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Youth Unemployment: Review of
Training for Young People with Low
Qualifications

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RESEARCH

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The views expressed in this report are the authors' and do not necessarily reflect those of the Department for Business, Innovation and Skills.

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Executive Summary

Young people with low or no qualifications make up 39% of all young people unemployed and not in education, and 47% of those inactive and outside learning, despite only accounting for a quarter of the youth population¹. This is not solely a consequence of the recession. Even before the recession began, across the OECD, young people with low or no skills were three times more likely to be unemployed than those with higher skills².

The level of qualification is a good predictor of labour market success – those with higher qualifications are more likely to be employed, and earn more, than those with lower qualifications³. For these reasons, active labour market policies for young people have historically and internationally tended to have a strong focus on training (often alongside employment subsidies, work experience and support with looking for work). However successive evaluations have tended to find mixed results for training programmes.

This paper seeks to revisit that evidence base; in order to draw conclusions on what lessons can be learned for the design of training programmes for young people aged 19 to 24 who are unemployed, not in learning and have low or no qualifications. Where possible we have sought to focus on evidence from programmes targeted at young people that meet these criteria but have indicated where evidence is from research with a broader or different focus.

What works for whom

Broadly, the key conclusions drawn in reviews from the early 2000s – particularly by the OECD – still hold. Interventions that assist those out of work to apply for jobs appear to be very cost effective and achieve positive results; direct job creation is generally ineffective; training programmes have mixed results; and programmes targeting young people tend to be less successful than those for older people.

However, concluding that in general, impacts of programmes are mixed is not the same as concluding that specifically all programmes will deliver mixed results. Within the literature, there are a number of examples of successful programmes – both training programmes and those targeting young people – that deliver positive results.

¹ Source: Labour Force Survey and *Inclusion* analysis

² OECD (2010) *Off to a Good Start? Jobs for Youth*, OECD Publishing

³ 53% of those with qualifications below Level 2 are in work, compared with 76% of those with qualifications at Level 2 or above (Source: Annual Population Survey, January-December 2011, Great Britain)

The evidence on training interventions for those out of work

The evidence is not clear-cut about what works best but we consider that there are five factors that are associated with more successful training interventions, and that are applicable to programmes for young people with low or no qualifications.

1. Targeting eligibility

Interventions should target those young people who are likely to find it difficult to get a job and are likely to see net benefit from training (i.e. those with low qualifications, who have spent some time out of work and/ or who lack work experience). The evidence suggests that people in their twenties seem to benefit more than those in their teens.

2. Smaller scale programmes

The principle that training programmes should be relatively small in scale has held since the early 2000s⁴ and has contributed to a move away from large-scale training programmes in a number of OECD countries.

3. A focus on work experience and the transition to work

A number of studies also find that programmes with a strong focus on employment are more likely to be successful. In particular this means ensuring that provision:

- Makes use of workplace training where possible;
- Aligns with needs of local labour market;
- Engages employers in design and delivery;
- Build in support for transition to work;
- Include support for job search whilst on programme;
- Ensure individuals can continue training after job entry.

Where possible, programmes should aim to do all of these elements in combination. A number of studies, including by Dench et al (2006)⁵, point out that programmes that combine **training** with periods of **work experience**, contact with employers and assistance with **job search**, and that lead to recognised and relevant **qualifications**, are

⁴ See for example Martin, J. and Grubb, D. (2001) "What Works and for Whom: A Review of OECD Countries' Experiences with Active Labour Market Policies", *Swedish Economic Policy Review*, Vol. 8, No. 2

⁵ Dench S., Hillage J. and Coare P. (2006), *The impact of learning on unemployed, low-qualified adults: A systematic review*, Research Report No 375, Department for Work and Pensions

more likely to have positive impacts. There is evidence that increasingly, training provision in England is doing this⁶.

4. Addressing wider barriers to employment to tackle multiple disadvantage

Three quarters of those with no qualifications have other barriers to work (including disability, caring responsibilities or belonging to an ethnic minority group), and those with low qualifications and other barriers are less successful in the labour market than those with higher qualifications and the same barriers⁷. Provision should address other barriers – including less tangible factors like motivation and attitude.

5. A joined up approach to tackle unemployment locally

Taking all of this together, there is strong evidence that joined up holistic support is more likely to deliver results than provision that focuses solely on training or skills acquisition⁸.

Do labour market conditions matter?

A conventional view has been that so-called “train first” approaches could be more appropriate in downturns⁹. However a number of studies challenge this – with one meta-analysis covering labour market programmes from the 1970s to 2000s concluding that the business cycle makes no observable difference to programme success¹⁰. In other words, it is programme design that matters most.

Nonetheless, we consider that it is reasonable to conclude that training programmes targeting long-term unemployed people may be more cost-effective in supporting recoveries – as they can demonstrate that long-term unemployed people are employable, help to meet future employment needs, and reduce risks of individuals being cut off from the labour market.

Do long-term positive impacts outweigh short-term costs?

In many ways, mixed results for training programmes are not surprising. Interventions tend to be relatively long lasting and during that time participants are less likely to move

⁶ OFSTED (2012) “Skills for employment: The impact of skills programmes for adults on achieving sustained employment”; OFSTED

⁷ DFES and DWP (2007) *DFES and DWP: A Shared Evidence Base: The Role of Skills in the Labour Market*, Department for Education and Skills and Department for Work and Pensions

⁸ See for example Hasluck, C. and Green, A. (2007) *What works for whom? A review of evidence and meta-analysis for the Department for Work and Pensions*, Research Report no 407, Department for Work and Pensions

⁹ Scarpetta, S., Sonnet, A. and Manfredi, T. (2010) “Rising Youth Unemployment During The Crisis: How to Prevent Negative Long-term Consequences on a Generation?”, *OECD Social, Employment and Migration Working Papers*, No. 106, OECD Publishing

¹⁰ Kluve, J. (2006) “The effectiveness of European active labor market policy”, *RWI Discussion Papers*, No. 37

into work. These so-called “lock in” risks often lead to negative impacts in the short term. And unfortunately, many studies in the past have tended only to measure impacts over short periods (a year or two).

The value of skills interventions typically come from the longer term benefits of training. More recent studies have sought to more rigorously assess impacts over longer periods, and have found that impacts from training programmes – while negative for the first year or so – do increase over time and turn positive by the third year¹¹. In some cases, these gains recoup losses early on. This is not to say however that long-term impacts are permanent – here the evidence remains mixed¹².

Conclusions and recommendations

While it is hard to draw unqualified conclusions, the balance of evidence does enable us to identify those factors that appear to be particularly important in successful provision. Therefore we make the following recommendations:

Provision should be tightly targeted.

We recommend targeting by:

- Qualification level – specifically, those with qualifications below Level 2
- Time spent out of work or learning – we would caution against arbitrary qualifying periods, but would suggest targeting those who have been outside learning and work for at least three to six months
- Potentially, by age – as benefits may be greater for those in their twenties than in their teens

Provision must have a strong focus on supporting transitions to employment.

Specifically, this means that:

- Training should as far as possible be workplace, rather than classroom, based.
- It should reflect local labour market needs. There may be a role for Local Enterprise Partnerships, Employment and Skills Boards (where they exist) and local Chambers of Commerce in specifying these.
- Employers should as far as possible play a role in the design and delivery of provision.

