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EXECUTIVE SUMMARY

Research Objectives

1. Cambridge Policy Consultants (CPC) were commissioned by the Scottish Employability Forum (SEF) to:
   - review the allocation of resources for employability provision across Scotland; and
   - measure the performance of employability services and the return on employability investment, and develop an evidence base on ‘what works’ in terms of employability.

2. The specific objectives of the review of resource allocation were:
   - to develop an evidence base to provide robust information on where resources are currently coming from/directed to, in order to determine the extent to which these are linked to current need, and to confirm whether the balance of allocation is appropriate;
   - to identify how the allocation of employability resources has changed since the onset of the recession in 2008. Analysis of past trends and analysis of known future pressures, such as welfare reforms, income insecurity and the changing relationship between employment and (household) income, will be helpful in shaping thinking around future resource allocation; and
   - where possible, to assess the return on investment and priority groups, measured in terms of outcomes per £1 invested.

3. The specific objectives of the performance measurement work were to:
   - review existing employability performance measures associated with different funders, in order to identify potential common objectives which would benefit from common measures of performance and outcomes;
   - collate information on existing employability performance measurement and management systems at the UK, Scottish wide and local levels;
   - identify and outline any barriers to sharing of performance information around the SEF membership organisations; what evidence sources are readily available and which sources would require further approvals/permissions to share; and
   - review existing evaluation evidence to ascertain what works for whom, in terms of key client group progression.

Research Method

4. An initial review was undertaken of labour market data and employability policy in order to fully understand how the scale and depth of employability issues has changed since the recession.

5. In order to review resource allocation we identified the relevant budgets devoted to employability activity from all sources in Scotland and then sought to understand how these budgets had been applied to different types of
activity (as defined by the Employability Pipeline\(^1\)) and across the different priority groups\(^2\).

6. As far as possible, employability-related budgets were identified through online research and discussions with funding partners. Partners consulted included the Scottish Government; Local Authorities/Local Employability Partnerships (LEPs); Department for Work and Pensions (DWP); Skills Development Scotland (SDS); Scottish Funding Council (SFC); European Funding partners and the Big Lottery. We asked all partners to provide an allocation of their own employability resources that best fit the different stages of the Employability Pipeline and directly contribute to employability. As a consequence of this focus on funders, there is no discussion in the report of the important role played by private, public and third sector providers of employability services.

7. In order to understand the full cost of employability activity we asked partners to provide data on expenditure on two bases:
   - Expenditure on employability activity from the organisation’s own budget (in order to minimise the potential for double counting).
   - Total expenditure on employability activity including European match funding or other agency expenditure (e.g. SFC or SDS budgets).

8. Where possible we asked for data for the years 2010-11 to 2013-14 and budgets for 2014-15. One objective of the research was to consider the dynamics in expenditure since the start of the recession in 2007-08. However, early discussions with partners highlighted a range of issues with providing data over this period the time and resources required and problems in changes in data capture systems. Even, within this reduced request, we have had to address gaps in the evidence base, extrapolating from information provided to fill gaps. The most reliable evidence relates to 2011-12, 2012-13 and 2013-14.

9. More than half of respondents were unable to provide budget projections as there was some uncertainty around future key funding streams during the data collation exercise\(^3\), so the analysis does not contain any forward look.

10. Following the review of resource allocation we undertook a review of existing evaluation evidence to ascertain what works for whom with regard to key client groups and for each stage of the employability pipeline. This included a review of existing employability performance measures and their effectiveness.

**Total resources allocated to employability**

11. Our estimates are dependent on a large number of assumptions, all necessary to secure an overall estimate of expenditure on employability support but some of which severely limit our ability to analyse and interpret the results:

---

1 The Scottish Employability Forum (SEF) has adopted a definition of employability – the Employability Pipeline which encompasses five stages: engagement, assessment and referral; needs assessment and barrier removal; vocational activity; employer engagement and job matching and in work support and aftercare.

2 Priority Groups are defined by age: young people aged 16-19; young people aged 20-24; and people aged 25 or over.

3 Fieldwork was undertaken with partners in February/March 2014.
• The total figure is likely to be an underestimate. Some elements of expenditure are not included because we could not secure information on the level of spend.

• In some areas we had to use starts by age group to allocate expenditure. This implicitly assumes that all priority groups cost the same which may be realistic in some circumstances but is clearly not in the main.

12. We estimate that total investment in employability support in Scotland was £660 million in 2013-14 (on the broad definition of employability). This has increased by 6% since 2011-12. Over the same period, International Labour Office (ILO) unemployment for 16-19s and 20-24s has fallen by 10% but increased by 1% for the over 25s.

13. Using the narrow definition of employability support total expenditure in 2013-14 was £533 million and excludes expenditure on Modern Apprentices who were working for their employer for more than 6 months prior to starting their MA, and SFC expenditure on vocational learning for those in work at the start of their course.

14. The pattern of investment by priority group varies:

• The majority of expenditure is invested in the 16-19 age group – just under half the total on the broad definition and just over half on the narrow definition. Over the period investment in this group has grown relatively modestly (4% on the broad definition and 1% on the narrow).

• The pattern of investment in the 20-24 and over 25 groups is similar around a quarter of total expenditure, and more significant growth (15% and 17% for 20-24s and 12% and 19% for 25+ on the broad definition and on the narrow definition, respectively), albeit from a low base.

• The primacy of the 16-19s is not in dispute, however. If the relative rates of growth were maintained, it would take five more years for investment in 20-24s and the over 25s to be larger than that of 16-19s.

15. Investment by each stage of the employability pipeline is as follows:

• The majority of expenditure is on stage 3 (Vocational Activity) of the Employability Pipeline – 45% on the broad definition and 55% on the narrow. Expenditure on stage 3 has increased for all age groups but the increase for 20-24s (13%) is double the overall rate and four times that of the 16-19s (but from a much lower base).

• Stage 5 (In-work/Aftercare) represents a third of the broad definition but only half of this (17%) in the narrow definition. Adopting the narrow definition has a differential impact on the priority groups: reducing the investment in stage 5 by just under two-thirds for the 20-24 and 25+

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4 All changes are in quoted in nominal terms.
5 The ILO definition of unemployment is the internationally agreed definition of unemployment used by Office for National Statistics, OECD and the Statistical Office of the European Union. Under this definition anyone who is without work, available for work and seeking work is unemployed.
6 Excluding stage 5 support for Modern Apprentices who were already working for their employer for more than 6 months and FE vocational learners who are already in work.
7 Following discussions with the NDG, it was decided to use two definitions of employability support: a ‘broad’ definition, including all Modern Apprenticeship and college vocational learning delivery; and a ‘narrow’ definition that excluded those aspects of this funding that are closer to workforce development support – those MAs undertaken by people who have been working for their employer for a considerable period of time (more than six months) and college vocational learning undertaken by people in work.
8 This data is based on the £533m of the £547m employability expenditure included in the narrow definition which could be allocated by age.
groups but only 25% for the 16-19 group as fewer in this age group are in work when training.

- Stage 1 (Referral and Engagement) represents the smallest investment (3% of total spend broad definition and 4% on the narrow) but we suspect that this is an underestimate as the type of activity is challenging to disentangle from other support. Investment in stage 1 has increased by almost 50%.

- Investment in stage 2 (Needs Assessment) has increased for 20-24s and particularly so for over 25s but fallen for 16-19s. This may be because youth services have reportedly increased IAG support often with budgets not captured by the mapping exercise allowing employability services to target resources on other groups.

16. The unit cost of assistance for 16-19s is higher than 20-24s, and almost double that of the over 25s. There is some evidence that the cost per assistance has fallen for both 16-19s and 20-24 groups but increased for over 25s over the period, but the evidence base is very limited and these results should be treated as indicative.

17. The unit costs for stages 1-3 have fallen, while stage 4 has remained stable. As investment in stage 4 has increased significantly (44%), this would suggest the increase has kept pace with (increased) demand (particularly from 16-19s and 20-24s).

18. With regard to how closely this investment matches need, on the basis of unemployment in 2013:

- 16-19 year olds received half the total investment in Scotland but represented just under a fifth of the unemployed population. The unemployment rate for this age group was 27.7%.

- Those in the 20-24 age group represented a fifth of the unemployed population and received a quarter of the employability resource. The unemployment rate for this age group was 16.0%.

- The 25 and over age group represented three-fifths of the unemployed population and received a quarter of the employability investment. The unemployment rate for this age group was 5.3%.

- This focus on young people is in keeping with the Scottish Government’s policy objectives to address youth unemployment.

**Improving employability measurement systems**

19. It has proved a significant challenge to collate information on an equivalent basis from partners, even on the simplest measure of priority groups.

20. No system can yet capture investment in the individual across the stages of the employability pipeline, with the possible exception of those of the Work Programme prime contractors who cannot share the results due to DWP regulations on data sharing.

21. The research has identified some key questions that employability policy has to address to provide the evidence necessary to make robust investment decisions:

- What is the objective of employability pipeline (e.g. employment outcome, increase in income, or other performance measure) and over what timeframe should this be measured? How durable should we expect outcomes to be? Job quality, income and progression are increasingly
issues of policy concern but there are as yet few metrics in employability performance that address this dimension.

- Confronting the balance of investment in employability activity with nature and scale of need is not straightforward, with evidence gaps on both dimensions. As with performance measures, a focus on indicators of scale often obscures the depth (quality) of need. Emerging evidence suggests that even with an improving economy, some groups of young people will carry an unfortunate legacy from this recession. Whatever the headline figures the scale of need is deeper and will require on-going support to avoid the ‘scarring’ of young people and require the recovery of a much greater number of over 25s in future.

- What do we need to establish to better understand the role of pre-employment activity in supporting near labour market activity that ultimately secure outcomes? What are the routeways for different clients?

- How would this capture the role of support that is not currently included within employability activity – for example, basic skills and Curriculum for Excellence activity?

- How can we determine what is an appropriate level of investment to address clients’ needs?

- What can be done to secure more relevant evidence from research and evaluations to support these investment decisions?

22. There is a clear need to drive shared learning on current practice by establishing a performance management system for employability services in Scotland, this would need to:

- be as comprehensive as possible to ensure all partners’ information will be available equally; and to allow economies of scale in setting up such a system that will allow smaller partnerships to benefit;

- establish actual investment in an individual client, fully capture each stage of the employability pathway that supports the client and includes information on their job (and other outcomes) in terms of quality (income) and durability;

- consider the timescale over which outcomes are measured. Evidence is limited but suggests that the short (immediate post-programme) and long-term (three to five years) impacts of different interventions can differ – what looks like good performance post-programme may fade and the benefits from other investment may take longer to manifest. Although this is a longer term consequence it needs be brought into the debate now. Where would partners prefer to invest in order to maximise outcomes and over what period?

- provide clarity over what information is captured. A key question is the extent of employability investment which is not currently captured by Management Information Systems (MIS) as it falls outwith the need to report to funders. Partners should discuss where to draw the line and be consistent.

- provide clarity of data sharing. Constraints on what data can and cannot be shared are often shrouded in a general reluctance to share information in the first place. SEF should consider the legislative boundaries on sharing data rather than merely departmental preferences or otherwise. This will help clear up any on-going concerns and place the emphasis on sharing. SDS is currently
working with partners on a 16+ Learning Choices Data Hub aimed at supporting young people aged 16-24.

23. National What Works centres are beginning to explore some of these issues in more detail and SEF and partners should endeavour to stay abreast of their research outputs.

24. Underpinning a shared performance management process should be shared research:

- Pooling resources and accessing economies of scale is necessary as the scale of activity undertaken by many partners is simply not large enough to provide robust research results.

- Net additional assessment of interventions is essential. Quantitative research seeking to establish short and long-term impacts will be fundamental to making a case to invest in (early intervention) support that saves subsequent costs.

- There is a gap in knowledge regarding the net additional benefits of wage subsidies and employer recruitment incentives and in particular the potential for deadweight as the economy improves.

- The benefits arising from longer-term training support are clearly evidenced for programmes such as Modern Apprenticeships but the extent to which such support is open to those with longer durations of unemployment is unclear.
1. INTRODUCTION

1.1. Background and Research Objectives

1.1.1. The objective of this research is to explore what employability support is funded in Scotland, by whom and who benefits from it. It aims to be as comprehensive as possible, including the full range of sources of investment while taking care to use the best available evidence to secure an accurate picture of the scale and nature of investment in employability actions in Scotland. The specific aims of this research project are:

- To review the allocation of resources across priority groups.
- To develop an evidence base to provide robust information on where resources are currently being invested in order to determine the extent to which these are linked to current need, and to confirm whether the balance of allocation is appropriate.
- To identify how the allocation of employability resources has changed since the onset of the recession in 2008, explore past trends and analysis of known future pressures to help shape thinking around future resource allocation.
- Where possible to assess the return on investment and priority groups, measured in terms of costs per outcome.
- To measure the performance of employability investment by developing an evidence base on “what works” in terms of employability
- To review existing employability performance measures associated with different funders, in order to identify potential common measures of performance and outcomes and make recommendations on what needs to be included in a high quality performance measurement system.
- To identify any barriers to sharing of performance information around SEF membership organisations and which sources would require further approvals or permissions to share.
- To review existing evaluation evidence to ascertain what works for whom in terms of key client group progression.

1.2. Mapping Employability expenditure

1.2.1. There are multiple sources of funding for the delivery of employability activity across Scotland and these in turn can be deployed in various combinations, funding a range of different types of activity and targeted on various priority client groups. In the face of this complex system, our method has been simple – establish the relevant budgets devoted to employability activity from all sources in Scotland and then understand how these budgets have been applied to different types of activity (as defined by the Employability Pipeline) and different priority groups (at least initially by the primary age groups – 16-19, 20-24 and 25 and over).
This approach has two advantages:

- it is possible to track resources from budget allocations to actual expenditure from funding sources through strategic bodies to the delivery mechanisms – this helped cross-check the budget outputs from one tier were in line with expenditure inputs at the next; and
- it helps minimise the potential for double counting of funding when different funding streams are combined in delivery.

A consequence of this approach is that there will be no discussion of providers in the analysis. However, it has to be noted that Scotland has a rich employability provider network, which includes the private and public sectors, with a major contribution made by third sector providers. As part of the study we liaised with the Training and Employment Research Unit (TERU) team that carried out a review of the Contribution of the Third Sector to Employability in Scotland, completed in June 2014.

**Defining Employability activity**

Clearly the precise definition of employability would have a major impact on the research. In one sense, support that improves an individual’s ability to secure and hold on to employment covers a very wide range of activity with plenty of ‘grey’ areas. We were fortunate that the Scottish Employability Forum (SEF) has already adopted a definition of employability – the
Employability Pipeline\textsuperscript{9}. The Pipeline does not seek to present an inventory of activities or initiatives that are employability but rather outlines five stages of the pipeline process. This allows partners to consider for themselves where specific actions fit within the typology and how different aspects of their support might be disaggregated across the five stages as appropriate. The Employability Pipeline is illustrated below and examples of activities under each stage are provided.

**Figure 1.2: Scottish Employability Pipeline**

<table>
<thead>
<tr>
<th>Pipeline</th>
<th>Stage 1</th>
<th>Stage 2</th>
<th>Stage 3</th>
<th>Stage 4</th>
<th>Stage 5</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Referral, Engagement activity</td>
<td>Needs Assessment</td>
<td>Vocational activity</td>
<td>Employer Engagement &amp; Job Matching</td>
<td>In-work/Aftercare</td>
</tr>
<tr>
<td></td>
<td>Introducing the idea of employment, changing attitudes and addressing perceptions</td>
<td>Providing information, encouragement and help to overcome barriers</td>
<td>Employment preparation including confidence building and core skills</td>
<td>Supporting people into employment</td>
<td>Job retention and progression, employer satisfaction and workforce productivity</td>
</tr>
<tr>
<td>Client Status</td>
<td>Not Job Ready</td>
<td>Not Job Ready</td>
<td>Job Ready</td>
<td>Job Ready</td>
<td>In Work</td>
</tr>
<tr>
<td>Examples of Eligible Activities</td>
<td>Outreach activities</td>
<td>Confidence Building activities</td>
<td>Employmentability Skills</td>
<td>Careers Information Advice and Guidance</td>
<td>Supported Employment</td>
</tr>
<tr>
<td></td>
<td>Self-referral</td>
<td>Vocational Rehabilitation</td>
<td>Development Vocational Training</td>
<td>Support</td>
<td>Occupational Health and Wellbeing Support</td>
</tr>
<tr>
<td></td>
<td>Identification and assessment of needs</td>
<td>Careers Information Advice and Guidance</td>
<td>Work Experience Volunteering</td>
<td>Self-Employment and Enterprise Support</td>
<td>Skills Development</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Self-employment and Enterprise Support</td>
</tr>
</tbody>
</table>

1.3.2. The priority groups are defined simply as follows:

- young people aged 16-19
- young people aged 20-24
- people aged 25 or over

1.3.3. We discussed with the National Delivery Group (NDG)\textsuperscript{10} whether these groups should be further sub-divided to consider other criteria relevant to employability – employment status, skills (qualification) level, previous experience of unemployment, young people in the More Choices More Chances (MCMC) group, etc. While these criteria would add substantially to our understanding of who benefits from what type of support, it was felt that

\textsuperscript{9} http://www.employabilityinscotland.com/employability-pipeline/the-employability-pipeline/

\textsuperscript{10} The NDG was established to enable local employability leads from within each CPP area to focus on employability and to network and share practice. The group also includes national bodies such as DWP Jobcentre Plus and Skills Development Scotland. It meets quarterly and is led by stakeholders and facilitated by Scottish Government.
they would also significantly increase the complexity of the data collation exercise – in effect adding an additional dimension to the data request for each criteria. It was agreed that we would utilise any such data that could be provided by partners but that we would not routinely ask for such a level of detail.

1.3.4. This has been particularly important in securing the information we required to meet the research objectives – we asked those providing the data to use their detailed knowledge of the actions to allocate expenditure to the different stages of the Employability Pipeline, disaggregating budget lines for projects and programmes as appropriate.

1.3.5. As far as possible, employability-related budgets were identified through online research and discussions with partners. We were greatly assisted by the NDG in providing information directly or sourcing key contacts in departments and agencies. Actual expenditure figures were sourced through discussions with strategic bodies and delivery partners.

1.3.6. We asked all partners to provide an allocation of their own employability resources that best fit the different stages of the Employability Pipeline. In discussions with NDG stakeholders, it was decided to retain a focus on employability support and explicitly exclude other funds that support participation – for example, childcare or transport cost support, community benefit clauses in public procurement, Education Maintenance Allowance. This was not to downplay the importance of such support in enabling participation, but simply to make the research process more manageable.

1.3.7. It was also decided that support should be predominately directed towards employability pathways – so substance misuse support or money advice services that were generally available were excluded but services that were accessed mostly by clients on an employability pathway were included. It is important to recognise that we did not provide partners with a list of eligible or ineligible activity but requested that they use their own judgement to allocate expenditure in accordance with the Employability Pipeline.

1.3.8. We asked partners to provide data on expenditure on two bases:
- Expenditure on employability activity from the organisation’s own budget (so that we can minimise the potential for double counting)
- Total expenditure on employability activity including (European) match funding or other agency expenditure (e.g. SFC or SDS budgets) so that we can understand the full cost of employability activity.
1.3.9. The latter is used in conjunction with:

- The number of interventions supported by this total employability activity expenditure by client age and stage of the Employability Pipeline. This ties expenditure by employability activity to priority groups (at least in terms of the ages of participants). It also allows for the calculation of unit costs for the different types of intervention.

1.3.10. Where possible we asked for expenditure data for the years 2010-11 to 2013-14, and budgets for 2014-15. One objective of the research was to consider the dynamics in expenditure since the start of the recession in 2007-08. However, early discussions with partners highlighted a range of issues with providing data over a longer period, not least the resources they would require to source this information and practical issues in situations where data capture systems had changed. So we decided to base our analysis around the most recent evidence (2013-14) and two years prior to this (being the minimum necessary to get some indication of trends over time). Even, within this reduced request, we have had to address gaps in the evidence base, extrapolating from information provided to fill gaps.

1.3.11. In practice, more than half respondents were unable to provide budget projections for 2014-15 as there was some uncertainty around future key funding streams\(^\text{11}\).

1.3.12. Following discussions with the NDG, it was decided to present the results of the mapping according to two definitions of employability support: a ‘broad’ definition, including all MA and Further Education (FE) vocational learning delivery; and a ‘narrow’ definition that excluded those aspects of this funding that are closer to workforce development support – those MAs undertaken by people who have been working for their employer for a considerable period of time (more than six months) and FE vocational learning undertaken by people in work.

1.3.13. Table 1.1 outlines what expenditure has been included and excluded in the mapping analysis.

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\(^{11}\) The research with partners was undertaken in February/March 2014
| Scottish Government | **Employability Expenditure included:**  
- Activity Agreements  
- Inspiring Scotland 14-19 Fund  
- Community Jobs Scotland  
- Youth Employment Scotland Fund  
- Young Scots in Work  

**Employability Expenditure excluded:**  
- Education Maintenance Allowance  

| Local Authorities/Local Employability Partnerships | **Employability Expenditure included:**  
- Wide range of employment support from outreach and engagement, needs assessment, IAG, vocational training, job search, work placement, support for Modern Apprenticeships, recruitment incentives/ wage subsidies.  
- Five authorities also provided some data on expenditure by other departments – Social Work and Community Learning in particular who were funding employability support projects.  

**Employability Expenditure excluded:**  
- Activity supporting young people under 16.  
- Some LAs were unable to source data from colleagues in other Departments but reported the existence of this expenditure in their returns. Where data was provided this has been included.  
- No data provided on vocational learning for 16+ under Curriculum for Excellence support from education budgets.  

| DWP | **Employability Expenditure included:**  
- Work Programme  
- Work Choice  
- Youth Contract  
- Support Contract  
- Flexible Support Fund  
- New Enterprise Allowance  

**Employability Expenditure excluded:**  
- Support from mainstream JCP offices  
- Benefit payments to claimants  
- Universal Jobmatch service running costs |
### SDS

**Employability Expenditure included:**
- Modern Apprenticeships
- Employability Fund (and prior to 2013/14 Get Ready for Work and Training for Work)
- Employer Recruitment Incentive
- Adopt an Apprentice
- Flexible Training Opportunities
- Low Carbon Skills

**Employability Expenditure excluded:**
- Careers Information Advice and Guidance
- Individual Learning Accounts
- PACE
- Narrow definition excluded MAs who had been in employment with their employer for more than six months prior to starting their MA.

### SFC

**Employability Expenditure included:**
- Vocational learning for people 16-64 who are unemployed/not working but not at school or of retirement age as well as those who are in work while they learn funded by SFC

**Employability Expenditure excluded:**
- The narrow definition excluded expenditure on vocational learners who were in work while learning

### European Funding

**Employability Expenditure included:**
- Lowlands and Uplands Scotland
  - Priority 1: Progressing into Employment
  - Priority 2: Progressing through Employment
  - Priority 3: Improving Access to Lifelong Learning
  - Priority 5: Strategic Skills Pipeline
- Highlands & Islands
  - Priority 1: Increasing the workforce (targeting unemployed)
  - Priority 2: – Investing in the workforce (targeting upskilling employed)
  - Priority 3: – Development and lifelong learning (developing courses / materials / blended learning etc.)

**Employability Expenditure excluded:**
- Priority 4: Technical Assistance

### Big Lottery

**Employability Expenditure included:**
- Life Transitions
- Moving Up
- Supporting 21st Century Intervention
- Young Start

**Employability Expenditure excluded:**
- None

### 1.4. Mapping expenditure to the Employability Pathway Stages

1.4.1. While all of those we contacted were familiar with the different stages of the Employability Pipeline, very few management information systems (MIS)
categorise activity on this basis. Respondents were able to provide a broad allocation in most cases. At the Local Authority/LEP level partners were able to apportion costs often on a project-by-project basis, based on their knowledge of the activity delivered, often across more than one stage of the pipeline.

1.4.2. Other partners more often allocated whole programmes to the best fit stage of the Pipeline. For example, we categorised DWP Jobcentre Plus (JCP) Support Contract expenditure based on the project descriptions provided. The Work Programme spans Stages 2 to 5 of the Pipeline so, in the absence of any other information, expenditure was divided equally across these stages.

Table 1.2: Mapping of Programmes to Employability Pipeline Stages

<table>
<thead>
<tr>
<th>Programme</th>
<th>Employability Pipeline Stage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Activity Agreements</td>
<td>2: Needs Assessment</td>
</tr>
<tr>
<td>Inspiring Scotland 14-19 Fund</td>
<td>2: Needs Assessment</td>
</tr>
<tr>
<td>Youth Employment Scotland Fund</td>
<td>5: In-work/Aftercare</td>
</tr>
<tr>
<td>Young Scots in Work</td>
<td>5: In-work/Aftercare</td>
</tr>
<tr>
<td>Youth Contract Wage Subsidy</td>
<td>5: In-work/Aftercare</td>
</tr>
<tr>
<td>Work Choice</td>
<td>3: Vocational activity</td>
</tr>
<tr>
<td>JCP Flexible Support Fund</td>
<td>Allocated according to breakdown of project activities</td>
</tr>
<tr>
<td>JCP Support Contract</td>
<td>4: Employer Engagement &amp; Job Matching</td>
</tr>
<tr>
<td>Modern Apprenticeships</td>
<td>5: In-work/Aftercare</td>
</tr>
<tr>
<td>Flexible Training Opportunities</td>
<td>5: In-work/Aftercare</td>
</tr>
<tr>
<td>Low Carbon Skills Fund</td>
<td>5: In-work/Aftercare</td>
</tr>
<tr>
<td>Training For Work</td>
<td>3: Vocational activity</td>
</tr>
<tr>
<td>Get Ready For Work</td>
<td>40% 2: Needs Assessment; 60% 3: Vocational Activity</td>
</tr>
<tr>
<td>Employability Fund</td>
<td>33% 2: Needs Assessment; 33% 3: Vocational activity; 33% 4: Employer Engagement &amp; Job Matching</td>
</tr>
<tr>
<td>Life Transitions&amp; Moving Up</td>
<td>1: Referral, Engagement activity</td>
</tr>
<tr>
<td>Supporting 21st Century Intervention</td>
<td>2: Needs Assessment</td>
</tr>
<tr>
<td>Young Start</td>
<td>2: Needs Assessment</td>
</tr>
</tbody>
</table>
1.4.3. European expenditure was allocated to the stage (and priority age group) in proportion to the funding it matched – for example, the distribution of Local Authorities’ expenditure across stages was used to categorise the European funding that matched LA sources and similarly, the match for college FE activity was allocated according the distribution of college FE expenditure across the stages.

