Department for Work & Pensions

GOVERNMENT SOCIAL RESEARCH
Social Science in Government

Evaluation of the Innovation Fund pilot: Quantitative assessment of impact and social return on investment

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Background and aims

The Innovation Fund (IF) pilot was a £30million programme implemented in specific areas of England, Wales and Scotland between April 2012 and November 2015. The pilot was designed to improve the future employment prospects of disadvantaged young people, and those at risk of disadvantage, aged 14 or over. Additionally, it aimed to build capacity within the social investment market, testing how to effectively develop and implement Social Impact Bonds (SIB).

The IF pilot comprised ten projects which used a SIB model based on Payment by Results (PbR). These projects were delivered in two rounds: the first six (Round One) commenced in April 2012, while the other four (Round Two) in November 2012.

The quantitative evaluation of the IF pilot explored the impact of programme participation in England, and also included a Social Return on Investment (SROI) analysis aimed at investigating whether the pilot's benefits exceeded its costs.

The study concluded the wider evaluation of the pilot, which started with the qualitative assessment of the programme's early implementation (Thomas and Griffiths, 2014) and final year delivery (Thomas et al., 2016).

Methodology

- The impact evaluation of the IF pilot comprised two separate analyses:
  - The analysis based on administrative data relied exclusively on information from the National Pupil Database and Individualised Learner Record; and
  - The survey-based analysis estimated the IF impact mostly using information from NatCen's survey of participants and a matched sample of non-participants.

The SROI analysis used the impact estimates produced by these two analyses, alongside financial information (invoicing and contractual data) supplied by DWP.

The survey-based analysis explored the impact of the IF on the likelihood of Round One participants aged 14-18 being in education, employment or training (EET) around one year after starting on the pilot.

The analysis based on administrative data investigated the IF impact on the likelihood of participants aged 14-15 (from either round) experiencing each of five outcomes, including three educational outcomes (achievement of a first NQF level 1, 2 and 3 qualification) and two behavioural outcomes (being persistently absent and excluded from school). Impacts were estimated, separately, for three cohorts of participants (dates indicate individuals' IF start, and sample size is indicated in brackets):

- November 2012-April 2013 (1,258);
- November 2013-April 2014 (1,005);
- November 2014-April 2015 (554).

Impacts on educational outcomes were explored at each year (up to three) after programme start (with follow-up being longest for the earliest cohort). Impacts on behavioural outcomes were observed over the academic year following IF start.

Both impact analyses employed a propensity score matching (PSM) approach to identify a comparison group of non-participants (individuals from areas not covered by the IF provision) similar to IF participants. The difference between the proportions of the participant and comparison groups experiencing a given outcome provided a measure of the IF impact.

The SROI analysis contrasted the DWP's willingness to pay (WTP) for a given outcome with the costs sustained to deliver it. All the outcomes specified by the DWP (improvement in behaviour and truancy, achievement of a first NQF level 1, 2 and 3, employment and sustained employment), by school year/age group, were considered.

Key findings

Due to data limitations, not all personal characteristics and circumstances associated with a greater probability of being or becoming NEET could be observed. Consequently, it is possible that the PSM approach failed to produce a comparison group fully comparable to programme participants. This in turn implies that the following findings from both the survey-based analysis and the analysis of administrative data should be treated with some caution.

The findings from the survey-based impact analysis indicated that after one year in the pilot:

- The IF increased the likelihood of participants being in training but reduced their likelihood of being in school/college and the likelihood of being in a paid job; and
- The pilot reduced the participants' likelihood of being in EET (this impact was larger for 16+ than 14-15 year olds).

The impact analysis based on administrative data found that:

- The IF helped participants to achieve a first NQF level 1 qualification, mostly one year after they started on the programme.
- However, the pilot also reduced the proportion of participants who achieved their first NQF level 2 and level 3 qualifications, and (in the main) a negative effect was also found on behavioural outcomes.
- Positive impacts were higher and negative impacts more contained for later compared to earlier cohorts, possibly reflecting a learning effect whereby programme implementation improved over time.
- While negative impacts on higher educational outcomes should be interpreted with caution (due to possible bias), their large size suggests that some projects were unable to deliver higher-level qualifications.
- Behavioural outcomes reflected more stringent definitions than those entailed by the IF guidance, and as a consequence were likely to have understated real impacts.
- A possible interpretation of the negative impact estimates is that cash flow requirements have led some projects to replace the pursuit of the (ambitious) achievement of higher-level qualifications with easier outcomes (improvement in school attendance and attitude).

The SROI analysis found:

- Benefits to cost ratios of around 1.3 for Round One projects and 1.25 for Round Two projects, which suggests positive SROI.
- However, these ratios are much smaller than those produced for similar programmes, or that would be generated using wider social benefits (notably those derived from the 'well-being valuation' approach). Using estimates based on these wider numbers would, before looking at the 'deadweight' within the programme, have generated SROI ratios 4-5 times higher. Data on less tangible outcomes would push this number still higher.

Overall conclusions

- The findings of the quantitative evaluation suggest that the IF pilot has produced positive effects on participants, allowing them to achieve low-level qualifications.
- However, it seems likely that the programme did not support young people in attaining higher-level qualifications as expected, possibly reflecting delivery challenges faced by projects in supporting individuals with disadvantaged backgrounds.
- Therefore, DWP may want to explore the incentives within SIB models that seek to help the most vulnerable young people.
- The final conclusions need to take into account the limitations of the findings from both the survey-based analysis, the analysis of administrative data and impact estimates, and should be treated with some caution.

The full report of these research findings is published by the Department for Work and Pensions (ISBN 978 1 5286 0355 3. Research Report 956. September 2018).

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