¹¹ Card, D., Kluve, J., and Weber, A. (2009) “Active labor market policy evaluations: a meta-analysis”, *CESifo working paper*, No. 2570

¹² See for example Beale, I., Bloss, C. and Thomas, A. (2008) “The longer-term impact of the New Deal for Young People”, *Department for Work and Pensions Working Paper* No 23

- Support to make the transition into work should be built in (and aligned to other available support).
- It should include support with building key employability skills – including time management, building confidence, addressing literacy and numeracy needs).
- In particular, the Department should consider how training for this group could be used as a stepping stone to an apprenticeship.
- The Department should also consider greater use of “payment by results” to ensure that providers are rewarded for achieving key outcomes.

Provision should as far as possible be small in scale

- It should be designed and commissioned locally
- Time spent on provision should be limited – we would recommend that the length of intervention is considered alongside the risks of participants being “locked in” to provision

Where appropriate provision should address wider barriers to employment

Linked to this, training for this group must be joined up with other available support. Providers have a key role in ensuring that participants are signposted to (and encouraged to engage in) wider specialist support. Provision should also include an assessment of wider needs early on, and a process for ensuring with local partners that these needs can be met. For those with multiple needs, this should include ensuring that there is always an assigned case manager to co-ordinate additional support.

We would also recommend that as far as possible the rollout of any provision is timed for the recovery. If there is appetite to test approaches, we would recommend doing so in the coming year.

Lastly, we would recommend that any approach is designed in such a way as to allow full evaluation of impacts. Critically, this also means ensuring that impacts are measured over the medium to long-term.

1. Background and context

Even before the recession of 2008/9, it was widely recognised that low-skilled young people faced significant disadvantage in the labour market. Across the OECD, low-skilled youth (aged 15/16 to 24) were three times more likely than their higher-skilled counterparts to be unemployed, and around one in ten young people were considered as being “disconnected” – outside learning and work with low or no qualifications and other barriers to employment¹³.

Since 2008, in most OECD countries the prospects for young people with low or no skills have become even more challenging. On most recent data, young people with qualifications below Level 2 account for 39% of those unemployed and not in full time learning, and 47% of those inactive and outside learning¹⁴, but only 24% of the youth population as a whole¹⁵.

The consequences of this are likely to be particularly acute for those who spend extended periods outside learning and work. There is now extensive evidence from the UK and overseas that a period of unemployment while young can lead to permanent “scars” on earnings¹⁶, and low qualifications are associated with a lower likelihood of being employed¹⁷. There is also of course extensive evidence that higher skills lead not only to increased prosperity but also to greater social engagement, better health outcomes and improved well-being¹⁸.

¹³ OECD (2010) *Off to a Good Start? Jobs for Youth*, OECD Publishing

¹⁴ Unemployed refers to those actively seeking work and available to work (which can also include students). Inactive refers to those outside work but not seeking work (again this could include students). In this paper, the focus is on those who are unemployed and inactive – which we refer to as those out of work – who are also not in full-time education or training.

¹⁵ Source: Labour Force Survey and *Inclusion* analysis.

¹⁶ Summarised in Scarpetta, S., Sonnet, A. and Manfredi, T. (2010), “Rising Youth Unemployment During The Crisis: How to Prevent Negative Long-term Consequences on a Generation?”, *OECD Social, Employment and Migration Working Papers*, No. 106, OECD Publishing

¹⁷ 53% of those with qualifications below Level 2 are in work, compared with 76% of those with qualifications at Level 2 or above (Source: Annual Population Survey, January-December 2011, Great Britain). Note that this paper does not seek to explore how far it is qualifications themselves that determine these patterns (Human Capital theory) or the signal that these qualifications send to employers (Educational Signalling theory).

¹⁸ OECD (2012) *Better Skills, Better Jobs, Better Lives: A Strategic Approach to Skills Policies*, OECD Publishing

For these reasons, “active labour market policies”¹⁹ for young people have historically and internationally tended to have a strong focus on (re)training those who are out of work to raise their skills and get (back) in to work (often alongside employment subsidies, work experience and support with looking for work). However successive evaluations of training programmes have tended to find poor, and often negative, results – when impacts are assessed against comparable groups who did not receive the training. What is more, these results have tended to hold across countries and over time.

This paper seeks to revisit that evidence base, in order to understand in more depth the literature on the effectiveness of interventions to raise qualifications and skills of those who are out work. As far as possible, this paper is focused specifically on the effectiveness of training interventions targeted at increasing the employment and skills of young people who are not in learning or work and who have low or no skills. We have indicated where evidence is from research with a broader or different focus to this.

The paper seeks to set out what lessons could be learnt from previous programmes, and makes recommendations on the design of any future training programme for low-skilled and out-of-work young people aged 19-24. This age range reflects the funding responsibilities of the Department for Business, Innovation and Skills. It should be noted however that in general, the studies reviewed for this paper define young people as those aged 16-24 and do not present findings by age group within this. We have set out however where this is not the case.

The paper is based on a review of reviews to produce a high-level analysis of what works, and does not include analysis of individual impact studies. In particular this paper builds on, and takes account of, an expert roundtable convened by the Department for Business, Innovation and Skills on 6 August 2012. A summary of this meeting is attached as an Annex.

¹⁹ Active labour market policies is used in this paper to describe policies that are intended to support those who are out of work to move back in to work – including jobsearch support, training, employment subsidies, job creation programmes and benefit conditionality

2. What works for whom: active labour market policies

Understanding interventions for those out of work

There is a growing literature on “what works” in supporting those who are out of work to move into employment. In particular over the last decade or so, a number of studies have sought to categorise, assess and rank interventions – both across countries²⁰ and within them²¹.

Although the way that studies categorise interventions may vary, as may the studies selected, broad themes emerge:

- Interventions that provide personalised and intensive support to build confidence and motivation, prepare for work and to find and apply for jobs appear to be most cost-effective – they are low cost and appear to achieve positive results;
- Hiring subsidies can deliver positive results, particularly for those further from work – although most evaluations do not take account of the “hidden” costs that may arise from displacing other workers;
- Direct job creation is generally inefficient and often leads to negative outcomes for participants (that is, they would have had better outcomes if they had not participated in the programme);
- Interventions focused on full-time training while out of work have decidedly mixed results – with programmes just as likely to have insignificant or negative impacts as positive ones; and
- Interventions targeted at young people (usually 15/16-24 year olds) tend to be less successful than programmes not targeted by age – the reasons for this are not completely clear.

For this paper, we are particularly focused on training interventions for young people who are unemployed and have low or no qualifications – so the final two bullet points above.

²⁰ See for example Betcherman, G., Godfrey, M., Puerto, S., Rother, F. and Stavreska, A (2007) "A review of interventions to support young workers: Findings of the youth employment inventory" *World Bank discussion paper*, No. 0715

²¹ For example in the United Kingdom in Hasluck, C. and Green, A. (2007) *What works for whom? A review of evidence and meta-analysis for the Department for Work and Pensions*, Research Report no 407, Department for Work and Pensions

A framework for assessing interventions

Beyond the broad generalisations above, a number of studies attempt to assess how far interventions are more or less successful for specific groups in specific circumstances. Often, these studies use “meta-analysis”: a technique where individual programmes or participant groups with broadly comparable characteristics are recorded as separate data-points within an overall model. Statistical techniques are then used to attempt to measure and assess impacts (for example, to determine whether specific forms of intervention, or specific characteristics, influence programme success). Other studies simply collate and summarise programme evaluations from a range of sources.

