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Evaluation of the ReAct III Programme (2015–2019): Final Report

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Evaluation of the ReAct III Programme (2015–2019): Main Report

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Views expressed in this report are those of the researcher and not necessarily those of the Welsh Government

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Glossary

Acronym/Initialism/Keyword	Definition
APS	Annual Population Survey
ALMPs	Active Labour Market Programmes
CCTs	Cross Cutting Themes
CW	Careers Wales
DWP	Department for Work and Pensions
ERS	Employer Recruitment Support
ESF	European Social Fund
ETS	Employer Training Support
EU	European Union
HMRC	Her Majesty's Revenue and Customs
IAG	Information, Advice and Guidance
ILO	International Labour Organization
IZA	Institute of Labor Economics
JCP	Jobcentre Plus
JSCI	Job Seeker Classification Instrument (a profiling tool used in Australia)
JSTOR	Journal Storage
LFS	Labour Force Survey
NQF	National Qualifications Framework
OECD	Organisation for Economic Co-operation and Development
PACE	Partnership Action for Continuing Employment (a Scottish Government programme)
RSS	Redundancy Support Service (a programme in South East England)
VOC	Vocational Training
WEFO	Welsh European Funding Office
WPRS	Worker Profiling and Reemployment Services (an initiative in the USA)

1. Introduction and background

- 1.1 The Welsh Government commissioned Wavehill, working in association with the Learning and Work Institute, to undertake an evaluation of their ReAct programme as it operated from 2015 to the end of 2019 (formally known as ReAct III). This is the final report of that evaluation. The ReAct programme is scheduled to run until the end of 2022. This evaluation covers the period up to the end of 2019.
- 1.2 This evaluation was completed prior to the outbreak of the COVID-19 pandemic in Wales in 2020. There is, therefore, no reference made to the impact of the pandemic on the ReAct programme within the report.
- 1.3 This introduction outlines the policy context within which ReAct is operating and then provides an overview of the programme. The aims and objectives of the evaluation are also set out.

An introduction to the ReAct programme

- 1.4 ReAct III builds on a well-established delivery model that has been in place since the original programme was established in June 2004. The programme provides support to address the needs of people who have been made redundant or are under notice of redundancy, through a series of measures designed to remove barriers to obtaining new employment. The main aim is to respond quickly and positively to all redundancy situations through a series of measures designed to alleviate the negative effects of redundancy. It aims to provide all redundant individuals with the skills necessary in order to secure new, sustainable employment in the shortest time possible.
- 1.5 The three strands of the programme, as introduced in more detail later, are:
 - a) A vocational training grant for people who need to update their skills to return to work.
 - b) Extra support to help remove any barriers to vocational training (e.g. reasonable travel, childcare, accommodation, and special equipment for participants with additional needs).
 - c) A contribution to wages and help with training costs for recruiting employers.
- 1.6 ReAct is designed to complement and supplement the services offered to redundant workers by Jobcentre Plus (JCP) and Careers Wales (CW). It is an all-Wales programme funded by the Welsh Government and, in the West Wales and

the Valleys region, the European Social Fund (ESF). ESF funding is provided under Priority Axis 1: Tackling Poverty through Sustainable Employment, and under Specific Objective 1: To increase the employability of those closest to the labour market who are at most risk of poverty. The Welsh Government exclusively funds the programme in the other parts of Wales.

- 1.7 ReAct is aimed at individuals who are work-ready and were recently in work but have been made redundant (or are under notice of redundancy) and are experiencing difficulty in obtaining new employment due to outdated skills and/or a lack of job opportunities. The programme relies on Careers Wales (initially via the Skills Gateway for Adults and then via Working Wales, formally launched on 1 May 2019)¹ to assess the skill level of each redundant worker and then match it to the skills sought by recruiting employers in the vicinity. Where skill needs are identified, ReAct provides vocational training grants to help redundant workers to update their skills and return to work quickly.
- 1.8 The programme operates through referrals and brokerage by Careers Wales for those seeking employment by accessing the Vocational Training (VOC) (and associated 'extra support' costs) strands. Participants in the vocational element of the programme will always have been provided with impartial advice through the Skills Gateway/Working Wales. They may have approached Careers Wales via the Skills Gateway/Working Wales. Alternatively, they may have become aware of the support available to them via an information-sharing event organised in response to the redundancy and usually delivered in partnership by Careers Wales and Jobcentre Plus.
- 1.9 The specific training courses and individual training providers are the choices of the participant (within certain cost and appropriateness limitations governed by the ReAct team and Careers Wales), but the participant receives advice on how best to source appropriate, nationally recognised, quality training through the various training providers available on the open market.
- 1.10 Those accessing the Employer Recruitment Support (ERS) strand — a 'contribution to wages' incentive — will often have been advised through the Skills Gateway/Working Wales and/or advised by Jobcentre Plus/the Department for

¹ Working Wales is a Welsh Government-funded service, provided by Careers Wales, designed to provide streamlined and efficient employability support that is responsive to an individual's needs.

Work and Pensions (DWP) or may have found potential employment themselves and will use the availability of the incentive funding from ReAct as part of making themselves more attractive to employers. Thereafter, the employer applies for the funding should they employ the individual in question.

- 1.11 The participant (VOC and extra support) or the recruiting employer (ERS and Employer Training Support (ETS); see below) will apply for the support directly to the ReAct team within the Employability and Skills Division of the Welsh Government. Applications are quality-checked and evidenced against various eligibility criteria in line with programme and ESF operation requirements. In the case of ERS, the support can be as much as £3,000 per employee, per employer, over a maximum of 52 weeks.
- 1.12 ETS constitutes 50 per cent of the price of training up to a maximum of £1,000. This is funded as part of the broader ReAct programme, using Welsh Government funds, and not as part of the ESF programme.
- 1.13 Vocational training grants for training prior to potential reemployment can be as much as £1,500 towards training costs, and training can be 100 per cent funded. Extra support costs can be provided up to £200 when applied for at the same time as the VOC strand. Furthermore, there is a small sum (up to £2,600) of discretionary funding available to offer childcare support.
- 1.14 The ReAct ESF operation (i.e. the delivery of the programme in West Wales and the Valleys) has several targets split into various groups of participants. A full list can be found in Appendix A, with the headline targets shown in Table 1.1 below.

Table 1.1: ReAct programme targets for West Wales and the Valleys

Heading	Target	Percentage of the Number of Participants
Number of participants	20,068	-
Participants gaining qualifications	16,054	80
Participants entering employment (immediate)	11,037	55
Participants entering employment (6 months) *	12,241	61
Female participants	6,021	30
Male participants	14,047	70

Source: ReAct III Business Plan, Welsh Government | *cumulative

- 1.15 ReAct awards grants to individuals who are below 25 years of age and/or live in the East Wales area. The Welsh Government does not, however, receive ESF funding for these participants and there are no targets.
- 1.16 The indicative cost of delivering the ReAct III programme in the West Wales and the Valleys area is £45.6m (gross eligible expenditure) over seven years and nine months. Of this, £33.8m would come from ESF funding and £3,552,109 from the employer (wage contributions under ERS) match funding, with a further £8.2m from Welsh Government budgets.

Aim and objectives of the evaluation

- 1.17 The principal aim of the evaluation was to assess the effectiveness, efficiency and impact of the ReAct programme for the period in question, with a focus on performance and impact, with a review of the programme design and delivery processes.
- 1.18 The evaluation objectives were to:
- a) Assess the performance of ReAct III against its stated aims and objectives (as set out in the final Business Plan) for the period under review.
 - b) Assess the extent to which the targets have been met. This includes a review of participation (by defined characteristics as outlined in the Business Plan) and a review of progress against targets for each operation.
 - c) Review whether and how well the programme supports the delivery of key Welsh Government and Welsh European Funding Office (WEFO) priorities, including the Well-being of Future Generations Act, the WEFO's strategic objectives, and the Welsh Government strategic aims regarding the Welsh language.²
 - d) Review the design, management and implementation of the programme to assess its suitability in supporting the achievement of the programme aims and objectives.
 - e) Assess the extent to which ReAct promotes opportunities for participants to develop their Welsh language skills for use in the workplace.
 - f) Review the overall management, marketing and implementation of the programme, highlighting areas of good practice and areas for further development.

² [Welsh Language Strategy Annual Report 2017-2018](#)

- g) Investigate the impact of participation in ReAct on employers' recruitment patterns and engagement in skill development and training.
- h) Assess the impact of ReAct on increasing the employability, employment and pay prospects of those taking part. Where possible, this will include a comparison with a counterfactual cohort.
- i) Consider, within the context of Welsh and UK policy change, the future impact and effectiveness of the programme.
- j) Identify the key strengths of the programme and any constraints/issues that may have impeded its effectiveness.
- k) Assess whether the programme has provided value for money and whether there are differences in the costs and benefits for different types of participants (as defined by an agreed set of characteristics) and the impact of reducing eligibility for those who are under notice of redundancy or have been made redundant within three months.
- l) Assess how the ReAct programme performed against the delivery of the Cross-Cutting Theme (CCT) aims, objectives and commitments, as well as CCT-related indicators, including what worked well/what did not work and any problems identified and how these were addressed.
- m) Make recommendations for future policy development based on lessons learnt from the evaluation.

1.19 This report addresses each of these questions in the chapters that follow:

- Chapter 2 outlines the methodology for the research undertaken for the evaluation.
- Chapter 3 summarises the key findings of a review of relevant literature, including previous evaluations of ReAct programmes, a full version of which is presented in Appendix B.
- Chapter 4 reviews the rationale and the fit of ReAct with policy and strategy in Wales.
- Chapter 5 presents an analysis of the programme management information.
- Chapter 6 discusses the findings of the evaluation in respect of the management and delivery of ReAct.
- Chapter 7 draws on a survey and in-depth interviews to discuss the outcomes of the programme for individuals supported.
- Chapter 8 considers the outcomes for the businesses that have been supported, drawing again on data collected via a survey and in-depth interviews.

- Chapter 9 summarises the key findings of case studies that were developed for examples of redundancies in Wales.
- Chapter 10 presents the findings of an impact assessment and cost–benefit analysis.
- Finally, Chapter 11 draws together the key conclusions and recommendations of the evaluation.

1.20 A substantial amount of additional information is presented within the Appendices of the report, including the full literature review (as noted above) and further details on the method used for the cost–benefit and impact assessments.

1.21 The case studies developed for the evaluation are presented in a separate report: Evaluation of the ReAct III Programme: Case Studies.

2. Methodology

2.1 A range of research was undertaken in the delivery of this evaluation (as briefly introduced below).

Literature review

2.2 The findings of the literature review are summarised in Chapter 3 and included in full in Appendix B. The review considered five subject areas:

- a) Evaluations of previous versions of the ReAct programme.
- b) Programmes which seek to assist workers who have been made redundant.
- c) Profiling or early identification approaches which seek to identify which unemployed people are most at risk of becoming long-term workless.
- d) Employment and skill support programmes which aim to help unemployed people to return to work.
- e) Ongoing wage and time-limited hiring subsidies which reduce the cost to employers of employing/hiring unemployed workers.

2.3 The following sources were investigated for relevant literature:

- Google Scholar
- Cambridge Core (which contains academic content including journals from Cambridge University Press)
- JSTOR collection of academic journals
- SAGE Journals collection
- DWP research publications
- IDEAS website (which covers economic literature)
- SocOpen website (which covers sociological research)
- IZA - Institute of Labor Economics

2.4 The search terms used included: 'redundancy', 'dismissal', and related terms; 'employment and skills support' and related terms; and 'wage subsidies' and associated terms.

2.5 A brief review of the identified documents' abstracts, executive reviews, and conclusions was then undertaken in order to check for their general relevance and whether they contained findings relevant to either effectiveness (process

evaluation) or impact. Documents that did not meet these criteria were excluded, as were those on low- and middle-income countries.

Stakeholder consultation

2.6 A range of stakeholders have been engaged throughout the evaluation (as set out below):

- Telephone interviews were undertaken from July–August 2017 (N=14) with Welsh Government officials at both delivery and policy levels, as well as with several external partner organisations including Careers Wales and trade unions; follow-up interviews were undertaken from November–December 2019 (N=6).
- An online survey was conducted in September 2017 with Careers Wales staff who provide/have provided advice and guidance to ReAct participants (46 responses).
- An online survey was conducted in May 2018 with Jobcentre Plus staff with some involvement with ReAct (89 responses).

2.7 Interviews with stakeholders also took place as part of the redundancy case studies (as introduced later in this chapter).

2.8 The focus of these interviews varied (according to the interviewee and their role in relation to the programme) but included discussions on the design of the intervention, the management and delivery of the programme, its role in the delivery of Welsh Government priorities, and its integration with the other support available to participants.

Consultation with individuals supported

2.9 The consultation with individuals supported by ReAct included both a telephone survey and semi-structured, in-depth interviews. The telephone survey engaged with 1,155 participants³ and the in-depth interviews with 50 participants. Both samples were selected at random from a database of participants provided by the Welsh Government.

³ The ESF Leavers Survey in West Wales and the Valleys and the ReAct Participant Survey in other parts of Wales (both using the same research tools).

- 2.10 ReAct participants in the West Wales and the Valleys area were interviewed as part of the ESF Participants Survey (which covers all ESF interventions and is undertaken on an ongoing basis).⁴ The same questionnaire was used for a survey of ReAct participants from the rest of Wales so as to provide an ‘all-Wales’ sample. That survey was undertaken in two waves: the first in October 2018 and the second from July–August 2019.
- 2.11 Participants were asked questions about their situation (a) before accessing support through ReAct, (b) six months after receiving support from ReAct, and (c) at the time of the interview.
- 2.12 The purpose of the in-depth interviews was to delve deeper into the responses received from the survey and to help explain some of the trends identified that could not be defined by the survey data alone. The in-depth interviews were also undertaken in two waves, with the timescales running a month later than those for the survey.

Consultation with businesses supported

- 2.13 The consultation with businesses supported also included both a survey (70 responses) and in-depth interviews (15 responses), with both elements being undertaken from October–November 2018.
- 2.14 The second wave of consultations with businesses was planned for 2019 but not undertaken. The rationale for this was that a limited number of businesses were participating in the recruitment support elements of ReAct (for reasons discussed in Chapter 6) and that the sample already collected was sufficient for understanding the key issues being explored in relation to businesses. What is more, it was felt that it would be more valuable to redirect resources to the redundancy case study research, as introduced below.
- 2.15 The consultation with businesses focused on a range of issues. They included their engagement with the programme and the benefit that they had derived as a result of the support provided.

⁴ The purpose of the ESF Participants Survey was to assess the effectiveness of all ESF-funded labour market interventions in Wales (including ReAct) and involved telephone surveys with people who had left an ESF project as well as in-depth, qualitative interviews with leavers and current participants. [The report on the findings of the qualitative work](#) is available on the Welsh Government website.

2.16 For the consultations with both individuals and businesses supported, the qualitative data collected was analysed using a thematic matrix approach. This comprises an analysis grid for the classification and interpretation of qualitative data. In our coding, we looked for themes and topics, ideas and concepts, terms and phrases, and specific keywords. This process allowed the full range of experiences and views to be documented, as well as capturing possible explanatory variables. The qualitative data collected is presented alongside the quantitative data throughout the report (in line with the mixed-method approach that was utilised for the fieldwork).

Redundancy case studies

2.17 This element of the methodology was added partway through the evaluation. The case studies explore why each redundancy situation is in some way unique due to factors such as the location and type of the business in question. The case studies explore how those factors influenced the type of support provided. Furthermore, they provided an opportunity to consult with individuals who may not have engaged with the ReAct programme (the survey introduced above was carried out with participants in the programme) as well as with individuals who had been made redundant more recently (the participant survey focusing on those who had been supported by ReAct at least 12 months previously).

2.18 Four case studies were undertaken:

- The closure of a Tesco call centre (Tesco House) in Cardiff in February 2018
- Quinn Radiators (Newport) in June 2019
- Allied Bakeries (Cardiff) in September 2019
- Dawnus Construction (Swansea) in October 2019

2.19 The method used in each of the case studies varied slightly (depending on the timing of the fieldwork and the availability of interviewees). Nevertheless, in each instance, there was consultation with stakeholders involved in the delivery of the support to the individuals affected, as well as an online/telephone survey and in-depth interviews with the individuals affected. In total, the case studies involved consultation with 180 individuals whose jobs were made redundant.

2.20 A summary of the findings of the case studies is presented in Chapter 9, with the full case studies included within the separate Evaluation of ReAct III Programme: Case Studies report.

Impact assessment and cost–benefit analysis

- 2.21 A detailed description of the method with which the impact and cost–benefit analysis was undertaken can be found in Appendix E. In summary, a number of methods were considered for the impact assessment, including a quasi-experimental matching approach to assess the net impact of participation in ReAct against the counterfactual of non-participation. However, for reasons explained in Chapter 10 and in greater detail in Appendix E, this was not feasible. Instead, the assessment of the impact of ReAct on subsequent employment outcomes is based on a combination of benchmarking, results from the survey of ReAct participants, and previous research from the then-Department for Business, Innovation and Skills (BIS).
- 2.22 The approach to the cost–benefit analyses is based on, and consistent with, HM Treasury’s Green Book, the DWP Social Cost-Benefit Analysis framework, and other official guidance from governmental departments. Please refer to Appendix E for a detailed explanation of the method used.

3. Literature review summary

Key points

- Previous evaluations of ReAct suggest that the training provided prior to potential reemployment was largely 'additional'; in other words, it would not have been undertaken in the absence of the programme.
- It was, however, found that there was high deadweight associated with the employment subsidy and the in-work training parts of the programme; in other words, the people would have been employed or trained anyway.
- Job search assistance can have a positive impact on individuals' chances of moving into work and is very cost-effective.
- Training can have a positive impact on movement into work. The impact of training programmes, however, varies greatly and getting their design right is vital. Training programmes are more effective when targeted at more disadvantaged groups such as the long-term unemployed.
- Wage or hiring subsidies can be effective in helping individuals to move into unsubsidised work, albeit only if they are well designed and targeted at disadvantaged workers such as the long-term unemployed.

Introduction

- 3.1 This chapter summarises the key findings of the literature review undertaken as part of the evaluation process. The full literature review can be found in Appendix B.

Findings of evaluations of ReAct I and ReAct II

- 3.2 Three previous evaluations of ReAct were undertaken in 2008, 2011 and 2016.⁵ Consistent findings emerge from these three evaluations, covering aspects of both the administration and delivery of the programme and the programme's impact. A summary of the ReAct programme and how it was amended in 2011 is set out in Box A. The 2008 and 2011 evaluations cover ReAct before these changes, and

⁵ Welsh Assembly Government Department for Children, Education, Lifelong Learning and Skills (2008), "Evaluation of ReAct, Final Report"; Report by CRG Research Ltd, [Welsh Government \(2011\), Interim Evaluation of ReAct, Report by Old Bell 3 Ltd, Dateb and IFF Research Ltd](#); and [Welsh Government \(2016\), Final Evaluation of the ReAct Programme 2008-2016, Report by BMG and IES](#).

the 2016 evaluation covers the programme from 2008 to 2011 (before the changes made) and from 2011 to 2014 (after these changes).

Box A: Summary of ReAct support and changes

The programme provided the following forms of support between 2008 and 2016:

- advice and guidance from Careers Wales as to how individuals could improve their skills.
- a grant (of up to £2,500 before 2011, £1,500 from 2011) paid to redundant workers to fund all or part of the training that they undertook.
- a grant (of up to £2,080 before 2011 and £3,000 from 2011 over 12 months) to employers to subsidise the wages of redundant workers whom they hire.
- a grant (of up to £1,000) to employers to fund up to 70 per cent up to 2011, and 50 per cent from 2011, of the cost of training redundant workers whom they have recruited.

Administration and delivery

- 3.3 The evaluation reports found that, overall, the application process for ReAct was largely seen to be smooth and easy. The 2008 evaluation suggested that 95 per cent or more of individual respondents believed it to be easy to apply for ReAct, considered the ReAct team to be helpful in dealing with the application, and suggested the overall process to be efficient. Moreover, employers were very satisfied (above 95 per cent) with the ease of applying, assistance with any queries raised, and the process of claiming funds. Similarly, the 2011 and 2016 evaluations indicated that at least 87 per cent of businesses who engaged with ReAct found the main delivery partners of the Welsh Government ReAct team, Jobcentre Plus, and Careers Wales to be helpful.
- 3.4 The evaluations found that the relationships which have developed between the partners have resulted in strong partnership working between the three organisations, whereby facilitating cooperation at the operational level, especially in relation to large-scale redundancies, and joint policy working, not only for ReAct but more widely in helping to shape employment policy in Wales. Furthermore, trade unions and sector skills councils were providing valuable intelligence on impending redundancies and strategic guidance (e.g. advising on the appropriateness of qualifications).

- 3.5 The service provided by Careers Wales was found to be central to the ReAct application process, with the advice provided by Careers Wales being viewed positively by the ReAct participants interviewed. Additionally, Careers Wales was seen by various stakeholders to be constructively challenging individuals on their future training and employment aspirations so that they were realistic and undertook training in line with the needs of the labour market.
- 3.6 As well as advice with regard to training choices, Careers Wales job-search-related advice (e.g. CV development, mock interviews) was highly valued by the ReAct participants interviewed, especially those individuals who had been in the same job for several years and had not undertaken any job search in recent years.
- 3.7 The sourcing of training by individuals with guidance from Careers Wales was seen to be a strength which increased the chances of individuals obtaining training that suited their needs. The 2008 evaluation reported that nine in 10 interviewees were of the view that the overall programme was tailored to their needs. Similarly, the in-work training subsidy to employers was driven by the needs of the recruiting company, ensuring that they were able to develop bespoke training plans in accordance with the needs of the individual recruit and their new job.
- 3.8 Although the Welsh language was not considered in the 2008 and 2011 evaluation reports, its inclusion is important. The 2016 evaluation states that the delivery of Welsh-medium provision was limited. Relevant Welsh language materials and provision were available. Very few employers stated that recruits or trainees needed training in Welsh and very few required Welsh-medium training. Where required, training was delivered in Welsh in six out of seven cases.
- 3.9 During the ReAct III programme, reforms have been introduced to the training funded by ReAct that have made it more responsive to labour market needs, e.g. following advice from sector skills councils.

Programme impact

- 3.10 Previous evaluations found that the extent of additionality associated with the individual training provided prior to potential reemployment appears to be high. However, there was no clear evidence that this training obtained via ReAct had translated into better jobs for participants.
- 3.11 The training provided prior to potential reemployment received under ReAct appears to have had only a modest impact on employment outcomes.

- 3.12 The 2011 and 2016 evaluation reports suggested high rates of deadweight⁶ for the ETS in-work training support (in contrast to the training provided prior to potential reemployment). However, the 2016 evaluation found some indications of potential future additionality: overall, around 55 per cent of employers stated that they would definitely or probably invest in future training as a result of their involvement in ReAct. Of course, what is not known is whether these stated intentions translated into actual future actions by employers.
- 3.13 The three evaluation reports suggested high rates of deadweight in relation to ReAct's impact on employment. For example, the 2016 report compared assisted firms to similar ones who had not been helped. The assisted firms increased their number of employees by nine per cent more than did the unassisted firms, but this difference was not statistically significant. Thus, these results could not support a finding of ReAct having a positive employment effect.
- 3.14 Measures of cost-effectiveness suggest that the programme provides low value for money in comparison to other employment programmes. The 2016 cost-benefit analysis (overall) suggests good value for money. However, the lack of detail as to its precise basis undermines its transparency and makes assessing its results very difficult.

Review of other programmes for redundant workers

- 3.15 Evidence from other programmes that sought to assist workers made redundant was limited. It did, however, suggest that the most commonly offered forms of support were skill assessments/information, advice and guidance (IAG), job search assistance, and training. ReAct, likewise, offers skill assessments/IAG and training, and Careers Wales offers job search assistance alongside ReAct. Unlike ReAct, none of the other interventions reviewed offered a wage or hiring subsidy.

Employment and skill support programmes

- 3.16 Job search assistance, such as help with interviewing skills, can have a positive impact on individuals' chances of moving into work, especially in the short run. Furthermore, this form of assistance is relatively inexpensive and appears to be the most cost-effective form of programme for workless people.

⁶ Deadweight is the proportion of outcomes, referring in this case to the provision of in-work training, that would have happened anyway in the absence of the policy intervention.

- 3.17 Training can have a positive impact on movement into work for workless people, especially in the longer term. However, evidence suggests that the impact of training programmes can vary greatly and that getting the details of the design of training programmes right is vital for their effectiveness. Moreover, evidence suggests that training programmes are most effective when targeted at more disadvantaged groups such as the long-term unemployed.

Wage or hiring subsidies

- 3.18 Wage or hiring subsidies can be effective in helping individuals to move into unsubsidised work, albeit only if they are well designed. Wage subsidies which are time-limited, in the sense that they end after a specific period of time, are more likely to have a net positive impact on employment than are wage subsidies which are ongoing and without a time limit. Furthermore, targeting wage subsidies on disadvantaged workers, such as the long-term unemployed, is more likely to lead to a positive net employment impact than are more general wage subsidies (which can also be used to support those who are more immediately employable).
- 3.19 While targeting in this way reduces the extent of deadweight, substitution effects remain substantial.⁷ However, by bringing such disadvantaged workers into a job, employment subsidies enhance the supply of labour available to employers. In short, hiring subsidies enable individuals with more significant disadvantages or more significant barriers to work to take jobs that would otherwise have been taken by workers who are more immediately employable. Thus, even with considerable substitution effects, hiring subsidies targeted at disadvantaged workers can be justified on both these positive economic grounds and the equity grounds of assisting groups who face particular difficulties in the labour market.

Conclusion

- 3.20 The literature review has found that all three of the previous evaluations of ReAct (which date back to 2008) suggest that the programme has been implemented effectively. However, these evaluations also indicated that there was high deadweight associated with the hiring subsidy and the in-work training elements which are still part of the ReAct programme.

⁷ Substitution arises where an employer hires or substitutes a jobless person whose employment is subsidised in some way for another individual who would have been hired in the absence of this subsidy.

- 3.21 The literature review does, however, find that wage or hiring subsidies can be effective in helping individuals to move into work. The effective design of the intervention and, perhaps most importantly, the targeting of the support at those most in need are, however, found to be critical factors.
- 3.22 The literature also finds that relatively 'light-touch' support, such as job search assistance and help with interviewing skills, can have a positive impact on individuals' chances of moving into work, especially in the short run. This is also important because it shows the value of positioning an intervention like ReAct alongside that type of support.

4. Rationale and policy fit

Key points

- Stakeholders considered the rationale and need for ReAct to continue to be strong (despite the favourable economic conditions during the period of this evaluation).
- ReAct objectives — and the way in which it is delivered via Careers Wales with a focus on addressing the needs of the individual — clearly fit within the Welsh Government ambitions as set out in Prosperity for All and the Economic Action Plan. Moreover, ReAct fits with the ‘A Prosperous Wales’ aim of the Well-being of Future Generations Act.
- ReAct also fits with, and has contributed to, the delivery of the WEFO’s strategic objectives as one of its principal funders.
- It is, however, important to recognise that ReAct is designed to be an ‘open to all’ initiative that supports anyone who has been made redundant. Its ability as an intervention to target specific policy outcomes other than its core function is therefore limited.

Introduction

- 4.1 This chapter briefly considers the rationale for ReAct as an intervention and then moves on to consider the fit of the programme with Welsh Government and WEFO policies and priorities. There is reference made within the discussion to the economic conditions in Wales during the period being evaluated, an analysis of which can be found in Appendix C.

Rationale

- 4.2 The rationale for governmental interventions must be clear. In the case of ReAct, the rationale is straightforward — to support those who have recently been made redundant back into employment as quickly as possible, reducing the risk that those individuals become long-term unemployed or, eventually, economically inactive.
- 4.3 The economic conditions during the period under review for this evaluation (2015–2019) were generally healthy, continuing growth that was occurring prior to the introduction of ReAct III. This included increases in the total workforce in Wales and the working-age employment rate. Furthermore, the unemployment rate

declined, as did rates of economic inactivity. Although figures are not available for all quarters, it would also seem that the redundancy rate was lower.

- 4.4 These figures will have had an impact on the ‘performance’ of ReAct, with the need/demand for a programme to help redundant workers into employment being less during favourable economic conditions. There are, however, considerable variations in these figures across Wales, which is important to note because it suggests that demand for support is likely to have been higher in some areas.
- 4.5 The unanimous view of stakeholders interviewed for this evaluation was that, even though economic conditions were more favourable during the lifetime of ReAct III in comparison to its predecessors, the rationale for ReAct remained strong and clear:

“Even more so, [the rationale is clear]. In 2004, when ReAct was being designed, we had the manufacturing crisis; now, with Brexit, we’re expecting job losses in sectors such as finance and health. Whatever form Brexit takes, you can guarantee there will be more.” (Stakeholder, Welsh Government)

Fit with Welsh Government strategy

Economic and employment policy

- 4.6 Prosperity for All is the national strategy of which the long-term aim is to build a Wales that is prosperous and secure, healthy and active, ambitious and learning, and united and connected. The strategy identifies employability as being a core theme for well-being and prosperity, and the national strategy sets out a vision to drive integration and collaboration throughout the public sector and put people at the heart of improved service delivery. ReAct’s objectives — and how it is delivered via Careers Wales with a focus on addressing the needs of the individual — clearly fit within those ambitions.
- 4.7 The [Economic Action Plan](#), published in December 2017, sets out the twin goals of growing the economy and reducing inequality, with a focus “on supporting people wherever they are on the employment ladder, helping them move closer to, gain, retain and progress in work”. The outcomes of ReAct support are discussed in some detail in Chapters 7 and 8. Nevertheless, we can note here that whilst there is limited evidence of ReAct support directly leading to employment outcomes, the benefits to the individual generated by the intervention are clear.

- 4.8 It is stated within the Economic Action Plan that Welsh Government policy is built on a view that, because barriers to employment are diverse and can be complex in their interaction, early intervention and personalised advice and guidance, as well as practical support, can make a significant difference. To reflect this complexity, employment-focused support needs to be flexible and appropriate to individual circumstances. ReAct (particularly the support for individuals) fits with that approach as a result of how it is delivered via Careers Wales and their role in assessing the needs of each participant.
- 4.9 Furthermore, the Plan identifies that support needs to be coherent so as to enable individuals to access and navigate the range of interventions. Again, the way in which ReAct is delivered in partnership with other organisations and integrated into a broader support ecosystem via Careers Wales fits such an ambition.
- 4.10 The seven shared national well-being goals enacted by the [Well-being of Future Generations \(Wales\) Act 2015](#) include 'A Prosperous Wales', which aims to develop a skilled and well-educated population in an economy that generates wealth and provides employment opportunities, allowing people to take advantage of the wealth generated through securing decent work. This is the element of the Act into which ReAct fits directly. The evidence discussed later in this report of the impact of redundancy on (and the benefits of employment to) an individual's mental health also suggests that ReAct has a role in meeting the 'A Healthier Wales' goal to develop a society in which people's physical and mental well-being is maximised and in which choices and behaviours that benefit future health are understood.

Welsh language

- 4.11 The overarching message in the Welsh Government's Welsh language strategy, i.e. [Cymraeg 2050: A million Welsh speakers](#), is that Wales needs to reach a position in which the Welsh language is an integral element of all aspects of everyday life. The strategy explains how the Welsh Government will work to reach one million Welsh speakers and increase the percentage of the population who use Welsh daily from 10 per cent to 20 per cent by 2050. The Welsh Government is fully committed to the new strategy, with the target of one million speakers by 2050 being included in the Taking Wales Forward programme for government and in Prosperity for All: the national strategy. There is reference made to the links between economic development and the Welsh language within the Economic

Action Plan. Furthermore, a thriving Welsh language is seen to be one of the seven well-being goals in the Well-being of Future Generations (Wales) Act 2015.

- 4.12 As we will note in the following chapter when discussing the CCTs, ReAct is a reactive intervention providing support to individuals and businesses as the need arises (specifically in redundancy situations). The programme does not target any specific part of Wales or groups of companies or individuals beyond those criteria. What is more, there is an emphasis on the independent nature of the advice provided, which is ‘person-centred’ and designed to provide support which is appropriate for the individual in question whilst also taking into account the local labour market and so on. This approach limits the potential of ReAct to proactively promote policy objectives, including those for the Welsh language — the factors above take priority. However, the Careers Wales advisor will reference the Welsh language if it is appropriate to the individual, area or sector being discussed. The programme can therefore contribute to achieving Welsh language policy objectives. However, it is not, we would argue, a vehicle that can be used to specifically and actively promote Welsh language policy objectives in isolation from other factors such as local labour market conditions and the priorities of the individual in question.

Fit with WEFO objectives

- 4.13 Turning our attention to WEFO objectives, ReAct is part-funded by the ESF programme under Priority Axis 1: Tackling Poverty through Sustainable Employment, and under Specific Objective 1: To increase the employability of those closest to the labour market at most risk of poverty.
- 4.14 The [ESF Operational Programme](#) document states that interventions funded through the aforementioned Axis and Specific Objective will target those who may be vulnerable to cycles of work and worklessness (i.e. the low pay–no pay cycle). Moreover, they will complement a strategic approach to youth unemployment (Priority Axis 3 of the ESF programme). Investment is described as being focused on those above the age of 25 who are short-term unemployed and who have low or no skills or a work-limiting health condition or disability. It is also, however, targeted at individuals who have been impacted by redundancy (defined as those under formal notice of redundancy and those made redundant within the past three months). This is the cohort relevant to ReAct.

- 4.15 The specified direct results of the Specific Objective are (a) those gaining employment upon exiting the intervention and, (b) as a measure of enhanced employability, those gaining a qualification upon leaving. As discussed in this report, ReAct has achieved both of those results, and we will return to the extent to which these results have been generated later in the report.
- 4.16 CCTs are a mandatory element of EU regulations designed to improve the quality and legacy of each operation supported by the Structural Funds and to add value to the programmes as a whole. The mandatory CCTs are Equal Opportunities (and Gender Mainstreaming) and Sustainable Development.
- 4.17 The way in which ReAct has delivered on these themes (as well as those added by the Welsh Government) is discussed in Chapter 6. The critical finding is, however, that the ability of a programme such as ReAct to achieve CCT objectives is restricted by the fact that it is a reactive intervention providing support wherever it becomes necessary to do so as a result of redundancies. Whilst delivery can take, and has taken, the CCTs into account, at an individual level, ReAct support is available to anyone who has been made redundant and is not targeted in any particular group or geography. This is not to say that ReAct cannot deliver against CCT objectives, only that it is not an effective vehicle for targeting the outcomes that the CCTs are designed to achieve.

Conclusion

- 4.18 The rationale for ReAct as an intervention remains clear, even though the economic conditions in which the programme operated during the evaluation period were more optimistic than they have been in the past. Redundancies have still been taking place and there has continued to be a need for support with which to help get those individuals back into employment as quickly as possible.
- 4.19 ReAct also fits clearly into Welsh Government policy and has contributed to the delivery of WEFO strategic objectives. It is important to recognise, however, that ReAct does not fit into the suggestion within policy that support should be targeted at individuals where the need is greatest. ReAct is an 'open to all' programme that can support anyone anywhere in Wales who has been made redundant. The question is whether this is the correct approach and is a question to which we will return in Chapter 6.

5. Analysis of programme management information

Key points

- ReAct had 8,228 participants for the period of April 2015 to 27 November 2019.
- Vocational training provided prior to potential reemployment was (by far) the most common form of support, with 7,612 individuals supported in comparison to 712 supported by the ERS recruitment subsidy and 182 supported by the ETS element.
- The gender split of ReAct participants by strand is in line with the gender split for unemployed benefit claimants in Wales.
- Relative to their shares of the claimant count, people aged 16–24 in Wales were substantially underrepresented within the programme, with those aged 25–54 and 55–64 overrepresented.
- White people are slightly overrepresented relative to people of Black, Asian, and Minority Ethnic origins in all strands of ReAct.
- Participants with no qualifications and with qualifications at Level 2 or below are underrepresented in all three strands of ReAct, while those with qualifications at Level 4 or above are overrepresented.

Introduction

- 5.1 This chapter presents an analysis of the monitoring data for ReAct, including its performance to date (November 2019), against the targets set for the ESF-funded elements of the programme.
- 5.2 As previously introduced, ReAct has three main support strands for participants: (a) Vocational Training (VOC), (b) Employer Recruitment Support (ERS), and (c) Employer Training Support (ETS). The data has been reviewed at the level of the participant. For some participants there are multiple records in which that individual has attended, e.g. several different courses under the VOC strand.
- 5.3 The data supplied to the evaluation team covered applications for support approved from April 2015 to 27 November 2019. Thus, some support was still ongoing, as was the programme as a whole, at the time of the analysis. Indeed, the programme continued to run at the time of publication. There is no analysis, therefore, of the final performance of the programme against its targets.

The number of participants

- 5.4 Vocational training provided prior to potential reemployment was (by far) the most common form of support under ReAct, with 7,612 individuals receiving this form of support in comparison to 712 individuals supported by the ERS hiring subsidy and 182 receiving in-work training under ETS. Allowing for participants who benefitted from more than one form of support, there were 8,228 ReAct participants in total.
- 5.5 Of these, 7,516 (91.3 per cent) received only the VOC training provided prior to potential reemployment, 464 (5.6 per cent) were supported by only the ERS hiring subsidy, 152 (1.8 per cent) were supported by the ERS hiring subsidy and received ETS in-work training support, 66 (0.8 per cent) received the VOC training provided prior to potential reemployment and were supported by the ERS hiring subsidy, and 30 (0.4 per cent) received all three forms of support. Overall, 7,980 (97.0 per cent) ReAct participants received only one form of support from the programme.

Participant characteristics

Gender

- 5.6 The available management information allows us to examine the gender, age, ethnicity, qualifications, and locational characteristics of these participants. For West Wales and the Valleys, there are ESF targets for the gender, age, ethnicity, and qualifications makeup of the overall ReAct participants against which we can assess the actual composition of ReAct participants.⁸
- 5.7 Examining the gender split of ReAct participants in Wales as a whole by strand and for ReAct overall, Table 5.1 (below) shows that these splits were in line with the gender split for the claimant count of unemployment-related benefit claimants in Wales (averaged over the period of April 2015 to November 2019) overall and for those who undertook VOC prior to potential reemployment and who were supported by the ERS hiring subsidy. Women were, however, underrepresented amongst those who received ETS in-work training support.

⁸ These ESF targets are based on the figures set out in Section 2b1 (pages 91 to 93) of the ReAct III Business Plan, Version 3 (October 2016).

Table 5.1: ReAct participants in Wales by strand and gender (%)

Gender	VOC	ERS	ETS	All ReAct	Claimant Count
Men	62.9	64.0	74.2	63.0	62.4
Women	37.1	36.0	25.8	37.0	37.6

Source: ReAct, claimant count data

- 5.8 In West Wales and the Valleys (Table 5.2 below), compared to the claimant count, women were slightly underrepresented amongst those supported by either the VOC provided prior to potential reemployment or the ERS hiring subsidy and amongst ReAct participants overall. They were substantially underrepresented amongst those who received ETS in-work training support. Even so, the proportion of women supported by the programme overall exceeded its ESF target (34 per cent against 30 per cent).

Table 5.2: ReAct participants in West Wales and the Valleys by strand and gender (%)

Gender	VOC	ERS	ETS	All ReAct	ESF Targets	Claimant Count
Men	66.3	66.1	74.5	66.2	70.0	62.3
Women	33.7	33.9	25.5	33.8	30.0	37.7

Source: ReAct, claimant count data

- 5.9 In East Wales (see Table 5.3 below), compared to the claimant count, women were slightly overrepresented amongst those supported by either the VOC provided prior to potential reemployment or the ERS hiring subsidy and amongst ReAct participants overall. However, they remain underrepresented amongst those who received ETS in-work training support.

Table 5.3: ReAct participants in East Wales by strand and gender (%)

Gender	VOC	ERS	ETS	All ReAct	Claimant Count
Men	57.1	59.1	72.7	57.3	62.4
Women	42.9	40.9	27.3	42.7	37.6

Source: ReAct, claimant count data

Age group

- 5.10 Relative to their shares of the claimant count, people aged 16–24 years in Wales were substantially underrepresented both overall in ReAct and in each of its three strands individually (see Table 5.4). In contrast, those aged 25–54 years in Wales were overrepresented both overall in ReAct and in each of its three strands. Those aged 55–64 years in Wales were overrepresented amongst those supported by the VOC provided prior to potential reemployment and amongst all ReAct participants but were in line with their shares of the claimant count for those assisted by either the ERS hiring subsidy or ETS in-work training support.

Table 5.4: ReAct participants in Wales by strand and age (%)

Age (Years)	VOC	ERS	ETS	All ReAct	Claimant Count
16–24	3.7	5.5	6.0	3.9	23.9
25–54	76.4	78.8	80.8	76.5	62.2
55–64	19.4	14.9	13.2	19.1	13.8
65+	0.5	0.8	0.0	0.5	0.1

Source: ReAct, claimant count data

- 5.11 Table 5.5 (below) shows that in West Wales and the Valleys, people aged 16–24 in Wales were also substantially underrepresented both overall in ReAct and in each of its three strands individually in comparison to their share of the claimant count. Relative to their share of the claimant count, those aged 25–54 years were overrepresented both overall in ReAct and in all three strands of the programme.
- 5.12 However, the share of participants in this age group fell below that set out in the ESF targets. Those aged 55–64 years were, relative to their share of the claimant count, overrepresented both overall in ReAct and in the strand of VOC provided prior to potential reemployment. This age group's shares of participants in both the ERS hiring subsidy and ETS in-work training support were in line with their share of the claimant count. This age group's share of ReAct participants was above its ESF target.

Table 5.5: ReAct participants in West Wales and the Valleys by strand and age (%)

Age (Years)	VOC	ERS	ETS	All ReAct	ESF Targets	Claimant Count
16–24	4.1	6.3	6.7	4.3	0.0	24.7
25–54	75.7	78.6	79.9	75.9	86.4	61.1
55–64	19.7	14.3	13.4	19.3	13.0	14.1
65+	0.5	0.8	0.0	0.5	0.0	0.1

Source: ReAct, claimant count data

- 5.13 What is more, in East Wales, people aged 16–24 years were substantially underrepresented both overall in ReAct and in each of its three strands individually (Table 5.6 below) in comparison to their share of the claimant count. In contrast, those aged 25–54 were overrepresented both overall in ReAct and in all three strands of the programme relative to this age group’s share of the claimant count.
- 5.14 Those aged 55–64 years were, compared to this age group’s share of the claimant count, overrepresented amongst the overall ReAct participants and amongst those in the programme strands of VOC provided prior to potential reemployment and the ERS hiring subsidy. This age group’s share of participants in the ETS in-work training strand was slightly below their share of the claimant count.

Table 5.6: ReAct participants in East Wales by strand and age (%)

Age (Years)	VOC	ERS	ETS	All ReAct	Claimant Count
16–24	3.1	3.4	3.0	3.2	22.3
25–54	77.5	79.3	84.8	77.5	64.2
55–64	19.0	16.3	12.1	18.9	13.4
65+	0.5	1.0	0.0	0.5	0.1

Source: ReAct, claimant count data

Ethnicity

- 5.15 Claimant count data broken down by ethnicity is not available. Thus, the ethnic compositions of ReAct participants are compared to those defined as ILO unemployed. These are taken from the Labour Force Survey (LFS).
- 5.16 White people are overrepresented in Wales as a whole, in West Wales and the Valleys and in East Wales (see Tables 5.7 to 5.9 below) relative to their respective shares of ILO unemployment in these three areas. This is true both for all participants in ReAct and for all three strands of the programme. The flipside of this is that people of Black, Asian, and Minority Ethnic origins, both for ReAct as a

whole and for all three strands of ReAct, are underrepresented in Wales as a whole and in the two regions of Wales.

