



European Social Fund impact evaluation: research design and scoping study

By Ecorys

Introduction

This summary presents the key findings of a study undertaken to inform the design of a planned impact evaluation of the 2014-2020 European Social Fund (ESF) programme in England. The study was undertaken by Ecorys between July 2017 and February 2018. It is intended to help fulfil the European Commission's (EC) requirements for monitoring and evaluation in respect of the ESF, specifically the need to undertake an impact evaluation of the fund.

Methodology

The study sought to inform the design of a robust and cost-effective impact evaluation for the ESF programme through several tasks. These involved:

1. A desk-based review of ESF programme and project related documentation.
2. Stakeholder consultations to inform the development of an intervention logic for the programme, including with representatives of the ESF Managing Authority (MA) (x7), national co-financing organisations (CFOs) (x5), local CFOs (x1), and local European Structural and Investment Fund (ESIF) sub-committees (x6). Consultation also engaged two other stakeholders involved with the European Regional Development Fund (ERDF) programme and evaluation.
3. Consultations with six further stakeholders

to discuss possible counterfactual impact evaluation (CIE)¹ approaches, including representatives from the Department for Work and Pensions (DWP), the Department for Education (DFE) and the Welsh Government.

4. A workshop to explore the ESF intervention logic further, considering the causal links between ESF activities and the programme's intended results and impacts, along with thinking through the contextual factors that might affect these.
5. An impact evaluation workshop, bringing stakeholders with insights into CIE approaches and available data sets together to explore the potential scope and focus of a CIE.
6. Further development and appraisal of potential approaches to evaluating the impact of the ESF, the main findings of which are presented below.

Key findings

Overview of the recommended approach

A mixed-method evaluation of the ESF is recommended in order to assess the totality of potential results and impacts stemming from the programme, whilst also examining the effectiveness of ESF provision in generating these. CIE approaches to assessing impact are

¹ A counterfactual impact evaluation compares the outcomes of an intervention with the outcomes that would have been achieved had the intervention not been in place (the 'counterfactual'), typically by comparing outcomes between a treatment group and comparison group.

likely to be feasible, but only in respect of some results and impacts the programme seeks to generate. The suggested approach would thus combine CIE techniques, specifically propensity score matching (PSM) and difference-in-differences (DiD) with theory-based evaluation. The latter approach is recommended specifically to assess potential results and impacts that are unable to be feasibly estimated through a CIE, along with helping to explore the reasons behind the programme's achievement or otherwise of its objectives.

Recommended approach to CIE

Based on a review of CIE designs and their likely feasibility, it is recommended that propensity score matching (PSM), drawing on ESF Management Information (MI) and administrative datasets, forms the core of a CIE approach within the broader evaluation design advocated. The review indicated several advantages to a PSM approach over others, specifically in terms of its potential to be successfully implemented in order to estimate the key intended employment and skills impacts of the ESF at the level of participating individuals. A review of administrative datasets suggests that the requirements for operationalising such an approach can be met, conditional on access being granted to the data and the ability to link individual level data across different data sources.

PSM also has the potential to be used for sub-group analysis, for example in respect of particular ESF target groups, though such an approach would need to be carefully designed given the likely overlaps between such groups. While the assessment does not preclude the use of CIE to estimate the impact of particular types of provision, for example at the level of ESF Investment Priority (IP), there is a need to be realistic over the likely limitations to any 'sub-treatment' analysis within the PSM model advanced. The main challenge is being able to adequately define and discretely analyse effects, particularly at the level of specific activities such as volunteering or advice to promote employability. There are two main concerns

in respect of this: that ESF provision typically combines a range of support within single projects, lessening the potential for effects of particular activities to be disaggregated and discretely analysed, along with the extent to which ESF MI could reliably be used to identify that individuals have participated in particular activities.

Where the approach is feasible and applicable, it is recommended that PSM be complemented with DiD analysis when estimating impacts. The rationale for this relates to the need to help address potential selection bias remaining from the application of a PSM approach.

While PSM can be used to effectively model a comparison group with similar characteristics to a treatment group (i.e. ESF participants), some unobservable characteristics such as motivation can cause bias to emerge. DiD is thus suggested as a way of correcting for this.

Examining the potential of the approach in light of the ESF's intended outcomes indicates that PSM-DiD analysis should principally be used to estimate the effect of ESF provision on entry to employment, (re-) engagement with education and training, and skills outcomes in respect of accredited levels and qualifications. These represent well defined outcomes at the level of participating individuals with a clear change in state that can be measured and estimated through a CIE. Broader, more structural, and less clearly defined impacts and results would, it is contended, need to be assessed through alternative approaches.

