

In-house Report 134

(Summary)

**MID-TERM EVALUATION OF THE OBJECTIVE 3
OPERATIONAL PROGRAMME FOR ENGLAND AND
GIBRALTAR**

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SUMMARY of FINAL REPORT

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Summary

Introduction

The aim of the mid term evaluation of the European Social Fund (ESF) Objective 3 is to report on progress of the current (2000-2006) programme in attaining its objectives. These objectives encompass those associated not only with outputs and impacts – on individuals, companies and those involved in the delivery of the programme – but also on the processes of implementation, in exhibiting how objectives have been reached.

Key, overarching objectives are to examine the role of ESF funding in terms of its:

- relevance – is the activity funded by ESF Objective 3 and its impact relevant in the more general social and economic context ?
- consistency – what value does the programme add to domestic policies ?
- effectiveness – is the programme achieving its projected outcomes ? and
- efficiency – what are the costs of the programme in relation to impacts ?

This summary generally follows the structure of the main report in presenting the main findings from each chapter. In so doing it attempts to highlight main and recurrent themes that provide links to the main recommendations. It provides relevant chapter and section references where appropriate.

Background

The ESF is one of the four Structural Funds of the European Union. It is the main instrument for promoting employment, supporting the European Employment Strategy's aims and four pillars of improving employability, developing entrepreneurship, encouraging adaptability of businesses and their employees and strengthening equal opportunities for women and men. It thereby supports the UK National Action Plan for Employment (NAP), which reflects these four pillars and the more specific Guidelines which make up the main policy 'hub' of the EES.

ESF Objective 3 funding itself is structured around five main Policy Fields (or priorities):

- active labour market policies;
- equal opportunities for all in the labour market – promoting social inclusion;
- lifelong learning;
- adaptability and entrepreneurship; and
- improving women's labour market position.

Each of the policy fields comprises two or three specific measures which detail the areas where ESF is to be concentrated in order to maximise the impact of EU funds and to show coherence with domestic policy. Projects funded by the Programme are required to fall into one of these measures. The Objective 3 Programme also includes reference to the need for projects to take account of the four horizontal themes of: local development, equal opportunities, sustainable development and the information society.

Evaluation Methodology

The mid-term evaluation broadly follows a 'bottom-up' methodology that focuses on measuring the impact of Objective 3 on the individuals, companies and organisations who

have received support, rather than attempting to look at the macro-economic impact of the programme. The four main tools in delivering the evaluation strategy are:

- monitoring information based on administrative data – this is collated for each project at both the application - when projects make their initial applications for funding - and closure stages. Data are collected on costs, number and characteristics of participants (including gender), project activities, number and type of qualifications gained and the labour market destinations of participants. Data from project closure reports relates mainly to alternative bidding projects. Co-financing was introduced from late 2001 and relatively few Co-financing projects has closed at the time of this evaluation;
- follow-up surveys of programme participants. These provide additional and alternative evaluation evidence to the monitoring information, being based on around 3,500 responses from individual participants (as opposed to projects) surveyed around six months after they leave the programme. They thereby provide much more detailed information on the impact of the programme on particular groups of individuals. Surveys were conducted in both 2001 and 2002;
- survey of companies receiving ESF support. The monitoring data on company beneficiaries is limited in comparison to that collected on individual beneficiaries. The 2002 Companies Survey therefore aimed to enhance this information by providing more detail on the type of companies and their employees receiving Objective 3 support, the type of training received and outcomes for both employees and the companies; and
- ad hoc research into emerging issues. A range of evaluation projects have contributed findings to this report. For example, specific evaluation projects have been used to inform the mid-term evaluation in relation to the horizontal themes. The findings from other evaluation projects that look at specific issues, such as soft outcomes or co-financing, have also been utilised within the report. These studies use a variety of research methods including desk- based research of secondary data, quantitative surveys and in-depth interviews with beneficiaries and others involved in the programme.

Links with the European Employment Strategy (Chapter 2)

Introduction

An important aim of the ESF is to support the European Employment Strategy (EES). Indeed, the ESF Regulation makes clear that the main task of the ESF is to contribute to the EES by supporting and complementing activities in Member States' NAPs.

Strategic Links

The EES Guidelines are enshrined within the overarching scope of the pillars and thereby form a direct, policy-oriented link to the NAP. They are reviewed annually by the Commission and it is therefore quite possible that ESF activities planned at the start of the current programme have become less relevant with changing social and economic conditions and priorities at both European and national levels. A qualitative review of the Guidelines since 1999 suggests however that the links between the EES/NAP Guidelines and the ESF measures are still clear and explicit.

The 2003 EES pillars and Guidelines are fewer in number, with 3 Objectives or 'pillars' – full employment; improved productivity and job quality; and an inclusive labour market – and 10 Guidelines, as against 20 in 2002. They exhibit a good deal of continuity with their 2002 equivalents. However there are new and notable emphases on active and preventative measures for those who are economically inactive, alongside those for the unemployed; on job creation and quality; integrating disadvantaged groups and individuals; and combating undeclared work.

Actions and achievements since 1999 using Objective 3 funding have been analysed to provide a more tangible review of links to the EES.

A mapping exercise showed a good deal of relevance and linkage between the policy fields and EES Guidelines although this was largely multi-dimensional and asymmetric, with the activities counted under most policy fields and measures estimated to impact across several Guidelines. Likewise, analysis of monitoring data shows a high level of achievement in absolute terms and relatively, against specific operational targets.

The analysis of 'lower-level' strategic links found however that the strategic depth, or extent, of such links with the NAP at sub-national level, within Regional Development Plans (RDPs), and within co-financing organisations' (CFOs) plans do not appear to be universally consistent. This inconsistency is not altogether surprising and may not indeed be unreasonable given the potential range of priorities at these levels, the differential quality of the range of higher-level plans (mainly RDPs), the need for some local flexibility and reliance on local-level strategic guidance, and the still relatively early stages of the co-financing initiative.

Links to the NAP on Social Inclusion

The UK National Action Plan on Social Inclusion 2001-03 sets out the Government's policies for implementing the objectives in the fight against social exclusion and the eradication of poverty, agreed at the Nice European Council in December 2000. The England Objective 3 Operational Programme supports those parts of the plan that aim to help people back to work and combat exclusion from the labour market¹.

ESF Policy Field 2, promoting social inclusion, addresses and links most directly to the NAP's Objectives 2 (Preventing the risk of exclusion) and 3 (Helping the most vulnerable), while the measures under Objective 1 (facilitating participation in employment and access by all) is addressed by all five policy fields.

ESF and the JER Recommendations

The European Council annually reviews each Member State's NAP and proposes specific recommendations on the basis of that review. ESF can therefore have a role in meeting the recommendations which are made with due reference to the EES. Several specific recommendations were proposed in 2001 and have recurred since then in 2002 and 2003. These relate to issues around:

- reducing the gender pay gap;
- reinforcing labour market policies for those adults unemployed for less than 12 months, particularly for those facing particular problems in the labour market; and

¹ The Social Inclusion Plan also sets out policies and programmes which are not relevant to the labour market and which would be ineligible for ESF support, such as support for vulnerable children or older people.

- reinforcing efforts to tackle workforce skills gaps and poor basic skills.

ESF is but one potential, arguably limited, means of engaging with such broad issues. For example, in relation to the gender pay gap, monitoring data (as at end March 2003) shows that 63% of women beneficiaries who had been unemployed at the start of their participation had achieved a positive outcome (i.e. employment, voluntary work, further education or training) at the end. Nearly 40% of the previously-unemployed women gained a qualification. These represent significant improvements in the effective supply of qualified female labour. Encouragingly, the 2001 ESF Leavers' Survey found that there was little difference in the types of employment (permanent, temporary etc.) between men and women who had moved into new jobs since they had participated in the ESF programme; and of those that had moved into new jobs, roughly equal proportions of men and women had started these in managerial, professional and technical occupations. At the same time, a significantly lower proportion of women than men in full-time work were earning high salaries (over £250 per week), while a significantly higher proportion were in the lower incomes brackets. Such evidence suggests that while ESF can encourage activities that ostensibly should help to tackle indirectly the gender pay gap, the issues here are beyond its immediate scope and transcend specific initiatives such as ESF.

The latest (2003) JER has also recommended that the UK should implement active labour market policies that lead to sustainable integration in the labour market in order to alleviate the high concentration of unemployment and inactivity in certain communities. This seems to hold several implications for ESF.

Validity of the Ex Ante Evaluation

The report reviews the more general, contextual issues underpinning the ex ante evaluation. Evaluation evidence from domestic programmes e.g. on New Deal and Adult and Community Learning, since the start of the programme suggests the focus of the programme on supporting the long-term unemployed and other disadvantaged groups, is still appropriate.

Evidence from evaluations of national initiatives might however suggest amending or augmenting existing approaches, including how best to reach out to disadvantaged groups and individuals; and incorporation of targets and measures that reflect sustainability of post-participation achievements, in line with the latest JER recommendations. For example, these may include differentiation of permanent/temporary employment outcomes, monitoring pay etc. Indicators relating to soft outcomes and 'distance travelled' achievements might also be appropriate.