- 5.17 Unfortunately, the small numbers of participants from ethnic minority communities in ReAct, largely reflecting the small proportion of the Welsh population who are from ethnic minority communities, mean that it is not possible to break down the ethnicity figures in any more detail.

Table 5.7: ReAct participants in Wales by strand and ethnicity (%)

Ethnicity	VOC	ERS	ETS	All ReAct	ILO Unemployed
White	96.9	97.8	98.4	97.0	94.2
Black, Asian, and Minority Ethnic	2.6	2.1	1.1	2.6	5.8
Not Known	0.4	0.1	0.5	0.4	-

Source: ReAct, Labour Force Survey

Table 5.8: ReAct participants in West Wales and the Valleys by strand and ethnicity (%)

Ethnicity	VOC	ERS	ETS	All ReAct	ESF Targets	ILO Unemployed
White	98.5	98.6	98.7	98.5	98.0	96.9
Black, Asian, and Minority Ethnic	1.3	1.2	0.7	1.3	2.0	3.1
Not Known	0.2	0.2	0.7	0.2	-	-

Source: ReAct, Labour Force Survey

Table 5.9: ReAct participants in East Wales by strand and ethnicity (%)

Ethnicity	VOC	ERS	ETS	All ReAct	ILO Unemployed
White	94.3	95.7	97.0	94.5	89.1
Black, Asian, and Minority Ethnic	4.9	4.3	3.0	4.8	10.9
Not Known	0.8	0.0	0.0	0.7	-

Source: ReAct, Labour Force Survey

Qualification levels

- 5.18 Claimant count data by qualification levels is also not available; therefore, data from the LFS pertaining to ILO unemployment is (again) used. In addition, LFS data is available only on those holding qualifications at Level 4 or above. Thus, the ReAct programme figures for those holding Levels 4–6 and 7–8 have to be compared together against this LFS data.

- 5.19 In Wales, participants with no prior qualifications were underrepresented both overall amongst ReAct participants and in the strand of VOC provided prior to reemployment. Table 5.10 (below) shows that this group's shares of participants amongst those supported by both the ERS hiring subsidy and ETS in-work training strands of the programme were in line with its share of ILO unemployment.
- 5.20 Those holding qualifications below Level 2 in Wales were underrepresented in both the VOC provided prior to potential reemployment and the ERS hiring subsidy, as well as in the programme overall. This group's share of participants in the strand of ETS in-work training was in line with its share of ILO unemployment. Those with Level 2 qualifications in Wales were underrepresented in all three strands of ReAct and in the programme as a whole.

Table 5.10: ReAct participants in Wales by strand and prior qualification levels (%)

Qualification	VOC	ERS	ETS	All ReAct	ILO Unemployed
None	9.7	11.9	12.1	9.9	12.6
Below Level 2	16.5	19.4	23.6	16.9	24.9
Level 2	17.6	17.4	11.5	17.5	23.5
Level 3	16.8	17.3	17.6	16.9	17.6
Levels 4–6	29.1	24.2	9.3	28.5	21.4
Levels 7–8	3.7	3.7	14.8	3.7	
Not Known	6.6	6.2	11.0	6.6	-

Source: ReAct, Labour Force Survey

Note: The 'below Level 2' data from the Labour Force Survey for the ILO unemployed includes those with other qualifications such as some foreign qualifications and driving qualifications.

- 5.21 Participants with Level 3 qualifications had shares of participants in all three strands, and overall, for ReAct, which were in line with their share of ILO unemployment in Wales. Combined, those with qualifications at Levels 4–6 and 7–8 in Wales were overrepresented in all three strands of ReAct and in the programme as a whole.
- 5.22 In West Wales and the Valleys, participants with no prior qualifications were slightly underrepresented both overall amongst ReAct participants and in the strand of VOC provided prior to potential reemployment (see Table 5.11 below). This group's shares of participants amongst those supported by both the ERS

hiring subsidy and ETS in-work training strands of the programme were in line with its share of ILO unemployment.

- 5.23 This group's share of ReAct participants was below its ESF target share. Those holding qualifications below Level 2 in West Wales and the Valleys were underrepresented in both the VOC provided prior to potential reemployment and the ERS hiring subsidy, as well as in the programme overall. This group's share of participants in the ETS in-work training strand was in line with its share of ILO unemployment. However, its share of participants was above its ESF target share.
- 5.24 Those with Level 2 qualifications in West Wales and the Valleys were underrepresented in all three strands of ReAct and in the programme as a whole. Furthermore, their share of participants was below their ESF target share. The shares of participants with Level 3 qualifications in West Wales and the Valleys for those supported by both the VOC provided prior to potential reemployment and the ERS hiring subsidy, and for ReAct overall, were in line with their share of ILO unemployment. This group's share of participants supported by the ETS in-work training strand was above its share of ILO unemployment. The share of participants was in line with this group's ESF target share.
- 5.25 Together, those with qualifications at Levels 4–6 and 7–8 in West Wales and the Valleys were overrepresented in the VOC provided prior to potential reemployment and the ERS hiring subsidy, as well as in ReAct as a whole. This group's share of participants amongst those supported by the ETS in-work training strand of the programme was in line with its share of ILO unemployment. The share of ReAct participants with qualifications at Levels 4–6 in West Wales and the Valleys was above its ESF target share. For those with qualifications at Levels 7–8 their share of ReAct participants was in line with the ESF target.

Table 5.11: ReAct participants in West Wales and the Valleys by strand and prior qualification levels (%)

Qualification	VOC	ERS	ETS	All ReAct	ESF Targets	ILO Unemployed
None	10.3	11.7	12.8	10.5	18.2	12.1
Below Level 2	16.7	20.8	24.8	17.2	12.1	25.6
Level 2	18.1	17.5	12.8	18.0	33.3	25.3
Level 3	17.5	16.9	20.1	17.5	17.2	17.7
Levels 4–6	24.0	21.2	10.1	23.6	16.2	19.3
Levels 7–8	3.4	3.2	9.4	3.3	3.0	
Not Known	10.0	8.7	10.1	9.9	-	-

Source: ReAct, Labour Force Survey

Note: The 'below Level 2' data from the Labour Force Survey for the ILO unemployed includes those with other qualifications.

- 5.26 In East Wales, participants with no prior qualifications were underrepresented in both the VOC provided prior to potential reemployment and the ETS in-work training, as well as in ReAct as a whole. Their share of participants supported by the ERS hiring subsidy was in line with their share of ILO unemployment (see Table 5.12 below). Those holding qualifications below Level 2 and at Level 2 in East Wales were underrepresented in all three ReAct strands and in the programme as a whole. The shares of participants with Level 3 qualifications in East Wales for both the VOC provided prior to potential reemployment and the ETS in-work training, and for ReAct as a whole, were below this group's share of the ILO unemployed. In contrast, this group was overrepresented amongst participants supported by the ERS hiring subsidy. Together, those holding qualifications at Levels 4–6 and 7–8 in East Wales were overrepresented in all three ReAct strands and in the programme as a whole.
- 5.27 The general picture that emerges from this analysis of participation by qualification levels across Wales and its two regions is that those with relatively low levels of qualification (at Level 2 or below) are underrepresented in the programme, including in the two strands that provide training, whilst those with relatively high qualifications (at Level 4 or above) are overrepresented. Going forward, a greater focus on those with lower levels of qualification may be beneficial, as such individuals are more likely to lack skills which the training available under ReAct can help to address. In addition, individuals with fewer qualifications are more likely to remain out of work in the absence of assistance and support.

Table 5.12: ReAct participants in East Wales by strand and prior qualification levels (%)

Qualification	VOC	ERS	ETS	All ReAct	ILO Unemployed
None	8.8	12.5	9.1	9.0	13.5
Below Level 2	16.2	15.9	18.2	16.3	23.7
Level 2	16.8	17.3	6.1	16.8	19.9
Level 3	15.5	18.3	6.1	15.8	17.3
Levels 4–6	37.7	31.3	6.1	37.0	25.6
Levels 7–8	4.2	4.8	39.4	4.3	
Not Known	0.8	0.0	15.2	0.8	-

Source: ReAct, Labour Force Survey

Note: The 'below Level 2' data from the Labour Force Survey for the ILO unemployed includes those with other qualifications.

Disability/work-limiting health conditions

- 5.28 Most figures in this evaluation report derive from a ReAct participant data report run in November 2019. That data report included participants who are defined as 'ReAct3 Ineligible'. Although these participants were funded by ReAct, they have not been included in either the West Wales and the Valleys or the East Wales category here because they were not eligible for support when they originally submitted their applications. In some cases the decision to reject an application was overturned on appeal, e.g. when discretion may have been applied due to extenuating circumstances. Categorising such participants as 'ReAct3 Ineligible' ensures that they are not wrongly included in financial claims to the WEFO. The figures for participants according to their disability/work-limiting health condition status differ because they have been taken from the data used to submit WEFO claim reports (rather than from the programme management information) and, therefore, exclude those categorised as 'ReAct3 Ineligible'. This means that the data analysed here covers merely 7,790 participants out of the total number of 8,228 ReAct participants to November 2019. Furthermore, it means that we cannot analyse the composition of ReAct participants by the three programme strands, but rather only for the programme as a whole.
- 5.29 Claimant count data by disability or health status is not available; therefore, data from the Annual Population Survey (APS) for the population aged 16–64 is used as a comparison. ReAct participants were largely out of work so this comparison against the working age population as a whole has its limitations. As employment rates for people with a disability or a working limiting health condition are lower than for the population as a whole, the proportion of people out of work who have a disability or a work limiting health condition would be expected to be higher than for the population as a whole. In Wales as a whole, around two per cent of ReAct participants had a disability, and a similar number had a work-limiting health condition (see Table 5.13 below). There will be a considerable overlap between these two groups; therefore, these numbers cannot be simply added together. Ninety-six per cent of participants neither were disabled nor had a work-limiting health condition. Finally, there were around two per cent of participants who preferred not to disclose their disability or health status. Close to one quarter of

people of working age in Wales were classified as either disabled according to the Equality Act 2010 or having a work-limiting disability. Thus, people with a disability or a work-limiting health condition were very substantially underrepresented in the programme in comparison to their share of the working-age population.

- 5.30 The figures on disability/work-limiting health conditions for West Wales and the Valleys and for East Wales (see Tables 5.14 and 5.15 below respectively) were very similar to those for Wales overall. Thus, in both of these regions, people with a disability or a work-limiting health condition were (again) very substantially underrepresented in the programme in comparison to their share of the working-age population.

Table 5.13: ReAct participants in Wales by disability/health status (%)

Disability/Health Status	All ReAct	Population Aged 16–64
Disabled	2.2	23.2
Has work-limiting health condition	2.0	-
Prefer not to say – Disability	1.6	-
Prefer not to say – Work-limiting health condition	1.7	-
Neither disabled nor has work-limiting health condition	96.3	76.8

Source: ReAct, Annual Population Survey

Table 5.14: ReAct participants in West Wales and the Valleys by disability/health status (%)

Disability/Health Status	All ReAct	Population Aged 16–64
Disabled	2.1	24.8
Has work-limiting health condition	2.0	-
Prefer not to say – Disability	1.4	-
Prefer not to say – Work-limiting health condition	1.6	-
Not disabled	96.5	75.2
Does not have a work-limiting health condition	96.4	-

Source: ReAct, Annual Population Survey

Table 5.15: ReAct participants in East Wales by disability/health status (%)

Disability/Health Status	All ReAct	Population Aged 16–64
Disabled	2.4	20.6
Has work-limiting health condition	2.1	-
Prefer not to say – Disability	1.9	-
Prefer not to say – Work-limiting health condition	2.0	-
Not disabled	95.7	79.4
Does not have a work-limiting health condition	95.9	-

Source: ReAct, Annual Population Survey

Migrants

- 5.31 As for the figures for participants according to their disability/work-limiting health condition status, the figures for participants by their migrant status also come from the data used to submit WEFO claim reports (rather than from the programme management information). Thus, those categorised as 'ReAct3 Ineligible' are not included and it is not possible to analyse the composition of the three strands of the programme separately.
- 5.32 Claimant count data on the migrant status is not available; therefore, data from the Annual Population Survey (APS) for the population aged 16–64 is used as a comparison. As noted above, ReAct participants were largely out of work so this comparison against the working age population as a whole has its limitations. As employment rates for people who have migrated to the UK are lower than for the population as a whole, the proportion of people out of work who are migrants would be expected to be higher than for the population as a whole. The APS data relates to nationality and is readily available for a simple UK–non-UK split. In Wales as a whole, around one in 12 ReAct participants were migrants from either inside or outside of the European Union (EU) (see Table 5.16 below). Since only around one in 20 of the working-age population in Wales were not UK nationals, migrants were overrepresented in the programme.
- 5.33 In West Wales and the Valleys, around one in 16 ReAct participants were migrants in comparison to around one in 25 of the working-age population (see Table 5.17 below). The comparable figures for East Wales were around one in eight and around one in 14 respectively (see Table 5.18 below). Thus, in both of these regions, migrants were overrepresented in ReAct.

Table 5.16: ReAct participants in Wales by migrant status (%)

Migrant Status	All ReAct	Population Aged 16–64
EU Migrant	8.1	5.3
Non-EU Migrant	0.4	
Not a Migrant	86.1	94.7
Not Known	5.4	-

Source: ReAct, Annual Population Survey

Table 5.17: ReAct participants in West Wales and the Valleys by migrant status (%)

Migrant Status	All ReAct	Population Aged 16–64
EU Migrant	6.1	4.0
Non-EU Migrant	0.3	
Not a Migrant	87.3	96.0
Not Known	6.3	-

Source: ReAct, Annual Population Survey

Table 5.18: ReAct participants in East Wales by migrant status (%)

Migrant Status	All ReAct	Population Aged 16–64
EU Migrant	12.5	7.4
Non-EU Migrant	0.5	
Not a Migrant	83.4	92.6
Not Known	3.6	-

Source: ReAct, Annual Population Survey

Location

- 5.34 At the local authority level, no clear pattern of overrepresentation or underrepresentation is apparent, as shown in Table 5.19. At the regional level, East Wales is underrepresented for both the ERS hiring subsidy and the ETS in-work training strands, which also implies that West Wales and the Valleys is overrepresented for these two strands. However, for the strand of VOC provided prior to potential reemployment and ReAct as a whole, the two regions are represented in line with their share of the claimant count of unemployment-related benefit claimants.

Table 5.19: ReAct participants by strand and location (%)

Local Authority	VOC	ERS	ETS	All ReAct	Claimant Count
Blaenau Gwent	3.2	1.8	1.6	3.0	3.4
Bridgend	5.7	5.6	8.2	5.7	4.4
Caerphilly	8.4	8.7	5.5	8.4	7.2
Cardiff	14.9	8.1	8.8	14.4	13.3
Carmarthenshire	4.9	11.7	13.7	5.3	4.9
Ceredigion	1.3	2.9	3.3	1.4	1.2
Conwy	1.9	3.4	4.9	2.0	3.5
Denbighshire	1.2	2.5	2.2	1.3	2.9
Flintshire	3.1	5.9	0.5	3.3	4.2
Gwynedd	1.2	2.2	4.4	1.3	3.1
Isle of Anglesey	1.9	1.3	0.5	1.8	2.4
Merthyr Tydfil	2.5	2.0	3.3	2.5	2.4
Monmouthshire	2.8	1.8	0.5	2.7	1.5
Neath Port Talbot	7.5	6.2	6.6	7.3	5.4
Newport	5.5	3.8	3.3	5.4	6.9
Pembrokeshire	4.0	3.2	3.8	3.9	3.6
Powys	2.2	3.5	1.1	2.3	1.9
Rhondda Cynon Taf	9.0	7.6	10.4	8.9	8.0
Swansea	8.1	9.4	11.0	8.1	9.0
Torfaen	2.5	2.2	2.2	2.5	3.6
Vale of Glamorgan	6.0	2.8	2.2	5.7	3.2
Wrexham	2.5	3.2	1.6	2.5	4.1
East Wales	36.9	29.2	18.1	36.3	35.1
West Wales and the Valleys	63.0	70.8	81.9	63.6	64.9

Source: ReAct, claimant count data

Conclusion

- 5.35 The analysis in this chapter provides an insight into which groups are being supported by ReAct, and we find that people aged between 16 and 24 years are underrepresented within the programme, as are those with no or low qualifications. This may be a reflection of the fact that ReAct supports individuals who have been made redundant, who are possibly more likely to be in the older age groups and more highly qualified. As discussed later in the report, however, these findings also lead to questions as to whether ReAct is supporting those who are most in need of the support being provided.

6. The experience of delivering ReAct III

Key points

- ReAct is largely dependent on Careers Wales and Jobcentre Plus for the promotion of the programme to potential participants, leading to some concern surrounding the potential lack of awareness, whilst recognising that in the majority of cases, individuals seeking support are likely to approach Careers Wales and/or Jobcentre Plus.
- Careers Wales plays a critical role in the delivery of ReAct, something widely recognised amongst stakeholders.
- The effectiveness of the information, advice and guidance (IAG) provided by Careers Wales is essential in terms of generating a positive outcome for the participant.
- There is acknowledgement that the scheme remains 'admin-heavy'.
- The strong view of stakeholders was that ReAct does not duplicate and adds value to the other employability support available.
- Careers Wales advisors felt that the prospect of receiving funding to undertake a training course was a significant 'carrot' that attracted individuals to meetings with them.
- The flexibility offered by ReAct (in terms of the range of training that can be undertaken) was cited as being a strength of the programme by those involved in its delivery.
- The general view was that ReAct should remain available to anyone who is made redundant and not become more targeted in its approach.

Introduction

- 6.1 This chapter reviews the delivery of ReAct III, focusing on the lessons learnt during the management and delivery of the current iteration of the programme. Feedback provided by supported individuals and businesses on management and delivery issues, collected via surveys undertaken for this evaluation, is also discussed.

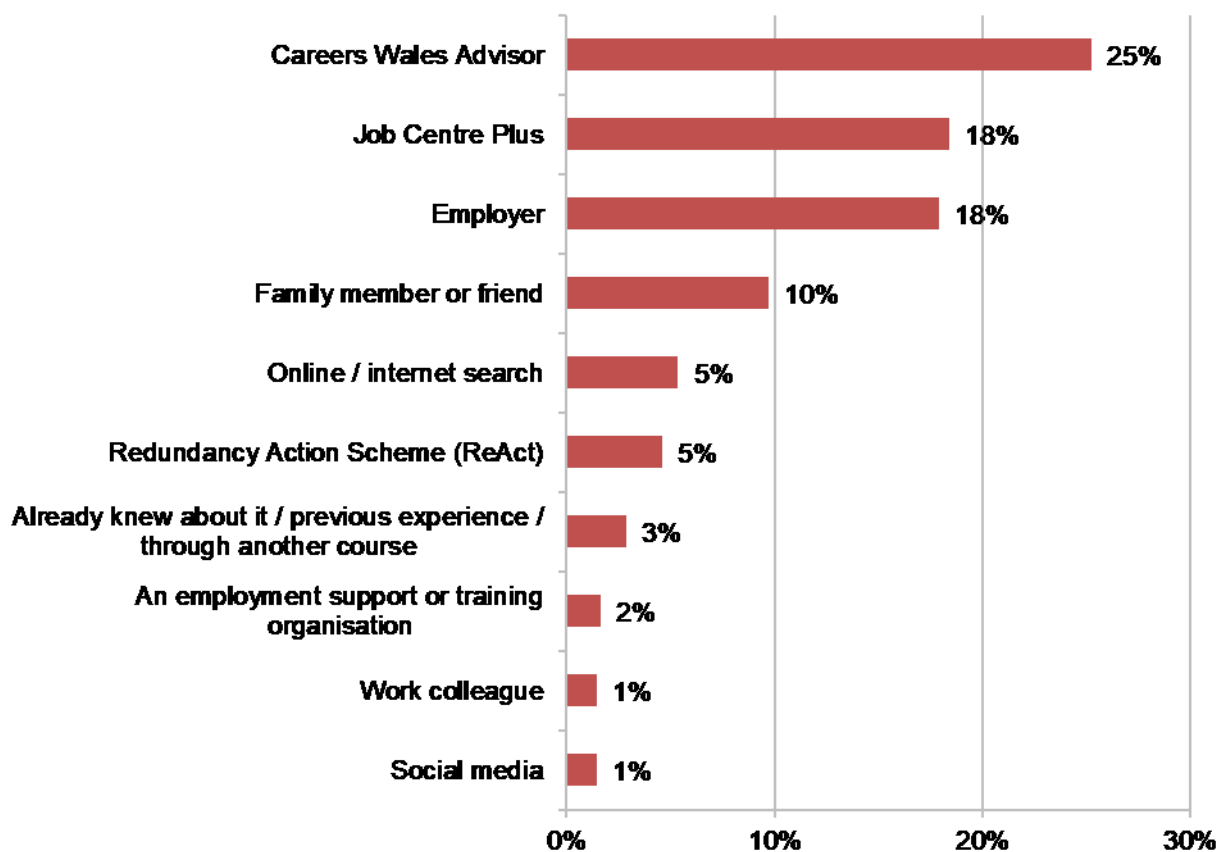
Marketing and awareness of the support available

Individuals

- 6.2 Making potential participants aware of the support that is available to them is a critical part of any intervention. The survey of ReAct participants found that 25 per

cent of respondents heard about ReAct from Careers Wales advisors, with JCP and employers also prominent (both 18 per cent), as well as 10 per cent finding out about the programme from a friend or family member (see Figure 6.1 below).

Figure 6.1: Where participants first heard about ReAct



Base=1,155

- 6.3 These figures illustrate the importance of Careers Wales as the ‘route to market’ for ReAct. Engagement with Careers Wales can, however, be in two forms, with participants meeting with a Careers Wales advisor either because they came to the place of work or because the individual was proactive and approached Careers Wales directly. The survey data, unfortunately, does not distinguish between the two.
- 6.4 The in-depth interviews found that engagement with Careers Wales advisors came in those two different forms. In instances in which individuals approached Careers Wales, this was generally following some form of discussion with family members, colleagues, and friends who recommended that they speak to Careers Wales:

“A good friend of mine who works at Careers Wales told me about ReAct. They told me to come in and talk to her about it [...]. She arranged contact immediately after I lost my job and she explained to me what was involved.”

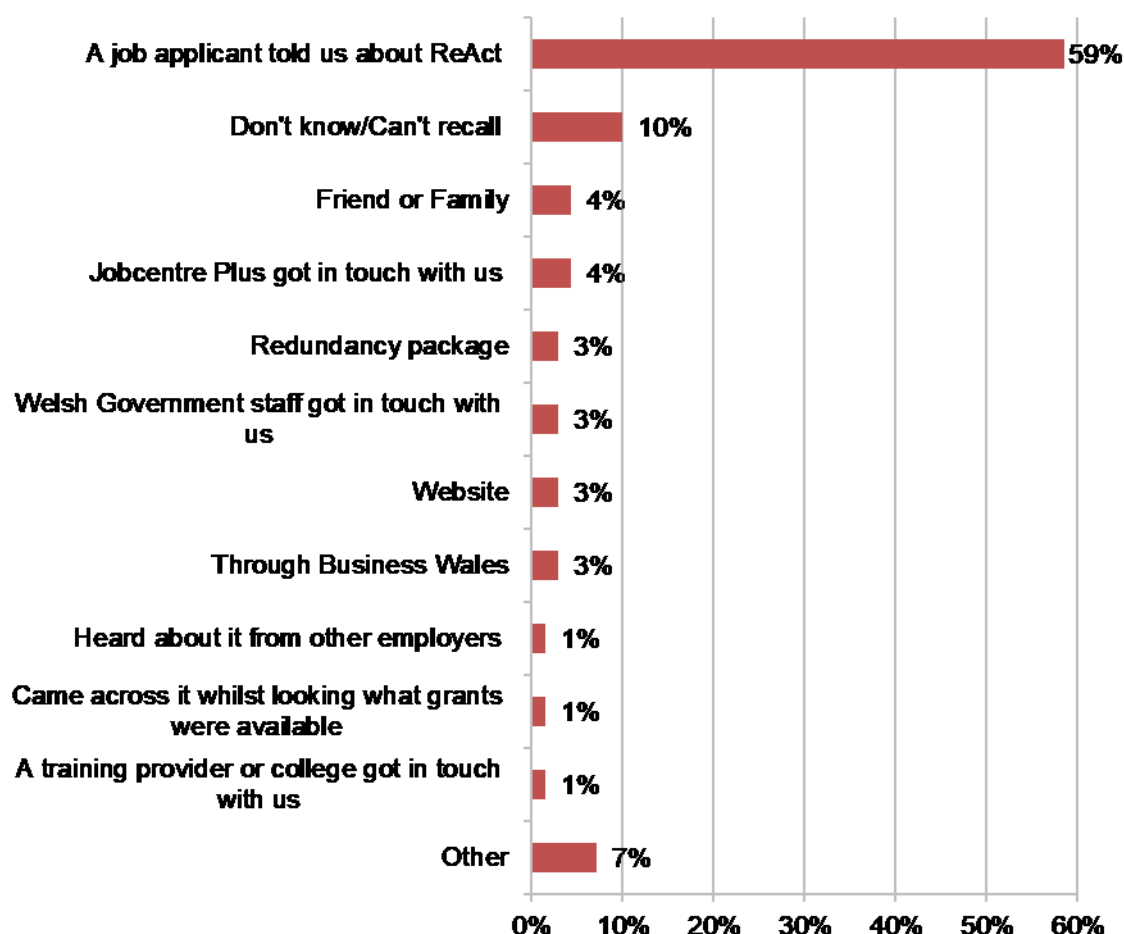
- 6.5 Stakeholders were generally comfortable with an approach that has seen ReAct mainly promoted via partner organisations including Careers Wales, JCP, and trade unions. There was, however, also concern surrounding levels of awareness.
- 6.6 The key concern was that individuals might not be aware of the support available to them if the redundancy is small-scale and, therefore, does not attract a response from Careers Wales and partners. In such a situation there would be a reliance on the individual to be proactive or become aware of the support available in some other way, which not all of those in need of support would do.
- 6.7 It is unrealistic to expect Careers Wales or another organisation to visit the sites of all redundancy situations in Wales, especially where the employer is smaller. Moreover, it is unrealistic (and inefficient) to promote the existence of individual support schemes such as ReAct individually. The approach of promoting the broader range of support available, now via the Working Wales programme, is therefore arguably correct (despite the concerns that have been noted).
- 6.8 It is also important to note that, in all likelihood, anyone seeking support with returning to work will contact either JCP or Careers Wales in the first instance and that this should mean that they become aware of the support available through ReAct and there are clear and strong channels of communication between the partners involved. Furthermore, the Working Wales service now includes some ‘outreach’ activity with which to market the support available as widely as possible, which will also address any concerns surrounding awareness of the support available.

Employers

- 6.9 The survey of businesses supported by the employer elements of ReAct found that the majority had become aware of the programme via the job applicant (41/70) (rather than any support provider) (Figure 6.2). Individuals are encouraged by Careers Wales to let prospective employers know about the availability of the employer elements of the programme; therefore, the high response to that ‘channel’ is perhaps not surprising. There would, however, seem to be some

reliance on that means of making businesses aware of the support potentially available.

Figure 6.2: Where employers first heard about ReAct?



N=70

- 6.10 Programme management data and interviews with Welsh Government officials show that the number of applications for the ERS and ETS elements of ReAct was low — much lower than had been anticipated. Interviews with stakeholders suggested several potential reasons for this, including a perception that awareness of the support available was low amongst businesses.
- 6.11 The survey of businesses that had received funding via ERS and ETS found that the majority became aware of the support available via the individual whom they were recruiting. The following are quotes from in-depth interviews with businesses:

“We heard about it from a candidate. We were positive about the news.

Everything in the last couple of years has been aimed at 16–24-year-olds, and

this offered the chance to get support while bringing in more experienced candidates.”

“More publicity [is needed]. We had only heard of ReAct because of this candidate. For small businesses such as ourselves, this support is really useful, so make it better known!”

- 6.12 Careers Wales staff insisted that all participants should be aware of the support available to employers and were encouraged to make their prospective employers aware of it. The possibility that individuals do not recall this information or that they choose not to share it with an employer cannot be discounted. However, the low levels of applications from employers in comparison to the number of individuals supported could be an indication that businesses are choosing not to apply for the support available.
- 6.13 Stakeholders hypothesised during interviews that this could well be the case, suggesting that the scale of the support available may be too low to be attractive to businesses. As one stakeholder put it: “I just think they don’t think it’s worth the hassle.” What is more, stakeholders suggested that a perception of the levels of ‘red tape’ involved in applying for the support could also be making businesses reluctant to do so.
- 6.14 Another hypothesis offered by stakeholders was that individuals were choosing not to make a prospective employer aware of the support potentially available to them because they felt uncomfortable about raising the matter during a recruitment process. Once appointed, individuals could also be forgetting about the support that was available to the employer or could decide that it was no longer necessary because they had found employment (which is correct if the purpose of the funding is to encourage employers to recruit).
- 6.15 We cannot be sure as to whether or not these hypotheses are correct, given the evidence available to this evaluation. The fact that the number of applications for ERS and ETS is low should, however, be noted. If the provision of support to employers is to continue, ways of increasing awareness and/or the number of applications will, therefore, need to be explored.
- 6.16 As discussed in other parts of this report, including the literature review, high levels of deadweight within the recruitment subsidy and training elements of ReAct also

lead to questions regarding the appropriateness of continuing to provide that support.

- 6.17 When stakeholders were asked to identify a 'cut' to the ReAct programme that they would choose to make if forced to do so, the ERS/ETS elements were always identified: the support to the individual was seen to be more fundamental to achieving the aims of the programme.
- 6.18 Stakeholders did argue that in some instances the support available to employers could be valuable. They highlighted, in particular, the potential use of the support to help a new business to set up or to attract an employer to an area. For that reason, stakeholders argued that the employer support elements of ReAct should be 'kept within the toolbox'. However, the fact that it was the benefit to the business, as opposed to the benefit to the individual (which is the rationale for ReAct), that was highlighted as the justification for keeping employer support within ReAct is interesting to note.
- 6.19 There were several references made to other business support available during in-depth interviews with businesses, including the following examples:
- "I was also looking at things like Jobs Growth Wales and support available through Business Wales, but these weren't applicable for taking people on at this kind of level."
- "We have used Jobs Growth Wales in the past, but it wasn't applicable here because it was about bringing someone experienced in."
- 6.20 Although from a small number of interviews these quotes suggest that businesses are looking at the package of support available to them, rather than at a single intervention in isolation. ReAct could, therefore, be part of awareness-raising activities for a broader package of support available to an employer as part of the Business Wales offer. Furthermore, they indicated the potential for an intervention such as ReAct to complement interventions targeted at specific age groups.

The role of Careers Wales and the provision of advice and guidance to individuals

- 6.21 The evaluation has found that the role that Careers Wales plays in the delivery of ReAct was widely recognised as being very important amongst stakeholders. ReAct support for individuals is provided via Careers Wales, who promote the

support available and provide advice and guidance to applicants with regard to the training that they should undertake to help them to find employment. Careers Wales, via the advisors, also effectively acts as a 'gatekeeper', controlling the flow of applications to the Welsh Government. This helps to ensure that in the vast majority of cases, only eligible and appropriate applications for support are submitted to the Welsh Government.

- 6.22 The importance of providing (a) 'independent' and (b) 'person-centred' advice and guidance was a constant theme in discussions with the Careers Wales team throughout the evaluation. They considered both of these factors to be critical to the success of the support that they provided. The independence of the advice with regard to the local labour market and the type of training that would be best for the individual in question was highlighted as being particularly important:

"[Careers Wales] haven't got any kind of interest in what kind of training [the individual being advised does]. You can't say that if the advisor is working for a college or a particular scheme [...]. It's seen as independent." (Career advisor)

"The beauty of ReAct is that it is tailored to the needs of the individual — they don't engage with a set programme." (Stakeholder, Welsh Government)

- 6.23 There was also recognition that the effectiveness of the information, advice and guidance (IAG) provided by Careers Wales is important to the success of ReAct in terms of generating a positive outcome for the participant:

"We provide independent advice to the individual based on what they want to do but also on what we know about the local labour market. Sometimes that means telling them that [the training that they want to do] is not appropriate." (Career advisor)

- 6.24 The vast majority of the respondents to the survey who reported receiving advice from Careers Wales (93 per cent, 775 of 829) stated that they understood the opportunities available to them through ReAct as a result of the advice and guidance provided. However, while it helped them to understand what was available to them, it does not appear to have had a substantial effect on those individuals' choices. The majority stated that they did not apply for a different training course (79 per cent), apply for a job in a different sector (71 per cent) or apply for work in a different job role(s) (74 per cent) because of the guidance received.

- 6.25 This is not to suggest that the advice that Careers Wales was providing was ineffective or disregarded. Instead, it indicates that the vast majority of respondents had a clear view of what they wanted to do before they met the advisor.
- 6.26 The in-depth interviews found that individuals felt that the advice that they received regarding what training to undertake provided support for their own pre-existing views and ideas on the matter. They did not feel as though they were being told what to do. This was appreciated by the majority, with many feeling that they were able to make their own choices. For them, Careers Wales' purpose was to support them along their own journey (rather than to plan it for them):
- “I came in and told them what I wanted to do. We discussed why this kind of training would be beneficial to me and then we looked at potential employment avenues I could go down. They also acted as the link between me and the trainer. They gave me advice on where I could get the training.” (Participant)
- 6.27 It is also important to note, however, that there were instances in which this approach was perceived by the individual concerned to be a lack of, or poor, guidance. For example, there were examples in which individuals found that following the training, they were unable to find relevant work in their local area. In those instances the training undertaken was not sufficient for them to find employment and/or they believed that they needed more mentoring from Careers Wales with regard to what would be best for them:
- “I could do with having more advice and some more mentorship [...]. I'd never been redundant before, so could have used some more guidance — someone to tell me if they disagreed with my route and to coach me through it, not just someone agreeing.” (Participant)
- 6.28 It is important that criticism of the advice provided by Careers Wales, whilst not ignored, is considered in context. When negative feedback was raised in discussions with career advisors during the course of the evaluation, they pointed out that there would always be instances in which an individual disagreed with the advice that they were providing. As one career advisor put it, “they're not necessarily going to want to hear or agree with what you are telling them”. Examples highlighted included advising individuals against seeking to move into a

particular field of work or against undertaking a training course that they had identified.

Programme administration

- 6.29 A very high proportion of applications submitted to the Welsh Government are successful, suggesting an effective and efficient delivery process. For the 2019/2020 financial year, 1,729 applications were approved (99.0 per cent), 10 were cancelled (withdrawn by the applicant) (0.5 per cent), and only nine were rejected (0.5 per cent), which we understand to be typical of any given year. This is supported by views expressed during stakeholder interviews and by respondents to the survey of Careers Wales staff.
- 6.30 The ReAct programme has been in existence since 2004. That has been beneficial in several ways, including, as a number of the staff highlighted in discussions with the evaluation team, that the administrative process is now as effective as it can be, given the constraints of working with ESF requirements.
- 6.31 There is, however, acknowledgement amongst staff involved in the management and delivery of the programme that ReAct remains ‘admin-heavy’ (despite several attempts to address this), with a number describing the ‘paperwork’ involved with the programme as “a nightmare”. The potential to move more of the administrative process online was identified (as it has been in evaluations of previous versions of ReAct) and there was a view amongst those interviewed that there should be more opportunity for this when ESF funding (and the associated audit requirements) comes to an end.
- 6.32 When reflecting on the administrative process during interviews towards the end of the evaluation, those involved reflected that the system put in place was designed for a much smaller programme than the one into which ReAct had evolved. With hindsight, a more effective administrative process should have been put in place at an earlier stage. When problems began to emerge, it was ‘too late’ to address many of the issues.

Implementation of the cross-cutting themes

- 6.33 The aim of the CCTs is to improve the quality and legacy of each operation supported by the Structural Funds and to add value to the programmes as a whole. There are three CCTs:

- Equal Opportunities, Gender Mainstreaming, and the Welsh Language
- Sustainable Development
- Tackling Poverty and Social Exclusion

- 6.34 The first two of these CCTs are mandatory under EU regulations. Tackling Poverty and Social Exclusion has been included as an additional CCT in line with the key commitments of the Welsh Government as set out within its Tackling Poverty Action Plan.
- 6.35 The ability of ReAct to be proactive in the delivery of the CCTs is restricted by the fact that it is a reactive intervention providing support wherever it becomes necessary to do so as a result of redundancies. At an individual level the support is available to anyone who has been made redundant — it is not targeted at any particular group or geography beyond that. This is not, however, to say that ReAct has not contributed to achieving the objectives of the CCTs. Tackling poverty and reducing social exclusion are clearly outcomes towards which ReAct can contribute by getting individuals back into employment as quickly as possible. The reactive nature of the intervention does, however, need to be considered.
- 6.36 A letter is issued to all businesses in receipt of support from the ERS element of the programme. Its purpose is to try to encourage grant recipients to contribute to the aims of the cross-cutting themes by providing links to several sources of information, advice and guidance relating to the themes. Our understanding is that this approach was agreed with the WEFO, who acknowledge the limited potential for ReAct to influence the activities of businesses in relation to the CCTs.
- 6.37 As an example, one of the supported businesses with whom an in-depth interview was undertaken for the evaluation highlighted that they had used ReAct support to allow the employee in question to attend group sessions, including one to encourage the use of the Welsh language (see Chapter 3 of the Case Studies report).
- 6.38 No monitoring data is, however, collected to assess how effective the approach has been. It is clearly a minimal approach to implementing the CCTs. The potential to be more proactive and do more concerning the CCTs is, however, limited (given the reactive nature of ReAct as an intervention).

Adding value to other support

- 6.39 The strong view of stakeholders was that ReAct added value to the other support available to those seeking work in Wales, and that it was unique in its targeting of those made redundant. Furthermore, it was described as being, in many instances, essential in terms of helping a participant back into employment, although the evidence discussed in Chapter 7 of this report does not necessarily support that view.
- 6.40 It is interesting to note that during workshops and in-depth interviews, Careers Wales advisors frequently referred to how the prospect of receiving funding to undertake a training course was a significant ‘carrot’ that attracted individuals to meetings with them. As one advisor put it:
- “It’s just about the only thing we can offer people other than advice and guidance.” (Career advisor)
- 6.41 This is true regardless of whether individuals end up applying for ReAct funding. The prospect has attracted them to a meeting to review their skills, qualifications, and need for training. The literature review identifies those things as being key in terms of getting people into employment, and ReAct attracts them to that service.
- 6.42 When Careers Wales staff were asked in 2017 to rate on a scale of 0 (not at all) to 4 (substantially) the extent to which ReAct added value to the other support available, the vast majority (30/34) gave 4 as their answer. The result was similar when DWP staff were asked the same question in an online survey in 2018, with 60 out of 89 (67 per cent) identifying the added value as 4 (substantially). When this was discussed during later consultations with DWP and Careers Wales staff (in focus groups relating to the case studies discussed later in the report), the theme was consistent: ReAct is considered to be essential by those working with individuals who have been made redundant.
- 6.43 Two main reasons for this were identified. Firstly, Careers Wales advisors, in particular, highlighted the fact that ReAct was unique in that funding was provided in order to allow the individual to undertake training; therefore, it is more than merely advice and guidance. Secondly, advisors were always keen to stress that the opportunity to plug gaps in CVs was often critical in redundancy situations, especially where an individual had been employed by the same business or organisation for a considerable amount of time.

- 6.44 The flexibility offered by ReAct was also frequently referred to by stakeholders when discussing the strengths of the programme — participants have the freedom (within programme guidelines) with which to select a training course that meets their needs, following discussions with a career advisor. Career advisors identified this as being particularly important in terms of conveying the independence of the advice that they were providing.
- 6.45 Where other schemes were designed to ‘recruit’ participants for training that was provided by their own organisation, Careers Wales/ReAct was not constrained in the same way. Maintaining this flexibility (and independence) in the future was considered to be important.

Competition for participants

- 6.46 Consultations later in the evaluation process identified an increasing concern amongst stakeholders at both management and delivery levels with regard to the ‘competition for participants’ amongst projects as a result of an increase in the number of projects funded by the ESF programme. The perception was that ESF-funded initiatives (of which there have been an increasing number) are driven by the need to meet their targets for the number of participants supported, resulting in competing with one another.
- 6.47 The evaluation has not been able to explore this issue in detail; therefore, we cannot judge whether or not this perception is accurate. The potential for competition amongst ESF-funded projects for participants is, however, clear, especially when the number of participants in a project is used as a key performance indicator.

A more targeted approach?

- 6.48 Deadweight (i.e. the outcomes that would have happened anyway, regardless of the support provided) is an important element of the discussion surrounding whether or not ReAct should be more targeted, and there are several references made to deadweight within this report. It is noted in passing here because stakeholders generally acknowledge the existence of deadweight within ReAct. For example, it was recognised that some of the individuals supported by the programme would have found employment (regardless of the training funded by ReAct). As noted in Chapter 3, there is also general agreement in the evaluation literature that wage subsidies typically have high deadweight and substitution

effects. Furthermore, targeting is identified as a way of minimising those effects. This is central to the argument that the programme should be more targeted, focusing on those individuals who need the training being funded in order to gain employment.

- 6.49 However, stakeholders argued that, despite the risk of deadweight, ReAct support still played a part in helping those participants back into employment. ReAct may not have been the main reason as to why they moved into employment, but it played an essential role in the individual's journey back into work.
- 6.50 This view is supported by the findings of the consultations with participants for this evaluation (please refer to Chapter 7). Moreover, the view of career advisors was that ReAct support helps individuals to move back into employment which is the most appropriate to them (rather than moving into any job that the individual can find). In the view of the author, this is an important point.
- 6.51 For the aforementioned reasons, the general view amongst stakeholders was that ReAct should not be more targeted and should continue to provide support to anyone being made redundant. That view was not, however, universal.
- 6.52 As noted in Chapter 3, previous evaluations have proposed a more targeted approach, including restricting eligibility to (or increasing funding to) specific groups of redundant workers (e.g. those with the poorest labour market prospects, young people, and those with no or only low-level qualifications) and businesses (e.g. businesses employing fewer than 10 people). Those recommendations have been rejected previously but were revisited during the stakeholder interviews and in the surveys of Careers Wales and DWP staff.
- 6.53 Previous reasons for rejecting previous recommendations for a more targeted approach included the following:
- The support should be available to anyone who is made redundant, regardless of, for example, their level of qualification or the sector in which they worked.
 - Even highly qualified individuals can have gaps in their skills — it is about helping individuals to become 'employable' (rather than 'upskilling').
 - It is not possible to effectively pre-empt the sectors or areas in which redundancies are going to happen, meaning that it is difficult to 'target' support at those areas or sectors.

- Introducing any element of targeting would, inevitably, increase the complexity within the administration of the programme, leading to the need to increase the resource allocated to the administration of the programme.

- 6.54 However, a number of DWP staff and CW staff responding to the 2018 and 2017 surveys, respectively, agreed that more targeting would be appropriate in respect of the provision to support individuals. This view was also expressed by some during more in-depth discussions.
- 6.55 The arguments in favour of maintaining a broad approach are valid. However, the counterargument that support should be targeted at those most in need is strong. As we will observe in the analysis of outcomes in Chapter 7 of this report, those with lower skills before being made redundant would also seem to benefit the most from the support provided, which also possibly supports the argument for targeting support at that group.
- 6.56 It is interesting to note that when pressed about which elements of ReAct could be cut if it were essential, the focus was always upon the employer support elements of the programme. The clear view was that the individual elements of the programme were more important and more central to achieving the objectives of the intervention.
- 6.57 The inclusion of the employer elements was justified by some supporters on the basis that it can be useful when there is an opportunity to support a large number of participants back into employment with a single employer. Furthermore, it was described as a useful tool for attracting a new employer into an area. For those reasons, they argued, the support to employers should be maintained.
- 6.58 The fact that it was the employer support element of ReAct which generated the necessary private sector match funding for the ESF element of the programme was also noted. This was a crucial reason for including that element with the programme design, illustrating the fact that at times, interventions are designed for reasons other than the outcomes that they generate.