In this paper, we have used both types of study, supplemented by a small number of programme-specific evaluations and case studies. We are particularly focused on assessments of the additional impact of interventions – that is, the impact over and above what would have been expected had those individuals not participated in the programme. Most studies find *prima facie* positive impacts from labour market interventions: a proportion of those who take part go on to find work. However, what matters in understanding the impact of an intervention is the additional benefit (or not) that it brings.

In general, we have not focused on the differences between impacts on exits from unemployment, entries to employment, and increases in earnings. However it is worth noting that studies tend to find that interventions have greatest impacts on unemployment, and smaller impacts on employment and earnings²².

The following chapter sets out the available evidence, and some broad conclusions, on the design and effectiveness of training programmes, with a particular focus on those targeting young people with low or no qualifications. In doing so, it sets out a broad framework for more successful interventions, based on targeting eligibility; smaller scale programmes; focusing on employment; addressing wider barriers; and ensuring a joined up approach.

In addition, it sets out the available evidence on how far economic conditions make a difference, and whether impacts of training programmes are more pronounced over the longer-term.

²² See for example Card, D., Kluve, J., and Weber, A.(2009) “Active labor market policy evaluations: a meta-analysis”, *CESifo working paper*, No. 2570

3. The effectiveness of training for those out of work

The evidence on training interventions for those out of work

As noted in Chapter 2, the evidence on the effectiveness of training programmes for those out of work is mixed at best.

In a comprehensive review of active labour market programmes (covering 130 studies – with most of the training programmes targeted at young people), De Koning (2005) finds that for training programmes “the number of ... studies that point to positive effects is more or less the same as the number of studies showing insignificant or significantly negative effects”²³.

Kluve (2006) reaches similar conclusions in a review of 95 studies covering 137 programmes (of which a quarter were programmes targeting the young unemployed)²⁴. Of the 70 training programmes within these, 38 have positive impacts while 32 have zero or negative impacts. He concludes that “training programs seem to have relatively small effects at best, and often have a significant employment impact only in the longer run”.

Country-specific studies also have varied results – with some suggesting strong positive returns for some forms of training (for example in Denmark²⁵), while others find mixed or negative impacts (for example in the United States²⁶).

In many ways these mixed results are not surprising. Training interventions tend to be relatively long-lasting (commonly four to six months but often longer) and during that time participants are less likely to be looking for work or to move into work. These so-called “lock in” risks are reported in many studies and often lead to negative impacts from training in the short term. To a large extent this is inevitable – as Kluve (2006) puts it, “it remains unclear to what extent these [effects] are really entirely undesirable, and not rather a necessary element of this type of program”. Therefore it is important to consider long-term as well as short term impacts.

²³ De Koning, J. (2005), “Active Labour Market Policies: Relevance, Expenditure and Effectiveness”, *SEOR Working Paper 2005/2*

²⁴ Kluve, J. (2006), “The effectiveness of European active labor market policy”, *RWI Discussion Papers*, No. 37

²⁵ Jespersen, S., Munch, J. and Skipper, L. (2008) “Costs and benefits of Danish active labour market programmes”, *Labour Economics* 15 (2008) pp. 859–884

²⁶ Greenberg, D., Deitch V. and Hamilton G. (2009), *Welfare to work program benefits and costs: A synthesis of research*, MDRC

Unfortunately, there is relatively less research on long-term impacts – but more recent studies drawing on longer-run data suggesting that training programmes begin to demonstrate positive impacts for individuals some years after they start on the programme – most notably in a study by Card, Kluve and Weber (2009)²⁷. This is explored in more depth below.

Training for young people

Focusing on young people specifically, the evidence is equally mixed. Martin and Grubb's review of 2001 found consistently negative results from training programmes for young people²⁸. De Koning (2005) is also unambiguous – concluding that “youth training is not effective” (unfortunately, this study does not assess whether these findings vary for different programme or participant characteristics). Kluve (2006) and Card et al (2009) also find that programmes targeted at young people are less likely to have positive impacts.

There are a number of possible reasons why training programmes targeting young people appear to be less effective than programmes that do not target by age or that are aimed at older people (aged over 24). De Koning (2005) highlights the **design** of programmes: specifically, that young people with low or no skills may be less motivated for classroom-based training. Following on from this, Martin and Grubb (2001) point out that poor results may in part be explained by the **attitudes to work** among disadvantaged young people. They also highlight programme design issues around how far provision meets the needs of local employers and how far it addresses wider barriers that disadvantaged young people may face. Lastly, Betcherman et al (2007) suggest that a small but significant factor may be the level of **labour market regulation** – in their meta analysis they found that training programmes targeting young people were relatively less successful in more tightly regulated labour markets.

These issues are explored in more depth below, in considering the design features of more successful interventions.

Training for those with low or no qualifications

The reviews mentioned so far do not systematically identify findings for training programmes targeted at those with low or no qualifications. However a review in 2006 by Dench, Hillage and Coare for the Department for Work and Pensions does seek to do this²⁹. It identified eight studies that could be used to assess a training intervention improved employment outcomes for low-qualified adults (not specifically young people) who were out of work. All showed some positive impact – although the evidence on

²⁷ Card, D., Kluve, J., and Weber, A. (2009) “Active labor market policy evaluations: a meta-analysis”, *CESifo working paper*, No. 2570

²⁸ Martin, J. and Grubb, D. (2001) “What Works and for Whom: A Review of OECD Countries’ Experiences with Active Labour Market Policies”, *Swedish Economic Policy Review*, Vol. 8, No. 2

²⁹ Dench S., Hillage J. and Coare P. (2006), *The impact of learning on unemployed, low-qualified adults: A systematic review*, Research Report No 375, Department for Work and Pensions

whether low qualified participants were more or less successful than those with some qualifications was mixed.

The challenges in assessing what makes programmes work – an example

An example from the United States highlights the difficulties around assessing “what works” in training programmes for unemployed young people.

The National Evaluation of Welfare to Work Strategies (NEWWS) tested approaches to supporting young, out of work single parents (aged 20 to 24) in the early to mid 1990s. The NEWWS ran eleven programmes in seven areas³⁰ - these programmes were either employment-focused (assistance with finding and applying for jobs), education focused (predominantly classroom-based learning), or both (a combination of the two). Participants also received support from a caseworker and usually some support with childcare. Participation was mandatory. Impacts for participants were compared both across programmes and with a control group of non-participants.

The evaluation of NEWWS³¹ tracked outcomes against control groups over a five year period. Overall, impacts on earnings for education-focused programmes were mixed: four programmes found relatively large impacts over five years (between \$600 and \$900 per year) while three programmes found little or no effect. Outcomes for employment-focused programmes were more positive but also mixed.

However the evaluation concluded that there “were no observed differences in program implementation that explain why some education-focused programs succeeded for Young Adults while others did not”: success did not appear to be linked to enforcement, the take-up of services, or childcare support.

Subsequent work by Greenberg, Ashworth, Cebulla and Walker (2005)³² focused on the results from two of the most successful areas (Portland and Riverside) and used meta-analysis to compare this with data from twenty-four evaluations of similar programmes.

They conclude that success of those two areas may in part have been due to programme design factors. However, these factors appeared to be different in each area: in Portland, sanctions and jobsearch appeared to have positive impacts while vocational training had a negative effect; while in Riverside, jobsearch and vocational training appeared positive with sanctions having a negative impact. Greenberg et al conclude that programme design may therefore partly explain impacts, but that other “contextual factors” may have been more important.