Evaluation evidence, mainly from the New Deal programme, also points not only to a need to reinforce and have differentiated support for particular target groups but also, on how best this should be achieved. The role of tailored, integrated packages of support, especially for those with multiple disadvantage, still seems highly relevant.

Continuing Rationale of the Funding Strategy

The ex ante evaluation concluded that it is very difficult to develop an effective, objective method of allocating funds between policy fields. It rejected the use of comparisons of impact based on 'hard' measures of outcomes alone; favoured an approach that took account of the net impact of policies on particular groups; and invoked a pragmatic approach to allocation of funds at sub-national level, based on extensive consultations at both national and regional levels.

There seems little new evidence, especially on the net impact of funding (see discussion, Chapter 6) to overturn the approach adopted in the ex ante evaluation, i.e. that the funding strategy should reflect a range of criteria based on scale and intensity of need, policy priorities at both national and EU level and that these should be informed and refined by regional needs and consultations with external partners, evidence on programme performance to date and other programme specific factors.

The Role and Influence of ESF Activities

The Commission is keen to see an analysis of the “influence and concentration” of the contribution of Objective 3 funds to the EES and NAP. This is by identifying the domestic policies that are co-financed by ESF and examining how and to what extent ESF contributes. The evaluation therefore sets out an overview of:

- how the pattern of funding ‘maps out’ across the policy fields, measures and EES Guidelines;
- how funding sits relative to overall domestic public funding of the policies and initiatives that it supports; and
- the extent of interaction, or links, of ESF-supported projects with domestic-funded policies.

Analysis of the aggregate pattern of funding shows that the three measures 1.2 (*Improve employability of unemployed, returners and young people*), 2.2 (*To provide help to improve employability and remove barriers for disadvantaged groups*) and 3.1 (*Promote and improve access to lifelong learning for those least likely to take part in learning and those lacking basic skills*), account for over 60% of the total Objective 3 allocation (and 70% of declared expenditure as at the end of December 2002). As at April 2003, they accounted for 63% of completed projects and 58% of beneficiaries.

An attempt has also been made to ‘map’ the Objective 3 allocation across the EES pillars and Guidelines. Bearing in mind the caveat that these are no more than indicative estimates, the main areas of activity covered by the Guidelines appear to be around skills development (including E-learning) and promotion of social inclusion through access to employment. These areas comprise around 45% of the total programme allocation, with planned expenditure under the *Employability* pillar amounting to around 70% of the total. This is in line with indicative estimates of funding by pillar made at the start of the programme and largely reflects UK policy priorities as described in the NAP.

It is estimated that estimated that Objective 3 funding amounts to between 8%-12% of total relevant public domestic funding (around 18%-22% with match funding)². ESF Objective 3 thus appears to be of a small but still significant scale in relation to publicly-funded spend in England on relevant domestic programmes overall. More importantly, how and to what extent does Objective 3 add value to this domestic (or ‘mainstream’) funding? Analysis of Objective 3 projects’ links with domestic programmes found that 56% of projects had direct links with government programmes. These projects encompassed two-thirds of beneficiaries and 70% of project costs. They therefore constitute a substantial potential source of additionality to government-funded labour market programmes. The links with government programmes are especially strong in Policy Fields 1 and 2.

² The scale and pattern of public funding of adult learning and other relevant programmes is difficult to discern but a rough estimate suggests funding of around £1 to £2 billion (around £500 million annually is devoted to adult basic skills provision alone).

England's Labour Market (Chapter 3)

Introduction

The chapter highlights any major changes that have occurred in the labour market since the beginning of the current programme. It also includes a discussion of whether these changes require any amendments to the priorities and focus of the programme. It thereby revisits the issues, and strengths and weaknesses of the English labour market identified and discussed in the OP and ex ante evaluation.

Active Labour Market Policies

Employment and Unemployment - At the end of 2002, the working age employment rate was 74.9%, with 23.4 million people in work. This situation is an improvement on that at the end of 1999, when the working age employment rate was also 74.9%, but with 22.9 million people in work. This slight increase in employment has come about mainly through a fall in unemployment to 5.0% (from 5.5% in 1999), despite a small rise in economic inactivity, to 21.1% of the working age population. This employment rate is significantly higher than the EU's Lisbon target of 70% by 2010. The UK also currently greatly exceeds the Lisbon 2010 employment targets for women and older workers, of 60% and 50% respectively.

The increase in employment has benefited both men and women, although men continue to be more likely to be in employment than women. At the end of 2002, 79.6% of working age men were in employment compared with 69.9% of women.

The growth in employment has occurred across all of England, with all regions recording an increase in their employment rates since the mid to late 1990s. Due to stronger employment growth in those regions with below average employment rates, the difference between the employment rates of the best and worst performing regions has decreased from 12.9 percentage points in 1999 to 11.7 percentage points in 2002 (80.1% in the South East compared to 68.4% in the North East).

At the end of 2002, there were just over 1.2 million ILO unemployed people in England. This represents a fall of over 200,000 since the end of 1999. Unemployment is now at its lowest level for nearly twenty-five years, having fallen below its previous lowest point in 1990. The ILO unemployment rate at the end of 2002 was 5.0%, a reduction on 1999 (5.5%). Women continue to be less likely to be ILO unemployed than men, with an ILO unemployment rate of 4.3% for women compared to 5.5% for men.

Since 1997, ILO unemployment has fallen across all regions, with the difference between the best and worst performing regions narrowing to 3.5 percentage points, from 3.4% in the East to 6.9% in the North East. Most regions saw a fall typically of between 1.5 - 2.5 percentage points in their ILO unemployment rate. The largest falls were within those regions with the highest rates, with the North East seeing the greatest fall, at 2.9 percentage points, while the South East saw the smallest, at 1.3 percentage points.

Long-term ILO unemployment (of 12 months or over) has fallen significantly since it peaked at just over a million in 1993. Long-term unemployment was reported as being 400,000 in 1999 but had fallen to 250,000 in 2002 – a considerable reduction since the beginning of the current programme – and constituted around 20% of total unemployment vis-à-vis 29% in 1999. Women are less likely to be long-term unemployed, with 15% of ILO unemployed women unemployed for 12 months or more compared to 24% of ILO

unemployed men (comparable figures for 1999 were 22% and 33% respectively)

Economic Inactivity - In many respects the biggest challenge now is helping the economically inactive – those who are not seeking work. The number of individuals who are economically inactive has changed little since 1999. Thus at the end of 2002, there were 6.37 million people of working age in England, 21% of the working age population, who were classed as economically inactive. Just over 1.8 million of these wanted a job, but were classed as inactive because they were either not actively seeking work and/or not available to start work.

This generally flat overall trend hides some important compositional changes. Men continue to be less likely to be inactive than women, with the male inactivity rate of 15.7% considerably lower than the female rate of 26.8%. This difference has narrowed marginally since 1997, due to a slight fall in female inactivity and a slight rise in male inactivity.

There are also important differences between age groups. As indicated in the Operational Programme (OP), economic inactivity amongst young people (aged 16-24) has increased over the 1990s. Inactivity rates for this age group in 2002 stood at 25.7%, a slight increase on that reported in the OP for 1999 - 24.3%.

Amongst those aged 50 to state retirement age (59 for women and 64 for men) the proportion who are economically inactive has increased slightly from the late 1990s to 31.9%, while the level of inactivity has also increased as the population aged 50 to 59/64 has been expanding. The gender differences reported in the OP remain fairly constant, with 25% of older men and just under a third of older women being inactive.

Inactivity fell in six of the nine regions in England between 1997 and 2002, and the difference between the highest and lowest rates widened from 8.1 to 9.9 percentage points. This constitutes a change since the beginning of the Programme as several regions that previously saw stable or increasing rates of inactivity are now seeing falling rates – these are the East of England, Yorkshire and the Humber and North West regions. Conversely, two regions, East Midlands and London, that previously saw falling rates are now seeing increasing inactivity, while the North East has seen a continuation of increasing rates of inactivity.

Equal Opportunities For All and Promoting Social Inclusion

The evaluation focused specifically on two groups of individuals who may face particular difficulties in the labour market: disabled people and those from ethnic minority groups.

In spring 2002, there were 5.8 million people of working age with disabilities in England, 19% of the total working-age population. Disabled people are less likely to be in work – with an employment rate of 50% (this has changed little since the beginning of the current programme) compared to 81% for people without disabilities; and more likely to be unemployed – with an ILO unemployment rate of 8.2% compared to 4.5% for people without disabilities. Disabled people have fewer qualifications than non-disabled people and are more than twice as likely to have no formal qualifications: 27% of disabled people compared with 12% of non-disabled people have no qualifications.

Ethnic minorities constituted 2.8 million people of working age in England in spring 2002 – 9% of the working age population. Members of ethnic minority groups continue to have lower employment rates and higher unemployment rates than the white population. In spring 2002, the employment rate for all ethnic minority groups was 58.5%, compared to an employment rate of 76.8% for whites (the employment rate for ethnic minorities in 1999

was 57% and for whites was 75%). The ILO unemployment for all ethnic minority groups was 10.8%, almost three times the rate of 4.5% for whites.