Eligibility criteria

- 6.59 To be eligible for support from ReAct, an individual has to have become unemployed in the last three months as a result of redundancy. There was a concern amongst some stakeholders, including career advisors, that three months was too short a period. One reason given for this was that there would be

circumstances in which the individual concerned may not immediately be aware of the support available. Indeed, the eligibility criterion had been six months in previous iterations of ReAct and there was a lack of understanding in some instances as to why the change had been introduced:

“There used to be a six-month window and now it is down to three [months], which I disagree with. It’s just not very long when people are made redundant. They can spend one month in denial and then two or three months weighing up their options.” (Stakeholder, Careers Wales)

- 6.60 The rationale for the change was that of increasing the focus on those closest to the labour market. Moreover, the decision was based on an analysis by the Welsh Government of the length of time for which participants in previous programmes had been unemployed. The negative impact from the perspective of some stakeholders should, however, be noted.

A more proactive approach?

- 6.61 An interesting point discussed in a handful of stakeholder interviews was the potential to be more proactive in respect of working with sectors in which it is likely that redundancies could take place in the future. The argument was that the number of redundancies that eventually take place could be lower if support were provided to that sector (or, in some instances, an area) at an early stage to begin to reskill a workforce prior to inevitable changes within the sector that can be anticipated at the present time. For example, it is almost inevitable that redundancies will take place in some manufacturing sectors as technology continues to evolve.

- 6.62 One stakeholder highlighted:

“[The support being provided] needs to think about longer-term, more advanced support and they should be focusing on getting people out of their sector [and] into one for the future that is green or digital [...]. If they could bring in higher education funding and full-time courses, it would have a better, longer-term economic impact — it’s just forward-thinking.”

- 6.63 These comments are consistent with findings within a review of evidence from Public Health Wales⁹ identified during the literature review, which suggested some

⁹ Davies AR et al. (2017) Mass Unemployment Events (MUEs) – Prevention and Response from a Public Health Perspective, Public Health Wales.

policy responses to large-scale redundancies (please refer to Appendix B). The review was much broader than labour market policies, but recommendations of relevance to ReAct included a suggestion that potential large-scale redundancies could be identified proactively in order to develop an 'early warning system' where a large number of jobs in a local area depend on a single employer.

- 6.64 This evaluation has not reviewed this issue in any detail because it is not the focus of the research. The logic is, however, clear and it is something that should certainly be explored further outside of the confines of this evaluation.

Conclusion

- 6.65 As noted in Chapter 3, previous evaluations have found that ReAct has been a well-managed programme, and the analysis for this evaluation has found no reason to change that view for the current programme. It is, however, acknowledged that the programme remains 'admin-heavy', which needs to be considered when going forward. Additionally, it is important to acknowledge that there have been significant issues surrounding accessing programme monitoring data over the course of the evaluation, suggesting that the monitoring and data-processing systems employed need to be improved.
- 6.66 It is universally recognised that Careers Wales plays a critical role in the delivery of ReAct both as 'gatekeepers' to applications for support (they play an important 'quality control' role) and in terms of the effectiveness of the information, advice and guidance (IAG) that they provide to individuals. In addition, such IAG is crucial in terms of the ability of ReAct, via the training that it funds, to deliver positive outcomes. This also fits with findings of the value of 'light-touch' support for individuals seeking work as identified in the literature review.
- 6.67 Careers Wales advisors frequently referred to how the prospect of receiving funding to undertake a training course was an important 'carrot' that attracted individuals to meetings with them. This demonstrates how interventions can sometimes be useful merely by their existence.
- 6.68 The strong view of stakeholders was that ReAct added value to the other support available to those seeking work in Wales, and that it was unique in its targeting of those having recently been made redundant. The flexibility offered by ReAct (in terms of the range of training that can be undertaken) was also frequently referred to by stakeholders.

- 6.69 The literature review suggests the need to consider a more targeted approach than that which is currently used by ReAct (which is available to anyone who has been made redundant). Furthermore, some stakeholders acknowledge the rationale of targeting those with lower skills and qualifications (see Chapter 3). Policy documents also emphasise the importance of targeting those most in need of support (see Chapter 4). The general view of stakeholders was, however, that ReAct should remain available to anyone who is made redundant.
- 6.70 On this issue, the analysis of monitoring information (Chapter 5) finds that participants with relatively low levels of qualification (at Level 2 or below) are underrepresented in all three strands of ReAct, while those with qualifications at Level 4 or above are overrepresented in all three strands. The 'open to all' approach could therefore be leading to a situation in which those who (it could be argued) are most in need of support are underrepresented within the programme.
- 6.71 Another interesting point discussed in a handful of stakeholder interviews was the potential to be more proactive in respect of working with sectors in which it is likely that redundancies could take place in the future.

7. Outcomes for individuals supported

Key points

- The most frequently identified barriers to employment for participants were ‘not having the right qualifications’ and ‘not having the right skills’.
- Age and previous qualifications seem to be factors that influence the barriers to employment that were identified by respondents.
- Eight out of 10 respondents were in employment six months after completing the training course funded by ReAct.
- A high proportion of survey respondents had changed jobs and/or sectors after their redundancy. Often this seems to have been a conscious decision on the part of the individual concerned.
- Changes in career can be very beneficial to the individual concerned, e.g. by improving their quality of life.
- Whilst some individuals had moved into a better-paid job, a large proportion had moved into a job with a lower salary.
- Careers Wales advisors highlighted the fact that at times, individuals are forced to take any employment which is available to them, even if it is not at the same level as that of their previous employment or in the line of work that they would prefer.
- The survey data suggest that while outcomes are ‘better’ for those with higher-level qualifications (i.e. more likely to have moved into employment), ReAct plays a more important role in driving outcomes for those with lower-level qualifications.
- The survey finds that location (rural or urban) has an influence on outcomes and on the barriers to employment being identified.
- A total of 14 per cent of those currently in employment perceived that ReAct had a direct impact on their employment outcomes. A much larger proportion (55 per cent), however, identified ReAct as being something that had helped them to enter employment, while 31 per cent reported that it had made no difference to their employment outcome.

Introduction

- 7.1 This chapter discusses the findings of the consultations undertaken as part of the evaluation process with individuals supported by ReAct, focusing on barriers to employment and outcomes. It draws on the data collected via the survey of ReAct participants (N=1,155)¹⁰ and via in-depth, semi-structured interviews undertaken with a smaller sample of participants (N=50).¹¹
- 7.2 A breakdown of the profile of respondents to the survey in comparison to participants in the programme can be found in Appendix D, with the key points being that:
- The vast majority of survey respondents were in the category of 25 to 54 years of age and broadly similar to figures from the programme monitoring data
 - Participants living in the West Wales and the Valleys region are overrepresented within the sample due to the larger survey of respondents in that area (undertaken as part of the ESF Participants Survey)

Perceived barriers to employment

- 7.3 As can be observed in Table 7.1 below, the barriers most commonly identified by survey respondents were ‘not having the right qualifications’ (45 per cent) and ‘not having the right skills’ (44 per cent), followed by ‘no appropriate jobs where you live’ (33 per cent), ‘hard to get appropriate work’ (33 per cent), and ‘not having relevant work experience’ (32 per cent). Moreover, the table shows the findings by age. This excludes the 18–24 years age group due to the small number of respondents in that group. Furthermore, it excludes responses of less than 1 per cent for the ‘All’ column.

¹⁰ The ESF Leavers Survey in West Wales and the Valleys and the ReAct Participant Survey in other parts of Wales (both using the same questionnaire).

¹¹ It should be noted that two versions of the questionnaire were used during the course of the survey, with one a slightly shorter version of the full survey, which means that there are slightly different base values throughout this chapter.

Table 7.1: Barriers to employment as identified by survey respondents (%)

	All	25–54	55+
Not having the right qualifications	45	46	40
Not having the right skills	44	45	40
No appropriate jobs where you live	33	33	33
Hard to get appropriate work	33	31	38
Not having relevant work experience	32	34	25
Your age	22	13	45
You only wanting to work part-time	13	10	22
Believing you would not be better off financially in work	9		
Having caring responsibilities	8	8	7
Health problems (including physical and mental health problems)	6	4	10
Not being able to afford childcare	5	6	0.5
Having a criminal record	1	1	1
Job market too competitive/too many people applying for the same job	1		
Lack of confidence		8	10
Alcohol or drug dependency		1	1
Not being able to drive/no driving licence		1	0.5
Other	8	9	8
Do not know		13	7
None of these	12		
Base – number	819	592	216

- 7.4 It shows differences between those two groups, with more of the younger cohort identifying not having relevant work experience, the right skills and the right qualifications as being a barrier. The opposite is true for the barriers ‘hard to get appropriate work’, only wanting to work part-time and, most notably, age.

Barriers, disaggregated by ‘prior highest qualification level’

- 7.5 Table 7.2 (below) shows the data for barriers to employment disaggregated by participants’ highest qualification prior to ReAct support. Qualifications were identified as the biggest barrier to employment by all cohorts except for those with Level 6 qualifications or above. For this group, not having the right qualifications is identified as only the third-biggest barrier.

Table 7.2: Thinking about before you started the course, did any of the following things make it difficult for you to find work? Disaggregated by highest qualification prior to ReAct

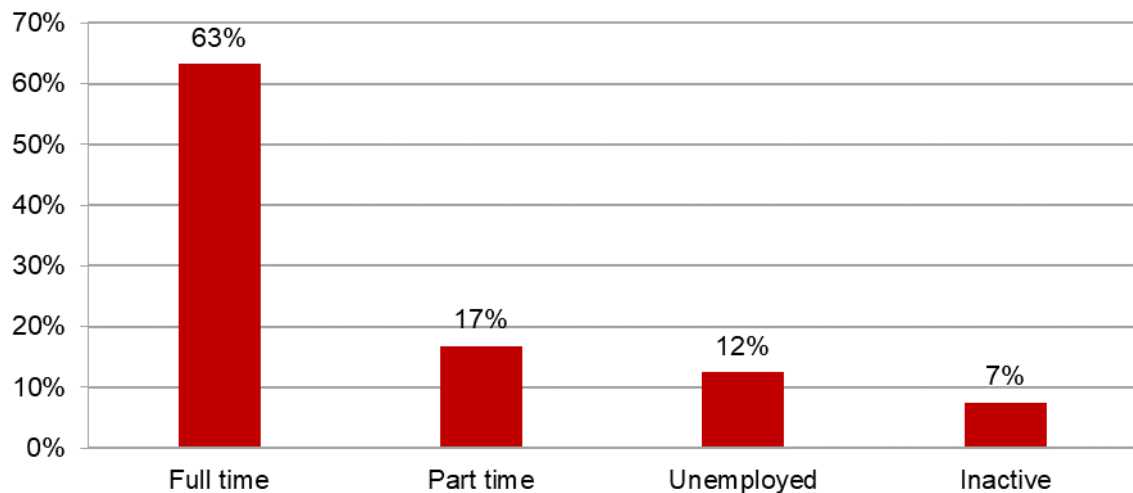
	No Qualifications (55)	Level 2 or Below (159)	Level 3 to Level 5 (261)	Level 6 or Above (191)
Biggest barrier	Not having the right qualifications (58 per cent)	Not having the right qualifications (50 per cent)	Not having the right qualifications (46 per cent)	No appropriate jobs where you live (42 per cent)
Second-biggest barrier	Not having the right skills (58 per cent)	Not having the right skills (48 per cent)	Not having the right skills (45 per cent)	Not having the right skills (39 per cent)
Third-biggest barrier	Not having relevant work experience (44 per cent)	Not having relevant work experience (38 per cent)	Hard to get appropriate work (34 per cent)	Not having the right qualifications (32 per cent)

Base=666

Employment status after support

- 7.6 The primary objective of ReAct is to support people who have been made redundant back into employment as quickly as possible. As shown by Figure 7.1 below, 80 per cent of respondents reported that they were in employment, either full-time or part-time, six months after accessing the support available through ReAct. This figure increases to 85 per cent in employment at the time of the interview (at least 12 months after the end of the training course). A total of 12 per cent reported being active jobseekers at the six-month point, while seven per cent of respondents reported being economically inactive. This suggests that in the vast majority of cases the main objective of the intervention is being achieved.

Figure 7.1: What was your main activity six months after the training course started?



Base=1,152 responses

- 7.7 Disaggregating this data further, 63 per cent of respondents reported that they were in full-time employment and 17 per cent reported being in part-time employment six months after exiting support. In total, seven per cent were economically inactive.
- 7.8 Of the 193 who were currently employed on a part-time basis, 71 per cent stated that they did not want a full-time role. This suggests that the majority of these have not failed to secure full-time employment; rather, they have actively sought part-time employment.
- 7.9 In the sample of in-depth interviewees, six of the nine part-time participants reported that they had actively sought part-time employment. Reasons for this included to support themselves whilst they looked to enter self-employment or whilst they underwent further education, and those who were near to or at retirement age wanted part-time employment because they could fall back on their pension:
- “As an older person, I was entitled to my pension, hence why I’m part-time. I also have the safety of having that accreditation behind me if I wanted to move on, but I’m happy with my role [...]. [It’s] nice to have time to support my family.”
- 7.10 In-depth interview participants who were unemployed gave reasons including their health, family reasons, and an inability to find relevant work in their area:

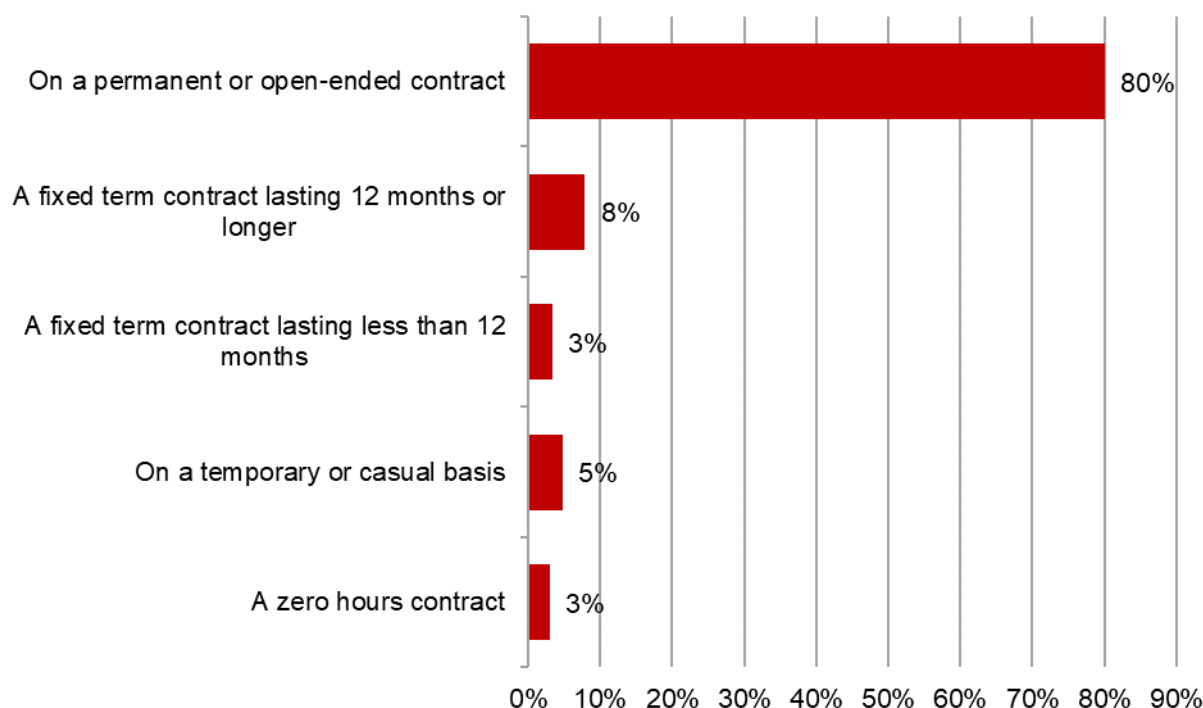
“I am currently looking for work, but because my line of work is very specialised, a lot of the available work is further afield, so it would require a long commute or for me to relocate, which at the moment I cannot do either.”

- 7.11 Age was also identified as a reason for unemployment, as was difficulty finding employment in some cases. A number of in-depth interviewees stated that they felt that their age had made it more difficult for them to find work. This is one of a number of instances within the data in which respondents identified age as being an issue:

“I was surprised by it. I went to an interview and because I got my degree later in life, they think I’m younger than I am. Once or twice they’ve visibly counted how old I was from my date of birth in front of me.”

- 7.12 Figure 7.2 (below) shows that 80 per cent of all survey respondents in employment reported that they had a permanent or open-ended contract, and eight per cent of the sample reported that they had a fixed-term contract lasting 12 months or longer. In total, five per cent of respondents were employed on a temporary or casual basis, three per cent had a fixed-term contract lasting less than 12 months, and three per cent were employed on a zero-hour basis.

Figure 7.2: The contract status of respondents in employment

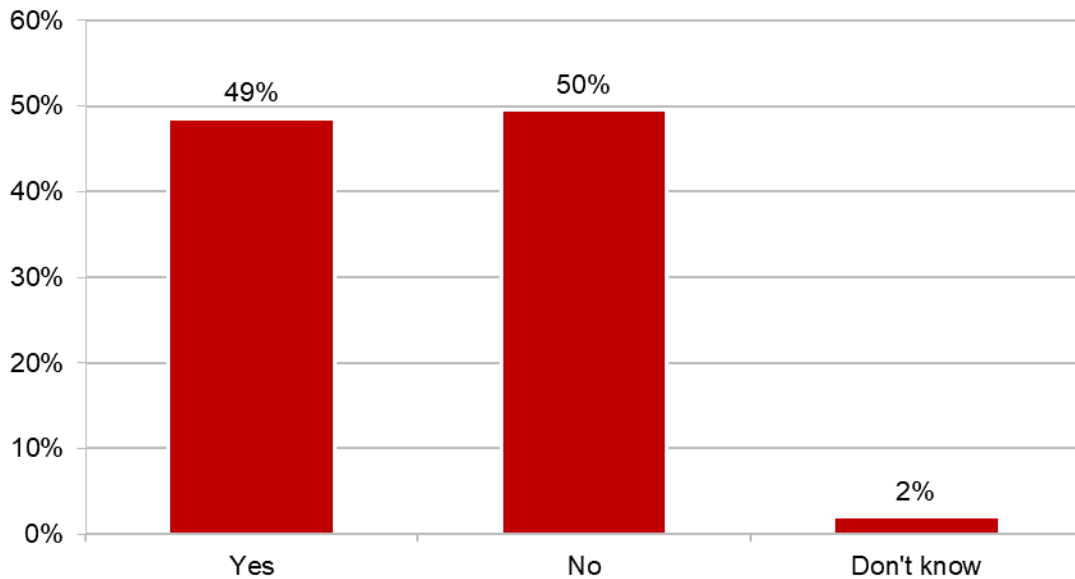


Base=733 (all of those in employment, excluding 'don't know')

Changes in role and sector

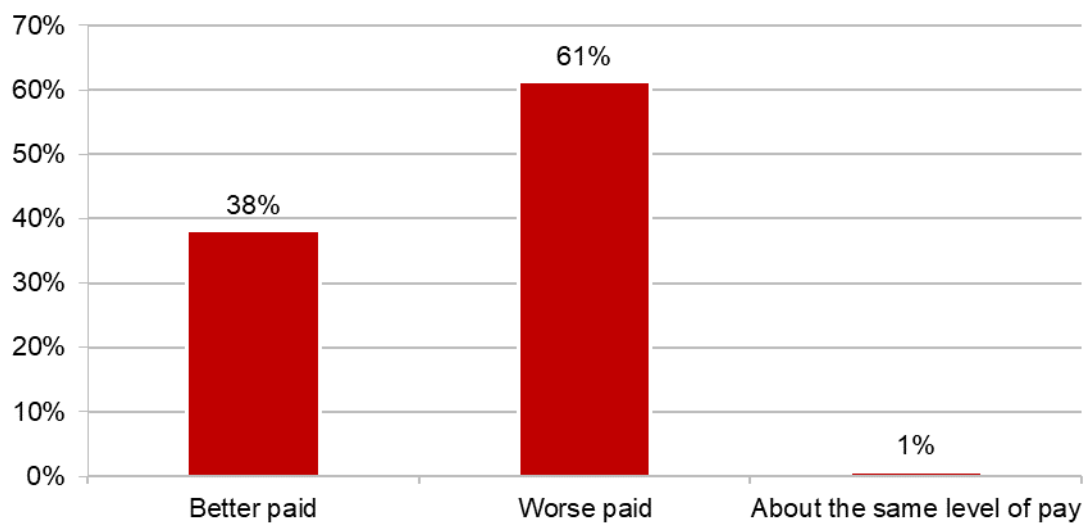
- 7.13 It was found that 61 per cent of respondents in employment at the time of taking the survey had changed their 'job role' or 'occupation' since being made redundant. In addition, 56 per cent stated that their current job was in a 'different sector' (base=903). This suggests a substantial shift in employment for those affected by redundancy and supported by ReAct.
- 7.14 Of those who stated that they had changed their job role/occupation, 75 per cent (N=417) stated that their current job was also in a different sector. This equates to 82 per cent of those who were now working in a different sector also working in a different job role or occupation (bases: 510 working in a different sector, 553 working in a different job role or occupation).
- 7.15 These findings support qualitative data from the in-depth interviews as well as from interviews with Careers Wales teams: ReAct participants often use their redundancy (and the funding available from ReAct) as an opportunity to facilitate a change in their career path.
- 7.16 During the in-depth interviews it became apparent that these changes in career paths occurred for a range of reasons. These included switching to a career/sector that was more prominent in their local area, changing to a different career that they found to be 'more exciting', and doing something that they enjoyed for the last few years leading up to retirement. Improving the work–life balance was also identified, as per the quote below:
- “I loved my previous job, but I didn’t realise what I was putting into it — wish it would have happened sooner, to be honest [...]. It’s much more structured. I’m home in the evening and off at weekends — it’s completely different. My life outside of work seems to be far healthier and more enjoyable.”
- 7.17 Figure 7.3 (below) shows that just under half of the respondents reported that their new roles have more responsibility than do their previous roles. Figure 7.4 (below) shows that 38 per cent reported that their current role is better paid than their previous one. This suggests that the change in career, or the employment that they are able to secure after ReAct support, is not always financially advantageous.

Figure 7.3: Does your current role have more responsibility than the one you held before you were made redundant?



Base=903

Figure 7.4: Is your current role better-paid than, worse-paid than or about the same level of pay as the one you had immediately before becoming involved in ReAct?



Base=903

7.18 One respondent to the in-depth interviews for whom this was the case provided the following explanation:

“[The job] is quite similar — there is a lot of transferable skills. The one difference is that there’s a lot more future planning involved in this job, whereas my one before was quite reactive [...]. I seem to spend more time working in

order to get myself up to speed with the advancing technology [...]. Sadly, this new job has meant a salary drop, which has caused some financial challenges.”

- 7.19 There appears to be a larger decrease in salary after accessing ReAct support for respondents above the age of 55 years, a group which, as discussed in Chapter 5, is overrepresented amongst the individuals supported by the programme. As Table 7.3 shows, for individuals in full-time work between 25 and 54 years of age who found employment after using ReAct, the average salary decreased by one per cent, whereas for individuals aged 55 years or above, the average annual salary decreased by 21 per cent.

Table 7.3: Change in wage before and after redundancy disaggregated by age group

Age Group (Years)	Average Wage Change (Percentage)
25–54 (N=463)	-1
55+ (N=117)	-21

- 7.20 One implication of this finding is that participants in the older age group were finding it more difficult to find equivalent employment following redundancy, despite ReAct support. This finding is also consistent with those of surveys of individuals supported by the PACE programme in Scotland which found that older workers (55+ years in 2016, 50+ years in 2018) were much less likely to have moved into work than were younger workers, suggesting the need for more intensive support for older workers (please refer to the full literature review in Appendix B for further details).¹²
- 7.21 A number of other factors could, however, have had an influence on salary levels for the older age group after redundancy. For example, they may be less flexible in terms of the location of their employment than are their younger colleagues. Furthermore, it may be that they have received a more generous redundancy package than have their colleagues due to a longer period in employment with their previous employer. We do not have that data for our sample, but the difference in average wage changes identified is of note.

¹² Partnership Action for Continuing Employment (PACE) is the Scottish Government’s response to redundancies. PACE support is tailored to meet individual needs and can include job search assistance, one-to-one counselling, and short training on skills such as CV writing and starting a business. This is not to be confused with PaCE, an ESF-funded Welsh Government operation.

- 7.22 Table 7.4 (below) shows the average wage change following ReAct disaggregated by the highest level of qualification held by the individual. It shows that the average decrease in annual salary is generally higher for those with higher-level qualifications. However, there is only a very small sample of data available for this cohort, which may mean that the findings here are unreliable.

Table 7.4: Average salary before and after redundancy disaggregated by highest qualification

Qualification	Average Wage Change (Percentage)
No Qualifications (N=24)	2
Level 2 or Below (N=103)	-1
Level 3 to Level 5 (N=201)	-5
Level 6 or Above (N=159)	-8

Turnover of activities since accessing ReAct support

- 7.23 The survey found that 61 per cent of respondents reported that they had been doing only one thing since receiving support through ReAct (base=1,051). This suggests that whilst the situation has not changed for the majority of respondents, a substantial minority have had periods of doing other things such as being in other employment, unemployed or in training.
- 7.24 The in-depth interviews found that some individuals were currently undertaking (or had previously undertaken) agency employment or short, fixed-term contracts, until a time when they were able to find a permanent job in their desired field:
- “After finishing with [employer’s name] I worked for six months longer for the council in a different role, before moving to [charity’s name] on a temporary contract, and finally got my current job in January this year.”
- 7.25 Interviews with Careers Wales advisors also suggest that there were instances in which ReAct participants (and those made redundant more generally) moved into any employment that they could find following their redundancy, e.g. in situations in which they could not afford to be unemployed even for a short period of time. The perception of the career advisors was that they would usually continue to look for other subsequent opportunities which were more suited to their skills, experience and what they wanted to do. However, there is a risk that individuals

never succeed in moving on, but we have no evidence as to whether or not this has been the case.

- 7.26 This finding that individuals may not immediately find the employment that they want or which is the most appropriate to them supports a suggestion made during stakeholder interviews: support may continue to be needed even if individuals have been successful in moving back into employment, with a view to supporting them into the best-possible employment.

Comparing current and previous employment

- 7.27 Survey respondents were asked to share their perceptions of their job roles before and after ReAct, including whether they preferred their current job to the one that they had before they were made redundant. A total of 43 per cent reported that they preferred their current role, whereas 57 per cent stated that they did not (base=903).
- 7.28 This suggests that, whilst the percentage of ReAct participants moving into employment is a positive outcome, the fact that a large proportion stated that they preferred their previous job could be of some concern. However, the more positive interpretation is that a high proportion of respondents reported that they preferred their new employment.
- 7.29 In-depth interviews with participants suggest that the reasoning behind a preference for their previous role included factors such as pay (as previously discussed), irregular working hours, as well as a perception that individuals are now in a more junior role than they had been previously:

“I feel I’ve gone down (rather than up) due to economic cuts, and we had a lot of European funding. But at my age, where age can go against you, I had to take it. I definitely preferred my previous job and had a large team. Now I have a slightly smaller team and I don’t get to do strategic stuff or any of the project manager stuff, as that is done by my line manager.”

“I work in a factory at the moment on a low wage, considerably less money than I was earning before. I’m not a training manager, but just an operator of machinery.”

“There I was a manager and reported to the director of finance. Now I’m further down the chain. There my job was more strategic and now I’m more hands-on.

There are certain bits, like giving strategic advice, but mostly it's hauling around equipment and iPads. My job was a lot more about planning and reporting before and I was responsible for the running of the systems."

- 7.30 The in-depth interviews did, however, highlight the fact that a proportion of participants do prefer their new employment. There were several reasons put forth for this, including higher pay, more flexible working hours, dissatisfaction with their previous role or organisation, and, again, a better work–life balance:

"It is quite similar — there is a lot of transferable skills. The one difference is that there's a lot more future planning involved in this job, whereas my one before was quite reactive. But I am enjoying learning how things work differently here. I was generally dissatisfied with my old job in terms of the company itself and the management, whereas now I'm working for a company that I know are a good company to work for."

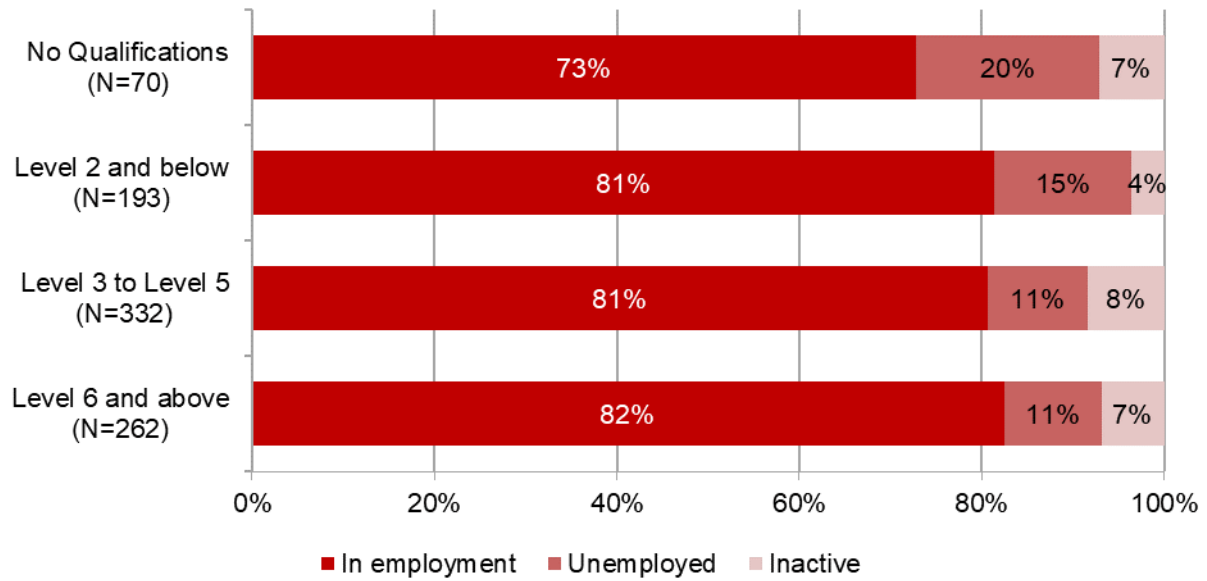
"I'd say I'm happier and less stressed. It's nicer now because I previously had to deliver training to people who didn't want to know. It's also better because I have always wanted to do the three–two split of three days working and two days doing what I want."

"It's much more structured. I'm home in the evening, off at weekends. It's completely different. My life outside of work seems to be far healthier and more enjoyable."

Variation in outcomes by prior qualification

- 7.31 The survey data finds that the proportion of participants entering employment after ReAct is greater for those with higher levels of qualification: 73 per cent of participants with no prior qualifications were in employment in comparison to 82 per cent of those with Level 6 qualifications or above (Figure 7.5). The relatively small number of respondents in the 'no qualifications' category does, however, mean that this finding needs to be qualified and cannot be considered to be reliable.

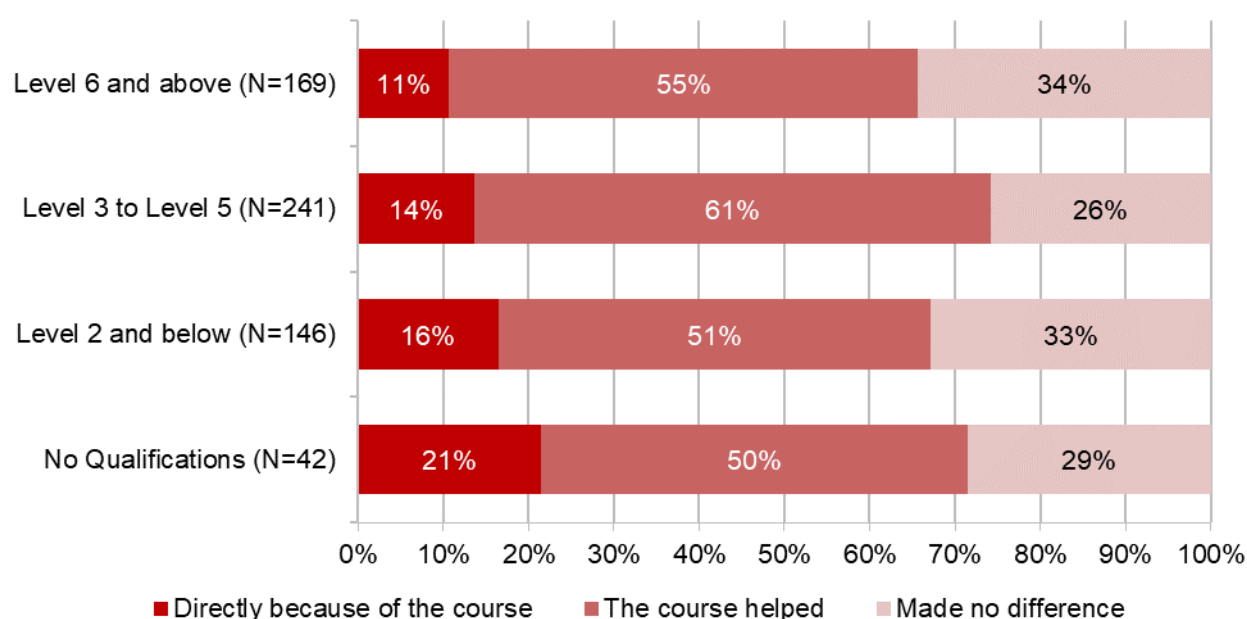
Figure 7.5: Outcomes disaggregated by highest qualification



Base=857

- 7.32 While outcomes for those with higher-level qualifications are higher in terms of both the proportion of participants entering employment and average salaries following redundancy, there is insufficient evidence to provide insight into the extent to which ReAct support drives outcomes for each of these cohorts.
- 7.33 Some insight into the comparative effectiveness of ReAct for those with different levels of qualification is provided by the self-identified impact of support. As Figure 7.6 (below) indicates, there is a general trend that those with higher-level qualifications perceive that ReAct had less impact than for those with lower-level qualifications. A total of 21 per cent of those with no qualifications and 16 per cent of those with a highest qualification of Level 2 or below asserted that they found a job 'directly because of the course' in comparison with 11 per cent of those with higher qualifications (Level 6 or above).

Figure 7.6: Participants' perception of the impact of ReAct on employment outcomes disaggregated by highest qualification level



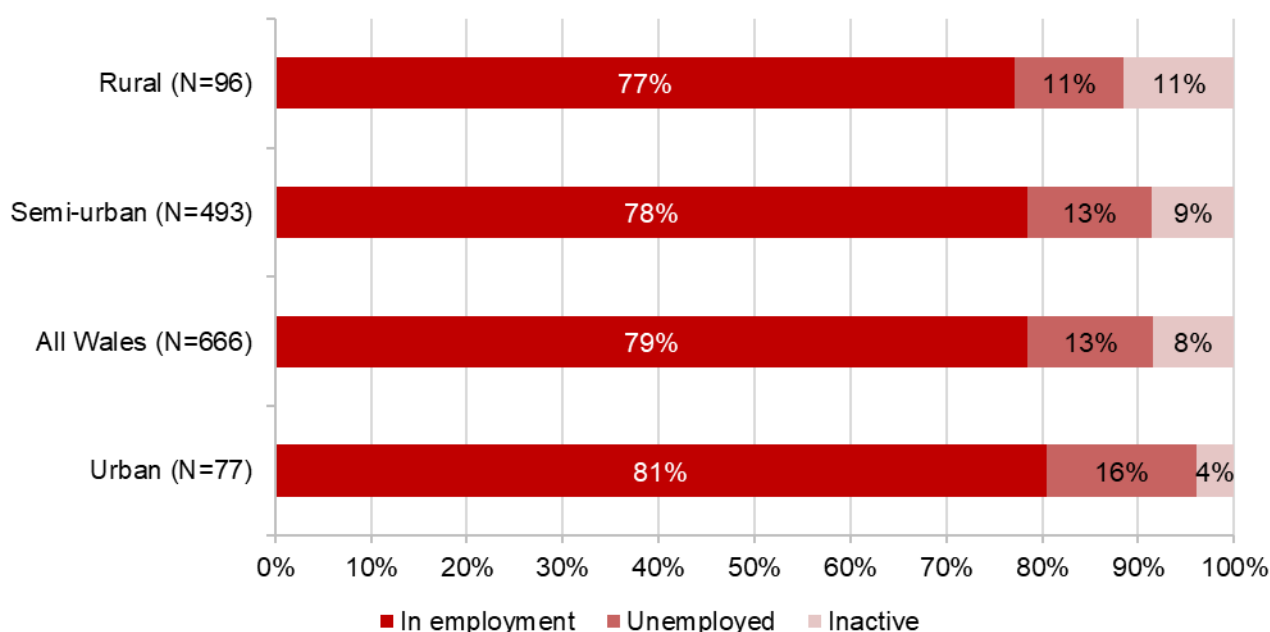
- 7.34 Participant perceptions indicate that while outcomes are ‘better’ for those with higher-level qualifications, it may be that ReAct plays a less important role in driving outcomes for those with higher-level qualifications than for individuals with lower-level qualifications. Further research, using appropriately matched counterfactual groups, may provide important insight in this area.

Variation in outcomes by location

- 7.35 Outcome data from the survey were also cross-tabulated against participants' location, identified as ‘urban’, ‘semi-urban’ and ‘rural’.¹³ As Figure 7.7 (below) shows, there are slightly higher ‘in employment’ outcomes for participants in ‘urban’ areas than in ‘rural’ and ‘semi-urban’ areas. The differences are not substantial but a plausible explanation for the higher employment outcomes in urban areas would be the higher number and broader range of employment opportunities in those areas.

¹³ According to [Eurostat](#), ‘urban’ refers to cities or densely populated areas; ‘semi-urban’ refers to towns and suburbs or intermediate-density areas; and ‘rural’ refers to thinly populated areas.

Figure 7.7: Outcomes at the six-month stage cross-tabulated by location



N.B. 'All Wales' only includes responses in which information about the respondent's geographical location is known

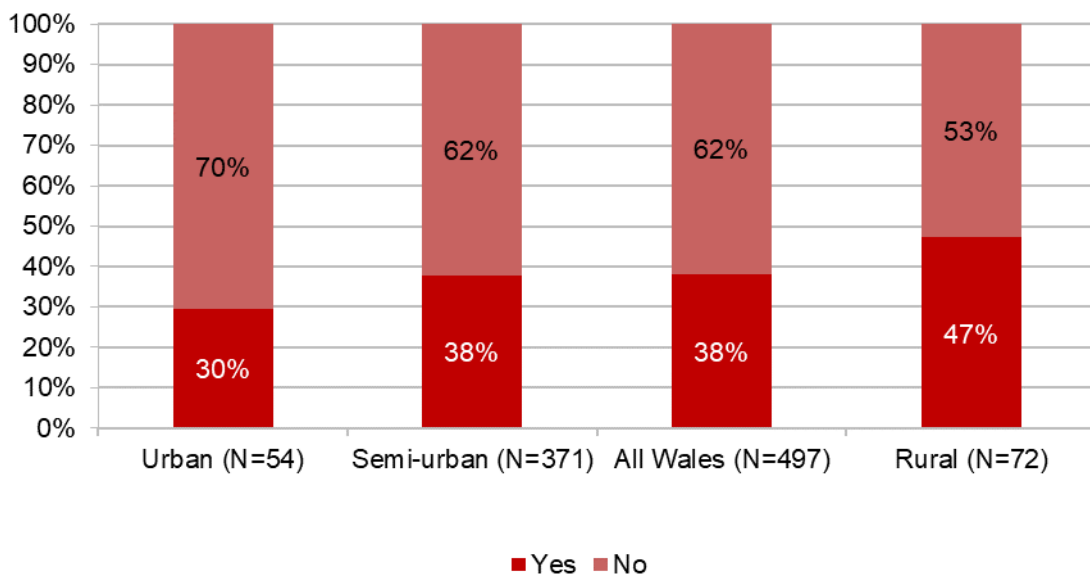
- 7.36 As Table 7.5 shows, the barriers to entering employment as identified by participants also vary with location. Perhaps unsurprisingly, 'no appropriate jobs where you live' was the barrier identified most frequently in rural areas, albeit only the fifth most identified barrier in semi-urban areas, and not featuring at all among the top-five barriers in urban areas. This is an indication of how geography influences an employment intervention such as ReAct.

Table 7.5: Barriers to employment, prior to ReAct, by location

	Rural (N=71)	Semi-urban (N=322)	Urban (N=56)
Biggest barrier	No appropriate jobs where you live (55 per cent)	Not having the right qualifications (44 per cent)	Not having the right qualifications (46 per cent)
Second-biggest barrier	Not having the right qualifications (49 per cent)	Not having the right skills (39 per cent)	Not having the right skills (38 per cent)
Third-biggest barrier	Not having the right skills (44 per cent)	Hard to get appropriate work (31 per cent)	Hard to get appropriate work (30 per cent)

- 7.37 Perhaps reflecting this, moving between job roles after receiving support through ReAct appears to be more common for participants in urban areas than in rural ones, as shown in Figure 7.8 below.

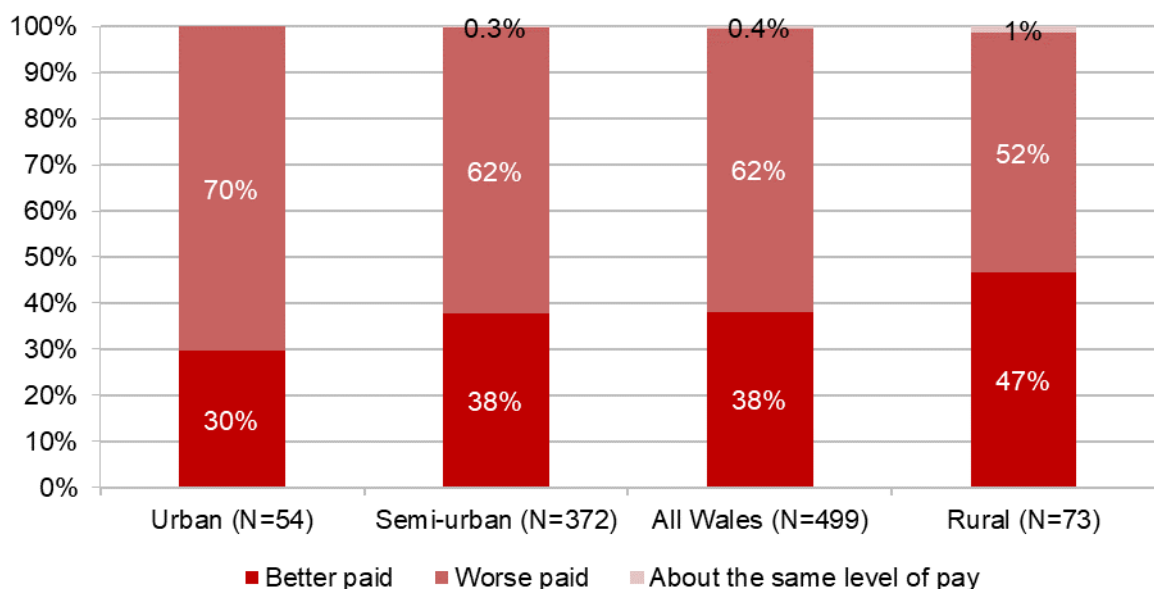
Figure 7.8: Is your current job in the same job role or occupation as the one you had immediately before becoming involved in ReAct?