Recommended approach to assessing other impacts

To cover a broader set of impacts than those able to be estimated through CIE techniques, the study findings indicate that a theory-based evaluation design should complement the PSM-DiD approach suggested. This would develop hypotheses concerning the presumed results of particular activities or types of support within ESF provision, with these being tested through the collation of an appropriate evidence base. It

is suggested that this encompasses qualitative data gathered from in-depth interviews with ESF providers, participants, and other stakeholders, potentially on a case study basis, allied to analysis of ESF MI and insights from Leavers Survey data. The latter would be used to complement, contextualise, and compare against qualitative fieldwork findings to build up a detailed understanding of the role of ESF in generating its intended results and impacts.

Within a theory-based approach, the study recommends that effectiveness considerations form part of the focus. This is primarily to help understand which activities lead to which results and impacts, along with how and why, rather than focusing on results and impacts in isolation. This should help ensure that an ESF impact evaluation offers lessons for related programmes and provision. However, our assessment suggests that an impact evaluation should only consider process aspects where likely effects on the ESF intervention logic are direct and significant. From this perspective, examining effectiveness should focus solely on explaining why impacts occurred or otherwise in respect of the provision and support offered.

Recommended approach to assessing value for money

As well as considering effectiveness and impact, the extent to which ESF offers value for money will be a central concern when evaluating the programme – not least in terms of helping to inform decisions over the design of future provision. Examining the options available for such an assessment highlighted that the DWP's in-house cost-benefit analysis (CBA) model could be used as a basis for this where it is possible to monetise both costs and benefits.

Detailed data on costs and spend is available from ESF MI to feed into this model. Equally, the model can be used to estimate many of the likely fiscal and social benefits of the programme as they relate to employment, including those concerning, for instance, changes in income, benefits payments and tax receipts. Using the

Department's in-house model as the basis for a CBA is also recommended in terms of its potential to facilitate comparison with other employment programmes in the context of assessing the value for money of the ESF.

The CBA frameworks or approaches developed by other government departments can be used to complement this model, where appropriate. While this will require further exploration in designing the precise parameters of a CBA framework in the ESF context, it is anticipated that such models should facilitate assessment of the returns resulting from skills development or from activities to reduce re-offending. However, caution should be applied, and appropriate caveats used, to account for differences in how these approaches used by other departments vary from that used by DWP. Where other results of the programme are considered significant to incorporate into a value for money (VfM) assessment, but are difficult to monetise such as those relating to wellbeing, it is recommended that additional approaches such as cost-effectiveness analysis (CEA) be incorporated as appropriate into the assessment. The results of the CIE should, moreover, be fed into any models developed and used, where feasible, to enhance the accuracy of estimates made.

While combining CBA and other approaches suited to assessing value where benefits are unable to be reliably monetised is recommended as an approach for the evaluation, such combined approaches within an overall VfM assessment will need to be approached with caution. In particular, while the potential CBA approach outlined can be used to derive a VfM ratio or ratios, this would not be able to be directly combined with ratios derived from (potential) CEA approaches for effects unable to be monetised. With careful development, however, different techniques should be able to be used in combination to provide a detailed and rounded understanding of the value offered by the programme.

Challenges, risks and potential limitations to the recommended approach

While the design study gives confidence that a robust impact evaluation of the ESF is feasible, and that CIE techniques can be effectively deployed within this, it is important to recognise that there are some challenges and risks to be worked through when finalising the evaluation approach. As is common practice, it is thus recommended that study timescales facilitate a further scoping and refinement phase as part of the implementation of an impact evaluation. At this point, a key challenge relates to the need for further consideration around how to maximise the accuracy and robustness of any sub-group or sub-treatment analysis, particularly in relation to applying CIE techniques.

Similar care and attention will also be needed to overcome some of the challenges inherent in mixed method evaluations, particularly in terms of how different evidence sources and findings are weighted and combined.

Key risks largely relate to the potential for some of the datasets that are central to the recommended approach being unavailable for unforeseen reasons, and/or delays in accessing these. Changes in programme delivery arrangements, timescales, or lifetime due to the United Kingdom's exit from the European Union (EU) also represent a risk in this sense, as does the potential for changed interpretations of the requirements for an impact evaluation on the part of the EC.

In terms of limitations, it should be clear that the scope of a CIE as part of the recommended approach can only assess some of the totality of the ESF's likely results and impacts. The need to apply such techniques only where feasible, where they can produce robust estimates of impact, and where they are methodologically defensible, also needs to be kept in mind when implementing an evaluation. Likewise, in respect of the theory-based component of the recommended approach, limitations in terms of precisely determining and proving causality will have to be acknowledged to the degree they are inherent in such approaches.

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The full report of these research findings is published by the Department for Work and Pensions (ISBN 978-1-5286-0565-6. Research Report 962. July 2018).

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