EXPLANATORY MEMORANDUM TO

THE DRAFT JOBSEEKER'S ALLOWANCE (18 - 21 WORK SKILLS PILOT SCHEME) REGULATIONS 2014

2014 No.

1. This explanatory memorandum has been prepared by Department for Work and Pensions and is laid before Parliament by Command of Her Majesty.

2. Purpose of the instrument

2.1 The Department proposes to pilot the 18 – 21 Work Skills Pilot Scheme ("the scheme") following the Autumn Statement of December 2013. The scheme introduces a pilot comprising two phases ("the pilot") under which 18 – 21 year old claimants will be mandated to attend either skills training or work-related activity (or both) to provide them with the skills or experience (or both) to assist their return to work. This pilot is intended to test the effectiveness of providing 18-21 year old claimants who are at different stages of their JSA claim with skills training or work-related activity (or both).

2.2 These Regulations will provide the Secretary of State with the power to select and mandate claimants to participate in the pilot for a period of up to 6 months. The Regulations also set out the information that must be provided to claimants who are participating in the pilots, the circumstances in which the requirement to participate ceases or is suspended, and make provision for contracting out certain functions of the Secretary of State. Failure by a claimant to participate in the scheme without good reason will attract a benefit sanction under section 19A of the Jobseekers Act 1995.

2.3 The Regulations will cease to have effect 24 months after the date that they come into force.

3. Matters of special interest to the Joint Committee on Statutory Instruments

3.1 The 21-day rule for affirmative regulations will not be applied in relation to this SI. It should be noted that the timetable for these Regulations was agreed in February before publication of the JCSI report establishing a 21-day rule for affirmative regulations and process and implementation planning has been heavily based around the expectation that the regulations will come into effect the day after they are made. Changing the timetable now would cause very significant problems because:

- DWP and BIS have put in place processes to implement the pilot as soon as possible, including contracting with providers to deliver the pilots from late November / early December;
- The Phase 1 evaluation requires sufficient numbers of claimants to participate in both treatment groups and the control group within the planned delivery period. The last window for referring claimants to Phase 1 is likely to be December 2015 in order for them to have completed their participation in 2015-16. Any delay to implementation of the Scheme may impact on the volumes of claimants that can complete the Scheme and this could undermine the validity and robustness of the evaluation of the pilot;

- Any shortening of that delivery period – including a 3-week delay in the coming into force date, which would translate into approximately 4-5 weeks' of delay in implementation (because it would be very difficult to commence the roll-out of the Scheme over the Christmas period) – may similarly jeopardise the validity and robustness of the evaluation. Phase 1 providers may receive lower than expected volumes of claimants during the period of the contract if the planned delivery period is significantly reduced, impacting on their funding model and the evaluation of this pilot

3.2 DWP will take steps to ensure that there is no adverse impact on claimants. As explained below, claimants will be given information in advance of selection for the Scheme and have the opportunity of a discussion with their Work Coach before they are required to do anything under the Scheme. Also, while DWP's intention is that claimants will be selected for the pilot within 21 days of the regulations coming into force, it is unlikely that claimants will be required to do anything as a result of participation in Phase 1 or 2 for at least the first week after the Regulations come into force.

4. Legislative Context

4.1 The 18-21 Work Skills Pilot Scheme is one of the outcomes of a Cabinet Office review of all policies, funding and provision for 16 – 24 year olds not in employment, education or training (NEETs) and was initially announced by the Chancellor in the Autumn Statement 2013, then reaffirmed in the Deputy Prime Minister's announcement of 27 February 2014.

4.2 These Regulations are being made to enable the Department to introduce the scheme and conduct the pilot by providing the Secretary of State with the power to prescribe the scheme and require claimants to participate in the scheme. The power relied on by the Department to run the pilot requires affirmative regulations to be implemented.

4.3 This instrument is not part of a sequence of linked SIs and is of limited duration, ceasing to have effect 24 months after coming into force - shortly after the expected end date of the scheme.

5. Territorial Extent and Application

This instrument applies to England.

6. European Convention on Human Rights

The Minister for Employment has made the following statement regarding Human Rights:

"In my view the provisions of 'The Jobseeker's Allowance (18 – 21 Work Skills Pilot Scheme) Regulations 2014 are compatible with the Convention rights."