There are important disparities in economic activity rates between different ethnic groups. Working age ethnic minority people (66%) are on the whole less likely than white people (80%) to be economically active. However, Black Caribbeans are more involved in the labour market than other minorities, with an activity rate of 74%. This contrasts with the much lower activity rates of Pakistanis and Bangladeshis, respectively 54% and 46%. This implies considerable potential economic deprivation for these groups.

Part of the explanation for poorer employment rates is access to training and education. Ethnic minorities have fewer qualifications than their non-ethnic minority counterparts, with 20% of men and women of ethnic minorities having no qualifications compared with 15% of those of non ethnic minorities³.

Lifelong Learning

Recent surveys have confirmed the trend identified in the OP, that skill levels required at work are rising throughout the labour market. A high proportion of firms believe that the skills needed by their average employees are continuing to increase. All employers interviewed in the Employers' Skill Survey 2002⁴ said that workers from at least one occupational group employed by them would face changing skill demands to cope with the introduction of new technology and new working practices. This affected managerial, professional or associate professional occupations most. The most common skill areas identified as being important in the future were communication, people handling, team working and management skills.

Perhaps of more import is the estimate that seven million adults in the UK have problems with the basic skills of numeracy and literacy.⁵

Adaptability and Entrepreneurship

Self-employment, which grew rapidly during the 1980s, has been relatively unchanged recently, and currently accounts for around 11% of all in employment. There were 2.7 million self-employed people in England in 2002 (2.6 million in 1999). Men continue to be much more likely to self-employed, accounting for almost three-quarters of self-employment in 2002. Small businesses make up 99% of Britain's business community and improving their business performance is key to driving up the UK's productivity.

In 2002, there were 5.6 million people in part-time employment, up by almost 360 thousand since 1997, and comprising almost a quarter of all in employment. There were 1.2 million employees in temporary jobs in England in 2002, representing 5% of all employees. This is down by nearly 200 thousand since 1997, but with more working in temporary jobs through choice - the proportion of temporary employees who could not find a permanent job is down from 35% in 1997, to 27% in 2002. Temporary work is slightly more common amongst female employees, comprising 6.9% of all female employees compared to 4.9% of male employees.

³ These figures mask significant variations between ethnic minority groups. For example, 44% and 32% of people of working age of Bangladeshi and Pakistani background respectively held no qualifications, vis-à-vis 15% of Black Caribbean people of working age.

⁴ Hillage J et al. (2002) *Employers Skill Survey 2002* Department for Education and Skills

⁵ Moser, C (1999) *A Fresh start: Improving Literacy and Numeracy*. DfEE.

Improving the Participation of Women in the Labour Market

The female employment level and rate are at their highest ever. Women now make up 44% of the labour force in England and around 70% of working age women are employed (this compares with the EU Lisbon 2010 target of 60%). Overall, women are less likely to be in work than men but also less likely to be unemployed. However, the labour market performance of women varies considerably with both the presence of children and the age of the youngest child.

Women are more likely than men to be in part-time work and in specific occupations. In 2002 women comprised 33% of all those in full-time work and 79% of all those in part-time work – these figures have remain virtually unchanged since 1999 - while 43% of women in employment worked part-time, compared with 9% of men. The majority of women who work part-time do so through choice, with only 5% saying that they could not find a full-time job. Of all women in employment, 84% work in non-manual occupations compared to 57% of all men in employment. This represents a substantial increase in the proportion in non-manual occupations since 1999 and the beginning of the current programme.

Main and Emerging Issues

Overall the analysis suggests that changes to the labour market have been limited since the OP and ex ante evaluation were produced. However, there appear to be several emerging issues that have either assumed greater significance since the start of the programme or were not covered in much depth at that time.

Economic inactivity rates, as noted earlier, have remained persistently high amongst certain groups. However, the definition and measurement of economic inactivity and its interaction with other labour market states are not clear-cut. Flows between economic inactivity and other labour market states are also not clear-cut, and it is not evident where the balance of intervention should lie – to put it crudely, ‘prevention’ of inactivity amongst the employed/unemployed; or ‘cure’ of the already-inactive. And, once determined, whether it is more appropriate to channel resources on the hardest to help or where it might be most productive.

There is robust evidence that economically inactive people are far more likely to experience multiple disadvantage – as many as 60% might do so. Meanwhile, the ESF Leavers’ Survey suggests that 40% of ESF beneficiaries overall – and 60% under Policy Field 2 - suffer from multiple disadvantage. This clearly raises questions around:

- Whether or not these individuals, or particular subsets of the inactive/multiply disadvantaged e.g. the disabled with no qualifications, should be separately defined and targeted, and whether monitoring information should be collected on them and not just unemployment durations?

In order to answer these questions more fully further evaluation work is required, for example, to look at the type and extent of disadvantage suffered by individuals and to define more clearly which groups may be classified as “inactive”.

Related to the above issue are issues around skills – especially basic skills. There is a likelihood that the demand for those with the lowest skills will continue to fall and that the ‘employability gap’ for those lacking basic skills and qualifications will widen. Evidence on those who do possess basic levels of skills/qualifications and above suggests that employment rates vary little, with most differences in labour market outcomes in terms of

earnings. This reinforces the need to provide most support to those without basic skills and qualifications.

A further emerging issue centres on the sustainability and quality of outcomes of Objective 3 funding. This includes outcomes in terms of the type of employment contract, working conditions, pay etc. and skill level, while for those not attaining employment, improvement in skill levels and movement towards employability are clearly relevant.

Implementation and Delivery of the Programme (Chapter 4)

Introduction

This chapter discusses those instruments which contribute towards implementing the programme and then examines those mechanisms which are actively involved in delivery. It has utilised a variety of data sources, including face-to-face interviews with administrators and providers.

Implementation

The Monitoring Committee

The England Operational Programme 2000-2006 (both delivery and its associated evaluation) is overseen by a Programme Monitoring Committee. The Committee comprises representatives from the Regional Committees for England, the Government of Gibraltar, key policy divisions in DfES, DWP and DTI, social partners, local authorities, Regional Development Agencies, Further Education, Higher Education, voluntary and community sector, Learning and Skills Council and Jobcentre Plus.

In order to understand more fully the role of the Committee, the findings from an analysis of meeting minutes were supplemented by interview evidence from a representative selection of members.

Points for consideration arising from this evaluation include:

- improving dissemination of the role and activities of Objective 3 funding to members, especially to those unfamiliar or new to ESF;
- monitoring of the representation of certain groups on the committee; and
- making meetings more issue-focused.

Audit Mechanism

There are three strands to the Programme audit mechanism: the inspection programme; the certification process; and the referral for non-compliance issues, dealing with irregularities and suspected fraud. As at 31st December 2002, 7% of eligible expenditure had been inspected, above the 5% in-year target. Main identified causes of irregularities amongst the 58 cases reported include ineligible costs, non-verifiable match funding and those relating to financial control.

Project Selection Process – for Projects Funded Through Alternative Bidding

An evaluation of the process was carried out in early 2001 by conducting qualitative interviews with a number of people from all organisations involved in the selection process. It was felt that the new process had worked well. Recommendations for improvement were made however around clarifying the appraisal process; reviewing the

role of equal opportunities in the selection process (subsequently carried out and implemented); developing the monitoring system; and improving the relevance of RDPs in the process.

Co- financing

An independent, dedicated evaluation of co-financing in England was commissioned by DWP⁶ in 2003. This section summarises its findings and also draws on the findings of the evaluations of the horizontal themes (Chapters 8 to 10) with regard to the role and impact of co-financing.

Besides desk-based evaluation of co-financing organisations' (CFO) plans, face-to-face interviews were conducted with representatives from CFOs (at both national and local levels), and providers, including those that are contracted with CFOs and a sample of those that had applied but were unsuccessful. In addition, a telephone-based survey of almost 500 providers was carried out.

Main findings include:

- The sample of co-financing plans examined contained a larger proportion of good quality plans than was encountered in the previous evaluation. Where weaknesses were identified, the deficiencies were similar to those identified in the previous evaluation: weak connection between analysis and proposed actions; and weak linkage to the Regional Development Plan (RDP). However, not all RDPs provide a clear and well-justified strategic lead and the near uniform proportion of resources allocated by Measure in spite of wide variation in regional conditions remains questionable. Other sources of strategic guidance, notably the Frameworks for Regional Employment and Skills Agendas (FRESAs), were perceived as being more relevant to shaping co-financing plans than the RDPs in some regions;
- It is apparent that there has been a significant tightening of the procurement process in the past year with a move towards more formalised approaches to competitive tendering. Nevertheless, there remains some inconsistency in understanding at all levels (GO, CFO, provider) as to what constitutes competitive tendering.
- With regard to added value, among the sample of new and existing CFOs interviewed (18 in all), approximately one third reported that ESF was increasing the volume of mainstream activity, while around three-quarters reported that ESF was resulting in one or more of: extending the range of provision supported; extending the range of beneficiaries supported; supporting areas that are a low priority for domestic funding; supporting more innovative and/or risky activity. However, the appropriateness of the balance of added value effects is unclear.
- The evaluation of the local impact horizontal theme (see Chapter 10) suggests that many CFOs have made efforts to identify unmet local needs through analysis of official data, use of local survey data and consultation with local actors. In general, CFO Plans and prospectuses have been more specific than the RDPs in outlining the types of activities to be funded, and the target groups for these activities. Certainly, the survey of providers for the co-financing evaluation demonstrates conclusively that CFOs are contracting with very significant numbers of the

⁶ *Second Evaluation of Co-financing In England*. Fraser Associates, 2003 (interim findings). This is the second major evaluation of co-financing since its inception in 2001.

voluntary sector and organisations new to ESF⁷. Accordingly, it is difficult to sustain as a general proposition that co-financing is systematically disadvantaging the voluntary sector and / or small organisations. The evaluation of the local impact horizontal theme also suggests a broadly neutral impact of co-financing on the community/voluntary sector;

- CFOs are providing a significant level of capacity building support where it is directly related to delivery of contracts. Many report that they are supporting capacity building projects and the LSC National Office report that 7% of ESF resources have been deployed in this way;
- There is little evidence to suggest that progress is being made towards the objective of reduced administrative costs and demands overall.
- It is widely considered at all levels that equal opportunities is already firmly embedded within CFO policy and culture, although the majority of interviewees in CFOs concede that the horizontal themes are not being pursued *as horizontal themes* with any vigour. Accordingly, consultees in these organisations are sceptical of the need for further promotion.

