

Early evaluation of the Youth Contract wage incentive scheme

By Lizzie Jordan, Stephen McGinigal, Andrew Thomas and Nick Coleman

Background

Wage incentives are a key element of the Government's Youth Contract measures. Over three years, from April 2012, the Youth Contract includes funding for wage incentive payments of up to £2,275 to employers when they recruit an 18 to 24-year-old from the Work Programme. Eligibility has since been extended to all 18–24 year olds who have been claiming for six months¹. Over this three-year period, 160,000 wage incentives have been funded.

This is the first of two waves of research on the experiences of, attitudes towards and impact of, wage incentives. The findings are based on:

- a quantitative survey of 279 employers who recruited someone eligible for a wage incentive and had received a claim form;
- qualitative interviews with Work Programme providers;
- qualitative interviews with Jobcentre Plus employer engagement staff.

Marketing and communications

Around half (56 per cent) of employers in the survey heard about wage incentives before they began recruiting the person/people concerned, with 15 per cent finding out about it during recruitment (often from the young person being interviewed) and 27 per cent finding out afterwards.

¹ From July 2012, in selected 'youth unemployment hotspots' wage incentives became available via Jobcentre Plus to employ 18–24 year olds that had been claiming for at least 6 months. This eligibility was extended to all Jobcentre Plus offices from 17 December 2012.

Employers were most likely to have first heard about the wage incentive from a Work Programme provider (46 per cent). Twelve per cent heard about it from Jobcentre Plus staff and five per cent from the Department for Work and Pensions (DWP)/Jobcentre Plus website. When they needed more information, employers were most likely to contact a Work Programme provider (in 51 per cent of cases), and the majority (80 per cent) found it very or fairly easy to get the information they needed.

The timeline for implementation of this policy was challenging for both DWP and Work Programme providers. We understand from DWP that providers had been given four months to prepare for the launch of the wage incentive and were invited to a series of briefing meetings at which detailed information was supplied on all aspects of the wage incentive scheme. However, some Work Programme providers felt that the roll-out of information about wage incentives had been slow and of poor quality, which had affected their ability to produce marketing materials in the early stages. It is likely that given the speed of implementation there was not sufficient time for messages given to providers by DWP to reach all relevant parties within those organisations.

Work Programme providers reported that some employers, aware of previous incentive schemes, had some negative preconceptions about the bureaucracy surrounding government initiatives in general. Consequently, Work Programme providers felt that a smooth delivery of the policy, with limited bureaucratic burden for employers, was essential to support their promotion and marketing of the scheme.

Overall, the wage incentive was seen by Work Programme providers as one component of a package

of support that they could offer employers. Providers felt that the scheme was not sufficient as a sole method of ‘marketing’ young people to employers.

It was also clear that providers were using the wage incentive to differentiate themselves from other recruitment agencies and enhance their profile as a viable alternative.

In the survey of employers, the main suggestion for how the Government could improve their communications about the wage incentive was to focus on making more employers aware of it. Work Programme providers and Jobcentre Plus staff thought that more effort needed to be put into national awareness-raising, local direct marketing and local media coverage. Since this research DWP have moved from no-cost marketing activity and are piloting paid-for marketing activity, which has involved regional marketing activity. This new marketing activity has included local press and radio advertising, PR activity in regional and industry press, email marketing and social media activity.

Participation and involvement

Most employers who had taken someone on who was eligible for a wage incentive were single-site organisations (63 per cent). The majority of employers (76 per cent) had fewer than 50 employees at the site, including 34 per cent who had fewer than ten employees at the site. Around one in five (18 per cent) had 50 to 249 employees, and the remaining five per cent of employers had 250 or more employees working at the site.

Most employers were in the private sector (84 per cent). Six per cent were agencies that had taken on someone to work at another organisation.

More than half (54 per cent) of employers were in the service sector. Almost one in five (19 per cent) were in production and manufacturing.

In most cases, employers had taken on just one recruit who was eligible for a wage incentive (62 per cent) within their workplace, while 28 per cent had taken on between two and four recruits, and eight per cent had taken on five or more.

Three in ten positions were in elementary occupations. Other common occupation types were sales and administration, customer service and factory work.