³⁰ Atlanta, Georgia; Grand Rapids, Michigan; Riverside, California; Columbus, Ohio; Detroit, Michigan; Oklahoma City, Oklahoma; and Portland, Oregon

³¹ Freedman, S. (2003) *Pursuing Economic Security for Young Adults: Five-Year Impacts of Pre-Employment Services in the National Evaluation of Welfare-to-Work Strategies*; MDRC

³² Greenberg, D., Ashworth, K., Cebulla, A. and Walker, R. (2005) “When Welfare-to-Work Programs Seem to Work Well: Explaining Why Riverside and Portland Shine So Brightly”, *ILR Review Vol 59 No 1*; Cornell University

Characteristics of successful interventions

Within all of this, however, it is important to be clear that many training programmes deliver positive results, as do programmes targeting young people and those with low skills. Concluding that in general, impacts of programmes are mixed is not the same as concluding that specifically all programmes will deliver mixed results.

So what can we learn about the characteristics of successful interventions?

Targeting eligibility

The importance of targeting support at those most likely to benefit has been recognised as a key factor in the design of successful programmes since at least the 1994 OECD Jobs Strategy³³.

In their recent Jobs for Youth report³⁴, the OECD identifies a discrete group of young people – which it described as “left behind youth” – who should be targeted for more intensive support but for whom conventional programmes (based on jobsearch or training alone) may not be most effective. It describes these young people as those with low or no qualifications, not in learning or work, and often immigrants or living in disadvantaged communities.

As noted above, there is some evidence in Dench et al (2006) that more targeted programmes can deliver positive outcomes. In particular, they describe findings from a study of work and training programmes in France in the late 1980s which finds that the impact of programmes on employment did depend on prior education levels. Undertaking an apprenticeship or qualification had positive impacts on outcomes for young men without qualifications but had little impact for those with higher qualifications.

This finding is consistent with other studies from the 1990s that were reviewed by Meager in 2008³⁵. This review ranges wider than just programmes targeting young people. However on the effectiveness of training for young people in particular, he concludes that while training programmes generally produced disappointing results, there was evidence from a range of studies that “support the general conclusion that the scale and degree of targeting of the training appears to matter.” However Meager goes on to say that so does “the extent to which it is a stand-alone measure or embedded in a broader programme including other elements such as work experience”. In other words, tight targeting alone is not enough.

³³ OECD (1994) *OECD Jobs Study: Facts, Analyses, Strategies*, OECD Publishing

³⁴ OECD (2010) *Off to a Good Start? Jobs for Youth* OECD Publishing

³⁵ Meager, N. (2008) “The Role of Training and Skills Development in Active Labour Market Policies”, *IES Working Paper WP15*, Institute of Employment Studies

Job Corps

One good example of a tightly targeted programme is Job Corps in the United States – a predominantly residential, intensive programme targeted at low-income young people with low qualifications and other disadvantages. As noted, studies of training programmes in the United States have tended to find mixed or negative results³⁶. However Job Corps is a good example of a successful programme targeting disadvantaged young people.

Job Corps has been in operation since 1964 and around 60,000 young people (aged 16 to 24) enrol each year. The programme consists of three modules: academic preparation (leading to a general diploma), career and technical training (with a focus on high growth industries) and employability training. Importantly, a placement service also supports participants to make the transition to work. All of these elements are delivered by private contractors under long-term contracts. Contractors are assessed on a range of measures including meeting recruitment targets, achieving qualifications and skills gains, job placement, and retention and progression in work. A proportion of their income is linked to achieving these performance targets.

Evaluation of Job Corps has found large positive impacts for participants both on employment and earnings³⁷. However those positive impacts appear to dissipate in the longer term (four to six years) so that by six years there is no difference in average earnings between those who took part in Job Corps and a comparison group. Schochet et al (2006) also conducts a cost-benefit analysis for Job Corps. While this shows overall a negative cost-benefit (that is, it costs more than it saves) the cost-benefit for those aged 20 to 24 is strongly positive (about \$2 saved for every \$1 spent). This is no small achievement, as Job Corps is also very expensive (at \$22,000 per participant³⁸). Schochet et al (2006) conclude that the stronger impacts for older young people may be linked to higher motivation to work, the length of time on the programme, and their conduct on the programme.

Smaller-scale programmes

As noted, a number of studies drawing on evidence from the 1990s and early 2000s conclude that training programmes in particular should be kept small in scale in order to maximise their effectiveness. This was a key conclusion of Martin and Grubb (2001) in their review of active labour market policies (which covered programmes for all ages but included a particular focus on youth measures) and has largely held since. Indeed Meager (2008) concludes that this has contributed in the OECD both to a shift away from training schemes in particular and an increased scepticism about the effectiveness of active labour market policies in general.

³⁶ See for example Greenberg, D., Deitch V. and Hamilton G. (2009), *Welfare to work program benefits and costs: A synthesis of research*, MDRC

³⁷ Schochet, P., Burghardt, J., and McConnell, S. (2006), *National Job Corps Study and Longer-Term Follow-Up Study: Impact and Benefit-Cost Findings Using Survey and Summary Earnings Records Data*. Mathematica Policy Research, Princeton University

³⁸ Source: OECD (2010) *Off to a Good Start? Jobs for Youth*, OECD Publishing

“Small” is not precisely defined in these reviews, but is generally used in contrast to large-scale, national programmes that are not closely targeted or aligned to local labour market needs or personalised to the needs of particular groups of young people.

To take one example, in an often-quoted study, Calmfors, Forslund and Hemstroem (2002) conclude that the experience of Sweden during the 1990s, when their recession led to a huge increase in the numbers of people participating in active labour market policies and in particular training programmes, demonstrated that large-scale provision was not appropriate. They found in particular that training programmes became less effective in the 1990s (compared to when they were smaller in scale and more tightly-targeted before the Swedish recession), and concluded that “ALMPs of the scale used in Sweden in the 1990s are not an efficient means of employment policy. To be effective, ALMPs should be used on a smaller scale³⁹.”

A focus on work experience and the transition to work

The available evidence also suggests that programmes that have a strong focus on building work experience and on then making the transition into work are more likely to be successful in supporting sustainable employment⁴⁰. There are four aspects to this.

First, programmes that include **workplace experience and on-the-job training** appear to perform better than those that do not. The OECD (2010) in particular suggests that classroom-based learning might prove counter-productive for “disconnected youth”. They argue instead that “priority should be given to training programmes taught outside traditional schools, combined with regular exposure to work experience”. This conclusion is supported by a recent comparative study of the effectiveness of training programmes (for people of all ages) in Denmark between 1995 and 2005. This found strong positive impacts on earnings and employment from waged training programmes in the private sector, less positive impacts for an equivalent programme in the public sector, and negative impacts from classroom-based training⁴¹.

The strong returns from workplace-based training also demonstrates that training for the unemployed is not (just) about gaining qualifications. It is also about the tackling the “signal” that unemployment or a poor work history sends to employers. As Brown and Koettl point out in a study this year, workplace training is more likely to signal to an employer that an individual is employable than classroom-based training⁴². It is arguable that tackling these signalling effects is particularly important for young people who are out

³⁹ Calmfors L, Forslund A, and Hemström M (2002), ‘Does active labour market policy work? Lessons from the Swedish experiences’ Institute for Labour Market Policy Evaluation Working Paper 2002:4

⁴⁰ See for example Martin and Grubb (2001); OECD (2010)

⁴¹ Jespersen, S., Munch, J. and Skipper, L. (2008) “Costs and benefits of Danish active labour market programmes”, *Labour Economics* 15 (2008) pp. 859–884

⁴² Brown, A. And Koettl, J. (2012), “Active Labour Market Programs: Employment Gain or Fiscal Drain?”, *IZA Discussion Paper No. 6880*

of work and have low qualifications, where the signals are threefold: low productivity, poor work history and low skills.