7. Policy background

- *What is being done and why*

7.1 The UK has a long-term structural issue with youth unemployment. Even in better economic times between 7-9% of young people struggle to find work and overall youth inactivity remains persistently high at over 20%, which is above the Organisation for Economic Co-operation and Development (OECD) average.[1]

7.2 There is strong evidence that this structural issue is related in part to poor skill levels amongst young people, specifically:

- A recent OECD survey of basic skills in 24 countries places England 22nd for literacy and 21st for numeracy amongst young people, and highlights that England is one of the only countries where the basic skills of people in their 50s are better than those in their 20s.[2]
- The last Skills for Life Survey (2011) showed that 24% of working age adults lack the numeracy skills and 15% lack the literacy skills they need in order to carry out simple tasks and function effectively in a working environment – around 8.1 million and 5.1 million people respectively. The proportion of working age adults without these skills at a Level 2 qualification[3] (or better) standard are even higher – 78% for maths and 43% for English.[4]The evidence suggests that those with better maths and English skills are more likely to find work and progress in work. For example, those with a GCSE in English from grades A*-C) will, on average, earn 6% more over their lifetime and are 8% more likely to find work. Those with a GCSE in maths from grades A*-C will, on average, earn 18% more over their lifetime and are 13% more likely to find work.[5]
- We know that young people who are unemployed at a young age are more likely to be unemployed later in life.[6] We also know that those who remain on benefits long-term are at risk of permanent disadvantage in the labour market and of reduced earning potential for the remainder of their working lives.[7] Having a good set of skills can make a real difference to a young person's future employment outcomes. But the recent International Survey of Adult Skills by the OECD showed that not all of our young people are gaining these critical basic skills.[8]

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[1] OECD, Programme for the International Assessment of Adult Competencies (PIAAC): Initial findings, (2013) http://skills.oecd.org/skillsoutlook.html
[2] Ibid
[3] A Level 2 qualification equates to a GCSE grade A-C .
[4] Department for Business Innovation Skills (2011) Skills for Life Survey: Headline Findings.
[5] London Economics/BIS Research Paper 106, Feb 2013 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/259302/bis-13-637-a-disaggregated-analysis-of-the-long-run-impact-of-vocational-qualifications.pdf
[6] ACEVO, Youth unemployment: the crisis we cannot afford (2012)
[7] Gregg and Tominey, The Wage Scar from male youth unemployment (Labour Economics 12, 2005); Bell and Blachflower, Youth Unemployment, Déjà vu? (2010)
[8] Department for Business Innovation Skills (2012) International survey of adult skills: adult literacy, numeracy and problem-solving skills in England. Research Paper 139. https://www.gov.uk/government/publications/international-survey-of-adult-skills-2012

7.3 There is also strong evidence that lack of work experience is a major barrier for young people finding employment and that work-related activity provides an effective support. For example:

- Findings from The Employer Skills Survey 2013 suggest that where young applicants were not considered to meet the requirements of the role, the main reasons cited were lack of skills and experience.
- The survey also shows that whilst a quarter of establishments hired education leavers under the age of 25, more employers (32%) recruited young people who were going into their second or third job, from which it can be deduced that employers value work experience.
- Results from an assessment of the DWP Work Experience voluntary scheme suggest that participants in this scheme were approximately 16% more likely to be off benefit and 28% more likely to be in employment after 21 weeks following completion of the scheme compared to non-participants.

7.4 However, whilst evidence for the impact of poor basic skills and/or lack of work experience on the level of youth unemployment is compelling, there is no clear evidence of what methods would be most effective in improving the skills or enhancing the work experience of young unemployed people. For this reason, we wish to pilot the use of innovative approaches to address these issues, so that a firm evidence base can be constructed and used to inform future policy development and subsequent decisions about national rollout of that policy.

7.5 As stated above, the scheme comprises a pilot with two different phases which are designed to support 18-21 year old claimants to improve their skills and gain employment. The first phase - Phase One - is aimed at new JSA claimants who are aged between 18-21 year old and who do not have skills in English or Maths at a Level 2 or higher standard. The second phase - Phase Two - is aimed at 18-21 year old claimants who have been claiming JSA for 6 months or longer. Most claimants will participate in only one phase of the pilot, however there is one geographical area in which both phases are being run and there is a possibility that some claimants in that area may undertake both.

7.6 There will be a full evaluation of both phases of the pilot to understand the effects of new approaches to tackling poor English and maths skills amongst 18-21 year olds, and of testing the effect of mandating 18 – 21 year olds to work-related or skills-related activity once they have become long-term unemployed. The pilots are described in more detail below.

7.7 The aim of Phase One is to up-skill claimants in English or maths or both, in order to improve their prospects of gaining employment and, as a result, reduce long-term wage and labour market disadvantage. The objectives of Phase One are to:

- Run a Randomised Control Trial comprising 15,000 participants split equally between a control group, a ‘blended learning’ group and a ‘pure online learning’ group, thereby producing valid data on which a decision on whether to implement or develop the policy and roll it out nationally can be based;
- Compare two methods of learning in terms of effectiveness and cost;

- Identify whether the use of mandation is effective in encouraging participation; and
- Identify the impact of the learning on job outcomes and off-flow from benefit.

