

Update to the mid-term evaluation of the Objective 3 operational programme for England and Gibraltar

By Yvonne Smith, Rob Hardcastle, Maureen Moroney and Sirinnuj Redden

Introduction

Objective 3 in the UK (United Kingdom) is funded through the European Social Fund (ESF). As the EU's main instrument for promoting employment, the ESF supports the European Employment Strategy (EES) and the UK National Action Plan (NAP) for employment. The ESF is regarded as the main Structural Fund for promoting and implementing the aims of the strategy. The aims of the European Employment Strategy: full employment, improving quality and productivity at work and strengthening social cohesion - are reflected in the UK NAP.¹

The overall aim of the England Objective 3 update to the mid-term evaluation is to assess the impact of the Objective 3 Programme and its effectiveness in meeting its objectives since the mid-term evaluation (MTE) in December 2003. A second aim of the update evaluation is to provide recommendations to help prepare for future programmes in 2007-2013.

Research methods

The evidence presented is based on a bottom-up approach which focuses on measuring the impact of Objective 3 on individuals, companies and organisations who have received support, rather than attempting to look at the macro-economic impact of the programme. The four main research tools are: **administrative data**

¹ The EES has been revised in 2003 and 2005. Since 2005 the NAPS have been replaced by National Reform Programmes.

(March 2005) obtained when projects close (it should be noted that project closure data refers largely to projects operating under alternative bidding arrangements, as few co-financing projects (CFOs) had closed at the time of drafting the report); **follow-up survey data** on the labour market experience of individual programme participants around six months (2004 Beneficiaries' Survey) and eighteen months after leaving the programme (2002 Follow-on Study); **data on companies receiving ESF support** – largely obtained from a qualitative case study based project and interim findings from a quantitative survey of 2000 companies; and **ad hoc research into emerging issues**, for example, two case study based projects which looked in-depth at the type and content of Objective 3 support provided to individual beneficiaries and how this relates to individual's needs.

Key findings

- So far, of those projects which had closed (5,500), over 2,500 (with over 1.2 million beneficiaries) were linked to and were supporting domestic mainstream programmes, such as the New Deals. This accounted for almost £2 billion of funding (including public and private match funding). Of the £345 million spent in 2004, the largest areas of spend relate to Guidelines 4, 5 and 7 of the European Employment Strategy (EES) on the development of human capital, increasing labour supply and the integration of people disadvantaged in the labour market. As such spend is commensurate with many

of the recommendations of the MTE and the Government's labour market strategy. It is clear that ESF Objective 3 has had (and potentially could continue) to play a role in helping to meet and support these aims.

- The report finds that the ESF Objective 3 programme is supporting significant numbers of people who are in groups which tend to be disadvantaged in the labour market. Up to March 2005, the programme had helped over 1.7 million people. Of these, 19 per cent were from ethnic minorities, 11 per cent were disabled, and 23 per cent had no prior qualifications. Of those who were unemployed or inactive on entry to ESF, the majority (61 per cent) achieved a positive outcome immediately on leaving and just over a fifth gained employment. Similar to the position at the mid-term, is the finding that there is a substantial and continuing shift towards paid employment following participation in ESF. Objective 3 continues to be less effective with people who are economically inactive.
- Whilst the programme is continuing to support those who experience labour market disadvantage, the report identified a slight increase in the proportion of employed and unemployed participants supported by the programme, and a decrease in the proportion of economically inactive participants. This finding is not necessarily contrary to the guidance provided by the mid-term review (MTR) which recommended an increased emphasis on the economically inactive, as it relates mainly to projects set up before the (MTR). On the other hand, there does appear to be a reduction in support for those who are 'hardest to help'. As the barriers experienced by this group may be profound, the report questions whether it is appropriate for ESF to support those for whom employment is only a possibility in the long term, if at all.

Summary of research

Outcomes for individual beneficiaries

The level of positive outcomes achieved by the programme appears to have held steady since the mid-term evaluation. Of beneficiaries who were unemployed/inactive when they started Objective 3 (almost two-thirds of beneficiaries), the majority (61 per cent) achieved a positive outcome – with just over a fifth gaining employment. In fact within the main policy fields dealing with unemployed/inactive beneficiaries (Policy Fields 1 and 2), the proportion of inactive people gaining positive outcomes appears to have increased since the mid-term evaluation. Whilst this suggests that performance has been maintained by projects, it may also reflect the likelihood that a higher proportion of beneficiaries are actually closer to the labour market than previously (fewer people with three or more disadvantages).

The Beneficiaries' Survey indicates that the unemployment rate reduced substantially between joining and leaving, and then continued to fall once beneficiaries left the Programme (thus providing evidence of a continuing positive effect of participation). Over the medium term (six months) there appears to be little difference in the effectiveness of the programme in dealing with levels of economic inactivity compared to the mid-term.

The Follow-up Study showed that there was a continued rise in the employment level among those previously inactive, such that at the time of the Follow-up Study (around 18 months/two years after leaving), almost a third were working. Lone parents were the most successful at finding work with nearly half having found jobs by the Follow-up Study. Those with a disability, without any qualifications and older respondents were much less likely to have found work. (It should be stressed that it is not possible to say that beneficiaries would not have gained these outcomes without ESF support).

It also provides some evidence to suggest that employment gained after leaving ESF, by those who had been unemployed/inactive prior to joining projects, was sustained - with over two thirds (70 per cent) still in employment at the time of the Follow-up Study. Furthermore the Follow-on Study suggests that ESF appears to be acting as a 'stepping stone', with individuals going first into further education or training and then into employment.