1.4.4. In practice, few MIS systems are able to provide data on actual expenditure by individual client. In most cases, partners have used the proportion of clients in different age group to apportion total expenditure. This makes the implicit assumption that clients of different age groups cost the same. This can have a varying impact on the analysis depending on the type of employability support in question and the coverage of the MIS system. For example:

- At individual project level the variation in support by age group may not be substantial or may have no impact if the support is targeted only on one particular age group;
- At the programme level, we suspect the actual variation in costs could be substantial, particularly where the support spans a number of stages of the pipeline – for example the Work Programme or LEP one-stop-shops;
- In other cases, where support can be delivered over a number of years the current level of expenditure does not match the full cost of assistance of the clients on the programme – for example, Modern Apprenticeships\(^2\).

1.4.5. Clearly, any programme support for an individual client may run over the end of the financial year, creating a cost but not capturing an outcome. We have assumed that this is counterbalanced by other clients who are continuing their support at the start of the year and so have an outcome but not a full cost.

1.4.6. This does have implications for the analysis of expenditure:

- The primary dimension on which resources are devoted to priority groups is take up by age and this can limit the analysis of unit cost by age as these may be assumed to be the same;
- There are some examples where activities are exclusively targeted on specific age groups (and we have preserved these to consider whether they have distinctly different unit costs);
- A bigger issue is the extent to which there is overlap in the different stages of assistance. Most MIS systems count the number of interventions but do not capture the number of individuals. As a result it

\(^2\) Typically, 25% of spending on MAs is on new starts and 75% on apprentices who are continuing their training from previous years. Auditor General (2014), Modern Apprentices, Audit Scotland, March 2014, p23.
is not possible to establish whether the same people benefit from a number of elements of support (or even the same support more than once)\textsuperscript{13}. Again, we have some evidence from partners on this but none have been able to provide a “whole pathway” cost of assistance.

1.4.7. The next chapter briefly sets the Scottish labour market and policy context. Chapter 3 then presents the results of the mapping of all employability expenditure for Scotland.

\textsuperscript{13} In a number of cases, partners were disaggregating their expenditure on a single ‘one-stop-shop’ project to allocate to different stages of pipeline. In these cases, there would only be a single record of an assistance even though this would represent support from more than one stage of the pipeline.
2. WHAT IS THE EVIDENCE ON THE SCALE AND DEPTH OF NEED?

Chapter Summary

- This chapter provides an overview of Scottish employability policy and to review labour market data in order to generate a picture of the scale and depth of need.

Policy context

- Employment is reserved to the UK Government and the majority of those who are unemployed will engage with DWP services first as a requirement of benefit receipt.
- Current employability policy in both the UK and in Scotland provides for a focus on youth unemployment and those furthest from the labour market.
- The UK Government launched the Youth Contract in April 2012 in the UK with the objective of providing additional support for unemployed young people between the ages of 18 and 24. This includes more intensive support from Jobcentre Plus advisors; additional funding for work experience and sector based work academies placements and a wage incentive of up to £2,275 for employers. There have been no new entrants into the wage incentive initiative since August 2014.
- The 2012 refresh of Scotland’s Employability Framework emphasises the need for partnership working across government to increase efficiency and effectiveness, including better alignment of skills and employability investment (in line with the recommendations of the Christie Commission report on improving the coherence and integration of public services in Scotland).
- There is also an emphasis on improving the connection between employability investment and economic development – drawing on connections between wider public expenditure through smarter commissioning and promoting of employment opportunities in growth sectors.

What is the scale of need?

- The scale of need remains high and the ILO unemployment rate is still significantly higher than pre-recession levels for all age groups:
- The ILO unemployment rate has increased from 4.6% in 2007/08 to 7.5% in 2013/14. The increase was highest for the 20-24 year old age group, followed by the 16-19 year old age group. The increase for the 25-64 year old age group was more modest at 2.3%.
- Without a shift to greater proportions of young people staying on in Higher Education (HE) and FE, the level of unemployment may well have increased further over the period.

What is the depth of need?

- The depth of need has intensified over the past five years and unemployment durations have increased for all age groups:
- JSA claimant count data shows an increase in durations for all age
groups. Over the past 5 years the number of 16-19 year olds unemployed for more than 12 months has increased by 1,225.

- The number of 20-24 year olds unemployed for more than 12 months has increased by 5,300 and the number of 25-64 year olds unemployed for more than 12 months has increased by 27,679.

**What is the level of labour market demand?**

- Labour market demand has weakened and over the last 5 years the number of employed people in Scotland has decreased by 46,900 (2.2%) from 2.17 million to 2.13 million:

- The nature of employment and the position of a job outcome as a solution to employability services is being challenged by a greater prevalence of insecure employment – average hours worked are lower and an increase in self-employment has been associated with low and insecure income.

- Growth in earnings is still lower than inflation, particularly for low earners and resulting in a disincentive to work.

### 2.1. Introduction

2.1.1. It is important to review how the nature and scale of the problem has changed since the recession. This section provides a policy and need context in which to assess the scale and nature of employability investment.

2.1.2. The following section initially provides an overview of Scottish employability policy before focussing on the evidence with regard to the scale of need (estimated using International Labour Office (ILO) unemployment data and DWP claimant count data), the depth of need (using DWP duration data) and changes to the demand for labour and the ‘value’ of a job outcome. A key issue is the extent to which it has become easier to secure employment over the period and any evidence as to whether a ‘job outcome’ is of the same value now as at the start of the recession. The final section then provides an overview of the policy context.

### 2.2. Policy Context

2.2.1. Employment is reserved to the UK Government and the majority of those who are unemployed will engage with Department of Work and Pensions (DWP) services first as a requirement of benefit receipt. The DWP funds the main active labour market programme targeting the employability of JSA and ESA claimants: The Work Programme. The DWP also controls the main income maintenance benefits paid to those out of work: Jobseeker’s Allowance (JSA) for unemployed people and Employment and Support
Allowance (ESA) for people experiencing health or disability-related barriers to work.

2.2.2. In order to maximise job outcomes there is a role for Scottish and local government funded provision to align or wrap around those core DWP services. In the case of devolved areas, there is an ambition for effective integration of services funded at all levels of government which ensures better outcomes and a reduction of duplication or overlap of support.

2.2.3. Training for employment is a shared power. Further and Higher Education are funded through the Scottish Funding Council (SFC) via a block grant rather than through student fees paid by individuals. Skills Development Scotland (SDS) has a remit which covers the support and funding of apprenticeships, workforce development and adult training, special training schemes aimed at workers under threat of redundancy, and also careers information, advice and guidance (IAG). SDS and the SFC work closely together to deliver the government’s education and training objectives, and have a joint Skills Committee that provides oversight and co-ordination.

2.2.4. Policies and strategies associated with improving employability in Scotland emanate from both the Scottish and Westminster governments. The 2011 Government Economic Strategy (GES) sets out the measures that the Scottish Government is taking to deliver its overall purpose of sustainable economic growth. The Purpose is supported by targets which focus on the drivers of sustainable economic growth. Of the seven purpose targets, three are specifically relevant to employability in Scotland:

- Participation – ‘To maintain our position on labour market participation as the top performing country in the UK; and to close the gap with the top five OECD economies by 2017’.
- Solidarity – ‘To increase overall income and the proportion of income earned by the three lowest income deciles as a group’.
- Cohesion – ‘To narrow the gap in participation between Scotland’s best and worst performing regions by 2017’.

2.2.5. The 2012 refreshed framework, Working for Growth, was developed in a context of economic recovery with slow economic growth and higher unemployment levels than before the economic crisis. The framework

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needed to be refreshed because of the changing economic circumstances. Taking into account the Christie Commission on the Future Delivery of Public Services in Scotland and the Government response to this document, the employability framework was articulated around four pillars.

- **Strategy and Effective Leadership** with priorities to stimulate economic recovery through bringing the employability and economic development agendas closer together and recognizing the social and economic value of a skilled, educated and creative workforce.

- **Better Integration and Partnership Working.** The refreshed framework stresses the importance of continuing to ensure good integration between employability services funded by the Scottish Government and by the UK Government through DWP. For individuals seeking work, local employability partnerships are encouraged to adopt a number of actions to improve alignment of employability and skills services such as data-sharing. For employers, Our Skillsforce, a new online and contact centre service, was proposed to provide access to national, regional and local information on recruitment, training and workforce development.

- **Towards Prevention – Tackling Inequality.** The framework stresses the Government commitment to a person-centred approach to overcoming barriers.

- **Improving Performance.** With the Employability and Tackling Poverty Learning Network, Scottish Government aimed to enhance sharing of experience and ultimately improve performance. In order to promote ways to achieve better outcomes, a number of tools were mentioned in the refreshed framework such as joint employability outcomes within Single Outcome Agreements (SOAs), the review of strategic skills pipeline and improvements to the national training offer.

2.2.6. The 2012 framework provided a longer term focus on those further from the labour market. It also recognised age as a key barrier and the Scottish Government responded to the rising concern of youth unemployment by appointing a dedicated Minister for Youth Employment and an additional £30 million to support youth employment initiatives. The Scottish Government also committed to 25,000 new apprenticeships in each year of the current parliament and announced ‘Opportunities for All’, an explicit commitment to offer a place in learning or training to every 16-19 year old in Scotland.

2.2.7. The Scottish Government published its draft strategy for youth employment on 31 January 2012 and in May 2012 announced the direction of £25 million of European structural funds to support youth employment. The 2012 Youth Employment Strategy Action For Jobs set out three strategic themes to help young people into work:

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What is the Evidence on the Scale and Depth of Need?

- Adopting an all-Government, all-Scotland approach to supporting youth employment;
- Enhancing support for young people; and
- Engaging with employers.

2.2.8. The strategy also set out the skills and employability support available to young people at each stage of the pipeline:

- **Stage 1** – initial engagement is delivered by Local authorities through Activity Agreements to bring together partners to re-engage young people in a variety of learning opportunities. This includes the Lifeskills strand of Get Ready for Work provision.
- **Stage 2** – support engaging young people in structured education and training is provided through a range of ways including Local authority funded community learning and development provision, a range of activity supported by the third sector, college opportunities and Get Ready for Work.
- **Stage 3** – mainstream post-16 education and training is mainly delivered through colleges and universities. It also includes the post-Lifeskills strand of Skills Development Scotland’s Get Ready for Work programme and the DWP Work Programme.
- **Stage 4** – workplace based pre-employment training is delivered through Get Ready for Work. It is also available through the Youth Contract and Work programme.
- **Stage 5** – in work support includes MAs as well as local authority and government funded programmes such as the Work Programme.

2.3. **The scale of need: level of unemployment**

**ILO unemployment**

2.3.1. The preferred measure of the scale of worklessness is taken from the Annual Population Survey, also known as the ILO measure\(^\text{17}\). The ILO measure of unemployment is not dependent on individual eligibility to claim welfare benefits but rather asks people whether they are out of work and actively seeking work, providing a more realistic view of total unemployment within an economy. However, other unemployment data, such as the claimant count are useful in providing information on categories of benefit and duration of unemployment. Both of these measures are considered in the following section.

2.3.2. Since 2007 the ILO unemployment rate in Scotland has increased by 2.9% from 4.5% in July 2007-June 2008 to 7.2% in July 2013-June 2014. The

\(^{17}\) ILO Unemployment comprises people: without a job, want a job, have actively sought work in the last 4 weeks and are available to start work in the next 2 weeks, or are out of work, have found a job and are waiting to start it in the next 2 weeks.
unemployment rate peaked at 8.1% in July 2011-June 2012 before falling slightly in the latest three years for which data is available.

Figure 2.1: ILO unemployment rate by age group, Scotland, 000s

> Source: Annual Population Survey. Anybody who is without work, available for work and seeking work is unemployed. The UK applies this as anybody who is not in employment by the above definition, has actively sought work in the last 4 weeks and is available to start work in the next 2 weeks, or has found a job and is waiting to start in the next 2 weeks, is considered to be unemployed.

2.3.3.  There are significant variations in unemployment by age group:

- The unemployment rate for 16-19s was around 28%, just over 15% for 20-24s and 5% for 25s and over.
- The unemployment rate increased most for 16-19s (10.5 percentage point increase), followed by 20-24s (6.8 percentage point increase) and 25s and over (2.0 percentage points increase).

2.3.4.  The unemployment rate for all age groups peaked during July 2011-June 2012 and there are signs that the rate for 20-24s is on a downward trend (a 2.0 percentage point decrease). This is marginally less pronounced for 16-19s (0.2 percentage point decrease from peak) and significantly less pronounced for the 25s and over (a 0.6 percentage point decrease from peak).

2.3.5.  An analysis of economic activity rates for the three age groups over the last five years suggest that a higher proportion of young people aged 16-19 have stayed on in HE and FE, and thereby out of the labour market at the height of the recession. In 2006/07, just over half school leavers stayed in education (53% left to HE or FE). In 2012/13 this proportion was 60.8 per cent. The economic activity rate for 16-19s was 59.1% in 2008/09 but then fell to 51.5% by 2013/14. If the 2008/09 economic activity rate had been

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18 It is important to note that the ILO measure of unemployment includes full time students seeking part time work. This group is estimated at 35% of the total unemployed in this age band.
19 Scottish School Leaver Destinations, Scottish Government Education Statistics.
What is the Evidence on the Scale and Depth of Need?

maintained in 2013/14, this would represent over 18,600 additional young people in the labour market. The 20-24 group also suffered a decline in economic activity but from 2011/12 also suggesting a higher proportion of young people staying on in education.

Figure 2.2: Economic activity rate by age group, Scotland

Source: Annual Population Survey. Those who are not in employment and are not unemployed by these definitions are considered to be economically inactive. There are a number of reasons why someone who is not in work may not be actively seeking work. For example many students in full-time education would not seek work, neither will some sick or disabled, or those who have retired, or those who are looking after a family or home, and many other reasons.

2.3.6. This suggests that without the shift in the pattern of school-leaver destinations, the scale of unemployment faced by the 16-19s would be as much as 10% higher – between 31-33% in 2013, (all things being equal). On the same basis unemployment would also be higher for the 20-24s as a larger proportion of young people are in HE or FE up to the age of 21. This would suggest that the challenge of securing employment in Scotland has not declined – albeit that this analysis ignores any dynamic adjustment in the Scottish labour market in response to a higher proportion of better qualified young people.

2.4. The depth of need: duration of unemployment

2.4.1. If the previous analysis suggests that workless people in Scotland faced a broadly deteriorating labour market over the last five years, what are the implications of this on their experience of unemployment? Duration of unemployment using claimant count data (i.e. those claiming Jobseekers

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20 Recent analysis suggests that the proportion of young people in education in the UK who also work has declined from 45% in 2002 to just over 30% in 2011 (see IPPR, States of uncertainty: Youth unemployment in Europe, Nov 2013, p31). More recent evidence suggests a slightly higher proportion, Youth Unemployment Statistics (17 September 2014) http://www.parliament.uk/business/publications/research/briefing-papers/SN05871/youth-unemployment-statistics. This has been calculated as 258,000 students of 747,000 youth unemployed (35%).
Allowance) provides some insight\(^1\) although it should be noted that the differences in recording following the introduction of the Work Programme in 2011 impact on the comparability of the data over time and are at least partially responsible for an increase in 'long term claims'\(^2\).

### Figure 2.3: Duration of unemployment, JSA claimants, Scotland

![Graph showing duration of unemployment](image)

Source: Nomis, Claimant Count

2.4.2. Since 2009, for JSA claimants, short term unemployment durations of less than 3 months have declined as a proportion across all age groups and longer durations (over 12 months) have increased, although figures for 2014 show some improvement. This is at least in part in response to durations being increased by longer term unemployed people being moved from ESA or Income Support (lone parents) onto JSA:

- For 16-19s, the proportion of short-duration claimants (less than 3 months) has fallen by 3 percentage points from 56% in 2009 to 53% in 2014. The proportion of medium term claimants of 3-11 months have decreased from 43% in 2009 to 41% in 2014. Long term claimants (12 months or more) have increased from just 1% in 2009 to 7% in 2014.
- The proportion of 20-24 year old short-duration claimants (less than 3 months) fell from 53% in 2009 to 44% in 2014. Medium term claimants of 3-11 months also decreased as a proportion from 45% in 2009 to 36% in

\(^1\) Although the Claimant Count is a measure of only one Working Age benefit it does provide some statistics on the duration and off-flows. To be eligible young people must be 18 or over but exceptions can be made for some 16 or 17 year olds, so the 16-19 group will in effect cover mainly 18-19s in this analysis who are actively seeking work.

\(^2\) People on the Work Programme generally remain within the Claimant Count as a single continuous claim until, for example, a successful work outcome is achieved. This has caused a significant difference from previous schemes where the period of claim used to be broken by periods of training etc, then restarted as a new claim for the purposes of calculating duration after such breaks. This partially explains why the number of 'long term claims' appears to be so much higher than it used to be. Some of it is genuinely more people being out of work for long periods, but much of it is because claims that go to the Work Programme remain live as a single continuous claim period, rather than repeated shorter period claims as they used to be.
2014. In contrast, long term claimants (12 months or more) increased significantly as a proportion from 2% in 2009 to 20% in 2014.

- Claimants in the 25+ group have experienced similar shifts in the pattern of duration. The proportion of short-duration claimants (less than 3 months) fell from 42% to 33% from 2009 to 2014. Medium term claimants of 3-11 months also fell as a proportion from 46% to 34%. Long term claimants (12 months or more) increased as a proportion from 12% in 2009 to 34% in 2014.

2.4.3. The implication of this analysis is that the depth of the problem has increased. This has particularly impacted on young people, with those aged 20-24 in a worse situation than those aged 16-19. There are early signs that the labour market is improving – the claimant rate has fallen for all three age groups in 2013 and headline rates for 2014 have fallen further. However, the recession has left a legacy in long-term unemployment rates that appear to have begun to fall for 16-19s and 20-24s but continue to rise for the over 25s.

2.5. Changes to the demand side

2.5.1. Figure 2.4 shows that the number of employed people in Scotland fell by 59,000 (2.7%) from a peak of 2.22 million pre-recession in 2007/08 to 2.17 million in 2013/14. The number of people in employment increased in 2013/14, reflecting the improvement in unemployment statistics outlined above.

Figure 2.4: Employment and Self Employment, Scotland

![Graph showing employment and self employment in Scotland]

Source: Annual Population Survey. Data on self employment is not available by age band.

2.5.2. The number of self employed people has increased by 4.1% from 2007/08 to 2013/14. At its peak in 2011/12, 8.1% of 16-64s were self employed. At the UK level, there has been much recent debate on the extent to which the
increase in self employment reflects a more dynamic and entrepreneurial economy or simply a more distressed labour market with self-employment being much more associated with lower income\textsuperscript{23}.

2.5.3. Figure 2.5 shows that over the period 2008/09 to 2013/14 there has been a significant shift from full time to part time employment with a 3.0\% decrease (-56,200) in full time employment and a 7.1\% increase (+42,400) in part time employment. However, since the first quarter of 2012 these trends have gone into reverse. These data relate only to employees but also suggest that there has been a fragmentation of work since the recession. In Scotland (as in the UK) there has been an increase in those working fewer than 10 hours per week which has increased by 10.7\% over the period whilst the proportion of those working over 35 hours per week has decreased by 2.3\%\textsuperscript{24}.

\textbf{Figure 2.5: Part time and full time employment, Scotland}

2.5.4. Figure 2.6 shows that the proportion of employment that is part time increased significantly for the 16-19 year old age group from 52\% in 2008/09 to 67\% in 2010/11 before falling back to 60\% in 2013/14. There was a step change in proportion of part time employment for 20-24s from 28\% in 2008/09 to 34\% in 2009/10. The rate has subsequently plateaued and is 35\% in 2013/14. For the over 25s, the growth in part time employment was more modest with a rate that increased from 22\% in 2008/09 to 24\% in 2013/14.

\textsuperscript{24} NOMIS, Annual Population Survey data.
Another demand side issue to consider is relative value of a job outcome. There is evidence that the employment prospects of the priority groups have varied. The employment rate (number of people in work as a percentage of the working age population) provides a good indication of the strength of the labour market. Table 2.1 presents the employment rate for each group.

The table shows that the employment rate for 16-19s were on a downward trend throughout the period. For 20-14s, there was a similar decline but the rate has increased slightly in 2014. The employment rate for 25s and over has remained stable over the period but increased significantly in 2014.

### Table 2.1: Employment rates (%) by priority groups 2011 to 2014, Scotland

<table>
<thead>
<tr>
<th>Employment rate</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Age</td>
<td>70.9</td>
<td>70.9</td>
<td>70.6</td>
<td>72.0</td>
</tr>
<tr>
<td>16-19</td>
<td>42.4</td>
<td>39.8</td>
<td>40.3</td>
<td>36.9</td>
</tr>
<tr>
<td>20-24</td>
<td>65.3</td>
<td>63.6</td>
<td>62.3</td>
<td>62.9</td>
</tr>
<tr>
<td>25+</td>
<td>74.2</td>
<td>74.6</td>
<td>74.3</td>
<td>76.1</td>
</tr>
</tbody>
</table>

Source: ONS Annual Population Survey data July – June for each year.

Growth in earnings has been lower than inflation since 2009, particularly for low earners and resulting in a disincentive to work. Data from the ONS show that 2011 saw the biggest gap between wage increases and the rate of inflation for both the UK and Scotland.

These figures do not take into account the balance of full time and part time employment. There has been much debate about job quality recently and one method of understanding this is to explore how part-time employment...
impacts on the different priority groups. We have used the Annual Survey of Hours and Earnings (ASHE) to translate part time employment into full time equivalents (FTEs). This has the effect of reducing the employment rate for all groups but particularly so for the 16-19s (on average around one and half jobs are equivalent to one full time post).

Table 2.2: FTE employment rates (%) by priority groups 2011 to 2013, Scotland

<table>
<thead>
<tr>
<th>FTE employment rate</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Age</td>
<td>60.77</td>
<td>60.54</td>
<td>60.80</td>
</tr>
<tr>
<td>16-19</td>
<td>26.07</td>
<td>25.20</td>
<td>26.31</td>
</tr>
<tr>
<td>20-24</td>
<td>53.33</td>
<td>51.37</td>
<td>51.52</td>
</tr>
<tr>
<td>25+</td>
<td>64.86</td>
<td>64.83</td>
<td>65.02</td>
</tr>
<tr>
<td>Ratio Employment/FTE</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>All Age</td>
<td>1.16</td>
<td>1.17</td>
<td>1.16</td>
</tr>
<tr>
<td>16-19</td>
<td>1.58</td>
<td>1.56</td>
<td>1.52</td>
</tr>
<tr>
<td>20-24</td>
<td>1.21</td>
<td>1.23</td>
<td>1.23</td>
</tr>
<tr>
<td>25+</td>
<td>1.14</td>
<td>1.15</td>
<td>1.14</td>
</tr>
</tbody>
</table>

Source: ONS Annual Population Survey data, Annual Survey of Hours and Earnings, and CPC Calculations.

2.5.8. Looking at FTE rates over time there is there a number of points:

- A steady downward trend in the ratio of employment/FTE rates for 16-19s. Part time employment is still prevalent but the proportion of full time jobs has increased. On this basis the FTE employment rate has recovered its 2011 level.
- This is not the case for the 20-24 group where the ratio of the employment rate to FTE jobs has worsened somewhat and exacerbated the overall fall in employment rate from 2011.

2.5.9. The analysis above presents a more complex challenge for the Scottish employability effort:

- The scale of unemployment across priority groups has improved since the depth of the recession, but improvements will need to gather pace to recover to pre-recession levels. Unemployment rates, especially for young people remain high.
- Evidence from the demand-side mirror this improvement but higher levels of part time employment and self employment raise some concerns over the quality of available jobs.
- Unemployment among the 16-19 year old age group has been moderated by an increase in those staying on in education and there is evidence that those who have secured employment are more likely to be working fewer hours on average.

ASHE data is not available for different age groups and so the estimate deflates the number of part time jobs to FTE by a ratio of the average number of hours worked in part time and full time employment in Scotland for each year 2011-2013. In effect it takes just over two part time jobs to be equal to the hours worked in one full time job.
• The employment rate for 20-24 year olds has also fallen, in part perhaps because of an increase in the numbers staying in education, whether it be school, further education or higher education.

• Over 25s are the only group where long term unemployment is still increasing as a proportion of all unemployed.

2.5.10. Moreover, there are longer-term considerations. The best predictor of an individual’s risk of future unemployment, research shows, is previous unemployment. In Britain, a young person who spends just three months out of work before the age of 23 will on average spend an additional 1.3 months in unemployment between the ages of 28 and 33 compared with someone who does not suffer unemployment. Other research has found that youth unemployment leaves a ‘wage scar’ that can persist into middle age.

2.5.11. Balancing the needs of these groups at a time of continuing austerity will require fine judgement. Crude statistics relating to the scale of unemployment do not take into account the challenges of the demand side of the labour market, whether those in need of employability support are just leaving education, or just leaving a stable job after many years of employment. Job quality, sustainability and progression pathways (not simply a career but career clusters and career ladders) need to be considered alongside the base numbers requiring support.

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3. ESTIMATING RESOURCES ALLOCATED TO EMPLOYABILITY

**Chapter Summary**

- Interpreting the results of our analysis requires great care. We have been able to arrive at an estimate only by making a series of assumptions. We have used the best available evidence wherever possible, but different assumptions would produce different estimates. Annex A shows our working assumptions in detail.

**Scale of investment**

- We estimate that total investment in employability support in Scotland was £660 million in 2013-14 (on the broad definition of employability).
- This has increased by 6% since 2011-12\(^{29}\). Over the same period, ILO unemployment for 16-19s and 20-24s has fallen by 10% but increased by 1% for the over 25s.
- Using the narrow definition of employability support\(^{30}\) total expenditure in 2013-14 was £533 million (£127 million lower than the broad definition). Investment on this basis has increased 10% over the period – which implies that both Modern Apprenticeship and college vocational expenditure has focused more on clients within the narrow definition, i.e. those not already in work.