7.8 Phase One of the Pilot will operate as follows:

- New JSA claimants in the pilot areas (Black Country, Kent, Mercia and Devon, Somerset & Cornwall) aged 18-21 who are unable to produce evidence of Level 2 qualifications in English and maths (i.e. a GCSE at grade A* – C or equivalent) will be identified by Work Coaches (formerly known as Jobcentre Advisers) at their initial Jobcentre interviews and issued with a notification that they are required to participate in a pilot and attend an independent skills assessment.
- At a subsequent interview – not less than 5 days later – the claimant will have the opportunity to make further representations if they feel have good reason not to participate. Otherwise the Work Coach will mandate in-scope claimants to an independent skills assessment.
- At the independent skills assessment the provider (i.e. the colleges and organisations that will be delivering the assessments and the training) will:
    - Assess the level of skill in English and maths at which the claimant is operating – if a claimant is operating at a level of skill equivalent to a Level 2 standard or better that claimant will become out of scope of Phase One;
    - Identify the learning required by the claimant, namely English, or maths, or a combination of both; and
    - Identify those young people whose IT skills are below the standard required to participate in Phase One – these claimants will also become out of scope.
- The provider will then send a report back to the Jobcentre.
- Claimants whom the skills assessment indicates have a level of skill in English or maths or both that is below a Level 2 standard will be randomly assigned to one of the three groups mentioned above – either a control group, a 'blended learning' group or a 'pure on-line' group.
- Claimants assigned to the control group will receive a notification advising them that they are no longer required to participate in the scheme and that the Department will monitor their progress and gather data for the purposes of the evaluation. They will subsequently be offered the full range of provision and services available to claimants uninvolved in the pilot, and decisions about the most appropriate support in each case will be informed by the assessment from the provider.
- Claimants in the two treatment groups – the 'blended learning' and 'pure on-line' groups – will be notified that they are required to undertake skills training in English or maths (or both) for up to 16 hours per week for up to 6 months.
- Those in the 'blended learning' group will undertake their training through a combination of classroom-based teaching and on-line methods. Those claimants in the 'pure on-line' group will undertake their training solely through on-line methods with access to a tutor via virtual means only (e.g. Skype, e-mail, etc). The use of online methods is intended to engage and inspire young people to learn and acquire skills and qualifications where more traditional classroom-based learning may have failed to motivate them in the past.

- It is recognised that not all claimants will be able to achieve a Level 2 qualification within 6 months but the aim is that participants should increase their skills by at least one level (e.g. from Entry Level 3 to Level 1) within the time available.[9]
- Claimants will face sanctions to their JSA if they fail to participate in Phase One without good reason but they will not face sanctions if they fail to achieve a qualification.
- Travel expenses and child care costs incurred as a result of participation in the Phase One will be funded by Jobcentre Plus.

7.9 The aim of Phase Two is to improve the employability of 18-21 year old long-term claimants by ensuring that all such claimants take advantage of the work-related activities – or, if appropriate, skills training – that is available through their local Jobcentre. Approximately 3,000 claimants will be required to participate in this phase.

7.10 Phase Two of the Pilot will operate as follows:

- All 18-21 year old JSA claimants in the pilot area (Kent) who have been in receipt of benefits for 6 months or longer will be regarded as within the scope of the pilot (irrespective of skill level). In cases where in-scope claimants are already engaged in suitable training or other provision at the 6-month stage of their claim, selection for participation in Phase Two will be deferred until that provision has been completed, at which point a decision on whether to select them for participation in Phase Two will be taken.
- The Work Coach will have an interview with claimants at the 6-month point of their claim at which they will discuss the barriers that have thus far prevented them from finding work and to identify provision most suitable to that individual's needs. It is expected that the Work Experience scheme – which is voluntary – will be the most appropriate option in the majority of cases but other options available under Phase Two will include:
    - Traineeships
    - sector-based work academies
    - Skills training placements
    - Mandatory Work Activity scheme placements
- The adviser will then make a referral to the most appropriate option. Some of these options are (and will remain) voluntary, but participation in some form of provision will be mandatory.
- The difference between Phase Two and 'business as usual' is not in the type of provision that will be available to claimants, but rather that all in-scope 18-21 year old claimants will be required to participate in some form of provision at the 6-month stage of their claim. Doing nothing will not be an option.
- There will not be any additional sanctions imposed on participants in Phase 2 beyond the sanctions that already exist for failing to participate in any of the mandatory schemes that will form part of the Phase Two package of support.