N.B. 'All Wales' only includes responses in which information about the respondent's geographical location is known

- 7.38 At the same time, survey data appears to indicate that a greater proportion of individuals moved into better-paid roles following ReAct support in rural areas than in urban and semi-urban ones, as shown in Figure 7.9 below.

Figure 7.9: Salary change before and after ReAct disaggregated by location



N.B. 'All Wales' only includes responses in which information about the respondent's geographical location is known

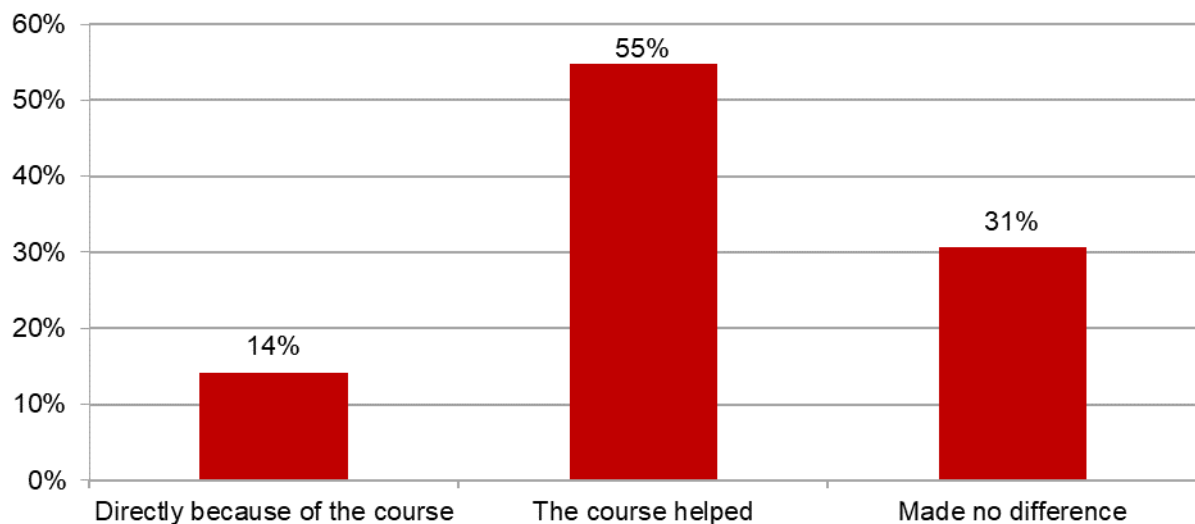
Additionality and deadweight

- 7.39 In order to assess the impact of an intervention it is important to identify which of the outcomes observed would have happened anyway. HM Treasury's Green Book states that an impact arising from an intervention is additional if it would not have occurred in the absence of the intervention:
- “[Additionality] is a real increase in social value that would not have occurred in the absence of the intervention being appraised.”¹⁴
- 7.40 Deadweight is the term used to describe the impacts of an intervention that would still have occurred even if support had not been provided; for example, an individual supported would have found employment regardless of the support provided. Inevitably, with the kind of support provided through ReAct, there will be some deadweight from the intervention.
- 7.41 As noted in Chapter 3, previous evaluations of the ReAct programme have found that there was high deadweight associated with the employment subsidy and in-work training strands of the programme; in other words, the people would have been employed or trained anyway. There is also general agreement on this issue within the broader literature. No changes have, however, been introduced in response to these findings. The matter was therefore explored again as part of this evaluation.
- 7.42 Without the identification of a robust counterfactual such as a control group, it is not possible to quantify how many of the respondents to the survey would have found employment anyway. Respondents to the survey and in-depth interviews were asked to provide a view on the influence of the training course undertaken upon achieving the outcome that they identified. This provides some indication of additionality.
- 7.43 In summary, the evidence collected suggests that ReAct has had some impact on employment outcomes. However, a more robust counterfactual approach would provide a more comprehensive understanding of what this effect is. This issue is discussed further in Chapter 10.

¹⁴ [HM Treasury: The Green Book](#)

7.44 As Figure 7.10 (below) shows, 14 per cent of those currently in employment perceived that ReAct had a direct impact on their employment outcomes. A much larger proportion of the cohort (55 per cent) identified ReAct as being something that had *helped* them to enter employment, while 31 per cent reported that it had made no difference to their employment outcome.

Figure 7.10: Participants' views on the extent to which the course had an impact on employment outcomes



Base=733

7.45 In-depth interview respondents who reported that the course helped their employment outcomes cited reasons such as being able to gain recognised qualifications for existing skills, improved knowledge of what is desirable for employers, and increased confidence in their own abilities:

“It’s been a massive benefit to me, both in terms of my employability and my confidence. I feel that when I do interview, people are impressed that I have the qualifications and that I can talk about what they involve. Out of the two jobs I have had since the training, I definitely feel like it’s got me those jobs.”

“It got me my job, gave me a support line and gave me confidence. Having someone there to talk to was really good and they helped to straighten out my head, so that was the best thing really. Without it I doubt I’d have my job, because of the skills or the confidence. Might have also ended in divorce.”

“It helped me network and gave me a job straight out of the training with someone I met on the course, which may lead to further work in the future. I

found all the training to be really inspiring and made me feel like I had a good start.”

- 7.46 For those participants who claimed that they were able to gain employment as a direct result of the course, their reasons included gaining experience in sectors and industries that are different from anything that they did previously, gaining skills that allowed them to become competitive in the job market, and achieving qualifications that are deemed to be essential by their current employer:

“I don’t think I would have got another job, because I am constantly asked about these skills. Employers really showed an interest in them and they sort of disregarded my older qualifications.”

“Without it I wouldn’t have been a competitor for the job or even employed, as I’d have lacked the essential criteria. Without that my income would have been less and lifestyle would have had to have changed.”

“ReAct was great in that it allowed me to get ahead of the game after my redundancy. I could just have sat back and hoped things would work out, but because of ReAct, I didn’t have to. As for the actual training, it was short and sweet, just a week’s course, which was just what I needed.”

- 7.47 Some of the respondents identifying that the training ‘had helped’ (but not led directly to employment) were those who had not yet moved into the job that they ultimately wanted, having taken what could be described as ‘an interim job’ (most likely due to a need to move back into employment as soon as possible). Furthermore, they identified other factors as having been more important to finding a job than was the training funded by ReAct, e.g. their previous work experience and their existing skillset:

“I’m not qualified enough. As a person it’s done a lot for me, but in terms of helping me get a job it hasn’t been much.”

“I benefitted from the training and, having done it, I have used those skills on a very, very limited basis, so it hasn’t impacted my earning ability.”

“In some ways I would have had the job, but it’s still early days in this job. It has given me the option to try different things in the future. In one way I would have had the job anyway, but it’s going to make it easier to do the work itself.”

“I can’t think it would be any different at all. If I’d chosen the course I’m doing now back then, I’d be well on my way, but I wasn’t directed to that one. I was directed to something that was a waste of time.”

7.48 The findings were similar for those individuals who became self-employed following the support funded through ReAct, with 14 per cent of respondents directly attributing this to the ReAct-funded course, 57 per cent identifying the course as helping, and 17 per cent stating that it made no difference (base=179).

7.49 In total, 12 of the in-depth interviews were carried out with individuals who had chosen to become self-employed following their redundancy and had accessed ReAct in order to help with this transition and add necessary new knowledge and abilities to their skillset:

“I couldn’t do now without it. It means I can treat more people and give better results [...] it also makes me feel more comfortable in my work and it allows customers to feel more at ease when receiving treatment.”

7.50 Deadweight and additionality were discussed at length with a number of stakeholders during interviews. Careers Wales advisors generally acknowledged that at least a proportion of the individuals whom they advised would have found employment without the support that they had received. The 2017 online survey of Careers Wales staff found that 19 of the 81 respondents (24 per cent) believed that over 50 per cent of the people whom they supported would have found the same level of employment regardless of the support that they received. The explanation given matches the finding of the survey of participants, with advisors recognising that ReAct support helped but may not have been essential.

7.51 The value of ReAct and the advice provided in terms of getting individuals into ‘the right job’ was also emphasised during in-depth discussions with career advisors.

Skills and other outcomes for participants

7.52 As Table 7.6 (below) shows, survey respondents identified a range of skill outcomes that they had achieved through the ReAct-funded training. The most commonly identified type was that of ‘job-specific skills relating to a particular type of job’. This matches feedback from Careers Wales staff who reported that ReAct was often used to help individuals to fill gaps in the skills that they need for a particular job.

Table 7.6: Which, if any, of the following skills do you feel you have gained or improved from doing ReAct?

Skill	%
Job-specific skills related to a particular type of job	76
Organisational skills	59
Problem solving skills	56
Communication skills	49
Team working skills	45
Computer literacy / basic IT skills, such as basic skills in PowerPoint or Excel	34
Customer handling skills	32
Working with numbers	32
Reading	28
Writing	26
Leadership and/or strategic management skills	25
Job search skills	20
CV writing or interview skills	16
English language skills	15
Advanced or specialist IT skills, such as software design or programming	12
Sales skills	11

Base=1,054

- 7.53 The in-depth interviews explored the outcomes achieved by ReAct participants beyond employability and skills. The ‘soft outcomes’ identified included a renewed sense of ‘confidence’ and ‘self-esteem’ that they felt as though they had lost following their redundancy:

“It did help with confidence and self-esteem and to get me out of the house. It gave me things to look forward to. I had things I wanted to do. You go from working five days a week doing nothing. When the novelty of ‘being on holiday’ wears off, it’s nice to have something to do.”

- 7.54 Many also reported that they felt as though their overall lifestyle had been better since they had been supported by ReAct, linked to the job that they now held. This was because of factors such as more flexible working hours and being less stressed in their new job. Moreover, some stated that having a structure back in

their lives (since moving back into employment) had also made them feel more positive:

“It’s been a positive change in lifestyle. My working hours are better. I have a healthier job. I’m interacting with other people. It’s really improved my life. I could have just finished and done nothing, but it’s given me an extra few years of work, and also the chance to earn more money [...]. It gave me the opportunity to do the training that I knew would lead to where I knew there were jobs.”

- 7.55 It was apparent that these ‘soft outcomes’ went beyond merely the individual supported by ReAct. Several individuals discussed how other people in their lives have experienced benefits. For example, individuals talked about how they have used their skills to help in their community, whilst others had been able to help out their family in various ways such as providing childcare or being more practical around the house. Meanwhile, others had used their experience to inspire others to undertake training:

“My wife has also wanted to train in sports massage but couldn’t find a course near us, so when I undertook the ReAct training she decided to come with me and did her training there, too.”

Conclusion

- 7.56 The survey found that the barriers to employment most frequently identified by survey respondents were ‘not having the right qualifications’ (45 per cent) and ‘not having the right skills’ (44 per cent). This may not be a surprising result for a survey of individuals who have been unemployed, but does support the basic rationale for ReAct, confirming the views expressed by stakeholders (as discussed in Chapter 6).
- 7.57 The fact that the vast majority of respondents had moved into employment within six months after the end of the training course is clearly positive, as is the fact that in the majority of cases those jobs were full-time.
- 7.58 In many cases the roles and sectors in which people work have changed since their redundancy, sometimes in a positive way and sometimes in a negative way. On the positive side, respondents reported that they had secured employment that was higher paid than their previous role, and that they enjoyed their new role more than their old one. The in-depth interviews, in particular, highlight the work–life

benefit that some have secured as a result of a change in their occupation since redundancy, and it seems to be clear that in many instances the ReAct support has helped to facilitate those changes.

- 7.59 In other instances, however, the change has been negative, with individuals reporting that they are now paid less than they were previously and that they preferred their previous job. This is probably inevitable in a situation in which people have lost their jobs involuntarily. In discussions, Careers Wales advisors were always keen to stress that in many instances, individuals have no choice but to accept the first job that is offered to them, as they need to generate an income.
- 7.60 Often that job is not equivalent to the job that they previously held and/or does not fully utilise their skills and qualifications. What is more, the economic output that they generate is not maximised in such circumstances. Thus, it may be appropriate, in circumstances in which such support (i.e. training) would be beneficial to their career prospects, to consider making ReAct support available to individuals who have been made redundant even if they have found subsequent employment.
- 7.61 The finding that older participants are more likely to have witnessed a larger decrease in their salary is interesting to note. One possible interpretation of this finding is that participants in the older age group are finding it more difficult to find equivalent employment following redundancy.
- 7.62 However, a number of other factors are likely to have an influence: they may be less flexible in terms of the location of their employment than are their younger equivalents, or they received a more generous redundancy package. We can only speculate on this matter.
- 7.63 There are a number of findings within this chapter that suggest that the level of qualification held by an individual has an influence not only on their perceived barriers to employment but also, and perhaps more importantly, on the outcome of the support that they received from ReAct. The survey findings suggest that while outcomes are 'better' for those with higher-level qualifications (i.e. they are more likely to find a job), it may be that ReAct plays a less important role in driving such outcomes for those with higher-level qualifications than for individuals with lower-level qualifications. In other words, the support is more valuable to those with

lower levels of qualification. Further research, using appropriately matched counterfactual groups, may provide important insight in this area.

- 7.64 In order to assess the impact of an intervention it is important to identify which of the outcomes observed would have happened anyway. Without the identification of a robust counterfactual such as a control group, it is not possible to quantify how many of the respondents to the survey would have found employment anyway, which we discuss in more detail in Chapter 10. The survey and in-depth interview data do, however, provide some indication, as respondents were asked to provide a view on the influence of the training course undertaken upon achieving the employment outcome.
- 7.65 A minority (14 per cent) identified the training funded by ReAct as having a *direct* impact on the fact that they had been able to secure employment. It is important to note that this is probably not surprising when considering that this is a group of people who have recently been in employment, as well as the relatively positive economic conditions during which the support was provided. Of more relevance, perhaps, is the fact that more than half of the respondents (55 per cent) identified vocational training as being something that had *helped* them to enter employment, with 31 per cent reporting that it had made no difference to their employment outcome. We can conclude from this that ReAct has played a positive role in generating the employment outcomes that have been identified, especially where the individual in question had lower qualifications.

Case studies for individuals supported

- 7.66 Three case studies for individuals supported by ReAct can be found in the separate Evaluation of ReAct III Programme: Case Studies report. The case studies, based on in-depth interviews undertaken for the evaluation, were chosen because they each reflect individuals who have engaged with ReAct in order to gain different forms of employment. These case studies focus on:
- Dewi, who used his training to pursue full-time employment,
 - Helen, who used her training to pursue part-time employment, and
 - Paul, who used his ReAct support to help him to set up his own business.

They reflect a number of the key issues discussed in this chapter.

8. Outcomes for businesses supported

Key points

- The evaluation survey found that some businesses have utilised the available support extensively, with a handful of respondents having recruited more than 10 employees through ReAct support. The majority had recruited one individual.
- Generally, the main benefit for organisations hiring recruits through a wage contribution from ReAct was, perhaps unsurprisingly, receiving financial assistance with wages.
- Whilst a large proportion of respondents did not identify any further outcomes of the support received, where there was a response the benefit described by the businesses (usually microbusinesses) was substantial.
- Sixteen of 70 respondents to the business survey had utilised the ETS element of ReAct. The main reason for not applying for ETS was that the individual in question did not need additional training.
- When asked to self-assess the difference that ERS had made to their decision, the majority of businesses (44/60) were likely to have employed recruits without the support that they received, with almost one third (19/60) stating that they would have been very likely to do so.
- When beneficiaries of the ETS element of ReAct were asked whether they would have provided the training that had been funded without ETS support, 13 of the 16 answered that they would have provided at least some of it, with six stating that all of the training would have been provided regardless.

Introduction

- 8.1 This chapter discusses the findings of the consultations undertaken as part of the evaluation process with businesses supported by ReAct. It draws upon the data collected via a survey of supported businesses (N=70) and via in-depth, semi-structured interviews undertaken with a smaller sample of employers (N=8).
- 8.2 The relatively small sample size being discussed in this chapter needs to be noted. It means that the findings, whilst noteworthy, are less reliable than they would have been had the sample been larger. As noted in Chapter 2 (Methodology), the

small sample size was a result of fewer-than-anticipated businesses participating in the programme, which then led to a planned second wave of consultations with businesses not being undertaken as part of the evaluation.

8.3 A breakdown of the profile of respondents to the survey can (again) be found in Appendix D, with the key points being that:

- Respondents were generally smaller businesses, with 50 per cent (35/70) of organisations categorised as microenterprises (employing fewer than 10 people)
- Respondents were spread across a range of sectors and local authority areas in Wales

Outcomes for businesses supported

Employer Recruitment Support (ERS)

8.4 As Table 8.1 shows, on average, responding businesses had used ERS to recruit 1.6 employees, the majority of which took on one employee (83 per cent). Two employers had taken on 10 or more employees, with one employer recruiting 15 individuals. This indicates the extent to which some businesses have utilised the support available.

Table 8.1: How many people have you recruited with a ReAct contribution to wages since 2015?

No. of Employees	N	%
1	50	83
2 to 4	8	13
5 to 9	0	
10+	2	3

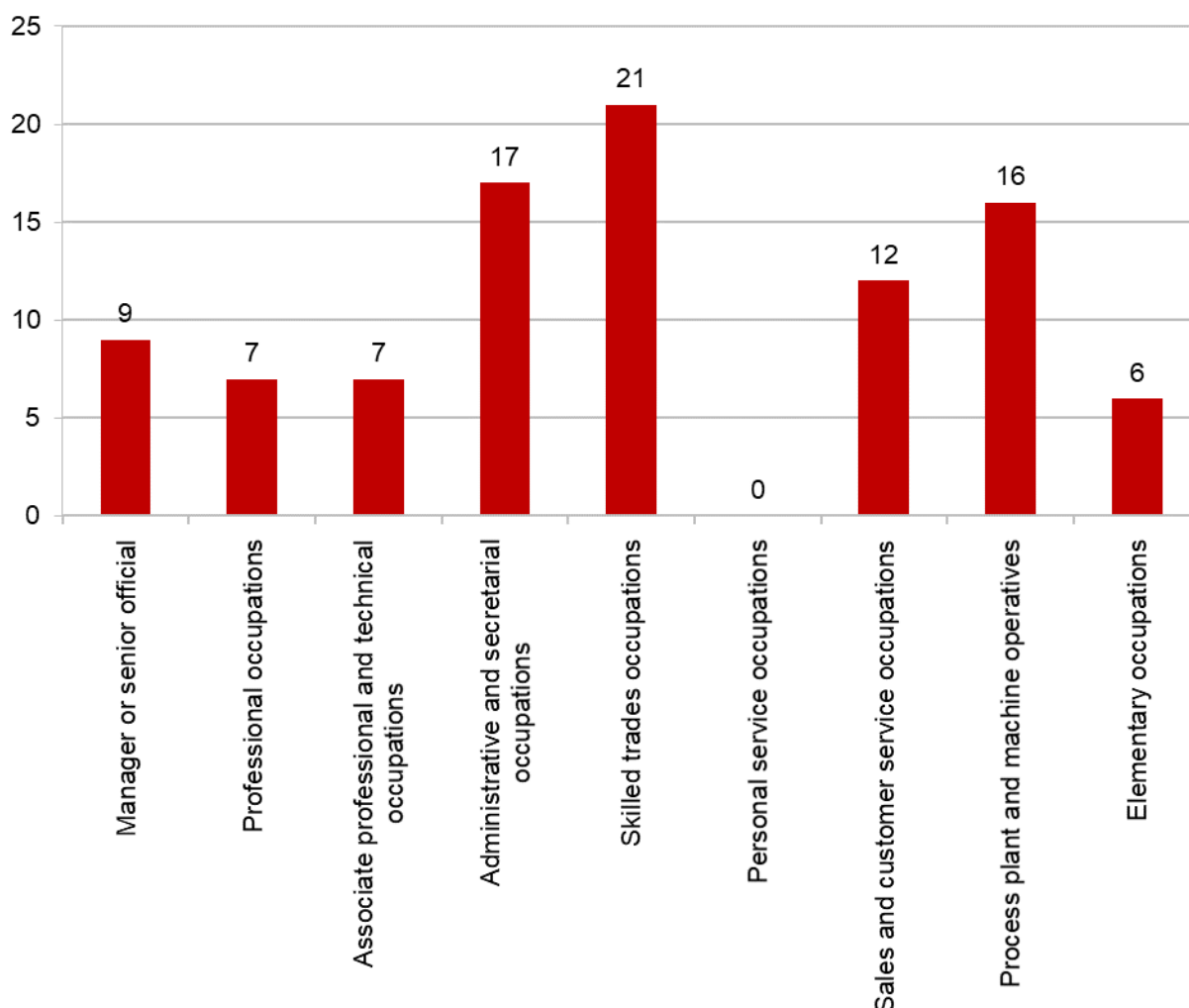
N=60

8.5 As shown in Figure 8.1 below, the jobs recruited using the support of ReAct were spread across most SOC codes.¹⁵ A large proportion of the jobs created (38/95) were, however, in the 'middle-skill' categories of the SOC classification of employees.¹⁶

¹⁵ The Standard Occupational Classification (SOC) is a common classification of occupational information for the UK.

¹⁶ Skilled, technical and professional occupations, but not at the managerial/director level.

Figure 8.1: The type of jobs that survey respondents used ReAct support to recruit (number). Categorised by SOC code



8.6 It is positive to note that the business survey found that many of the individuals employed had progressed into higher-paid roles within the organisation since their employment started. This suggests that they were performing well within the organisation (Table 8.2).

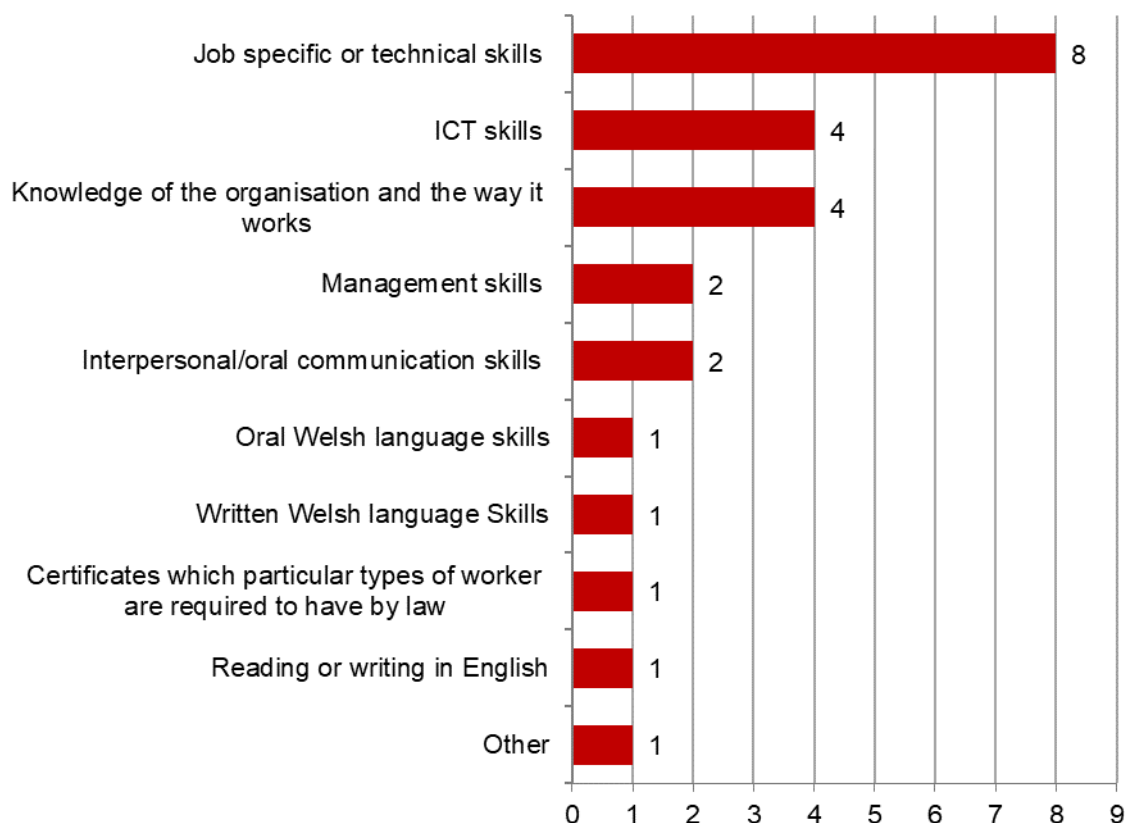
Table 8.2: Have any of the recruits progressed into higher-paid roles within your organisation since they were employed? Excluding non-responses

Response	N	%
All	20	51
Some	2	5
None	17	44

8.7 Although the small number of responses needs to be considered, it is interesting to note that microbusinesses were the most likely to advance their employees. In total, 14 of the 20 employers stated that all of their ReAct recruits had progressed into higher-paid positions since, were microbusinesses.

8.8 The majority of employers (51/60, 85 per cent) felt that recruits whom they had hired using the help of ReAct generally had the right skills and qualifications for the post in question. Where employers felt that these skills were lacking, this was typically referring to job-specific skills (see Figure 8.2 below). Only one of those employers had, however, accessed the ETS element of ReAct. The reasons that employers gave for not accessing that support are discussed later in this chapter.

Figure 8.2: Which of the following skills or qualifications did they lack?



N=9

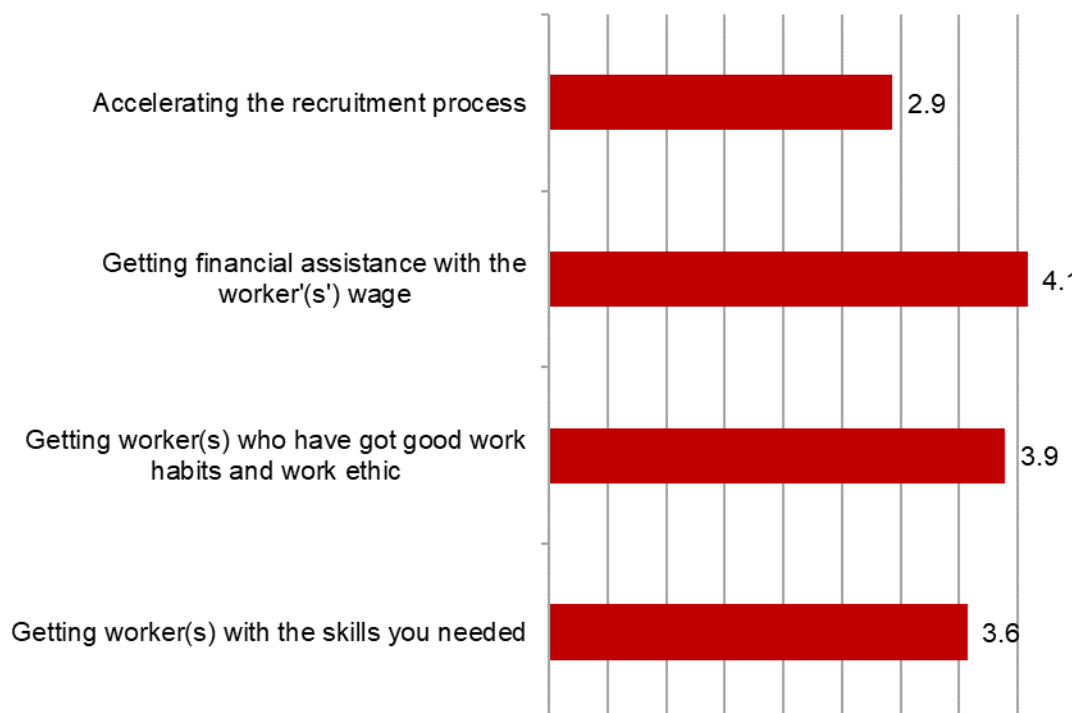
8.9 Just over one third of respondent businesses reported that employees recruited via ReAct were no longer employed by the business (21/60). Of the 95 recruits whom the businesses within the sample had taken on using the support of ReAct, nearly one third (28/95, 29 per cent) were no longer employed by the business.

- 8.10 We cannot read too much into this, given the size of the sample, but it underlines the fact that there is an element of fluidity within the employment that is being supported by ReAct — a proportion have moved on from the job in question. This is, however, perhaps not surprising when considering the finding that individuals made redundant are often moving into the first employment that they can find, before then moving on to a more appropriate job later (see Chapter 7).

Benefits to the businesses

- 8.11 Respondents were asked to consider whether their business had benefitted in any of a number of potential ways as a result of the wage subsidy support (ERS) (Figure 8.3), giving a response on a scale of 1 (no benefit) to 5 (substantial benefit).

Figure 8.3: Could you say how much each of the following was a benefit for your organisation resulting from taking on a recruit (recruits) with a wage contribution from ReAct? On a scale of 1 to 5

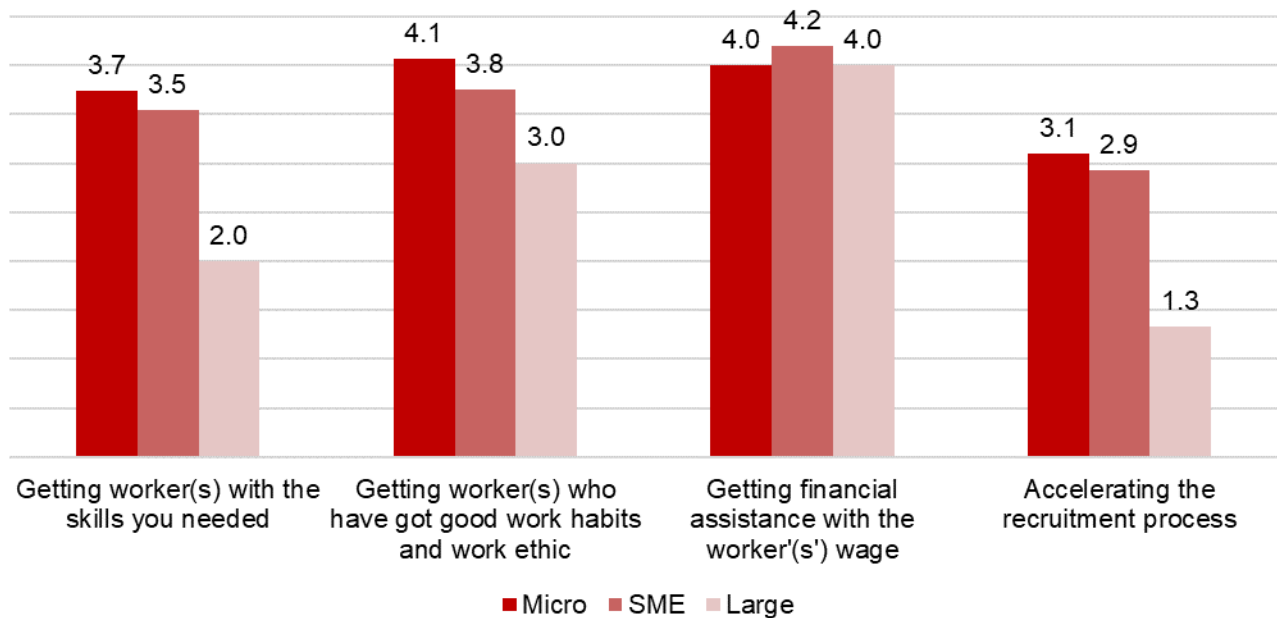


N=60

- 8.12 On average, the main benefit for organisations hiring recruits through a wage contribution from ReAct was, perhaps unsurprisingly, receiving financial assistance with wages. However, if we look specifically at microbusinesses, getting workers with good work habits and a good work ethic was identified as being the greatest

benefit, although the small number of responses in each cohort (again) needs to be considered (Figure 8.4).

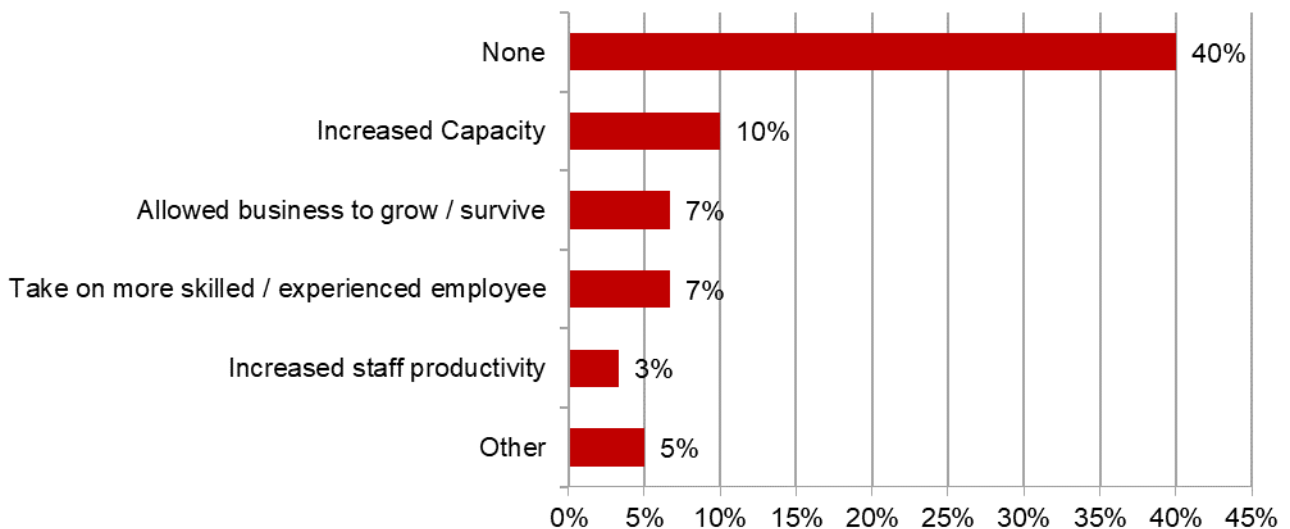
Figure 8.4: Could you say how much each of the following was a benefit for your organisation resulting from taking on a recruit (recruits) with a wage contribution from ReAct? On a scale of 1 to 5 cross-tabulated with business size



Micro N=31, SME N=26, Large N=3

- 8.13 Respondents were subsequently asked to identify any other benefit to the business as a result of ERS. Figure 8.5 (below) shows that 40 per cent (24/60) identified no other benefits. The most common benefit that was identified was an increase in the capacity of the business (10 per cent).

Figure 8.5: Has your organisation benefitted in any other way as a result of taking on a recruit (recruits) with a wage contribution from ReAct? Coded responses



N=60

- 8.14 The following are examples of the comments made by businesses when describing ‘other’ benefits. They illustrate that whilst a large proportion of respondents did not identify any further outcomes of the support received, where there was a response the benefit described was substantial:

“It’s made the business more likely to survive. We are a small company and [by] taking on another member of staff, you have got to find work for them. It’s helped even out that process for the first year while that person is gaining their own workload. There was the potential to go under by taking someone on, but I knew that money was coming in, so it was a safety net.”

“The wage support allowed us to increase the size of the business quicker and bring in staff who were more experienced and skilful in the construction sector. This allowed us to try for larger contracts but also minimised the risk to the company, as our wage costs were reduced.”

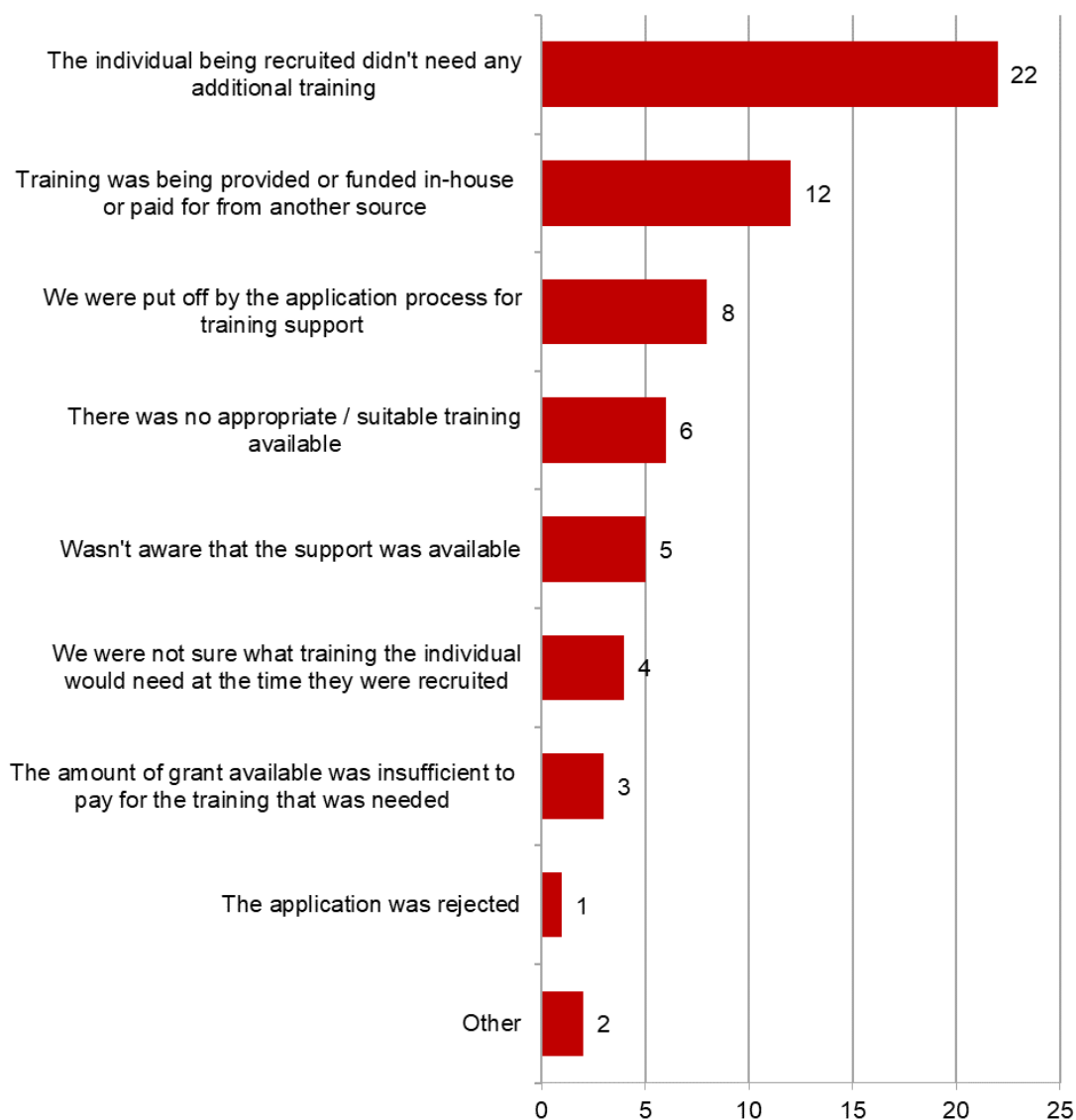
“It has enabled us to recruit more experienced and skilled staff that would look for a role with a higher wage than we would ordinarily offer. We are able to meet those wage expectations because part of the wage is funded for a time.”

“It took away some of the risk of starting a new business. She was the first employee. The grant made it easier to get the business off the ground, as I was able to employ her right from the beginning.”

Employer Training Support (ERS)

- 8.15 In total, 16 respondents to the business survey had utilised the ETS element of ReAct. This small sample needs to be considered when the findings of the survey are being discussed below.
- 8.16 As shown in Figure 8.6 below, the main reason given by businesses when asked why they did not apply for the ETS element of ReAct was that the individual in question did not need any additional training. This reflects the fact that, as reported earlier, the majority of employers (51/60) felt that recruits whom they had hired using the help of ReAct, generally, had the right skills and qualifications for the post in question.

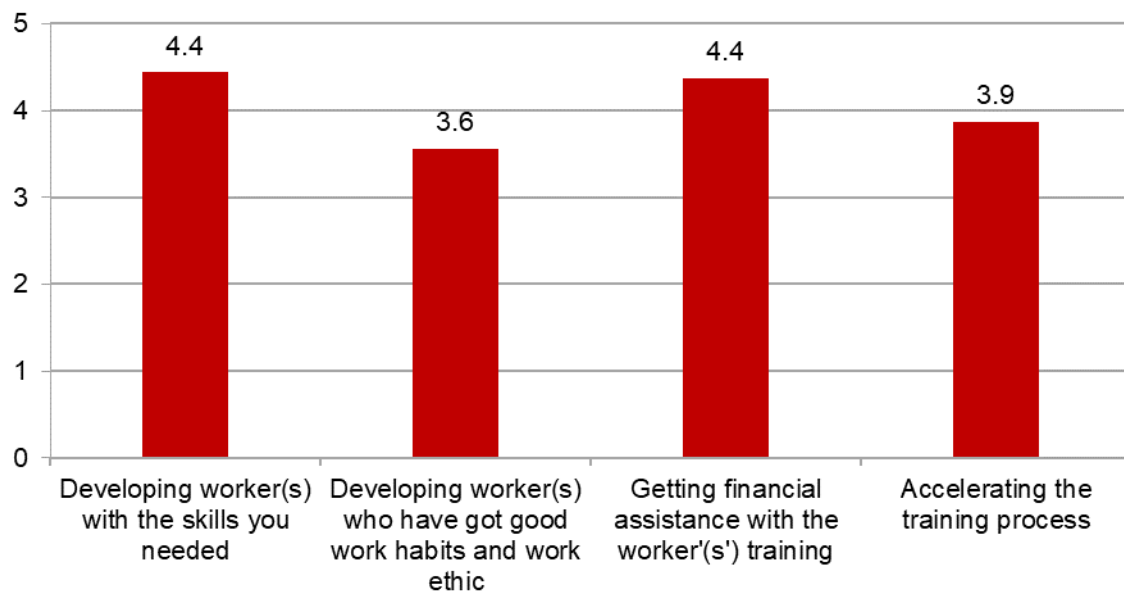
Figure 8.6: You did not apply for the grant that was available via ReAct to help with the costs of training new recruits. Can you please tell us why?



N=54

- 8.17 Where ETS was utilised, businesses identified strong benefits (as illustrated in Figure 8.7 below).

Figure 8.7: Could you say how much each of the following was a benefit for your organisation as a result of the ReAct Employer Training Support you received? On a scale of 1 to 5



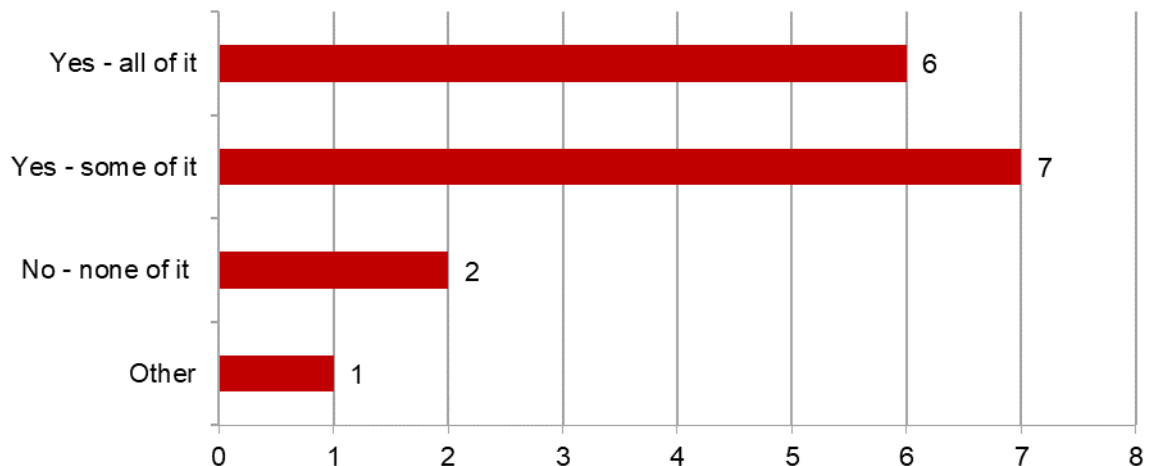
N=16

Deadweight and additionality

- 8.18 When asked to self-assess the difference that ERS had made to their decision to employ the individual, the majority of businesses (44/60, 73 per cent) stated that they were likely to have employed recruits without the support, with almost one third (19, 32 per cent) stating that they would have been *very likely* to do so. This suggests substantial deadweight within this element of the programme (although the sample size is small).
- 8.19 Microbusinesses were less likely to have recruited these individuals without support, with 11/30 stating that it was unlikely (6/30 described it as *very unlikely*), suggesting lower levels of deadweight within that group, although 19/30 identified it as being likely or very likely.
- 8.20 The definition of additionality includes making things happen sooner than they would otherwise have done, with 20/60 reporting that that was the case as a result of ERS. The majority described the difference that had been made as being 'a few months', although we cannot assess the value of those few months to the businesses in question.

