

POLICY MEMO

How can the government ensure the effectiveness of the Kickstart scheme? Learning from the evidence.

Blavatnik School of Government, August 2020

Kickstart is a £2 billion scheme to provide young people at risk of long-term unemployment with Government-subsidised six-month workplace training placements (HM Treasury, 2020). The scheme holds promise as part of efforts to address youth employment and its potential long-term effects.

An effective Kickstart scheme will move young people into sustainable, unsubsidised employment in newly created jobs.

Evidence from forerunner schemes shows that three factors can materially improve the likelihood of new, sustainable job placements being created: *effective local partnerships*, *substantial private sector involvement* and *targeting of support*.

In this policy memo, we provide seven recommendations which show how Kickstart can be implemented in a way that will enhance these three factors, at the same time supporting related agendas around devolution, responsible business, and levelling up.

Improving youth employment outcomes: key evidence

There is strong evidence that youth unemployment can have long-term ‘scarring’ effects. Individuals, particularly men, who experience unemployment in their youth disproportionately go on to experience further unemployment later in life (Gregg, 2001). When they do find work, they are likely to suffer from depressed wages (Gregg and Tominey, 2005). Well designed and implemented youth employment schemes have, on average, been shown to have a positive effect on labour market outcomes, including in reducing ‘scarring,’ internationally (Kluve et al., 2018).

International evidence suggests that across a range of youth employment programmes, the benefits of *subsidised employment* interventions like the Kickstart scheme are especially difficult to realise (Kluve et al., 2018). The UK’s own experience with the Future Jobs Fund (FJF) shows that creating Government-funded job placements does not automatically lead to long-term employment: only 43% of FJF participants ended their term with a non-subsidised job outcome (Centre for Economic & Social Inclusion, 2011). Achieving positive

impact with the Kickstart scheme is dependent on the design and delivery of the programme.

Evidence from the FJF can help to inform design and delivery of Kickstart. In the city of Manchester, building *effective local partnerships* helped to deliver improved employment outcomes for FJF participants: 51% moved into unsubsidised employment, compared to 36% in surrounding areas (Manchester City Council, 2011). In the Liverpool city region, there was strong *engagement of the private sector*, which is typically better placed to provide long-term, unsubsidised employment (Kluve et al., 2018). There, Jaguar Land Rover created 100 permanent jobs out of the 120 placements that it offered through FJF (Centre for Economic & Social Inclusion, 2011).

However, in FJF, local partnerships were inconsistent. Some provided extensive support to participants, while others simply acted as larger pools of vacancies. Private sector involvement was notoriously low: for example, Birmingham City Council reported that only 2% of their 2,500 jobs were in the private sector (Work and Pensions Committee, 2010). In addition, the FJF failed to adequately address regional inequalities. Yorkshire & Humberside created less than two-thirds of the FJF jobs that would have been expected based on their eligible population, while stronger economies like London created more FJF placements than expected (DWP, 2012).

Recommendations

Enabling effective local delivery partnerships (through a spirit of devolution):

Recommendation 1: The Government should enable, encourage and support the formation and sustainment of local delivery partnerships consisting of local government, civil society, Jobcentre Plus and private sector employers, and oversee their effectiveness.

- The Government should encourage the formation of local consortia made up of a network of partnerships that will ensure the scheme fits the strengths, opportunities and challenges of different places.
- To enable this, the Government must provide a high degree of flexibility in delivery for implementing agencies, coupled with strong oversight of performance.
- The onus to lead partnership building should fall to local government, and local employers should receive clear communication on how to participate in a partnership in order to offer placements.
- Jobcentre Plus (JCP) in local areas should be enabled and encouraged to work flexibly and adaptively with local delivery partnerships, especially with regard to referral processes, to ensure the preparation and handover of candidates operates in a smooth and joined-up manner. Profiling, or the proactive use of personal information to best match candidates to available opportunities, has been previously identified as a key factor for enabling successful programmes (Kluve et al., 2018).
- To ensure local delivery partners are able to work adaptively to evolving circumstances, Central Government will need to share data collected through its monitoring capability to local delivery partnerships in real time, particularly with regard to tracking employee status post Kickstart.

Recommendation 2: The Government should set a clear expectation of continued employment of participants following the 6-month placement, and ensure other options are available to participants as back-up.

- Scheme guidelines should lay out clear expectations for participating employers and local consortia around supporting their Kickstart participants into sustainable employment opportunities.
- To ensure Kickstart participants do not return to unemployment in cases where sustained employment is not possible, the Government should ensure local delivery partnerships make a range of options available to participants at the end of their six-month placement, such as education and volunteering opportunities.