Secondly, as Brown and Koettl also argue, programmes should be tied to **meeting the needs of the local labour market with strong employer input**. This is backed up by the review by Dench et al (2006) of training for those with low qualifications – who state that there is evidence from some studies that training “is more likely to result in successful employment outcomes if it is not just vocationally orientated per se but related to the needs of the local labour market.”

Thirdly, there is evidence that “lock in” risks can be reduced by including an element of **support to look for work** during and after the training⁴³.

And lastly, training should **focus on building softer “employability” skills** – such as building confidence, building teamwork and time management skills, personal organisation – as well as achieving qualifications. This is consistently identified by employers as a key factor in recruiting people who are out of work and have low skills⁴⁴.

Of course, where possible, all three of these things should happen together. A number of studies, including that by Dench et al (2006), point out that training programmes that combine training with periods of work experience, contact with employers and assistance with job search, leading to recognised and relevant qualifications, are more likely to have positive impacts.

It is worth noting that there are a number of examples of current training provision being delivered in England that addresses these areas⁴⁵. For example a recent report by OFSTED found that effective provision was well joined up with Jobcentre Plus support, included relevant work experience, and included support with looking for and finding work⁴⁶.

Addressing wider barriers to employment

Analysis by the Department for Work and Pensions and Department for Employment and Skills in 2007 sets out how low qualifications and other barriers to work intersect⁴⁷. Of the

⁴³ For example in Betcherman, G., Olivas, K. and Dar, A. (2004) “Impact of Active Labor Market Programs: New Evidence from Evaluations with Particular Attention to Developing and transition Countries.” *World Bank, Social Protection Discussion Paper Series 0402*

⁴⁴ See for example Newton, B., Hurstfield, J., Miller, L., Page, R. and Akroyd, K. (2005) *What employers look for when recruiting the unemployed and inactive: characteristics, skills and qualifications* Department for Work and Pensions Research Report No 295

⁴⁵ For a recent summary of college-delivered provision, see Association of Colleges (2012) *Back to Work: Colleges Supporting Sustainable Jobs*, Association of Colleges

⁴⁶ OFSTED (2012) “Skills for employment: The impact of skills programmes for adults on achieving sustained employment”; OFSTED

⁴⁷ DFES and DWP (2007) *DFES and DWP: A Shared Evidence Base: The Role of Skills in the Labour Market*, Department for Education and Skills and Department for Work and Pensions

4.6 million people with no qualifications, three quarters had at least one further barrier to work (either a disability, being over 50, being a single parent or belonging to an ethnic minority group). What is more, they identify that those with higher qualifications and the same other barriers to work achieve better labour market outcomes.

The OECD (2010) state that for this group in particular – “disconnected youth” – the evidence supports a mixed approach that combines workplace training with work experience, remedial education and adult mentoring, as do Betcherman et al (2004), while Dench et al (2006) also emphasise the need for “broader support structures” – including to address factors like motivation and attitude to work.

A joined-up approach

Taking all of these elements together, there is strong evidence that joined up support that combines different elements is more likely to deliver positive results than provision that focuses solely on training or skills acquisition. As Hasluck and Green (2007) put it in their review of “what works” from provision in Great Britain, “it would appear that advice alone is not sufficient to get many long-term, unemployed adults back into employment. Only when mandatory activities including work experience and training were introduced is there any evidence of a significant impact on job entry. This strongly implies that it is ‘bundles’ of provision that work for this customer group and that provision is complementary.”

The New Deal for Young People

One example of an effectively “bundled” programme was the New Deal for Young People (NDYP). Introduced in 1998, young people (18-24) automatically entered the programme after claiming Jobseeker’s Allowance for six months. The programme consisted of a “Gateway” stage consisting of four months of intensive adviser support followed by mandatory participation in one of four options for those who are still on benefit – either subsidised employment, a full time education and training placement lasting six to twelve months (FTET), a work experience placement in the voluntary sector, or a place in an “Environmental Task Force”.

The FTET option was reasonably tightly targeted – being intended for those with low or no qualifications, although advisers could refer claimants that they considered were in need of retraining. It was also intended to be focused on meeting local employer needs, with opportunities for work experience, support with jobsearch, and leading to recognised qualifications.

As Hasluck and Green (2007) remark, NDYP is “probably the most comprehensively evaluated of all New Deal programmes, and possibly the most comprehensive of all programmes in the UK.” Those evaluations were largely conducted in the early years of the programme and found overall very positive results. Macro-economic evaluation found an impact on unemployment of 45,000 between April 1998 and March 2000, with employment rising by 25,000 over the same period⁴⁸. Studies also suggest that impacts

⁴⁸ Riley, R. and Young, G. (2000) *New Deal for Young People: Implications for Employment and the Public Finances*, Employment Service Report 62

are relatively long lasting. In particular, analysis by Di Giorgi (2005) concludes that the NDYP increases the likelihood of being employed eighteen months later by 6-7% compared with a comparison group⁴⁹. Later analysis by Beale, Bloss and Thomas (2008) shows that there are clear positive impacts on the likelihood of leaving benefit that persist for at least four years compared to comparison groups, although the effects appear to diminish over time⁵⁰.

Beale et al (2008) also assess the effectiveness of the four different options within New Deal. Again looking over four years, FTET had larger positive impacts on employment than all options except the Employment Option (and the authors highlight that the impacts of the Employment Option are likely to be over-stated as a result of unobserved differences for those taking that option – in particular their motivation to work). Separately, earlier survey research suggested that FTET may have had particular benefits for the most disadvantaged young people in increasing their wider employability (work experience, motivation, workplace skills etc)⁵¹.

It is worth noting that NDYP was not a small scale programme – nearly one million young people entered the “Gateway” stage between 1998 and 2005, and up to 50,000 people went on to start options every year at its height. However it maintained some characteristics of a smaller programme. In particular, it was delivered through 144 separate “Units of Delivery” – effectively local partnerships that commissioned their own provision. Interestingly, one evaluation also looked at the relationship between the local unit cost of Options and the likelihood of exiting unemployment⁵². They found that higher unit costs also led to higher outflows, leading them to conclude that “aspects of policy under local control could affect the New Deal’s outcomes”, including “the potential importance of Option quality (on the assumption that unit cost was an indicator of quality).”

Overall, then, the FTET option of NDYP offers some useful pointers for the design of future training provision – around effective targeting, employment-focused design, and possibly commissioning approach. It is also worth noting that NDYP was a mandatory programme – with benefit receipt conditional on participation. There is a range of literature that demonstrates that conditional programmes can have positive impacts⁵³.

⁴⁹ Di Giorgi, G. (2005) “Long-term effects of a mandatory, multi-stage programme: The New Deal for Young People in the UK”, *Institute for Fiscal Studies WP05/08*

⁵⁰ Beale, I., Bloss, C. and Thomas, A. (2008) “The longer-term impact of the New Deal for Young People”, *Department for Work and Pensions Working Paper No 23*

⁵¹ Bonjour, D., Dorsett, R., Knight, G., Lissenburgh, S., Mukherjee, A., Payne, J., Range, M., Urwin, P. and White, M. (2001) *New Deal for Young People: National Survey of Participants: Stage 2*, Employment Service Report 67

⁵² White, M. and Riley, R. (2002) *Findings from the Macro evaluation of the New Deal for Young People*, Department for Work and Pensions Research Report No 168

⁵³ See for example Betcherman et al (2004)

Do labour market conditions matter?