- 8.21 When beneficiaries of the ETS element of ReAct were asked whether they would have provided the training that had been funded without ETS support, 13 of the 16 answered that they would have provided at least some of it, with six stating that all of the training would have been provided (Figure 8.8). Again, this is an indication of deadweight: in most cases the training would have been provided anyway, without the support provided.

Figure 8.8: Would you have provided all of this training to the new recruits in question if the Employer Training Support had not been available to you?

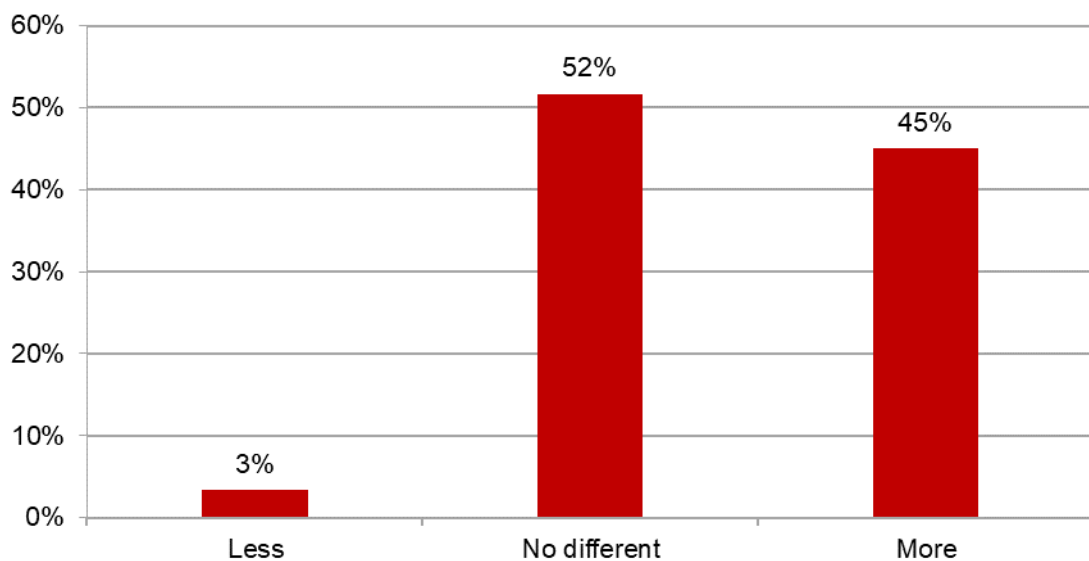


- 8.22 The fact that ReAct funding has been used to pay the wages of an employee for a period of time means that funding and/or resources within the business are released and available to be used for other purposes, which could be of benefit to that business.
- 8.23 However, no data is available to confirm whether or not that is the case. What is more, we do not have data on the specific benefits of the redirection of funds and resources as a result of ReAct support. However, even if that were the case, it is clear that there is substantial deadweight within the employer support elements of ReAct.

Changing attitudes

- 8.24 In terms of changing attitudes towards individuals who had been made unemployed, 57 per cent of respondents (34/60) reported that they had not recruited redundant or unemployed people previously, with 45 per cent (27/60) stating that they were more inclined to hire redundant or unemployed people in the future as a result of their involvement with ReAct (see Figure 8.9). This is a positive outcome of the support provided.

Figure 8.9: Are you more or less inclined to recruit redundant or unemployed people in future as a result of your involvement with ReAct?



N=60

Conclusion

- 8.25 The relatively small sample size being discussed in this chapter needs to be noted, as it means that the findings are less reliable than they would have been had the sample been larger. The findings are, however, noteworthy and provide an important insight into the outcomes of the employer support elements of ReAct.
- 8.26 Most of the businesses interviewed had utilised the employment subsidy element of ReAct (ERS), albeit not the grant to support further training (ETS). In the majority of cases this was because employers did not consider additional training to be required. This is perhaps not surprising when considering that ReAct participants will have been employed until very recently and, therefore, will usually have had the skillset for which the employer was looking.
- 8.27 In most cases the businesses supported had recruited only one individual. However, there were instances within the sample of businesses using ERS to part-fund the recruitment of upwards of 10 employees. For those businesses the financial benefit of securing the employment subsidy is likely to have been substantial. In most cases, however, the recruitment has been on a very small scale, limiting the amount of funding that the business had received.

- 8.28 It is positive to note that a relatively large number of respondents (20, mostly microbusinesses) that had received ERS funding reported that the individual recruited had progressed to higher-paid roles within the business. A similar proportion of respondents, however, reported that employees recruited via ReAct were no longer employed by the business. There is, therefore, no clear finding from the survey in respect of the longevity of employment support from ReAct.
- 8.29 The benefit that most businesses identified as resulting from the support that they received from ReAct was, unsurprisingly, financial: the funding that they received. However, if we look specifically at microbusinesses, getting workers with good work habits and a good work ethic was identified as being the greatest benefit, although the small number of responses in each cohort (again) needs to be considered.
- 8.30 Whilst a large proportion of respondents did not identify any other benefits as a result of ReAct support, beyond financial, where such benefits were identified, they seem to have been substantial. The support has made a tangible difference to many of the businesses, especially microbusinesses.
- 8.31 A key finding is that in the vast majority of cases the recruitment and training were likely to have happened without ReAct support. Given that this is the case, questions must be asked about the appropriateness of the business support elements of ReAct when going forward. The only caveat to this is that some businesses (usually microbusinesses) have benefitted substantially from the support that they received. If employer-related support is to be maintained, a greater degree of targeting at microbusinesses may therefore be appropriate. However, the argument for targeting wage subsidy support specifically at individuals who have been made redundant over and above a more general wage subsidy scheme for microbusinesses would have to be made. We will return to these issues in the conclusion to the report (Chapter 11).
- 8.32 It is, however, important to note that one of the reasons for including the employer element within ReAct support was to generate the match funding required in order to be able to draw down the ESF funding for the programme.
- 8.33 Finally, whilst the evaluation has found evidence that ReAct has had some impact on employment outcomes, a more robust counterfactual approach than was

possible for this evaluation would provide a more comprehensive understanding of what this effect is.

Case studies for businesses supported

8.34 Two case studies of businesses which have recruited through the ReAct programme can be found in the separate Evaluation of ReAct III Programme: Case Studies report. All case study interviews were undertaken as follow-ups to the telephone survey, with subjects being selected based on their responses to the survey:

- Business A is an established business which (before becoming aware of ReAct) was not intending to employ any new members of staff.
- Business B is a newer business who were aware of ReAct for a while and had been actively seeking to recruit new members of staff.

9. Redundancy case studies

Introduction

- 9.1 One of the early findings of this evaluation was that each redundancy scenario is unique in many respects, depending on a range of factors such as the sector of the business in question, its location, and the types of jobs that were being made redundant. The methodology for the evaluation was therefore adapted in order to examine in more detail a number of specific redundancies that took place during the lifetime of the research. This chapter summarises these case studies, the full versions of which can be found in the Evaluation of ReAct III Programme: Case Studies report.
- 9.2 As noted in Chapter 2, the research approach in each case study was slightly different depending on the characteristics of the redundancy in question and the availability of data, such as contact details for the individuals involved and the availability of stakeholders to be interviewed.
- 9.3 A main difference between the methodology for the main evaluation and that used for these case studies is that the individuals whom we consulted included those who had not participated in ReAct as well as those who had done so. The interviews were also undertaken closer to the time of the redundancy than were the interviews for the main survey (which were undertaken at least 12 months after the individual had started the training course that had been funded by ReAct). Furthermore, the case studies represented an opportunity to explore issues not covered in the ESF Participants Survey questionnaire (used for the main survey of participants). In total, the case studies involved consultations with 180 individuals made redundant.
- 9.4 The primary fieldwork included a mix of surveys and in-depth follow-up interviews in order to explore certain issues in more detail. The qualitative data collected has been integrated into discussions on the findings of the surveys. Case studies for individuals have, however, also been included in order to provide an insight into the journey of individuals affected by redundancy.

The redundancies

- 9.5 The cases identified for the in-depth study comprised a Tesco call centre (known as Tesco House), Quinn Radiators, Allied Bakeries, and construction firm Dawnus. Below is an outline of each redundancy situation.

Tesco House

- 9.6 On 21 June 2017, Tesco announced that it was closing its Tesco House call centre in Cardiff. The decision came as Tesco consolidated its Customer Engagement Centres into one site in Dundee, Scotland. Although 250 jobs were created in Dundee for which staff in Cardiff could apply, more than 1,100 jobs in Cardiff were lost through the redundancy. The announcement was made six months prior to the closure of the site, with Tesco House finally closing on 20 February 2018.

Quinn Radiators

- 9.7 Quinn Radiators was established in 1975 in Newport¹⁷ (South Wales) and operated as a manufacturer of commercial radiators. The company went into administration on 10 June 2019 due to financial troubles attributed to an increase in the price of raw materials that were used in the manufacturing process, as well as an increase in the popularity of cheaper, imported brands. At the time at which the company entered administration, they employed 300 workers, 280 of whom were made redundant¹⁸, with the remaining 20 being kept on in order to seek a buyer for the company's remaining assets. Furthermore, they owed £9.7 million to various trade creditors including Tata Steel (to whom they owed £2.4 million). In 2016, Quinn Radiators received a £3m loan from the Welsh Government to create a further 120 jobs and to safeguard the jobs of its 290 employees at the time.¹⁹
- 9.8 Employees were informed of their immediate redundancy as they arrived at work on the morning of 10 June 2019 via an unaddressed letter from the company handling the administration. For most employees the news came as "unexpected" and "out of the blue".²⁰
- 9.9 Part of the company was eventually bought by Rettig ICC, a Finnish manufacturing firm who were interested in the decorative, tubular steel. The deal ensured that the

¹⁷ [Companies House](#)

¹⁸ [WalesOnline article](#)

¹⁹ [Grant Thornton made administrator of Quinn Radiators](#)

²⁰ [280 jobs go with firm in administration](#)

Newport factory would remain open for a further nine months. The company now operates as 'Design by Barlo' and is currently a subsidiary of Rettig ICC.

Allied Bakeries

- 9.10 Allied Bakeries operates from several sites across the UK. In June 2019 it was announced that its bakery in Llanishen (Cardiff) was to be closed on 13 September 2019 and would be repurposed as a distribution centre to improve the efficiency of the company's delivery service to Wales and South West England.²¹ As a result of this, it was announced that 176 members of both management and operations staff would lose their jobs.²²
- 9.11 This announcement came soon after it was announced that Allied Bakeries had lost its contract to produce Tesco's own-label products, and has been perceived to be an attempt by Allied Bakeries to cut costs.²³ During the redundancy consultation process with the employees for the repurposing of the site, there was reported dissatisfaction amongst the staff affected, as it was felt that the company entered the consultation with their mind already made up and that there had been a lack of communication between the company and the union.²⁴
- 9.12 Following the confirmation of the transition, the 176 employees who were to lose their jobs were offered redundancy packages and other support. The support focused on encouraging employees to look to redeploy either into one of the other Allied Bakeries sites or into other employment in the local community.

Dawnus

- 9.13 Dawnus was a construction firm based in Swansea. On 14 March 2019, it was announced to employees that the company had gone into administration and that 700 of them had been made redundant.²⁵
- 9.14 Before entering administration, the company consisted of six regional offices and 44 construction sites, operating UK-wide as well as internationally. It was considered by the Welsh Government to be an "anchor company", meaning that it was an organisation with a considerable global reach that was based and had headquarters in Wales.

²¹ [WalesOnline article](#)

²² [Food Manufacture article](#)

²³ [British Baker article](#)

²⁴ [WalesOnline article](#)

²⁵ [Building article](#)

- 9.15 There have been several reasons put forth for the company going into administration, including sluggish productivity, ongoing contract disputes, and the impact of the uncertainty surrounding Brexit. In 2017 the company reported a pre-tax loss of £1.4 million and revenue of £118 million, £58 million lower than its peak revenue.²⁶ Moreover, it was reported that the company owed a total of around £50 million to various creditors, including £40.5 million to other businesses, £5 million to its employees, and £3 million in tax, and were also yet to repay a £1.5m loan from the Welsh Government.²⁷

Key findings of the case studies

- 9.16 A number of important issues not covered in other aspects of the evaluation were explored as part of the case studies, including consultation with individuals who had been made redundant much more recently than had respondents to the main survey. The case studies also allowed the process of responding to a mass redundancy to be explored in greater detail. As such, some of the findings of the case studies are different and additional to those discussed elsewhere in this report. Other findings are consistent with what other aspects of the evaluation have found and, therefore, are confirmatory (rather than new).

The response to the redundancy

- 9.17 One of the things illustrated by the case studies, especially the one for Tesco House, is that the scale of the response to redundancies in Wales can be substantial, with a Ministerial Taskforce being set up in response to the situation. However, the appropriateness of the scale of the response is an interesting question to consider.
- 9.18 Any large-scale redundancy clearly justifies a response. However, it would seem that it is the scale (and profile) of the redundancy which derives the response (rather than the need for support). For example, while the Tesco House redundancy was large-scale in terms of the numbers involved, it was described in some quarters as being 'less challenging' than other redundancies due to the high skill level of many of the individuals concerned and the relative buoyancy of the local job market. The fact that the redundancies were going to happen at the site was also known relatively far in advance, meaning that it was possible to plan the

²⁶ [WalesOnline article](#)

²⁷ [WalesOnline article](#)

support that would be provided. The question is whether a less high-profile redundancy, with perhaps fewer jobs being lost but much lower prospects of local reemployment, should generate the same response.

- 9.19 It is, of course, difficult to answer that question, although the response to each of the case studies examined for this evaluation would seem to have been comprehensive (if not perhaps as comprehensive as the Tesco House example) if lower-profile and less 'public'.
- 9.20 The case studies have found that whilst the package of support available is generally consistent, the way in which it is delivered is adapted according to the characteristics and circumstances of each particular situation. For example, the approach for Allied Bakeries was different from that for Tesco House due to the particular characteristics of the workplace in question. In our view, this is a positive finding and reflects the knowledge and experience that have developed within the teams delivering the support over a considerable period of time. Local knowledge and understanding are considered to be essential to the effectiveness of the support provided (e.g. understanding of the local labour market).
- 9.21 The relationship that 'support providers' are able to build with the businesses in which the redundancies are taking place is very important — the better the relationship, the more effective the response that can be put in place.
- 9.22 Linked to the above, the amount of time that is available to prepare a response to the redundancy is important — the longer, the better. The structure that is in place to respond to redundancies in Wales is, however, so well established that it is able to respond to a redundancy very quickly and very effectively, as was the case when Quinn Radiators closed its doors. The speed at which the response was prepared in that instance was due in large part to the fact that the process is now well established, with teams and relationships in place and effectively 'ready to go'.
- 9.23 What is not clear is whether that response is replicable across Wales, especially in more rural locations, wherein fewer resources would be available and those resources would be more dispersed.

The views of individuals supported and not supported

- 9.24 Those who received advisory support from Careers Wales were generally positive, with the majority of respondents who received Careers Wales guidance feeling that it gave them a better understanding of how their skills and personal qualities could be applied to the job market and their career. This finding is consistent with that of the main survey of participants. Furthermore, the case studies highlight the importance of supporting the affected individuals in considering options and opportunities in a range of different sectors. For example, workers in a call centre should be supported in considering their options in other occupations.
- 9.25 In most cases, however, the advice provided was not perceived to have led to a change in the action that the individual in question wanted to take. Rather, it confirmed and helped to implement a 'direction of travel' that was already in place, again supporting the findings of the main survey.
- 9.26 A key difference in the research for the case studies was the fact that there was consultation with individuals made redundant who had not accessed the support available from ReAct. The most common reason as to why individuals had not utilised ReAct support (when they were aware of it) was that they wanted/needed to get back into employment as quickly as possible and/or felt that additional training was not needed for them to find work.
- 9.27 The in-depth interviews for the case studies, however, also highlight the fact that individuals can find it difficult to fully consider their options in the immediate aftermath of being made redundant, and may make decisions that they later regret, such as moving back into employment too quickly. This supports a view expressed by some stakeholders, and discussed earlier in this report, that the potential to continue to support individuals made redundant even when they had moved back into employment may be appropriate in some circumstances.
- 9.28 Feedback from individuals on the link between the support provided by ReAct and their ability to move back into employment was, as in the main participant survey, mixed, with some identifying a substantial benefit but others not. As identified by the main survey, the benefits of ReAct support are considered to be the most valuable for those with lower levels of qualification and skills.

- 9.29 Another additional finding of the case studies is that redundancy clearly has an impact on the mental and physical health of those made redundant. Accordingly, one area in which there is potential to add to the ReAct support package is that of the mental and physical health support provided to individuals.
- 9.30 While Careers Wales advice and ReAct support following redundancy are not a substitute for mental health support (other than referrals to specialist support), it is significant that many participants identify positive mental health outcomes as a consequence of participating in ReAct.
- 9.31 The case studies also highlight that the impact of being made redundant is wider than simply losing a job. Individuals lose people, a social and support network upon which they have become reliant in many ways, especially where they have been employed in the same place for an extended period of time.

10. Counterfactual impact assessment and cost–benefit analysis

Key points

- We estimate that the net additional impact of ReAct is to increase the number of people in employment over and above that which would have occurred in the absence of the programme by 520 in East Wales, 912 in West Wales and the Valleys, and 1,432 in Wales as a whole.
- The net present values are all positive in East Wales, West Wales and the Valleys, and Wales as a whole at £5.0 million, £7.6 million, and £12.6 million, respectively.
- The benefit-to-cost ratios (BCRs) are all greater than 1 and less than 2, at 1.69 for East Wales, 1.52 for West Wales and the Valleys, and 1.58 for Wales as a whole.
- These results indicate that ReAct achieves value for money, and as all of the BCRs lie between 1 and 2, the conclusion is that ReAct achieves an acceptable level of value for money.

Introduction

- 10.1 This chapter presents the findings relating to the counterfactual impact assessment and the cost–benefit analysis. Details of the methodology used for the analysis, as summarised below, can be found in Appendix E.

Impact assessment

- 10.2 The original intention was to attempt to use a matching approach to assess the net impact of participation in ReAct against the counterfactual of non-participants. However, data on ReAct participants are not included in the Lifelong Learning Wales Record (LLWR), meaning that this analysis was not possible. Thus, an alternative approach of matching ReAct management information on participants against data from the Labour Force Survey (LFS)²⁸ was investigated. Again, however, this was not possible due to the fact that only limited employment outcome data was available for ReAct, covering only those who had undertaken the VOC available prior to potential reemployment: 459 out of 7,612 of the total VOC participants.

²⁸ The Labour Force Survey is conducted by the Office for National Statistics to provide information on the labour market in the UK. It is the main source of information on employment and unemployment.

- 10.3 A benchmarking approach was therefore used, wherein gross outcome data for ReAct was compared to data from a range of sources. This suggested that deadweight for ReAct lies somewhere between 62 per cent and 86 per cent. Drawing on the findings of the literature review (see Chapter 3 and Appendix B) which suggested that policies which are not targeted at more disadvantaged groups tend to have high rates of deadweight, a conservative assumption of 80 per cent deadweight was adopted for the cost–benefit analysis exercise. Moreover, literature suggests that wage subsidies typically have high rates of deadweight, particularly if not targeted at groups which are far from the labour market. Accordingly, the deadweight associated with the ERS subsidy is assumed to be towards the top end of the range suggested by the literature, at 90 per cent.
- 10.4 The estimate of gross jobs is based on the number of VOC participants multiplied by the estimated quarterly job entry rates (89.3 per cent for East Wales and 90.5 per cent for West Wales and the Valleys). The estimate of net jobs is then based on the estimate of gross jobs multiplied by 1 minus the deadweight estimate.
- 10.5 Tables 10.1 and 10.2 show the resulting estimates of the gross and net jobs for East Wales, West Wales and the Valleys, and all of Wales. As indicated by Table 10.2, the overall net impact of ReAct is to increase the number of people in employment by 520 in East Wales, 912 in West Wales and the Valleys, and 1,432 in Wales as a whole.

Table 10.1: Gross ReAct jobs

Financial Year	East Wales	West Wales and the Valleys	All Wales
2015/16	553	1,215	1,768
2016/17	671	1,201	1,872
2017/18	505	869	1,373
2018/19	505	734	1,239
2019/20	459	759	1,218

Note: The figures above may not sum due to rounding

Table 10.2: Net ReAct jobs

Financial Year	East Wales	West Wales and the Valleys	All Wales
2015/16	106	235	341
2016/17	130	230	361
2017/18	97	167	264
2018/19	97	138	235
2019/20	90	142	232

Cost–benefit analysis

- 10.6 Cost–benefit analysis calculates the costs and benefits of an activity to society. The relevant costs include those falling on government, individuals and employers. All costs and benefits are adjusted so as to allow for inflation.
- 10.7 The cost data for ReAct were supplied by the Welsh Government. In addition, the costs to individuals of travelling to work were estimated. The economic benefits of ReAct are based on its estimated net impact on subsequent employment. There may also be additional non-employment benefits, e.g. health improvements, but these could not be quantified on the basis of the available information and, therefore, are excluded.
- 10.8 With the costs and benefits having been calculated, the standard metrics for value for money for ReAct can be calculated. These are the net present values (NPV) and the benefit-to-cost ratios (BCRs).
- 10.9 In order to calculate the NPVs of the various costs and benefits, these are discounted²⁹ back to a common base year, which in this case is 2015/16. We use the 3.5 per cent real discount rate as per HM Treasury’s Green Book guidance.
- 10.10 The overall NPV of ReAct is then equal to the difference between the NPV of the benefits minus the NPV of the costs. The benefit-to-cost ratio (BCR) is another way of expressing how ReAct’s benefits and costs compare and is equal to the NPV of the benefits divided by the NPV of the costs. For a programme’s benefits to outweigh its costs and, therefore, for it to represent value for money, the overall NPV should be positive and the BCR should be above 1.

²⁹ Discounting in this way allows us to compare costs and benefits occurring over different periods of time and with different relativities in different years on a consistent basis. Discounting is based on the notion of time preference, i.e. that (in general) people prefer to receive benefits now rather than later.

- 10.11 Table 10.3 shows the estimated NPVs of the costs and benefits for East Wales, West Wales and the Valleys, and all of Wales.
- 10.12 As shown, in all three cases the estimated overall ReAct NPVs are positive and the BCRs are above 1. In all cases the BCR lies between 1 and 2; this indicates that ReAct has achieved acceptable value for money.³⁰ It should be noted that in the cost–benefit analysis calculations, conservative or cautious assumptions have been chosen. This is because we have had to make a number of assumptions/judgements in our calculations and adopting a more cautious approach reduces the risk that the value for money of the programme has been overestimated. The corollary of this is that the estimated NPVs and BCRs are more likely to be an underestimate than an overestimate.

Table 10.3: ReAct net present values (NPVs) and benefit-to-cost ratios (BCRs)

	East Wales	West Wales and the Valleys	All Wales
NPV Costs	£7,210,727	£14,496,655	£21,707,382
NPV Benefits (Net of In-Work Costs)	£12,213,634	£22,102,201	£34,315,834
Overall Programme NPV (NPV Benefits – NPV Net Costs)	£5,002,907	£7,605,545	£12,608,452
Benefit-to-Cost Ratio	1.69	1.52	1.58

Conclusion

- 10.13 The analysis for this report has estimated that the net additional impact of ReAct is to increase the number of people in employment over and above that which would have occurred in the absence of the programme by a total of 1,432 in Wales as a whole for the period up to November 2019. Deadweight is identified as being a concern in this report, as it has been in previous evaluations of ReAct, and this figure reflects such concern, with the 1,432 net jobs being generated from a total number of 8,228 participants up to November 2019. Nevertheless, the analysis still finds that ReAct does represent value for money, with a benefit-to-cost ratio of (at least) 1.58 (which, according to central government guidelines, represents acceptable value for money).

³⁰ This is based on the categorisation given by the DCLG Appraisal Guide, which categorises a BCR between 1 and 2 as acceptable value for money and a BCR above 2 as high value for money.

11. Conclusions and recommendations

Rationale and need for the intervention

- 11.1 Everyone interviewed for this evaluation supported the need to maintain the provision of support to individuals who had been made redundant. Stakeholders were of the view that, despite the more positive economic and labour market conditions that have existed throughout the period under review, the need and rationale for ReAct remain clear.
- 11.2 The analysis of economic data for this report highlights the considerable variation in economic conditions across Wales. This suggests that need and demand (which are not necessarily the same thing) for ReAct support are potentially higher in some areas. The ability of an individual being made redundant to find alternative employment is likely to vary significantly from area to area, as well as from sector to sector; the redundancy case studies underline this point. One possible implication of this is that ReAct could/should be targeted at areas in which the labour market is more challenging. We will return to the issue of ‘targeting’ several times within this conclusion.

Fit with policy and strategy

- 11.3 As the only programme specifically targeted at individuals being made redundant, ReAct has a clear role in the delivery of Welsh Government objectives as set out in the national strategy, i.e. Prosperity for All, and the Economic Action Plan. Employability is a core theme in policy, as are the ambitions of integration and collaboration throughout the public sector and putting people at the heart of improved service delivery. These are features of how ReAct is delivered. The programme’s role in contributing to the realisation of the ambitions set out in the ‘A Prosperous Wales’ goal of the Well-being of Future Generations Act is also clear.
- 11.4 In terms of meeting the WEFO’s strategic objectives, ReAct fits with Priority Axis 1: Tackling Poverty through Sustainable Employment, and with Specific Objective 1: To increase the employability of those closest to the labour market who are at most risk of poverty, targeting individuals who have been impacted by redundancy.
- 11.5 ReAct is, as the name suggests, a reactive intervention providing support to individuals and businesses as the need arises (specifically in redundancy

situations). The programme does not target any specific part of Wales or groups of businesses or individuals beyond those criteria.

- 11.6 There is also an emphasis on the independent nature of the advice being provided, which is ‘person-centred’ and designed to provide the support that is appropriate for the individual in question whilst also taking into account the local labour market.
- 11.7 This approach limits the potential of ReAct as a vehicle through which to proactively promote policy objectives, including those for the Welsh language or programme-level cross-cutting themes (as discussed below). This is not to say, however, that ReAct cannot contribute to achieving those policy objectives; rather, it does so in a reactive (demand-led) way. For example, a Careers Wales advisor will reference the Welsh language if it is appropriate to the individual, area or sector being discussed. The programme can therefore contribute to achieving Welsh language policy objectives. The primary drivers for the support being provided are, however, other factors such as local labour market conditions and the priorities of the individual in question.

The cross-cutting themes

- 11.8 The ability of ReAct to achieve CCT objectives is restricted by the fact that it is a reactive intervention — support is available to anyone who has been made redundant and is not targeted at any particular group or geography. This is not, however, to say that ReAct has not contributed to achieving the objectives of the CCTs. Tackling poverty and reducing social exclusion are clear outcomes towards which ReAct can contribute by getting individuals back into employment as quickly as possible. The reactive nature of the intervention does, however, need to be considered.
- 11.9 However, delivery can take, and has taken, the CCTs into account. For example, businesses participating in the programme are provided with links to several sources of information, advice and guidance relating to the CCTs. Whilst agreed with the WEFO, it is a minimal approach, with no monitoring data being collected to assess its effectiveness. The potential to be more proactive and do more concerning the CCTs is, however, limited, which is important to recognise.

Management and delivery

- 11.10 All three previous evaluations of ReAct (2008, 2011 and 2016) found that the programme has been implemented effectively, and the findings of this evaluation are the same for the ReAct III programme. However, it is acknowledged that the programme remains ‘admin-heavy’, with stakeholders highlighting the administrative complexities of delivering an ESF-funded programme. Moreover, it is important to acknowledge that there have been significant issues faced in accessing programme monitoring data throughout the evaluation (especially for the impact assessment and cost–benefit analysis), suggesting that the monitoring and data-processing systems employed need to be improved when going forward (see Recommendation 8).
- 11.11 The analysis of management information has shown that vocational training provided before potential reemployment is (by far) the most common form of support under ReAct, with substantially more individuals receiving that support than the employer recruitment and training support. Therefore, it is clear that demand for that element of support is (by far) the greatest and it is, therefore, the most important element of the intervention.
- 11.12 There has been little marketing of ReAct as a service, with a reliance on Careers Wales and Jobcentre Plus to promote the programme to individuals as they engage with them. The assumption for this is that individuals will visit their local Jobcentre or contact Careers Wales if they are seeking employment after having been made redundant.
- 11.13 Stakeholders engaged in this evaluation generally supported this approach and felt comfortable with it. There was, however, some concern surrounding the potential for a lack of awareness amongst some groups of participants, especially those affected by small-scale redundancies (which are unlikely to attract the attention of Careers Wales and/or JCP teams). This is something that should be reviewed when going forward by capturing data on the range of individuals being supported.
- 11.14 ***Recommendation 1: To allow potential gaps in support to be identified and addressed, there needs to be more ‘live’ monitoring of the characteristics of ReAct participants, the types of redundancies (e.g. sector and size of business), the locations, and the sectors where support is being provided via ReAct.***

The role of Careers Wales

- 11.15 Careers Wales plays a critical role in the delivery of ReAct, both as ‘gatekeepers’ to applications for support (this includes a very important ‘quality control’ role which helps to ensure that only appropriate applications are submitted to the Welsh Government team) and in terms of the effectiveness of the information, advice and guidance (IAG) that they provide to individuals. Such an IAG role is crucial in terms of the ability of ReAct, via the training that it subsequently funds, to deliver positive outcomes.
- 11.16 The literature review found that job search assistance can have a positive impact on individuals’ chances of moving into work, especially in the short term. The integration of ReAct support with the broader range of employability support on offer from Careers Wales is, therefore, an approach that the evaluation would support. Stakeholders were also strong supporters of this approach.
- 11.17 The evaluation has found that those who received advisory support from Careers Wales were generally positive about it, with respondents feeling that it gave them a better understanding of how their skills and personal qualities could be applied to the job market and their career.
- 11.18 In most cases, however, the advice provided was not perceived to have led to a change in the action that the individual in question wanted to take. Rather, it confirmed and helped to implement a ‘direction of travel’ that was already in place in the mind of the participant. As discussed later, this is consistent with a more general finding that ReAct supports positive outcomes, rather than being the cause of them.
- 11.19 Careers Wales advisors were strong supporters of ReAct for two reasons: firstly, for the benefit that they perceived individuals to gain from the support that it provided, and, secondly, because the prospect of receiving funding to undertake a training course was an important ‘carrot’ that attracted individuals to meetings with them. This (again) underlines the value of ReAct as part of a broader package of support for individuals seeking work.
- 11.20 The strong view of stakeholders was that ReAct, particularly the vocational training element, added value to the other support available to those seeking work in Wales and that it was unique in its targeting of those recently made redundant. The flexibility offered by ReAct (in terms of the range of training that can be

undertaken) and the independent nature of the advice that was being provided by Careers Wales were frequently identified as being important strengths by stakeholders. Furthermore, they were important factors in differentiating ReAct from other support available to those seeking work, which generally involved advice and training being provided by the same organisation (meaning that the advice cannot be truly independent).

- 11.21 The literature review found that training can have a positive impact on movement into work, especially in the longer term. However, the evidence suggests that the impact of training programmes can vary greatly and that good design is vital for their effectiveness. This suggests that the ReAct team need to ensure that the training that participants choose to undertake is effectively designed. This is part of the discussions between the ReAct participant and the Careers Wales advisor, although the assessment process undertaken by the Welsh Government team will also include a review of the training course that the applicant wants to undertake in order to ensure that it is appropriate.
- 11.22 The evaluation has found no evidence suggesting that the training courses that have been funded by ReAct are not well designed. However, the fact that the design of training programmes is identified by the literature as being so important suggests that it is something that should be reviewed on an ongoing basis.
- 11.23 ***Recommendation 2: The potential need to take action to ensure the quality of the training being undertaken by ReAct participants should be considered. This could potentially include a regular review of a sample of the most popular courses being undertaken, for example.***

Targeting support

- 11.24 ReAct is available to anyone who has been made redundant. Although most stakeholders did not believe that ReAct should be more targeted, some acknowledged the rationale of targeting support at those with lower levels of qualification on the basis that, generally, they are more likely to need support in finding a job after having been made redundant.
- 11.25 The literature reviewed for this evaluation supports that view. Furthermore, policy documents emphasise the importance of targeting support at those most in need of it. The general view of most stakeholders was, however, that ReAct should remain available to anyone who is made redundant on the basis that even those

with high levels of qualification can have gaps in their CV and skillset which need to be addressed when they are made redundant. The impact that redundancy can have on the mental health of individuals (which does not take into account experience and qualifications), as discussed later in this conclusion, also needs to be considered.

- 11.26 It is interesting to note that the analysis of monitoring information finds that participants with relatively low levels of qualification (at Level 2 or below) are underrepresented in all three strands of ReAct, while those with qualifications at Level 4 or above are overrepresented in all three strands. The 'open to all' approach could therefore be leading to a situation in which those who (it could be argued) are most in need of support are underrepresented within the programme. Alternatively, as ReAct is demand-led, it could suggest that there is less demand for support from those groups, or this could potentially be an awareness issue amongst that group.
- 11.27 In truth, we cannot be certain as to why those with lower skills seem to be underrepresented within ReAct. Perhaps it suggests a need to target those groups in some way in order to ensure that they are engaged.
- 11.28 ***Recommendation 3: In response to the finding that individuals with low levels of qualification are underrepresented within the programme, options for targeting or increasing the level of engagement of those with lower levels of qualification should be explored. The range and characteristics of participants engaged should also be monitored on an ongoing basis.***
- 11.29 Another interesting point discussed in a handful of stakeholder interviews was the potential to be more proactive in respect of working with sectors in which it is likely that redundancies could take place in the future.

Variations in the approach

- 11.30 The redundancy case studies illustrated that the scale of the response to redundancies in Wales can be substantial. This was the case for the closure of the Tesco call centre in Cardiff in 2017 (Tesco House), which witnessed a loss of 1,100 jobs, with a Ministerial Taskforce being set up in that case. However, the appropriateness of the scale of the response is an interesting question to consider.
- 11.31 Any large-scale redundancy justifies a response. For the case studies considered in this report, however, it would seem that it was the scale (and profile) of the

redundancy which drove the response (rather than the need for support). For example, while the Tesco House redundancy was large-scale in terms of the numbers involved, it was described in some quarters as being ‘less challenging’ than other redundancies due to the high skill level of many of the individuals concerned and the relative buoyancy of the local job market. Moreover, substantial notice was given that the redundancies were going to happen so as to provide an opportunity to design an effective response.

- 11.32 The question is whether a less high-profile redundancy, with perhaps fewer jobs being lost but much lower prospects of local reemployment, should generate the same response. This is a difficult question to answer, although we can state that the response to each of the redundancy case studies examined for this evaluation has been comprehensive, if not perhaps as comprehensive or high-profile as the Tesco House example.
- 11.33 The case studies have shown that whilst the package of support available was generally consistent, how it was delivered was adapted according to the characteristics and circumstances of each particular situation. For example, the approach for Allied Bakeries was different from that for Tesco House, taking into account the particular needs, strengths, weaknesses, etc. of the workforce in those instances. In our view, this is a positive finding and reflects the knowledge and experience that have developed within the teams delivering the support over a considerable period of time. Local knowledge and understanding were considered to be essential to the effectiveness of the support provided (e.g. understanding of the local labour market), which (again) supports the delivery of ReAct via local Careers Wales teams.
- 11.34 The relationship that can be built with the businesses in which the redundancies are taking place is very important — the better the relationship, the more effective the response that can be put in place. Linked to the above, the amount of time that is available to prepare a response to the redundancy is important — the longer, the better.
- 11.35 A key finding of the evaluation, however, is that the structure that is in place to respond to redundancies in Wales is now so well established that it can respond very quickly and very effectively, as was the case when Quinn Radiators closed its doors with no prior warning. The speed at which the response was prepared in that instance was due in large part to the fact that the process is now well established,

with teams and relationships in place and effectively 'ready to go'. What is not clear is whether that response is replicable across Wales, especially in more rural locations, wherein fewer resources will be available and those resources will be more dispersed. Case studies for redundancies in a more diverse range of locations would be needed in order to explore this further.

- 11.36 ***Recommendation 4: The Welsh Government should ensure that the effective structure that the evaluation found to be in place to respond to the case study redundancies is replicable across Wales, especially in more rural locations, wherein fewer resources will be available and those resources will be more dispersed.***

Why some participants do not access ReAct support

- 11.37 A key difference in the research for the redundancy case studies discussed in this evaluation was that there was consultation with individuals made redundant who had not accessed the support available from ReAct. It was found that the most common reason as to why individuals had not utilised ReAct support (when they were aware of it) was that they wanted/needed to get back into employment as quickly as possible and/or felt that additional training was not needed for them to find work.
- 11.38 In-depth interviews with participants, however, highlighted the fact that individuals can find it difficult to fully consider their options in the immediate aftermath of being made redundant, and may make decisions that they later regret, such as moving back into employment too quickly. This supports a view expressed by some stakeholders, and discussed further below, that the potential to continue to support individuals made redundant even if/when they have moved back into employment may be appropriate in some circumstances (see Recommendation 6).

Mental health impacts

- 11.39 Redundancy has an impact on the mental and physical health of those made redundant. Accordingly, one area in which there is potential to add to the support package available is that of the mental and physical health support provided to individuals.
- 11.40 While Careers Wales advice and ReAct support following redundancy are not a substitute for mental health support (other than referrals to specialist support), it is

significant that many participants identify positive mental health outcomes as a consequence of participating in ReAct.

11.41 The case studies also highlight that the impact of being made redundant for people is wider than simply losing a job, especially where they have been employed in the same place for an extended period of time, potentially losing a social and support network upon which they have become reliant in many ways.

11.42 ***Recommendation 5: Redundancy can have an impact on an individual's mental health. The provision of more comprehensive support to address the potential impact of redundancy on mental health should be considered as part of any future package of support.***

Outcomes for individuals supported

11.43 The evaluation found a clear positive impact in that the majority of the individuals made redundant who were supported by ReAct quickly moved back into employment. Eighty per cent of respondents to the survey of individuals supported by ReAct were in employment six months after the training course finished. Whether this can be attributed solely to ReAct is less clear.

11.44 In most cases (61 per cent) the roles and sectors in which people worked had changed following their redundancy, sometimes in a positive way and sometimes in a negative way. On the positive side, respondents reported that they had secured employment that was higher-paid than their previous role and that they enjoyed their new role more than their old one. The in-depth interviews with individuals highlight the work–life benefit that some have secured as a result of a change in their occupation. It seems to be clear that in many instances the ReAct support has helped to facilitate those changes. In other instances, however, the change has been negative, with individuals reporting that they are now paid less than they were previously and that they preferred their old job. This is probably inevitable in a situation in which people have lost their jobs involuntarily.

11.45 In discussions, Careers Wales advisors were always keen to stress that in many instances, individuals have no choice but to accept the first job that is offered to them, as they need the income. Often that job is not equivalent to the job that they previously held and/or does not fully utilise their skills, qualifications, and so on.

What is more, the economic output that they generate is not maximised in such circumstances.

- 11.46 Furthermore, there will be circumstances in which individuals have moved into a job that is not related to the support that they received via ReAct. For example, ReAct may have funded training designed to help the individual to gain employment in Sector A, but they have accepted a job in Sector B because they needed a job. In those circumstances the individual will not state that they secured their job due to the support that they received from ReAct. They still, however, have ambitions to move into a job in Sector A if and when a job becomes available. That means that the support that they have received could yet have a positive impact.
- 11.47 This issue is one of a number leading to a suggestion that it may be appropriate to consider whether ReAct support should continue to be made available to individuals who have been made redundant even if/when they have secured employment. There will be circumstances in which such support could have a positive impact on someone's career prospects and, thereby, maximise the economic contribution that they can make.
- 11.48 ***Recommendation 6: To help each individual to secure the right job (rather than any job) and maximise their potential, the Welsh Government should consider the potential to provide further or ongoing support to ReAct participants even if/when they have secured employment.***
- 11.49 The finding that older participants are more likely to have witnessed a larger decrease in their salary is interesting to note. One interpretation of this finding is that older participants are finding it more difficult to find equivalent employment. However, several other factors are likely to have an influence, including that they may be less flexible in terms of the location of their employment than are their younger equivalents, or that they received a more generous redundancy package; again, we can only speculate on this matter.
- 11.50 The evaluation has found that outcomes of ReAct support are likely to be 'better' for those with higher-level qualifications — they are more likely to have found a job since being made redundant. However, the analysis suggests that ReAct support plays a less important role in driving that outcome (obtaining a job) for those with

higher-level qualifications than for individuals with lower qualifications. In other words, ReAct support is more valuable to those with lower levels of qualification.

- 11.51 Conversely, as discussed earlier in the conclusion, we have found that those with lower levels of qualification — who would benefit the most from the support being provided — are underrepresented within the ReAct programme.
- 11.52 Further research, using appropriately matched counterfactual groups, may provide further important insight in this area. However, the finding adds further weight to the argument that there should be at least some element of more targeting of support at individuals with lower levels of qualification. It is important to note that this does not necessarily mean that support should be withdrawn from those with higher levels of qualification, as targeting could involve the provision of additional support to those with lower qualifications.
- 11.53 ***Recommendation 7:*** *Those with lower skill levels benefit the most from the support that ReAct provides. Options for greater targeting of support at individuals with lower skill levels should be explored, including, for example, a higher grant rate or longer-term training options. This recommendation links to Recommendation 3.*
- 11.54 To assess the impact of an intervention it is important to identify which of the outcomes observed would have happened anyway. Without the identification of a robust counterfactual such as a control group, it is not possible to quantify how many of the respondents to the survey would have found employment anyway (see Recommendation 8). The survey and in-depth interview data do, however, provide some indication, as respondents were asked to provide a view on the influence of the training course undertaken upon achieving the employment outcome.
- 11.55 A minority (14 per cent) of survey respondents identified the training funded by ReAct as having a direct impact on whether they had been able to secure employment, with 31 per cent reporting that it had made no difference to their employment outcome. It is important to note that this is probably not surprising when considering that this is a group of people who have recently been in employment, and the relatively positive economic conditions during which the support was provided. The literature review also identifies similar findings in the previous evaluations of the ReAct programme.

- 11.56 Of more relevance perhaps is the fact that more than half of the respondents (55 per cent) identified vocational training as being something that had *helped* them to enter employment. The in-depth interviews generally told the same story, although they also highlight the key role played by ReAct support in some instances. We can conclude from this that ReAct has played a positive, if not critical, role in generating the employment outcomes that have been identified, especially where the individual in question had lower qualifications.