Recommendation 3: The Kickstart scheme should be implemented with reference to existing employment and training schemes which share its ultimate aim to achieve sustainable employment for young people, including by enabling and encouraging integration at the local level.

- Government should explore integrating the Kickstart scheme with alternative schemes, especially those which could provide supplementary training. Youth employment programmes that offer a range of combined services (for example: skills training, income support, and referral processes) are more likely to have a positive impact on employment outcomes (Kluve et al., 2018).
- Local partners that manage Kickstart bidding should ensure an integrated offer from local employers and training providers. As part of its *Plan for Jobs*, the Government announced additional funding for a range of existing employment programmes, totaling £1.6 billion (an additional £111 million for traineeships; £17 million to triple the number of sector-based work academy placements; and a new, additional payment of £2,000 to employers for each new apprentice they hire aged under 25 (HM Treasury, 2020)). Many employers already successfully participate in these schemes and suggest it is counter-productive to abandon them in favour of the Kickstart scheme.

Stimulating private sector involvement (leveraging *responsible business*)

Recommendation 4: The Kickstart scheme requirements should avoid creating arbitrary barriers to private sector involvement

- Kickstart scheme requirements should allow for a more expansive interpretation of ‘community benefit’. The government should provide clear, flexible guidelines that acknowledge many businesses’ wider responsibility to society, and seek ways to galvanise a standardised interpretation. This will help to avoid inconsistent or rigid interpretations of any ‘community benefit’ stipulations becoming a barrier to private sector involvement, as they were in FJF.

Recommendation 5: The Kickstart scheme should be widely advertised, both at local and national levels

- The government must proactively invest in marketing efforts to ensure that employers are aware of the Kickstart campaign, particularly within the private

sector. In light of COVID-19 and massive support to reset the economy, there is immense opportunity to engage the private sector in the Kickstart scheme on the grounds of 'responsible, mission-led' business.

- In advertising the scheme, the Government must state the purpose, requirements and process in a simple, clear manner. The Government should emphasize that there will be extensive channels of support in bidding for and organising placements, and should encourage employers to participate in locally-led partnerships.

Targeting left behind places (to support levelling-up)

Recommendation 6: The Kickstart scheme should consider aligning with other economic stimulus, related to levelling up, in left-behind places.

- The scheme should target less economically vibrant places, that are less able to create new jobs, by aligning with other government policy which supports the levelling-up agenda or people living in socio-economically deprived places. For example, the 101 towns earmarked for funding from the £3.6bn Towns Fund, or the 12 Opportunity Areas, could be given application priority in return for a clear expectation that they take a joined-up, collaborative and cross-sectoral view of socio-economic development in their places.
- Departments should collectively facilitate the tailoring and integration of their respective schemes by enabling and encouraging partnership working at the local level.

Recommendation 7: Government should ensure all places have strong capacity to build effective partnerships, in order to avoid exacerbating existing inequalities.

- The Government should proactively create opportunities for provider groups to learn from one another. Local areas that lack strong collaborative traditions between stakeholders should be connected with those who have a strong record in this way of working. This is to ensure that places with the least capacity to develop such partnerships do not miss out on the opportunity to implement the scheme effectively, which could widen place-based inequalities.

Detailed evidence review: what lessons should be learnt from the predecessor scheme?

There is much to be learnt from the Future Jobs Fund (FJF). Created in October 2009 in the wake of the financial crisis, this scheme subsidised employers to take on young people who were seeking work. Employers were expected to keep the person on for at least six months, for at least 25 hours per week, paying at least the National Minimum Wage. Officially aimed at creating job opportunities for young people, its critical value was in its potential to move unemployed people into sustainable employment. Individual organisations or consortia - usually led by local councils - submitted bids to the Department for Work and Pensions (DWP) to receive funding to operate the scheme, which reimbursed them up to £6,500 per job offered (40% to cover set-up, and 60% in arrears to cover wages for actual weeks worked). Candidates were referred to jobs through JCP. 481 organisations, mainly in the public and

third sectors, received funding over the lifetime of the scheme. In total, just over 105,000 job placements were started under the FJF, at an estimated total cost of £589 million (Centre for Economic and Social Inclusion 2011; DWP, 2012).

The value of private sector engagement, and the need for more of it

In their evidence to the Work and Pensions Select committee reviewing FJF, a number of local authorities, including Manchester, North Tyneside and Wigan, highlighted that the private sector was better suited to provide sustainable job placements (Work and Pensions Committee, 2010). Public and third sector organisations, which constituted the majority of FJF placements, were financially strained and often unable to retain employees.