As well as assessing the evidence on how interventions are targeted and designed, it is important to consider whether other factors – and in particular labour market conditions – can influence the success of training programmes.

A conventional view – articulated by Scarpetta et al (2010), is that so-called “train first” approaches (across all ages) could be more appropriate in downturns⁵⁴. The rationale for this view is self evident: in a tougher labour market, the opportunity cost of training (and therefore, probably, the “lock in” risk) is lower.

However on the other hand, Calmfors et al (2002) argue in their study of Swedish active labour market policies during the Swedish downturn in the 1990s, “training programmes should be kept rather small in a deep recession” – on the basis that during recessions it is far harder to design interventions that will meet the future needs of the labour market.

In his meta-analysis of 2006, Kluve sought to test how far wider factors including the business cycle affected the performance of active labour market programmes. Drawing on evidence from programmes from the 1970s through to the 2000s, he assessed the probability of a programme having a positive or no/ negative impact taking account of local unemployment rates, GDP and programme expenditure as a proportion of GDP. His conclusion was that the evidence was “surprisingly clear-cut”. Contextual factors like the business cycle made no observable difference to programme effectiveness – and that it was “almost exclusively program type that matters for program effectiveness.”

Nonetheless, it is reasonable to conclude, as Brown and Koettl (2012) do, that training programmes targeting long-term unemployed people “might be very cost-effective in supporting recoveries” – as they demonstrate the employability of long-term unemployed people and can help to meet future employment needs.

Do long-term positive impacts outweigh short-term costs?

Lastly, as noted, it has long been considered that part of the reason for training programmes appearing to be relatively less effective than programmes concentrating on jobsearch has been the timeframe over which impacts were measured. In many studies, impacts are only measured over a year or sometimes two. However there is now a growing body of evidence from studies drawing on longer runs of data.

Card et al (2009) reviewed ninety-seven studies covering 199 programme estimates (that is, estimates for a specific programme and participant group – including programmes open to participants over 25 years old). Nearly half of these studies had been published since 2006. In total half of their sample had medium term estimates (around two years post completion) and one quarter had longer-term estimates (which they define as three years).

⁵⁴ Scarpetta, S., Sonnet, A. and Manfredi, T. (2010) “Rising Youth Unemployment During The Crisis: How to Prevent Negative Long-term Consequences on a Generation?”, *OECD Social, Employment and Migration Working Papers*, No. 106, OECD Publishing

From a meta-analysis of these studies, they conclude that impacts do increase over time – with small and often negative impacts turning positive by the third year.

Similar results are found by Heinrich et al (2009) in a review of shorter-term (typically less than three month) training programmes (not targeted at young people specifically) delivered under the Workforce Investment Act in the United States⁵⁵. They find lower earnings for participants for up to a year after participation, but that these losses are recouped within three years.

The analysis of New Deal for Young People data by Beale et al (2008) also finds longer-term positive impacts offset shorter-term negatives. Specifically, “Those taking the [Full Time Education and Training Option] spent less time in employment during year one than those taking [the Voluntary Sector or Environmental Task Force options], but they subsequently spent longer in employment.”

While these apparent long-term benefits are clearly important findings, it of course does not follow that training programmes deliver permanent increases in employment and/ or earnings. Here the evidence is decidedly more mixed. In the same study on New Deal for Young People, Beale et al (2008) identify that the positive benefits of NDYP decline significantly between years two and four. Meanwhile as noted, the research on Job Corps by Schochet et al (2006) appears to show that positive impacts on earnings disappear after six years.

Recent research commissioned by the Department for Business, Innovation and Skills opens up the possibilities for measuring impacts of learning achievements over time, by using matched data from learning records and the benefits system⁵⁶. In this research, Patrignani and Conlon find increases in earnings and reductions in benefit dependency for individuals completing qualifications at all Levels compared to a “counterfactual” group, with those impacts sustaining for the seven year time period used in the study.

Cost benefit analysis

This paper has not explored, in any depth, the question of how far programme benefits of training are likely to offset programme costs over the medium term. The reason for this is unfortunately the availability of data. As Card et al (2009) point out, “very few studies provide information on program costs” – so while it is possible to draw some conclusions on the net impacts of programmes (that is, whether participants are more or less likely to enter work or to increase earnings) there is far less evidence to support general conclusions on whether interventions pay for themselves (although some individual studies – for example Schochet et al (2006) and Jespersen et al (2008) – do conduct cost-benefit analyses, with typically mixed findings).

⁵⁵ Heinrich, C., Mueser, P., Troske, K., Jeon, K-S. and Kahvecioglu, D. (2009) “New Estimates of Public Employment and Training Program Net Impacts: A Nonexperimental Evaluation of the Workforce Investment Act Program” *IZA Discussion Paper* No 4569

⁵⁶ Patrignani, P. and Conlon, G. (2011) *The Long Term Effect of Vocational Qualifications on Labour Market Outcomes*; Department for Business, Innovation and Skills Research Paper 47

Notwithstanding this, Card et al (2009) do draw a broad conclusion based on the available evidence on programme costs and their own assumptions. They conclude that for programmes lasting 4-6 months “our impression is that an impact on the order of a 5-10% permanent increase in labour market earnings (or a somewhat larger short-term impact) would be large enough to justify many of the programs on a cost-benefit basis.”

Ideally, future studies would seek to quantify the net financial benefits, and value for money, of youth training programmes. Cost-benefit analysis attempts to set out the net benefit – i.e. over and above what would have happened anyway. This creates difficulties as benefits may not be easily **observed**, and furthermore where they can be observed it can be challenging to **attribute** those to specific interventions.

Cost-benefit analyses may be undertaken from two different angles:

- **Economy:** The benefits to the economy as a whole would include the earnings benefits achieved by learners over their lifetime – stemming from improved employment prospects and increased wages in employment (reflecting their higher productivity). Any benefits to employers should also be considered, as well as those to society as a whole e.g. through reduced crime and improved health. The costs to the economy would consist of the direct costs of providing the intervention or service, as well as any indirect costs associated with this e.g. the individual’s productive contribution which is foregone while learning takes place.
- **Exchequer:** The benefits to the Exchequer include reductions in benefit spending due to learners’ increased employment prospects, and increases in tax and National Insurance Contributions (on learners’ higher earnings). They would also include other Exchequer benefits related to reduced NHS and Criminal Justice costs. Costs of the intervention would include “lock-in costs” from benefits payments and foregone tax receipts while the training takes place.

This analysis should also take account of:

- **Deadweight:** Impacts that would have occurred without the programme intervention
- **Substitution:** Where an employer recruits an individual who has completed the programme in preference to recruiting someone else, with no direct increase in employment;
- **Displacement:** Similar to substitution, but describes where recruitment leads to an equivalent loss of employment elsewhere in the economy.

This analysis would allow us to assess the net economic benefits to both the economy and the Exchequer, thus demonstrating the value for money of particular interventions.

A related issue when looking at the impact on the local economy is **Leakage**. This is where spending (either direct by the programme or indirect by participants from their increased disposable income) produces its multiplier effect outside the local area. If all spending were through locally owned shops or businesses, and the supply chains were also local, then the full multiplier effect would be retained locally. As this is unlikely to be

the case, cost benefit analyses for local areas would need to also take account of this effects.