Outcomes of employer support

- 11.57 Turning our attention now to the employer elements of ReAct, previous evaluations have suggested that there was high deadweight associated with the employment subsidy and in-work training being provided. Whilst it needs to be noted that the sample of employers surveyed for this evaluation is relatively small, the findings of this evaluation would concur with that view: a high percentage of people would have been recruited anyway, even if the subsidy were not available, and the in-work training would largely have proceeded anyway.
- 11.58 Most of the businesses interviewed had utilised the employment subsidy element of ReAct (ERS) but not the grant to support further training (ETS). In most cases this was because it was not considered that additional training was required. This is perhaps not surprising when considering that ReAct participants had been employed until very recently and, therefore, usually had the skillset for which the employer was looking.
- 11.59 It is positive to note that a relatively large number of respondents (20, mostly microbusinesses) that had received ERS funding reported that the individual recruited had progressed to higher-paid roles within the business. A similar proportion of respondents, however, reported that employees recruited via ReAct were no longer employed by the business. There is, therefore, no clear finding from the survey in respect of the longevity of employment supported by the employer elements of ReAct.
- 11.60 The benefit that the majority of businesses identified as resulting from the support that they received from ReAct was, unsurprisingly, financial: the funding that they received. However, if we look specifically at microbusinesses, recruiting workers with good work habits and a good work ethic was identified as being the greatest benefit, although the small number of responses in each cohort (again) needs to

be considered. The benefits were also considered to be substantial in these circumstances.

- 11.61 A key finding, however, is that in the vast majority of cases the recruitment and training were likely to have happened without ReAct support. Given that this is the case, questions must be asked about the appropriateness of the employer support elements of ReAct when going forward. The only caveat to this is that some businesses (usually microbusinesses) have benefitted substantially from the support that they received.
- 11.62 We conclude that if employer-related support is to be maintained, a greater degree of targeting towards microbusinesses should be considered. Moreover, there is a need to consider whether there is a strong-enough rationale for targeting a wage subsidy specifically at individuals who have been made redundant, rather than a more general wage subsidy scheme for microbusinesses.
- 11.63 The literature review found that wage or recruitment subsidies can be effective in helping individuals to move into unsubsidised work, albeit only if they are well designed. Time-limited wage subsidies are better (as is the case with ReAct) and if targeted at disadvantaged workers such as the long-term unemployed (which is not the case with ReAct). Such factors need to be considered when going forward.
- 11.64 Targeting in that way has been found to reduce the extent of deadweight, although substitution effects remain substantial. However, by bringing such disadvantaged workers into a job, wage subsidies enhance the supply of labour available to employers. In short, wage subsidies enable individuals with greater disadvantages or greater barriers to work to take jobs that would otherwise have been taken by workers who are more immediately employable. Thus, even with considerable substitution effects, hiring subsidies targeted at disadvantaged workers can be justified on both these positive economic grounds and the equity grounds of assisting groups who face particular difficulties in the labour market.
- 11.65 ***Recommendation 8: The appropriateness of the employer elements of ReAct should be reviewed in light of the findings of this and previous evaluations, with its withdrawal being seriously considered. If it is to be maintained, the employer elements should be more targeted potentially at microbusinesses and/or at disadvantaged workers.***

Impact assessment and cost–benefit analysis

- 11.66 The analysis for this report has estimated that the net additional impact of ReAct is to increase the number of people in employment over and above that which would have occurred in the absence of the programme by a total of 1,432 in Wales as a whole. Deadweight is identified as being a concern in this report, as it has been in previous evaluations of ReAct, and this figure reflects such concern, with the 1,432 net jobs being generated from a total number of 8,228 participants.
- 11.67 A conservative assumption of 80 per cent deadweight has been adopted for the analysis, with the employment subsidy element of ReAct assumed to be towards the top end of the range suggested by the literature review, at 90 per cent.
- 11.68 Despite this, the analysis still finds that ReAct does represent value for money, with a benefit-to-cost ratio of (at least) 1.58 (which, according to central government guidelines, represents acceptable value for money). That ratio would, however, likely improve with the implementation of the recommendations made earlier in this conclusion.
- 11.69 There are several references made within the report to the fact that a more robust counterfactual-based method could enhance the level of analysis possible and improve our understanding of issues such as whether the individuals supported would have found employment regardless of the support provided.
- 11.70 The analysis that had been planned for the impact assessment for this evaluation could not be undertaken due to weaknesses in the management information available. The original intention was to use a matching approach to assess the net impact of participation in ReAct against the counterfactual of non-participants. However, data on ReAct participants are not included in the Lifelong Learning Wales Record (LLWR) data, meaning that this analysis was not possible. Furthermore, the alternative matching of ReAct management information on participants against data from the Labour Force Survey was not possible due to a lack of data, meaning that a more robust impact assessment was not possible.

- 11.71 **Recommendation 9:** *The management information available needs to be improved in order to allow more robust analysis of the counterfactual, impact, and cost–benefit of the ReAct programme when going forward. The process of collecting management data should be reviewed so as to ensure that it is fit for purpose. This should include a review of the potential to collect Lifelong Learning Wales Record (LLWR) data and more comprehensive outcome data.*

12. Appendix A: ReAct III ESF programme targets

Source: ReAct III Business Plan, Welsh Government

Table 12.1: Expected outputs, results and impacts

Heading	ReAct III Suggested Profile Based on ReAct II – Aged 25+ Only	Anticipated Low/No Skill Profile – Aged 25+ Only	Total
No. of Participants	15,269	4,799	20,068
Participants Gaining Qualifications	11,905	4,149	16,054
Participants Entering Employment (Immediate)	8,298	2,739	11,037
Participants Entering Employment (6 Months)	9,271	2,970	12,241
Participants Who Receive Support with Caring Responsibilities	201	to be determined	
Employers Assisted or Financially Supported	1,160	to be determined	
Employers Adopting or Improving Equality / Diversity Strategies & Monitoring Systems	0	0	0
Projects Integrating Sustainable Development with Awareness-Raising Education / Training Programmes	1	0	1
Female	4,581	1,440	6,021
Male	10,688	3,359	14,047
Migrant No	15,168	4,767	19,935
Migrant Yes – EU	83	26	109
Migrant Yes – Non-EU	18	6	24
Existing Qualifications at NQF Level 2	5,089	to be determined	
Existing Qualifications at NQF Level 3	2,622	0	2,622
Existing Qualifications at NQF Levels 4–6	2,467	0	2,467
Existing Qualifications at NQF Levels 7–8	462	0	462

Heading	ReAct III Suggested Profile Based on ReAct II – Aged 25+ Only	Anticipated Low/No Skill Profile – Aged 25+ Only	Total
Existing Qualifications Below NQF Level 2	1,850	to be determined	
Existing Qualifications None	2,779	to be determined	
Economically Inactive	0	0	0
Employed (Excluding SE)	0	0	0
In FT Education	0	0	0
Long-Term Unemployed	0	0	0
Self-Employed	0	0	0
Unemployed (Up to 1 year)	15,269	4,799	20,068
Disabled No	14,963	to be determined	
Disabled Yes	306	to be determined	
British Asian and Minority Ethnic Group No	14,963	to be determined	
British Asian and Minority Ethnic Group Yes	306	to be determined	
Age 11–14	0	0	0
Age 15–24	0	0	0
Age 25–54	13,192	to be determined	
Age 55–64	1,985	to be determined	

13. Appendix B: Full literature review

Introduction

- 13.1 The literature review begins by revisiting the findings from the previous evaluations of ReAct (2008, 2011, 2016), allowing us to identify the key findings and issues from those evaluations.
- 13.2 Similarly, reviewing the evidence on other programmes which seek to assist redundant workers, the same client group as for ReAct, should provide pointers as to what types of assistance are the most effective in helping redundant workers to move back into work and how this compares with the support that is available under ReAct.
- 13.3 The skill assessment undertaken by Careers Wales at the start of the ReAct programme seeks to assess whether the individual has skill needs which are inhibiting their return to employment. This can be viewed as a form of profiling or early identification based on caseworker discretion. Other methods of profiling include data-intensive methods using formal statistical tools and mixed approaches which combine caseworker discretion supported by statistical tools. Thus, the literature review included a review of such tools.
- 13.4 Reviewing previous research on employment and skill programmes enables us to draw out more general findings concerning the impacts of different types of support on movement back into work, and the factors that influence these impacts.
- 13.5 Finally, ReAct includes an employment or time-limited wage subsidy; therefore, evidence as to the employment impacts of wage and hiring subsidies more generally is pertinent to the ReAct programme. The findings of the review for each of these areas are set out below.

Previous evaluations of ReAct

- 13.6 Three previous evaluations of ReAct have been undertaken, i.e. in 2008, 2011 and 2016.^{31 32} Consistent findings emerge from these three evaluations, covering

³¹ [Welsh Assembly Government Department for Children, Education, Lifelong Learning and Skills \(2008\), "Evaluation of ReAct, Final Report"; Report by CRG Research Ltd, Welsh Government \(2011\), "Interim Evaluation of ReAct", Report by Old Bell 3 Ltd, Dateb and IFF Research Ltd; Welsh Government \(2016\), "Final Evaluation of the ReAct Programme 2008-2016", Report by BMG and IES.](#)

³² All three evaluations undertook document reviews, analysis of management information, surveys, and qualitative interviews. The main difference between the three evaluations concerned their approach to the

aspects of both the administration and delivery of the programme and the programme's impact. A summary of the ReAct programme and how it was amended in 2011 is set out in Box A. The 2008 and 2011 evaluations cover ReAct prior to these changes, and the 2016 evaluation covers the programme from 2008 to 2011 (prior to the changes made) and from 2011 to 2014 (subsequent to these changes).

Box A: Summary of ReAct support and changes

The programme provided the following forms of support between 2008 and 2016:

- advice and guidance from Careers Wales as to how individuals could improve their skills.
- a grant (of up to £2,500 before 2011, £1,500 from 2011) paid to redundant workers to fund all or part of the training that they undertook.
- a grant (of up to £2,080 before 2011 and £3,000 from 2011 over 12 months) to employers to subsidise the wages of redundant workers whom they hire.
- a grant to employers (of up to £1,000) to fund up to 70 per cent up to 2011, and 50 per cent from 2011, of the cost of training redundant workers whom they have recruited.

Administration and delivery

- 13.7 The evaluation reports found that, overall, the application process for ReAct was largely seen to be a smooth and easy process. The 2008 evaluation suggested that 95 per cent or more of individual respondents believed it to be easy to apply for ReAct, considered the ReAct team to be helpful in dealing with the application, and suggested the overall process to be efficient. Furthermore, employers were very satisfied (above 95 per cent) with the ease of applying, assistance with any queries raised, and the process of claiming funds. Similarly, the 2011 and 2016 evaluations indicated that at least 87 per cent of businesses who engaged with ReAct found the main delivery partners of the Welsh Government ReAct team, Jobcentre Plus, and Careers Wales to be helpful.

counterfactual and whether or not a cost–benefit analysis was undertaken. In 2008, the counterfactual was based on participants' views as to what would have happened had they not participated in ReAct. This approach is not thought to yield very robust results. The 2011 counterfactual was based on comparing the results from the surveys of participants and non-participants. The 2016 counterfactual was based on a formal impact assessment comparing the outcomes for firms assisted by ReAct against those who were not. The 2008 and 2011 evaluations did not include a cost–benefit analysis. The 2016 evaluation did include a cost–benefit analysis, but a lack of detail on how it was undertaken means that it is very difficult to critically assess its findings.

- 13.8 The 2011 evaluation noted that demand for ReAct support surged in late 2008 and 2009, as the recession led to significant levels of redundancy across Wales. This surge in demand presented challenges including in terms of responding in a timely fashion to an unprecedented number of individuals needing support. The interval between applications for both the employer elements of ERS and ETS was mostly kept short — four weeks or less for both in nine out of 10 cases.
- 13.9 ReAct has always involved an operational partnership between the Welsh Government ReAct team, Careers Wales, and Jobcentre Plus (JCP). The first two have major roles in the delivery of ReAct, whilst JCP performs a vital role in notifying other partners of redundancy situations (given the HR1 administrative procedures³³) and providing a significant entry point for individuals into the programme.
- 13.10 The evaluations found that the relationships which have developed between the partners have resulted in strong partnership working between the three organisations, facilitating cooperation at the operational level, especially in relation to large-scale redundancies, and joint policy working, not only for ReAct but more widely in helping to shape employment policy in Wales. In addition, trade unions and sector skills councils were providing valuable intelligence on impending redundancies and strategic guidance (e.g. advising on the appropriateness of qualifications).
- 13.11 The service provided by Careers Wales was found to be central to the ReAct application process, with the advice provided by Careers Wales being viewed positively by the ReAct participants interviewed. The 2008 evaluation indicated that around nine out of 10 ReAct participants interviewed believed that the Careers Wales advisor provided them with enough relevant information, felt that the advice that they received was good-quality, and had followed the advice given. Similarly, the 2011 evaluation found that around nine in 10 ReAct participants interviewed found the advice from Careers Wales to be fairly or very helpful. The impartial advice role of Career Wales was seen to be helping participants to avoid being wrongly advised by others.

³³ The HR1 administrative procedures cover the statutory requirement for government to help those facing redundancy. In order to do this, advance notification of potential redundancies is required from employers. The Redundancy Payments Service collects this information and distributes it to the appropriate governmental departments and agencies, notably including JCP, who offer job-brokering services and/or training services.

- 13.12 Careers Wales was seen by various stakeholders to be constructively challenging individuals on their future training and employment aspirations so that they were realistic and undertook training in line with the needs of the labour market.
- 13.13 As well as advice with regard to training choices, Careers Wales job-search-related advice (e.g. CV development, mock interviews) was highly valued by the ReAct participants interviewed, especially those individuals who had been in the same job for a number of years and had not undertaken any job search in recent years.
- 13.14 The individual procurement of training with guidance from Careers Wales was seen to be a strength which increased the chances of individuals receiving training that suited their needs. The 2008 evaluation reported that nine in 10 interviewees were of the view that the overall programme was tailored to their needs. Similarly, the in-work training subsidy to employers was driven by the needs of the recruiting company, ensuring that they were able to develop bespoke training plans in accordance with the needs of the individual recruit and their new job.
- 13.15 Although the Welsh language was not considered in the 2008 and 2011 evaluation reports, its inclusion is important. The 2016 evaluation states that the delivery of Welsh-medium provision was limited. Relevant Welsh language materials and provision were available. Very few employers stated that recruits or trainees needed training in Welsh and very few required Welsh-medium training. Where required, training was mostly delivered in Welsh.
- 13.16 During the course of the ReAct III programme, reforms have been undertaken of the training on offer via ReAct that have made it more responsive to labour market needs, e.g. following advice from sector skills councils.

Programme impact

- 13.17 Previous evaluations found that the extent of additionality associated with the individual training provided prior to potential reemployment appears to be high. The 2008 evaluation found that 43 per cent of participants would have contributed to the costs of their pre-employment training if they had not received ReAct support. In the 2011 evaluation, those applying successfully for ReAct vocational training support were almost three times more likely to have undertaken training following redundancy than were unsuccessful applicants (83 per cent vs. 29 per cent). What is more, four fifths of those receiving vocational training support stated

that they probably would not have done the training which they undertook without ReAct support. Additionality was higher for those with no or low pre-existing qualification levels (84 per cent were very unlikely to have undertaken training without support) than for those with higher levels of qualification.³⁴

- 13.18 The 2011 evaluation report also suggests that there was substantial qualification additionality, as ReAct participants were more likely to achieve qualifications than were non-participants (81 per cent vs. 68 per cent). Again, this was particularly true of those with no or low qualifications. A greater proportion of ReAct participants increased the level of their highest qualification than of non-participants (32 per cent vs. 26 per cent). In addition, just over half of those with no prior qualifications (53 per cent) obtained a qualification via ReAct.
- 13.19 However, there was no clear evidence that the training provided prior to potential reemployment obtained via ReAct had translated into better jobs for participants, as the 2011 evaluation noted that respondents tended to earn less in their new jobs and also tended to be in jobs in the same fields as they had worked previously. Compared to non-participants, however, ReAct participants were less likely to experience a decline in earnings. This suggests that there was a positive net earnings effect in comparison to having not received training.
- 13.20 The training provided prior to potential reemployment received under ReAct appears to have had only a modest impact on employment outcomes. The 2011 evaluation reported that just over half of the participants believed that the training that they had received had helped them to secure employment subsequently. Additionally, the 2016 evaluation found that only 16 per cent of participants saw a lack of qualifications or skills to be a barrier to work.
- 13.21 The 2011 and 2016 evaluation reports suggested high rates of deadweight³⁵ for the ETS in-work training support (in contrast to the training provided prior to potential reemployment). The 2011 evaluation reported that four fifths of employers thought that the people whom they had recruited via ReAct already had the right skills and qualifications when they were taken on. In addition, the pattern

³⁴ Robustly addressing the additionality of (in this instance) the training provided prior to potential reemployment would require a formal impact assessment based on a randomised controlled trial, a quasi-experimental approach such as those based on statistical matching or regression analysis with potential covariates included as explanatory variables. However, the survey-based indicators discussed here do provide an indication of the degree of additionality associated with ReAct.

³⁵ Deadweight is the proportion of outcomes, referring in this case to the provision of in-work training, that would have happened anyway in the absence of the policy intervention.

of usage of the ETS support also suggested high deadweight for this element of the programme: 90 per cent for job-specific/technical training, 73 per cent for induction training, and 52 per cent for training for legally required certificates that certain types of workers had to possess. These are all types of training which employers have an incentive to provide anyway. Consistent with this, three quarters of employers surveyed stated that they would have provided the training to the ReAct recruits supported by the ETS anyway in the absence of this support.

- 13.22 The 2016 evaluation suggested a very similar mix of ETS-supported training to that in the 2011 evaluation. The most frequently reported types were job-specific training (81 per cent) and certificates required by law (49 per cent). In addition, two thirds of employers receiving ETS support also provided further training of a similar nature which was not ETS-supported: 91 per cent job-specific training and 45 per cent certificates required by law.
- 13.23 The 2016 evaluation also noted that two thirds of employers receiving ETS support stated that it was definite or probable that they would have supplied training supported by ETS even if the grant had not been available.
- 13.24 However, the 2016 evaluation found some indications of potential future additionality: overall, around 55 per cent of employers stated that they would definitely or probably invest in future training as a result of their involvement in ReAct. Of course, what is not known is whether these stated intentions actually translated into actual future actions by employers.
- 13.25 The three evaluation reports suggested high rates of deadweight in relation to ReAct's impact on employment. The 2008 evaluation found that 69 per cent of participants thought that they would have found a job anyway in the absence of the ReAct support.
- 13.26 Just one third of employers interviewed stated that ReAct had made a positive impact on the number of recruits whom they employed, three quarters stated that they would have found another way in which to fill their vacancy, and merely one in 10 stated that they would not have filled the vacancy.
- 13.27 The 2011 evaluation found little evidence of ReAct having a positive effect upon participants' employment prospects. Similar proportions of participants (79 per cent) and non-participants (74 per cent) were in work, suggesting a high level of employment deadweight. This finding was supported by the survey of employers

who had taken people on using the ReAct ERS — three quarters stated that they would probably have taken staff on without the ERS wage subsidy. Moreover, two thirds of employer respondents stated that they would have employed the same specific individuals whom they did without the wage subsidy. These survey findings were also supported by the interviews with employers, which suggested even more strongly that most ReAct participants would have been taken on regardless of the offer of ReAct support. In short, the employers interviewed stated that businesses take people on because they need to and that the ERS support was not a particularly significant factor in persuading them to recruit.

- 13.28 The 2016 evaluation undertook an impact assessment comparing assisted firms with similar ones who had not been assisted. The assisted firms increased their number of employees by nine per cent more than did the unassisted firms, but this difference was not statistically significant. Thus, these results could not support the finding of ReAct having a positive employment effect.
- 13.29 The 2008 and 2011 evaluations did not contain a cost–benefit analysis of ReAct. Instead, they contained some measures of cost-effectiveness which can be compared with other labour market programmes. The 2008 report’s cost-effectiveness measure is the cost per participant being at £2,080. This compares unfavourably with a contemporaneous equivalent for Flexible New Deal (an expectation) of £1,530 and with actual estimates for the New Deal for Young People (£900–1,100), New Deal 25+ (£1,000–1,200), and Enterprise Zones 25+ (£1,850).
- 13.30 This cost is comparable with the Private Sector Led New Deal (£2,000) and Enterprise Zones for Young People (£2,230). However, all of these programmes are for harder-to-help groups than those supported by ReAct. Harder-to-help groups typically require more intensive support, which increases their cost per participant. Thus, we should expect ReAct to have lower unit costs than these comparators.
- 13.31 Similarly, figures from the 2011 evaluation report suggest relatively high unit costs for ReAct. The cost per participant was estimated at £2,795 and the cost per job entry at £7,194. These estimates are well above benchmarks based on other programmes: from £900 (New Deal for Young People) to £2,230 (Enterprise Zones for Young People) per participant, and from £1,800–3,000 (New Deal for Young

People) to £4,400 (Enterprise Zones 25+) per job. This suggests that ReAct delivered lower value for money when compared to these other programmes.

- 13.32 The 2016 evaluation report contains a cost benefit analysis but the lack of detail as to how it was estimated makes it is very difficult to critically assess it. Given the findings of the impact assessment regarding employment, the benefits of ReAct could be considered only in terms of its impact on qualifications — the cost benefit analysis was carried out on this basis. The benefits from achieving qualifications at levels from Basic Skills Level 1 to Level 4 or above were estimated from UK-wide Annual Population Survey (APS) data. The assumption is that achieving particular levels of qualification generates an earnings uplift for particular periods of post-qualification employment.
- 13.33 The periods for each level of qualification are based on the average ages at which people typically gain these different levels of qualification and, thus, the average periods over which future wage gains can accrue before the end of their working lives.
- 13.34 The earnings benefits were discounted by 3.5 per cent per annum (in line with HM Treasury's Green Book) to produce net present values.³⁶ Thereafter, these per annum benefits were compared against the average cost of producing these qualifications via ReAct to give a £s return per £s spent (cost). Finally, these figures are adjusted for deadweight. At this point a calculation error was made and the figures were adjusted down by 40 per cent (rather than the 60 per cent stated in the evaluation report).
- 13.35 If the figures are corrected for this error, then the return per £1 of costs is above £1 for the attainment of Level 1/basic skills, Level 2, and Level 4+ skills, but below £1 for Level 3 skills. However, there are a number of limitations with the approach undertaken:
- The rates of return (earnings uplift) to the different qualification levels attained are not reported. Thus, it is impossible to know how these assumed rates compare with the estimated rates of return that are available from relevant empirical studies.

³⁶ Discounting to create these net present values allows these benefits occurring over a period of time to be expressed as a single figure. Discounting in this way is based on the notion of time preference, i.e. that (in general) people prefer to receive benefits now rather than later.

- The approach implicitly assumes that the qualifications obtained by participants are at a higher level than they had previously held. The 2011 interim report, however, indicates that only one third of participants achieved a higher qualification via ReAct than they had previously held.
- The periods to which the earnings uplifts are applied are based not on information about the ReAct participants but on typical ages at which people tend to acquire these qualifications, using APS data. These are not clearly stated and may overestimate the length of time remaining in participants' working lives if participants acquire these qualifications later in life than is typical for the population as a whole.
- The assumption that the earnings uplift lasts for the remainder of an individual's working life may not be valid. Empirical studies are limited by the time length of data available to them but do not positively provide evidence for periods of more than 10 years.

13.36 The conclusions that emerge from the previous evaluations are:

- The programme administration is effective and easy to engage with
- The partnership working between the ReAct team in the Welsh Government, Careers Wales, and Jobcentre Plus is successful
- Careers Wales' advice and guidance are highly regarded by their users, covering advice not only regarding skills and training but also in relation to job search activities
- The individual procurement of training, supported by Careers Wales advice, leads to training that meets individuals' needs
- There are high levels of additionality for the vocational training provided prior to potential reemployment
- In contrast, there is high deadweight for the wage/recruitment subsidy and for the in-work training
- The programme may be having only a small, positive impact on participants' chances of returning to employment
- Measures of cost-effectiveness suggest that the programme provides low value for money when compared to other employment programmes. The 2016 cost–

benefit analysis, overall, suggests good value for money, but the lack of detail as to its precise basis undermines its transparency and makes assessing its results very difficult.

Programmes for workers who have been made redundant

- 13.37 Programmes with which to support workers made redundant have been adopted in a number of countries. Unfortunately, robust evidence as to their effectiveness is sparse. A review of such programmes in 11 European Union countries included only one country with details of an impact assessment with a counterfactual comparison. For the majority of the 11 countries, no performance data for the various programmes was quoted. The one exception here was for Estonia, wherein workers received information, advice, and job search assistance in order to help them to find new employment quickly. Workers receiving this support were found to have a 10–20 per cent higher probability of finding employment than were those who were not.³⁷
- 13.38 The only other study that we found that assessed impacts was that of the Austrian Steel Foundation. The foundation was a response to large-scale redundancies in the Austrian steel industry in the 1980s. It combined job search assistance, counselling, and retraining. Following an initial six-week occupational orientation to clarify individuals' future courses of action, participants opted for either an immediate job search, formal education/training, or starting a new business. The overall focus of the foundation was not upon rapid job entry but upon long-term job prospects, and the education/training provided could last for several years.
- 13.39 This is a very different approach from that of ReAct. Given the long-term focus of the foundation, its impacts on employment and earnings over a five-year period were considered. The estimated impact on employment in comparison to a comparison group was that of 70–80 days per annum on average over five years, and the impact on earnings growth was that of six to seven percentage points. However, no positive impacts were found for those aged 37 or above.³⁸

³⁷ Voss, E. (2010), "Organising Transitions in Response to Restructuring", European Commission.

³⁸ Winter-Ebmer (2001), "Evaluating an Innovative Redundancy-Retraining Project: The Austrian Steel Foundation", IZA Discussion Paper No. 277.

- 13.40 While there is an absence of evidence as to the impacts of programmes for redundant workers, it is possible to examine what other types of help are often on offer, which is an indication of what sort of support is expected to be of use.
- 13.41 Across the 11 interventions in the EU covered by the aforementioned review, the most commonly offered services were skill assessments/IAG, job search assistance, and training. In comparison, ReAct offers skill assessments/IAG, training, and a wage subsidy for employers who take on formerly redundant workers. Careers Wales helps with job searching alongside the ReAct assistance, although this is in parallel to ReAct and not part of the intervention. None of the other 11 interventions reviewed offered a ReAct-style wage subsidy.
- 13.42 The Redundancy Support Service (RSS) in South East England was designed to move participants back into work as quickly as possible (rather than into long-term support/skill development). Following an initial information workshop, it offered skill assessments, advice on CVs and interview techniques, and career advice and guidance. In contrast to ReAct, there was no support for training or the provision of employment subsidies. The evaluation did not assess its impact on participants.³⁹ The RSS in the East of England and South West England regions did offer support for the costs of training, but (again) unlike ReAct, there was no offer of hiring subsidies.
- 13.43 Partnership Action for Continuing Employment (PACE) is the Scottish Government's response to redundancies. It has similar aims to those of ReAct. PACE support is tailored in order to meet individual needs, and can include job search assistance, one-to-one counselling, and short training on skills such as CV writing and starting a business.
- 13.44 Surveys of PACE participants have been undertaken. The two most recent were undertaken in 2016 and 2018.⁴⁰ The results of these two surveys are very similar. In both years, for the services rated as being the most helpful for their return to employment, participants were most likely to cite help with writing CVs and/or job applications.

³⁹ DTZ (2007), "Mid-term Evaluation of the Redundancy Support Service in the South East", Report for the South East Economic Development Agency.

⁴⁰ IFF Research (2016), "PACE – Client Experience Survey 2016", and IFF Research (2018), "PACE – Client Experience Survey 2018", Reports for the Scottish Government.

- 13.45 Those in 2016 who had found work following redundancy were more likely to have accessed help with interviews and job search strategies than were those who had not secured work (41 per cent vs. 33 per cent). Furthermore, those in work were more likely to have had a career guidance interview: 42 per cent in comparison with one third (33 per cent) of those who did not enter work. This exact comparison was not reported for the 2018 survey, but there were similar differences between those entering work and those who did not in terms of the relevance of services: 52 per cent in comparison with 38 per cent for help with interviews and job searching, and 44 per cent in comparison with 32 per cent for career guidance interviews.
- 13.46 In both years the services considered the most relevant tended to be those most directly related to job searching, including help with interviews/job search strategies (83 per cent in 2016 and 81 per cent in 2018); help with CVs, applications and letters (83 per cent in 2016 and 84 per cent in 2018); and the PACE presentation and information guide (81 per cent in 2016 and 80 per cent in 2018).
- 13.47 Those who stated that PACE services contributed at least in part to them returning to employment were subsequently asked which services helped the most with this. Help with CVs and applications was (by far) the service most commonly referred to as being the most helpful here (40 per cent in 2016 and 31 per cent in 2018).
- 13.48 In terms of the perceived impact on participants' return to work, merely 29 per cent in 2016 and 30 per cent in 2018 believed that PACE had made all of the difference or helped to some extent. In addition, in both years, just over half of participants believed that PACE had made no difference to their employment outcome. This suggests only a modest employment impact. Some net impact is suggested by the fact that service usage/relevance was higher for those who entered work than for those who did not enter work.
- 13.49 In both surveys, older workers (55+ in 2016, 50+ in 2018) were much less likely to have moved into work than were younger workers, suggesting the need for more intensive support for older workers.

- 13.50 A review of evidence from Public Health Wales⁴¹ suggested some policy responses to large-scale redundancies. This review was much broader than labour market policies, but recommendations of relevance to ReAct included the suggestion for the development of an early warning system. Potential large-scale redundancies could be identified proactively where a large number of jobs in a local area depend on a single employer. The collection of intelligence could focus on large employers in an area so as to identify early warning signs (reduced investment, new plants opening overseas, reduction in production lines/capacity). Obtaining early notification of the scale of the potential large-scale redundancies, covering the estimated number, skill mix, and geographical spread of workers affected, would be crucial in helping to inform a timely response and the mobilisation of resources and external support.
- 13.51 In conclusion, there is limited evidence as to the impact of other programmes for workers made redundant. We can, however, review what types of support other programmes offer to redundant workers. The most common forms of support offered are skill assessments, IAG, job search assistance, and training, which align with the services offered by ReAct. However, no other programme reviewed, unlike ReAct, included a wage or recruitment subsidy. The survey of participants in the Scottish PACE programme for redundant workers suggested that it had a limited impact and that job-search-related assistance was the most relevant form of support provided. A potentially useful service which could be considered for development would be an early warning system for large-scale redundancies that have an impact not only on the individuals made redundant but more widely on the local economy concerned. This would help to enable the rapid, proactive development of a package of policies with which to address large-scale redundancies when they occur.

Profiling/early identification tools

- 13.52 In the last 25 or so years, a number of countries have introduced statistical profiling tools or systems of profiling that incorporate statistical tools alongside degrees of caseworker discretion. Profiling is used to identify early on in their

⁴¹ Davies AR et al. (2017) Mass Unemployment Events (MUEs) – Prevention and Response from a Public Health Perspective, Public Health Wales.

spells of worklessness those individuals who are particularly at risk of not returning to employment and becoming long-term unemployed.

- 13.53 It is also used to identify the sorts of employment and skill services to which they could be referred in order to help them back to work.⁴² In this way, if successful, profiling can support preventative (rather than reactive) approaches to tackling long-term unemployment. The Careers Wales skill assessment acts as a gateway to ReAct and is a form of early identification/profiling, as the advisors use their judgement to assess whether an individual requires their skills to be upgraded in order to assist their return to work, and then offer advice as to what training might be appropriate for this.
- 13.54 Four broad approaches to profiling can be distinguished: discretionary profiling based on the caseworker's judgement; rule-based profiling; profiling based on the use of statistically based tools; and mixed strategies which consist of using statistically based tools together with caseworker discretion.
- 13.55 Profiling based on caseworker discretion typically involves qualitative assessment methods such as interviews, but quantitative tools can sometimes also be used. This approach is inherently subjective, relying on caseworkers' judgements; therefore, different caseworkers can evaluate the same individual differently.
- 13.56 Rule-based profiling can take two forms: time-based and demographic-based. With time-based approaches, jobseekers are referred to services only after crossing a critical duration threshold for time spent unemployed. With demographic rule-based profiling, eligibility for support is based on observable characteristics such as age, gender and disability.
- 13.57 The advantage of the rule-based approaches is that they are simple to implement and direct scarce resources to a more disadvantaged portion of the unemployed. However, the method does not differentiate among jobseekers as to their likely remaining time unemployed (which differs across individuals within any group, including those who have already spent a certain amount of time unemployed or share certain characteristics). Moreover, because referral to reemployment

⁴² Rudolph, H. and Konle-Seidl, R. (2005) report that profiling across 10 EU countries (plus Australia and Switzerland) has been used to identify jobless individuals who are severely at risk of continued worklessness and to improve the processes which place jobless individuals with different employment and skill interventions.

services happens only after a specified unemployment duration for all jobseekers, it undercuts effective preventative policies, which would require early interventions.

- 13.58 Data-based profiling is a data-intensive method based on statistical analysis. Econometric analysis of demographic and socioeconomic data on jobseekers is used to predict their likelihood of returning to work. This method can potentially provide a rigorous analysis of the factors that are most likely to influence the persistence of unemployment. The method's key output is the segmentation of jobseekers based on calculations of their risks of remaining unemployed. Statistical profiling can, where successful, provide objective and standardised assessments of jobseekers' reemployment prospects, identify high-risk jobseekers early on to quickly activate preventative policies, and filter out low-risk groups to enhance the use of governmental resources.
- 13.59 Mixed approaches to profiling combine caseworker discretion with the use of a statistically based profiling tool to guide the caseworker's judgement. Caseworkers retain their central role but use data more intensively for a prior diagnosis of clients. This approach to using a statistically based profiling tool appears to be more common than approaches which rely almost exclusively on the results of profiling tools, with no or little discretion left to caseworkers. Denmark⁴³, Finland⁴⁴, Switzerland⁴⁵, and Canada⁴⁶ all adopted this approach. In contrast, the USA has used statistical profiling as the sole means of allocating individuals to mandatory welfare-to-work programmes, with caseworker discretion in this area specifically banned.⁴⁷
- 13.60 Statistically based profiling tools in various countries have been estimated via econometrics using administrative data (often supplemented with survey data) to estimate individuals' chances of returning to work/remaining unemployed. Official state employment agencies typically collect, through their management information systems, basic demographic information, data on educational attainment, and data on benefit and employment histories. This information can also be complemented

⁴³ Rosholm, M. et al. (2006), "A Danish Profiling System", *Nationaløkonomisk Tidsskrift*.

⁴⁴ Miscampbell, G. and Oakley, M. (2018), "Jobseeker Profiling in the UK: Developing a Better Approach", *WPI Economics*.

⁴⁵ Behncke, S. et al. (2006a), "Statistical Assistance for Programme Selection - For a Better Targeting of Active Labour Market Policies in Switzerland", *CESifo DICE Report 2/2006*, pp. 61-66.

⁴⁶ Miscampbell, G. and Oakley, M. (2018), *op. cit.*

⁴⁷ O'Connell, P.J., McGuinness, S., Kelly, E., and Walsh, J. (2009), "National Profiling of the Unemployed in Ireland", *Economic and Social Research Institute, Research Series No. 10*.

with supplementary ad hoc surveys that collect richer information on jobseekers regarding factors such as their literacy, numeracy, and working language skills.⁴⁸

- 13.61 For example, the Australian tool, i.e. the Job Seeker Classification Instrument (JSCI), is based on 18 differently weighted predictors (including age, gender, recency of work experience, jobseeker history, educational attainment, vocational qualifications, English proficiency, country of birth, ethnicity, geographical location, access to transport, phone contactability, disabilities/health conditions, and ex-offender status).⁴⁹
- 13.62 Experience across countries indicates that it is possible to construct profiling tools with high degrees of accuracy. In Australia, the JSCI was found to have identified the correct service level for 90 per cent of cases⁵⁰, and for Finland, statistical profiling correctly predicted outcomes in 89 per cent of cases. Predictive accuracy was more mixed in Denmark, with 66 per cent of predictions proving to be correct.⁵¹ This partial accuracy was one reason behind the decision to adopt a mixed strategy in Denmark, with the use of a predictive tool being combined with caseworker discretion. However, a proposed statistical profiling tool for Denmark was assessed as enabling a decrease in the further duration of unemployment of between five and eight weeks (11–18 per cent).⁵²
- 13.63 The interim evaluation of the Worker Profiling and Reemployment Services (WPRS) initiative in the USA found that the profiling models successfully identified those claimants who were most likely to exhaust their entitlement to unemployment benefits.
- 13.64 Profiling was also tested for the US reemployment bonus experiments which did not use the approach, with research suggesting that its use would have increased their cost-effectiveness by yielding larger reductions in benefit payments than would the non-targeted bonus approach.⁵³

⁴⁸ Working language refers here to the usual language of the country concerned, e.g. Danish for Denmark and English for Australia.

⁴⁹ Loxha, A. and Morgandi, M. (2014), "Profiling the Unemployed: A Review of OECD Experiences and Implications for Emerging Economies", World Bank Social Protection and Labor Discussion Paper No. 1424.

⁵⁰ Reported in O'Connell et al. (2009), op. cit.

⁵¹ Rosholm, M. et al. (2006), "A Danish Profiling System", *Nationaløkonomisk Tidsskrift*.

⁵² Staghoj, et al. (2007), "A statistical programme assignment model", IZA Discussion Paper No. 3165.

⁵³ O'Leary, C.J., Wandner, S.A., and Eberts, R.W. (2006) "Profiling for Public Workforce Investment Programs in the United States", W.E. Upjohn Institute for Employment Research.

- 13.65 The Work First programme in Michigan tested new profiling tools intended to improve the targeting of services to customers in order to improve the outcomes for participants without substantially increasing costs. The evaluation found that referring participants to service providers through the use of profiling tools increased the overall effectiveness of the programme.
- 13.66 On the basis of the job retention rate after 90 consecutive days, the results showed that the retention rates for those referred using the statistical assessment tool were 25 per cent higher than the retention rates for participants who were randomly assigned to providers.⁵⁴
- 13.67 A 2019 paper provided an updated assessment of statistical tools' degree of accuracy in predicting the level of risk (typically classified as low, medium and high) that individuals would not move into work and would instead become long-term unemployed in various countries (Australia, Ireland, New Zealand, Flanders, the Netherlands, and Denmark⁵⁵).
- 13.68 The literature on statistical profiling tools suggests that there are three key factors that are required for such tools to provide accurate predictions:
- Good-quality data, which also covers factors likely to influence individuals' chances of returning to work
 - Models which include sufficient explanatory variables
 - Regular updating of the tools' statistical underpinnings
- 13.69 Models without access to sufficient-quality data can lead to inaccurate profiling tools.⁵⁶ Both the UK and (initially) New Zealand made less use of profiling tools than did some other countries because of concerns surrounding the quality and sufficiency of data underpinning their tools.⁵⁷ Subsequently, New Zealand has developed a profiling tool which is designed to support caseworker decision making.⁵⁸

⁵⁴ Eberts, R.W. (2002), "Design, Implementation, and Evaluation of the Work First Profiling Pilot Project", ETA Occasional Paper 2002-07.

⁵⁵ Desiere, S. et al. (2019), "Statistical profiling in public employment services: An international comparison", OECD Social, Employment and Migration Working Papers 224.

⁵⁶ Loxha, A. and Morgandi, M. (2014), op. cit.

⁵⁷ Reported in O'Connell et al. (2009), op. cit.

⁵⁸ Desiere, S. et al. (2019), op. cit.

- 13.70 Evaluations of the US WPRS profiling system indicate that in states in which adequate statistical models have been developed, the system works well in identifying those in greatest need of reemployment services. Some states' profiling models have poor predictive power due to the inclusion of too few explanatory variables. State models containing a rich set of explanatory variables, such as that for Kentucky, were found to have superior predictive performance over those that included only a limited number of explanatory variables.⁵⁹
- 13.71 Research on the Italian profiling tool suggested that it had a poor informational basis with a limited number of explanatory variables and that, as a consequence and contrary to intentions, it screened out the more disadvantaged.⁶⁰
- 13.72 Statistical models need to be updated periodically in order to preserve their predictive power and relevance. The Australian JSCI was updated three times in the 10 years between 1998 and 2008⁶¹, and the review of the WPRS in the USA recommended that profiling tools should be updated every three years.⁶² A 2019 review of profiling in several OECD countries also emphasised the need for regular updating.⁶³
- 13.73 Finally, to be of use, statistical profiling tools must actually be used. A significant issue in a number of OECD countries in this regard has been resistance to their usage by caseworkers.⁶⁴ In Switzerland the profiling tool developed was little used and its recommendations ignored. For almost two thirds of jobseekers the tool's predictions were never viewed, and the intervention to which jobseekers were assigned coincided with the tool's ratings for only one in eight of all jobseekers.⁶⁵
- 13.74 In both Canada and Finland, caseworkers made limited use of what were highly accurate tools.⁶⁶ The reasons for resistance appear to revolve around caseworkers being confident in their existing judgement without the use of profiling, wishing to preserve their autonomy and (in the extreme) fearing that their jobs might be at risk by being replaced by automatic statistically based profiling.

⁵⁹ Reported in O'Connell et al. (2009), *ibid*.

⁶⁰ Mozzana, C (2019), "A matter of definitions: the profiling of people in Italian active labour market programmes", *Historical Social Research*, Vol. 44, Nos. 2 (168).

⁶¹ Reported in O'Connell et al. (2009), *ibid*.

⁶² O'Leary, C.J., Wandner, S.A., and Eberts, R.W. (2006), *op. cit*.

⁶³ Desiere, S. et al. (2019), *op. cit*.

⁶⁴ Loxha, A. and Morgandi, M. (2014), *op. cit*.

⁶⁵ Behncke, S. et al. (2006b), "Targeting Labour Market Programmes: Results from a Randomized Experiment".

⁶⁶ Reported in Miscampbell, G. and Oakley, M. (2018), *op. cit*.

- 13.75 The international evidence suggests that it is possible to develop an accurate statistically based profiling tool. Such a tool would potentially provide useful information and assistance to Careers Wales advisors. Successful tools require good data, which points to the need to develop such a tool in collaboration with JCP so that development of the tool can draw on the extensive administrative data held by JCP and also make use of matched administrative datasets such as HMRC data on individuals' employment and earnings histories.
- 13.76 Finally, receiving positive buy-in from Careers Wales advisors would be key, as caseworker resistance in other countries has undermined the use of tools that potentially could both speed individuals' return to work and improve the cost-effectiveness with which public resources are used.

Employment and skill support for the unemployed

- 13.77 As a result of the huge research interest in employment and skill policies with which to help workless individuals into work over the past 20–30 years, there are a plethora of studies on individual interventions and approaches. The majority of the studies reviewed which examine their impacts on helping people into work are literature reviews, systematic reviews or meta-analyses, each covering many individual studies.
- 13.78 Thus, our literature review here is very much a review of reviews. The advantage of this is that it enables this survey of the literature to indirectly draw on evidence from hundreds of individual studies. As wage and employment subsidies are considered separately below, this section focuses on job search assistance, training programmes, and direct public employment schemes. Individuals who have recently been made redundant are part of the wider group of short-term unemployed. In the following review of employment and skill programmes, it is important to bear this in mind when the evidence suggests that certain policies are more effective or only effective with groups other than the short-term unemployed.
- 13.79 The evidence pertaining to direct public employment schemes which offer work experience to otherwise workless individuals is almost universal in concluding that they, at best, have no positive impact on helping people into work and may even have a negative impact; therefore, those who went into such schemes were actually more likely to remain unemployed than if they had not participated.