Review of Policy Field and Regional Allocations

The ex-ante evaluation highlighted the inherent difficulty in translating well-identified needs and rationale for support at national and regional levels into a clear, unequivocal rationale for the distribution of funds across policy fields. To the extent that we are still lacking a fully-agreed set of objective criteria and full information on the relative performance of ESF measures (in net impact terms, taking into account social costs/benefits, distributional and macroeconomic impacts etc.), this difficulty remains.

Relatively high concentrations of inactivity amongst young and older people, the coincidence of inactivity with particular or multiple disadvantage (it is estimated that around 60% of inactive people have multiple disadvantages) and a fairly unclear picture of movement between employment/unemployment and inactivity suggests at this stage a continuing focus on Policy Field 2, with support for those closer to entering the labour market under Policy Field 1.

At the same time, the issues around basic skills and the concurrent need for people in jobs to upgrade skills suggests an ongoing need for relatively high resourcing of targeted projects within Policy Field 3. Issues around job quality and sustainability suggest a focus on improving the skills of those entering the labour market from unemployment/inactivity but this is a complex issue, dependent on the labour demand as much as the supply side, and seems on the face of it to transcend specific policy field boundaries.

Irrespective of how resources are allocated across policy fields, what is of relevance for regional allocations are the appropriateness of the weights, proxies and measures of disadvantage used to allocate resources; and how these have changed within and between regions since the start of the programme. In light of developments in the labour market in England since 1999, it might be argued that the weights used show rather too much reliance on unemployment rates as indicators of needs for active labour market (Policy Field 1) and social inclusion (Policy Field 2) interventions. A case should therefore be made for incorporation of rates of economic inactivity, (or possibly an amalgamated

⁷ Around 45% of the providers surveyed were from the voluntary/community sector, while nearly a quarter of all those surveyed had no prior experience of ESF before contracting with a CFO.

rate) especially on Policy Field 2, as these seem to be closely correlated with multiple disadvantage, key benefits policy initiatives, active ageing interventions etc. Incorporation of a basic measure of inactivity would also certainly increase the shares of some regions, albeit probably at the margin in most instances.

Delivery

Project numbers and scale

The data derived from the application and project closure database which are referred to in this, and subsequent sections, relates to projects from *alternative bidding projects*. By end March 2003 there were 5,428 projects held on the Objective 3 database of project applications. Of these, almost 60% had closed, with a variable spread of projects across policy fields. The majority of these closed projects (32%) were in Policy Field 2. Just over a fifth of projects were in each of Policy Fields 1 and 3 (22%), whilst Policy Fields 4 and 5 comprise only 17% and 7% respectively.

Monitoring information on all projects that had successfully applied for Objective 3 funding by end March 2003 shows that the largest proportion - a third (33%) - came from the voluntary sector, with a quarter (25%) arising from educational organisations and one fifth (20%) from government programmes. Closer examination of this data reveals that at the policy field level, the distribution of projects varies in relation to sector. For example, projects from the voluntary sector are particularly active in Policy Field 2 (51%), Policy Field 1 (35%) and to a lesser extent Policy Field 5 (24%). Those from educational organisations are found largely in Policy Field 3 (37%), Policy Field 4 (36%) and Policy Field 5 (33%).

The majority of Objective 3 projects are not small scale projects – only 16% cost less than £100,000. Almost a third (30%) of projects are allocated funding that falls between £100,000 and £249,999 and just under a quarter (24%) are allocated funding that costs between £250,000 and £499,999. Very large projects, however, are not common with only 4% being allocated to projects costing over £2.5 million. The applications data shows that there is significant variation in the numbers of beneficiaries that projects intend to support. It indicates that just under a fifth of projects (19%) deal with less than 50 beneficiaries, just over two fifths (41%) deal with between 100 and 500 beneficiaries and a further fifth of projects (19%) have between 500 and 5000 beneficiaries.

Project Activity

Three areas of activity are cited by the vast majority of projects at the applications stage, as activity they intend to deliver. These are: “assess individual needs” (95%), “draw up individual action plans” (92%) and provide “work experience and employment guidance” (89%). This suggests that in general projects are providing beneficiaries with integrated packages of support which are tailored to individual need, rather than providing a discrete activity. This was a key lesson from the last programme, which indicated that integrated support offered a successful means of helping people into work. IT training is also a feature for over three quarters of projects.

Of the 1,753 projects that had closed by end March 2003 and for which information is available⁸, the level of reported actual activity – as measured by the proportion of projects delivering what they stated they would in their applications - in almost all cases is less than that proposed. However for most types of activity it appears that the difference

⁸ This does not mean that information has not been reported, rather that the information has not yet been collated centrally.

between the estimated and actual levels of activity is not particularly large and falls within existing levels of tolerance. Only in relation to provision of key skills support, was the actual level of activity, in terms of the number of projects delivering key skills, below the tolerable limit (of 15%). Having said that, those projects that were actually providing key skills support appeared to be attracting more beneficiaries than anticipated, so that the actual number of beneficiaries who received key skills support is within the limit.

A similar position is revealed in relation to the delivery of specific activities such as assessing individual needs etc. The proportions of beneficiaries receiving the support projects stated they would provide in their applications are within the tolerable limits, (with one exception, "motivation and orientation"). An interesting, and encouraging, feature of comparison of the applications and closure data is the higher-than-forecast delivery of training in some occupational areas, especially in craft and related occupations, in which intermediate skills are more prevalent – nearly 15% of male beneficiaries received such training, against the 7% forecast.

Most projects stating they would provide certain support measures, such as counselling and guidance, did so. It is nevertheless perhaps disappointing to note that only 36% of projects provided childcare support, against the 62% that stated they would do so in their applications. Likewise, the proportion of beneficiaries receiving literacy and numeracy training (23%) fell short of the proportion forecast from applications (31%).

Support for beneficiaries

Around half of all beneficiaries received some work - and training-related advice and guidance, according to the 2002 ESF Leavers' survey, while 25%-30% received direct help with finding work, such as contacts and information on vacancies. When asked how satisfied they were with various aspects of their support, 84% of respondents to the 2002 survey reported that they were very (49%) or fairly (35%) satisfied. A similarly high proportion (76%) felt that the level of training was about right, although almost a fifth (17%) did say that the course was too basic. According to the 2001 Leavers' survey⁹, however, beneficiaries were less positive about work experience and careers advice, with around 60% of beneficiaries rating each of these as good and a little under 20% considering that each of these aspects of the support were poor. Support after the course attracted the most criticism with 20% considering this to be poor (although 60% felt this was good).

Capacity Building

Data referred to in this section should be viewed as *indicative only* due to difficulties projects may have had in defining capacity building activities. Overall, 27% of projects stated at the applications stage that they would include capacity building activities within their project, of which 40% were within Policy Field 2. Project closure data shows that by end March 2003, 19% of projects had delivered such activities, nearly half of which (48%) had been provided under Policy Field 2, with nearly a quarter (23%) in Policy Field 3.

Qualitative information provided from a sample of projects that had closed and had carried out capacity building activities (20 from each policy field), was analysed further. This suggested that capacity building activities are defined as either increasing the capacity of organisations to operate more effectively in addressing labour market access for socially excluded groups, or as increasing the capacity of individuals to take advantage of labour market opportunities and therefore more concerned with the training of beneficiaries. Typically these projects work with particularly disadvantaged individuals or provide specialist training. There are several clear examples of capacity building but in general the

⁹ These questions were not asked in the 2002 survey.

information provided through the monitoring system was variable in quality and it is as a consequence sometimes difficult to distinguish capacity building activities from regular ESF funding. What this suggests is the need for a combination of a better-defined and agreed typology of capacity building projects and a more consistent reporting mechanism.

Global Grants

Global grants are a mechanism to make ESF resources more easily available to small non-governmental organisations which may be well placed to respond to social exclusion, but not necessarily well equipped to deal with the demands of mainstream applications. The report provides an assessment of the process of establishing and developing the administrative structure for awarding Global Grants, as well as the effectiveness of Global Grants in targeting ESF funding on appropriate organisations. In line with the forecast in the Operational Programme, Government Offices had committed £13.7 million, just over 1% of the programme, to Global Grants by 30 September 2003.

