



Evaluation of the Youth Contract wage incentive – Wave two research

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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 18–24-year-old from the Work Programme. Since December 2012, eligibility has since been extended to all 18–24-year-old customers who pass six months on Jobseeker's Allowance (JSA)¹.

This is the second 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 376 employers who had claimed a wage incentive;
- qualitative interviews with Jobcentre Plus employer engagement staff.

Marketing and communications

Employer engagement staff felt confident in marketing the wage incentive scheme to employers and confirmed that it had bedded in to their working practices.

Staff used a variety of strategies to make employers aware of wage incentives and to encourage participation. As a first step, standard practice was to send out mail-shots of centrally produced materials by email (or occasionally by post, having printed them in the office), although the general view was that this had little impact, because emails could be ignored.

Marketing activity then varied from office to office, but generally included targeted, face-to-face contact with employers. This was seen as the most effective way of engaging effectively with employers, and of making sure that messages were tailored to their needs. Staff also encouraged claimants to self-market, as well as using other channels such as employer events.

Wage incentives were felt to be more attractive to employers when presented in conjunction with work experience placements, and many staff described these two elements as going 'hand in hand', allowing employers to trial claimants before taking them on as employees.

According to staff, contact with larger employers tended to be more formal, with employers' involvement largely influenced by head office policy. Staff had more informal contact with smaller employers, and found that small and medium-sized enterprises (SMEs) were more receptive to wage incentives than larger employers.

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 six months. This eligibility was extended to all Jobcentre Plus offices from 14 December 2012.

In the survey of employers, respondents were most likely to have heard about wage incentives from a Work Programme provider² (30 per cent), Jobcentre Plus staff (16 per cent) or the recruited employee (15 per cent). When asked how communications about wage incentives could be improved, the most common suggestion (among 41 per cent) was to make more effort to make employers aware of it.

Employer participation and involvement

The majority of employers who had claimed a wage incentive were small establishments (76 per cent had fewer than 50 employees), and most were based at a single site (66 per cent). A large proportion were in service sectors (63 per cent), such as wholesale and retail trades, accommodation and food services.

Most employers (62 per cent) had recruited just one employee who was eligible for a wage incentive, while 29 per cent had recruited between two and four, and eight per cent (mostly larger employers) had taken on five or more.

Employers said that positions were most commonly in 'elementary occupations' (28 per cent), although there was a range of different job types, including administrative and secretarial occupations (12 per cent) and skilled trades (11 per cent). The majority of employers (79 per cent) said that recruits worked 30 hours or more per week, and most were permanent jobs (73 per cent).

The main reasons that employers gave for taking up wage incentives were to get financial support (40 per cent), to give young people a chance (24 per cent), as an incentive to recruit (23 per cent) and to help with recruitment (21 per cent). If employers had concerns about the scheme, they were generally related to whether they would actually get paid, the quality of the candidates and the administration process.

Employer engagement staff also noted that some employers were concerned about the suitability of candidates prior to recruitment, and also said that the scheme could have a negative image among employers; while some viewed it positively as a chance to help tackle youth unemployment, others were uncomfortable with a government 'hand-out' for employing someone. In addition, staff felt that there was low awareness and understanding of the scheme amongst some employers, in some cases feeling that the name and branding of the scheme could be improved.

Overall, staff felt that wage incentives appealed to a limited group of employers with specific recruitment needs, and that this resulted in fairly low take-up. Staff stressed the importance of tailoring their messages to employers, to reflect the varying motivations noted above. In some cases, this could mean emphasising the financial incentive, while for other employers it was important to stress the role of Jobcentre Plus as a free recruitment service that would help them to find the right person. Staff also found it helpful to dispel concerns about the administrative burden associated with the scheme.

Administration

Employer engagement staff reported that employers often had a strong expectation that claiming a wage incentive would be complicated, bureaucratic and time consuming. The perception amongst staff was that employers were pleasantly surprised by how easy it was to claim and, as a result, would be encouraged to do so again.

In the survey, employers themselves confirmed this view: the majority (84 per cent) said that making a claim involved 'not much work' or just a small amount, and the claim form was seen as easy to complete (96 per cent).

² The timing of the survey meant that most employers included in the survey would have heard of wage incentives before the national roll-out, when Work Programme providers had a much more prominent role.