- 13.80 Both Sahnoun, M. and Abdennadher, C. (2018)⁶⁷ and Meadows, P. (2006)⁶⁸ report that direct job creation in the public (or voluntary) sectors does not increase the likelihood that a participant will move into work subsequently, and there is some evidence that it may actually reduce such movement.
- 13.81 Other reviews reach an even more pessimistic conclusion that such schemes definitely have a negative impact on participants' subsequent employment prospects (Brown and Koettl (2015)⁶⁹, Card et al. (2015)⁷⁰, Vooren et al. (2017)⁷¹, Malo (2018)⁷², and Zoellner et al. (2016)⁷³). The one exception to the aforementioned is Filges et al. (2016)⁷⁴, who report small, positive effects for all types of active labour market policies, including direct employment schemes.
- 13.82 Overall, however, the evidence strongly points to direct employment schemes not being a worthwhile form of support for unemployed people. The conclusion is clearly that they would not be a useful addition to the suite of support available to redundant workers under ReAct.
- 13.83 Job search assistance to unemployed individuals is generally found to have a (small) positive impact⁷⁵, especially in the short run. Furthermore, the review by Card et al. (2015)⁷⁶ examines the impact of different types of employment and skill support in the short (less than one year), medium (one to two years) and long (more than two years) terms. They find that job search assistance has the largest

⁶⁷ Sahnoun, M. and Abdennadher, C. (2018). The assessment of active labor market policies: evidence from OECD countries, *Economia Politica*.

⁶⁸ Meadows, P. (2006), "What works with tackling worklessness?", Report for the London Development Agency and GLA Economics.

⁶⁹ Brown, A.J.G., and Koettl, J. (2015), "Active labor market programs – employment gain or fiscal drain?", *IZA Journal of Labor Economics*, 4:12.

⁷⁰ Card, D., Kluve, J. and Weber, A. (2015), "What Works? A Meta-Analysis of Recent Active Labor Market Program Evaluations", *IZA Discussion Paper No. 9236*.

⁷¹ Vooren, M. et al. (2017), "The Effectiveness of Active Labor Market Policies: A Meta-Analysis", *Top Institute for Evidence Based Education Research*.

⁷² Malo, M. A. (2018). Finding proactive features in labour market policies: A reflection based on the evidence, *ILO Future of Work Research Paper No. 8*.

⁷³ Zoellner, M., Fritsch, M. and Wyrwich, M. (2016). An Evaluation of German Active Labor Market Policies and its Entrepreneurship Promotion, *Jena Economic Research Papers 2016 – 022*.

⁷⁴ Filges T, Smedslund G, Knudsen ASD, and Jørgensen AMK. (2015) "Active Labour Market Programme Participation for Unemployment Insurance Recipients: A Systematic Review". *Campbell Systematic Reviews* 2015:2.

⁷⁵ This is found by Crepon, B., and Van Den Berg, G. J. (2016). *Active Labor Market Policies*, *IZA Discussion Paper No. 10321*, Yeyati, E.L., Montane, M. and Sartorio, L. (2019), "What Works for Active Labor Market Policies", *Center for International Development at Harvard University, Working Paper No. 358*, Brown and Koettl (2015), op. cit., Card et al. (2015), op. cit., and Sahnoun and Abdennadher (2018), op. cit. Vooren et al. (2017), op. cit. and Zoellner et al. (2016). The one exception is Vooren et al. (2017), who suggest that job search assistance has no impact on individuals' subsequent employment prospects.

⁷⁶ Card et al. (2015), op. cit.

short-term impact relative to the other forms of employment and skill support considered. Both Brown et al. (2015) and Yeyati et al. (2019) conclude that job search assistance is the most cost-effective form of support in helping unemployed individuals back into work.

- 13.84 Most of the evidence reviewed suggests that training can have positive effects on jobseekers' subsequent chances of moving into work, especially in the longer term. The following surveys, which cover many individual studies, including Zoellner et al. (2016)⁷⁷, Malo (2018)⁷⁸, Sahnoun and Abdennadher (2018)⁷⁹, Card et al. (2015)⁸⁰, and Brown and Koettl (2015)⁸¹, all reach this conclusion. The What Works Centre for Local Economic Growth⁸² in a 2016 review found that of 63 studies of the impact of training, 29 (46 per cent) showed a positive impact on employment, 19 (30 per cent) showed mixed results, and 15 (24 per cent) showed no impact.
- 13.85 In addition, individual studies of particular Italian and Spanish training programmes reached similar conclusions. Bazzoli et al. (2017)⁸³ investigated two types of training programmes for unemployed people in Trento, Italy: one with shorter durations (an average of 410 hours of study) for routine non-manual and skilled manual jobs, and the other with longer durations (an average of 979 hours of study) for higher-level non-manual and intermediate technical jobs.
- 13.86 Following initial negative effects on employment due to lock-in effects (as discussed in more detail below), both types of programmes were found to have positive impacts on participants' chances of being in work. The shorter programme showed smaller effects in the years following participation, declining from seven per cent in the first year to five per cent in the third year. The longer programme's impacts increased from 17 per cent in the first year to 28 per cent in the third year. Arellano (2010)⁸⁴ assessed a Spanish training programme for unemployed people and found that, depending on the type of training offered, it reduced the length of

⁷⁷ Zoellner et al. (2016), op. cit.

⁷⁸ Malo (2018), op. cit.

⁷⁹ Sahnoun and Abdennadher (2018), op. cit.

⁸⁰ Card et al. (2015), op. cit.

⁸¹ Brown and Koettl (2015), op. cit.

⁸² What Works Centre for Local Economic Growth (2016), "Employment Training", Evidence Review 1.

⁸³ Bazzoli, M., De Poli, S., Rettore, E. and Schizzerotto, A. (2017), "Are vocational training programmes worth their cost? Evidence from a cost-benefit analysis", FBK-IRVAPP Working Paper No. 2017-04.

⁸⁴ Alfonso Arellano, F. (2010), "Do training programmes get the unemployed back to work? A look at the Spanish experience", *Revista de Economía Aplicada*, No. 53, Volume XVIII.

time that participants spent unemployed by between 23 and 42 days for men and between 24 and 47 days for women.

- 13.87 The meta-analysis conducted by Card et al. (2015)⁸⁵ assessed the impact of different types of active labour market programmes in the short run (up to one year), medium run (one to two years) and long run (more than two years) and found that training programmes had larger positive employment effects in the medium and long terms than did job search assistance. The one exception to the positive evidence noted above is Crepon and Van Den Berg (2016)⁸⁶, who find weak evidence as to the effectiveness of training on participants' probability of being employed.
- 13.88 In the short run, training can have an initial negative effect on employment due to lock-in effects, according to which individuals focus on their training, reduce their job search and, therefore, are less likely to find work than they would otherwise have been. Thus, it is important to assess training programmes over a number of years following participation in order to properly assess their impact.
- 13.89 Training programmes also show great variability in their effectiveness at helping people to move into work. Yeyati et al. (2019)⁸⁷ indicate that this variability is wider for training programmes than for other types of employment and skill support. Consistent with this are the results of the 2016 review carried out by the What Works Centre for Local Economic Growth.
- 13.90 Also consistent with this are the findings reported by Meadows (2006).⁸⁸ She reports that training, which neither is relevant to the available jobs in the labour market nor equips people to perform in the workplace by improving their work-related language and literacy skills, can damage (rather than help) job prospects. More positively, she also finds that the participation of employers, either by providing on-the-job training or by offering work experience to those receiving classroom-based training, consistently leads to better outcomes than does purely classroom-based training. In a similar vein, Brown and Koettl (2015)⁸⁹ note that

⁸⁵ Card et al. (2015), op. cit.

⁸⁶ Crepon, B., and Van Den Berg, G. J. (2016). Active Labor Market Policies, IZA Discussion Paper No. 10321. This study focuses merely on randomised controlled trials (RCTs), while the other surveys reviewed consider a wider range of studies with robust comparison/counterfactual groups. This may be the reason as to why the authors reach rather more pessimistic conclusions.

⁸⁷ Yeyati, E.L., Montane, M. and Sartorio, L. (2019), "What Works for Active Labor Market Policies", Center for International Development at Harvard University, Working Paper No. 358.

⁸⁸ Meadows, P. (2006), op. cit.

⁸⁹ Brown and Koettl (2015), op. cit.

training programmes' effectiveness is enhanced the closer the training is to 'regular jobs'.

- 13.91 This finding points to the importance of programme design to the effectiveness of training programmes. As well as the importance of training being job-related, it was found to be more effective when it was targeted at more disadvantaged workers, including the long-term unemployed.⁹⁰

Wage/employment subsidies

- 13.92 A wage subsidy reduces the wage costs that an organisation has to pay for employing workers. The intention is to provide employers with an incentive to hire additional or retain existing workers. An employment/hiring subsidy is a type of wage subsidy which explicitly applies only to newly hired workers and which lasts for a specific length of time. ReAct Employer Recruitment Support (ERS) is thus an employment/hiring subsidy. Like the employment and skill support interventions discussed above, many of the studies reviewed which consider the impacts of wage or hiring subsidies are themselves literature reviews, systematic reviews or meta-analyses, each covering many individual studies. Thus, our literature review here is largely a review of reviews. The advantage of this is that it (again) enables this review to indirectly draw on evidence from hundreds of individual studies.
- 13.93 Compared to other types of active labour market programmes, wage subsidies are often found to be the approach with the largest positive employment effect. Card et al. (2015)⁹¹ assessed the magnitude of the estimated impacts on employment of five types of programmes: job search assistance, sanctions, training, direct public employment, and wage subsidies for the private sector over three periods: the short run (up to one year), medium run (one to two years) and long run (more than two years). This study included 352 estimates from 83 studies. Private sector wage subsidies were found to have the largest impacts in the long run.
- 13.94 Brown and Koettl (2015)⁹² noted that a wide range of differently targeted and designed wage/hiring subsidies have been used across countries to assist unemployed workers back into work. The literature that they reviewed suggested

⁹⁰ Brown and Koettl (2015), *ibid.*, and Card et al. (2015), *op. cit.*

⁹¹ Card, D., Kluve, J. and Weber, A. (2015), "What Works? A Meta-Analysis of Recent Active Labor Market Program Evaluations", IZA Discussion Paper No. 9236.

⁹² Brown, A.J.G., and Koettl, J. (2015), "Active labor market programs – employment gain or fiscal drain?", IZA Journal of Labor Economics, 4:12.

that these have proven to be cost-effective and are likely to help more disadvantaged jobseekers. Targeting people who are more disadvantaged can also limit deadweight costs (as discussed in more detail below). In this way, private sector hiring subsidies can be more cost-effective in benefitting the targeted workers by bringing them into employment than can education/training support. The authors concluded that time-limited hiring subsidies outperformed other types of active labour market programmes (ALMPs) in terms of their impact on post-programme employability.

- 13.95 Whilst private sector wage subsidies can be effective, design features always strongly affect their impact and success. In this regard, in order to be most effective, employment subsidies should be targeted at the most disadvantaged workers, e.g. the long-term unemployed.
- 13.96 Zoellner et al. (2016)⁹³, in a review of ALMPs in Germany, found that most of the evaluation studies that they reviewed report that participants are more likely to work in an unsubsidised job after being supported with a wage subsidy and are more likely to remain in the labour market longer than non-participants. However, the positive effects of such subsidies decrease slightly over time.
- 13.97 Vooren et al. (2017)⁹⁴ undertook a meta-analysis covering 55 experimental and quasi-experimental studies published between 1990 and 2015. It covered four types of ALMPs: training, wage subsidies, direct public employment, and enhanced support services (including for job searching). Of these four types of programmes, wage subsidies were found to have the largest impacts on employment in both the short run (up to one year) and the long run (more than one year).
- 13.98 Malo (2018)⁹⁵ reviews seven recent meta-analyses on the impact of ALMPs. Wage subsidies were found to be effective in increasing participants' chances of obtaining employment. These effects were mainly in the short term but could persist in the longer term.

⁹³ Zoellner, M., Fritsch, M. & Wyrwich, M. (2016). "An Evaluation of German Active Labor Market Policies and its Entrepreneurship Promotion", Jena Economic Research Papers 2016 – 022. This review includes a number of studies in German, making this evidence inaccessible to an English-speaking audience.

⁹⁴ Vooren, M. et al. (2017), "The Effectiveness of Active Labor Market Policies: A Meta-Analysis", Top Institute for Evidence Based Education Research.

⁹⁵ Malo, M. A. (2018). Finding proactive features in labour market policies: A reflection based on the evidence, ILO Future of Work Research Paper No. 8.

- 13.99 Yeyati et al. (2019)⁹⁶ conducted a systematic review and meta-analysis of 73 RCT-based studies covering 102 ALMPs, providing a dataset of 652 impact estimates on employment and earnings. Two thirds of papers included have been published in or since 2014. Four types of interventions are covered: training, wage subsidy/public works programmes, support for entrepreneurship/self-employment, and job search assistance. Wage subsidies were found to have the largest impact on both earnings and employment out of the four types of ALMPs.
- 13.100 In addition to the aforementioned literature reviews, systematic reviews or meta-analyses, two other studies have assessed the impact of wage subsidies. Dauth et al. (2010)⁹⁷ undertook a macroeconomic evaluation of ALMPs in Austria. Wage subsidies were found to be the most successful type of programme. Bernhard et al. (2008) examined the impact of wage subsidies on disadvantaged jobseekers. Their results suggest that short- and medium-term targeted wage subsidies improve the subsequent labour market prospects of disadvantaged jobseekers in Germany: 20 months after taking up a subsidised job, the share of supported persons in regular employment was around 40 percentage points higher than the comparison groups.
- 13.101 There are some exceptions to the aforementioned positive findings on wage subsidies. Crepon and Van Den Berg (2016)⁹⁸ report that wage subsidies are only moderately effective but are relatively expensive. Similarly, Sahnoun and Abdennadher (2018)⁹⁹ found that wage/hiring subsidies reduced unemployment, but their effect was not found to be statistically significant. In addition, these policies tend to be relatively expensive; therefore, they appear to be less cost-effective than other ALMPs. The reasons as to why these two studies reach different conclusions in comparison to the ones previously reported are not entirely clear. Part of the explanation is likely to be the technical methodological differences between the studies.¹⁰⁰ In addition, inevitably, once a substantial body

⁹⁶ Yeyati, E.L., Montane, M. and Sartorio, L. (2019), "What Works for Active Labor Market Policies", Center for International Development at Harvard University, Working Paper No. 358.

⁹⁷ Dauth, W., Hujer, R. & Wolf, K. (2010). Macroeconometric Evaluation of Active Labour Market Policies in Austria. IZA Discussion Paper No. 5217.

⁹⁸ Crepon, B., and Van Den Berg, G. J. (2016). Active Labor Market Policies, IZA Discussion Paper No. 10321.

⁹⁹ Sahnoun, M. and Abdennadher, C. (2018). The assessment of active labor market policies: evidence from OECD countries, *Economia Politica*.

¹⁰⁰ Crepon and Van Den Berg (2016) only reviewed studies based on randomised controlled trials (RCTs), while all bar one of the other reviews referred to cover studies with a wider range of methodologies. The

of empirical literature exists, it will show a range of different impacts. The analogy is that of a statistical distribution which has not only an average but also a spread of estimates around that average.

- 13.102 There is general agreement in the evaluation literature that wage subsidies typically have high deadweight and substitution¹⁰¹ effects. Martin and Grubb (2001)¹⁰² suggested that deadweight and substitution effects mean that between 42 and 93 per cent of the direct employment effect of wage subsidies is wiped out, with general untargeted wage subsidies at the higher end of this range. Brown and Koettl (2015)¹⁰³ also report that Swedish studies estimate deadweight to be 60 per cent on average, with a survey of evidence from the US finding deadweight to be between 67 per cent and 96 per cent, and a study of Germany suggesting complete deadweight from wage subsidies.
- 13.103 Marx (2001)¹⁰⁴ reviews various studies which suggest substitution and displacement to be between 20 per cent and 50 per cent. Zoellner et al. (2016)¹⁰⁵ also concluded that wage subsidies typically involve relatively high levels of deadweight. The one exception to this evidence is Dauth et al. (2010)¹⁰⁶, who found no evidence of substitution effects from wage subsidies in Austria.
- 13.104 The targeting of wage subsidies at more disadvantaged jobseekers/the long-term unemployed (typically defined as people who have been unemployed for 12 months or more) can substantially reduce deadweight and substitution effects and enhance their net effect on employment. Brown and Koettl (2015)¹⁰⁷ report that private sector hiring subsidies can generally be effective for targeted workers by bringing them into employment. They report that evidence from Germany also suggests that targeting hiring subsidies at the long-term unemployed can reduce

exception here is Yeyati et al. (2019), who also focused merely on RCTs but included studies from 2016–2018, while Crepon and Van Den Berg (2016) did not give their earlier publication date. In addition, the approach adopted by Sahnoun and Abdennadher (2018) was unique amongst the studies reviewed. They looked not at particular interventions but at the relationship between spending on active labour market policies and unemployment across 18 OECD countries.

¹⁰¹ Substitution arises where an employer hires or substitutes a jobless person whose employment is subsidised in some way for another individual who would have been hired in the absence of this subsidy.

¹⁰² Martin, J.P., and Grubb, D. (2001), “What works and for whom: A review of OECD countries’ experiences with active labour market policies”, Swedish Economic Policy Review.

¹⁰³ Brown, A.J.G., and Koettl, J. (2015), op. cit.

¹⁰⁴ Marx, I. (2001) “Job subsidies and cuts in employers’ social security contributions: the verdict of empirical evaluation studies”, International Labour Review.

¹⁰⁵ Zoellner, M., Fritsch, M. & Wyrwich, M. (2016), op. cit.

¹⁰⁶ Dauth, W., Hujer, R. & Wolf, K. (2010), op. cit.

¹⁰⁷ Brown, A.J.G., and Koettl, J. (2015), op. cit.

deadweight by 20–30 per cent. Betcherman et al. (2010)¹⁰⁸ also clearly indicated the importance of targeting in this respect: the estimated levels of deadweight for Turkish wage subsidies varied between 27 per cent and 78 per cent (depending on their targeting). The review conducted by Malo (2018)¹⁰⁹ concluded that wage/hiring subsidies were clearly more effective when targeted at a specific group of workers than when there was no targeting. However, targeting different types of firms (as opposed to workers) did not impact on the effectiveness of employment subsidies.

- 13.105 Boockmann et al. (2012)¹¹⁰ report on the expansion of a hiring subsidy from those aged 50+ to those aged below 50. This natural experiment allowed the authors to estimate the impact of the availability of wage subsidies on the probability of the younger age group leaving unemployment and entering employment. There was found to be no effect. In addition, this deadweight effect was accompanied by an increase in subsidised hires and a decrease in unsubsidised hires, i.e. evidence of a substantial substitution effect.
- 13.106 Time-limited hiring subsidies have been found to be more effective than ongoing wage subsidies.¹¹¹ As they are paid for a limited period of time, they can more easily be phased out. Furthermore, their limited duration reduces potential substitution effects, whereby subsidised individuals are hired in place of others, and disincentives for individuals to improve their skills in contrast to ongoing wage subsidies. Ongoing wage subsidies through permanently improving the employment prospects of lower-skilled workers reduce the returns to them by improving their skills. In addition, as they cover new hires, hiring subsidies increase competition in the labour market, especially when they are targeted at workers who are more disadvantaged, such as the long-term unemployed, who are unlikely to enter work when unassisted.
- 13.107 The discussion above with regard to targeting and the superiority of hiring subsidies over wage subsidies points to the importance of design in influencing the

¹⁰⁸ Betcherman, G., Daysai, N.M., and Pages, C. (2010), "Do employment subsidies work? Evidence from regionally targeted subsidies in Turkey", *Labour Economics* 17.

¹⁰⁹ Malo (2018), *op. cit.*

¹¹⁰ Boockmann, B., Zwick, T., Ammermuller, A. and Maier, M. (2012), "Do hiring subsidies reduce unemployment among older workers? Evidence from natural experiments", *Journal of the European Economic Association*.

¹¹¹ Brown, A.J.G., and Koettl, J. (2015), *op. cit.*

impact of such subsidies on employment. Later targeting of unemployed workers reduces deadweight. A wide range of differently targeted and designed wage/hiring subsidies exist. A review of the literature suggests that these have proven to be more cost-effective with disadvantaged workers. Brown and Koettl (2015)¹¹² conclude that “design features always strongly affect the impact and success of hiring subsidies”. Overall, the evidence strongly suggests that hiring subsidies should be targeted at the most disadvantaged workers, e.g. long-term unemployed workers.

- 13.108 Even with such targeting, hiring subsidies can still generate substantial substitution effects, wherein subsidised workers are hired at the expense of other unsubsidised workers. Brown, A.J.G., and Koettl, J. (2015)¹¹³ report studies in Sweden which find sizeable substitution effects for hiring subsidies of around 65–70 per cent, with a figure of 20 per cent being found for Ireland and the UK, 36 per cent for Belgium, and 50 per cent for the Netherlands. However, the evidence indicates that hiring subsidies are used by employers to assess the capabilities of workers whom they might not otherwise hire. Based on the information gained on such workers, employers can be more willing to retain disadvantaged workers after the subsidy ends than they would have been to hire them without the subsidy.
- 13.109 By bringing such disadvantaged workers, e.g. the long-term unemployed, into a job, hiring subsidies enable workers to regain their skills and, thereby, enhance the supply of labour available to employers. In short, hiring subsidies enable individuals with greater disadvantages or greater barriers to work to take jobs that would otherwise have been taken by workers who are more immediately employable.¹¹⁴ Thus, even with considerable substitution effects, hiring subsidies targeted at the long-term unemployed or other groups of disadvantaged workers can be justified on both these positive economic grounds and the equity grounds of assisting groups who face particular difficulties in the labour market.
- 13.110 The conclusion from the evidence is that temporary wage or hiring subsidies can be effective instruments for supporting unemployed individuals’ return to work. However, this depends on them being targeted at those who are more disadvantaged, e.g. the long-term unemployed. Otherwise such subsidies are

¹¹² Brown, A.J.G., and Koettl, J. (2015), *ibid.*

¹¹³ Brown, A.J.G., and Koettl, J. (2015), *ibid.*

¹¹⁴ Meadows, P. (2006), “What works with tackling worklessness?”, Report for the London Development Agency and GLA Economics.

subject to high levels of deadweight. ReAct features a temporary wage subsidy of 12 months' duration; however, the group supported are those recently made redundant and, thus, who have a recent work history. This suggests that the wage subsidy element should be either removed or targeted at more disadvantaged participants such as older workers aged 50 or above and unskilled workers with no or low-level qualifications (below Level 2).

Conclusion

- 13.111 All three previous evaluations of ReAct undertaken in 2008, 2011 and 2016 suggest that the programme has been implemented effectively and that the training provided prior to potential reemployment that it has supported was largely additional, i.e. would not generally have been undertaken in the absence of the support provided by ReAct. However, these evaluations also suggested that there was high deadweight associated with the hiring subsidy and in-work training aspects of the programme, i.e. that a high percentage of people would have been hired anyway (even if the hiring subsidy were not available) and that the in-work training would largely have proceeded in the absence of the programme.
- 13.112 Evidence from other programmes that sought to assist workers made redundant was limited. It did suggest that the most commonly offered forms of support were skill assessments/IAG, job search assistance, and training. ReAct, likewise, offers skill assessments/IAG and training, and Careers Wales offers job search assistance alongside ReAct. Unlike ReAct, none of the other interventions reviewed offered a wage or hiring subsidy.
- 13.113 The international evidence suggests that it is possible to develop an accurate statistically based profiling tool. There are three key factors that are necessary in this regard: good-quality data, which covers the factors likely to influence individuals' chances of returning to work; models which include these factors as explanatory variables; and regular updating of the tools' statistical bases.
- 13.114 The evidence on employment and skill support programmes for unemployed people strongly suggests that direct public employment is (at best) ineffective and may actually harm individuals' chances of returning to work. Job search assistance can have a positive impact on individuals' chances of moving into work, especially in the short run. This form of assistance is also relatively inexpensive and appears to be the most cost-effective form of programme for workless people. Training can

have a positive impact on movement into work, especially in the longer term. However, the evidence suggests that the impact of training programmes can vary greatly and that getting the details of the design of training programmes right is vital for their effectiveness. Moreover, the evidence suggests that training programmes are more effective when targeted at more disadvantaged groups, including the long-term unemployed.

- 13.115 Wage or hiring subsidies can be effective in helping individuals to move into unsubsidised work, albeit only if they are well designed. Wage subsidies which are time-limited, in the sense that they end after a specific period of time, are more likely to have a net positive impact on employment than are wage subsidies which are ongoing and without a time limit. In addition, targeting wage subsidies at disadvantaged workers, such as the long-term unemployed, is more likely to lead to a positive net employment impact than are more generalised wage subsidies, which can also be used to support those who are more immediately employable.
- 13.116 Targeting in this way reduces the extent of deadweight; however, substitution effects remain substantial. However, by bringing such disadvantaged workers into a job, hiring subsidies enhance the supply of labour available to employers. In short, hiring subsidies enable individuals with greater disadvantages or greater barriers to work to take jobs that would otherwise have been taken by workers who are more immediately employable. Thus, even with considerable substitution effects, hiring subsidies targeted at disadvantaged workers can be justified on both these positive economic grounds and the equity grounds of assisting groups who face particular difficulties in the labour market.

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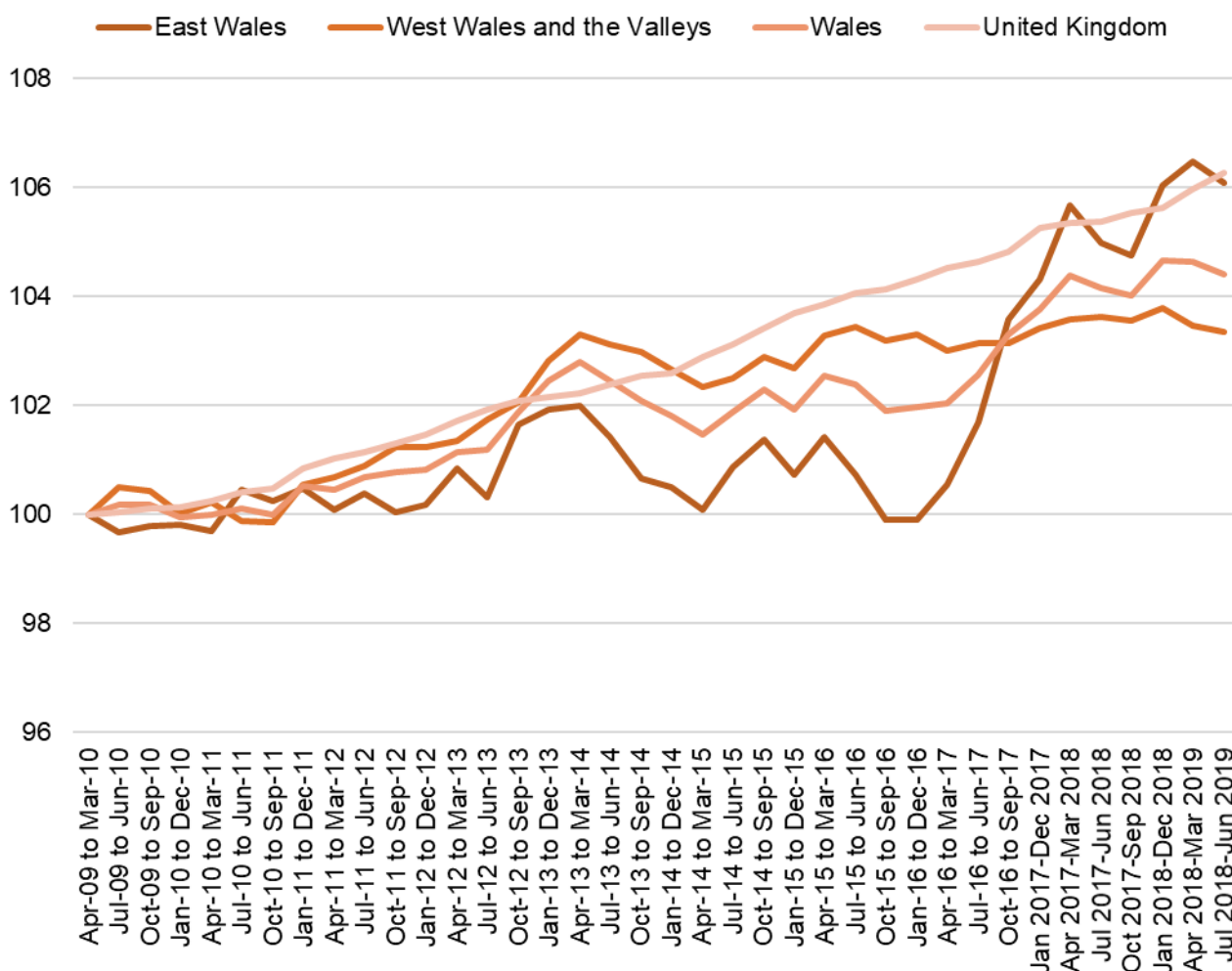
14. Appendix C: The economic conditions during the period of the evaluation

14.1 This appendix provides context for the discussions within the report by reviewing the economic conditions over the lifetime of the evaluation.

Workforce – labour supply

14.2 Figure 14.1 (below) shows that Wales' total workforce (numbers active in the labour market) increased by 4.4 per cent (61,500 individuals) between April 2009 to March 2010 and July 2018 to June 2019. This has taken the total number of individuals in the workforce to 1,461,600 (0.2 per cent lower than Wales' recent peak), over this period.

Figure 14.1: Indexed size of workforce 2010–2019 (April 2009 to March 2010 = 100)

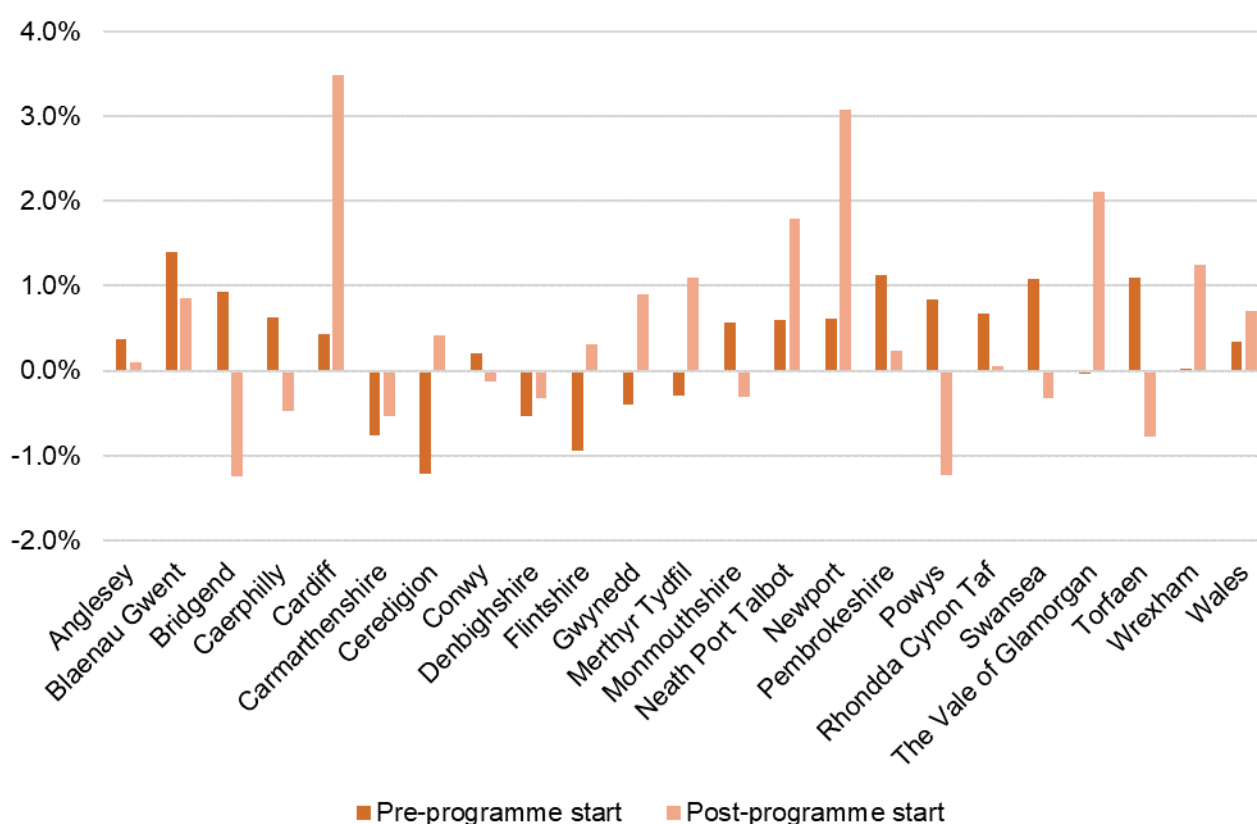


Source dataset: ONS, Labour Force Survey (LFS)

14.3 Initially, the growth of East Wales' workforce was below that for West Wales and the Valleys. However, rapid growth from 2016 meant that cumulative workforce growth in East Wales overtook that in West Wales in 2017 and in July 2018 to June 2019. Overall, workforce growth since April 2009 to March 2019 was 6.1 per cent in comparison with 3.3 per cent for West Wales and the Valleys. The UK's total workforce increased by 6.3 per cent over the same period.

14.4 Figure 14.2 compares the average annual growth rate of the workforce for all local authority areas in Wales. Comparisons are made between the average annual growth rate prior to the start of ReAct III (between April 2009 and June 2015) and the average annual growth rate after the start of the programme (between July 2015 and June 2019). The analysis finds that the average annual growth rate of the workforce across Wales prior to the programme was 0.3 per cent (with variations across Wales). The average annual growth rate of the workforce across Wales after the start of the programme was 0.7 per cent, again with wide variations across the country.

Figure 14.2: Average annual workforce size growth: pre- and post-programme start

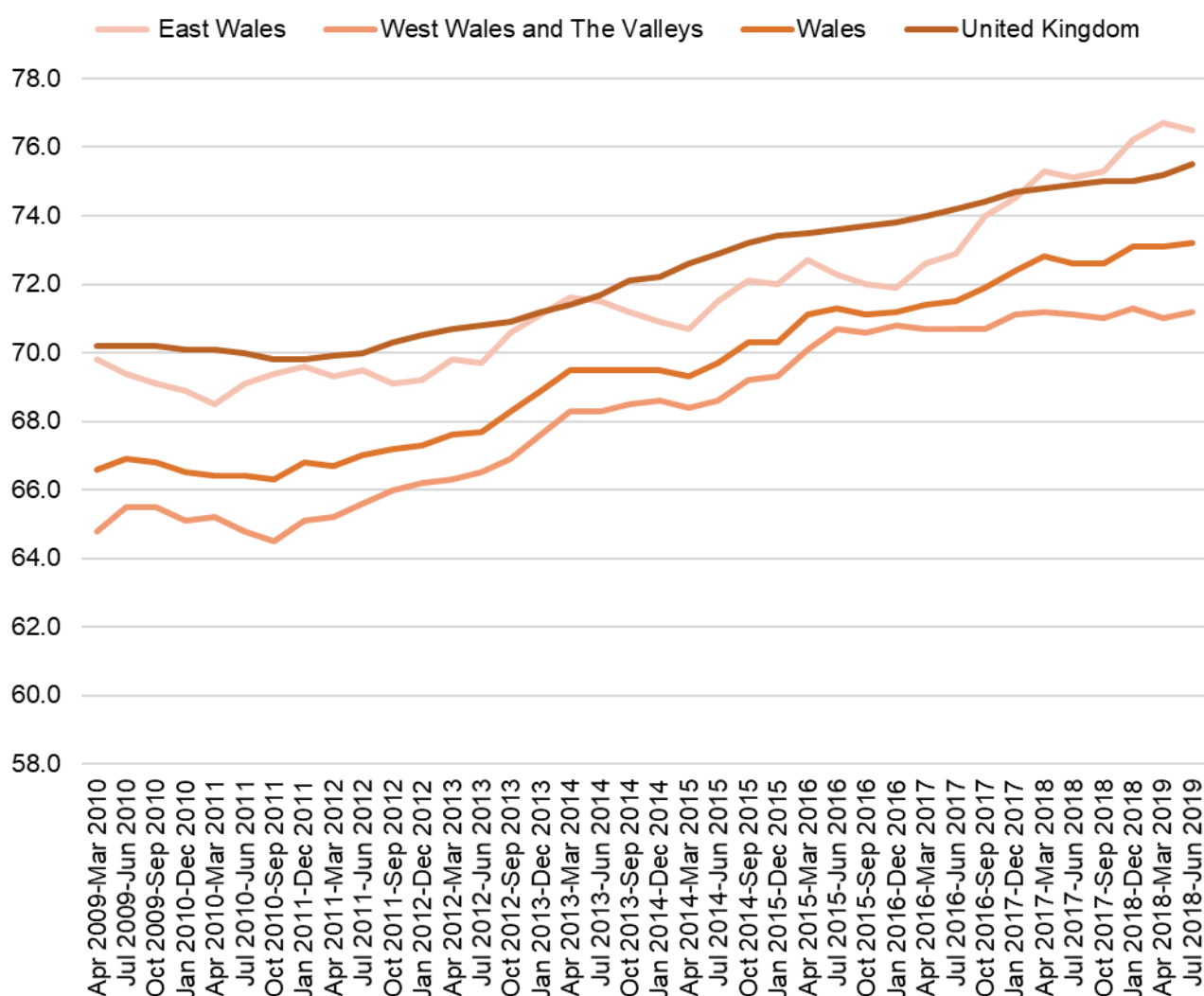


Source dataset: ONS, Labour Force Survey (LFS)

Employment

- 14.5 Figure 14.3 (below) shows that between April 2009 and June 2019, the working-age employment rate of Wales increased by 6.6 percentage points to 73.2 per cent. The working-age employment rate of East Wales was consistently higher than that of West Wales and the Valleys, increasing by 6.7 percentage points to 76.5 per cent over this period. Despite remaining at a lower level, West Wales and the Valleys grew at a similar rate over this period, increasing by 6.4 percentage points to 71.2 per cent. In comparison, the UK's working-age employment rate increased by 5.3 percentage points over this period.

Figure 14.3: Employment rate, aged 16 to 64 (2009–2019)

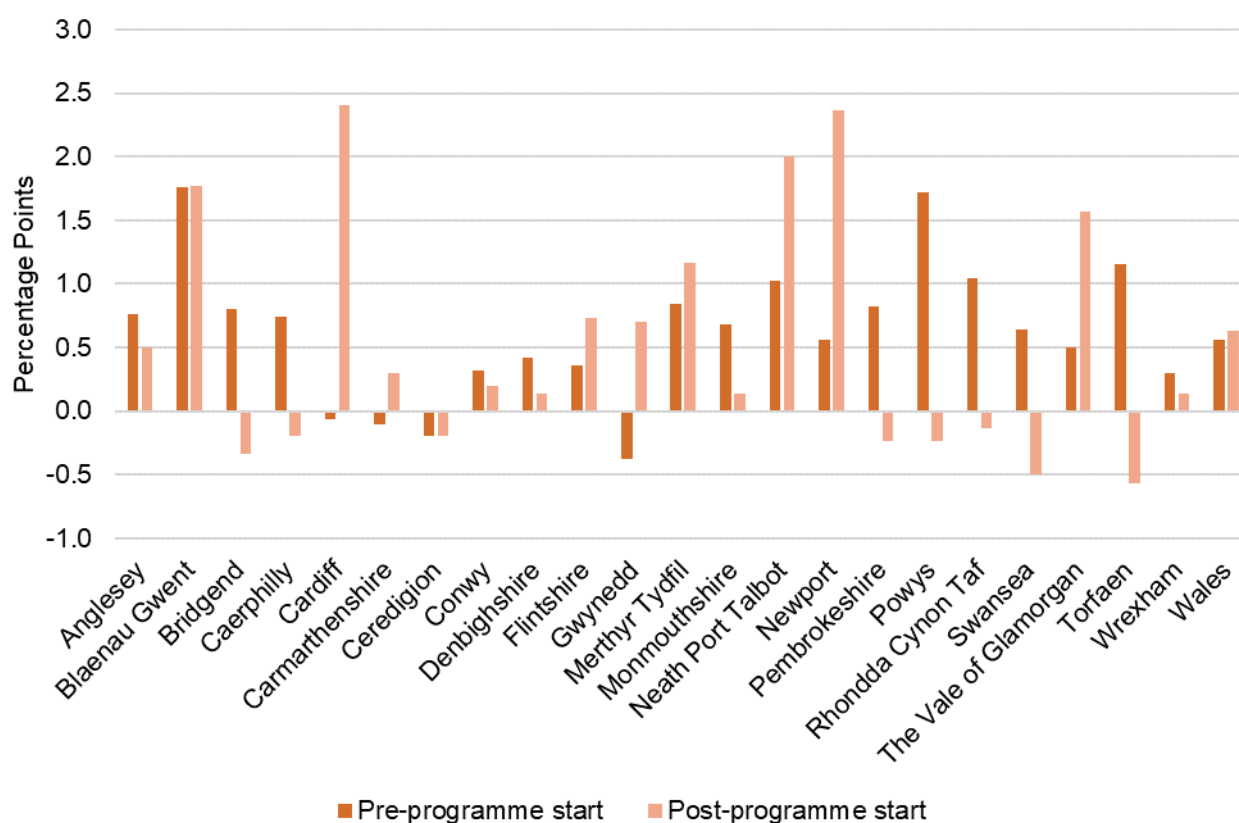


Source dataset: ONS, Labour Force Survey (LFS)

14.6 Figure 14.4 compares the average annual change in the working-age employment rate for all local authority areas in Wales. Again, comparisons are made between the average annual change prior to the start of ReAct III — between April 2009 and June 2015 — and the average annual change after the start of the programme (between July 2015 and June 2019).

14.7 The average annual change in the working-age employment rate across Wales prior to ReAct III was that of 0.6 percentage points (with variances across local authority areas). The average annual change in the working-age employment rate across Wales after the start of the programme was essentially the same but (again) with wide variances across Wales.