A small scale evaluation study was conducted in 2002, involving questionnaires and interviews (mainly telephone but some face-to-face) with all nine Government Offices (GOs) and over 30 Intermediary Bodies (IBs) from the first round of the initiative.

Main findings of the evaluation were:

- Of the 31 IBs that responded to the postal survey, almost a half (15) across virtually all regions, indicated that they had experienced problems in obtaining firm commitments for match funding *before* beginning to operate. The most common problem was that, for various reasons, potential match funders did not have the resources to offer. This could cause delays as funds were sought elsewhere;
- Of the 31 IBs, 26 had both received applications for Global Grant funding and had awarded grants. The total number of Global Grant applications received at the time of the survey was 3518, of which almost a half (1838) had been awarded Grants¹⁰;
- Around two thirds (18) of IBs said that they had experienced problems associated with match funding *after* beginning to operate. Most encountered several differing problems connected with match funding;
- When asked about the impact of such problems, unsurprisingly, the most common issue mentioned (by 10 respondents) was that this had caused, or would cause, reductions in the amount of grants awarded to eligible applicants. In some cases this has had a significant effect, reducing (sometimes drastically) the volume of grants that could be offered, or delaying awards;
- Despite these difficulties, the vast majority of IBs responding (27 out of 29) thought the initiative had been successful in targeting appropriate small NGO providers¹¹. Furthermore, of the 26 IBs who had awarded Global Grants at the time of the survey, almost all indicated that either “none” or “almost none” of those awarded Global Grants had previously received ESF funding. Although these findings are based solely on the perceptions of respondents, it at least suggests that the Global Grants initiative has been effective in awarding grants to those who would not normally access ESF funding. Moreover, despite the various difficulties that the IBs

¹⁰ It is stressed that this should be viewed as being *indicative*, rather than providing definitive data as analysis of the data indicated discrepancies

¹¹ 20 “to a great extent” and 7 “to some extent”

had experienced, over two thirds, at the time of the survey, remained positive about the Global Grant initiative.

How Effectively is the Objective 3 Programme Reaching Its Beneficiary Groups? (Chapter 5)

Introduction

The most recent applications data (March 2003) suggests that almost 3 million individuals will be supported over the course of the current 2000-2006 programme. This is a similar figure to that provided in the Operational Programme which forecasts that approximately 500,000 beneficiaries will be supported per annum. So far, the latest project closure data (March 2003) indicates that the Programme has supported just over half a million beneficiaries. This chapter considers how effectively the Objective 3 Programme for England and Gibraltar is reaching the “broad target groups” of beneficiaries as cited in Chapter 3 of the Operational Programme for England and Gibraltar 2000 to 2006. Beneficiaries are considered across the programme as a whole to start with, before analyses are presented for each policy field.

Beneficiaries’ Characteristics, Labour Market status and Qualifications

The applications data estimates that the largest proportion of beneficiaries (42%) will be supported under Policy Field 3 – so far the majority of beneficiaries (32%) who have received support are in Policy Field 1, with 23% under Policy Field 2 and 29% under Policy field 3. Almost equal proportions of men (51%) and women (49%) have received support from Objective 3 projects. Looking at the age distribution of beneficiaries who have received support, this shows that under a half (54%) were aged 25 to 49, over a third (34%) were aged 16-24 and just 12% were aged 50+.

Project closure data indicates that 12% of those who received support on Objective 3 projects have been disabled, while 17% came from ethnic minorities.

Before joining Objective 3 projects, just under two thirds (61%) of beneficiaries were unemployed or not active in the labour market (a figure mirrored by the 2002 Leavers’ survey) while just over one third (34%) were employed, with a further 6% of beneficiaries still at school. Over three quarters (78%) of beneficiaries aged 16-24 were unemployed prior to joining projects, compared with 57% of those aged 25+¹². According to the 2002 Leavers’ survey, of those who were inactive prior to joining, the majority, 12% of the whole sample and 18% of all women beneficiaries, had had full time domestic and caring commitments. A substantial minority of beneficiaries (8%) had not been working due to sickness or disability.

Some 20% of those not working when they joined the programme had been working at some point within the previous six months, and a further 8% within the previous year. A substantial number of beneficiaries had not worked for considerable lengths of time before joining their project: a third (32%) of those not working on entry had not worked for at least two years previously, and nearly a quarter had never done so. A third of those aged 25-34 had not worked within the previous two years, while 50% of those aged 35+ had not done so. Overall, 27% of the sample fell into the category of ‘Long term unemployed/inactive’

¹² 58% of those aged 25-49 and 56% aged 50+.

Over 60% of beneficiaries had qualifications below NVQ level 2 or equivalent¹³ according to the closure data, while 70% of those that were unemployed or inactive had below level 2 or equivalent, including 41% with no qualifications. The equivalent proportion for those employed prior to joining projects was 44% (including 21% with no qualifications).

Labour Market Disadvantage and Human Capital

As noted earlier, significant proportions of the economically inactive population and ESF beneficiaries suffer from multiple disadvantage in the labour market. The Leavers' Surveys have attempted to measure disadvantage in fairly discrete terms – eight categories, including long-term unemployed, no qualifications, lone parents were reported on in both 2001 and 2002. Besides the finding that 40% of the sample overall were “multiply disadvantaged”, it is notable that 45% of women appear to be so (vis-à-vis 31% of men) and that the prevalence of multiple disadvantage is fairly uniform across age-bands for those aged 25+.

There is strong evidence from analysis of the survey data that these patterns of disadvantage are clearly associated with, and seem likely to have caused, significant variations in the employment status of individuals when they started the programme. For example, the employment rate on entering the projects declines from nearly 60% among those with none of these disadvantages to just 6% among those with three or more. Conversely, inactivity rises dramatically with the incidence of these disadvantages; from less than 20% among those with none of these disadvantages to three quarters of those with three or more.

The 2002 Survey has in addition attempted to measure the incidence and extent of “low human capital” amongst beneficiaries. This seeks to address the intrinsic employability of beneficiaries. The survey allocated respondents to this group if they:

- had no qualifications when joining the project; or,
- did not have the right qualifications, training or skills; or,
- had basic skills problems; or,
- their skills were out of date; or,
- they had no recent experience of working; or,
- their understanding of the English language was not good enough.

On these criteria, two thirds (66%) of beneficiaries responding to the 2002 Leavers survey had low human capital. Men seem to have slightly lower human capital than women, but the difference is small. It is more marked, however, that having human capital varies directly with age. Over 70% of those aged 18-24 exhibited low human capital, compared with 59% among those aged 50 and over. Nevertheless, around half of those in the whole sample with low human capital were aged 35+.

Policy Field 1 – Active Labour Market Policies

Policy Field 1 seeks to target mainly those not in employment. The majority of beneficiaries (82%) who received support were unemployed when joining the project and were more likely to be so than beneficiaries overall. However, fewer unemployed women received support than men (45% compared to 55% of men). The age profile of those who were unemployed prior to joining projects indicates that half of those who received support were aged 25 to 49, 42% were aged 16 to 24, and 7% were aged 50+. Amongst those

¹³ 34% with no quals.; 10% below level 1; and 17% at level 1.

unemployed beneficiaries aged 25 to 49 well over a third (38%) were unemployed for 24 months and over. Furthermore, projects also appear to have been effective in supporting beneficiaries who were unemployed for 36+ months, especially women, who accounted for 23% of all unemployed beneficiaries aged 25-49.

Overall, nearly 60% had no qualifications (29%) or qualifications below level 2. Of those unemployed prior to starting the project 43% were below level 1.

Policy Field 2 – Equal Opportunities for All and Promoting Social Exclusion

This policy field appears to have successfully reached two of its broad target groups: people who are disabled, who constitute 25% of all beneficiaries and ethnic minorities, who make up 28%. The age profile of beneficiaries in this policy field indicates that there is a fairly even split between those aged 16-24 (46%) and those aged 25-49 (45%), with only 8% aged 50+.

Policy Field 2 is targeted towards those who are unemployed or economically inactive. Over three quarters (79%) of those who received support were unemployed or inactive when joining projects (compared with 61% across all beneficiaries). Over 70% of those beneficiaries in the older age groups tended to be long-term unemployed or inactive – particularly those aged 50+ where over a half (51%) had been unemployed/inactive for 36 months and over. This may be compared to Policy Field 1 where only 18% of those aged 50+ had been unemployed for 36 months or more – suggesting that this policy field is successfully supporting those older beneficiaries who may be the most difficult to help (but note those aged 50+ make up only 8% of beneficiaries in Policy Field 2).

Of those supported, a half (50%) had no qualifications, with over a further quarter (27%) possessing qualifications below level 2. The former is substantially higher than for beneficiaries overall (34%).

As noted above this policy field targets those most likely to be most disaffected or socially excluded. However, it is generally the case that projects have supported less beneficiaries than they estimated at the applications stage (for refugees, drug and alcohol misusers this is approximately a half less). While these groups are the hardest to reach, – hence projects may experience real difficulties in accessing them - it also conceivable that the project closure data may under-represent the true number of beneficiaries supported in these groups, as some beneficiaries may have been reluctant to disclose their circumstances due to the delicate nature of some of these issues.