However, private sector involvement was notoriously low in FJF. Birmingham City Council reported that only 2% of their 2,500 jobs were in the private sector. Barnsley Metropolitan Council, meanwhile, reported that 7% of their 614 jobs were provided by private sector companies. By far the highest reported share came from Oxfordshire, with 33% of their 120 jobs in the private sector (Work and Pensions Committee, 2010). As we will go on to explain, this low uptake was driven by three factors: a narrow interpretation of state aid rules, low awareness of the scheme amongst potential private sector employers, and an application process that seemed to disfavour the private sector.

The importance of local partnerships

Though FJF was a national scheme, many of the jobs created by the scheme were delivered by bids working at the local or regional level. These bids often came from consortia headed by local government and working alongside the public, third and private sectors to provide jobs. From the perspective of the FJF scheme, these consortia seemingly functioned simply as larger units within which subsidised jobs could be created. However, in many cases, the local partnerships that were formed to provide FJF jobs fulfilled a much more complex and valuable role. Effective local partnerships provided a ‘wraparound’ service, filling gaps in the service provided to young people, addressing potential issues, and ultimately helping participants to move beyond the scheme into long-term work.

The weaknesses of FJF

Unclear expectation and limited support around transitions into sustainable opportunities left employers confused and employees frustrated.

Implicit in FJF’s design was the assumption that creating jobs in the short term will automatically lead to sustained, unsubsidised employment. Therefore, expectations for employers to support FJF employees into permanent job placements were ambiguous at best. While some employers, like Jaguar Land Rover, offered full-time positions (conditional on performance) after the 6 months, others did not even offer an interview (Centre for Economic & Social Inclusion, 2011).

‘Community benefit’ stipulation created an unnecessary barrier for private sector engagement

DWP placed strict restrictions on the FJF scheme to comply with EU state aid rules. This included the ‘community benefit’ stipulation, generally considered to have been the

primary barrier to involving the private sector in the Future Jobs Fund. Whether this stipulation was indeed necessary is debated (Work and Pensions Committee, 2010). However, as a result, the majority of jobs created in the private sector were through businesses with charitable arms, or through companies that were contractors in the delivery of public services (Work and Pensions Committee, 2010; Scottish Government, 2010).

The Future Jobs Fund scheme was unknown by many in private sector, resulting in low uptake

Awareness about the Future Jobs Fund among all employers was substantially lower, when compared to other schemes. An evaluation by the Work and Pensions Committee suggested that only 15% of employers were aware of this scheme over the course of its existence. Additionally, employers in the public sector were significantly more likely to learn of this scheme (Work and Pensions Committee, 2010).

Delayed, vague DWP guidelines complicated bidding process

An effective bidding process was key to involving the private sector in FJF. However, reports from multiple local councils exposed several complications in the process. First, bidding and employee eligibility criteria were not published in advance, making it difficult for organisations to create and advertise appropriate job placements (Work and Pensions Committee, 2010). Second, DWP's guidelines stated that the department has a "strong preference for partnership bids involving a wide range of organisations" and expects "a significant number of bids to be led by local or sectoral partnerships" (DWP, 2009). While well-intentioned and critical to securing diverse placement options for candidates, the CBI interpreted these recommendations to mean that fund allocations were weighted against the private sector (Work and Pensions Committee, 2010). Third, a tight turn-around between the announcement of placements (May 2009) and first job offerings (September 2009) gave limited time for organisations to prepare. This created an additional barrier for the private sector, which traditionally has long recruiting processes (Work and Pensions Committee, 2010).

Referral handovers did not function smoothly

In FJF, JCP advisors passed on to candidates the vacancy information provided by employers. On a number of occasions FJF employers questioned whether JCP advisors had referred candidates to appropriate jobs. Concerns were also expressed as to whether candidates were sufficiently prepared for the application and interview process (Work and Pensions Committee, 2010).

More economically vibrant regions had a higher share of placements, exacerbating regional inequalities

There is limited evidence on the geographic distribution of FJF jobs. However, in their evaluation of the scheme, the DWP compared the regional share of FJF starts to the eligible population (claimants on JSA for at least 6 months). A number of regions generally considered more economically vibrant (including London and the North West) exhibited a higher-than-expected share of FJF starts, while other regions including the East of England and Yorkshire & Humberside had a lower-than-expected share (DWP, 2012). The scheme was largely uniform across Great Britain, with little explicit support for those areas with greater need. The exception to this was in 'unemployment hotspots', defined as areas where the

unemployment rate is 1.5 percentage points above the national average (DWP, 2012). In these areas, long-term JSA claimants above the age of 24 were also eligible to take part in the scheme. However, there was no additional funding attached, with payments still capped at £6,500 per job.