Around one in five recruits who were eligible for the wage incentive were working less than 30 hours per week (21 per cent), with the remainder working 30 hours or more per week. In total, 31 per cent of respondents said that the job was on a temporary or fixed-term contract², and 63 per cent were for a permanent job. In the majority of cases (80 per cent), respondents expected recruits working in non-permanent positions to stay with the organisation for more than six months.

Employers’ main reasons for taking on a candidate eligible for the wage incentive were to get some extra money (30 per cent) and to give a young, unemployed person a chance (22 per cent). Only ten per cent of employers in the survey had concerns about applying for wage incentives, mostly concerning administrative issues.

Qualitative interviews with Work Programme providers and Jobcentre Plus staff indicated that, in the main, they did not believe wage incentives were creating new jobs. nor that it was encouraging employers who had used the wage incentive to retain employees. However, it should be noted that the primary policy aim is to give young people a way into real, existing vacancies; employers are not required to create new jobs. In this context, it is worth noting that, as discussed elsewhere in this report, 28 per cent of employers’ retention decisions have been influenced by the wage incentive scheme and nine per cent had created an extra vacancy.

Providers and Jobcentre Plus staff felt that wage incentives could ‘tip the balance’, making young people who already had the right skill set more attractive to employers, compared to other potential employees who did not attract wage incentives; which reflects the policy intent of this scheme. Providers and Jobcentre Plus staff also believed that overall, large employers were disinterested in

² These jobs qualify for a wage incentive, provided that they are expected to last at least 26 weeks.

the scheme, partly because local branches of large employers did not benefit financially and partly because some felt there was a reputational issue following negative media coverage of government employment schemes earlier in the year. It was felt that micro and small employers tended to be more likely to take up the scheme.

Employer support and engagement

Most employers who had received a claim form for an eligible job start had dealt with just one Work Programme provider (61 per cent), while 13 per cent had been in contact with two, and ten per cent had dealt with three or more.

Respondents were generally positive towards the support they had received from providers: 71 per cent rated the support as very or fairly good, and just five per cent thought it was poor. Among employers who had dealt with two or more providers, 27 per cent said that having a single point of contact would have helped them, but 52 per cent said this would not have made any difference and 16 per cent said it would have made it worse.

Work Programme providers indicated that it was essential to provide additional support to employers and had done so by creating single points of contact, going into employers to help complete forms and telephone helplines.

Administration and claims process

Eighteen per cent of employers said they had problems or delays in receiving the claim form(s) for wage incentives³.

Nearly all of the employers in the survey had either already made a claim (34 per cent) or intended to do (all but two per cent of those that had not yet claimed). Smaller employers were evenly divided

³ Work Programme providers are required to send the wage incentive claim form to the employer as soon as they have confirmed that the job start is eligible for the scheme.

between those who intended to make an initial claim after eight weeks (45 per cent) and those who intended to claim only after 26 weeks (51 per cent).

Employers generally did not think there was a very great burden involved in claiming: just eight per cent thought there was a large amount of work involved. Around one in five (19 per cent) had put in place extra administrative systems to claim the wage incentive.

Since the research, a process to allow bulk claims for larger employers has been developed by DWP. This process was communicated to Jobcentres and Work Programme providers on 11 December 2012. The new process means that employers can submit up to 20 claims at once (along with supporting information such as wage slips). Previously, each wage incentive claim required an individual claim. The bulk claims process alters the terms and conditions and eligibility criteria, but reduces some administrative burden on larger employers. The bulk claims process enables payments to be made to a single central bank account – something that large employers had asked for.

Among respondents who were familiar with the claim form, 91 per cent said that section one had been filled in correctly by the Work Programme provider.

Where processing problems had arisen, the Work Programme providers had indicated that this was because the claim form had been changed in the first few weeks of the scheme (to correct an issue around the bank account name field), and because some claims were returned unpaid (mainly as a result of being incorrectly completed). A further issue was that Work Programme providers were tasked with informing employers of the return address, but the lack of this information on the claim form had confused some employers. According to Work Programme providers, even minor ‘teething problems’ such as these, could reinforce some employers’ negative attitudes about government employment schemes. This highlights the need for providers to ensure they assist employers through the claims process.

Impact of wage incentives

Wage incentives affected employers' behaviour in the following ways:

- Nine per cent created an extra vacancy because of wage incentives.
- Seven per cent would not have recruited a young, unemployed person without a wage incentive.
- Twent-eight per cent of employers said wage incentives had made them more likely to keep the employee on for at least six months.
- Thirteen per cent said that wage incentives influenced the hours worked.

