starts is now expected to be significantly lower than 250,000 by December 2021.** By 1 November 2021, 96,700 people had started Kickstart jobs. The Department successfully attracted employers to apply for Kickstart grants and offer jobs through the programme. By the end of July 2021 the Department had uploaded around 180,000 job vacancies for people to be referred to. However, the number of young people actually starting those jobs quickly fell a long way behind the Department's planned profile. The Department subsequently extended the deadline for starts under the scheme to March 2022, with the objective of maximising starts under the scheme and is now planning on the basis of achieving 168,000 starts (paragraphs 2.7 to 2.9 and Figure 6).

**13 It has generally taken several months to fill the vacancies that have been filled.** The Department has focused on monitoring the time taken from the point it receives an application to the point it advertises the associated roles in a jobcentre. The Department's systems and data do not allow it to track how long it has taken from the point an application is made to when each job is filled. The Department's data indicate that it takes on average 62 days to complete administrative checks on each application and advertise jobs in a jobcentre, though this has slowed more recently due to employers taking longer to provide necessary information. The Department's data shows that its processing times for assessing applications, issuing grant agreements and advertising jobs have got quicker over the life of the scheme. The Department's data also suggests that where jobs have been filled it has generally taken several months to fill the job once it has been advertised, although some have been filled much faster. Stakeholders told us that in some cases their vacancies had not received any referrals, or had been removed from the system without prior warning or communication (paragraphs 2.4 and 2.12 to 2.14 and Figure 7).

**14 As the Department only pays for each start under the scheme as it happens, lower take-up means it will spend less than it budgeted for.** The Department expects to spend £1.26 billion of its £1.9 billion budget by the end of September 2022. As at the end of September 2021, it had spent £356 million, of which £51 million related to administration costs and £305 million was in grants to employers. Of this £305 million, £139 million was start-up payments to cover employers' set-up costs and the costs of providing employability support to participants, while £166 million covered participants' wages (paragraphs 2.6, 2.15 and Figures 5 and 8).

**15 The reopening of the economy in the second half of 2021 increased the risk to Kickstart's value for money because more participants might have found jobs anyway and employers might have funded some of the jobs themselves.**

The Department recognised that the economic case for Kickstart would be weaker in a situation where employers were creating jobs, and young people were relatively able to find jobs without Kickstart. In summer 2021, as the economic backdrop changed, the Department reviewed the value for money case for Kickstart. Forecasts of UK unemployment had reduced significantly, and the economy showed record vacancies – around 950,000 in the quarter to July 2021. It acknowledged that the case for subsidising employment had diminished but decided that Kickstart was still necessary. This decision was based on: the ongoing economic uncertainty; the fact that the vacancies in the economy were not necessarily suited to some of the young people on Universal Credit; and the need to tackle the scarring effect on the growing number of 16- to 24-year-olds who had been on Universal Credit for over a year. The Department's subsequent advice to ministers proposed extending the deadline for starts under the scheme to March 2022 with the objective of maximising starts. It told us that in its view the value for money of the scheme was protected because: the scheme was demand-led; it directs work coaches to refer only people who would benefit from the scheme and to encourage those capable of securing employment in the open market to do so; and it could adapt the scheme to the changing economic circumstances. It also said it had not detected any evidence that Kickstart was “crowding out” or substituting employers' ability to advertise other jobs (paragraphs 2.18 to 2.22).

**Targeting Kickstart at individuals most likely to benefit**

**16 The Department asks its work coaches to target Kickstart at those most likely to benefit, but it does not know how effective this has been.** To be eligible for Kickstart, young people must be aged 16 to 24, claiming Universal Credit, and seeking work. The Department did not set formal eligibility criteria beyond this. For example, its guidance states that Kickstart participants are likely to have been unemployed for at least six months and searching for work, but other groups are still eligible. Overall, 62% of those who started Kickstart up to mid-July 2021 had been on Universal Credit for six months or longer. In line with its wider approach to delivering employment support under Universal Credit, the Department tasked its front-line work coaches with identifying individual claimants who would benefit most. It provides training and guidance to work coaches to help them judge who would be most suitable for the scheme. The Department's reliance on work coaches' discretion rather than fixed eligibility criteria may mean that it is better able to tailor support to individuals' needs, but it could also make greater use of objective indicators to assess how well the scheme has been targeted. (paragraphs 3.4 to 3.9 and Figures 10 and 11).