**Investment by priority group**

- The majority of expenditure is invested in the 16-19 age group – just under half the total on the broad definition and just over half on the narrow definition. Over the period investment in this group has grown relatively modestly (4% on the broad definition and 1% on the narrow).
- The pattern of investment in the 20-24 and over 25 groups is similar around a quarter of total expenditure and more significant growth (15% and 17% for 20-24s and 12% and 19% for 25+ on the broad definition and on the narrow definition, respectively), albeit from a low base.
- The primacy of the 16-19s not in dispute, however. If the relative rates of growth were maintained, it would take five more years for investment in 20-24s and the over 25s to be larger than that of 16-19s.
- In discussions, a number of stakeholders expressed the opinion that resources devoted to the 16-19s had expanded significantly. While it is the case that on either measure expenditure on 16-19s is around half the total, there is no rapid expansion in the period in question. There are a number of possible explanations.
  - Firstly, that the increase in expenditure occurred in response to the recession in years prior to 2011-12. Unfortunately, the lack of data on expenditure that prevented these years from being included in this analysis also prevents any analysis.
  - Secondly, that perceptions were based on budgets rather than

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\(^{29}\) All changes are in quoted in nominal terms.

\(^{30}\) Excluding stage 5 support for Modern Apprentices who were already working for their employer for more than 6 months and FE vocational learners who are already in work.
actual programme expenditure. The take-up of a number of programmes has not met expectations across a number of mainstream programmes.

**Investment by activity type**

- The majority of expenditure is on stage 3 of the Employability Pipeline – 45% on the broad definition and 55% on the narrow. Expenditure on stage 3 has increased for all age groups but the increase for 20-24s (13%) is double the overall rate and four times that of the 16-19s (but from a much lower base).
- Stage 5 represents a third of the broad definition but only half of this (17%) in the narrow definition. Adopting the narrow definition has a differential impact on the priority groups: reducing the investment in stage 5 by just under two-thirds for the 20-24 and 25+ groups but only 25% for the 16-19 group as fewer in this age group are in work when training.
- Stage 1 represents the smallest investment (3% of total spend broad definition and 4% on the narrow) but we suspect that this is an underestimate as the type of activity is challenging to disentangle from other support. Investment in stage 1 has increased by almost 50%.
- Investment in stage 2 has increased for 20-24s and particularly so for over 25s but fallen for 16-19s. This may be because youth services have reportedly increased IAG support often with budgets not captured by the mapping exercise allowing employability services to target resources on other groups.

**Unit cost of assistance**

- The unit cost of assistance for 16-19s is higher than 20-24s and almost double that of the over 25s. There is some evidence that the cost per assistance has fallen for both 16-19s and 20-24 groups but increased for over 25s over the period but the evidence base is very limited.
- The unit costs for stages 1-3 have also fallen, while stage 4 has remained stable. As investment in stage 4 has increased significantly (44%), this would suggest the increase has kept pace with (increased) demand (particularly from 16-19s and 20-24s).
- Stage 5 has increased by 54%. Stage 5 expenditure for 20-24s and over 25s has increased but fallen slightly for 16-19s.
- This is based on a small number of returns (from four local authorities) and needs to be treated with some caution. However, the combination of these results suggests that stages 1-3 are taking on more clients with proportionately less resource. Increased investment in stage 5 may well reflect the pickup in the Scottish labour market driving more investment in activity closer to the labour market.
- To undertake a return on investment analysis, it would be necessary to obtain a more representative sample of data on the number of assists and, crucially, data on the multiple use of stages of employability support in order to estimate an average unit cost per client. To be comprehensive this analysis must span partners’ systems, and seek to establish to the total investment in individual clients.

**Fit between expenditure and need**

- In aggregate, 16-19 year olds receive just under half total investment in Scotland but represent just under a fifth of the unemployed population in
2013. The 20-24 age group represent a fifth of the unemployed population and receive just over a fifth of the employability resource. In contrast, the over 25s represent 60% of the unemployed population (and 82% of the long term unemployed) but receive 29% of the employability investment.

3.1. **Employability Expenditure Estimates**

3.1.1. Using the definitions of employability\(^{31}\) and data provided by partners, we estimate that (Table 3.1) total expenditure on employability activity in Scotland was around £625 million in 2011-12 rising to £660 million in 2013-14\(^{32}\). This represents an increase of 5.7% over the period.

<table>
<thead>
<tr>
<th></th>
<th>2011-12</th>
<th>2012-13</th>
<th>2013-14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expenditure on Employability</td>
<td>£625m</td>
<td>£649m</td>
<td>£660m</td>
</tr>
<tr>
<td>Index on 2011-12 base</td>
<td>100</td>
<td>104</td>
<td>106</td>
</tr>
</tbody>
</table>

Source: CPC calculations based on data returns from partners.

3.1.2. It is worth re-iterating that the period for this analysis has been driven by data availability. Many of the employability policy responses, particularly those directed at younger age groups, were introduced from 2008 onwards. An analysis of the changes in investment in employability over this longer period is likely to have been quite different in aggregate and across priority groups. Unfortunately, the very same lack of expenditure data prevents any verification of this.

3.1.3. As noted in the introduction, we believe this estimate includes the vast majority of expenditure and the detailed calculations have been designed to avoid double-counting between major funding sources. We are aware that some Local Authorities were unable to secure information on the level of expenditure by colleagues in Social Work, Community Learning and Development and Education departments (relating to employability activity as part of the Curriculum for Excellence).

3.1.4. The estimate for total expenditure on employability actions using the narrower definition of employability is around 20% below the aggregate on

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\(^{31}\) As discussed in Section 1 the following analysis presents employability expenditure estimates on both the ‘broad’ and ‘narrow’ definitions agreed by the Steering Group. The narrow definition excludes expenditure on Modern Apprentices who were working for their employer for more than 6 months prior to starting their MA and SFC expenditure on vocational learning for those in work at the start of their course.

\(^{32}\) All figures are nominal.
the broader definition. However, aggregate expenditure has increased more rapidly over the period (by 10%), suggesting investment in employability activities involving those not working while learning or training has increased relative to other employability expenditure.

Table 3.2: Narrow definition Total Expenditure on Employability activity in Scotland 2011-12 to 2013-14

<table>
<thead>
<tr>
<th></th>
<th>2011-12</th>
<th>2012-13</th>
<th>2013-14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expenditure on Employability</td>
<td>£484m</td>
<td>£522m</td>
<td>£533m</td>
</tr>
<tr>
<td>Index on 2011-12 base</td>
<td>100</td>
<td>108</td>
<td>110</td>
</tr>
</tbody>
</table>

Source: CPC calculations based on data returns from partners.

3.2. Employability expenditure by age group

3.2.1. We have been able to allocate the vast majority of expenditure on employability to priority age groups. The difference between the totals in Tables 3.1 and 3.2 and the totals in Tables 3.3 and 3.4 are due to expenditure that could not be allocated to specific age groups. As noted earlier, where expenditure has been allocated to age groups, this has often been achieved by allocating expenditure pro-rata to the proportion of starts in each age group.

Table 3.3: Broad definition Expenditure on Employability activity in Scotland by priority groups 2011-12 to 2013-14

<table>
<thead>
<tr>
<th>Priority Group</th>
<th>2011-12</th>
<th>%</th>
<th>2012-13</th>
<th>%</th>
<th>2013-14</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>16-19</td>
<td>£255m</td>
<td>46</td>
<td>£258m</td>
<td>45</td>
<td>£265m</td>
<td>44</td>
</tr>
<tr>
<td>20-24</td>
<td>£134m</td>
<td>24</td>
<td>£146m</td>
<td>25</td>
<td>£155m</td>
<td>26</td>
</tr>
<tr>
<td>25+</td>
<td>£160m</td>
<td>29</td>
<td>£173m</td>
<td>30</td>
<td>£179m</td>
<td>30</td>
</tr>
<tr>
<td>Total allocated</td>
<td>£550m</td>
<td>100</td>
<td>£577m</td>
<td>100</td>
<td>£598m</td>
<td>100</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Priority Group</th>
<th>Net change</th>
<th>Index of 2011-12</th>
<th>Net change</th>
<th>Index of 2011-12</th>
<th>Net change</th>
<th>Index of 2011-12</th>
</tr>
</thead>
<tbody>
<tr>
<td>16-19</td>
<td>-</td>
<td>100</td>
<td>£3m</td>
<td>101</td>
<td>£9m</td>
<td>104</td>
</tr>
<tr>
<td>20-24</td>
<td>-</td>
<td>100</td>
<td>£11m</td>
<td>108</td>
<td>£20m</td>
<td>115</td>
</tr>
<tr>
<td>25+</td>
<td>-</td>
<td>100</td>
<td>£14m</td>
<td>109</td>
<td>£19m</td>
<td>112</td>
</tr>
<tr>
<td>Total allocated</td>
<td>=</td>
<td>100</td>
<td>£28m</td>
<td>105</td>
<td>£49m</td>
<td>109</td>
</tr>
</tbody>
</table>

N.B. There are small differences between the sum of expenditure by age groups and total expenditure as not all employability expenditure could be allocated to specific groups. Figures are rounded to nearest £1m. We have no data to subdivide a small proportion of expenditure for 18-24s so this has been allocated 2/7 to the 16-19 group and 5/7 to the 20-24 group – i.e. we have assumed take up this resource is spread evenly across the age range. Tables may not add due to rounding.

Source: CPC calculations based on data returns from partners.

3.2.2. Expenditure on employability activities for the 16-19 is by far the largest (46% of the total in 2011-12) and almost double the other two age groups. By 2013-14, although expenditure on the 16-19 group has increased marginally, it represents a slightly smaller proportion of total spend (44%). Expenditure on the 20-24 group has increased by proportionately more (15% compared with 4% for 16-19s), but starts from a low base. Investment in
employability actions for the 25+ also increased by 12%. Although these proportions are significant, over the three year period the relative priorities have not changed.

3.2.3. Table 3.4 presents the same analysis by priority group but for the narrow definition of employability activity. While overall expenditure on employability under the narrow definition increases more than on the broad definition, the analysis by priority group does not fully reflect this. The increase in expenditure on the narrow definition is almost entirely due to the 20-24 (17% increase) and 25+ (19% increase) age groups. That said, expenditure on the 16-19 group is 53% in 2011-12 and is still 50% in 2013-14 – a greater proportion of total expenditure than under the broader definition of employability activity – and double the investment of the other two age groups.

Table 3.4: Narrow definition Expenditure on Employability activity in Scotland by priority groups 2011-12 to 2013-14

<table>
<thead>
<tr>
<th>Age Group</th>
<th>2011-12</th>
<th>2012-13</th>
<th>2013-14</th>
</tr>
</thead>
<tbody>
<tr>
<td>16-19</td>
<td>£255m</td>
<td>53%</td>
<td>£259m</td>
</tr>
<tr>
<td>20-24</td>
<td>£111m</td>
<td>24%</td>
<td>£126m</td>
</tr>
<tr>
<td>25+</td>
<td>£110m</td>
<td>23%</td>
<td>£127m</td>
</tr>
</tbody>
</table>

| Total allocated by age | £478m | 100% | £512m | 100% | £533m | 100% |

<table>
<thead>
<tr>
<th>Age Group</th>
<th>2011-12</th>
<th>2012-13</th>
<th>2013-14</th>
</tr>
</thead>
<tbody>
<tr>
<td>16-19</td>
<td>-</td>
<td>100</td>
<td>101</td>
</tr>
<tr>
<td>20-24</td>
<td>-</td>
<td>100</td>
<td>112</td>
</tr>
<tr>
<td>25+</td>
<td>-</td>
<td>100</td>
<td>116</td>
</tr>
</tbody>
</table>

| Total allocated by age | -       | 100     | 107     | £43m   | 109     |

N.B. There are small differences between the sum of expenditure by age groups and total expenditure as not all employability expenditure could be allocated to specific groups. Figures are rounded to nearest £1m. We have no data to subdivide a small proportion of expenditure for 18-24s so this has been allocated 2/7 to the 16-19 group and 5/7 to the 20-24 group – i.e. we have assumed take up this resource is spread evenly across the age range. Tables may not add due to rounding.

Source: CPC calculations based on data returns from partners.

3.2.4. In our discussions with stakeholders during the research process, a number have expressed the opinion that investment in employability activity for 16-19s has been significant and has continued to grow. Our estimates certainly support that view that 16-19s receive the largest slice of employability investment, in aggregate and relative to the scale of 16-19 unemployment. It is also the case that 16-19 investment has increased over the period, but just

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33 This is due to not being able to allocate all expenditure to priority groups – on the broad definition the increase in expenditure allocated to priority groups is slightly above that of all expenditure for that definition while for the narrow definition the increase in expenditure allocated to priority groups is below that for all expenditure on that definition. As a consequence both definitions appear to increase expenditure by 9% in aggregate.
not at the same rate as the 20-24s and over 25s. If these relative rates of growth were maintained, it would take five more years for investment in 20-24s and over 25s to be larger than those of 16-19s.

3.3. **Estimates of employability expenditure by type of activity**

3.3.1. Table 3.5 presents our estimates across the five stages of the Pipeline. Stage 3 is the largest category of expenditure, around 45% of the total in 2013-14, with Stage 5 around a third of expenditure. Engagement, assessment and referral activities (Stage 1) are core to many employability pathways and we suspect that this stage has suffered from being part of other programme expenditure and more challenging to identify and disentangle.

<table>
<thead>
<tr>
<th>Employability Pipeline</th>
<th>2011-12</th>
<th>%</th>
<th>2012-13</th>
<th>%</th>
<th>2013-14</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stage 1: Engagement, Assessment &amp; Referral</td>
<td>£13m</td>
<td>2</td>
<td>£17m</td>
<td>3</td>
<td>£19m</td>
<td>3</td>
</tr>
<tr>
<td>Stage 2: Needs Assessment &amp; Barrier Removal</td>
<td>£67m</td>
<td>11</td>
<td>£74m</td>
<td>11</td>
<td>£74m</td>
<td>11</td>
</tr>
<tr>
<td>Stage 3: Vocational Activity</td>
<td>£270m</td>
<td>44</td>
<td>£293m</td>
<td>45</td>
<td>£294m</td>
<td>45</td>
</tr>
<tr>
<td>Stage 4: Employer Engagement &amp; Job Matching</td>
<td>£44m</td>
<td>7</td>
<td>£57m</td>
<td>9</td>
<td>£54m</td>
<td>8</td>
</tr>
<tr>
<td>Stage 5: In-work Support &amp; Aftercare</td>
<td>£217m</td>
<td>36</td>
<td>£207m</td>
<td>32</td>
<td>£219m</td>
<td>33</td>
</tr>
<tr>
<td>Total allocated</td>
<td>£611m</td>
<td>100</td>
<td>£649m</td>
<td>100%</td>
<td>£661m</td>
<td>100%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Employability Pipeline</th>
<th>Change 11-12</th>
<th>Index 11-12</th>
<th>12-13 to 11-12</th>
<th>Index 11-12</th>
<th>13-14 to 11-12</th>
<th>Index 11-12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stage 1</td>
<td></td>
<td>100</td>
<td>£4m</td>
<td>124</td>
<td>£6m</td>
<td>146</td>
</tr>
<tr>
<td>Stage 2</td>
<td></td>
<td>100</td>
<td>£7m</td>
<td>110</td>
<td>£7m</td>
<td>111</td>
</tr>
<tr>
<td>Stage 3</td>
<td></td>
<td>100</td>
<td>£23m</td>
<td>108</td>
<td>£24m</td>
<td>109</td>
</tr>
<tr>
<td>Stage 4</td>
<td></td>
<td>100</td>
<td>£13m</td>
<td>123</td>
<td>£11m</td>
<td>124</td>
</tr>
<tr>
<td>Stage 5</td>
<td></td>
<td>100</td>
<td>-£10m</td>
<td>95</td>
<td>£2m</td>
<td>101</td>
</tr>
<tr>
<td>Total allocated</td>
<td></td>
<td>100</td>
<td>£38m</td>
<td>106</td>
<td>£50m</td>
<td>108</td>
</tr>
</tbody>
</table>

N.B. There are small differences between the sum of expenditure by Stages and total expenditure due to rounding. Figures are rounded to nearest £1m.

On the broad definition FE expenditure on those in work and learning and MAs makes a significant contribution to Stage 5.

Source: CPC Calculations based on data returns from partners.

3.3.2. Stage 1 has increased by a significant proportion (46%) but is the smallest area of expenditure (3% of the total with a net gain of £6 million). Stage 4 has increased by almost a quarter but also from a low base. Stage 3 has increased by a smaller proportion (9%) but given the scale of expenditure, this represents a £24 million increase – almost half the net increase in total expenditure. Investment in stage 5 has hardly changed over the period and did fall in 2012-13.
3.3.3. It is not at all clear that such shifts in the balance of expenditure can be solely ascribed to policy priorities – as the economy has started to improve, the increased investment in stage 4 employer engagement and job matching is appropriate. More marginal shifts in expenditure over the period are as much the commencement and closure of specific programmes than the consequence of the adjustment of policy levers.

3.3.4. Using the narrow definition of employability reduces the level of investment for stage 5 from £219m in 2013-14 under the broad definition to £89m under the narrow definition (a difference of almost 60%). This alters the relative importance of investment in each stage of the pipeline. As a proportion of total expenditure stage 5 is 17% under the narrow definition compared to 33% in the broad definition. The rate of growth of expenditure on each stage 1-4 is the same as under the broader definition.

Table 3.6: Narrow definition Expenditure on Employability activity in Scotland by priority groups 2011-12 to 2013-14

<table>
<thead>
<tr>
<th>Employability Pipeline</th>
<th>2011-12</th>
<th>%</th>
<th>2012-13</th>
<th>%</th>
<th>2013-14</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stage 1: Engagement, Assessment &amp; Referral</td>
<td>£13m</td>
<td>3</td>
<td>£17m</td>
<td>3</td>
<td>£19m</td>
<td>4</td>
</tr>
<tr>
<td>Stage 2: Needs Assessment &amp; Barrier Removal</td>
<td>£67m</td>
<td>14</td>
<td>£74m</td>
<td>14</td>
<td>£76m</td>
<td>14</td>
</tr>
<tr>
<td>Stage 3: Vocational Activity</td>
<td>£270m</td>
<td>57</td>
<td>£293m</td>
<td>56</td>
<td>£295m</td>
<td>55</td>
</tr>
<tr>
<td>Stage 4: Employer Engagement &amp; Job Matching</td>
<td>£44m</td>
<td>9</td>
<td>£57m</td>
<td>11</td>
<td>£54m</td>
<td>10</td>
</tr>
<tr>
<td>Stage 5: In-work Support &amp; Aftercare</td>
<td>£77m</td>
<td>16</td>
<td>£80m</td>
<td>15</td>
<td>£89m</td>
<td>17</td>
</tr>
<tr>
<td>Total allocated</td>
<td>£470m</td>
<td>100</td>
<td>£522m</td>
<td>100</td>
<td>£534m</td>
<td>100</td>
</tr>
</tbody>
</table>

Employability Pipeline Change | Index 11-12 | Index 12-13 to 11-12 | Index 13-14 to 11-12 | Index 11-12
Stage 1                      | -          | 100             | 132              | 6m          | 146   |
Stage 2                      | -          | 100             | 111              | 9m          | 113   |
Stage 3                      | -          | 100             | 109              | 26m         | 109   |
Stage 4                      | -          | 100             | 130              | 11m         | 124   |
Stage 5                      | -          | 100             | 104              | 12m         | 116   |
Total allocated              | -          | 100             | 111              | 63m         | 113   |

N.B. There are small differences between the sum of expenditure by Stages and total expenditure due to rounding. Figures are rounded to nearest £1m. Columns may not sum due to rounding.
Source: CPC Calculations based on data returns from partners.

3.3.5. The narrow definition also has an impact on the dynamic of expenditure with the investment in stage 5 now increasing over the period (by 16%) compared to a small increase of 1% on the broader definition. This suggests that the proportion of investment in ‘core’ employability clients – vocational learners at college who are not also in employment and Modern Apprentices who have been employed by their employer for less than six months before starting their Apprenticeship has increased over the period (albeit a minority of expenditure on the broader definition of employability).
3.3.6. We have been able to further disaggregate expenditure by age and stage of the Employability Pipeline\textsuperscript{34}. Figure 3.2 summarises the pattern of employability investment across age groups and stages of the pipeline between 2011-12 and 2013-14. We have used the narrow definition of employability for this analysis as for the most part the changes are identical (except for stage 5) and in order to retain a focus on the key results. There are a number of findings:

- Investment in 16-19s is significantly higher at all stages of the pipeline except for stage 1 where it is still higher than for the other two priority groups (see figure 3.3). Investment increases in the latter stages of the pipeline 3, 4 and 5 account for most of the change but stage 2 expenditure for this group declined;
- For the 20-24 group, investment has increased in all stages (figure 3.4). The majority of the increase in investment in 20-24s has occurred in stages 3, 4 and 5;
- Over 25s also experienced increased investment across all stages of the pipeline over the period (although this was from a low base for stage 1).

**Figure 3.2: Narrow definition Expenditure by stage of employability pipeline and age in Scotland 2011-12 to 2013-14**

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Rounding and the omission of some programmes that do not have an age breakdown mean that these expenditure figures do not necessarily sum to previous tables. In particular, we have no data with which to allocate Big Lottery expenditure by age and this is concentrated in stage 1 of the Pipeline.

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\textsuperscript{34} CPC calculations based on partners’ data submissions.
Figure 3.3: Narrow definition Expenditure by stage of employability pipeline in Scotland for 16-19s 2011-12 to 2013-14

Source: CPC calculations based on partners’ data submissions

Figure 3.4: Narrow definition Expenditure by stage of employability pipeline in Scotland for 20-24s 2011-12 to 2013-14

Source: CPC calculations based on partners’ data submissions
3.3.7. Given these figures represent an amalgam of investment decisions across employability services in Scotland, the extent to which apparent shifts in the pattern of investment are the result of deliberate policy intent or the consequence of new programmes starting or existing funding coming to an end we cannot fully determine. Table 3.7 highlights a number of shifts in the pattern of employability investment across the three groups that have occurred as an outturn of these decisions:

### Figure 3.5: Narrow definition Expenditure by stage of employability pipeline in Scotland for over 25s 2011-12 to 2013-14

Source: CPC calculations based on partners’ data submissions

### Table 3.7: Narrow definition change in Expenditure on Employability activity in Scotland by age and stage 2011-12 to 2013-14

<table>
<thead>
<tr>
<th>Employability Pipeline</th>
<th>16-19</th>
<th>20-24</th>
<th>25+</th>
<th>All Ages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stage 1</td>
<td>£0.4m</td>
<td>£0.3m</td>
<td>£0.6m</td>
<td>£1.2m</td>
</tr>
<tr>
<td>Stage 2</td>
<td>-£3.6m</td>
<td>£0.9m</td>
<td>£3.3m</td>
<td>£0.6m</td>
</tr>
<tr>
<td>Stage 3</td>
<td>£5.3m</td>
<td>£9.8m</td>
<td>£4.9m</td>
<td>£20.0m</td>
</tr>
<tr>
<td>Stage 4</td>
<td>£2.2m</td>
<td>£3.3m</td>
<td>£3.5m</td>
<td>£9.0m</td>
</tr>
<tr>
<td>Stage 5</td>
<td>£3.6m</td>
<td>£7.3m</td>
<td>£4.1m</td>
<td>£14.9m</td>
</tr>
<tr>
<td>All</td>
<td>£7.9m</td>
<td>£21.5m</td>
<td>£16.3m</td>
<td>£45.8m</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Employability Pipeline</th>
<th>16-19 %</th>
<th>20-24 %</th>
<th>25+ %</th>
<th>All Ages %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stage 1</td>
<td>8</td>
<td>11</td>
<td>18</td>
<td>12</td>
</tr>
<tr>
<td>Stage 2</td>
<td>-11</td>
<td>11</td>
<td>27</td>
<td>1</td>
</tr>
<tr>
<td>Stage 3</td>
<td>4</td>
<td>13</td>
<td>7</td>
<td>7</td>
</tr>
<tr>
<td>Stage 4</td>
<td>13</td>
<td>3</td>
<td>25</td>
<td>22</td>
</tr>
<tr>
<td>Stage 5</td>
<td>6</td>
<td>52</td>
<td>18</td>
<td>15</td>
</tr>
<tr>
<td>All</td>
<td>3</td>
<td>19</td>
<td>14</td>
<td>9</td>
</tr>
</tbody>
</table>

Change in value to 2013-14 expressed as a percentage of 2011-12 estimate.
Source: CPC calculations based on data returns from partners.
There has been an increase in investment in stage 1 across all age groups, although this type of activity remains a small proportion of total spend (probably an underestimate of the actual investment in stage 1 due to the problems in disentangling this type of support from other activities in one-stop-shops etc.).

Investment in stage 2 has fallen for 16-19s but increased for 20-24s and particularly for the over 25s. It is possible that the increased investment in employability support undertaken by Social Work, Community Learning and Education departments on young people in particular (discussed by partners but not often captured in the data mapping) has resulted in a shift away from this type of activity for this age group by employability budgets.

Stage 3 is the largest investment across all priority groups (over half the total for 16-19s and over 20s and two-thirds for the 20-24 group). Expenditure on stage 3 has increased for all age groups but particularly so for 20-24s (13%) is double the rate for the over 25s and three times that of 16-19s.

There has been a significant shift in investment in stage 4. Expenditure has increased by a third for 20-24s and a quarter for the over 25s. As a proportion, stage 4 expenditure for the over 25s (13%) is double that of 16-19s (7%) but still lower in absolute terms (£17m cf to £20m in 2013/14).

Investment in stage 5 for 16-19s represents a quarter of total expenditure on that group. For the over 25s it is a fifth of total expenditure and 16% for the 20-24s. In each case, this represents the second most important expenditure category. In the broad definition, investment in this stage is flat as a proportion of total expenditure. Adopting the narrow definition reduces the investment in stage 5 by just under two-thirds for the 20-24 and 25+ groups but only 25% for the 16-19 group.