Policy Field 3 – Lifelong Learning

Well over half (55%) of beneficiaries were female, but the proportions of ethnic minorities supported (11%) and those who are disabled (8%) are less than expected. The majority of the beneficiaries (56%) fall into the age range 25-49, with the other two age profiles 16-24 and 50+ fairly evenly split, at 22% and 19% respectively.

Despite targeting the employed and unemployed equally, there is an uneven split between both these groups with over a half (51%) of those supported being employed and 44% unemployed (4% of those supported were still at school). Of those young people aged 16-24 supported who were unemployed, the majority (56%) had been unemployed for less than six months. This suggests that Policy Field 3 is having some success in reaching young people not in training or education but who may become disaffected. This can be compared with Policy Field 1 (which specifically targets unemployed young people especially those unemployed for less than six months) where the proportion of those

targeted in this group was 53% - although it should be noted that the actual numbers reached were substantially higher under Policy Field 1. It may also be argued that Policy Field 3 appears to have had some success in reaching those people less likely to undertake further learning. For example, of those aged 50 plus in Policy Field 3, well over a half (59%) had been unemployed or inactive for 24 months or more.

Of those beneficiaries in Policy Field 3 who were in employment prior to joining projects, 81% were employed by small to medium sized enterprises (SMEs)¹⁴. This suggests that Policy Field 3 is effectively reaching beneficiaries employed by SMEs, although most of these employees (65%) were in the 25-49 age group.

Of those who were employed when joining projects, 45% had no qualifications (24%) or a qualification at level 1 or less (21%). Thus the majority (55%) of beneficiaries possessed qualifications at level 2 or above. Alternatively, of those who were unemployed when joining projects 67% had no qualifications (39%) or a qualification at or below level 1 (28%).

Policy Field 4 – Adaptability and Entrepreneurship

Over two-fifths (44%) of those supported under Policy Field 4 were women, while 7% were from ethnic minorities, and 4% were disabled. The majority of the beneficiaries fell into the age range 25-49 (68%), while of the remainder there was an even split between those aged 16-24 (16%) and 50+(16%).

The vast majority of individual beneficiaries (90%) were employed, of whom 92% worked for an SME. Policy Field 4 appears to have had some success in reaching individuals where there was a need to upgrade skills - 22% of the employed had no qualifications and a further 21% had a qualification below level 2. Of those working in SMEs, almost a quarter (22%) were threatened with redundancy (20% of those working in large companies were also threatened with redundancy).

When considering the type of companies that have been supported in this policy field, out of a total of 14,791 the majority (97%), as suggested above, were SMEs.

Policy Field 5 – Improving the Participation of Women in the Labour Market

The data indicates that 26% of beneficiaries were from an ethnic minority group. However, this policy field appears to have had less success in supporting disabled beneficiaries (7%). When looking at the age breakdown of beneficiaries supported, over a half (56%) were aged 25-49, just over a quarter (26%) were aged 16-24 and 18% were aged 50+.

Over three quarters (77%) of those supported on Policy Field 5 were unemployed or inactive prior to joining ESF projects. Of those supported overall, 36% were classed as returners to the labour market and 19% were lone parents. When looking in more detail at the unemployed/inactive, the length of unemployment/inactivity prior to joining projects differs according to age group. Thus over a half (56%) of those aged 16-24 were unemployed for less than 12 months and over a quarter (27%) were unemployed for 24 months and over. This suggests that projects supporting beneficiaries in this age group are targeting both those who may already be disaffected as well as those who may potentially be. On the other hand, in relation to the older age groups, projects appear to be particularly targeting those who are already long term unemployed – especially those

¹⁴ Defined as those with fewer than 250 employees.

unemployed or economically inactive for 36 months and over. Thus projects do appear to be helping those women who may experience the greatest barriers to employment.

However, analysis also indicates that Policy Field 5 beneficiaries had better levels of qualifications than overall. Not only are the proportions of those with no qualifications (22%) substantially less than overall, but those with higher level qualifications (NVQ 3, 4 and 5) (26%) are also more highly represented in this policy field than overall.

Achievements Of The Programme (Chapter 6)

Impact of Objective 3 Support on Individual Beneficiaries – “Hard” Outcomes

Two main sources of data are used, first, the Objective 3 administrative monitoring data – project closure data (March 2003), as this provides project level information on beneficiaries’ outcomes. The second is the Leavers’ Survey – mainly from 2002 although some comparable information is also provided from the 2001 Leavers’ Survey.

Project Completion and Time Spent on Projects - It is pertinent to place this discussion in context by considering two factors that may affect these outcomes: the level of project completion and time spent on projects. Overall, the project closure data indicate that the vast majority of beneficiaries (88%) completed their projects. Beneficiaries supported on projects in Policy Fields 2 were the most inclined to leave early (82% completion rate) – with those in Policy Fields 3 (91%) and 4 (94%) being the most likely to complete their course.

Leavers Survey data from 2002 indicate a lower aggregate level of completion (81%) than the closure data and indicate that those most likely to leave early were men (79% completion rate vis-à-vis 83% for women); the young (77% for those aged 18-24); those unemployed at the start of the course (73%); those with no qualifications (76%); the disabled or those with other health problems (73%); and those with poor basic skills (75%). As with the closure data, those supported on Policy Fields 1 and 2 have a higher disposition to leave early.

Of those beneficiaries who provided a reason for leaving early, almost a quarter (23%) stated that this was because they had found employment. Almost 40% of early leavers amongst those who were previously unemployed gave this as the main reason. Hence leaving early for these individuals may be a “positive outcome”, although whether this employment was sustainable or of adequate quality in terms of pay or working conditions is an unknown. The next most common reason for leaving the course cited by 16% of all early leavers, was that individuals were not satisfied with the project, while 14% left for reasons connected to ill-health (10%) or due to problems related to their disability (4%¹⁵) and the same proportion (14%) left for “domestic/personal reasons”.

The length of time spent on courses varies according to a number of factors, including type of provision, but overall over half of beneficiaries (56%) spent less than 40 hours on a project. Beneficiaries supported on Policy Field 2 which aims to help the socially excluded and who may therefore require the most intensive help, tend to spend the most time on

¹⁵ According to the 2001 Leavers’ survey, a similar proportion of all early leavers (4%) left due to problems connected with a disability. However, some 17% of those with a disability/long-term illness who left early did so because of a problem related to a disability (see chapter 8).

projects (40% spend less than 40 hours, with a similar proportion spending more than 120 hours).

Employment and Activity Outcomes – Immediately on Leaving Projects - Of those who were unemployed/economically inactive when they started the project, the majority (63%) experienced a positive outcome. A quarter found employment (the majority of which (19%) was full-time), over a third (35%) moved into further education and 3% into voluntary work. Of those beneficiaries who were already in employment on entering the project, 95% achieved a positive outcome on leaving. Unsurprisingly, the majority tended to remain in jobs - 87% were in some form of employment on completing the course (7% went into further education/training and 1% into voluntary work). Women were more likely to go into part-time, rather than full-time work, compared to men. On the other hand, women were also more likely to go into voluntary work or further education in comparison to men.

Policy Field 1, which aims to assist the unemployed and economically inactive back into work, has assisted almost a third (32%) of those who were previously unemployed/inactive into some form of employment and overall 62% into a positive outcome. Policy Fields 2 and 5 which aim to integrate those in disadvantaged groups (including women) into the labour market, have had less success in getting those previously unemployed/inactive into work - 19% and 24% respectively. However, 38% of previously-unemployed/inactive beneficiaries supported by Policy Field 4 have been helped into employment –21% into self-employment.

The most notable feature of a similar analysis for those who were previously employed was that just over a fifth (21%) and over a third (34%) of those in Policy Fields 1 and 5 respectively, moved into further education after leaving a project.

Employment and Activity Outcomes - Short and Longer Term - The 2002 Leavers Survey indicates that overall 37% of beneficiaries were in work when they started the Programme and 60% were not working (similar figures to those above derived from the project closure data). Of those who were unemployed/inactive on joining projects, 57% achieved a positive outcome - with 37% in some form of employment immediately after leaving the project (a slightly lower proportion achieved a positive outcome compared to the project closure data – but a higher proportion were in employment immediately on leaving projects). Of those who were employed immediately prior to joining the project, 94% achieved a positive outcome on leaving the project, with 85% being in some form of employment.

When looking at the employment outcomes of beneficiaries both immediately on leaving the project and at the time of the survey (roughly six months after leaving), the survey suggests a substantial and continuing shift towards paid employment, contrasting sharply with falling employment rates in the year before participation – thus the proportion of all beneficiaries who were employed:

- 12 months before starting the ESF course was 41%;
- at the start of the project, was 37%;
- on leaving the course, was 47%; and
- at the time of the survey i.e. roughly six months after completing the course, was 52%.