4. Conclusion and Recommendations

As noted, the fact that in general training programmes for the unemployed show mixed results should not be taken to mean that training for those out of work can never work. In particular, the weight of evidence suggests that how programmes are targeted and designed, and how their impacts are measured, are the key determinants of whether a training intervention (and indeed any active labour market policy) is successful.

However the evidence is not clear-cut on what combinations of targeting and programme design will work for whom, and when. There are arguably two key reasons for this.

First, there is a huge diversity in what is meant by training. As De Koning (2005) puts it, “There is variation in level, field, duration, training method (for example class-room training versus e-learning) and the type of training provider (a public school or a private training agency).” All of these, and more, are likely to influence the effectiveness of training provision.

Secondly, there is similarly diversity in the characteristics of those out of work – even when provision is targeted at a particular segment (like low-skilled young people). As Hasluck and Green (2007) state, “Customers are diverse in terms of personal characteristics, household circumstances, their neighbourhood context, the barriers to employment they face and their attitudes and motivation.”

The data does not exist now, and will most likely not exist in the future, to enable unqualified conclusions to be drawn on what works. However there are a number of factors that appear to be particularly important in delivering successful provision. So with those caveats, we would make the following recommendations for the design of future training provision young people with low and no qualifications.

First, provision should be tightly targeted. The evidence is clear that tight targeting can increase programme success, particularly as it reduces “lock in” risks. It is also likely that inadequate targeting is a key reason why youth programmes in general often deliver poor results. We would recommend targeting interventions in three ways:

- By qualification level – specifically, targeting at those with qualifications below Level 2 (as was the case with Full Time Education and Training in the New Deal for Young People)
- By time spent out of work or learning – it is reasonable, with limited resources, to ring-fence support for those who have been out of work the longest. However we would caution against setting arbitrary qualifying periods for accessing provision. As a rule of thumb, we would suggest targeting access at those who have been outside learning and work for at least three to six months.

- Potentially, by age – the findings from Job Corps show that people in their twenties benefited most from remedial education and training, while teenagers benefited least.

Secondly, provision must have a strong focus on supporting transitions to employment. Specifically, this means that:

- Training should as far as possible be workplace, rather than classroom, based
- Provision should reflect local labour market needs. For example, there may be a role for Local Enterprise Partnerships, Employment and Skills Boards (where they exist) and even local Chambers of Commerce in specifying local labour market needs that could be met through entry-level training for this group
- Employers should as far as possible play a role in the design and delivery of provision. In particular, all provision should include a strong work experience element – to help tackle the “signal” that low-skilled young people who have been out of work for some time are not employable
- Support to make the transition into work should be built in (and aligned to other available support). This should include ongoing support with looking for work while on the programme – and ensuring that where individuals find work, they are able to complete their training where they wish to do so – as well as structured support towards the end of the programme to make the transition into work.
- It should also include support with building key employability skills (communications, literacy and numeracy, time management etc)
- In particular, the Department should consider how training for this group could be used as a stepping stone to an apprenticeship – there are a number of examples of successful programmes, particularly in Europe, that link training for low-qualified young people with support to move into apprenticeships and jobs with training
- The Department should also consider greater use of “payment by results” to ensure that providers are rewarded, and incentivised, for achieving key outputs and outcomes – achieving an agreed qualification, entering employment, and staying and/ or progressing in work.

Thirdly, provision should as far as possible be small in scale. As with NDYP, this does not necessarily mean that the training offer should not be widely available to low-qualified young people. However it does mean that:

- It should be designed and commissioned locally – this would also be in line with current freedoms and flexibilities for colleges and training providers
- Time spent on provision should be limited in order to reduce the risks of “lock in” and to ensure that skills remain relevant to local need – we would recommend that this should not normally exceed six months

Fourthly, where appropriate provision should address wider barriers to employment. As Hasluck and Green (2007) put it, “Customers often face several inter-related factors that make it difficult for them to take up employment. For most customer groups the evidence points to the need for a holistic approach rather than a one-dimensional approach to provision.” The OECD (2010) suggests that this sort of approach may be particularly important for supporting disadvantaged young people who are outside learning and work.

Linked to this, training for this group must be joined up with other available support. The nature of support available to young people not in education, employment or training varies by local areas – but includes access to⁵⁷:

- Work experience, volunteering opportunities, “work clubs” and adviser support through Jobcentre Plus (for those claiming Jobseeker’s Allowance);
- Employer subsidies for longer-term unemployed people on the Work Programme;
- Apprenticeships, often co-ordinated through Local Authority, College and/ or employer-led partnerships;
- More specialist support available through Local Authorities, health services, probation services and others for those with multiple and complex barriers (which could include care leavers, ex-offenders, lone parents, those with health conditions or disabilities, those with housing needs); and
- A range of support from voluntary sector organisations.

Colleges and training providers could not be expected to ensure that the right support is always available at the right time for the right people, but they have a key role to play in ensuring that for those on the programme, they are also being signposted to (and encouraged to engage in) wider specialist support.

We would therefore recommend that a key part of the training provision should include an assessment of wider needs early on, and a process for ensuring with local partners that these needs can be met. For those with multiple needs, this should include ensuring that there is always an assigned case manager to co-ordinate additional support.

We would also recommend that as far as possible the rollout of any provision is timed for the recovery. It is not clear that programmes perform any better or any worse during downturns, but the arguments are compelling for up-skilling and preparing disadvantaged young people as the labour market improves. Such provision is more likely to meet economic and employer needs, and to ensure that those who have been most impacted by the downturn are not left behind in the recovery. If there is appetite to test approaches, we would recommend doing so in the coming year.

⁵⁷ For a full list of Government funding streams supporting young people, see Gardiner, L. and Wilson, T. (2012) *Hidden Talents: Analysis of Fragmentation of Services to Young People*, Centre for Economic and Social Inclusion

Lastly, we would recommend that any approach is designed in such a way as to allow full evaluation of impacts. In line with the recent “Test, Learn, Adapt” report⁵⁸ there could be real value in designing a randomised control trial to test approaches. This “gold standard” approach has been used before in domestic welfare-to-work and skills research⁵⁹ but can be complex and costly to do fully⁶⁰.

Alternatively, the programme should be developed in a way that allows for a robust comparison group to be identified, and for impacts to be measured over time. This could be done, for example, through testing only in certain parts of the country and ensuring that data can be collected for both “treatment” and “control” groups (for example by limiting access to young people on benefits). There are a number of recent, peer-reviewed analyses that have measured impacts of welfare-to-work provision in this way⁶¹.

Critically, this also means ensuring that impacts are measured over the medium to long-term. We would expect a high degree of “lock in” during programme participation, but equally it would be reasonable to expect these effects to be reduced and eventually offset over the medium and longer term. It is therefore important to ensure that data continues to be collected, and impacts assessed, for a number of years after completion.

⁵⁸ Haynes, L., Service, O., Goldacre, B. And Torgerson, D. (2012) *Test, Learn, Adapt: Developing Public Policy with Randomised Controlled Trials*, Cabinet Office

⁵⁹ Most notably in the Employment Retention and Advancement Demonstration projects

⁶⁰ And Card et al (2009) conclude that there appears to be no difference between the quality of findings from randomised control trials and from assessments that use rigorous non-experimental techniques.