One interpretation of this marginal shift away from stage 2 and towards stages 4 and 5 is that as the economy has improved, however slowly, employability investment in Scotland has shifted towards employability support for those closer to the labour market. It is less clear that the growth in expenditure on 20-24s and 25+ groups has fundamentally altered the balance of investment across the groups – particularly as the 16-19s secure just over half the total investment (on the narrow definition of employability).

Looking at expenditure on Stages 1-4 (the services directed at people without work) produces a somewhat different picture. The 16-19 group are beneficiaries of the largest share of investment but this has grown but at a quarter the rate of expenditure in total (2% cf 8%). Expenditure on the 20-24 group accounts for just over a quarter of the total in 2013-14 but has grown by 15% over the period (double the growth rate for expenditure as a whole). Finally, expenditure on the Over 25s represents a quarter of the total and has increased at 13%.
Table 3.8: Expenditure on Stages 1-4 by age and priority groups 2011-12 to 2013-14

<table>
<thead>
<tr>
<th>Year</th>
<th>16-19</th>
<th>20-24</th>
<th>25+</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011-12</td>
<td>£197m</td>
<td>£97m</td>
<td>£94m</td>
</tr>
<tr>
<td>2012-13</td>
<td>£207m</td>
<td>£112m</td>
<td>£105m</td>
</tr>
<tr>
<td>2013-14</td>
<td>£202m</td>
<td>£111m</td>
<td>£106m</td>
</tr>
<tr>
<td>Of total 2013-14</td>
<td>48%</td>
<td>26%</td>
<td>25%</td>
</tr>
<tr>
<td>% change 11-12 to 13-14</td>
<td>2%</td>
<td>15%</td>
<td>13%</td>
</tr>
</tbody>
</table>

N.B. The broad/narrow definition only affects Stage 5 and so makes no difference to this table.

Source: CPC calculations based on data returns from partners.

3.4. **Estimates of unit cost of support**

3.4.1. We have analysed returns from partners and attempted to build up benchmark values for the cost of assistance across different stages of the Employability Pipeline. Unfortunately, this is where the evidence base is weakest. There are a number of issues with the data available from partners:

- Missing data where either we were not given the data or we have to assume that many partners do not capture such information;
- For some partners, such as SDS, actual expenditure data is available but does not directly translate to unit cost of assistance as the support can span a number of years. Indeed, there is every reason to suggest that this is also an issue for Local Authority/LEPs and other delivery organisations. A cohort analysis would be required in order to sum expenditure in one year on an individual to that in another and thereby understand total investment over the period of assistance;
- The number of starts was used in apportioning expenditure in the analysis for many partners and so when dividing expenditure by starts this produces the same unit cost across the priority groups (at least for each stage of the pipeline);
- The cost base for this analysis should include all expenditure including European Funding or other partner contributions to understand the full cost of different types of support;
- The costs are per assist, not per client, as noted earlier. Very few systems are able to track the use of multiple stages of the employability pipeline by the same client.

3.4.2. Some caution is required in interpreting and using the data in the following tables, given that we were able to use data from seven Local Authorities and in some cases this was partial. This means that we can present the data either by age or stage but not both. We believe that the broad differentials between age groups and trends over time are of interest but the limited ability to establish multiple instances of assistance makes the actual values less robust.
3.4.3. In line with Scottish Government policy, investment in young people 16-19 is on average greater than that of either 20-24s or particularly the 25 or older age group. Table 3.10 suggests that unit cost of assistance has fallen over the period for 16-19s (by 30%) and 20-24s (by 25%) groups but has increased for the over 25s (by 15%). This could be due to a scaling back of resources devoted to each client or a shift away from more expensive stages.

**Table 3.10: Cost per assistance by age LAs/LEPS**

<table>
<thead>
<tr>
<th>Year</th>
<th>16-19</th>
<th>20-24</th>
<th>25+</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011-12</td>
<td>£1,931</td>
<td>£1,595</td>
<td>£677</td>
</tr>
<tr>
<td>2012-13</td>
<td>£1,547</td>
<td>£1,244</td>
<td>£758</td>
</tr>
<tr>
<td>2013-14</td>
<td>£1,355</td>
<td>£1,196</td>
<td>£778</td>
</tr>
<tr>
<td>% change</td>
<td>-30%</td>
<td>-25%</td>
<td>15%</td>
</tr>
</tbody>
</table>

Source: CPC calculations based on data returns from partners.

3.4.4. When analysed by stage, there is some evidence that the unit cost of assistance has fallen in stages 1 to 3 but stage 4 has remained stable over time and stage 5 has increased. While such a small evidence base needs to be treated with caution, there is some evidence from these cases that the number of assists for stages 1-3 have increased faster than the available investment. Discussions with a number of partners suggested that they had established one-stop-shops to help reduce overhead costs, etc. Others reported that advice and guidance services were being offered by colleagues in social work and so it is possible that these investments have not been fully captured by this mapping process.

**Table 3.11: Cost per assistance by stage LAs/LEPS**

<table>
<thead>
<tr>
<th>Employability Pipeline</th>
<th>2011-12</th>
<th>2012-13</th>
<th>2013-14</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stage 1</td>
<td>£2,635</td>
<td>£2,560</td>
<td>£2,104</td>
<td>-20</td>
</tr>
<tr>
<td>Stage 2</td>
<td>£1,304</td>
<td>£1,439</td>
<td>£1,197</td>
<td>-8</td>
</tr>
<tr>
<td>Stage 3</td>
<td>£3,051</td>
<td>£2,828</td>
<td>£2,250</td>
<td>-26</td>
</tr>
<tr>
<td>Stage 4</td>
<td>£2,637</td>
<td>£2,245</td>
<td>£2,636</td>
<td>0</td>
</tr>
<tr>
<td>Stage 5</td>
<td>£1,974</td>
<td>£2,205</td>
<td>£3,042</td>
<td>54</td>
</tr>
</tbody>
</table>

Source: CPC calculations based on data returns from partners.

3.4.5. Data from SFC allow for detailed cost per enrolment analysis. Tables 3.12 and 3.13 reveal a somewhat similar pattern in the cost per assistance across the priority groups – the cost of the 16-19 vocational training was 3.5 times that of the 25-64 group in 2011-12 but the differential closed to just under 3 times as the cost per enrolment fell for the 16-19s (by 15%) while that of the 25-64 group increased marginally (3%). Again, the situation of the 20-24 group sits between – the cost of enrolment for this group declined by 3%
over the period, closing the differential with 16-19s from being 55% more funding to 36% in 2013-14.

Table 3.12 Average wSUM\textsuperscript{35} per vocational learner

<table>
<thead>
<tr>
<th>Year</th>
<th>&lt;16</th>
<th>16-18</th>
<th>19-24</th>
<th>25-59</th>
<th>60-64</th>
<th>65+</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010-11</td>
<td>12.4</td>
<td>15.9</td>
<td>10.2</td>
<td>4.6</td>
<td>2.1</td>
<td>2.1</td>
</tr>
<tr>
<td>2011-12</td>
<td>11.7</td>
<td>14.8</td>
<td>10.2</td>
<td>4.8</td>
<td>2.2</td>
<td>2.2</td>
</tr>
<tr>
<td>2012-13</td>
<td>11.9</td>
<td>14.7</td>
<td>10.8</td>
<td>5.2</td>
<td>2.5</td>
<td>2.3</td>
</tr>
</tbody>
</table>

Source: CPC calculations based on Infact data on wSUMs and learner enrolments

Table 3.13: Average wSUM per learner by priority groups 2011 to 2013

<table>
<thead>
<tr>
<th>Year</th>
<th>&lt;16</th>
<th>16-18</th>
<th>19-24</th>
<th>25-59</th>
<th>60-64</th>
<th>65+</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010-11</td>
<td>£2,340</td>
<td>£2,992</td>
<td>£1,918</td>
<td>£871</td>
<td>£393</td>
<td>£402</td>
</tr>
<tr>
<td>2011-12</td>
<td>£2,124</td>
<td>£2,674</td>
<td>£1,844</td>
<td>£861</td>
<td>£399</td>
<td>£393</td>
</tr>
<tr>
<td>2012-13</td>
<td>£2,050</td>
<td>£2,543</td>
<td>£1,868</td>
<td>£899</td>
<td>£431</td>
<td>£395</td>
</tr>
</tbody>
</table>

Source: CPC calculations based on SFC expenditure and budget data and Infact data on wSUMs and learner enrolments

3.4.6. Although the data from Local Authorities/LEPs and SFC systems provide a starting point, it would be necessary to obtain a more representative sample of data on the number of assists and, crucially, data on the multiple use of stages of employability support in order to estimate an average unit cost per client. To be comprehensive this analysis must span partners’ systems, and seek to establish to the total investment in individual clients. This would provide an equitable basis on which to judge the relative effectiveness of investment in different priority groups.

3.5. How closely does the investment of resources match need?

3.5.1. There are a number of dimensions to an individual's employability need and therefore a number of different questions regarding the extent to which investment in employability activities meets existing needs:

- Do the resources allocated meet the scale of need?
- Have the resources been invested in the different types of activity that will address the balance of need across the target population – i.e. is sufficient resource available to adequately assess needs and address barriers?
- Do the implicit unit costs support effective interventions – are activities able to invest sufficient time and support in an individual to make a difference and secure an adequate return on investment?

3.5.2. A fairly crude measure of need is the number of people in the priority groups currently unemployed. This is clearly not a complete picture of the demand for employability services in Scotland over the period but does at least

\textsuperscript{35} A weighted Student Unit of Measurement (wSUM) is equivalent to 40 guided learning hours to provide an assessment of the learning input involved in a qualification. A fuller definition is provided in Annex A.
provide a starting point. As noted above, unemployment in Scotland has started to decline but this has only occurred in the past 12-18 months and there is still some way to go to return to pre-recession levels.

3.5.3. In aggregate, 16-19 year olds receive just under half total investment in Scotland but represent just under a fifth of the unemployed population in 2013. The 20-24 age group represent a fifth of the unemployed population and receive just over a fifth of the employability resource. In contrast, the over 25s represent three-fifths of the unemployed population but receive 29% of the employability investment.

<table>
<thead>
<tr>
<th>Priority Groups</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>% of Total 2013</th>
<th>Net change</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>16-19</td>
<td>43,800</td>
<td>40,600</td>
<td>39,400</td>
<td>19</td>
<td>-4,400</td>
<td>-10</td>
</tr>
<tr>
<td>20-24</td>
<td>46,600</td>
<td>42,800</td>
<td>41,900</td>
<td>20</td>
<td>-4,700</td>
<td>-10</td>
</tr>
<tr>
<td>25-64</td>
<td>123,700</td>
<td>128,600</td>
<td>125,000</td>
<td>61</td>
<td>1,300</td>
<td>1</td>
</tr>
</tbody>
</table>

Source: ONS Annual Population Survey data

3.5.4. This is by no means a complete picture of the relative needs of these priority groups (for example, these unemployment figures would not include young people who are in transition between education and work) but does suggest that investment per client is higher on average for the younger age groups, particularly so for those aged 16-19. This is reinforced by the limited analysis of unit costs in section 3.4 above.

3.5.5. While registered unemployment may be declining, the numbers claiming JSA for more than 12 months are increasing: this has increased almost four-fold for the 16-19 group from 2011-2013 from 265 to 1,290, over three-fold for the 20-24s from 1,355 to 5,620 and 64% for the over 25s from a much higher base – 19,135 to 31,400. Over 25s account for 82% of the stock of long-term unemployed in 2013, 20-24s 15% and 16-19s 3%.

3.6. Implications of the analysis

3.6.1. The research has identified some key questions that employability policy has to address to provide the evidence necessary to make robust investment decisions:

- What is the objective of employability pipeline (e.g. employment outcome, increase in income, or other performance measure) and over what timeframe should this be measured? How durable should we expect outcomes to be? Job quality, income and progression are increasingly issues of policy concern but there are as yet few metrics in employability performance that address this dimension.
Confronting the balance of investment in employability activity with nature and scale of need is not straightforward, with evidence gaps on both dimensions. As with performance measures, a focus on indicators of scale often obscures the depth (quality) of need. Emerging evidence suggests that even with an improving economy, some groups of young people will carry an unfortunate legacy from this recession. Whatever the headline figures the scale of need is deeper and will require on-going support to avoid the ‘scarring’ of young people and require the recovery of a much greater number of over 25s in future.

What do we need to establish to better understand the role of pre-employment activity in supporting near labour market activity that ultimately secure outcomes? What are the routeways for different clients?

How would this capture the role of support that is not currently included within employability activity – for example, basic skills and Curriculum for Excellence activity?

How can we determine what is an appropriate level of investment to address clients’ needs?

What can be done to secure more relevant evidence from research and evaluations to support these investment decisions?
4. MEASURING THE PERFORMANCE OF EMPLOYABILITY INVESTMENT

Chapter Summary

Nature of the evidence base

- There are a large number of evaluation studies although relatively few provide robust net additional assessments of what works combined with a clear analysis of why. Robust assessment of additionality is an issue but the difficulties of assessing all interventions supporting an individual is more problematic.

- This means that there are few clear absolute recommendations on what works for whom. More than this, studies of very similar schemes can report widely varying results – suggesting that detailed delivery issues make a substantial difference to performance. There are however some consistent messages from the literature:

  - **Job search** is often highly rated and considered very cost-effective but is much more effective delivered early in the unemployment spell when confidence and motivation is high and when the market is offering attainable job opportunities.

  - Better outcomes are observed by **obtaining qualifications that are recognised by the market** and where the training has a strong **on-the-job component** to support attachment to the labour market and a link to an employer.

  - **Longer term training schemes** typically have low to modest impacts in the short term but can have a bigger impact in the long term through job retention and improved earnings.

  - A number of studies have found that **training programmes for the unemployed** increase participants’ hours in work but have had little success in raising the hourly earnings of participants above what they would otherwise be once in work.

  - This finding does not apply to **Modern Apprenticeships** and other literature highlights the strong attachment generated by employer-based training – longer job tenure among other benefits.

  - Evidence on **incentives to hire workless people** is mixed. There is evidence that financial support to employers can enhance employment prospects, but tends to have relatively high deadweight costs - most subsidised workers who are actually recruited would also have found a job without the subsidy.

  - A key issue is that there are relatively few studies that have undertaken statistically robust assessments of additionality – wage subsidies and recruitment incentives by their nature generate gross job outcomes, the key question is how many of the participants would not secure (unsubsidised) employment otherwise. The nature of the target group for assistance and the health of the local labour market are key factors in determining this assessment.

  - There is a growing body of evidence on mitigation practice – if you...
cannot fully determine what interventions to support for whom, what features of support help improve effectiveness?

- There is a greater understanding that clients reduce their job search effort while they are participating in employability programmes. The ‘lock-in’ effect can substantially reduce the positive benefits from programme support. The longer the duration of the support, the greater the opportunity cost of not actively searching for work.

- Recent evidence suggests that very short term interventions should only be considered in the early stages of unemployment when clients have greater levels of confidence and motivation as the lock-in penalty is higher when clients have better chances of securing work under their own devices. Longer-term support should be reserved for the very disadvantaged and for those with long durations of unemployment.

- This is also the case in improving labour markets – support needs to be alive to developments in the market and seek to target support on harder-to-help clients and reduce investment in candidates closer to the labour market as the economy improves.

- Overall, the evaluations suggest that careful controls must be maintained on employment subsidies and recruitment incentives. Both individual candidates and employers need to be policed and access to the support preserved for those who need it – for individuals to make the difference and secure a work opportunity and for employers to defray the risk of recruitment but not become a source of cheap labour.

**Implications for MIS systems**

- At their best there are some very sophisticated MIS systems in place but these are the exception. Systems have developed organically most often with a view to meeting the reporting requirements of funders.

- Almost all systems focus their attention on activity, very few capture the level of investment in the individual – primarily as the data tends to be organised around the service provided and not the individual.

- The real and perceived issues around data sharing are probably the biggest challenge facing SEF member organisations. Partners reported differences in definitions and measures captured and some questioned the quality of some data capture procedures.

- More generally, respondents felt that the challenge of providing a full assessment of employability services was beyond any single organization – no one partner can obtain a full picture of employability service performance and so individual systems, however sophisticated, can never provide a holistic understanding.

### 4.1. The nature of the evidence base

4.1.1. The volume of potential studies is large although relatively few provide robust net additional assessments of what works combined with a clear analysis of why – so that these features might be replicated to produce similar results elsewhere. One issue is that the vast majority of studies are uncontrolled. This means there is a lack of firm evidence on the basis of which to attribute
programme outcomes to the involvement of individuals within the programme\textsuperscript{36}.

4.1.2. Timing is also an issue. A review of 97 Active Labour Market Policy Evaluations\textsuperscript{37} concluded that longer-term evaluations tend to be more favorable than short-term evaluations. The review found that many programs that exhibit insignificant or even negative impacts after only a year have significantly positive impact estimates after 2 or 3 years.

4.1.3. A recent review of evaluation evidence relating to Active Labour Market Programmes (ALMP)\textsuperscript{38} concluded that research and evaluations fall broadly into two camps neither of which fully satisfy our knowledge requirements:

- Micro or programme-level evaluations are too detailed to draw out the systemic issues affecting ALMP performance – few even acknowledge the contribution of upstream and downstream support or other external factors on outcomes.
- Meta or macro evaluations can provide this overview but are typically not sufficiently detailed to be able to specify which elements of programmes work best for whom.

The headline conclusions from these two work streams also differ:

- Programme-level evaluations tend to be more optimistic, identifying significant benefits to beneficiaries, but results from programmes with similar design characteristics often deliver quite different results, suggesting that delivery issues may be crucial to performance – it is not just what you do but also the way that you do it.
- Meta/macro studies of economic performance tend to be more conservative, with many finding that ALMPs make little difference all things considered. In part, this is due to a trade-off between shorter work-first interventions and the ‘lock-in’ effect of longer, more significant investments in the client’s employability and skills.

4.1.4. These are not an especially promising basis on which to draw out key lessons on what works but do highlight that any review of previous evidence is heavily dependent on the practical delivery issues – again, not so much what you do, but the way in which you do it.

\textsuperscript{38} Hirst, A (2011), Active Labour Market Programmes: How can evaluation evidence help inform investment choices?, Skills in Focus Paper, Skills Development Scotland.
4.2. What works for each stage of the employability pipeline?

4.2.1. There is some consensus in the literature on what works for the different stages of the employability pipeline:

**STAGE 1 - REFERRAL AND ENGAGEMENT**

4.2.2. Part of the national evaluation of Determined to Succeed, an £86 million Scottish Executive strategy which aimed to prepare young people for work, contained a review of evidence in relation to outreach activities aimed at preventing young people from finding themselves Not in Education, Employment or Training (NEET). A number of elements of good practice were identified:

- For young people disaffected with the world of learning and work to become re-engaged, it is vital that they are offered opportunities, activities and services that attract them. This may include cultural activities (arts, music or sports), financial incentives or access to employment.
- Some young people within the "at risk" group are easily identified - many of them have a history of disruption in schools or their local community and have often had a range of contact with local agencies or services.
- The literature stresses the need for project workers to engage in informal outreach work to meet young people in their own territory.
- Most of the evidence reviewed found that projects or activities which rely on voluntary participation are more successful at engaging disaffected young people.
- Many of the documents reviewed emphasised that one of the key ways of keeping disaffected young people engaged in projects was to give them ownership, by involving them in decision-making and giving them opportunities to take responsibility.
- Several evaluations suggest that it is the context rather than content, which will make any projects and its learning programmes feel different from mainstream schooling and the most successful projects are those which put the needs of the young people at the heart of the approaches adopted.

4.2.3. The timing of the recession has had a particularly negative impact on the employability prospects for the 20-24 year old age group: evidence from the Local Government Association in 2012 points to an increasing group, of around 90,000 young people, that have been out of work for over two years. Activity Agreements were piloted by Department for Children Schools and

40 Local Government Association (2012), 'Hidden talents: Supporting the most disengaged young people into employment, educations and training'.
Measuring the Performance of Employability Investment

Families (DCSF) in England in April 2006 to encourage young people who had been NEET for some time back into learning. An evaluation of the pilots\(^{41}\) that operated in ten areas across Scotland between May 2009 and March 2011 found that cost per signed up participant was £3,497 and the average cost (per hard progression\(^{42}\)) of those who reached the end of their Agreement or left early was £7,707.

4.2.4. The evaluation contained a number of key findings that have implications for the engagement of young people. The main findings were that:

- One to one engagement is the best way to secure participation rather than widespread marketing and publicity
- An allowance paid directly to the young person helped to grab their attention and legitimise their involvement
- Local payment systems worked well especially as it was easy for advisors to suspend and restart payments which ensured young people understood the something for something approach.
- Investing in a wider range of activities was successful in engaging the most disadvantaged young people.

4.2.5. Other key messages with regard to outreach comprise:

- Appropriate targeting – an evaluation of the Full Employment Areas initiative in Glasgow\(^{43}\) found that around 60% of those contacted on the doorstep do not engage. This was linked to the high proportion (40-45%) that were either already in work or pensioners. Many of the remainder were shown to have caring responsibilities or health barriers.
- Flexible and friendly - A number of studies have found that the distancing of outreach provision from mainstream provision is critical to the success of the provision and overcoming negative perceptions of statutory services and encouraging greater participation by non-traditional customer groups\(^{44}\).
- Intelligence based - Ensuring that organisations involved in delivering outreach have access to high quality labour market intelligence, including good knowledge of local job opportunities, education and training\(^{45}\).


\(^{42}\) Hard progressions are defined as where the young person leaves an AA and enters one of the positive destinations currently defined in the SLDR - i.e. Further or higher education, voluntary work, national training programmes, or employment with or without further training. (In addition, a young person's return to school should be counted as progression).


\(^{45}\) Department for Education and Employment (1999) Jobs for All, Nottingham, DfEE.
STAGE 2 - NEEDS ASSESSMENT

4.2.6. O’Connell et al.\(^\text{46}\) in their assessment of the potential for the development of a profiling model in Ireland identifies a number of alternative approaches to the largely indiscriminate unemployment intervention mechanism that at the time of writing was adopted in Ireland. These alternative approaches include ‘eligibility rules’, ‘caseworker discretion’, ‘screening’ and ‘profiling’:

- **The eligibility rule** approach describes a process whereby individuals are channelled towards various forms of re-employment support on the basis of meeting certain criteria.
- **Caseworker discretion** is where employment service staff use their own judgement to direct the claimant towards the type of intervention that he/she feels is most appropriate to meet the jobseeker’s needs,
- **Screening** describes the process whereby the caseworker attempts to score the jobseeker’s employability, typically using psychologically-based techniques.
- **Statistical profiling** is a method of assessment where the claimant’s suitability for re-employment support is based on a probability of becoming long-term unemployed, which is generated by a formal statistical model that uses a range of characteristics of the individuals concerned (e.g. age, education level and unemployment history, etc.)

4.2.7. The authors highlight profiling as the optimum intervention approach because of its potential predictive accuracy and objective nature. The authors identified disadvantages, however, including the potentially high set up costs, the possibility that poorly performing models may incorrectly identify individuals for intervention (i.e. deadweight) and the necessity to update the model regularly as economic conditions change. Others have pointed to the danger of stigmatisation of large groups – although this has also been an issue with programmes specifically designed to support disadvantaged groups.

4.2.8. Profiling can play an important role in identifying barriers and targeting services. Hasluck\(^\text{47}\) reports that profiling has been effectively used to support the targeting of re-employment bonuses to those that would have had more difficulty leaving unemployment in order to reduce deadweight. Efficiency gains from profiling were reported for the Work First Profiling Pilot programme. At the start of the programme an employability score was estimated (referring to the ability of the client to find and retain a job) and this score used to refer clients to service providers offering services that best

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matched the need to the client as indicated by the employability score. An evaluation\textsuperscript{48} of the programme showed a 25\% increase in job retention rates as a result of the assessment. More recent evidence suggests that profiling systems are becoming more accurate and may soon be commonplace in helping triage support to those who need it most. The Work Profiler used in unemployment offices in The Netherlands can predict a clients’ chances of returning to work with a mix of 20 questions and is being used to aid diagnosis of key barriers and the type of support that will best help each client. The system can currently accurately predict for 70\% of clients their chances of returning to work within a year\textsuperscript{49}.

4.2.9. There is also a need to ensure that performance measures do not lead to the creaming of easier to help clients. Some researchers have argued that providers should be paid in relation to actual staff costs and time spent rather than by positive outcome, as this gives them more time to deliver a positive service\textsuperscript{50}.

4.2.10. Other studies have established a relationship between the number of barriers to employment and employability outcomes. Using LFS data Berthoud found that the number of barriers faced by individuals were additive – the more barriers experienced the greater the proportion of that group not in employment. For example, 91\% of people with 6 or more barriers were not in employment compared to just 3\% of those without any barriers (table 4.1). There are issues with this analysis. Firstly, the dataset does not cover all potential barriers – no data was available on the individuals’ criminal record, debt and household circumstances, etc, - and secondly, this is a static analysis and changes in the strength of the labour market should impact on the proportions not in employment. That said, it offers a straightforward approach to targeting support to those who need it most.


Table 4.1: Impact of the number of barriers on employment prospects

<table>
<thead>
<tr>
<th>Number of disadvantages</th>
<th>% (of column) all individuals</th>
<th>Cumulative % all individuals</th>
<th>% (of row) not in employment</th>
</tr>
</thead>
<tbody>
<tr>
<td>None</td>
<td>31</td>
<td>31</td>
<td>3</td>
</tr>
<tr>
<td>One</td>
<td>40</td>
<td>69.32</td>
<td>13</td>
</tr>
<tr>
<td>Two</td>
<td>20</td>
<td>29.32</td>
<td>28</td>
</tr>
<tr>
<td>Three</td>
<td>7</td>
<td>9.32</td>
<td>52</td>
</tr>
<tr>
<td>Four</td>
<td>2</td>
<td>2.32</td>
<td>74</td>
</tr>
<tr>
<td>Five</td>
<td>0.3</td>
<td>0.32</td>
<td>87</td>
</tr>
<tr>
<td>Six or more</td>
<td>0.02</td>
<td>0.02</td>
<td>91</td>
</tr>
</tbody>
</table>


STAGE 3 – VOCATIONAL ACTIVITY

Job search assistance & short term training

4.2.11. Job search assistance typically has a positive impact and allied with stricter conditionality regimes can become particularly cost-effective. It has been shown to help reduce the length of unemployment and can also be used to pre-screen participants for current opportunities in the labour market. Success factors include: personalised support and early intervention before the individual loses confidence and motivation; adequate staff/client ratios to maintain momentum and depth in the service and additional support for those who need it.

4.2.12. An assessment of the longer term impact of Work-Based Learning for Adults51 found that participants in Short Job-Focused Training (SJFT) (limited occupational specific training and extra-occupational skills required for the job search process) show the most significant improvement in their employment outcomes in the long run with an average increase in their employment rate of five percentage points for most of the time following participation. However, this impact was not sustained (except for the over 50s).

4.2.13. After the end of the programme, Longer Term Occupational Training participants (improving formal and certified qualifications and provides additional skills in order to update the existing qualifications) increase their employment rate around four percentage points compared to non-participation. Participation in Basic Employability Training (BET) (help with

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51 Speckesser, Stefan Bewley, Helen (2006) The longer term outcomes of Work-Based Learning for Adults: Evidence from Administrative Data’ DWP
improving reading/writing, numeracy and fundamental working skills) results in an improvement in the employment rates for participants of around three percentage points.

4.2.14. Greenberg et al.\textsuperscript{52} looked at data from 64 US welfare-to-work programmes and concluded that ‘employment focused’ programmes initially had a stronger effect on employment outcomes than training programmes, but this effect declined more rapidly than the impact of training programmes once the maximum effect was reached. However, this could be because the ‘training’ programmes included in the study only provided very short-term training.

4.2.15. A literature review of US National Evaluation of Welfare to Work Strategies\textsuperscript{53} concluded that programmes which involved a mixture of approaches - where less job-ready people were sent on training, and the others were assigned to job search activities - were the most effective. One programme raised participants’ earnings by 35% after two years and increased their employment chances by 11 percentage points\textsuperscript{54}. The key features of this programme included:

- Strong employer focus.
- Use of both job search and short-term education and training.
- Provision of high quality services; integrated case managers responsible for welfare eligibility.
- Individualised work experience component
- Specifically and uniquely, participants were advised to hold out for a good job, one which paid at least 25% above the minimum wage and offered a good chance for stable employment.

Longer term training

4.2.16. Longer term training schemes typically have low to modest impacts in the short term but can have a bigger impact in the long term through job retention and improved earnings. For example, Dyke et al.\textsuperscript{55} argue that it is necessary to track outcomes over an extended period of over 3 years. They concluded that intensive training is associated with earnings losses initially but greater earnings gain in the long run.

\textsuperscript{52} Greenberg et al (2004) \textit{Do welfare to work programmes work for long?} Fiscal Studies vol.25, no.1
\textsuperscript{54} The clients of the programme were mainly white, many possessed some qualifications and the local labour market was buoyant.
\textsuperscript{55} The effects of welfare-to-work program activities on Labour Market Outcomes Dyke A Heinrich C Mueser P Troske K Institute for Research on Poverty March 2005
4.2.17. The literature review of US National Evaluation of Welfare to Work Strategies\textsuperscript{56} identified one study which found that over seven years the most intensive retraining programme had the best employment outcomes. Although there were no positive effects on employment in the short-term, those receiving re-training were between 10 and 15 percentage points more likely to be in employment seven years after starting the programme when compared with a control group. It should be noted that those taking part on the programmes tended to be short-term unemployed with some skills and previous work experience.

4.2.18. A literature review of programmes evaluations in OECD countries\textsuperscript{57} concluded that positive results from training programmes may take a long time to appear. Training may also be more effective when it is combined with other services, e.g. job-search assistance. Payoffs at the individual level in most ALMPs appear modest. Earnings increases tend to come from increases in annual hours worked and not gains in hourly wages, suggesting that ALMPs do not lead to higher quality jobs.

4.2.19. Analysis of the longer-term effects of the different New Deal for Young People options\textsuperscript{58} showed that the employment outcomes over a four year period, for those participating in Full Time Education and Training (FTET) had improved, and they spent longer in employment than those taking part in the Voluntary or Environmental Task Force Options. However, it is worth noting that someone who took part in FTET was likely to spend 10.8% less time in employment than someone who took the Employment Option.

4.2.20. Better outcomes are also observed by obtaining qualifications that are recognised by the market and where the training has a strong on-the-job component to support attachment to the labour market and a link to an employer. For example Blundell \textit{et al.}\textsuperscript{59} (found that a spell of employer provided training yielded a pay-off of around 5% to real earnings growth for individuals aged between 23 and 33.)

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\textsuperscript{58} Beale, I, Claire, B, Thomas, A (2008) The longer term impact of the New Deal for Young People Beale et al DWP in-house paper 23.
\textsuperscript{59} Blundell, R. Dearden, L and Meghir, C. (1996) \textit{The Determinants of Work-Related Training in Britain} IFS.
Vocational Qualifications (NVQs) obtained at Level 2 found that the returns to NVQ level 2s are much higher for those who gain their NVQ via an employer.

4.2.21. There is also a need to ensure training is targeted at those with the poorest employment prospects. An evaluation of German Labour Market Programmes found that participants accumulate 2-13 more months of unemployment than non-participants, partly because of the ‘lock-in’ effect where participation on the programme reduces job search. However, positive effects on employment were found for some groups of participants – persons without any vocational education gained almost 10 percentage points in terms of the probability to begin unsubsidised employment after about one year after starting training.

4.2.22. The What Works Centre Review found evidence that on the job training programmes out-perform classroom-based training programmes. Employer co-design and activities that closely mirror actual jobs appear to be key programme design elements. The evaluation of Training for Work (TfW) found that participants were more likely than non-participants to move into employment, increasing the chances of employment by as much as 10-15 percentage points. In contrast to other programmes, there appeared to be little positive impact on employment from job search training or help with job search. The most effective strand of TfW was trainees on employer placements, followed by full-time off-the-job training and finally by training on project placements.

4.2.23. Training in the workplace has also been found to lead to employment stability. Blundell et al. found that average job tenure for someone who had received employer provided training in their current job was 9.5 years for men and 8.9 years for women, and was significantly higher than for those who had not received employer-provided training (6.8 years for men and 5.1 years for women).

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60 Dearden L, McGranahan L, Sianesi B (2004) An in-depth analysis of the returns to National Vocational Qualifications Obtained at Level 2, IFS.
4.2.24. The limited available evidence suggests that training programmes for the unemployed have generally had little success in raising the hourly earnings of participants once in work. For example, the evaluation of Work Based Learning for Adults (WBLA)\(^{65}\) found that Longer Occupational Training (LOT) had no impact on earnings, although LOT did increase the number of hours worked. Similarly, the evaluation of TFW\(^{66}\) found no impact on hourly wage rates for participants. However by increasing the chances of full-time rather than a part-time job, participation in the programme did improve take-home pay.

**STAGE 4 - EMPLOYER ENGAGEMENT AND JOB MATCHING**

4.2.25. Evidence on incentives to hire workless people is mixed. There is evidence that financial support to employers can enhance employment prospects, but tends to have relatively high deadweight costs - most subsidised workers who are actually recruited would also have found a job without the subsidy\(^{67}\). Even within fairly strictly defined target groups there is evidence of selective recruitment - the most promising workers are “creamed off.” Research\(^{68}\) has also found evidence of substitution and displacement effects - improving prospects for some workers at the expense of others.

4.2.26. Other research\(^{69}\) has highlighted a stigma effect with little evidence that targeted subsidies have a beneficial effect on the later careers of beneficiaries. A period of subsidised employment can even have a negative impact on beneficiaries’ future employment prospects.

4.2.27. There is only limited evidence on the cost effectiveness of wage subsidies and recruitment incentives compared to other interventions. A review of Interventions to Support Young Workers\(^{70}\) concluded that different categories of interventions – wage subsidies, public works, and job search assistance, skills training, and comprehensive programs – each had similar

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\(^{65}\) Speckesser, Stefan Bewley, Helen (2006) *The longer term outcomes of Work-Based Learning for Adults: Evidence from Administrative Data* DWP

\(^{66}\) Ibid

\(^{67}\) For example an OECD review of active labour market policies in different countries (studies in Australia, Belgium, Ireland and the Netherlands showed deadweight running at up to 90 per cent),

\(^{68}\) See for example Purvis, A, Foster, S, Lanceley, L, Wilson, T (2014) *Fit for Purpose, Transforming employment support for disabled people and those with health conditions*. Centre for Economic and Social Inclusion.


\(^{70}\) Betcherman (2007) *A Review of Interventions to Support Young Workers: Findings of the Youth Employment Inventory*, SP Discussion Paper 0715
percentages of programs with positive impacts. The meta analysis found no statistically significant differences in the impact or cost effectiveness of the different program types. The policy implication of this finding is that particular types of programs should not be favoured but, rather, that interventions should be chosen based on the specific obstacles to employment that need to be overcome (in keeping with Scottish employability policy objectives).

4.2.28. Very few studies concentrate on the effect on subsidies on employment sustainability. Cockx\(^{71}\) compared subsidised and non-subsidised individuals taking up a job in Belgium, utilising data on their last five recruitments. They found positive, but insignificant effects of the subsidy on job tenure.

4.2.29. There is more research on the impact of subsidies on the employment prospects of participants, compared to unemployed non-participants. Most authors utilised comparison groups of similar, but non-treated, individuals using statistical matching. In Germany, Jaenichen and Stephan\(^{72}\) showed that for previously unemployed individuals, three years after the start of the programme, participants in different kinds of targeted wage subsidies schemes had an increase in their subsequent employment rate of between 25 to 42% percentage points, than similar unemployed persons who did not take up a subsidised job. However, the methods applied did not identify deadweight, displacement or substitution effects.

4.2.30. Community jobs providing work experience for young people through initiatives such as Community Job Scotland offers individuals a chance to break the no-experience, no work cycle through providing young unemployed individuals with paid work and additional training to help them progress into sustainable employment. The evaluation of CJS\(^{73}\) found that it constituted a valuable employability programme as it creates good quality and diverse job opportunities in supportive working environments for unemployed young people with 39% of leavers entering employment and a further 9% entered further education or training. However, typically the young people recruited into CJS were the shorter term unemployed.

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4.2.31. A review of employment support for disabled people\(^{74}\) found no clear evidence that financial incentives – to individuals or employers – have had positive impacts in UK programmes. However, the review did point to the wide literature on the use of incentives for other groups and admitted that they remain a key pillar or support in many countries\(^{75}\).

4.2.32. PHRC\(^{76}\) reported positive employment effects for people aged 35 to 44 in the Danish Flexijobs scheme, but for no other age groups. The evaluation of Flexijobs raised concerns about a potentially marginalising effect, with disabled people encouraged into low skilled work with low pay, mainly outside the normal legal framework of employment rights. It was also found that over time people were increasingly assigned to Flexijobs who would have got unsubsidised jobs anyway, potentially crowding out target participants.

4.2.33. OECD\(^{77}\) note that the approach in Finland avoided the problem of deadweight by imposing very strict conditions on employers. As a result, the Finnish scheme was shown to have stimulated employment in subsidised firms without distorted competition or crowding out of employment in non-subsidised firms. This was seen as contrasting with findings for the ‘very generous’ Danish Flexijobs subsidy that produced only modest employment effects, with an estimated 52% deadweight loss. However, a more recent report\(^{78}\) stated that in Finland, there is a low take-up of the subsidies and few individuals are retained after the subsidy ends.

4.2.34. The Youth Contract Wage Incentive was introduced in 2012 to encourage employers to give young jobless people a chance in a weaker market by encouraging them to fill vacancies with young people. Wage incentives of up to £2,275 each were available to employers taking on an 18 to 24 year old (who has been out of work and getting benefits for at least six months) for at least 26 weeks through Jobcentre Plus across England, Scotland and Wales.

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\(^{74}\) Purvis, A., Foster, S., Lanceley, L., Wilson, T. (2014) Fit for Purpose, Transforming employment support for disabled people and those with health conditions. Centre for Economic and Social Inclusion.


\(^{77}\) OECD (2010) Sickness, disability and work: breaking the barriers. A synthesis of findings across OECD countries. OECD.

or from the Work Programme. Wave two of the initiative was evaluated in 2014\(^7\) and the evaluation found that 19% of employers who responded to the survey created an extra vacancy because of wage incentives. A further 15% were influenced in choice of candidate. Around one in three employers (34%) said that the wage incentive had made them more likely to keep the employee on for at least six months, and 9% said that it had affected the hours worked. In total, just over half of employers (55%) said that wage incentives had influenced their behaviour in some way. Small businesses (with fewer than ten employees) were more likely than large employers to say that wage incentives had made an impact on them.

4.2.35. In Wales, the Jobs Growth Wales (JGW) Programme forms part of a wider set of Welsh Government (WG) initiatives to address youth unemployment. The programme aims to create 16,000 new job opportunities between April 2012 and March 2016 for unemployed and job-ready young people aged 16 to 24 that have experienced difficulty in securing employment. It provides participants with a job opportunity for a six month period paid at, or above, the National Minimum Wage (NMW) for a minimum of 25 hours per week up to a maximum of 40 hours per week, or a £6,000 bursary to support them to start their own business. The programme ultimately aims for its participants to move into sustainable employment or self-employment.

4.2.36. An interim evaluation\(^8\) of the programme was published in September 2014 and covers the period from the launch of the main stage of the programme on 2 April 2012 to the end of July 2013. The evaluation had a number of methodological limitations including the incomplete nature of the management information and lack of data on programme costs. Key findings are summarised below:

- **Job outcomes were reasonable** - just under three quarters (73%) of young people were offered some sort of employment with their JGW employer: 46% were offered a permanent role; 13% a temporary contract and 14% an apprenticeship. The main reasons for not retaining the young person were an inability to afford the wages and dissatisfaction with the young person’s performance.

- **Levels of deadweight were high** – the 328 employers who were surveyed indicated they would have created two thirds of the positions anyway (67%) if they had not initially recruited through JGW. Of these 31% would have been created at this time anyway; 32% were partially

\(^7\) DWP (2014) Evaluation of the Youth Contract wage incentive, wave two research

additional and would have been created anyway but at a later date and 3% of jobs substituted for a member of staff leaving the organisation.

4.2.37. In order to assess the impacts of the programme the labour market outcomes achieved by JGW participants have been compared to a group of non-participants. The counterfactual sample of non-participants has been drawn from the pool of unsuccessful applicants to vacancies advertised through the private sector, graduate and third sector (direct) strands of the programme. The evaluators attempted to address the issue of selection bias through ensuring that the comparison group was chosen so as to resemble JGW participants as far as possible (in terms of age, prior educational attainment, working history, duration of unemployment, family environment and timing of application). Through the use of surveys with both groups some attempt was also made to capture attitudinal factors in the matching process. The results showed:

- **Significant impacts on employability** – 90% of JGW participants reported they were in work at the time of the survey (10 months post application), compared to 59% of the matched comparison group.

- **Time spent in work**: JGW participants had spent nearly 74% of the time elapsed since their first application for a JGW vacancy in work, in comparison to 47% of the matched comparison group. On average, this amounted to an additional eight weeks in employment.

- **Earnings**: JGW participants earned an average of £8,822 since their first application for a JGW vacancy, £2,349 more than the matched comparison group. However, for those in work at the point of survey, there was no evidence that JGW participants earned more (in terms of average weekly earnings) than the comparison group.

- **Benefits**: Impacts on time spent on benefits was less strong, with no statistically significant differences between the time spent on benefits amongst JGW participants and the comparison group since the point of their first application for a JGW vacancy.

4.2.38. The evaluators sought to measure the economic impact of the programme. The earnings impact of £2,350 per participant was applied across the 5,789 participants to estimate a total short term increase in earnings for the young people concerned of £13.5 million. An estimate that employment costs represented 55% of overall Gross Value Added (GVA) was applied to this figure to give an estimate of short term impacts of £24.6 million. However this is an overestimate because:

- No adjustments have been made for any offsetting substitution effects (where programme participants have gained employment at the expense of competing jobseekers).

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81 There is no assessment made of how much later the job would have been created.
• Some young people will be paid wages in excess of their marginal productivity.
• The survey was undertaken 10 months post application and there is no evidence of longer term impacts on employment or wages.
• The evaluation does not accommodate any unobserved characteristics of participants that might influence the probability they are successful in their application to the programme.
• There was no consideration of the impact of multiple support. For example JGW participants (those employed by smaller companies funded under the De Minimis rule) can subsequently enter the Young Recruits Programme where they can receive an additional 12 months of support or go onto an Apprenticeship.

4.2.39. No costs were available for the JGW programme. However, in general, the cost of wage subsidy programmes tends to be relatively expensive compared to other support. For example, the average cost of placing participants in a job under StepUP\(^{82}\) was over £9,500 when Jobcentre Plus costs were added to the direct costs of the placement. The evaluation of StepUP found that the pilot had no impact on the job entry of young people with 49.1% of 18-24 year old StepUP clients in work in the last 90 days compared to 49.3% of control group clients. For the 30-49 year old age group StepUP was more effective with 37.4% of clients in work in the last 90 days compared to 28.9% of control group clients. This difference in job outcomes rates can be used to calculate the number of net additional employment outcomes, which for this client group amount to 82 additional clients entering employment. With total funding of £9,215,000 for the 970 clients in this age group the net cost per additional job outcome is £112,378.

4.2.40. Overall, the evaluations suggest that careful controls must be maintained on employment subsidies. They give rise to large deadweight losses and substitution effects, although on average, they appear successful in increasing net employment if targeted well. These negative effects may be considered less important if the object is to re-distribute job opportunities to the targeted group, at least in the short-term. The longer-run impact of subsidies is still not well-studied. Careful controls are also necessary to minimise firms' incentives to use such schemes as a means of permanently subsidising their workforce.

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STAGE 5 - IN-WORK SUPPORT

4.2.41. By far the best aftercare support is ensuring as far as possible that the client has a job they desire (either a job they want for itself – an ‘ideal’ job - or a job that will lead to their ideal job).

4.2.42. Job coaching has been used to provide practical assistance, on the job, to individuals with the tasks needed for their job. Job coaching requires good relationships with employers, or working closely with employers to develop appropriate programmes. There is some evidence (from the US and Norway and also in Scotland through the programme run by the Wise Group) that job coaching may improve job retention rates for disabled workers.

4.2.43. The Place and Train model aims to get people into competitive employment and then provides time unlimited individualised support for the person and their employer. The effectiveness of this approach is supported by strong evidence in particular for clients with mental health issues. The EQOLISE project\(^{83}\) compared this model with other vocational/rehabilitation services in six European countries and concluded that participants were twice as likely to gain employment (55% v. 28%) and worked for significantly longer. There is an issue in assessing the client as most clients going into supported employment would be probably be assessed as being at stages 2 or 3.

4.2.44. The evaluation of Modern Apprenticeships\(^{84}\) found that greater value from public funding was achieved from:

- 16-19-year-olds rather than older apprentices;
- apprenticeships which tend to take longer to complete, such as construction, engineering and manufacturing;
- apprenticeships in key sectors.

4.2.45. A review of the impacts of adult apprenticeships (19+) in England found that for every public £1 invested, Level 2 apprenticeships returned £16 in benefits compared to £21 for Level 3 apprenticeships, assuming the training would not go ahead without public support\(^{85}\). Clearly net additional return on investment would be only a proportion of this. The evaluation of Modern Apprenticeships in Scotland reported additionality of 34%, implying that the


\(^{85}\) NAO (2012) Adult Apprenticeships, HC 1787, Session 2010-12, February 2012.
net additional return to £1 of public investment in Apprenticeships is £5.44 at Level 2 and £7.14 at Level 3.

**SUMMARY – WHAT WORKS BEST AT EACH STAGE**

| Stage 1 – Referral and Engagement | • Personalisation of IAG and one-to-one engagement  
• Appropriate targeting – a high proportion of those contacted on the doorstep do not engage (many are in-work or pensioners) and there is a need to ensure that outreach is effectively targeted.  
• Intelligence based - Ensuring that organisations involved in delivering outreach have access to high quality labour market intelligence  
• Projects or activities which rely on voluntary participation are more successful at engaging disaffected young people. |
| Stage 2 – Needs assessment | • Use profiling has to support the targeting of re-employment bonuses to those that would have had more difficulty leaving unemployment  
• Ensure that performance measures do not lead to the creaming of easier to help clients.  
• Consider paying provider in relation to actual staff costs and time spent rather than by positive outcome. |
| Stage 3 – Vocational training | • Job search assistance typically has a positive impact and allied with stricter conditionality regimes can become particularly cost-effective.  
• Employment focused programmes have been found to have a stronger effect on employment outcomes than training programmes.  
• Programmes which involve a mixture of approaches - where less job-ready people are sent on training, and others are assigned to job search activities - are the most effective.  
• Longer term training schemes typically have low to modest impacts in the short term but can have a bigger impact in the long term through job retention and improved earnings. |
| Stage 4 – Employer engagement & job matching | • Evidence on incentives to hire workless people is mixed. There is evidence that financial support to employers can enhance employment prospects, but tends to have relatively high deadweight costs.  
• Other research has highlighted a stigma effect with little evidence that targeted subsidies have a beneficial effect on the later careers of beneficiaries.  
• Careful controls are necessary to minimise firms' incentives to use such schemes as a means of permanently subsidising their workforce. |
| Stage 5 – In-work support | • Job coaching has been used to provide practical assistance, on the job, to individuals with the tasks needed for their job. There is some evidence that job coaching may improve job retention rates for disabled workers.  
• The Place and Train model aims to get people into competitive employment and then provides time unlimited individualised support for the person and their employer. The effectiveness of this approach is supported by strong evidence in particular for clients with mental health issues.  
• With regard to Modern Apprenticeships greater value from public funding is achieved from younger apprentices, apprenticeships which tend to take longer to complete, such as construction, engineering and manufacturing; and apprenticeships in key sectors. |
4.3. What works best for whom?

4.3.1. There is consensus amongst evaluators of employability programmes\(^{86}\) that the tailoring of support to the individual rather than a 'one size fits all' approach is the most beneficial. In an ideal scenario, this enables barriers to employment to be both identified and addressed. Key to unlocking this is to work with the grain of an individual’s aspirations.

4.3.2. However, in practical terms, evidence on what works best for whom is patchy. A recent evidence review on employability training by the What Works Centre for Local Economic Growth\(^{87}\) found little evidence which provides robust, consistent insight into the relative value for money of different approaches. The What Works Centre evidence review recognised that comparing fundamentally different types of training is difficult because finding suitable comparators (i.e. policies that target similar groups using different types of training) is challenging.

4.3.3. With regard to interventions by client groups there are, however, a few common messages:

*16-24 year olds*

4.3.4. There is a key argument for focussing support on young people: when people are unemployed at a young age they are more likely to be unemployed and welfare-dependent later in life, with the average young unemployed person spending an extra 2 months per year out of work by their late twenties through the scarring effects of youth unemployment\(^{88}\). People unemployed at a young age are likely to be paid less later on in life than people with similar education, backgrounds and personal characteristics who do not experience unemployment.

4.3.5. There is a need to *engage with local employers* to source a range of opportunities to support successful youth transitions. A review of employers’ recruitment of young people\(^{89}\) concluded that only a very small proportion of employers recruit 16-18 year olds directly from school or college, although a

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86 See for example Newton, B (2012) Work Programme evaluation: Findings from the first phase of qualitative research on programme delivery. Department for Work and pensions


greater number recruit 16-18 year olds from unemployment or other employers. Many of these are students or looking for part-time employment. Excluding students, those who do secure work are much better qualified than their counterparts who are unemployed or inactive. Almost two-thirds are qualified at NQF Level 2 or above. This suggests employers are looking for the best qualified or using qualifications to filter those that possess other qualities they seek.

4.3.6. Employers commonly use informal channels (such as word of mouth and recommendations) when recruiting to entry level jobs. The use of informal methods has increased as the job market has weakened during the recession. Informal recruitment channels disadvantage young people because they are centred on the workplace and the social networks surrounding an existing workforce.

4.3.7. Employers also use a range of criteria in recruitment. These criteria often emphasise attitudes and motivation over experience and qualification. In a recession, however, employers may raise their hiring standards and require more experience and higher qualifications than previously. This tends to disadvantage 16-18 year olds who, as new entrants to the job market, lack prior work experience and may hold only low level qualifications.

4.3.8. Engagement needs to involve working with local employers to encourage them to offer apprenticeship places, and secure opportunities for young people to access business mentors, gain experience of different work environments, hear from local business leaders, and visit workplaces.

4.3.9. Effective methods to provide practical labour market information on what employers are seeking from new recruits is essential. Young people, especially those from disadvantaged backgrounds, lack the social capital that is fundamental to (i) helping them work out what they would like to do when they leave education based on ‘real life’ examples and discussion with employers in that sector and (ii) obtaining a very close understanding of what employers expect of them. A recent International review of Youth Transitions found that 40% of UK youth believe that their post-secondary

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91 Mourshed, M, Farrell, D, Barton, D Education to Employment: Designing a System that Works. McKinsey, Center for Government
studies improved their employment opportunities, the lowest proportion of the nine countries studied.

4.3.10. Research in the UK has shown that getting a real world appreciation of which qualifications and other personal attributes are necessary is vital. The International review found that just 30% of UK youth knew which careers had many jobs when they were choosing what to study, also the lowest of the nine countries. The misalignment between young people’s perception of what they can achieve with their qualifications and reality is more than twice as high among NEETs than non-NEETs. Random assignment trials of 2,500 15-18 year olds as part of the Career Academies in the US demonstrated that while outcomes for treated and non-treated groups were similar at age 18, by 26, those who had benefitted from significant employer engagement while at school had higher employment rates and an average 11% wage premium.

4.3.11. The importance of workplace exposure is echoed in the European literature and OECD analysis demonstrates that those countries with education systems which offer combinations of classroom learning and workplace exposure typically experience much lower youth unemployment rates.

4.3.12. Available provision needs to reflect the diverse nature and needs of this client group. For example payments to cover childcare and travel costs may be necessary.

4.3.13. Information Advice and Guidance (IAG) needs to be impartial, realistic, responsive, and available to all young people, but tailored to the specific needs of the individual. It should be delivered to young people at an earlier age than is currently the case (from at least year 9), by fully independent and impartial staff. The greatest impact of mentoring is when experienced during mid-adolescence (ages 15-17), when young people start to actively shape their future career paths. Other UK based research suggests that young

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people need to be engaged in Years 6 and 7 as this is when they start to form gender-based career expectations.\footnote{Ofsted (2011) Girls’ Career Aspirations}

4.3.14. **Parents and families are a key influence** on young people’s decisions and it is important that schools support them and engage them in the interventions being used with their children.

4.3.15. **Apprenticeship and pre-Apprenticeship programmes** can offer an important route for young people to enter employment. An evaluation in 2006\footnote{CPC (2006) Evaluation of Modern Apprenticeships and Skillseekers, Final Report. Scottish Enterprise} showed that the Skillseekers programme had a significant impact on the numbers of young people recruited with 48% of employers recruiting more young people as a result of participation on the programme.

*Those aged 25+

4.3.16. In line with the rest of the UK and most other OECD economies, Scotland’s population is ageing and the proportion of older people in the workforce is increasing. The Employability Learning Network in Scotland\footnote{http://www.employabilityinscotland.com/} has identified a number of specific barriers faced by older people including employer discrimination; obsolete skills; competition from younger workers; lower level formal qualifications; lack of awareness or distrust of employment services and health problems. Losing a job after the age of 50 is more likely to lead to long term unemployment or inactivity compared with a job loss at a younger age. For these individuals, training or reskilling is likely to be critical for re-engagement in the labour market however the type of low-cost training offered by Jobcentre Plus through the Employability Fund or through the Sector Based Work Academies may be unsuitable for older workers as it is too generic and low level.

4.3.17. Research by the Equality and Human Rights Commission\footnote{Policy Studies Institute (2014) Older Workers: Employment preferences, barriers and solutions. EHRC.} also points to the need for more professional advice and guidance in relation to careers, learning and employment rights for older workers as well as greater support for older people wishing to train and learn. This allows individuals to adapt to changing skill demands, remain productive and to stay motivated and challenged.

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\footnotesize{\textsuperscript{96} Ofsted (2011) Girls’ Career Aspirations  
\textsuperscript{98} http://www.employabilityinscotland.com/  
\textsuperscript{99} Policy Studies Institute (2014) Older Workers: Employment preferences, barriers and solutions. EHRC.}
SUMMARY – WHAT WORKS BEST FOR WHOM

| 16-24 year olds | • There is a need to engage with local employers to source a range of opportunities to support successful youth transitions.  
• Engagement needs to involve working with local employers to encourage them to offer apprenticeship places, and secure opportunities for young people to access business mentors, gain experience of different work environments, hear from local business leaders, and visit workplaces  
• Effective methods to provide practical labour market information on what employers are seeking from new recruits is essential.  
• Workplace exposure and getting a real world appreciation of which qualifications and other personal attributes are necessary is vital.  
• Provision needs to reflect the diverse nature and needs of this client group.  
• Information Advice and Guidance (IAG) needs to be impartial, realistic, responsive, and available to all young people, but tailored to the specific needs of the individual. It should be delivered to young people at an earlier age than is currently the case (from at least year 9), by fully independent and impartial staff.  
• Parents and families are a key influence on young people’s decisions and it is important that schools support them and engage them in the interventions being used with their children. |
| Those aged 25+ | • For those losing a job after the age of 50 training or reskilling is likely to be critical for re-engagement in the labour market.  
• There is also a need for more professional advice and guidance in relation to careers, learning and employment rights for older workers. |

4.4. What is the evidence on the scale of intervention?

4.4.1. There is very little evidence of what scale of intervention is appropriate and for which groups. There is a clear need to strike a balance between early intervention with those who need more assistance whilst ensuring we do not over-invest in those who do not need the support to secure employment. A key question is in how we reliably judge how much assistance is needed.

4.4.2. A review of unit costs of existing programmes provided by the DWP for the House of Commons Work and Pensions Committee for the 2005/06 financial year\(^\text{100}\) show a significant difference between cost per job and cost per participant on different programmes.

### Table 4.2: Unit Costs of programmes, 2005-06

<table>
<thead>
<tr>
<th>Jobseekers</th>
<th>Participants</th>
<th>Cost per gross job entry</th>
<th>Cost per participant</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Deal for Young People</td>
<td>236,200</td>
<td>£2,619</td>
<td>£866</td>
</tr>
<tr>
<td>New Deal for over 25s</td>
<td>127,900</td>
<td>£3,532</td>
<td>£983</td>
</tr>
<tr>
<td>New Deal for over 50s</td>
<td>61,720</td>
<td>£435</td>
<td>£133</td>
</tr>
<tr>
<td>Lone Parents and Partners</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New Deal for Lone Parents</td>
<td>212,620</td>
<td>£841</td>
<td>£365</td>
</tr>
<tr>
<td>New Deal for Partners</td>
<td>4,230</td>
<td>£2,296</td>
<td>£1,107</td>
</tr>
<tr>
<td>Disability Programmes</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New Deal for Disabled People</td>
<td>65,980</td>
<td>£2,372</td>
<td>£1,136</td>
</tr>
<tr>
<td>Pathways to Work (7 JCP districts)</td>
<td>69,369</td>
<td>£2,434</td>
<td>£492</td>
</tr>
<tr>
<td>Workstep</td>
<td>18,569</td>
<td>£4,813</td>
<td>£3,725</td>
</tr>
<tr>
<td>Employment Zones</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EZ NDYP</td>
<td>11,570</td>
<td>£4,283</td>
<td>£1,296</td>
</tr>
<tr>
<td>EZ ND25+</td>
<td>27,670</td>
<td>£4,688</td>
<td>£1,167</td>
</tr>
<tr>
<td>EZ NDLP</td>
<td>10,970</td>
<td>£3,952</td>
<td>£1,177</td>
</tr>
<tr>
<td>Private Sector-Led New Deal for Young People</td>
<td>17,931</td>
<td>£3,224</td>
<td>£1,177</td>
</tr>
<tr>
<td>Private Sector-Led New Deal for over 25s</td>
<td>13,753</td>
<td>£4,625</td>
<td>£1,777</td>
</tr>
<tr>
<td>More recent programmes</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Work programme (to 31st Mar 13)*</td>
<td>-</td>
<td>-</td>
<td>£690</td>
</tr>
<tr>
<td>Flexible New Deal**</td>
<td>407,690</td>
<td>-</td>
<td>£1,889</td>
</tr>
</tbody>
</table>


4.4.3. Employment Related Services Association (ERSA)\(^{101}\) has claimed that the Work Programme is more cost-effective than any other welfare-to-work scheme, costing the taxpayer just over £2,000 per job started, compared to nearly £7,500 under the Flexible New Deal\(^{102}\). However, until the sustainability payments are fully paid as and when people stay in work for longer, the full costs of Work Programme support will not be known. What is clear from the following table is the average spend per client has fallen considerably from the previous generation of mainstream programmes.

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\(^{101}\) ERSA (2014) Work Programme Performance Report

\(^{102}\) As the Government has not published Job Start data from Flexible New Deal (FND), ERSA bases its assumptions on the number of Job Starts in this case on the Job Starts for Payment Group one and two (JSA 18-14 and JSA 25+) on the Work Programme combined. It can be assumed that these two Payment Groups reflect the profile of jobseekers referred to FND. The analysis assumes identical performance between FND and the Work Programme.
Table 4.3: Cost per job start

<table>
<thead>
<tr>
<th>Programme</th>
<th>Work Programme</th>
<th>Flexible New Deal</th>
<th>Employment Zones</th>
<th>New Deal for Young People &amp; New Deal for 25+</th>
</tr>
</thead>
<tbody>
<tr>
<td>DWP</td>
<td>£436m(^1)</td>
<td>£770m(^2)</td>
<td>£993.3m</td>
<td>£4,364m(^3)</td>
</tr>
<tr>
<td>Total job starts</td>
<td>207,822</td>
<td>110,076</td>
<td>126,430</td>
<td>1,313,920</td>
</tr>
<tr>
<td>Cost per job start</td>
<td>£2,097</td>
<td>£7,495</td>
<td>£7,857</td>
<td>£3,321</td>
</tr>
</tbody>
</table>

\(^1\) As of end September 2012. These costs exclude DWP/JCP administration costs  
\(^2\) These costs include the costs of service fees  
\(^3\) Unclear whether this also includes the cost of administration (i.e. staff and office costs etc).  
Source: ERSA.

4.4.4. The sustainability of employment outcomes is a key factor in assessing their cost effectiveness. Data from the National Audit Office\(^103\) shows the wide variation in 12 month outcomes across programmes:

Table 4.4: Sustainability of outcomes

<table>
<thead>
<tr>
<th>Programme</th>
<th>12 month outcomes</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Deal for Disabled People</td>
<td>40%</td>
</tr>
<tr>
<td>New Deal for Lone Parents</td>
<td>37%</td>
</tr>
<tr>
<td>New Deal 25 Plus</td>
<td>29%</td>
</tr>
<tr>
<td>Employment Zones</td>
<td>28%</td>
</tr>
<tr>
<td>New Deal for Young People</td>
<td>26%</td>
</tr>
</tbody>
</table>


Cost effectiveness for different client groups

4.4.5. Funded by the National Institute for Health Research’s School of Social Care Research (SSCR), NDTi recently completed a two year study into the cost effectiveness of different models of employment support for disabled people\(^104\). The study has identified a significant variability in the cost of employment support services and costs per job outcome achieved that cannot be explained by factors such as complexity of people’s disability or size of service. Many services where there was known to be good practice delivered job outcomes at a cost of between £870 and £4,908, and an average of £2,818 demonstrating that it is possible for many services to deliver/ support more new or retained jobs at less cost and/or achieve job

\(^103\) National Audit Office (2007) Sustainable Employment. Supporting People to stay in Work and Advance  
outcomes for more people for the same cost i.e. better outcomes for less money. With regards to the factors which influence value for money the study concluded:

- there is no identifiable relationship between the size of the service and the cost per job outcome. This means that evidence of economies of scale are largely absent and that smaller services are proving to be just as, if not more so, cost effective.
- there appears to be no relationship between the complexity of learning disability\textsuperscript{105} of those supported (as measured by our proxy for their support levels) and either (a) the cost per person supported, or (b) the cost per job outcome.

4.4.6. At the Local Employment Partnership (LEP) level there is limited evidence on cost effectiveness. There is a real paucity of net additional evaluations of employability activity at this level. While this type of evaluation can be challenging and relatively expensive to deliver, ultimately only net additional estimates can help inform future policy choices.

4.5. What are the timing issues?

4.5.1. It is important to establish not just what to invest in but also when it is most effective to intervene. This is mostly about working with the grain of people’s chances of returning to work – research has shown that optimum outcomes can be best achieved at the start of the unemployment spell and decay over the following 6-12 months.

4.5.2. The evidence review by the What Works Centre for Local Economic Growth\textsuperscript{106} found that for basic skills or interventions aimed at raising general employability – shorter programmes (of up to 6 months) have a larger, stronger effect on participants’ employment. The authors surmised that part of the problem around long term programmes, was an observed “lock-in” effect, whereby participants reduce their job-searching activity while undertaking training. This means that the longer the training course, the longer the benefits take to materialise for individuals. Nonetheless they did point to some more mixed results for longer term (of over 6 months) programmes suggesting that long term training programmes, especially those which result in formal qualifications, may only have detectable effects some years later – longer than the data points of many studies.

\textsuperscript{105} This finding relates solely to Learning Disability employment support services.

4.5.3. These findings are echoed by a rare comparative study of short-term and long-term approaches to employability support\textsuperscript{107}. This research used detailed administrative data to compare the impact of short-term training designed to promote job search skills (one month on average) with traditional longer-term training intending to deliver new vocational skills (nine months on average). The econometric analysis was able to estimate not only the impact of each type of assistance across a wide range of client characteristics but also identify at what stage of their unemployment claim the support made most difference\textsuperscript{108}. The results of this research suggest two things:

- Short-term training can be effective in reducing unemployment in the long run if participation occurs early in the unemployment spell. This maximises the impact of job search skills as they contribute at a time when the individual is more motivated and confident of a return to work.
- Long-term training makes a difference to an individual’s chances of being in work in the long run but the “lock-in” effect may increase the unemployment duration if the training is started too early in the unemployment spell.

4.5.4. An evaluation of local extension of the Jobcentre Support Contract in Greater Manchester\textsuperscript{109} found that the short practical workshops on job search, interview techniques and what types of job opportunities were available in the local market, were welcomed by clients, especially those who had lost their jobs after many years in continuous employment. The additional resources provided by GM partners allowed these courses to be offered to clients at 3 months (and then at the start of their claim) to take advantage of their own job search ethic. The cost per client was typically below £200.

4.6. What is the impact of local labour market conditions?

4.6.1. Given the evident unevenness of the economic recovery, it is particularly important to draw distinctions between actions appropriate for areas where economic growth is still limited as opposed to those places where employability activity can work differently with an expanding labour market.


\textsuperscript{108} This was possible as following the Hartz Reform both short and long-term programmes operated in parallel and crucially, the delivery of these programmes was not triggered by set periods of unemployment but by the caseworker’s assessment of client needs – therefore each type of programme could occur at varying times in an individual’s unemployment spell.

4.6.2. Some authors have expressed concern that within the framework of present policies, there is little hope of reducing worklessness in Britain’s weaker local economies to acceptable levels. Ensuring that no-one is further disadvantaged by the last recession has been a consistent message from policymakers but the market has made this a very difficult line to take in practice – the low unit cost of many mainstream programmes is not sufficient to push the more disadvantaged clients to the front of the queue, especially as the more recently redundant have found their feet and got back into the labour market (often into any job).

4.6.3. That said, a number of initiatives have sought to drive a harder bargain with employers when the labour market conditions have improved – tapering wage subsidies or focusing recruitment incentives on more disadvantaged clients.

4.6.4. There is some evidence to suggest an increased opportunity cost from a longer duration in assistance when the economy picks up and unemployment falls. Lechner et al. found that job search intensity is reduced during participation and negative lock-in effects occur because, while in the program, the unemployed often show reduced job search effort and receive fewer job offers from the caseworker. There is evidence to suggest that the lock-in effect worsens when the labour market situation improves.

4.7. What are the implications for management information systems?

4.7.1. The information required by this research process has presented three key challenges to the management information systems:

- Can it identify investment in clients?
- Is it comprehensive, covering all employability expenditure and capturing activity and outcomes?
- Can the data be shared publicly?

4.7.2. These questions make no allowance for the costs of providing such information but are drawn against the very high standard of data collection necessary to establish what has been spent, on whom and with what effect? Clearly these issues need to be considered in any future discussions.

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4.7.3. What follows draws on our discussions with partners who provided information to the study team. We were not able to obtain detailed feedback on all partners’ MIS and it is possible that we may misjudge the quality of their MIS from the detail of the information they were able to provide. It is clear that this is a live issue for many partners – to be able to fully understand their own investment better and to respond to the new rules for EU funding.

4.7.4. It is also important to recognise that we were asking partners about the issues around MIS performance information rather than any other operational issues that might exist to share data on clients’ in the delivery of employability services.

4.7.5. That does not diminish the issues facing partners – the resource cost of providing more information is considerable and the issue of data sharing can seem intractable:

“We have made good progress in working together for mutual benefit and we have been able to develop a Skills pipeline based on information gathered from partner organisations. However, we have not been able to find a simple process that is agreeable to all for gathering information on funding, and statistics on starts or outcomes. It is something that we are currently in discussions about, but negotiations on information sharing have proved complex”.

4.7.6. The real and perceived issues around data sharing are probably the biggest challenge facing SEF members. Partners reported a number of things that make performance data sharing more difficult:

- As MIS systems have developed organically over time, there is a lack of common definitions and approaches to data capture systems so that they vary in what they measure, how this is defined and when it is captured and who’s responsibility it is to undertake this.
- In most cases, this is not just about the partners themselves but also the contractors delivering employability services: “each provider has their own system and each service has their own monitoring system.”
- A few respondents had concerns about the quality of data, which makes them more reluctant to share the data. These respondents stressed the importance of having staff who have been properly trained to input data and use the systems. These burdens are often felt the most by smaller partners.
- More generally, respondents felt that the challenge of providing an full assessment of employability services was beyond any single organization – no one partner can obtain a full picture of employability service performance and so individual systems, however sophisticated, can never provide an holistic understanding of where best to invest unless all investments are captured. If MIS systems are to shift away
Measuring the Performance of Employability Investment

from being seen as an overhead cost towards an integral part of a performance management system, all partners will need to buy-in.

4.7.7. In collating data from partners on their investment in employability activities in Scotland it has become clear that:

- There are some very sophisticated systems in place and many partners have invested in increasingly comprehensive measurement systems while others with more limited expenditure are reliant on spreadsheet-based systems.
- A key driver for some has been the need to account for European Funding and while the requirements of the next round of European funding is set to raise the bar further (by introducing unit cost benchmarks), there is a difference between MIS designed to capture information for funders and a performance management system.
- Almost all systems focus their attention on activity, very few capture the level of investment in the individual – primarily as the data tends to be organised around the service, not the individual. This has a number of implications:
  - Capture of employability investment is organised around departmental budget lines/ programme funding – we are aware that some employability funding that is not also supported by EU funds may not be included in MIS systems and employability support funding by other Departments are not included.
  - There is little information on whether a client benefits from more than one element of support from the same funder and none at all on whether they benefit from other employability support run by other partners.
  - Some systems such as CTS (SDS) and Infact (SFC) do provide information on the value of assistance to individual clients. However, both these systems have limited information on client outcomes beyond completion and (as is probably the case with all long-term MIS systems suffer from clients being supported for more than one financial year – requiring a cohort analysis to fully capture unit costs of assistance.
  - That said, client tracking is part of the leading edge of partners’ MIS systems and in future more better-quality data will become available on multiple service use within programmes. It is only a step towards this, however, as pre and post investment in the same individual but undertaken by other employability partners cannot yet be captured.
  - More generally, there are some minor differences in definitions across organisations and a process to help drive the adoption of more common measures is a fundamental requirement. Some systems collect actual date of birth while others allocate to age bands – this may seem trivial but run to the heart of sharing information on a common basis. Feedback from some partners suggests that gaining acceptance of common definitions across partners can take considerable time but is a necessary first step.
Measuring the Performance of Employability Investment

- More fundamentally, individual partners rarely support employability clients in sufficient numbers to fully judge their effectiveness. There is also a resource issue as Local Authorities have less staff than in the past to undertake this work. ‘Big data’ analysis may provide the key to a better understanding of what works but this is likely to require the pooling of data. Both WP prime contractors collate information on a large number of client characteristics (over 70 variables) as well as information on their support and outcomes over time but crucially this is pooled nationally to provide sufficient data for analysis. All but the largest partners should consider pooling data in order to access more robust analyses of performance.

- UK departments (Business Innovation and Skills, and DWP) are undertaking preliminary assessment of what might be required to link existing datasets from education, vocational training and learning, benefits and welfare to work programmes and HMRC data on income. While this may take some time, it does suggest that SEF partners might consider whether key information on education performance might be considered within any future upgrades.

- For others, there is an issue of how their activities link to outcomes – SFC supports the collection of college vocational learning records on completion rates. Information on destinations post-completion is not currently available although SFC plans to introduce this within 3 years and is currently piloting the approach in a number of regional colleges. In relation to Modern Apprenticeships, SDS undertake a survey of participants to estimate post programme destinations but a distinction needs to be made between those who were already in employment before starting learning and those who moved into work in conjunction with or as a result of their training activity.

4.7.8. The cost of any investment in improved MIS systems is not trivial and, in the context of public sector reform, partners need to seek a return beyond just capturing spend for funders. While there is an understandable view that existing monitoring systems have cost substantial resources to develop, they are not fit for purpose in the context of a performance management system. The information provided by most systems cannot be used to drive an effective performance management process and so there are limited potential gains to be secured from more effective provision of employability services.

4.8. What are the implications for existing employability performance measures?

4.8.1. At the heart of this discussion is a view that we must become much better at securing evidence on what secures employability ‘outcomes’ but with limited discussion of what these outcomes are. There are two main issues here:

112 See Bibby et al, Feasibility study to look at an impact analysis of training and skills for the unemployed, BISResearch Paper, January 2014 on a framework to link education, learning, welfare benefits and welfare programme activity to HMRC data.
• Job outcomes relative to other positive outcomes; and,
• What is a job?

4.8.2. Any future system needs to retain a clear distinction between job outcomes and other positive outcomes. The latter are vital but the ultimate objective of employability support is to secure employment. There are three issues for consideration by SEF here:

• As better information becomes available on clients’ progression pathways through employability support, the value of different non-employment positive outcomes and how these lead on to employment outcomes can be better understood;
• How can the employability support funded through Social Work, Community Learning, Education and other cognate areas of activity be best captured by the system; and
• What are appropriate measures of the impact of Modern Apprentices or SFC funded vocational training (in FE and HE) in terms of employment outcomes? There are a number of options here that should be considered – where public funding has led to clients securing employment that would otherwise gone to another (more experienced) candidate? Where funding has enabled someone without employment to secure work? The long term career and income benefits from securing vocational qualifications?

4.8.3. Exactly what constitutes a ‘job’ outcome is an issue that also needs to be considered. This is an area where SEF could drive forward some shared understanding and common development in partners systems. There has been much debate over job quality as the UK economy starts to improve revolving around ‘zero hours’ contracts and self-employment. When Universal Credit is rolled out across Scotland\textsuperscript{113}, the boundaries between work and benefits will become increasingly blurred and any amount of work will be set against the tax credit system.

4.8.4. Systems will therefore need to provide more evidence on job quality. Given that there have always been challenges in valuing the employability impacts of, (say) in-work vocational training, there may be advantages to considering whether it is time to move to an income measure that might span both ‘into-work’ and ‘in-work’ interventions.

4.8.5. The second dimension here (and again, one which will require some consultation with SEF member organisations) is how partners should value sustainability in outcomes. Currently, there is only limited assessment of the

\textsuperscript{113} Plans are to move claimants on to universal credit as and when they have a significant change of circumstances, such as starting a new job or when a child is born. By the end of 2017, the rest of those affected in England, Scotland and Wales will be moved on to universal credit in stages.
durability of job outcomes – some partners undertake follow-up at 13 weeks for some funding streams but others do not undertake any tracking of long term durability of outcomes.

4.8.6. The expense of undertaking long-term tracking is an issue but one which might be better addressed collectively. There are a number of wider issues here about valuing employment participation and the benefits arising to partners from more short term job entries against fewer jobs sustaining for longer periods.

4.8.7. There is a real question over whether current provision has a ‘plan B’. For the most part there is an emphasis on a mix of relatively short-term confidence-boosting approaches to promote labour market attachment and recruitment incentives and wage subsidies to boost work experience.

4.8.8. Alternative approaches seeking substantive changes in an individual’s skills include MAs, and the majority of these are individuals previously unemployed or moved onto an MA within 6 months of their initial employment. Similarly, SFC are in the process of prioritising more substantial courses designed to improve the student’s employment prospects and reduce the number of students enrolled on very short programmes of study (under 10 hours). It is not currently possible to explore this level of detail on the Infact Database. However, we were able to establish that 20% of the vocational courses undertaken by students did not lead to a recognized qualification.

4.8.9. Finally, there is a need to have a good hard look at additionality – what type of interventions make a net additional difference? Are initiatives adding value to those who need it or those who are more capable and faster on their feet to secure support? It is difficult to question whether an individual supported into employment has indeed benefited from that support more than they would otherwise. For recruitment incentives and wage subsidies, it is particularly difficult to establish additional outcomes without large scale randomised control trials. This does raise the issue of whether individual partners should pool their research activities. The scale of employability services in any one location is such that it is difficult to justify the cost of such robust research techniques without expanding the scale of the services they are evaluating.
5. CONCLUSIONS AND ISSUES ARISING

5.1. Key findings

How much do partners invest in employability in Scotland?

5.1.1. It is not currently possible to measure the level of employability investment in Scotland. Our estimates are dependent on a large number of assumptions all of which were necessary to secure an overall estimate of expenditure on employability support but some of which severely limit our ability to analyse and interpret the results.

5.1.2. That said, we think the best way forward is to improve the approach and a key part of this is for partners to explore the results and sense test the estimates. Whatever the accuracy of our estimates, the process through which they have been derived raise questions for employability policy. It will be important for partners to explore our estimates and consider their implications – where they fit with expectations and where they do not.

5.1.3. We estimate that total expenditure on employability according to the broad definition was £660 million in 2013-14. This has increased from £625 million in 2011-12 (by 6%). If we exclude Modern Apprenticeships and vocational training for those already in work (the ‘narrow’ definition), the estimate is £533 million in 2013-14 an increase from £484 million in 2011-12 (10%). Just under half this expenditure is invested in the 16-19 age group (50% of the narrow definition) with a quarter for the 20-24s and 30% for the over 25s (a quarter of total expenditure for each group on the narrow definition).

5.1.4. Over the period expenditure on the 16-19 age group has increased marginally (4% broad and 1% narrow definition), investment in the over 25 group has increased at three times this rate (12%) and almost four times for the 20-24 group (15%). On the narrow definition the growth of 20-24s (17%) and 25+ (19%) is stronger. Despite these different growth rates, the investment focus on the 16-19 year old age group is not in dispute. Even with the same growth rates as seen 2011-12 to 2013-14 it would take five more years for investment in 20-24s and 25+ to be larger than that of 16-19s.

5.1.5. Around half of total investment is in stage 3 – Vocational Activity (45% on the broad definition and 55% on the narrow) with stage 5 being the next most significant element of employability activity (33% on the broad definition but 17% on the narrow as the exclusion from the latter of in-work training
impacts only on stage 5). Stage 2 is 11% of expenditure on the broad definition and 14% on the narrow. Stage 1 is the smallest on both definitions (3% broad and 4% narrow) and stage 4 is around 10% (8% broad and 10% narrow). However, these are the two fastest growing categories with 46% and 24% increases, respectively. Investment in stage 3 increased by 9% but because of the scale of this activity, this represents the largest net increase of all stages. Investment in stage 5 increased slightly over the period (1%).

5.1.6. These figures are estimates. We are aware that some elements of expenditure are not included because we could not secure information on the level of spend. However, estimating the value of the ‘missing’ expenditure is not straightforward.

5.1.7. It is worth noting that if we were to rely on actual data returns this analysis would not be able to generate total expenditure on employability in any year. The data required to provide a full analysis of investment in employability is demanding of systems and perhaps it is no surprise that the system has creaked a little around the edges. What may be available from one partner, was not from another. There is a real cost to collating this information and we acknowledge the help and support of partners in providing the information we requested.

5.1.8. In too many areas we have had to use starts by age group to allocate expenditure. This implicitly assumes that all priority groups cost the same. While this may be realistic in some circumstances, it is clearly not in the majority.

What can we say about the balance of this investment?

5.1.9. The estimates are able to present an overview of investment in different age groups and stages of the Employability Pipeline but a deeper understanding of what this means and whether it meets relative need requires a better connection between expenditure, activity and impacts on individuals – both between and within different funding streams.

5.1.10. In terms of the scale of the employability problem, ILO unemployment data suggest that just under half Scotland’s employability resource (on the broad definition and just over on the narrow) is devoted to around 20% of the client group (16-19s). Those aged 20-24 are a similar proportion of the unemployed and benefit from a quarter of the employability expenditure (on
both definitions). In contrast, the 25+ group are 60% of the unemployed population but receive 30% of funds (25% on the narrow definition). This is in keeping with the Scottish Government’s policy objectives to address youth unemployment.

5.1.11. All priority groups are suffering from increasing proportions of long-term unemployed and this suggests that the depth of need has increased. Over the past 5 years the number of 16-19 year olds unemployed for more than 12 months has increased by 410. The number of 20-24 year olds unemployed for more than 12 months has increased by 2,895 and the number of 25-64 year olds unemployed for more than 12 months has increased by just over 14,000. In the past year, the number of long term unemployed have started to fall, particularly so for the younger age groups.

5.1.12. Too often the basis for allocating employability expenditure has been the number of starts in each age group. At the very least, this blurs the actual differences in the investment in different age groups – which may make little difference if they were supported by the same service in the same way but may make a major difference when allocating expenditure to a range of activities in different stages of the Employability Pipeline (and certainly when allocating total expenditure on a programme).

5.1.13. It also means that the unit cost of assistance is the same across age groups – preventing any meaningful analysis of unit costs. This means we have relatively weak information on the costs of assistance. What evidence we have suggests that there is a consistent pattern of higher investment per assist for 16-19s, intermediate for 20-24s and lowest for 25+. The unit cost of assistance for 16-19s can be 1.5 to over 2.5 times that of the 25+ group.

5.1.14. Over time, there is also some evidence (albeit from a small number of cases) that average expenditure on 16-19 support has fallen, unit cost of assistance for 20-24s has also reduced but at a lower rate and the level of spend on 25+ activity has been maintained or increased (from a much lower base).

5.1.15. The unit costs for stages 1-3 have also fallen over time, while stage 4 has remained stable. As investment in stage 4 has increased significantly (44%), this would suggest the increase has kept pace with (increased) demand (particularly from 16-19s and 20-24s). The unit cost for stage 5 has increased by 54%. Stage 5 expenditure for 20-24s and over 25s has increased but fallen slightly for 16-19s.
5.1.16. We have no basis for testing these results – there is too little data to explore whether these are consistent (or inconsistent) results but it would make sense to explore whether the differentials between priority groups and trends over time to a reduction in average unit cost reflect partner organisations’ experience.

5.1.17. The process of allocating scarce resources to priority groups does sharpen the understanding of what we measure and how – highlighting those aspects of the process where information is limited or absent and how some widely accepted measures of performance don’t much help in informing this choice. It would help drive a wider shared understanding of the many detailed issues in performance management if SEF member organisations review the expenditure estimates, consider what issues they raise for (i) getting better estimates in future and (ii) considering whether the estimates they are in line with Scotland’s current and future employment priorities and needs and whether funding needs to be realigned accordingly.

What needs to be done to improve employability measurement systems?

5.1.18. Partners’ monitoring information systems have evolved organically but most were originally designed to capture information for funders rather than as the basis of a performance management system intended to better understand the employability pathway in full.

5.1.19. It has proved a significant challenge to collate information on an equivalent basis from partners, even on the simplest measure of priority groups. No system can yet capture investment in the individual across all stages of the employability pathway, let alone track clients from one funding source (e.g. Local Authorities) to another (e.g. Skills Development Scotland).

5.1.20. Such a fragmented picture of delivery can only produce a fragmented understanding of what works. There is a very real cost to maintain and populate the current patchwork quilt of MIS systems and as a group they currently cannot provide the evidence necessary to drive a performance management system and ensure best value for money in the delivery of employability services.

5.1.21. Only the very best information systems can track individuals and start to consider the level of investment in the individual over the employability pathway. If there is an opportunity to introduce a step-change in the manner...
in which partners monitor employability investment in Scotland, then it should be to move to client-focused CRM systems. The information requirements for the next round of EU funding will drive a better understanding of unit cost of assistance but it is not clear that this will provide the impetus to shift to individual-based reporting (nor whether partners who do not draw down EU funding will incorporate their activity in the same monitoring process). This will not be cheap both in terms of setting up a system and then ensuring that quality data is collated. However, it would at least offer the opportunity of systematically improving the delivery of employability services and thereby provide a return on the investment required.

5.1.22. As some organisations already consider that introducing comprehensive monitoring systems for employability expenditure is too expensive, it is likely that a collective system will make more financial sense, help deliver more consistent information to common definitions and help partners build up sufficient information to better inform their own services.

5.1.23. Data sharing will be a major issue in this process but feedback from partners in this exercise cite differences in the type of measures used in systems, differences in definitions and concerns over data quality far more often than specific issues with the Data Protection Act. A primary concern is that not all partners – national agencies as well as local partnerships – will be required to share data. SEF spans the full range of these organisations and is ideally placed to drive forward improved collaboration on data sharing.

5.1.24. This research has been able to draw out some of the issues but has also demonstrated that until partners fully understand the scale of investment in any one individual it will remain a challenge to be precise about the investment choices that will best deliver durable impacts. SEF is in a position to help frame some of these issues now - what are the objectives of employability support particularly in terms of the quality and durability of outcomes?

5.1.25. The changing relationship between employment and (household) income needs to be more clearly addressed in any new system. Employability services have retained a “job outcome” as the ultimate objective of investment but this no longer means the same as when many MIS systems were first introduced. Insecurity of income even when you have a job is an issue for many who are successful in securing a job outcome. Welfare
Conclusions and Issues Arising

reform proposals will further blur the boundaries between work and unemployment. This suggests that some form of income-based measure of performance will be necessary in future.

5.1.26. The lessons from research and evaluation evidence are mixed as so much appears to depend on implementation and delivery such that for any good practice design there are similar implementations with less than impressive results. That said there are some key areas of delivery with a body of long-term positive outcomes and strong qualitative results from a number of countries:

- Evidence suggested that there are long term durable benefits from bringing all young people into contact with employers while at school and before they select their course options, simply to better understand what is required of them post-education and at a point when it can make a difference to their aspirations\textsuperscript{114}. There is emerging evidence that disadvantaged young people benefit more as this contact fills a gap in their personal and social networks that more advantaged children can benefit from.

- Short interventions (up to a month including workshops on job search processes, interview techniques and what types of jobs best fit previous experience) that boost job search activity and effectiveness very early in unemployment spell – ideally from day one.

- Longer-term human capital development interventions that allow individuals to compete for jobs in different occupations have largely disappeared from the UK employability support services. In part, because their effectiveness was seriously questioned. There is evidence that such approaches can work but need to be very carefully targeted.

- Notwithstanding evidence that the early application of long-term support undermines effectiveness as the process itself essentially prevents job search effort more needs to be done to target early intervention on those who are clearly going to remain out of work for some time without such support. The results for non-JSA clients from the Work Programme suggest that more needs to be done for these clients pre-Work Programme.

- Knowledge sharing – the future will need to look towards early-intervention criteria with some form of invest-to-save model but this will need all partners to pool knowledge from each stage of the employability process – pre-Work Programme, Work Programme and Post-WP. We understand previous attempts to do this have floundered on DWP data sharing rules but SEF should keep up pressure and seek to build on the data sharing that has been undertaken for this research.

- Finally, as the economy recovers from the great recession it will be important for partners to scale back their support to preserve it for those who really need the help – to drive a harder bargain with employers on the value of recruitment incentives and duration of wage subsidies. Where it takes longer for the recovery to take hold, some flexibility in this

\textsuperscript{114} Similar initiatives have been suggested by the Wood Commission, Education Working For All! Commission for Developing Scotland’s Young Workforce Final Report, Scottish Government, June 2014.
approach will be necessary. Profiling unemployed clients is becoming more accurate and may offer one way of ensuring that only clients who require additional support can access such services.

5.2. **Issues arising from the research**

*To improve performance we must first of all be motivated to learn from each other. This was one key reason behind the establishment of the Employability and Tackling Poverty Learning Network, which we look to enhance and make greater use of going forward. We are also keen to encourage deeper levels of continuous improvement informed by national and international examples. [Working for Growth - A Refresh of the Employability Framework for Scotland]*

5.2.1. In attempting to establish robust estimates of employability investment in Scotland we have been confronted by a number of questions that should properly be considered by SEF member organisations as they are policy choices. It may be that one of the most productive ways of building on this research exercise is for SEF to consider these issues, before progressing. These issues include but should not be limited to the following:

- What is the objective of employability pipeline (e.g. employment outcome, increase in income, or other performance measure) and over what timeframe should this be measured? How durable should we expect outcomes to be? Job quality, income and progression are increasingly issues of policy concern but there are as yet few metrics in employability performance that address this dimension.

- Confronting the balance of investment in employability activity with nature and scale of need is not straightforward, with evidence gaps on both dimensions. As with performance measures, a focus on indicators of scale often obscures the depth (quality) of need. Emerging evidence suggests that even with an improving economy, some groups of young people will carry an unfortunate legacy from this recession. Whatever the headline figures the scale of need is deeper and will require on-going support to avoid the ‘scarring’ of young people and require the recovery of a much greater number of over 25s in future.

- What do we need to establish to better understand the role of pre-employment activity in supporting near labour market activity that ultimately secure outcomes? What are the routeways for different clients?

- How would this capture the role of support that is not currently included within employability activity – for example, basic skills and Curriculum for Excellence activity?

- How can we determine what is an appropriate level of investment to address clients’ needs?

- What can be done to secure more relevant evidence from research and evaluations to support these investment decisions?
5.2.2. Robust performance data is at the heart of any learning process and is at the core of the public sector reform agenda. The monitoring systems currently in place are not fit for purpose and reflect and re-inforce the fragmentation in delivery that SEF has been established to help overcome. There is a need to drive shared learning on current practice by establishing a performance management system for employability services in Scotland. This would need to achieve a number of things:

- It should be as comprehensive as possible. This will provide two clear benefits:
  - All partners’ information will be available equally.
  - There are clear economies of scale in setting up such a system that will allow smaller partnerships to benefit.
- We are not calling for the wheel to be re-invented but a clear test for any current system is whether it can establish actual investment in an individual client, fully capture each stage of the employability pathway that supports the client and includes information on their job (and other outcomes) in terms of quality (income) and durability.
- Research has only a limited understanding of what produces the best outcomes over an extended timeframe. Evidence is limited but suggests that the short (immediate post-programme) and long-term (three to five years) impacts of different interventions can differ – what looks like good performance post-programme may fade and the benefits from other investment may take longer to manifest. We think that this is a policy choice but one that needs to be brought into the debate now. What would partners prefer to invest into maximise outcomes over what period?
- A bigger problem will be to include employability investment that is not currently captured by MIS systems as it falls outwith the need to report to funders. In order to consider its contribution to addressing the unemployment problem, this activity should be included but partners should discuss where to draw the line and be consistent.
- National What Works centres are beginning to explore some of these issues in more detail and it would make sense that SEF and partners stay abreast of their research outputs. The ability of ‘big data’ to produce clear insights into what works has yet to be fully established but there is research currently on-going on the use of basic education information to among other information help inform what works for whom. The important point here is that SEF and partners also look to a wider set of measures than are traditional in employability MIS systems where this might provide better insight into performance.
- Data sharing will be raised as an issue but the real constraints on what can and cannot be shared are often shrouded in a general reluctance to share information in the first place. SEF should lead an investigation into what are the legislative boundaries on sharing data rather than the departmental preferences or otherwise. This will help clear up any on-going concerns and place the emphasis on sharing.
5.2.3. Underpinning a shared performance management process should be shared research. A key driver here is that the scale of activity undertaken by many partners is simply not large enough to provide robust research results. Pooling resources and accessing economies of scale will help access high quality results on which to inform investment decisions. Key gaps in the research include:

- Net additional assessment of interventions is essential. Quantitative research seeking to establish short and long-term impacts will be fundamental to making a case to invest in (early intervention) support that saves subsequent costs. Randomised control trials are not a panacea and it will also be important that research can understand why impacts have arisen – otherwise they cannot be replicated.

- Not enough is known about the net additional benefits of wage subsidies and employer recruitment incentives. They remain a very popular intervention, especially when the labour market is not providing job opportunities that are accessible for unemployed people. However, the research literature points to the potential for high deadweight – when clients who would otherwise secure jobs also benefit from the subsidy. As the economy improves what criteria should partners apply to guard against this?

- The benefits arising from longer-term training support are clearly evidenced for programmes such as Modern Apprenticeships but the extent to which such support is open to those with longer durations of unemployment is unclear. Some research suggests that such training does have a more robust impact on employability in the long term – particularly in securing employment in occupational areas that clients could not secure without training.
ANNEX A  ASSUMPTIONS AND ESTIMATES

Overview

The objective of this assignment was to secure best available information on the expenditure invested in employability activity in Scotland. For the most part, accessing information on budgets allocated to employability activity is relatively straightforward. This requires not budgets by year and where possible by priority group (age).

Ideally this would focus on actual expenditure on individuals/priority groups but in practice it has been necessary to allocate expenditure pro rata to the number of starts by age group.

In a number of cases we have had to make assumptions in order to allocate expenditure to programmes or between priority groups. This section sets out these assumptions and the estimates of expenditure that result.

Scottish Government Employability Funding

The table below provides the annual summary position on the Scottish Government’s direct expenditure on employability activity in Scotland. The individual employability funds are listed in the table. Expenditure by Skills Development Scotland is dealt with separately below.

Table A.1: Employability Skills & Lifelong Learning programme spend 2010 to 2013

<table>
<thead>
<tr>
<th>Activity</th>
<th>2010/11</th>
<th>2011/12</th>
<th>2012/13</th>
<th>2013/14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Activity Agreements</td>
<td>£11.0m</td>
<td>£23.3m</td>
<td>£17.1m</td>
<td>£27.8m</td>
</tr>
<tr>
<td>Inspiring Scotland 14-19 Fund</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Community Jobs Scotland</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Youth Employment Scotland Fund</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Union learning Fund</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Young Scots in Work</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PACE</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>£11.0m</td>
<td>£23.3m</td>
<td>£17.1m</td>
<td>£27.8m</td>
</tr>
</tbody>
</table>

Expenditure by year has been allocated to priority groups pro-rata to the number of starts on each programme. The expenditure has been allocated to stages in the Employability pipeline according to the programme examples. Where these span more than one stage of the pipeline, expenditure has been averaged across these stages

Scottish Local Government Employability Expenditure

Scottish Local Authorities are committed to implementing Single Outcome Agreements through Community Planning Partnerships so that national objectives are met in a way that takes account of distinctive local circumstances and priorities. All 32 Local Authorities provided a response to our request to detail their expenditure on employability activities across stages of the employability pipeline and by priority group.

Each Local Authority was asked to provide expenditure figures for activity that was predominately for employability support – so, for example, to include expenditure where most clients of a money advice service when this was because they were part of the employability pathway but exclude any expenditure on a similar service where employability clients were incidental to the service.

115 See http://www.employabilityinscotland.com/employability-pipeline/the-employability-pipeline/ for a list of programmes by stage of the pipeline.
The allocation of expenditure to the stage of the employability pipeline and to priority groups was left to the judgment of those who would know this best – Local Authority employability staff.

However, not all Local Authorities were able to identify other employability spend undertaken by other Departments – often Social Work (Youth) or Community Learning activity. None were able to estimate the investment in employability-related activity by Education departments for post-16s as part of the Curriculum for All. We did consider whether it would be possible to use this limited information to estimate the potential contribution for other Local Authorities. However, the wide variation in investment across a small number of submissions (the range of expenditure varies from around £100,000 per annum to over £3.5m from six Local Authorities), suggested that this would be unrealistic. Investment is therefore only included for those Local Authorities who were able to provide this information.

While 32 Local Authorities provided aggregate information on employability expenditure, fewer were able to provide a breakdown by age (16) and stage of the employability pathway (19). Most Local Authorities allocated activity manually by assumption, although the stages of the employability pipeline are embedded in a minority of MIS systems. Where delivery in the early stages of the pipeline is provided through a one-stop-shop did have to make estimates in order to breakdown expenditure.

We have estimated the breakdown of all Local Authority spend by age and stage pro-rata to the average of the 16 Local Authorities who provided an age breakdown and the average of the 19 who provided a stage breakdown.

To gain some understanding of the dynamics of investment we sought to secure information across at least three years. However, to achieve this, it was necessary to make some assumptions to understand how expenditure has changed over time. We had 32 responses for 2013-14, 25 for 2012-13 and 18 for 2011-12. To estimate what all 32 Authorities would have invested in 2011-12 and 2012-13 we calculated the annual change in total expenditure across the 18 Local Authorities who provided data for the full three year period to ‘deflate’ the total expenditure for 32 Authorities in 2013-14.

Skills Development Scotland Employability Expenditure

SDS provided expenditure for 2011-12 and 2012-13 but was not able to provide information for 2013-14. Figures for 2013-14 have been estimated from SDS budgets as set out in the 2013-14 Operating Plan. Staff costs were excluded as it was not possible to secure a breakdown of these across different SDS services – for example to separate out the cost of Careers advisors from core management staff, etc.

For Modern Apprenticeships, the information provided is actual expenditure by age. However, in 2011-12 figures were collected for the 20+ age group so this has been estimated by using the number of starts 20-24 and 25+ in 2011-12 to allocate this to the two age groups. A similar approach was used to allocate Training for Work starts between 18-24 and 25+.

Programmes have been allocated to the different stages of the employability pathway in accordance to the programme examples set out on the SEF website and in consultation with SDS.

A “narrow” definition of MAs was agreed with the SEF steering group which aimed to remove that part of Modern Apprenticeship expenditure that was invested in apprentices who were already in work. For those who have been working for their employer for some time, the support could be considered more in the nature of workforce development than employability. The narrow definition estimated the proportion of modern apprentices who had started working with their employer less than six months.
prior to starting their MA or who had been recruited specifically to undertake an MA\textsuperscript{116}. This impacts differentially on the age groups with a greater impact on over 25s (a reduction of 80% at Level 2 and 87% at Level 3) and 20-24s (57% at Level 2 and 52% at Level 3). The youngest age group at much less likely to have been recruited for more than 6 months before starting their apprenticeship (42% at Level 2 and 17% at Level 3).

**Scottish Funding Council Employability Expenditure**

The principal contribution to employability from the college sector is through provision of vocational training of learners – both in and out of work – at the FE level. We have been unable to secure this information directly from SFC and so we have used available data from SFC’s Infact MIS system to apportion teaching expenditure to vocational training. The Infact database provides data on the number of learners on vocational and non-vocational courses. However, we have used weighted Student Units of Measurement (wSUMs) to allocate expenditure to age groups as these combine the amount of learning (approximately 40 hours of classroom-based attendance on a programme of study or one Scottish Qualification Authority credit) and a weighting accounting for differences in the cost of that learning. Data on wSUMs take up by age were produced for vocational training funded by SFC FE funds (i.e. excluding HE, SDS or other sources such as European Funding).

### Table A.2: Scottish Funding Council Vocational Training wSUMs\textsuperscript{1}

<table>
<thead>
<tr>
<th>Age group</th>
<th>2010-11</th>
<th>2011-12</th>
<th>2012-13</th>
<th>2013-14\textsuperscript{2}</th>
</tr>
</thead>
<tbody>
<tr>
<td>16-18</td>
<td>£167,562,981</td>
<td>£138,223,142</td>
<td>£144,182,907</td>
<td>£149,499,489</td>
</tr>
<tr>
<td>19-24</td>
<td>£113,277,099</td>
<td>£101,312,112</td>
<td>£105,674,939</td>
<td>£109,571,584</td>
</tr>
<tr>
<td>25+</td>
<td>£113,441,232</td>
<td>£93,803,715</td>
<td>£88,390,840</td>
<td>£91,650,153</td>
</tr>
<tr>
<td>wSUMs\textsuperscript{3}</td>
<td>2,167,200</td>
<td>1,904,306</td>
<td>2,020,385</td>
<td>2,080,468</td>
</tr>
<tr>
<td>% of total wSUMs</td>
<td>89%</td>
<td>82%</td>
<td>92%</td>
<td>92%</td>
</tr>
<tr>
<td>Vocational Enrolments</td>
<td>255,122</td>
<td>223,418</td>
<td>219,108</td>
<td></td>
</tr>
<tr>
<td>Av cost/ wSUM\textsuperscript{4}</td>
<td>£188.55</td>
<td>£180.91</td>
<td>£172.78</td>
<td>£173.98</td>
</tr>
</tbody>
</table>

\textsuperscript{1} Includes vocational training funded by SFC, excluding vocational courses supported by Govt training scheme and courses supported by European funding. Excludes learners at school or retired.


\textsuperscript{3} Total wSUMs for SFC funded vocational learning excluding learners still at school or retired.

\textsuperscript{4} Average calculated from total wSUMs delivered (forecast for 13-14) and expenditure (budget for 13-14).

Source: SFC Infact Database

As noted above, the FE teaching budget has fallen as the overall SFC FE budget has declined – the proportion of wSUMs invested in vocational courses declined in 2010-11 and 2011-12 but then increased in 2012-13, suggesting a greater focus on vocational courses. The implied spend per wSUM has, however, declined over the period, suggesting that either course costs have fallen across the board or there has been a shift to lower cost courses. We calculated the average wSUM per enrolled learner and there is some evidence that the number of hours learning for younger learners (16-18) has fallen by just over a SQA credit from 2010-11 to 2012-13. Older age groups have slightly increased the average number of wSUMs.

### Table A.3: Average wSUM per Vocational Learner

<table>
<thead>
<tr>
<th></th>
<th>&lt;16</th>
<th>16-18</th>
<th>19-24</th>
<th>25-59</th>
<th>60-64</th>
<th>65+</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010-11</td>
<td>12.4</td>
<td>15.9</td>
<td>10.2</td>
<td>4.6</td>
<td>2.1</td>
<td>2.1</td>
</tr>
<tr>
<td>2011-12</td>
<td>11.7</td>
<td>14.8</td>
<td>10.2</td>
<td>4.8</td>
<td>2.2</td>
<td>2.2</td>
</tr>
<tr>
<td>2012-13</td>
<td>11.9</td>
<td>14.7</td>
<td>10.8</td>
<td>5.2</td>
<td>2.5</td>
<td>2.3</td>
</tr>
</tbody>
</table>

Source: CPC calculations based on Infact data on wSUMs and learner enrolments

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To provide a benchmark for the average level of learning undertaken, 12 SUMS would achieve an HNC and 15 SUMS per year would achieve an HND.

Not surprisingly the value of the investment in vocational learning reflects the much longer durations of training among younger age groups. Nevertheless, over time the average spend per learner has declined for under 25s as the fall in the value of each wSUM combined with these changes in average number of wSUMs. For 16-18 year olds average wSUMs fell by 7.5% between 2010-11 and 2012-13 but the decline in average spend per learner in this age band is 15% over the same period.

**Table A.4: Average Spend per Vocational Learner**

<table>
<thead>
<tr>
<th>Year</th>
<th>&lt;16</th>
<th>16-18</th>
<th>19-24</th>
<th>25-59</th>
<th>60-64</th>
<th>65+</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010-11</td>
<td>£2,340.17</td>
<td>£2,992.25</td>
<td>£1,918.29</td>
<td>£870.82</td>
<td>£392.63</td>
<td>£402.13</td>
</tr>
<tr>
<td>2011-12</td>
<td>£2,123.84</td>
<td>£2,674.34</td>
<td>£1,844.29</td>
<td>£861.34</td>
<td>£398.61</td>
<td>£393.24</td>
</tr>
<tr>
<td>2012-13</td>
<td>£2,050.03</td>
<td>£2,542.95</td>
<td>£1,868.37</td>
<td>£898.69</td>
<td>£431.02</td>
<td>£394.90</td>
</tr>
</tbody>
</table>

Source: CPC calculations based on SFC expenditure and budget data and Infact data on wSUMs and learner enrolments.

SFC does not allocate expenditure according to the Strategic Employability pipeline so we have allocated this overall expenditure according to whether the learner is not working (Stage 3, Vocational Training) or in employment while learning (Stage 5).

**Table A.5: Proportion of Vocational Learners in Work by Age**

<table>
<thead>
<tr>
<th>Year</th>
<th>16-18</th>
<th>19-24</th>
<th>25-59</th>
<th>60-64</th>
<th>65+</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010-11</td>
<td>17%</td>
<td>37%</td>
<td>59%</td>
<td>62%</td>
<td>42%</td>
</tr>
<tr>
<td>2011-12</td>
<td>18%</td>
<td>35%</td>
<td>59%</td>
<td>67%</td>
<td>47%</td>
</tr>
<tr>
<td>2012-13</td>
<td>15%</td>
<td>30%</td>
<td>57%</td>
<td>64%</td>
<td>51%</td>
</tr>
</tbody>
</table>

Source: CPC calculations based on SFC expenditure and budget data and Infact data on wSUMs and learner enrolments.

**Table A.6: Estimates of the total investment by SFC in college vocational learning by age and stage**

<table>
<thead>
<tr>
<th>Year</th>
<th>16-18</th>
<th>19-24</th>
<th>25+</th>
<th>65+</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010-11</td>
<td>£138,744,626</td>
<td>£71,845,814</td>
<td>£46,580,441</td>
<td>£257,170,881</td>
</tr>
<tr>
<td>Stage 5: In-work support</td>
<td>£131,926,271</td>
<td>£30,414,529</td>
<td>£193,019,632</td>
<td>£120,050,450</td>
</tr>
<tr>
<td>2011-12</td>
<td>£113,295,641</td>
<td>£65,461,054</td>
<td>£38,007,659</td>
<td>£216,764,354</td>
</tr>
<tr>
<td>Stage 3: Vocational Training</td>
<td>£24,927,501</td>
<td>£35,851,057</td>
<td>£55,796,056</td>
<td>£116,574,615</td>
</tr>
<tr>
<td>Stage 5: In-work support</td>
<td>£88,368,140</td>
<td>£29,610,000</td>
<td>£159,268,595</td>
<td>£104,190,000</td>
</tr>
<tr>
<td>2012-13</td>
<td>£122,903,474</td>
<td>£74,331,184</td>
<td>£38,243,167</td>
<td>£235,477,825</td>
</tr>
<tr>
<td>Stage 3: Vocational Training</td>
<td>£21,279,433</td>
<td>£31,343,755</td>
<td>£50,147,673</td>
<td>£102,770,861</td>
</tr>
<tr>
<td>Stage 5: In-work support</td>
<td>£101,624,041</td>
<td>£43,987,429</td>
<td>£88,100,000</td>
<td>£132,700,000</td>
</tr>
</tbody>
</table>

Source: CPC calculations based on SFC expenditure and budget data and Infact data on wSUMs and learner enrolments.

**DWP/Jobcentre Plus Funding**

As a non-devolved government department DWP’s programme budgets are defined at a UK level. The principal programmes include the Work Programme, Work Choice, Youth Contract, Flexible Support Fund and the Jobcentre Plus Support Contract.

In discussions with the SEF Steering Group we also decided to exclude the delivery costs for Jobcentre Plus (a total of £3,053m in 2013/14 with £1,705m being operational delivery costs – the direct cost of providing benefit processing and labour market services from Jobcentres).

No data is publicly available on programme expenditure in Scotland. However, DWP has published information on WP expenditure for the programme as a whole.
Table A.7: Cost of the Work Programme to 31st March 2013 (£m)

<table>
<thead>
<tr>
<th>Payment type</th>
<th>2011/12</th>
<th>2012/13</th>
</tr>
</thead>
<tbody>
<tr>
<td>Attachment Fees</td>
<td>267</td>
<td>180</td>
</tr>
<tr>
<td>Job Outcomes</td>
<td>13</td>
<td>142</td>
</tr>
<tr>
<td>Sustained payments</td>
<td>3</td>
<td>131</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>283</td>
<td>453</td>
</tr>
</tbody>
</table>

Source: DWP General Ledger quoted in WP Costs to March 2013, DWP, June 2013\(^{117}\)

Using WP programme performance data we have calculated the share of programme attachment fees and job outcome and sustained payments delivered by providers in Scotland (9.7% and 9.3% respectively\(^{118}\)). Using this information we can calculate the share of expenditure in Scotland on a pro-rata basis. This is an estimate based on average prices paid to prime contractors\(^{119}\) and is not necessarily the same as expenditure on clients. It is possible that actual expenditure is somewhat higher or lower, depending on whether the prime contractors are making a loss or profit on their activities in Scotland over this period.

Table A.8: Estimated Revenue for the Work Programme in Scotland (£m)

<table>
<thead>
<tr>
<th>Payment type</th>
<th>2011/12</th>
<th>2012/13</th>
</tr>
</thead>
<tbody>
<tr>
<td>Attachment Fees</td>
<td>£25,935,387</td>
<td>£17,484,531</td>
</tr>
<tr>
<td>Job Outcomes</td>
<td>£1,206,957</td>
<td>£13,183,690</td>
</tr>
<tr>
<td>Sustained payments</td>
<td>£278,528</td>
<td>£12,162,418</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>£27,420,874</td>
<td>£42,830,639</td>
</tr>
</tbody>
</table>

Source: CPC estimates based on DWP Ledger data and WP performance data to September 2013.

Using DWP performance data on the take up and job outcome payments by age it is possible to allocate these estimates to age groups.

Table A.9: Estimated Revenue for the Work Programme in Scotland by Age (£m)

<table>
<thead>
<tr>
<th>Payment type (£m)</th>
<th>18-24s</th>
<th>25+</th>
<th>18-24s</th>
<th>25+</th>
</tr>
</thead>
<tbody>
<tr>
<td>Attachment Fees</td>
<td>£7,065,743</td>
<td>£18,869,644</td>
<td>£4,763,422</td>
<td>£12,721,109</td>
</tr>
<tr>
<td>Job Outcomes</td>
<td>£422,184</td>
<td>£784,773</td>
<td>£4,611,551</td>
<td>£8,572,139</td>
</tr>
<tr>
<td>Sustained payments</td>
<td>£97,427</td>
<td>£181,102</td>
<td>£4,254,318</td>
<td>£7,908,101</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>£7,585,355</td>
<td>£13,629,291</td>
<td>£19,835,519</td>
<td>£29,201,349</td>
</tr>
</tbody>
</table>

Source: CPC estimates based on DWP Ledger data and WP performance data to September 2013.

Younger clients of the Work Programme represent just over a quarter of attachments (27.5% to Sept 2013) but almost a third of revenue (32%). This is because more young people secure job outcome payments (it is not yet possible to analyse WP performance


\(^{118}\) Scottish share of national cumulative referrals and job outcome payments June 2011-September 2013.

\(^{119}\) Actual costs could vary from these estimates because Scottish prime contractors have a different pattern of referrals across the nine payment groups or because their contracted payment values are different to the average of other primes (DWP set maximum values and individual primes bid by setting their own price at or below these values). We have analysed the pattern of referrals by payment group and can find no significant difference between WP as a whole and that in Scotland.
for cohorts and so difficult to establish an accurate figure of the proportion of clients securing a job outcome.

Expenditure data is not available for 2013/14. Comparing the referrals, attachments and job outcome and sustainability performance for April 2013-September 2013 to the same period in 2012 suggests that revenue will be higher but:

- Overall Referrals and Attachments are lower (April to Sept 2013 is 80% of April to Sept 2012). This is particularly the case for the most successful payment groups JSA 18-24s (2013 attachments are 56% of 2012 levels)
- Attachment payments are worth only 50% of their original value (cf with 75% in 2012/13).

Taking these together, the £17.5m earned from Attachment fees in 2012/13 would fall to £9.3m in 2013/14. Job Outcome payments for April to Sept 2013 were some 150% of the same period 2012/13. On this basis the £25m revenue in 2012/13 would increase to around £38m – but this does not factor in any fall-off in recruitment overall or the most successful 18-24 JSA payment group. Overall, revenue in 2013/14 would be in the region of £47.3m.

The prospects for 2014/15 suggest that this level of revenue may not be replicated in future. From April 2014 there will be no Attachment fees paid and prime contractor discounts on the job outcome and sustainability payments will also come into effect.

From the available information there is no way in which the total expenditure can be allocated to stages in the Employability Pipeline. Both prime contractors have very comprehensive MIS provisions and they have the capability to analyse performance in great detail but this data is subject to DWP permission to release and may be considered to represent significant commercial competitive advantage to the primes.

The Youth Contract was launched in April 2012 with the objective of providing almost half a million new opportunities for 18-24 year olds including apprenticeships and voluntary work experience placements nationally. At UK level, some 14,500 Youth Contract Wage Incentive job starts have been funded during 2012/13 with no further breakdown available. If all these were full-time and sustained for 26 weeks, this would imply expenditure of just under £33m. Some figures are available on the take-up of work experience and sector-based work academies for Scotland, suggesting that just over 9% of national activity is taken up in Scotland. A very broad estimate would suggest that £3.2m of this expenditure on Youth Contract Wage Incentives was in Scotland. We have found no other information on the cost of work experience starts or sector-based work academy places.

**Table A.10: Work Experience and Sector-based Work Academy Pre-employment Training Starts in Scotland, April 2011-May 2013**

<table>
<thead>
<tr>
<th></th>
<th>Work Experience Starts</th>
<th>Sector-based work academy pre-employment training starts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scotland</td>
<td>13,200</td>
<td>5,720</td>
</tr>
<tr>
<td>% of Total</td>
<td>9.65%</td>
<td>9.27%</td>
</tr>
<tr>
<td>18-24*</td>
<td>10,960</td>
<td>2,790</td>
</tr>
<tr>
<td>25-49</td>
<td>1,940</td>
<td>2,400</td>
</tr>
<tr>
<td>50+</td>
<td>300</td>
<td>530</td>
</tr>
</tbody>
</table>

* Age breakdown from national figures Get Britain Working Measures Official Statistics, Table 2, DWP, 21 August 2013.
0.3% of Work Experience starts and 0.08% of sector-based academy starts were under 18 but are included in this category.

Source: DWP Geographical breakdowns of statistics on work experience, NEA and sector-based work academy pre-employment training starts, 21 August 2013.
The data for Work Experience and Sector-based Work Academy starts suggests that the Youth Contract support is not just available for 18-24s. Some 83% of Work Experience starts nationally are 18-24 (with around 1% being under 18). However, only 49% of Sector-based Work Academy starts are 18-24. We have no age breakdown for the Wage Incentive starts but this element of support is exclusively for 18-24s.

It is worth pointing out that 18-24 year olds on the Work Programme are eligible for the Youth Contract Wage Incentive. So whatever the expenditure, this may simply reinforce the outcomes from the Work Programme. This issue and its implications for cost effectiveness was highlighted by Work and Pensions Select Committee:

_However, delivering wage incentives via the Work Programme has value for money implications which will require careful monitoring by DWP. The Government will need to assess, during the first year of the scheme, whether young people placed in wage-incentivised jobs are receiving ongoing support from Work Programme providers at a level which justifies sustainability payments. If it proves to be the case that employers themselves offer all the support that the young employee needs, this would call into question the cost-effectiveness of the approach._

From April 2011 various discretionary funds and programmes aimed at helping benefit claimants move into and remain in work were abolished and replaced by a single Flexible Support Fund (FSF) giving Jobcentre Plus Districts more control over how they use their budgets. The FSF enables Jobcentre Plus, either directly or in partnership with other local organisations, to tailor support and services to individual and local labour market need.

The budget for FSF in Scotland in 2013/14 is £9.6m and is somewhat above than the budget available in 2012/13 of £8.1m. Expenditure in 2012/13 was in practice just under £8.8m. Actual anticipated expenditure in 2013/14 is shown in Table 2.5. Most funding (69%) does not specify any age groups, so the overall balance of expenditure cannot be determined.

<table>
<thead>
<tr>
<th>Age Group</th>
<th>2013/14 Spend</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>16/18-24</td>
<td>£835,940</td>
<td>13%</td>
</tr>
<tr>
<td>25+</td>
<td>£1,154,922</td>
<td>18%</td>
</tr>
<tr>
<td>Unspecified*</td>
<td>£7,503,960</td>
<td>69%</td>
</tr>
<tr>
<td>Total</td>
<td>£9,494,822</td>
<td>100%</td>
</tr>
</tbody>
</table>

* Target group does not specify client age. Includes £3m expenditure on barrier removal such as work clothes, fares, one-off training courses, etc.

Source: DWP FSF Project list anticipated spend for 2013/14

From project descriptions it is possible to allocate most of the FSF anticipated expenditure to different stages of the Employability Pipeline. The majority of expenditure falls into Stage 2 Barrier Removal (60% of identified expenditure) often for the removal of particular barriers to job search activity (e.g. improving digital skills, confidence and motivation etc). Stage 4 activities were also significant with vocational training support aimed at specific sectors/ occupational areas with employment opportunities.

120 Ibid p39
121 No details are available to disaggregate this spend by priority group.
Table A.12: Flexible Support Fund Expenditure in Scotland by Stage of the Employability Pipeline (£)

<table>
<thead>
<tr>
<th>Pipeline</th>
<th>2013/14 Spend</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stage 2*</td>
<td>£5,695,616</td>
<td>60%</td>
</tr>
<tr>
<td>Stage 3</td>
<td>£869,929</td>
<td>9%</td>
</tr>
<tr>
<td>Stage 4</td>
<td>£1,392,599</td>
<td>15%</td>
</tr>
<tr>
<td>Not specified</td>
<td>£1,536,678</td>
<td>16%</td>
</tr>
<tr>
<td>Total</td>
<td>£9,494,822</td>
<td>100%</td>
</tr>
</tbody>
</table>

* Includes £3m expenditure on barrier removal such as work clothes, fares, one-off training courses, etc.

Source: CPC categorisation of DWP FSF Project data anticipated spend for 2013/14

Work Choice is a national programme for people with disabilities, with a strong emphasis on in-work support (for two years or more). Work Choice replaced Workstep, Work Preparation and the Job Introduction Scheme in October 2010.

Providers receive a service fee for each individual who starts Work Choice. They receive a further payment if that individual obtains a job outcome, and a final payment if that job outcome is sustained – unsupported for at least six months. DWP have reported that a six-month cohort of Work Choice programme starts between 1st January 2013 and 30th June 2013, 45.9% of this group of 9,390 Work Choice starts had obtained a job outcome by 31st December 2013\(^{122}\).

Statistics on take up from Q3 2010 to Q3 2013 suggest that referrals in Scotland are 10.9% of all referrals to the programme, starts on Work Choice represent 11.1% (so slightly more referrals start the programme in Scotland) and job outcomes are 12.9% of the total (participants in Scotland are slightly more likely to secure a supported or unsupported job). No figure for unsupported jobs sustained at six months has been published for Scotland but the national rate is 37% of all job outcomes. At this rate Scotland would deliver 1,044 sustained unsupported job outcomes.

Table A.13: Work Choice Expenditure Estimates (£)

<table>
<thead>
<tr>
<th>18 to 24s</th>
<th>2011-12</th>
<th>2012-13</th>
<th>2013-14(^1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>CPA1 - Highlands, Islands, Clyde Coast and Grampian</td>
<td>£410,995</td>
<td>£608,264</td>
<td>£645,129</td>
</tr>
<tr>
<td>CPA2 - Forth Valley, Fife and Tayside</td>
<td>£456,661</td>
<td>£722,314</td>
<td>£473,094</td>
</tr>
<tr>
<td>CPA3 - Glasgow, Lanarkshire and East Dunbartonshire</td>
<td>£502,327</td>
<td>£646,281</td>
<td>£387,077</td>
</tr>
<tr>
<td>CPA4 - Ayrshire, Dumfries, Galloway and Inverclyde, Edinburgh, Lothians and Borders</td>
<td>£730,657</td>
<td>£798,347</td>
<td>£645,129</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>£2,100,640</strong></td>
<td><strong>£2,775,207</strong></td>
<td><strong>£2,150,429</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>25+</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>CPA1 - Highlands, Islands, Clyde Coast and Grampian</td>
<td>£1,369,983</td>
<td>£1,444,628</td>
<td>£1,204,240</td>
</tr>
<tr>
<td>CPA2 - Forth Valley, Fife and Tayside</td>
<td>£1,141,652</td>
<td>£1,406,612</td>
<td>£1,075,215</td>
</tr>
<tr>
<td>CPA3 - Glasgow, Lanarkshire and East Dunbartonshire</td>
<td>£1,552,647</td>
<td>£2,090,909</td>
<td>£2,193,438</td>
</tr>
<tr>
<td>CPA4 - Ayrshire, Dumfries, Galloway and Inverclyde, Edinburgh, Lothians and Borders</td>
<td>£1,643,979</td>
<td>£2,128,926</td>
<td>£2,064,412</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>£3,508,561</strong></td>
<td><strong>£5,676,148</strong></td>
<td><strong>£5,337,034</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Scotland All Ages</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>UK Expenditure</td>
<td>£78.5m</td>
<td>£82.8m</td>
<td>£85.2m(^2)</td>
</tr>
</tbody>
</table>

\(^1\) Expenditure is pro-rata to start figures for Q1-Q3.

\(^2\) Estimate based on DWP actual expenditure figure for Apr-13 to Feb-14 £78.1m increased by monthly average for full year.


We have been given Work Choice expenditure figures for the UK and used these to estimate the expenditure for Scotland. To achieve this we have assumed that young

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\(^{122}\) Work Choice: Official Statistics, DWP, February 2014
people (18-24s) and older clients (25+) cost the same and apportioned the UK expenditure relative to the proportion of clients in the four contract package areas in Scotland. The produces estimates of expenditure in Scotland of between £7.8m and £9.8m. Expenditure in 2013-14 has been estimated using the data on starts for the first 9 months of the year and expenditure to February 2014. The apparent decline in expenditure is due to the relatively high proportion of starts in the four CPAs in Scotland in 2012-13 (12% of UK total) compared the 2011-12 and the first three Quarters of 2013-14 (10%).

The New Enterprise Allowance (NEA) aims to support up to 40,000 new business start ups from Dec 13. NEA commenced in pilot areas in April 2011 and rolled out nationally from 1st August 2011. Nationally (GB), there were 66,700 NEA mentor starts between April 2011 and August 2013 which lead to 32,520 NEA weekly allowance starts (an approval rating of 49%).

There is no information on the actual expenditure on the programme. If we assume that the national age breakdown is the same in Scotland it is possible to estimate the expenditure for Weekly Allowance but this makes no allowance for the cost of mentoring support and any loans (low interest rates and defaults, etc).

**Table A.14: Estimated Starts by Age in Scotland (April 2011 – Aug 2013)**

<table>
<thead>
<tr>
<th>Scotland</th>
<th>Mentor Starts</th>
<th>Weekly Allowance Starts</th>
<th>% WA starts</th>
<th>Cost of Allowance</th>
</tr>
</thead>
<tbody>
<tr>
<td>18-24</td>
<td>509</td>
<td>167</td>
<td>33%</td>
<td>£212,490</td>
</tr>
<tr>
<td>25-49</td>
<td>4,160</td>
<td>1,680</td>
<td>40%</td>
<td>£2,139,944</td>
</tr>
<tr>
<td>50+</td>
<td>1,251</td>
<td>554</td>
<td>44%</td>
<td>£705,166</td>
</tr>
<tr>
<td>Total</td>
<td>5,920</td>
<td>2,400</td>
<td></td>
<td>£3,058,874</td>
</tr>
</tbody>
</table>

* Cost of Allowance averaged over a 12 month period.
Source: CPC estimates based on DWP New Enterprise Allowance Statistics, December 2013

At a national level, fewer NEAs in Scotland progress from mentor starts to the Weekly Allowance than England or Wales. Nationally, younger age groups also do worse, meaning that around a third of 18-24 NEA mentor starts progress to Weekly Allowances. This data covers the whole period from April 2011 to August 2013. Pro-rata we estimate expenditure for April 2012 to March 2013 to be £1.473m. All this expenditure would fall under Stage 5 of the Employability Pipeline.

The Support Contract is aimed at JSA claimants in the early stages of their claim who require short, low cost additional ‘modules’ of support, such as a day on CV preparation, specific workshops on particular occupations or target setting to help focus and boost their job search efforts. Mainly targeted at people unemployed for six months or more (with some fast tracking), plus lone parents, carers and partners, replacing the relevant New Deals.

**Table A.15: JCP Support Contract Estimates**

<table>
<thead>
<tr>
<th></th>
<th>2011-12</th>
<th>2012-13</th>
<th>2013-14</th>
</tr>
</thead>
<tbody>
<tr>
<td>UK expenditure</td>
<td>£26,832,527</td>
<td>£26,449,479</td>
<td>£26,401,320</td>
</tr>
<tr>
<td>Scotland Estimate</td>
<td>£2,549,090</td>
<td>£2,512,701</td>
<td>£2,508,125</td>
</tr>
</tbody>
</table>

Source: CPC estimates based on JCP Budget Statistics, December 2013

The Support Contract is delivered by providers external to Jobcentre Plus. There are three contract package areas in Scotland but we have been unable to source any information on the scale or cost of the provision under this programme. Data from DWP on Flexible Support Fund has a number of contract variations for additional support under the Support Contract which amount to £1.885m in 2013/14.
Charitable/Third Sector Employability Funding: Big Lottery Employability Funding

The Big Lottery (BL) have identified a number of funding streams that support employability activities in Scotland. More detailed research would be required to understand the timeframe for expenditure, client groups supported (we are aware some supported groups fall outside the working age group) and ensure that the range of activities fit within the definition of employability we have adopted. The figures below are therefore provisional for the following funding streams:

- Life Transitions Outcome 2: supporting people previously outside the labour market to access sustainable jobs created in enterprises and organisations working towards social aims;
- Life Transitions Outcome 3: more economically inactive people are in touch with job-seeking services;
- Moving Up intervention: More people who are disadvantaged in the workplace gain opportunities to advance their career;
- Supporting Twenty-First Century Life (Making it Work Intervention) outcome: More lone parents are able to move into employment; and,
- Young Start Outcome 4: Young people are better prepared for getting a job or starting a business.

### Table A.16: Big Lottery Project Funding in Scotland

<table>
<thead>
<tr>
<th>Projects Funded in Scotland</th>
<th>Total funding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Life Transitions: more economically inactive people are in touch with job-seeking services</td>
<td>40 projects</td>
</tr>
<tr>
<td>Life Transitions: more people previously outside the labour market access sustainable jobs created in enterprises and organisations working towards social aims</td>
<td>6 projects</td>
</tr>
<tr>
<td>Moving Up: more people who are disadvantaged in the workplace gain opportunities to advance their career</td>
<td>8 projects</td>
</tr>
<tr>
<td>Supporting 21st Century Intervention (outcome: more lone parents are able to move into employment)</td>
<td>5 projects</td>
</tr>
<tr>
<td>Young Start (outcome: Young people are better prepared for getting a job or starting a business)</td>
<td>55 projects</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>122 projects</strong></td>
</tr>
</tbody>
</table>

Source: The Big Lottery

The funding awards are for expenditure over different time periods. Data on actual expenditure by year is not available so we have annualized the funding awards by dividing the time period for which they are made – for example, Young Start is a two-year award so half the funding awarded to projects in 2012-13 is assumed to have been spent in 2012-13 and the rest in 2013-14. Projects awarded funding under the Life Transitions, Moving Up and Supporting 21st Century Intervention are funded between one and five years. BL cannot breakdown this expenditure but have reported that the majority of projects are for three years – typically in line with the budget/ funding horizon for the project. We have therefore assumed that programme expenditure is spread evenly over three years from the date of award.

It is also not possible to sub-divide the funding awards to allocate expenditure to specific age groups. Young Start is aimed at young people from birth to 24 and the other programmes are targeted on disadvantaged groups but not defined by age. BL funding awards are full cost recovery and although they were not able to breakdown the project funding bids, they suggested that around 20% of the awards are for overhead costs etc and that 80% of the funding would be devoted to employability activity, predominately in stages 2 and 3 of the Employability Pipeline.
### Table A.17: Big Lottery Project Annualised Expenditure in Scotland

<table>
<thead>
<tr>
<th>Funding awards</th>
<th>2010/11</th>
<th>2011/12</th>
<th>2012/13</th>
<th>2013/14</th>
<th>2014/15</th>
<th>2015/16</th>
</tr>
</thead>
<tbody>
<tr>
<td>LT &amp; Moving Up</td>
<td>£746,335</td>
<td>£7,349,597</td>
<td>£9,693,260</td>
<td>£5,063,113</td>
<td></td>
<td></td>
</tr>
<tr>
<td>21st Century</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Young Start</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Annualised Expenditure</strong></td>
<td>2010/11</td>
<td>2011/12</td>
<td>2012/13</td>
<td>2013/14</td>
<td>2014/15</td>
<td>2015/16</td>
</tr>
<tr>
<td>LT &amp; Moving Up</td>
<td>£248,778</td>
<td>£2,698,644</td>
<td>£5,929,731</td>
<td>£7,368,657</td>
<td>£4,918,791</td>
<td>£1,687,704</td>
</tr>
<tr>
<td>21st Century</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Young Start</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>£248,778</td>
<td>£2,698,644</td>
<td>£6,595,256</td>
<td>£10,993,927</td>
<td>£7,878,536</td>
<td>£4,006,096</td>
</tr>
<tr>
<td><strong>Employability Spend (80%)</strong></td>
<td>£199,023</td>
<td>£2,158,915</td>
<td>£5,276,205</td>
<td>£8,795,141</td>
<td>£6,302,829</td>
<td>£3,204,877</td>
</tr>
</tbody>
</table>

Source: Big Lottery

It is important to recognize that the expenditure above relates to employability programmes funded by BL during 2011-12 to 2013-14. It is possible that further funding rounds for Young Start may be made for 2014/15 or other new programmes announced and this would alter the expenditure profile in future years.
ANNEX B       GLOSSARY

ALMP  Active Labour Market Programmes
CHP   Community Health Partnerships
CTS   Corporate Training System
DWP   Department for Work and Pensions
ERSA  Employment Related Services Association
ESA   Employment and Support Allowance
FE    Further Education
FTE   Full Time Equivalent
HE    Higher Education
H&I   Highlands and Islands
IAG   Information, advice and guidance
ILO   International Labour Organisation
JCP   Job Centre Plus
JSA   Job Seekers Allowance
LEP   Local Employment Partnership
LFS   Labour Force Survey
LUPS  Lowlands and Uplands
MA    Modern Apprenticeship
MIS   Monitoring Information System
NDG   National Delivery Group
NDYP  New Deal for Young People
ND25+ New Deal 25+
ANNEX B  Glossary

NDLP  New Deal for Lone Parents

NDP  New Deal for Partners

NDDP  New Deal for Disabled People

NEET  Not in Education, Employment or Training

NVQ  National Vocational Qualification

OECD  Organisation for Economic Co-operation and Development

ONS  Office for National Statistics

PACE  Partnership Action for Continuing Employment

SE  Scottish Enterprise

SDS  Skills Development Scotland

SEF  Scottish Employability Forum

SES  Social Enterprise Scotland

SPS  Scottish Prison Service

wSUM  Weighted Student Unit of Measurement