Allowing for the overlap in the categories above, 37 per cent of employers surveyed said that the scheme had affected their behaviour in at least one of these ways. This was higher for smaller establishments (with fewer than ten employees) than for larger establishments: 52 per cent compared with 30 per cent.

In addition, almost nine in ten employers in the survey (86 per cent) said they would be likely to take someone else on in the future who is eligible for the scheme. One in three respondents (33 per cent) said that it had made them more likely to recruit young people with a history of unemployment, with four per cent who said it had made them less likely and the remaining 62 per cent who said it made no difference.

Most employers (71 per cent) who had not yet made a claim, but intended to do so, said that they thought they would still take up the wage incentive if the amount was lower – 'say, £1,000 per recruit, rather than £2,275.'

The interviews with Work Programme providers and Jobcentre Plus staff echoed the findings of employers – whilst there was limited job creation, some employers were retaining employees longer than they might initially have intended. It was felt that perhaps the greatest impact was that micro and small employers were now more ready to consider

employing a young person, but only if they were motivated to work and job ready. This finding reflects a key policy aim of the scheme which was to influence the recruitment choices of employers.

However, there was also some evidence to suggest that wage incentives were not always being used as intended, with some employers letting employees go after six months in order to gain from new employees that attracted a new wage incentive payment. Instances of this practice are outside the terms and conditions of the scheme. DWP are exploring ways of improving communications on the terms and conditions to employers via Work Programme providers and Jobcentre Plus staff.

Improvements to the scheme

More than one in four employers could not think of any ways of improving the scheme (28 per cent). The most common suggestions concerned advertising and information (e.g. more advertising or more information about the scheme).

Work Programme providers suggested that national and local level marketing and press coverage would enhance the effectiveness of their activities, a point echoed by Jobcentre Plus staff. Other suggested improvements were avoidance of further bureaucratic 'hitches', such as changes to the claim form, and better liaison between local providers and Jobcentre Plus staff in the promotion of the scheme. Since the research, DWP have piloted regional marketing activity to test the most effective communication channels for increasing awareness of the scheme. Marketing activity aimed at employers has included local press and radio advertising, social media, and email marketing. A self-marketing card for JSA claimants has also been tested and is now being rolled out nationwide.

Links with other schemes

Around half (53 per cent) of respondents said they had heard of the Apprenticeship Grant for Employers (AGE 16–24). Of these, nine per cent said they had applied for it.

Respondents who had heard of any government schemes were asked whether they agreed or disagreed that 'the range of different schemes makes it confusing for employers to know what is available'. More than half agreed with the statement (57 per cent), while 37 per cent disagreed.

Work Programme providers thought that sector-based work academies worked best with medium and large employers, while the wage incentives worked best with micro and small employers. Jobcentre Plus staff were particularly enthusiastic about work experience, which they felt could be more effective than wage incentives in getting employers to recruit young unemployed people.

General attitudes to recruitment of young people

One in five employers (20 per cent) said that they have difficulties with recruiting young people. The main problem was seen as the attitude and motivation of young people.

When asked what else the Government could do to encourage the recruitment of young people, the most common answer was to provide better education, training or careers advice for young people on how to get and keep a job (mentioned by 21 per cent).

Overall, the Work Programme providers and Jobcentre Plus staff considered that the Youth Contract itself was very important as it addressed a key requirement of employers, that of training and employability; furthermore, wage incentives helped to drive interest in employing young people and, if coupled with job ready and motivated individuals, helped to dispel negative preconceptions about the young.

© Crown copyright 2013.

You may re-use this information (not including logos) free of charge in any format or medium, under the terms of the Open Government Licence. To view this licence, visit <http://www.nationalarchives.gov.uk/doc/open-government-licence/> or write to the Information Policy Team, The National Archives, Kew, London TW9 4DU, or email: psi@nationalarchives.gsi.gov.uk.

The full report of these research findings is published by the Department for Work and Pensions (ISBN 978 1 909532 19 9. Research Report 828. March 2013).

You can download the full report free from: <http://research.dwp.gov.uk/asd/asd5/rrs-index.asp>

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

If you would like to know more about DWP research, please email: Socialresearch@dwp.gsi.gov.uk