Although changes in rates of unemployment of beneficiaries exhibit a similar pattern (but in reverse), it is notable that the overall rate of economic inactivity amongst beneficiaries hardly changed at the same points: thus, the inactivity rate was 39% at the time

beneficiaries joined the ESF, it was still 39% at the point that beneficiaries left, and was 38% at the time of the survey. However, the rate of economic inactivity fell, albeit modestly, for those not in education or training. A further small fall for this group was recorded between leaving and the time of the survey. Thus, within a fairly static overall level of inactivity, there is a simultaneous increase in the level of participation in education or training, allied to a small, but continuing, fall in other forms of economic inactivity.

Outcomes at the time of the survey for key beneficiary groups show great variation. Those with lower than average employment rates included those aged 50+ (46%); those unemployed at the start of the project (44%); those inactive at the start (25%); lone parents (39%); and those with an illness/disability (25%). Those with no disadvantages (75%) were three times as likely to be in employment as those with three or more (24%). Of course, most of these groups of beneficiaries had far lower than average employment rates prior to joining the Programme. In short, they had more distance to travel towards a job than others.

Of interest is the finding that two thirds (67%) of those who were inactive at the start of their course were inactive at the time of the survey. Similar rates of inactivity at the time of the survey were found for returners (67%); those with disability/ill health problems (64%); and those with three or more disadvantages (64%).

Disadvantaged groups tended however to exhibit the highest proportionate increases in employment rates between joining the project and the time of the survey. Indeed, the rates of employment for those with three or more disadvantages increased from 8% to 24%, while for those with disabilities/ill health the rate increased from 15% to 25%; for those with poor basic skills, from 22% to 33%; and for lone parents from 23% to 39%. These are impressive increases by any standards (equivalent to increases in employment rates of 300%, 67%, 50% and 70% respectively). However care should be taken not to draw too heavily on these findings as:

- comparison with the proportionate increases for other, less disadvantaged groups is potentially misleading as, statistically a higher rate of employment at the start leaves less scope for a high proportionate increase;
- the rates of employment of these groups are still disproportionately lower than the rates of less disadvantaged groups, while the rates of inactivity are disproportionately higher; and
- even changes of this magnitude do not automatically imply a net causative impact of ESF support¹⁶.

Qualifications and Skills Outcomes - The latest project closure data (March 2003) indicate that overall, two thirds (66%) of beneficiaries worked towards a qualification while they were on their course (64% of those who were unemployed/inactive on joining projects and 69% of the employed). The same data indicate that 40% of beneficiaries gained a full qualification as a result of being on the project – of these, 35% gained a qualification at or below NVQ level 1 or equivalent; roughly 30% a qualification at level 2 or above; and 35% “other qualifications”. Those beneficiaries in Policy Fields 3 (54%), 4 (49%) and 5 (55%) were the most likely to gain a qualification. Just over a third (34%) of those under Policy Field 2, dealing with the most disadvantaged groups, gained a qualification, most (55%) at or below level 1.

¹⁶ Such an analysis would not only have to take account of other influences, such as those in the labour market more generally but also attempt to account for possible ‘selection bias’ and non-observable differences in beneficiary characteristics.

The 2002 Leavers' Survey, on the other hand, shows that the proportion saying they had gained a qualification or certificate was significantly higher than that estimated from the closure data – 54% (a further 9% said they had gained credits or units towards one)¹⁷. The data from the Leavers' survey are probably more robust than the project closure data (see Chapter 7.8.1 on data accuracy and quality).

The skill most commonly mentioned by respondents to both Leavers' Surveys is improved computing or IT skills - around half of beneficiaries. This was most likely to be mentioned by those aged 50 and over according to the 2001 Leavers' Survey. The 2002 Survey shows that almost two thirds (60%) of beneficiaries received practical skills related to a particular job.

Soft Outcomes

“Soft” outcomes may be defined as “an observable change in client behaviour brought about, at least in part, through their participation in an ESF project”. They basically refer to outcomes that represent intermediary stages on the way to achieving hard outcomes. They may include for example, thinking skills such as improved problem solving abilities, personal attributes such as improved self-confidence or practical skills such as improved time keeping. As such they are difficult to define and measure but may represent the main outcomes achieved by some beneficiaries, particularly those from disadvantaged groups.

The 2002 Leavers' Survey reports that over two thirds of beneficiaries recognised that their “soft” skills had improved. Women were clearly more inclined to recognise this than men. As the same survey points out, increased skills in ability to do things independently and enhanced motivation may be expected to have a longer term impact on beneficiaries' ability to improve their employment circumstances. Similarly widespread gains in, for example, communicating with people and gaining self-confidence about working will also be useful in the workplace. Almost nine in ten (87%) respondents reported that the Programme had helped them in the latter respect, while over three quarters (77%) of beneficiaries who were not working at the time of the survey but who were still looking for work reported that they were more confident about obtaining employment than before the course.

Impact of ESF Objective 3 Support on Companies

Monitoring data show that of the roughly 1,750 projects that had completed by April 2003, almost 300 supported companies to some extent¹⁸. Around 60% of the nearly 25,000 companies supported by these projects during the current Programme were under Policy Field 4, with a further third under Policy Field 3. Some 95% of companies supported hitherto have been small and medium-sized enterprises (SMEs)¹⁹.

A dedicated evaluation (2002 Leavers' Survey – Companies) was conducted, based on a sample survey of beneficiary companies in order to ascertain the extent to which the

¹⁷ The pattern of qualifications gained in terms of levels is difficult to compare with that from the closure data. This is mainly because of the much higher proportion (49%) of “other qualifications” recorded by individual respondents in the Leavers' survey and the absence of a “not known” category in the monitoring data survey.

¹⁸ 160 projects supported companies and their employees; 130 supported companies and their employees and individuals not employed by the company; and 8 supported companies only.

¹⁹ SMEs are usually defined as those companies having fewer than 250 employees. Small companies are usually defined as having fewer than 50 employees.

activities supported by Objective 3 funding align with the aims of the Policy Fields (mainly Policy Field 4 but also those of others, especially Policy Field 3); how it meets these aims and whether that support is complementary or additional to the activities companies receiving support would otherwise undertake. The survey comprised telephone interviews with nearly 700 firms in England who had undertaken ESF training under Objective 3 between June and November 2002. The sample was very similar to the population – 97% of companies in the sample had fewer than 250 employees, and 91% of respondents were under Policy Fields 3 (38%) and 4 (53%).

The main findings include:

- higher-skilled and intermediate skilled workers were the most likely across all size-bands to have been involved in the ESF training. Indeed, managers and supervisors were trained under Objective 3 by nearly two thirds (64%) of companies. Skilled manual workers were trained by over a fifth (22%) of participating companies but were less likely to be trained by micro-firms (those with fewer than 10 employees) (12%), which is consistent with findings from other studies of the pattern of company training. Clerical and secretarial, sales and staff in other occupations were all less likely to have been involved;
- perhaps a truer reflection of the pattern of training by occupation is provided by the monitoring data. These suggest that managers and administrators actually accounted for 25% of all beneficiaries receiving training, while around 15% were in personal and protective services, with similar proportions in clerical/secretarial occupations and in professional and associate professional jobs. Around 6% were in craft and related occupations;
- those receiving training may not be the ultimate beneficiaries – managers may well be being trained to be able to provide benefits to other employees;
- a large content of training provision comprised aspects of managerial, supervisory and technical training. Nearly two fifths (38%) of companies said that the training involved ‘other management’ which was made up of team-leadership, project management, financial management and general business management. Training in working methods and ICT were utilised by similar proportions of organisations (30%) overall, although ICT training was significantly more popular with micro-firms (35% of micro-firms). Over a third of companies overall (35%) used the training for health and safety issues;
- company beneficiaries also took up training in ‘soft skills’ areas. Team-working, communication skills and time-management skills were all undertaken by around a quarter of all firms who received any training under ESF;
- the largest proportion of companies (57%) sought training to improve employees’ skills for their current job, rather than with skills for future jobs (23%), as a lever to improve business survival or help performance (26%), or to cope with business growth (12%).
- when asked about the effects of the training, the vast majority of companies reported that ESF training had satisfied the main purpose(s). Nearly half overall (46%) said that purposes had been wholly satisfied and a further 35% said that they had been at least partly satisfied. Micro-firms were less likely to say that objectives had been wholly satisfied. Even so these are very positive findings in

the evaluation of Objective 3 training;

- around half of companies (55%) said that the training had led or will lead to employees being awarded NVQs or other externally-accredited qualifications.
- when probed about whether they would have taken alternative measures to achieve the effects provided by the ESF-supported training e.g. higher productivity, if ESF training had not been available to them, some 4 out of 10 ESF-supported companies said they would definitely or probably *not* have taken alternative action. Micro-firms exhibited the highest level of additionality under this measure, as just over half (52%) said that they would not have pursued alternative measures to reach the same effects. In addition to this 40% of all companies representing 'strong' additionality, a further 25% said they would have done so but later. The latter represents further 'weak' additionality;
- the survey findings taken together point to company beneficiaries as being relatively 'skills aware' and linked into business support and workforce development networks. Thus, while the estimate of additionality was relatively low (40%)²⁰ it may well be that ESF-supported companies are more likely to regard publicly funded training such as ESF as an *additional source* of training support, rather than as a sole means of accessing subsidised training.