**17 Despite Kickstart, the number of unemployed young people on Universal Credit for more than a year has trebled since the pandemic began.** The pandemic saw a sharp rise in 16- to 24-year-olds claiming Universal Credit and searching for work, from 188,000 in February 2020 to a peak of 428,000 in July 2020. This number decreased as the economy began to reopen in May 2021, and by September 2021 the numbers of unemployed young people searching for work and claiming Universal Credit for under six months (69,600) had fallen by 26% on pre-pandemic levels (94,500 in February 2020). However, the number of young people claiming Universal Credit and searching for work for more than a year (the long-term unemployed) has continued to increase from 48,800 in February 2020 to 144,000 in September 2021 (a 195% increase). This reflects a group of new claimants at the start of the pandemic who have remained unemployed since. It remains unclear how quickly this number will fall now the economy has reopened (paragraphs 2.18 and 2.19 and Figure 9).

**18 Kickstart was not designed to tackle the disadvantages faced by particular groups of young people on Universal Credit.** The Department did not set any targets for participation in Kickstart by particular groups. Instead it relied on work coaches to target the scheme at those most likely to benefit, which the Department expected to include young people with protected characteristics, who often experience labour market disadvantage. A higher proportion of Kickstart participants are from an ethnic minority group (28%) compared with the wider group of Universal Credit participants aged 16 to 24 seeking work (23%). Meanwhile, a lower proportion of Kickstart participants claim disability benefits (1%) than the wider eligible population (3.3%). Some people with disabilities who claim Universal Credit are not able to work, may need additional support before they are ready to take on a job, or may not wish to work (paragraphs 3.10 to 3.16 and Figure 12).

#### Assuring quality and additionality of Kickstart jobs

**19 The Department does pre-award checks to provide assurance over the additionality of Kickstart jobs but does not routinely monitor whether employers deliver on their commitments.** The Department requires employers to explain why the jobs for which they want Kickstart funding are additional, as part of the funding application process. It asks employers a series of questions about this aspect of their bid and considers their responses. In July 2021 a review by the Government Internal Audit Agency found that employers understood the requirements around additionality, and that there was a consistent approach to assessing additionality. However, the Department only investigates where concerns have been raised and does not routinely monitor whether employers deliver on these commitments after it has awarded the funding. As set out in paragraph 9 above, the Department does not plan to evaluate the additionality of Kickstart jobs (paragraphs 3.19 to 3.21).

**20 The Department does not routinely monitor what employability support and training employers provide to those on Kickstart jobs.** The Department requires employers to provide employability support and pays them £1,500 per Kickstart employee to cover the costs. It asks employers questions at the application stage about what employability support they will provide. The Department does not specify what employability support or training employers must provide and does not routinely collect data on what they actually provide. The Department does investigate any specific, potentially serious concerns that its staff or young people raise, including concerns around employability support, non-payment of wages or issues such as health and safety. The Department also plans to collect information on employability support as part of its evaluation of Kickstart (paragraphs 3.24 to 3.28).

**21 The Department has less visibility over funding distributed through third party organisations.** The Department initially asked employers bidding for fewer than 30 Kickstart jobs to apply via a third-party provider, known as a Gateway. Seventy per cent of Kickstart jobs filled so far have been offered through these Gateways. As part of a review of Gateways in January 2021, the Department acknowledged that it had no visibility of how Gateways were distributing the £1,500 payments for employability support, or how Gateways were applying checks on employability support. It also flagged a lack of visibility over Gateways' checks on the additionality of jobs, although a subsequent review by the Government Internal Audit Agency in July 2021 of 25 Gateways did not identify any concerns about how Gateways apply additionality checks. The Department also introduced more Kickstart District Account Managers who discuss additionality and the quality of jobs with employers and Gateways, but the Department does not collate this information centrally. In February 2021, following lobbying by small businesses to speed up their access to Kickstart grants, the Department stopped appointing new Gateways and allowed smaller employers to apply to the Department directly (paragraphs 1.10, 3.29 to 3.31 and Figure 1).

### **Conclusion on value for money**

**22** The Department developed and launched Kickstart quickly in the summer of 2020 to prevent the pandemic causing a significant rise in long-term youth unemployment and a scarring effect on young people's opportunities later in life. In the event, the labour market conditions have developed in ways that were not then expected. Repeated lockdowns meant many of the young people who started to claim Universal Credit at the start of the pandemic were on Universal Credit for over a year before the scheme could get going at scale. As the programme did begin to scale up, the economy was reopening, which increased the risk of government subsidising jobs that would have been created anyway. The Department decided to continue the scheme on the basis that it could have a positive impact for the large number of young unemployed.