How participating employers and local consortia overcame these weaknesses

The most successful localities actively drove local partnership working to ensure employment lasted beyond the period of FJF subsidy

In their evidence to the Work and Pensions Select Committee, Barnsley Council noted that “genuine partnership working was instrumental in ensuring the success of the programme”. They developed a personalised service in their FJF programme, beginning with an initial assessment of the individual and pre-recruitment training, as well as providing ongoing in-work training throughout the scheme to improve employability. Barnsley were also able to gain agreement from all of their employers to provide match funding for the scheme, allowing the provision of up to 50 weeks employment for participants. (Barnsley Metropolitan Borough Council, 2010). In East Lothian, candidates were provided with a guaranteed interview with East Lothian Council (assuming minimum criteria for the job were met) or Jewel and Esk College upon completion of the six-month placement (East Lothian Council, 2010).

Manchester City Council provided participants with a point of contact for various progression routes beyond the scheme, including further education, apprenticeships and volunteering. In addition, they ring-fenced entry level positions within the council for those completing FJF placements, and highlighted high-performing participants to other employers (Manchester City Council, 2010). 55.1% of FJF participants in the borough of Manchester made a ‘positive progression’ into either employment (50.7%), education (2.9%) or volunteering (1.5%). This compares favourably to most of the rest of Greater Manchester, where only 38.2% of participants made positive progressions (35.7% employment; 2.0% education; 0.5% volunteering) (Manchester City Council, 2011). Manchester City Council’s unique approach, which built on partnerships to offer a range of progression options to participants, may go some way to explaining their strong performance.

Some localities found ways to integrate with other employment schemes

In order to extend FJF jobs beyond the six month subsidised period, employers found ways to integrate the scheme with other employment programmes. For example, in County Durham, two private sector companies planned to create a combined total of 160 apprenticeships, with FJF funding supporting the first six months of the apprenticeship scheme (County Durham Council, 2010). Similarly, in Southampton, the FJF contributed to 30 apprenticeships within the local Primary Care Trust (Hampshire County Council, 2010). Additional employment schemes also help to support FJF participants to undertake supplementary training. In Sandwell, funding from the Learning and Skills Council was used to provide pre- and post-employment training to FJF participants (Sandwell Metropolitan Borough, 2010).

Localities that were successful in engaging the private sector employed creative strategies to work around the ‘community benefit’ requirement

Localities eased the restrictiveness of the community benefit stipulation by effectively timing their recruitment process, and/or adopting a loose interpretation. In Birmingham, authorities recruited organizations from the private sector before receiving specific guidance from DWP (Merinda Associates, 2011). In Durham, authorities accepted bids from businesses developing green technology as it “[promoted] energy efficiency” (County Durham Council, 2010). In Knowsley, the council signed a contract with Jaguar Land Rover after agreeing that employees would work directly in their community as part of the programme (Work and Pensions Committee, 2010). Standardising and clearly communicating acceptable interpretations of ‘community benefit’ would likely have encouraged more private sector uptake.

Some localities worked hand-in-hand with Jobcentre Plus to improve referral processes

Strong local partnerships helped to overcome these challenges. Norfolk County Council (NCC) held three FJF contracts, working with a consortium of more than 39 employers around the county. They identified a designated contact in each local Jobcentre who partners could liaise with to address any issues. Joint workshops were also held between the lead accountable body (NCC), employers, and JCP, helping to build relationships and improve communication between different partners. As a result, the Council concluded that the tension between JCP and employers that had been observed elsewhere “has not been a barrier in Norfolk” (Norfolk County Council, 2010).

In other cases, partners sought to establish structures which explicitly bridged the gap between JCP and employers. Stoke-on-Trent City Council, who led a consortium of 30 employers from the public, private and voluntary sectors across Staffordshire, used part of the FJF grant to establish a “jobs brokerage model”. This sat between JCP and employers, ensuring candidates were well-matched to jobs and providing support throughout their placement (Stoke-on-Trent City Council, 2010).

About the Government Outcomes Lab

The Government Outcomes Lab (GO Lab) is a centre of academic research and practice based at the Blavatnik School of Government at the University of Oxford. We investigate government’s role in unlocking effective cross-sector partnerships to improve social outcomes, and we provide actionable recommendations to those undertaking this way of working. The GO Lab was established in 2016 as a partnership between the University of Oxford and the Office for Civil Society within the UK Government.

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