However, for some 'inactives' their situation seems more intractable and they are likely to remain inactive with 51 per cent of those who were inactive on entry still inactive after 18 months/two years. Overall, ESF has more impact in terms of moving beneficiaries into work in relation to those who are closer to the labour market on joining projects (eg. those who want to work immediately on leaving).

Company beneficiaries

Objective 3 has provided support to almost 100,000 companies, of which some 88,000 (88 per cent) was under Policy Fields 3 and 4 which contain the main workforce development Measures. This is the equivalent of around 5 per cent of the total number of businesses in England (around 1.95 million) and around 40 per cent of all companies with more than 250 employees. ESF is thus a significant element of public support for workforce development in England. Furthermore, a considerable level of added-value was identified, both at the level of projects and at the level of business participation in ESF. None of the projects supported would have proceeded without considerable modification or reduction in scale.

A recent in-depth study of ESF support for companies in England found most of the activity supported is in the form of short-course training and it was apparent that there were relatively few projects aimed at skilled and semi-skilled workers in manufacturing. This raises questions about the extent to which ESF is accessing (and has the potential to access) 'hard-to-reach' groups. At the same time, it was noted in numerous instances that training for managers was not

normally a priority in micro and small businesses and that they constituted an unexpected 'hard-to-reach' group. Moreover, training for managers was more likely to produce an impact on the competitiveness of businesses.

Objective 3 support for multiply disadvantaged groups

ESF provides support for groups identified as most likely to experience multiple disadvantage, and appears successful in supporting a higher proportion of beneficiaries with three or more disadvantages and fewer with just one disadvantage, than is found in the general population.

ESF beneficiaries with a disability/health problem are among those who experience multiple disadvantages, with 38 per cent experiencing three or more disadvantages and over three quarters (77 per cent) being unemployed/economically inactive prior to joining the programme. The number of ESF beneficiaries with a disability/health problem supported by Objective 3 is not inconsequential – between 11 per cent (project closure data) to 21 per cent of beneficiaries (Beneficiaries' Survey).

For disabled beneficiaries, as with beneficiaries overall, there appear to be positive ongoing effects of participating in the programme. The Beneficiaries' Survey indicated that the level of employment increased sharply from on joining to immediately on leaving (by 16 percentage points – a larger increase than for the sample as whole – 14 percentage points). The Follow-on Survey shows that over the longer-term (18 months/two years) those who were originally inactive were the least successful in achieving a long-term employment outcome. Whilst this is similar to the sample in general, the proportion not achieving work is substantially larger for disabled beneficiaries (78 per cent compared to 51 per cent for the sample as a whole).

ESF ethnic minority beneficiaries are far more likely to be multiply disadvantaged compared to white ESF beneficiaries, and have three or more disadvantages compared to white counterparts. This suggests that ESF is targeting the more

disadvantaged individuals among the ethnic minority groups. Overall, ethnic minorities are well represented in ESF projects (19 per cent of beneficiaries compared to nine per cent in the working age population), with more than 300,000 people supported so far.

The Beneficiaries' Survey indicates that a much higher level of skills training related to finding work was provided to beneficiaries from ethnic minorities, compared to whites, reflecting the lower employment rate amongst ethnic minorities in the survey. There is a substantial increase of 12 percentage points in the employment rate of ethnic minorities, from starting to leaving projects (although this is slightly behind the outcomes for whites whose employment rose by 14 percentage points). It seems likely that some of the move into employment has come from the 'inactives', although the drop in inactivity is just over half that of the white group at seven percentage points.

Objective 3 Delivery

Projects which provide effective support to beneficiaries in disadvantaged groups allocate sufficient time and staff resources to successfully carry out these activities. Actual delivery of services is preceded by, in some cases, time consuming and intensive activities aimed at identifying project participants, engaging with them – sometimes in one to one interviews to influence their views and obtain their commitment and then assessing beneficiaries – to ensure services are appropriate to need. The more distanced from the labour market an individual is, the more intensive and time consuming this activity.

The report includes a menu of good practice in relation to support for beneficiaries who experience multiple disadvantages. This menu is quite extensive and some of the points listed demand considerable commitment and energy from project staff. For example, well attended projects make efforts to promote knowledge and awareness of the work they do in other agencies and have established good links with these referral agencies, regularly maintaining these contacts. Where appropriate, such as with

disabled beneficiaries, staff will work with the family, relatives, carers and even friends of the beneficiary to extend the support by playing an advocacy role for the individual. They may have small case loads – typically 30 to 40 clients per frontline worker and sometimes combine group work with intensive one to one support.

This clearly has implications for the amount of funding required for successfully providing support to disadvantaged groups – as the more intensive the support the more expensive the unit costs. This has been demonstrated, for example, in relation to the current programme where unit costs for Policy Field 2 (the main policy field for providing support to disadvantaged groups) are significantly more expensive than for the other main policy fields. Indeed, it is estimated that costs tend to rise exponentially with the degree of disadvantage.

The full report of these research findings is published for the Department for Work and Pensions by Corporate Document Services (ISBN 1 84123 969 0. Research Report 322. April 2006).

It is available from Paul Noakes at the address below.

You can also download this report free from:
www.dwp.gov.uk/asd/asd5/rrs-index.asp

Other report summaries in the research series are also available from the website above and from:

Paul Noakes, Strategic Research and Modelling Division, 4th Floor, The Adelphi, 1-11 John Adam Street, London WC2N 6HT.
E-mail: Paul.Noakes@dwp.gsi.gov.uk