[9] An explanation of how qualification levels compare can be found at http://ofqual.gov.uk/help-and-advice/comparing-qualifications/

- Travel expenses and child care costs incurred as a result of participation in the Phase Two will be funded by Jobcentre Plus.

7.11 Funding for both phases of the pilot will come from a £19 million envelope derived from the Youth Contract underspend. Approximately £5 million of this will cover the costs of a 16/17 year old pilot; the remainder will cover the costs of operating the scheme. The responsibility for procuring and funding the English and maths skills training for Phase One will rest with the Skills Funding Agency and hence a budget exchange from DWP to BIS will cover the expected BIS/SFA costs.

The table below shows the breakdown of costs:

Phase 1

Total DEL 2014/15 and 2015/16	DWP	BIS	Total cost
Intervention	-	9,000,000	9,000,000
Adviser costs	155,000	-	155,000
FSF, DMA etc	950,000	-	950,000
Evaluation	400,000	400,000	800,000
Total DEL	1,505,000	9,400,000	10,905,000

Phase 2

Total DEL 2014/15 and 2015/16	DWP	BIS	Total cost
Intervention	1,380,000	-	1,380,000
FSF, DMA etc	100,000	-	100,000-
Evaluation	50,000	50,000	100,000
Total DEL	1,530,000	50,000	1,580,000

- *Consolidation*

As this is a new time-limited and free-standing statutory instrument the issue of consolidation does not apply.

8. Consultation outcome

8.1 Since the scheme involves piloting two different policies, it is not appropriate to consult widely at this stage. If the evaluation of the pilots supports the national rollout of either or both policies, the Department will consult before proceeding further.

8.2 These regulations require consequential amendments to be made to Housing Renewal Grants Regulations 1996 and the Housing Benefit Regulations 2006 in order to ensure that claimants participating in the pilots are not penalised in respect of any refunds for expenses incurred as a result of their participation. A letter was sent to all Local Government Associations in England concerning the amendments made to Housing Benefit Regulations, and all agreed that formal consultation was not required.

9. Guidance

9.1 Guidance to support the 18-21 Work Skills pilots is currently being drafted and is expected to be available from late-October ahead of the expected "go live" date for the pilots scheduled for early December.

9.2 This guidance will include details of the selection and referral criteria and processes.

9.3 Claimants participating in the pilots will also be provided with information about the relevant pilot prior to being selected for participation and will subsequently be provided with notification letters explaining *inter alia* what participation in the pilot will involve, as well as when their participation will begin and finish, and the consequences of failing to participate.

10. Impact

10.1 There is no impact on business or civil society.

10.2 The impact on the public sector is minimal. The funding for the pilots derives from a DWP underspend on the Youth Contract budget and consequently there are no additional claims on public funds.

10.3 An Impact Assessment has not been prepared for this instrument.

11. Regulating small business

11.1 The legislation does not apply to small business.

12. Monitoring & review

12.1 As stated above, the purpose of the pilots is to evaluate the effectiveness of providing 18-21 year old claimants with training or work-related activity (or both) at different stages of their JSA claim to inform future policy development and implementation.

12.2 Phase One pilot will be run as a Randomised Control Trial so that the effects of English and maths learning can be distinguished from other factors. The evaluation of the results will be carried out by an independent research company and the findings will be published externally in 2016. The objective of the evaluation will be to measure:

- The relative merits of blended and on-line methods of learning in terms of effectiveness and cost.
- The effectiveness of mandation in encouraging participation.
- The impact of maths and English learning on claimant off-flow from benefit and on job outcomes.

12.3 Phase 2 will not be run as a Randomised Control Trial as the provision and support to which claimants will be referred are all existing programmes that have been, or are in the process of being, evaluated. The evaluation of Phase 2 will be carried

out jointly by an independent company and by DWP: the former carrying out the qualitative interviewing of claimants, Jobcentre Plus staff and employers; the latter carrying out the quantitative analysis. The findings will be published in autumn 2015. The objective of the evaluation will be to measure:

- The impact of mandation on take-up of provision
- Off-flow rates from benefit
- Short term and long term job outcomes
- Skills gained
- How the process is received by claimants (what are their attitudes and behaviours towards mandation and selection of opportunities available) and advisors (ease of delivery and implementation), and employers (attitude of claimants).

12.4 Throughout the lifetime of the pilot, numbers of participants flowing onto and off the scheme will be monitored to ensure sufficient numbers of claimants are engaged to ensure a robust evaluation.

13. Contact

Tim Dibb at the Department for Work and Pensions can answer any queries regarding the instrument and can be contacted by telephone on 0113 232 7226 or by email at tim.dibb@dwp.gsi.gov.uk: