

# EMPLOYABILITY FRAMEWORK

## Workstream 1B: Employer Demand

### EFFECTIVE INTERVENTIONS IN THE LABOUR MARKET

#### Introduction

1 This note deals briefly with some of the key types of intervention in the labour market in the past 30 years. The intention is not to duplicate the work of the “Interventions” workstream, rather to summarise briefly the reaction of employers to programmes designed to promote employment and employability. There is a discussion on the how to evaluate the success of the schemes, including that of “sustainability”.

#### Overview

2 Interventions can be categorised in under three headings:

- **Counselling, Advice and Guidance** includes Job Interview Guarantee, Restart, Workwise;
- **Job Training** includes Youth Training Scheme, Modern Apprenticeships, Employment Training;
- **Job creation/subsidy programmes** include Community Programme, Workstart, Business Start up Schemes.

3 The New Deal combines elements of all three. Tables 1-3 provide short summaries of the programmes, typology and their impact (See Annexes).

#### Measuring impact

##### *Sustainability*

4 Our first meeting asked for information of “sustainability” of jobs once acquired. This is difficult to assess without long-term studies. Our main source of data, the Labour Force Survey, does have questions on how long respondents have been in post, but less extensive information about respondents’ previous background. For information about career employment stability, longitudinal analysis is required, such as the British Household Panel Survey.

5 In 2001, DfEE commissioned Kellard *et al* (Loughborough University)<sup>1</sup> to examine the concept of employment sustainability. They defined sustainability as *the maintenance of a stable or upward trajectory in the long term*. This concept involves acquiring a job, retaining it, job stability and career enhancement. It is dependent on employers and individuals’ behaviour as well as technical and economic change.

6 Sustained employment was defined as being composed of a single job or an uninterrupted series of jobs. Using data from the British Household Panel Survey (1991-96) they found that 70% of employment spells were over a short-term threshold of three months

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<sup>1</sup> Kellard, K., Walker, R., Ashworth, K., Howard., M and Woon, C.L. (2001) *Staying in Work* DfEE, London

and did not involve a decline in earnings, 54% over nine months. Younger people were less likely to be in sustained employment. However, perhaps surprisingly, those on lowest earnings and single people tended to be found in more sustained employment than couples or those on higher earnings. Of interest to us, sustained employment was less likely to be found amongst people after a period of unemployment, than for those coming from other forms of inactivity.

7 There is some dispute of the efficacy of “sustainability” as measured by length of time in post. In some ways, it is a sign of a better-functioning labour market if duration of post is lower. This should mean that employees have a keener sense of where their skills are best applied and remuneration is highest. This will enable easier re-allocation in the labour market and better matching of employers and potential employees. The vast majority of separations (i.e. people leaving a paid post) are voluntary. The total number those reporting separations represented less than 4% of those in employment in the Spring 2003 quarter (LFS).

8 We might also expect that many “entry-level” jobs are those which have a higher-turnover of labour generally – and that people might expect to move on quickly. Shorter-term employment is traditionally concentrated in sectors such as distribution, hotels and catering, agriculture and disproportionately affects retail and services employees, machine operatives and “elementary” workers. Kellard *et al* state that sectors such as hospitality and distribution have a perceived inability to offer progression and skills development. After a prolonged period when it was relatively easy for UK firms to fill unskilled or low-level jobs, it is now claimed that employers have therefore placed limited emphasis on strategies to retain employees at those levels.

9 The current definition of sustainability in use for the New Deal is when an opportunity is sustained for more than 13 weeks. Data is collected on a quarterly basis, and summarised below.

10 However, apart from the New Deal, data on the sustainability of employment generated by specific initiatives is sparse. Kellard *et al* state that, “There are few working models, little evidence to show what, if anything, works and more experience of failure than success.” People do progress and improve their position, but there is little evidence that schemes to promote sustainability as such speed the rate of improvement.

#### *Alternative measures of impact*

11 The approach summarised by Hasluck in 1999<sup>2</sup> has been to consider data collected at the end of programmes. This focuses on the destination of the participant once leaving the programme. In particular figures for “additionality” are available for most programmes. In this case we consider whether or not the opportunity would have appeared without interventions, and what difference government has made.

### **Summary of findings**

#### *Counselling, Advice and Guidance*

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<sup>2</sup> Hasluck C (1999) *Employers, Young People and the Unemployed: A Review of Research* Employment Service, London

12 The aim of these interventions is to help match jobseekers and employers more effectively. The “labour exchange” function has been provided by government since 1911. More intensive support for jobseekers has had an effect in increasing the off-flow into employment (on a “no intervention”) scenario. Before 1997, a small number of schemes involved an element of compulsion on the jobseeker, and this is now a more explicit feature with the New Deal. Evaluations have shown that flexible programmes, where advisers are able to access a range of options tend to be more effective. New Deal is modelled on this flexibility.

### *Training Programmes*

13 Evidence for these is mixed. Training *per se* is not necessarily a plus for employers, who, for entry-level jobs, tend to be more concerned about generic soft skills and commitment. While training can have an effect on employability, individual characteristics are more dominant. There is a very high level of deadweight where funded training replaces opportunities that would have been available anyway. Earnings do not appear to increase at low qualification levels (e.g. SVQ 1 and 2), although higher level qualifications generate a return. Overall there is no definitive evidence that employment and earnings prospects are raised. The emphasis for training programmes in the UK and elsewhere has shifted from training for specific jobs to building job search skills.

### *Job creation programmes*

14 “Direct” job creation programmes have the effect of encouraging work on various community or environmental initiatives, but there is very little evidence, according to the OECD that they increase the probability of employment of participants. There is a danger that they may “take people away” from the mainstream labour market. In recent years, there has been a growth in intermediate labour market institutions, specifically set up to employ the unemployed.

15 Job subsidies, of various types, have been used to reduce the relative costs to employers of taking on long-term unemployed people. Early schemes were targeted at safeguarding jobs in danger of redundancy, and this had the effect of concentrating resources in declining sectors. Later schemes which have been focused on particular types of individuals, e.g. young workers or long-term unemployed, have been subject to high deadweight. In overall economic terms, the effect of these schemes has been minimal. However, they can be said to be more successful at distributing opportunity to the long-term unemployed away from the rest of the labour market. Rather than inducing demand in employers (job creation) as such, it is the supply-side effects that count. If they encourage employers to look at a group of people which they would not normally consider, and this allows some to access work, then there is long-term labour supply effect.

### **The New Deal**

16 The New Deal is a programme that incorporates elements of all three types. During the Gateway period, intensive advice, guidance and matching is evident. After four months, the participant must choose between training, environmental task force, voluntary work or subsidised employment.

17 Initial evaluations of the New Deal suggests that while employment is secured earlier than in the absence of intervention. It is difficult to attribute this to employer subsidy or the Gateway period of advice.

18 Current statistics collected by ASD state that to September 2004, of 132,500 leavers, 39% went into unsubsidised employment, 14% to other benefits, 22% to other known destinations and 25% to unknown destinations. 9% of leavers for unsubsidised employment leave before having an initial interview, 56% leave during Gateway, 19% leave from an option and the remainder, 15% leave from Follow Through. Overall 63,600 young people have been helped into jobs by the New Deal, with 78% of job outcomes sustained. The number of participants in the New Deal for Young People was 7,800 in September 2004.

19 For those over 25, 25% of all leavers from the enhanced New Deal 25+ find unsubsidised employment while 27% return to claiming JSA without taking up a New Deal opportunity, a similar proportion to Great Britain as a whole.

### **Promoting “Sustainability”**

20 Kellard *et al* categorise measures to promote employment sustainability as follows: (a) pre-employment measures such as training, advice and counselling, and (b) post-employment methods. The latter can be directed at the employee, e.g. earnings supplements, continuing advice and support, or employers, financial incentives (to retain staff for longer), HR management advice, awareness campaigns. There is little evidence on the effectiveness of such policies. It is likely that if it was in an employers’ interest, they would be seeking to do it.

### **Conclusions**

21 There are a large number of programmes in this area. However, there appear to be great similarities, and they can be easily categorised into a few types. It appears that there is still a very strong role for advice and guidance services. Training schemes do not seem to increase employability for entry-level jobs as such. Direct job-creation schemes appear to effect only short-term change in the economy and have little effect on employability. Job subsidy schemes suffer from a great deal of deadweight, but may be very effective at helping the target group. The long-run effects on the economy are likely to be those which increase effective labour supply.

**ETLLD-ASD**  
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**Table 1: Counselling, Advice and Guidance Programmes for Unemployed**

<b>Programme</b>	<b>Date</b>	<b>Detail</b>	<b>Eligibility</b>	<b>Compulsory</b>	<b>Impact</b>
Job Interview Guarantee (JIG)	1989	Matching and Screening Process, Job Preparation Courses, Work trails	6 months unemployed	No	15-18% points increase in female post-interview employment rate/ 9-10% for men. Use of work trials raises rate by 35-40%
Restart	1986	Similar to JIG, carried out every 6 months, confidence building	2 years unemployed	No	Increased possibility of leaving unemployment (control group evaluation)
Jobplan	1993	counselling for the Long-term unemployed	12 months unemployed	No	5% gain in off-flow compared to no intervention
1-2-1 (later merged with Workwise/ Worklink and replacing Jobplan)	1994	6 interviews with ES adviser	12-months unemployed for 18-24 year-olds (later expanded)	Yes	Initial evaluation suggested outcomes no different from Jobplan. However, merged 1-2-1 and Workwise programme appeared to increase off-flows to 14% after 13 weeks (compared to 8% for non-participants). The merged programme considered more effective because of greater flexibility for advisers. The interviews considered more useful than a one-off course
Workwise/ Worklink (later merged with 1-2-1 and replacing Jobplan)	1993	Four week course of assessment and job-search advice	12 months unemployed for 18-24 year olds		

**Table 2: Training Programmes**

<b>Programme</b>	<b>Date</b>	<b>Detail</b>	<b>Eligibility</b>	<b>Compulsory</b>	<b>Impact</b>
Youth Training Scheme	1986?		School leavers	No benefit paid otherwise	In Scotland, raised employment probability by 11%, for a “disadvantaged school leaver” depressed wages by 7%. Employment probability raised by 21% in England and Wales. However, individual characteristics, e.g. ethnic group, dominant. One third of trainees found to substitute for older workers or be deadweight Lindley (1996) observes that evidence cannot be held to definitively indicate an increase in employability and earnings prospects
Modern Apprenticeships	1995	Intermediate training			84% of training places held to exist in absence of the programme (although likely to replace the top-end of previous training schemes (e.g. YTS) and represent an improvement in training opportunity
Youth Training and Youth Credits		Successor to YTS	School leavers		Evidence suggests that participation has been raised, but earnings lowered.
Employment Training	to 1993	Training and Work experience	Adult long-term unemployed		Found to double “odds of entering employment” both during programme and sustained afterwards

**Table 3: Job creation programmes**

<b>Programme</b>	<b>Date</b>	<b>Detail</b>	<b>Eligibility</b>	<b>Compulsory</b>	<b>Impact</b>
Community Programme (CP)		Direct job creation. Work to promote community interests, environmental improvement and enhancement of educational facilities	18+ (although cap on remuneration effectively discouraged 25+	No	25% of participants move into <sup>3</sup> employment (greater for young and female participants) 1985
Temporary Employment Subsidy	1975	52-week subsidy to employers	Potentially redundant employees	N/A	61% found to be “deadweight”
Temporary Short Time Working Compensation	1979	Scheme to encourage short-time working instead of redundancy 75% wage subsidy to employers for days not worked.	Initially for firms <50, then extended to <200	N/A	Jobs “saved” tended to be in “declining” sectors and redundancies only delayed
Small Firm Employment Subsidy	1978	26 week subsidy to employers			Deadweight thought to be around 60%
Adult Employment Subsidy	1979	12-month subsidy to employers for long-term unemployed	Long-term unemployed >19		Discontinued after pilot due to low take-up
Young Workers Scheme	1982	12-month subsidy to employers	16-17 year-olds taking low-paid jobs		16% of opportunities considered “additional”
New Workers Scheme	1986	12-month subsidy to employers	18-20 year-olds taking low-paid jobs		
Enterprise Allowance Scheme	1982-91	Allowance to unemployed people moving into self-employment	>18, unemployed for 8 weeks, £1000 to invest		Deadweight 30-40%. Survival rates low.
Training and Employment Grant Scheme	1989-1993	50% wage, 100% training costs for 26 weeks	Long-term unemployed in Scotland		Deadweight 16% as jobs required to be “additional”
Business Start-up Scheme	1991	Allowance to unemployed people moving into self-employment	Varied within TECs		Deadweight 70%
Workstart	1993	Employer subsidy (initially weekly, afterwards lump sum)	>2 years unemployed		Deadweight 43% (weekly subsidy), 71-75% (lump sum) <sup>4</sup>

<sup>3</sup> However the OECD concluded in 1993 that there is very little evidence that direct job creation programmes increase the probability of employment of participants.

NIC holiday	1996	Remission of NICs for 12 months	>2 years unemployed, and kept on for 13 weeks		
Work Trial	1989	Employees on benefits from first three weeks			Around 60% remain in trial job Additionality between 44 and 62%. PSI report suggests that the was perhaps the most successful scheme ever

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<sup>4</sup> This does not take account of displacement and substitutability with other unemployed – it is argued by Burtney and Littler, that the purpose of these programmes is to help long-term unemployed, and that those displaced from work are only for a short time. Additionality in the economy as a whole is much lower, at 5-22%.