However, one in four employers (26 per cent) said they experienced some form of problem with the process, such as delays in receiving payments, forms being returned to them when incorrect, additional paperwork or documentation being required, and receiving wrong information from Jobcentre Plus³.

Employer engagement staff also noted that they had to provide considerable support and assistance to some employers in the administration process, and in some cases this took up valuable time that could have been spent marketing the scheme.

Impact of wage incentives

In the survey, 19 per cent of employers said that they created an extra vacancy because of wage incentives, and a further 15 per cent were influenced in choice of candidate. A third (34 per cent) said that the incentive made them more likely to keep the person on for at least six months, and nine per cent said that the wage incentive influenced the hours they offered. Overall, more than half (55 per cent) said that the wage incentive had influenced their behaviour in some way, and this was higher among small employers.

Most employers (60 per cent) said that they would still have taken up a wage incentive if the amount was lower, while 32 per cent said they would not have done (the remainder were unsure). This confirms that the amount of the incentive was important for some – but not all – employers.

There were also positive findings about future recruitment: 86 per cent said it was likely that they would take on an eligible candidate in the future, and 43 per cent said that their experience had made them more likely to recruit young people with a history of unemployment (the remainder mostly said it had not affected their attitude to recruiting young people).

The majority (88%) of employers who had received a six-month payment reported that the individual was still working for them. This is encouraging as it indicates that most recruits continued to work with employers beyond the six-month point as the employer interviews were undertaken around two months after the claim was made.

Employer engagement staff also raised some of the 'wider' benefits of the scheme. Staff said that wage incentives could help them to build relationships with employers that they had not contacted before; wage incentives were seen as a positive message that they could use when approaching employers. In addition, where claimants were self-marketing the scheme, it was felt that this could increase their confidence when approaching employers, as well as making them appear more proactive.

At the same time, staff felt that there were negative impacts: some staff felt that the eligibility criteria were too narrow, and that this could negatively affect claimants who were not eligible. In addition, some staff perceived that the priority being given to the scheme by Jobcentre Plus could obstruct other activities with employers and mean that existing relationships with employers (who were not involved with the scheme) could be 'sidelined'. Overall, some staff felt that the priority given to selling the wage incentive scheme (and the resources this entailed) were disproportionate to the limited outcomes it could achieve.

Links with other schemes

Around half of employers (56 per cent) had heard of the Apprenticeship Grant for Employers of 16–24-year-olds, and of these 18 per cent had applied for it.

When asked if they had heard of any other government schemes, small numbers named individual schemes such as apprenticeships.

³ 28 per cent of those with a problem (which represents 7 per cent of the sample) had a problem because either they did not complete the form correctly or the Work Programme provider did not provide the correct information.

General attitudes to recruitment of young people

The majority of employers agreed that employers had a responsibility to recruit young people (64 per cent), and most said that they had no difficulties with recruiting them (73 per cent). Respondents were divided in their views as to whether taking young people on is a bigger risk than older workers (41 agreed and 47 per cent disagreed).

The main suggestion as to what government could do to encourage the recruitment of young people was to increase the opportunities for young people to increase their skills.

brought together young people and employers delivered better value for money than radio or press advertising. Since the pilot DWP have supplemented local activity with a national social media campaign and awareness raising via corporate partners.

Employer engagement staff also suggested that the eligibility criteria could be less restrictive (for example, in relation to age and length of unemployment), while some staff felt that the way the scheme was being prioritised within Jobcentre Plus could be rebalanced in relation to the impact it was having.

Improvements to the scheme

Both employers and employer engagement staff were asked how the wage incentive scheme could be improved. Both groups felt that awareness of the scheme among employers could be improved, possibly through better advertising and publicity. Some employers also felt that information and communication from Jobcentre Plus could be improved. Staff felt that marketing materials could be improved, with the possibility of a national campaign to raise the profile of the scheme. On this final point we understand from the Department for Work and Pensions (DWP) that their central marketing team ran a wage incentive marketing pilot in the winter 2012/13 which tested the effectiveness of radio and press advertising alongside other activity. The pilot showed that local events that

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The full report of these research findings is published by the Department for Work and Pensions (ISBN 978 1 910219 07 2. Research Report 864. February 2014).

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.

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