⁶¹ See for example Ainsworth, P., Hillmore, A., Marlow, S. and Prince, S. (2012) *Early Impacts of Work Experience*, Department for Work and Pensions

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Annex – BIS Expert Seminar: Youth unemployment and training

6 August 2012

Attendees

Professor Sue Maguire (Warwick University), Tony Wilson (CESI), Paul Johnson (IFS), Professor John Bynner (retired), Jonathan Portes (NIESR), Chris Hasluck (Hasluck Employment Research), Becci Newton (IES), David Sims (NFER), Tami McCrone (NFER), Ronan McDonald (Tomorrow's People)

BIS: Frank Bowley, Bob Butcher, Kathy Murphy, Phill Lacey, Stacy Sharman, Berenice Napier, Leila Seals, Heather Dines

HMT: Will Bryce, Andrew Ward

DWP: Kathy Prior, Amy Lee

Chair: Bob Butcher

Apologies: Paul Gregg, Mike Keoghan

Summary

In terms of the optimum intervention, there was a high level of consensus among seminar participants around an approach that was essentially set out by Jonathan Portes and Tony Wilson.

This was that there should be a mix of activity that address the young person's strengths and demonstrable capability, and that also increase the likelihood of continued learning and progression. The intervention should include elements such as

- Increased level of skills and knowledge acquired and demonstrated, general as well as occupation specific
- Employability skills, including preparation for recruitment, commercial awareness
- Increased ability to learn and develop, self-awareness
- Continued encouragement to seek and obtain work as soon as possible (though less pressure to do so than normally exerted by JC+)
- Encouragement to aim for improved wage level building on the learning

- Flexible learning provision in the intervention that can continue for the learner if they are successful in moving into a job
- Post-employment support to increase the chance of sustainable employment and progression (wages and learning)

Evaluation showed that the approach taken in the initial implementation of New Deal for Young People was effective (the full time education and training option), and that this should be copied, bearing in mind that it was adapted and became less effective in later years.

Employer involvement in the design of the intervention is desirable, and the 'traineeships' being developed are intended to have a strong degree of employer direction.

The rest of this note briefly records the key points in the seminar discussion.

Structure of the seminar

Bob Butcher introduced the purpose of the seminar. Stacy Sharman talked through the slides that had been circulated which summarise the key international and national evidence on training interventions for young unemployed people. NFER speakers (David Sims and Tami McCrone) summarised some recent qualitative research they had undertaken on the currently available training provision from the FE system for young unemployed people.

The main body of the seminar was a discussion, challenge and agreement on the main approaches and key elements of training interventions, and the importance of evaluation.

Overall evidence base on what works for young unemployed

The intervention needs to enhance human capital so the question should not simply be about improving skills

- There is a need to define what we mean by training to better understand the impact it has. Training can include vocational qualifications, unaccredited training, employability skills, CV writing and interview techniques and it is important to be clear about which aspects are associated with positive impacts.
- The question was posed as to whether all training is good, as some lower entry level qualifications appear to have lower rates of return.
- Enhancing human capital is essential to labour market success, and lower qualifications are not always associated with enhancing human capital.
- Human capital is needed but also the confidence and the ambition to realise this enhanced human capital. However there needs to be an employer signal to overcome the possible stigma of being long-term unemployed which training/qualifications could provide.

- There's an issue of sustainability – while you may see an immediate job outcome, this might “fizzle out” over time. Training can be seen as part of the framework that delivers improvements to human capital.
- Six months of training alone for this group is unlikely to a good use of resources, but 6 months of activity which also included IAG, motivational focused activities would be worthwhile.

Effective interventions are often intensive and include a variety of approaches

- Often a high level of support needed particularly for those a long way from the labour market.
- A mixed approach is often best. There is a risk of “lock in” with substantive periods of training without other aspects that address wider human capital which might delay or worsen the chances of achieving positive outcomes.
- An effective approach should also address wider employability skills and focus on getting people motivated, and “out of a rut”. Employability skills plus effective IAG (to motivate) and training to develop human capital can work well.
- Careers guidance was felt to be a key intervention.

Provision needs to be flexible so it can respond to an individual's needs

- The length of training intervention depends very much on the needs of the individual. Longer courses may be appropriate for those with no previous labour market history, and it may be preferable to devolve the decision-making to local agencies that are able to spend some time with the individual and assess the training needs appropriately.
- Providers need to be flexible to engage this group – there is the perception that colleges remain focused on September starts although this is changing. Independent providers were thought to be more flexible.
- There was a perception that JCP was not flexible enough to deliver a tailored service. This was felt to be changing with more flexibility over interview times, a greater focus on using the first interview to advise more broadly, and trying to match the client to a single adviser contact who has the right skills.
- Provision could also be more seamless – Germany for example used libraries to deliver IAG rather than have separate institutions and locations.

It is difficult to spot those at risk of becoming long-term unemployed early on

- There was felt to be little evidence of what really works in this area. One suggestion was to use administrative data to target individuals based on their employment history. Although some segmentation tools are available and in use (for example in the Work Programme), they are not being used consistently.

- There is some evidence that predictors of later NEET status are evident during school years, as early as year 8 or 9.

There's a lack of quantitative evidence, and particularly Randomised Control Trial evaluation evidence

- There is a need for more robust evaluation. The question was asked about the availability of recent UK RCT evidence.
- There was a perception that the New Deal for Young People had produced evaluation evidence about what works but since that programme very little hard evaluation evidence had been produced. The focus of DWP and BIS seems to have been towards shorter training interventions but there has been little evaluation this provision.
- Attribution of impact becomes difficult when several agencies are operating in the same space (e.g. DWP, National Lottery etc).

Wider issues: 16-18 year olds

Legislation needs to support the principle of help for young people 16-18

- The legal framework needed to be supportive and should prevent young people being disengaged from employment, education or training. In other countries the local authority has final responsibility for an individual that ensures young people do not fall out of the system once their involvement in national employment schemes had come to an end.
- Keeping contact with this age group was difficult and it was easy for them to drop off the radar in terms of help and become part of a cohort who has never worked at the age of 20.
- Part of this issue is the loss of help for those aged 16-17. Evaluation of Activity Agreements showed that there was effective ways of ensuring engagement with those NEET and in danger of becoming long term unemployed, but it was expensive and had high levels of deadweight. It was effective overall as it was tailored and intensive. Other similar programmes failed because they were based on a jobcentre plus delivery model that was not tailored or intensive.

Those in work, particularly those 16-18 need help to prevent problems later on

- Those in work should also not be forgotten – often in the 16-18 age groups their employment is low skilled and without training. Experience with Connexions showed that working with those in employment was difficult with few of the advisers having enough knowledge of how to engage with employers or adequate data. Often young people found their own work so went outside of any of the agencies. Consequently, this group could be a problem post 18.

- Some analysis suggested that transitions post 16 had got tougher. There was no agency for the 16-18s to place in them into work, and the lack of benefits for this group made tracking them more difficult. Under 18s were linked to a very local labour market which made their options much more limited.
- The 16-18 tended to fall between policies of DfE, DWP and BIS and the changing economy suggests that the available jobs are going to those with higher qualifications where previously employers would have recruited those with intermediate qualifications.
- Key issue was to seek employer involvement, although this was difficult to do, it would help to link the training and advice to the labour market. The risk is that colleges design aspects of the training that do not link to the local labour market. The question is how do you incentivise employers to take the young unemployed when they have a wealth of people to choose from?
- Also worth considering in-work support such as careers guidance to help those who may be in low skilled and low training jobs to help them plan to develop a career.

Phill Lacey, Department for Business, Innovation and Skills

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