Figure 14.4: Average annual change in employment rate: pre- and post-programme start

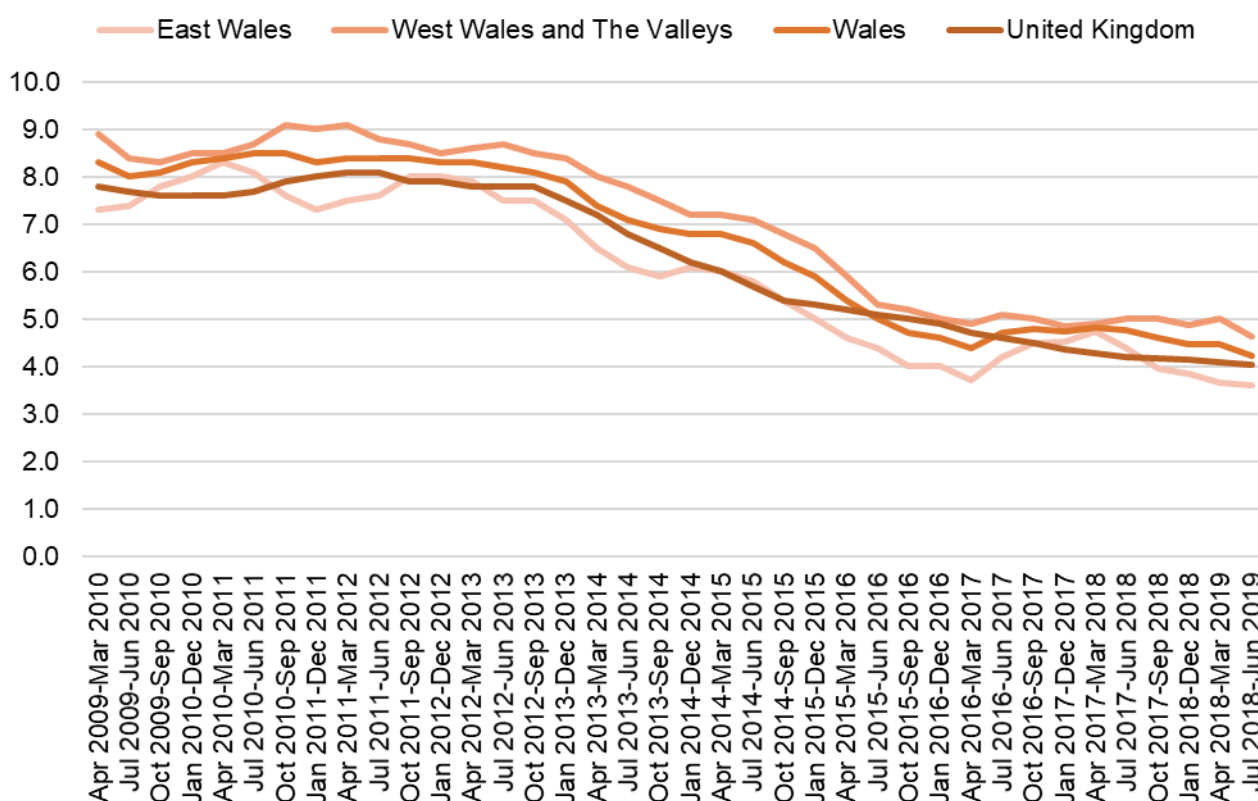


Source dataset: ONS, Labour Force Survey (LFS)

Unemployment

- 14.8 As shown in Figure 14.5 below, between April 2009 and June 2019 the unemployment rate of Wales fell by 4.1 percentage points to 4.2 per cent. The overall trend across Wales and the UK was that of a steep fall, although unemployment in Wales has levelled off somewhat since its post-2009 low in April 2016 to March 2017.
- 14.9 Despite a smaller relative decline, the unemployment rate of East Wales remained lower than that of West Wales and the Valleys until 2017, falling by 2.8 percentage points to 4.5 per cent.
- 14.10 Between March 2017 and March 2018, however, the unemployment rate in East Wales increased but levelled off in West Wales and the Valleys, resulting in both areas having 4.8 per cent unemployment in 2018. Since then this level has remained stable in West Wales and the Valleys and begun to decrease in East Wales. In comparison, the UK's unemployment rate fell by 3.8 percentage points over the period.

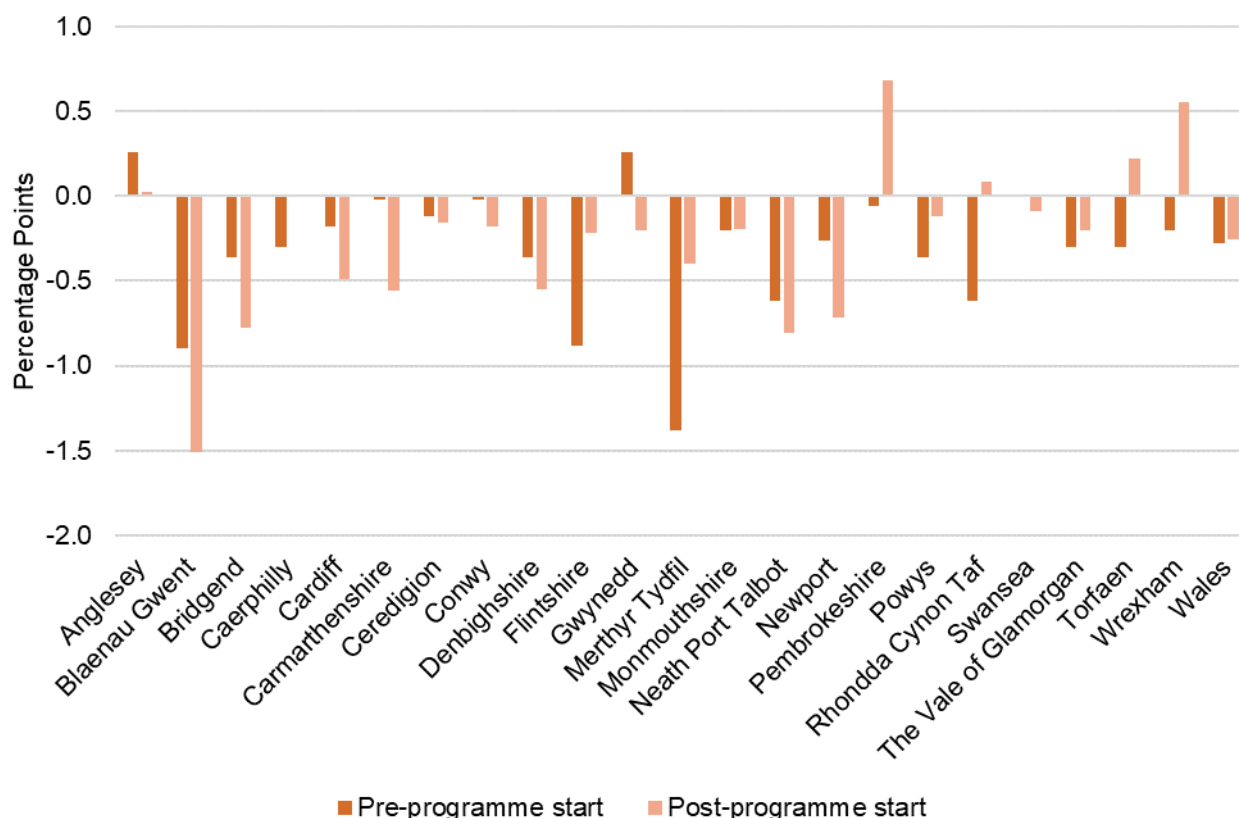
Figure 14.5: Unemployment rate, aged 16+ (2009–2019)



Source dataset: ONS, Labour Force Survey (LFS)

14.11 Figure 14.6 compares the average annual change in the unemployment rate for local authority areas in Wales, with comparisons made before and after the start of ReAct III. It shows that the average annual change in unemployment across Wales prior to the programme was that of -0.3 percentage points and remained at the same level after the start of the programme, again with the variance across Wales being clear.

Figure 14.6: Average annual change in unemployment rate: pre- and post-programme start



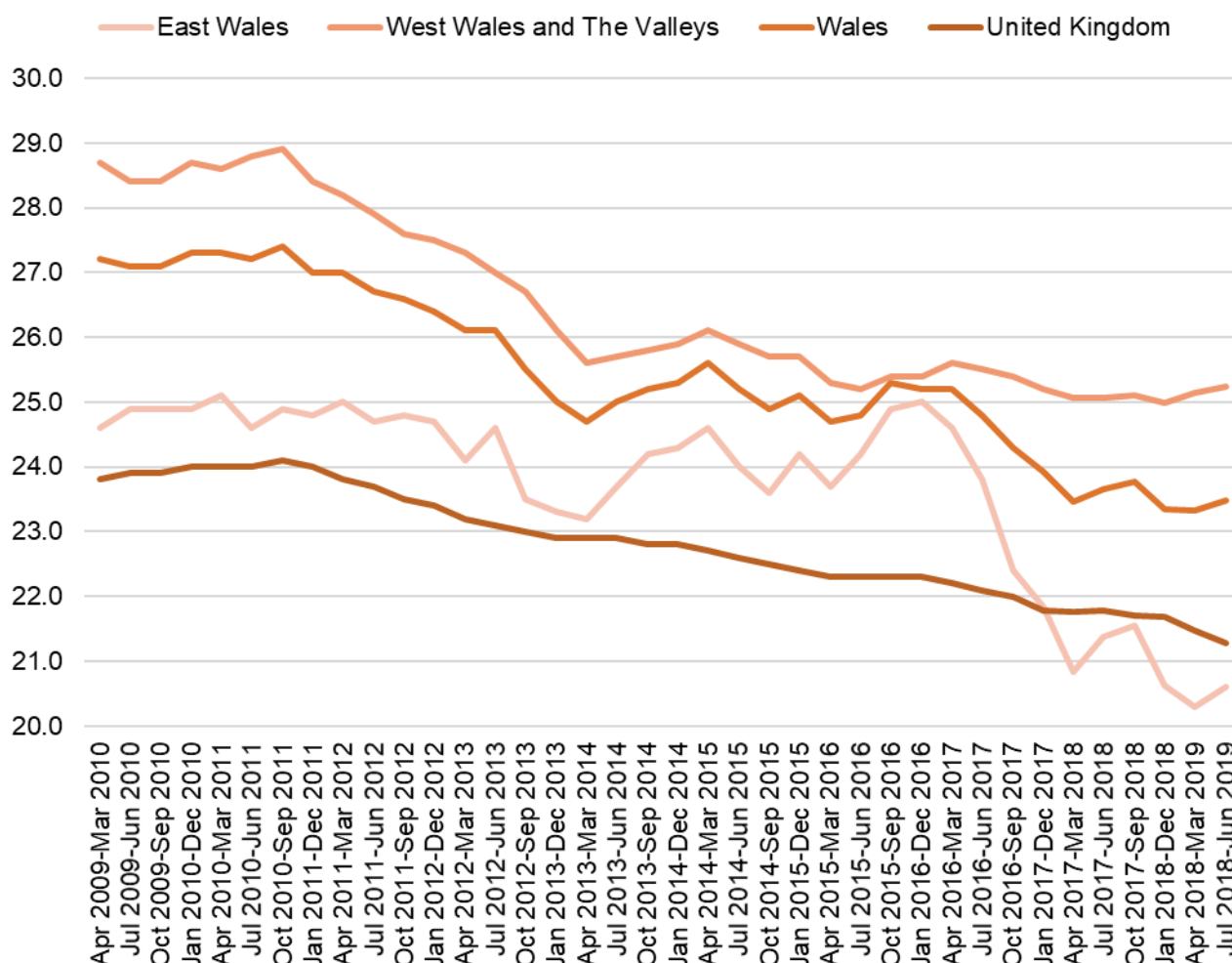
Source dataset: ONS, Labour Force Survey (LFS)

Economic inactivity

14.12 As shown in Figure 14.7, between April 2009 and June 2019 the proportion of the working-age population of Wales who were economically inactive fell by 3.7 percentage points to a low of 23.5 per cent. This trend was mirrored by both regions, with the economic inactivity rate of East Wales and West Wales and the Valleys declining over this period (4.0 and 3.5 percentage points respectively). With a smaller relative decrease, the economic inactivity rate of West Wales and the Valleys remained substantially higher than that of East Wales (25.2 per cent and 20.6 per cent respectively).

14.13 In comparison, the UK's economic inactivity rate remained consistently lower until 2017, falling by 1.8 percentage points to a post-2009 low of 22.0 per cent in September 2017. However, since 2017 the economic inactivity rate in East Wales has fallen below the UK rate of 21.3 per cent.

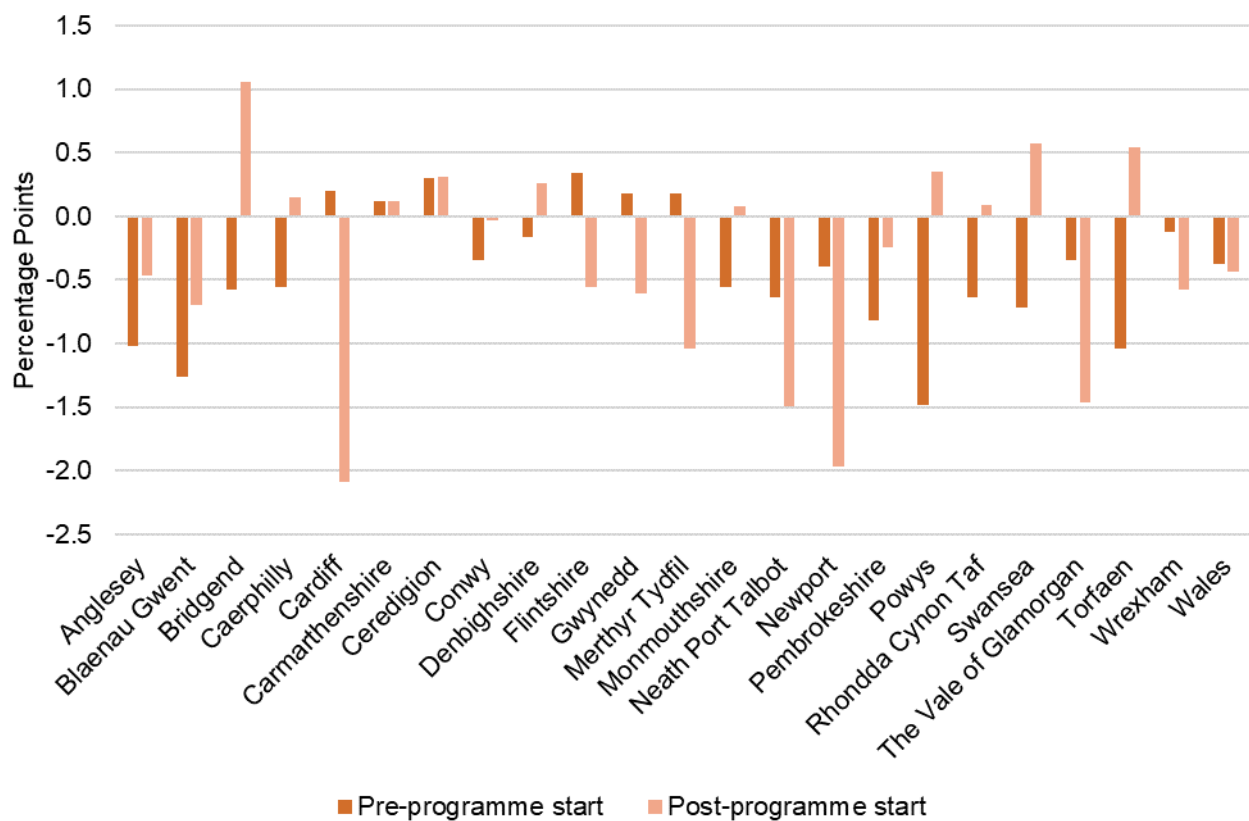
Figure 14.7: Economic inactivity rate, aged 16–64 (2009–2019)



Source dataset: ONS, Labour Force Survey (LFS)

14.14 The average annual change in the economic inactivity rate of Wales prior to ReAct III was that of -0.4 percentage points and remained unchanged subsequently (Figure 4.8 below).

Figure 14.8: Average annual change in economic inactivity rates: pre- and post-programme start



Redundancy rates

14.15 As shown in Table 14.1 below, between 2009 and 2019, redundancy data was available for six quarters.¹¹⁵ It shows that Wales had a higher redundancy rate per 1,000 employees¹¹⁶ than did the UK in five out of the six quarters for which data was available. The redundancy rate in Wales was also lower in 2016 than in four out of the five other quarters for which data was available.

¹¹⁵ Data for the redundancy rate per 1,000 employees in Wales was largely unavailable due to sample sizes being too small to provide accurate estimates.

¹¹⁶ The redundancy rate is based on the ratio of the redundancy level for the given quarter to the number of employees in the previous quarter, multiplied by 1,000.

Table 14.1: A comparison of redundancy rates per 1,000 employees in Wales and the UK (where data is available)

Year	Quarter	Wales	UK
2009	Q1	8.7	11.7
	Q2	11.4	10.7
	Q3	12.4	8.2
2012	Q4	9.9	5.8
2016	Q1	8.7	4.1
2018	Q1	4.4	3.9

Source dataset: ONS, Labour Force Survey (LFS)

Conclusion

- 14.16 The principal finding of this review is that the economic conditions over the lifetime of the evaluation (to the end of 2019) have generally been strong, continuing growth that was occurring prior to the introduction of ReAct III. This has included increases in the total workforce in Wales and in the working-age employment rate. Furthermore, the unemployment rate has declined, as have economic inactivity rates. Although figures are not available for all quarters, it would also seem that the redundancy rate has been lower.
- 14.17 These figures suggest that economic conditions have been favourable over the lifetime of ReAct III, which will have an impact on the 'performance' of the programme, with the need/demand for a programme to help redundant workers into employment clearly less during positive economic conditions.
- 14.18 There are, however, considerable variations in these figures across Wales, which is important to note because it suggests that demand for support is likely to have been higher in some areas.

15. Appendix D: Profile data for survey respondents

Survey of individuals supported

The profile of respondents and the representativeness of the sample

- 15.1 The table below shows the characteristics of the respondents to the participant surveys and how they compare to the programme's management information data.

Table 15.1: Characteristics of survey respondents compared to programme management information

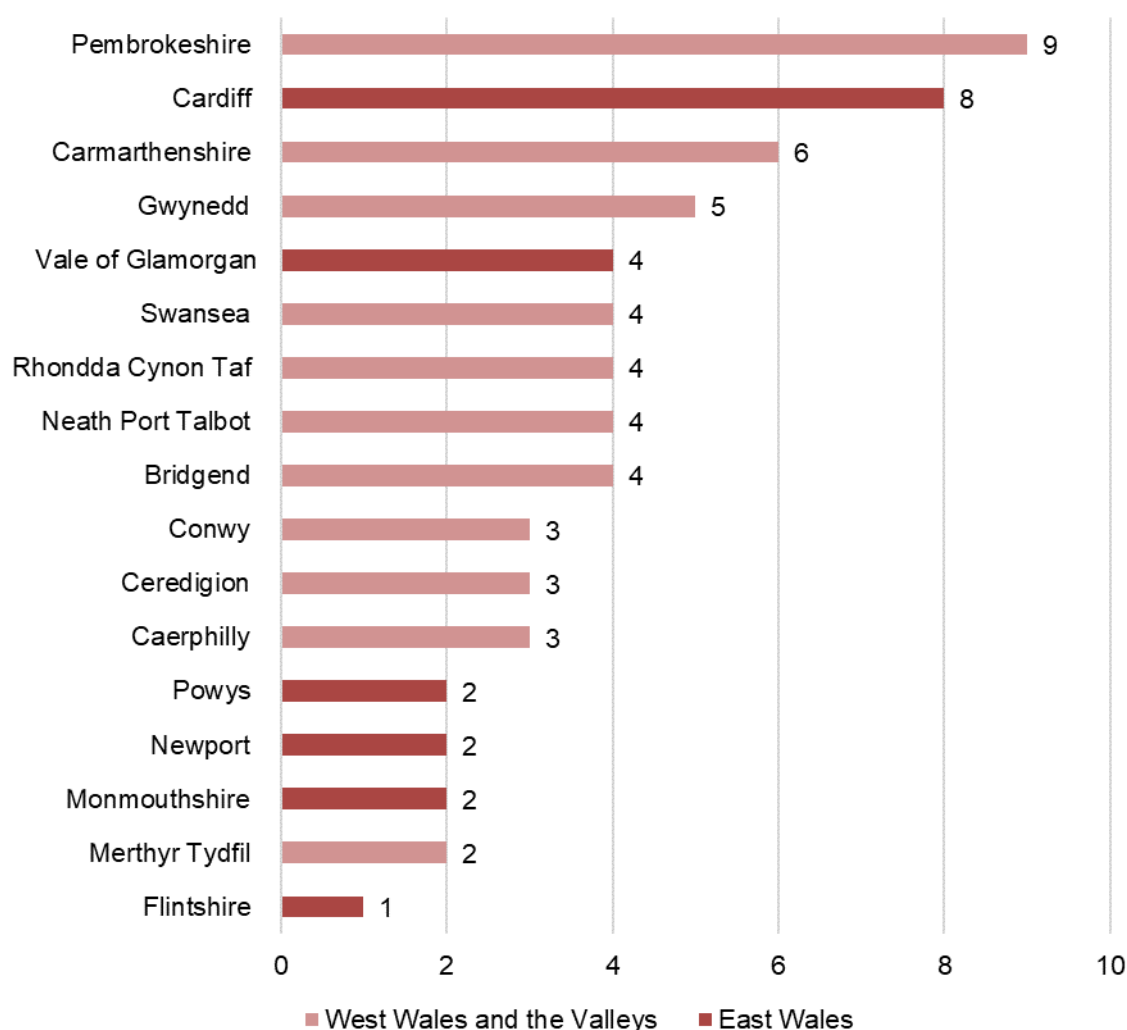
		Participant Survey – Percentage	MI Data – Percentage
Age	16–17	0.1	0
	18–24	1	3
	25–54	73	77
	55+	25	20
Region	East Wales	18	31
	West Wales and the Valleys	82	69
Gender	Male	64	58
	Female	36	42

- 15.2 The vast majority of survey respondents were in the category of 25 to 54 years of age and this breakdown is broadly similar to figures from the programme monitoring data.
- 15.3 Participants living in the West Wales and the Valleys region were overrepresented within our sample. This is due to the larger survey of respondents in that area (undertaken as part of the ESF Participants Survey).
- 15.4 In terms of gender, survey respondents were more likely to be male than female. This trend was also present in programme monitoring data and is broadly in line with UK-wide redundancy statistics.

Survey of businesses supported

- 15.5 Responses to the survey of businesses supported were relatively evenly spread across Wales (as shown in Figure 15.1). The majority of participants were from the West Wales and the Valleys region (47/70).

Figure 15.1: Location of survey respondents' businesses



N=66, four respondents did not note their location

- 15.6 The majority of respondent businesses had one single site (47/70, 67 per cent). Of the 33 per cent that were multisite businesses, 70 per cent (16/23) of those interviewed were based in the headquarters of the business, and two respondent businesses had headquarters located elsewhere in Wales, three elsewhere in Europe, and one outside of Europe.
- 15.7 Respondents tended to be smaller businesses, with 50 per cent (35/70) of organisations categorised as microenterprises (employing fewer than 10 people). While none of the businesses had more than 250 employees at the site, four businesses had more than 250 employees in their organisation as a whole.
- 15.8 The businesses were also spread across a range of sectors. The three large businesses (250 employees or more) in the sample were in the construction, manufacturing, and motor trade industries.

Table 15.2: Number of businesses by sector

Sector	Number of Businesses Operating in the Sector
Construction	11
Professional, scientific & technical	10
Financial & insurance	9
Arts, entertainment, recreation & other services	8
Retail	8
Manufacturing	6
Health	4
Accommodation & food services	3
Transport & storage	3
Agriculture, forestry & fishing	2
Education	2
Wholesale	2
Motor trades	1
Total	69

N=69

The support utilised

- 15.9 Businesses are able to access two forms of support via ReAct: Employer Recruitment Support (ERS) and Employer Training Support (ETS). As shown by the table below, more employers within the sample used ERS support than ETS support.
- 15.10 It is important to note that employers cannot access ETS support unless they have already received ERS support. Therefore, the sample should not have included any businesses that had not received ERS support, which 10 respondents stated was the case. The likely explanation for this is that those businesses had received ERS support but that the individual responding to the survey was not aware of that, having been involved in only the ETS elements of the support received.

Table 15.3: The element of ReAct support utilised by businesses responding to the survey

	Employer Recruitment Support (ERS)	Employer Training Support (ETS)
Yes	60	16
No	10	54

16. Appendix E: Impact assessment and cost–benefit analysis method

Potential matching approaches

- 16.1 The original intention was to attempt to use a quasi-experimental matching approach to assess the net impact of participation in ReAct against the counterfactual of non-participation. For other Welsh programmes, Longitudinal Education Outcomes¹¹⁷ (LEO) data was used for this purpose. For Wales, LEO links Lifelong Learning Wales Record¹¹⁸ (LLWR) data on participation in learning with data on the receipt of DWP benefits and HMRC data on employment and earnings. This supports a matching approach using this matched administrative data to assess the impact of programmes covered by the LLWR upon subsequent earnings and employment outcomes. However, data on ReAct participants are not included in the LLWR; therefore, this option was not open to us.
- 16.2 The alternative of matching ReAct management information on participants against data from the Labour Force Survey¹¹⁹ (LFS) as the counterfactual was investigated. Unfortunately, there are limited employment outcome data available for ReAct. This covered only those who had undertaken the strand of VOC provided prior to potential reemployment. This was from a survey of participants' employment status four weeks after completing their vocational training. Survey return data was available for only 459 out of 7,613 of the total VOC participants. We investigated whether it would be valid to match LFS data to this sample of 459 participants (the 459 sample). This approach would only be valid if the sample of people with outcome data had statistically similar characteristics to those of the total VOC participant population.
- 16.3 As the intention had been to match on gender, ethnicity, age, and prior qualification levels, an assessment as to whether the 459 sample and the total VOC participants were statistically similar on these dimensions was undertaken. In

¹¹⁷ The Longitudinal Education Outcomes (LEO) dataset for Wales links data on learning undertaken with information from HMRC on spells in employment and earnings, as well as information from the DWP on benefit claims.

¹¹⁸ The Lifelong Learning Wales Record (LLWR) dataset records learning in further education, community, and work-based learning settings in Wales.

¹¹⁹ The Labour Force Survey (LFS) is conducted by the Office for National Statistics to provide information on the labour market in the UK. It is the main source of information on employment and unemployment.

addition, the split between East Wales and West Wales and the Valleys was assessed for both groups.

- 16.4 A test statistic was calculated to test the null hypothesis (H_0) that the difference in the percentages between the VOC population and the 459 sample was not statistically significant. This test statistic is normally distributed (bell curve) with a mean of 0 and a variance of 1.¹²⁰ The critical value of this test statistic is 1.96 / -1.96. If the test statistic lies in the range of -1.96 to 1.96, then we cannot reject the hypothesis that the VOC population and the 459 sample are similar on the characteristic being considered.
- 16.5 The results of this analysis are shown in Table 16.1. On gender, for example, the test statistic is 4.384; therefore, we can clearly reject the hypothesis that the VOC population and the 459 sample are similar in terms of their gender composition. Overall, the VOC population and the 459 sample are statistically significantly different on the following characteristics: gender, age, and prior qualifications held.
- 16.6 Therefore, the sample of people with employment outcome data do not have statistically similar characteristics to those of the total VOC participant population. Thus, a matching approach is not an option in assessing the impact of ReAct. Instead, the assessment of the impact of ReAct on subsequent employment outcomes is based on a combination of benchmarking, results from the survey of ReAct participants, and previous research from the then-Department for Business, Innovation and Skills (BIS).

¹²⁰ For further details, see pages 119–120 of J.J. Thomas, “An Introduction to Statistical Analysis for Economists”, LSE Handbooks in Economic Analysis, 2nd Edition, 1983.

Table 16.1: Testing the similarity of the VOC population and the sample with employment outcomes

	Male	White	Age 35+	Below Level 2	Level 2 or 3	Level 4+	East Wales
VOC Population Proportion	0.629	0.969	0.783	0.279	0.366	0.349	0.369
459 Sample Proportion	0.527	0.956	0.865	0.192	0.397	0.410	0.397
Test Statistic, N (0,1)	4.384	1.548	-4.162	4.053	-1.367	-2.683	-1.174
H0	Rejected	Accepted	Rejected	Rejected	Accepted	Rejected	Accepted

Benchmarking approaches

- 16.7 The benchmarking method considered first requires an assessment of the gross outcomes from ReAct. Of the 459 participants with a record of an employment outcome, 63.0 per cent (289) were in work four weeks after completing their vocational training. As the composition of this sample was statistically significantly different from the composition of the whole VOC population, we calculated what the outcome rate would have been if the sample population had the same gender, age, regional and qualifications profile (respectively) as that of the total VOC population. None of these calculations indicated that these adjustments would make much difference to the outcome rate; for example, adjusting the gender composition reduces the four-week job rate to 62.8 per cent and adjusting the prior qualifications composition increases the four-week job rate to 63.5 per cent. Given these results, the unadjusted four-week job rate of 63.0 per cent for all of Wales is used as the gross outcome rate from ReAct. Similarly, for East Wales and West Wales and the Valleys the unadjusted four-week job rates of 61.2 per cent and 64.1 per cent (respectively) are used.
- 16.8 The longitudinal LFS tracks individuals at quarterly intervals for five quarters. Thus, in order to benchmark the ReAct four-week job outcome rate against the LFS, it is necessary to convert this data to a quarterly basis. This is done by assuming that the four-week rate continues over the whole quarter and by taking into account

people leaving the new jobs that they are in.¹²¹ This calculation results in a quarterly job outcome rate of 89.3 per cent for East Wales and 90.5 per cent for West Wales and the Valleys.

- 16.9 LFS data (examining transitions into work) were analysed using 16 LFS datasets. Each dataset showed the change between consecutive quarters. The period covered was from the dataset covering the period between April to June 2015 and July to September 2015 through to the dataset covering the period between April to June 2019 and July to September 2019. Over this period the redundancy rate was relatively low; therefore, issues of sample size mean that data beyond Wales had to be included in the analysis. Four English regions with more buoyant labour market conditions were excluded from the analysis. These were London, South East, South West, and East of England. Thus, data from Wales as well as from Scotland, Northern Ireland, East Midlands, West Midlands, Yorkshire and Humberside, North West, and North East were included in the analysis of the LFS data.
- 16.10 Analysis of the ReAct management information indicated that nine per cent of those undertaking the VOC started their training before their redundancy date. In LFS terms these are job-to-job moves. Thus, the job-to-job transitions of those who were made redundant in the last three months were calculated. The analysis found that 95 per cent of those made redundant in the last three months and who in the first quarter were in employment were also in employment in the following quarter.
- 16.11 The remaining 91 per cent of those undertaking the VOC started their training after their redundancy date and, thus, experienced a period of unemployment. Typically, these individuals started their training shortly after being made redundant and, therefore, would be categorised as short-term unemployed (in LFS terms). Thus, we assessed the transitions of people who were unemployed in the first quarter and who had left their last job in the last three months into employment in the next

¹²¹ Research suggests that the median length of a new job is around 15 months. Thus, the average monthly exit rate from a new job is 50 per cent divided by 15 per cent = 3.33 per cent. See Booth, A et al. (1997). *Job Tenure: Does History Matter?*. CEPR Discussion Paper Series. 1531, Gregg, P. and Wadsworth, J. (2002). *Job Tenure in Britain, 1975-98. Is a Job for Life or Just for Christmas?*. Oxford Bulletin of Economics and Statistics. 64, and Gregg, P. (2011). *The Labour Market in Winter: The State of Working Britain*. Oxford University Press.

quarter. The analysis found that 52.4 per cent of this group of short-term unemployed were in employment in the next quarter. Overall, the weighted average (in line with their shares of the VOC participants) of these two groups was that 56.2 per cent were in employment in the second quarter analysed. This figure is used as the counterfactual job entry rate against which to compare the calculated quarterly job entry rate for VOC participants.

- 16.12 The calculations for East Wales and West Wales and the Valleys suggested that 89.3 per cent and 90.5 per cent (respectively) of VOC participants were employed three months after completing their vocational training. With a counterfactual quarterly job rate of 56.2 per cent, this implies that deadweight (the proportion of people who would have entered employment anyway) is estimated to be 63.0 per cent in East Wales ($= 56.2 / 89.3$) and 62.1 per cent in West Wales and the Valleys ($= 56.2 / 90.5$).
- 16.13 A review of evidence from other labour market programmes was also undertaken in order to assess whether the performance of ReAct could be benchmarked against them. ReAct is a rather unusual labour market programme because it focuses on those who have been unemployed for a short period of time. The majority of such programmes focus on groups who are more distanced from the labour market. Thus, it was difficult to find programmes against which to compare ReAct. The only programmes found were all in London and appeared to be very atypical, as they achieved only very low percentages of participants into work. Thus, it was concluded that these programmes did not provide a reasonable benchmark against which to judge the performance of ReAct.

Using the survey of ReAct participants

- 16.14 As reported in Chapter 5, the survey of ReAct participants reported that 14 per cent of those in employment believed that the programme had a direct impact on their employment outcomes. A further 55 per cent identified ReAct as having helped them to enter employment. The estimate of the direct impact provides a tight potential estimate of the additionality or non-deadweight from ReAct, implying deadweight of 86 per cent. This is likely to be an overestimate of deadweight, given that some part of the 55 per cent whom ReAct helped would not have entered employment without the support. The issue is that it is not possible to tell the extent to which this is true.

- 16.15 Finally, a 2009 report for the then-Department for Business, Innovation and Skills¹²² reviewed the literature on deadweight and other forms of non-additionality. For programmes for workforce/skill development at the regional level, deadweight was found to average 38.6 per cent. As mentioned earlier, however, labour market programmes are generally not focused on the short-term unemployed. As noted in Chapter 3, one of the findings of the literature review was that deadweight is generally higher for programmes which are not targeted at those distanced from the labour market. Thus, we might reasonably expect that the deadweight associated with ReAct will be higher than the level suggested by this study.

Conclusions on deadweight

- 16.16 To conclude, none of the information available upon which to base the deadweight assumption is fully robust. The information from the benchmarking exercise and the survey of ReAct participants suggests that deadweight for ReAct lies somewhere between 62 per cent and 86 per cent. ReAct participants are a group with a very recent work history and, as such, are not distanced from the labour market. The literature review (see Appendix B) indicates that policies which are not targeted at more disadvantaged groups tend to have high rates of deadweight. Thus, a conservative assumption of 80 per cent deadweight has been adopted for the cost–benefit analysis exercise.
- 16.17 There is general agreement in the literature that we reviewed (see Appendix B) that wage subsidies typically have high rates of deadweight and that wage subsidies that are not targeted at groups which are distanced from the labour market have particularly high rates of deadweight. Given this, we assume that the deadweight associated with the ERS subsidy is towards the top end of the range suggested by the literature review, at 90 per cent.

Cost–benefit analysis

- 16.18 The Learning and Work Institute’s approach to cost–benefit analyses of labour market programmes is based on, and consistent with, HM Treasury’s Green Book, the DWP Social Cost-Benefit Analysis framework, and other official guidance from governmental departments.

¹²² Cambridge Economic Associates (2009), “Research to improve the assessment of additionality”, Report for the Department for Business, Innovation and Skills, BIS Occasional Paper No. 1.

Costs

16.19 ReAct has a range of costs:

- Careers Wales information, advice and guidance
- Vocational training provided prior to potential reemployment
- ERS wage subsidy
- Employer wage payments
- ETS in-work training support
- Other costs, including administration of the programme by the Welsh Government

16.20 The Welsh Government supplied data on the first five of the cost categories listed above. Data was supplied for both East Wales and West Wales and the Valleys. These costs were adjusted for inflation by means of the GDP deflator so as to put them in real terms in 2015/16 prices. This is the first financial year for the period of the ReAct programme which is being evaluated. The results of these calculations are shown in Tables 16.2 to 16.4.

Table 16.2: ReAct costs, 2015/16 constant prices, East Wales

Financial Year	Careers Wales	Vocational Training	Employer Wage Costs	ETS In-Work Training	Other Costs	Total Resource Costs
2015/16	£346,808	£193,095	£216,861	£0	£64,734	£821,498
2016/17	£342,175	£778,142	£1,147,147	£586	£88,791	£2,356,841
2017/18	£335,266	£568,917	£950,575	£1,615	£70,523	£1,926,896
2018/19	£328,477	£446,295	£687,506	£1,608	£83,894	£1,547,780
2019/20	£322,038	£630,444	£45,047	£402	£54,693	£1,052,624

Note: All figures are rounded to the nearest whole pound. Thus, the individual components may not sum to the overall total resource costs. Other costs for 2015/16 are estimated as the average of the four subsequent financial years.

Table 16.3: ReAct costs, 2015/16 constant prices, West Wales and the Valleys

Financial Year	Careers Wales	Vocational Training	Employer Wage Costs	ETS In-Work Training	Other Costs	Total Resource Costs
2015/16	£706,134	£1,211,453	£1,109,710	£519	£140,643	£3,168,460
2016/17	£696,699	£1,358,722	£1,943,901	£2,937	£156,544	£4,158,802
2017/18	£682,632	£874,374	£1,613,245	£2,482	£120,016	£3,292,748
2018/19	£668,809	£716,347	£1,151,474	£5,647	£119,934	£2,662,210
2019/20	£655,700	£923,619	£434,498	£3,393	£88,555	£2,105,765

Note: All figures are rounded to the nearest whole pound. Thus, the individual components may not sum to the overall total resource costs. Other costs for 2015/16 are estimated as the average of the four subsequent financial years.

Table 16.4: ReAct costs, 2015/16 constant prices, Wales

Financial Year	Careers Wales	Vocational Training	Employer Wage Costs	ETS In-Work Training	Other Costs	Total Resource Costs
2015/16	£1,052,942	£1,404,549	£1,326,571	£519	£205,377	£3,989,958
2016/17	£1,038,874	£2,136,864	£3,091,048	£3,523	£245,335	£6,515,644
2017/18	£1,017,898	£1,443,291	£2,563,820	£4,096	£190,539	£5,219,644
2018/19	£997,286	£1,162,643	£1,838,980	£7,254	£203,827	£4,209,990
2019/20	£977,738	£1,554,063	£479,545	£3,795	£143,248	£3,158,389

Note: All figures are rounded to the nearest whole pound. Thus, the individual components may not sum to the overall total resource costs. Other costs for 2015/16 are estimated as the average of the four subsequent financial years.

16.21 Taking on ReAct-supported subsidised workers involves costs for the employers who choose to do so in terms of the part of their wages. We include these costs which are not reduced in our calculations by the ERS wage subsidy. This is because the opportunity cost of having these workers employed by those particular organisations is to be employed in an unsubsidised job elsewhere in the economy. The cost of the ERS wage subsidy itself is not included in the costs of ReAct. This is because they are transfer payments. As HM Treasury's Green Book makes clear, transfer payments are to be excluded from cost–benefit analysis calculations. Transfer payments pass purchasing power from one person or organisation to another and do not involve the consumption of resources. They “should be excluded from the overall estimate of social value” (Green Book, page 113).

- 16.22 Wage payments by employers represent a cost. However, the output produced by the workers whilst they are employed in their subsidised jobs represents a benefit of ReAct. These benefits are taken into account in our calculations.
- 16.23 When an individual is in work there are some unavoidable costs that they must incur as a result. These costs reduce the real gains from working and absorb resources needed for their production. These include travel to and from work, and potentially childcare costs for lone parents or for families with both earners in work. These costs will vary with the length of time for which the subsequent employment benefits are considered. Unfortunately, we have no information on the extent to which ReAct participants have dependent children requiring childcare. For travel costs, however, these are netted off our estimated employment or economic benefits below (rather than being presented here).

Benefits

- 16.24 The benefits of labour market interventions such as ReAct potentially take two forms: the economic benefits of people being in employment who otherwise would not be, and the non-employment benefits that flow from these people being in work. These non-employment benefits include, for example, health improvements, or reductions in criminal activity. In the absence of detailed MI covering the numbers of ReAct participants with, for example, health conditions, it is not possible to quantify these potential benefits from the programme. Given this difficulty of quantifying these non-employment benefits, the estimate of the benefits of ReAct is based solely on the estimated employment or economic benefits of the programme.
- 16.25 The first stage in calculating the employment benefits of ReAct is to estimate the net jobs from ReAct taking into account deadweight. As discussed earlier in this chapter, the estimates of deadweight used are 80 per cent for those supported by the VOC provided prior to potential reemployment and 90 per cent for those assisted by the ERS recruitment subsidy.¹²³
- 16.26 Once estimates of the net number of jobs have been calculated it is necessary to monetise the value of these new jobs so that the resulting benefits can be compared against the costs of ReAct. Monetising in this way requires assumptions

¹²³ For those supported by both the VOC and the ERS recruitment subsidy, deadweight of 80 per cent is used.

regarding the typical wages that workers are paid and the length of time for which these jobs last.

- 16.27 The typical wage of a job filled by a new entrant is around 65 per cent of the median hourly wage for all jobs, whereas jobs filled by job movers are around the 80 per cent mark.¹²⁴ Given that ReAct participants generally experience only short periods of unemployment, 80 per cent of median pay is used as the assumption for the wages at which ReAct participants re-enter work. Research suggests that a new job typically lasts around 15 months on average.¹²⁵
- 16.28 It is important to account for the benefit of the programme in the form of the output produced by workers while they are undertaking their ERS-subsidised jobs. A cautious assumption is adopted here: that the value of the output produced is equal to that part of the workers' wages which is not covered by the ERS payment. If the value of output were less than this, then it would not be commercially viable for companies to employ these workers.
- 16.29 Finally, as noted above, there are some unavoidable in-work costs. In addition, it is possible to estimate costs of travel to work. These costs are netted off our estimated employment or economic benefits below. The costs of travel to work are based on those estimated by the DWP for 2008¹²⁶ but are adjusted in order to exclude the costs of travelling on the London Underground and to allow for inflation by means of the GDP deflator to put them into 2015/16 prices (in line with the treatment of the other costs and benefits considered in this cost–benefit analysis).
- 16.30 Table 16.5 shows the employment benefits of ReAct following the aforementioned methodology, net of in-work travel costs and in real terms in constant 2015/16 prices for East Wales, West Wales and the Valleys, and all of Wales.

¹²⁴ Gregg, P. and Gardiner, L. "A steady job? The UK's record on labour market security and stability since the millennium", Resolution Foundation Report.

¹²⁵ See Booth, A et al. (1997). Job Tenure: Does History Matter?. CEPR Discussion Paper Series. 1531, Gregg, P. and Wadsworth, J. (2002). Job Tenure in Britain, 1975-98. Is a Job for Life or Just for Christmas?. Oxford Bulletin of Economics and Statistics. 64, and Gregg, P. (2011). The Labour Market in Winter: The State of Working Britain. Oxford University Press.

¹²⁶ [See pages 69-70 of D. Fujimori \(2010\), *The DWP Social Cost-Benefit Analysis Framework*, DWP Working Paper No. 86](#)

Table 16.5: Real employment benefit net of in-work costs, 2015/16 prices

Financial Year	East Wales	West Wales and the Valleys	All Wales
2015/16	£2,272,144	£5,560,369	£7,832,514
2016/17	£3,588,342	£6,264,272	£9,852,614
2017/18	£2,762,086	£4,773,439	£7,535,524
2018/19	£2,508,348	£3,765,962	£6,274,310
2019/20	£1,874,673	£3,025,624	£4,900,298

Note: All figures are rounded to the nearest whole pound. Thus, the separate figures for East Wales and West Wales and the Valleys may not sum to the overall total for Wales.

Net present values and benefit-to-cost ratios

- 16.31 With the costs and benefits of ReAct having been calculated, the standard metrics for value for money for the overall programme can be calculated. These are the net present values (NPVs) and the benefit-to-cost ratios (BCRs).
- 16.32 In order to calculate NPVs of the aforementioned, the costs and benefits are discounted¹²⁷ back to a common base year, which in this case is 2015/16. We use the 3.5 per cent real discount rate as per HM Treasury's Green Book guidance. The overall NPV of the programme is then equal to the difference between the NPV of the programme benefit net of individuals' in-work costs and the NPV of ReAct's costs. The programme's benefit-to-cost ratios (BCRs) are another way of expressing how the programme's benefits and costs compare and are equal to the programme benefit net of individuals' in-work costs divided by the programme's costs. For a programme's benefits to outweigh its costs and, therefore, for it to represent value for money, the overall NPV should be positive and the BCR should be above 1. The results of our calculations of the NPV and BCR for the React programme are set out in Chapter 10.

¹²⁷ Discounting in this way allows us to compare costs and benefits occurring over different periods of time and with different relativities in different years on a consistent basis. Discounting is based on the notion of time preference, i.e. that (in general) people prefer to receive benefits now rather than later.