**23** The overall impact of the scheme depends on the additionality of the jobs funded, the quality of the participant experience, and the targeting of the scheme on those people most likely to benefit. This will not be fully clear until the Department completes its planned evaluation of participants' future employment prospects, several years from now. It is important in the meantime that the Department monitors whether it is on course to achieve its assumptions and can adjust the programme accordingly. The Department relies heavily on its work coaches to target the right young people for the scheme, and on pre-award checks to make sure the jobs created are additional and include an appropriate level of training and support. However, it conducts relatively little monitoring of these aspects after it has funded each job. This means it has limited assurance that Kickstart is actually having the positive impact intended.

## **Recommendations**

**24** Our recommendations focus on the key elements that drive the overall value for money of the scheme to help the Department assure itself that it remains on track and so that it can learn from this experience the next time such a scheme is needed.

**25** To help ensure the scheme is best targeted, the Department should monitor whether work coaches refer the right people to the scheme by:

- a reviewing and setting out the likely characteristics of the participants most likely to benefit given the changing economy** (for instance, should it focus more strictly on those who have already been on Universal Credit for six months or more?);
- b analysing the population of young people on Universal Credit by these characteristics to assess the numbers likely to be suitable for Kickstart** (including whether these young people are searching for work);
- c publishing statistics on whether support goes to those groups** with the characteristics of participants the Department believes will most benefit from the scheme; and
- d investigating variations from its expectation to ensure it is satisfied that work coaches are using their discretion to appropriately target the scheme at those at risk of scarring** and provide further guidance as necessary.

**26** To help ensure the scheme is accessed by those most likely to benefit, the Department should assess why there are many people who are eligible for the scheme in principle but that are not taking up the outstanding vacancies, by:

- e** **collecting information through work coaches as to why young people on their caseload who are eligible for Kickstart are not applying for the outstanding Kickstart vacancies** or failing to get a Kickstart job;
- f** **assessing what it can do to address any barriers identified**, including whether providing additional employability support would give more young people the confidence to take on a Kickstart job (for instance, through its other programmes); and
- g** **reporting the findings to Parliament** so that lessons can be learnt for future schemes.

**27** To help ensure that the jobs created additional economic output, the Department should monitor indicators that a job is additional where it can, by:

- h** **conducting routine monitoring and inspection of employers** to establish whether organisations participating in Kickstart fulfil the conditions around additionality they set out in their applications;
- i** **setting out the logical steps and criteria of jobs most likely to create additional economic output** (for instance, the organisation is not hiring for similar unsubsidised jobs) and monitoring as many of those criteria as possible while the programme is live to ascertain whether it is on course to deliver additional economic output; and
- j** **providing in its planned evaluation a quantitative and qualitative assessment of Kickstart's economic impact on participating organisations**, such as changes or increases in output, or changes in business practices.

**28** To help ensure Kickstart participants receive high-quality support alongside their jobs, the Department should monitor the support provided, by:

- k** **establishing standards to benchmark the quality and quantity of employability support it expects Kickstart participants to receive**;
- l** **conducting proactive routine monitoring of what employment support organisations participating in Kickstart are providing**; and
- m** **establishing (and on a proportionate basis using) rights to recover funding** if employers provide inadequate employment support.

- 29** To support public and Parliamentary accountability, and long-term value for money the Department should ensure it is transparent by:
- n** **publishing regular, timely statistics on Kickstart’s progress**, including participation rates nationally and locally, early outcomes and data on diversity;
  - o** **monitoring Kickstart’s impact over at least the five years on which its original business case assumptions are based**;
  - p** **publishing the results of its planned evaluation promptly**, when available; and
  - q** **in future schemes, setting out in both the Outline and Final Business Case the management data required to manage the programme** and the scope and schedule of the routine statistics that will be published about the programme.
- 30** To ensure that it is able to implement schemes similar to Kickstart quickly and effectively in the future, the Department should:
- r** **identify what Kickstart design elements, infrastructure, capability and functions it can retain after the scheme is finished** (for example, functionality for work coaches to refer claimants to jobs offered by employers); and
  - s** **conduct a full lessons-learned exercise on how to expand such a programme rapidly**.