Financial and Economic Costs of ESF Objective 3

Based on the 1,753 Objective 3 projects that had completed by the end of March 2003, the average cost per beneficiary across all policy fields was £1076²¹. This average figure masks substantial variance between policy fields however, with unit cost for Policy Fields 2 and 5 both greater than £1500, while that for Policy Field 3 was around half that amount. The overall ESF cost per beneficiary i.e. excluding match funding, was around £450.

There are wide differences in cost per job (measured as the cost per beneficiary in employment on completion or after having left early) between the policy fields, ranging from £2448 for Policy Field 3, to £4345 for Policy Field 1, to £9051 for Policy Field 2. These differences undoubtedly reflect the prior characteristics of beneficiaries between fields, including their labour market status prior to ESF project participation as well as the intensity of the support provided.

Another notable feature of the unit cost comparisons is the "levelling" (compared with the costs per job above) of costs per positive outcome between Policy Fields 1 (£2450) and 2 (£3194). The wider aims and achievements of Policy Field 2 are reflected in a levelling of the cost per positive outcome vis-à-vis that for Policy Field 1 which is focused more on achieving job outcomes. The remaining difference, of around 30%, probably reflects residual beneficiary characteristics and the intensity of training and support provided.

Unit costs appear so far to be lower on average than during the 1994-1999 programme. Total costs per beneficiary were between £1200-1300 across the three main Priorities in the previous programme, compared with an average of just over £1000 in the current

²⁰ But bear in mind also the additional 25% 'weak' additionality of those companies that would have taken alternative measures, but later.

²¹ The total unit costs are in gross terms - they include the ESF support applied for plus all match funding (public and private) but exclude any revenue generated by projects.

programme. Comparisons of cost per job between the previous and current programmes reveal a similar pattern.

Assessing the Net Impact of ESF Funding on Beneficiaries

The issues inherent in assessing net impact revolve around the choice of an appropriate indicator(s) of outcomes or “success”, especially with a wide-ranging programme such as ESF Objective 3. In principle, identifying outcomes and measuring these against those of a suitable comparison group is key to identifying net impact.

Efforts so far to evaluate net impact in the current programme have failed to identify a convincing external comparison group. Alternative approaches being considered for the remainder of the programme.

Community Added Value

In principle one can differentiate between projects that reflect ‘scale additionality’ - basically extending the amount or range of existing provision, and ‘qualitative additionality’, that is extending the type of provision or the range of beneficiaries supported. Analysis of project closure data shows that the majority (89%) of projects said their provision would not have taken place without ESF support, 43% said that the number of beneficiaries increased as a result of ESF support, while 28% said there was an increase in hours of activity delivered to beneficiaries leading to additional or higher qualifications or jobs.

In line with the above, evidence from the evaluation of the local impact horizontal theme suggests that, for a substantial proportion of projects, added value primarily takes the form of a quantitative addition to the numbers of people that are able to benefit from activities that are essentially little different from those undertaken by mainstream providers. However a considerable number of ESF-funded projects were aimed at providing services to specific target groups which may be excluded from mainstream provision by the eligibility criteria or may face particular difficulties in accessing mainstream services. Survey respondents also recognised a potential qualitative dimension to the value added of ESF projects, coupled with an acceptance that ESF funds can and should be used to support some projects that are innovative or experimental in nature. This dimension also incorporates the process by which ESF projects help to link organisations together to learn about and spread good practice, a form of capacity building. In general, the evaluation estimated that such impacts tend to be modest and incremental, rather than effecting any dramatic change in local circumstances.

The evaluation of the equal opportunities theme carried out interviews with staff from GOs and organisations with an interest in mainstreaming equality. These suggested that ESF expands activity and increases volume and targets with a range of specific disadvantaged and hard to reach beneficiary groups who may get lost in mainstream provision; that ESF facilitates innovative practice and allows research activity, often not fundable under other sources and pilots of new ideas and that ESF can also provide additional and complementary activities to mainstream training.

The monitoring data was analysed to see how those projects whose links were with New Deal explained how ESF funding provided additional activity and outcomes that can be measured. Projects in Policy Field 1 with links to mainstream New Deal programmes appear to extend the length, quality or intensity of support to client groups with greater needs than mainstream provision alone can provide for. Policy Field 2 seemed in the main

to offer specialist support to particular needs groups, while Policy Field 3 links with New Deal typically included projects that extended or enhanced New Deal training.

Quantification Of Forecasts And Performance Reserve Indicators (Chapter 7)

Introduction

This chapter presents and comments on the main monitoring indicators for the ESF Objective 3 programme in England and Gibraltar. It then discusses the current forecasts and indicators in terms of their validity and relevance in reflecting ongoing activity on the Objective 3 Programme and the quality and accuracy of the data used to report the indicators.

Operational Forecasts and Outcome Indicators

Overall, the indicators show that the programme is succeeding in placing people in work vis-à-vis the original forecast, with the outcome from completed projects consistently above the target (47% at mid term compared to the original annual forecast of 41%). The proportion of beneficiaries completing their courses has also consistently been found to be better than the original forecast (88% compared to the annual forecast of 75%). The proportion of beneficiaries gaining a positive outcome (74% at mid term) is however below the original annual forecast of 80%. A similar picture is found with the proportion of beneficiaries gaining a qualification (40% compared with the original annual forecast of 50%²²).

Policy Field 1: Active Labour Market Policies - The annual numbers of beneficiaries at this stage are well below those forecast. This may well be due to a lower than anticipated flow of beneficiaries into projects but there is also a likelihood of the non-completion of some larger projects under this policy field.

Outcomes have so far generally been in line with or slightly lower than forecasts, for positive outcomes on leaving (66% at mid term compared with the forecast of 70%); and for those in work on leaving the project (37% outturn compared with 40% forecast). A high proportion of beneficiaries in this policy field were found to have completed their course, exceeding the forecast (86% compared to 71% forecast). In addition, the percentage of women receiving support stood at 47%, exceeding the original forecast of 42%.

Policy Field 2: Social Inclusion - The annual numbers of beneficiaries at mid term were substantially below the forecast. This seems on the face of it, mainly due to much lower than anticipated throughput of beneficiaries.

The proportion of beneficiaries achieving a positive outcome has consistently been close to the forecast (63% at mid term, exactly in line with the forecast). However, the percentage of people moving into work is well below that forecast (22% at mid term compared with a forecast of 34%), perhaps indicating the more disadvantaged nature of the client group beneficiaries under this policy field. However the proportion of

²² But note that the 2002 Leavers' survey shows that the proportion saying they had gained a qualification or certificate was significantly higher than that estimated from the closure data – 54% (a further 9% said they had gained credits or units).

beneficiaries working towards a qualification was slightly above forecast (62% compared with 60%).

Policy Field 3: Lifelong Learning - The number of beneficiaries is currently around that forecast in the OP, while the proportion of women receiving support exceeds the forecast (55% compared to 50%). The proportion of leavers gaining a qualification is currently 54% against the forecast of 61% (but note the issues around measurement of qualifications achievements already discussed).

The proportion of beneficiaries in work or going on to further study on leaving is 79% compared to the forecast of 92%. This difference may well be due to seasonal fluctuations in patterns of enrolment for further study.

Policy Field 4: Adaptability and Entrepreneurship -The number of beneficiaries receiving help into self-employment had increased to around that forecast at mid term, while the percentage of women receiving support has consistently been above forecast (44% at mid term compared to 33%). The percentage of beneficiaries working towards a qualification in this policy field is above forecast (68% compared to 60%), although the proportion gaining a qualification is below (49% compared to 64%).

The number of companies being helped has continued to increase and was 14,791 at mid term. This compares with the original annual forecast which would give an expectation of around 23,000 at this point.

Policy Field 5: Gender Equality - The number of women gaining a positive outcome was 78% at mid term, lower than the forecast of 88%. So far, 4% of women beneficiaries in this policy field are recorded as setting up their own business after leaving the project. The percentage of projects offering childcare was around 76% at mid term.

Operational Forecasts - Measure level forecasts

An interesting feature at measure level is the very uneven split in numbers of beneficiaries at mid term between the Policy Field 2 measures, with far fewer beneficiaries under measure 1 that relates to basic skills provision. It may well be that basic skills provision under ESF Objective 3 has been largely delivered under other, dedicated domestic programmes (or indeed under Policy Field 3 measure 1 and perhaps also under Policy Field 4 measure 1); or perhaps that such provision generally simply takes longer than anticipated to establish and deliver under the social inclusion policy field given the nature of the projects and beneficiaries.

Performance Reserve Indicators

The performance reserve indicators are designed to reflect programme effectiveness, programme management and financial implementation. The indicators for the England and Gibraltar Objective 3 Operational Programme were chosen in consultation with the European Commission. For programme effectiveness the emphasis is on quantifiable indicators to enable objective judgements to be made on performance. On programme management, the emphasis is on quality criteria reflecting the way in which project monitoring, control and selection procedures are organised. The third category, financial implementation, measures the take-up of programme funds.

In terms of meeting those forecasts relating to programme effectiveness, all indicators, across the programme as a whole and priority specific, were met, with one exception. This was that relating to the proportion of young people receiving support before reaching six

months unemployment (the proportion receiving support was 52% at mid term against a performance indicator of 65%). The synthesis judgement indicator for assessing the performance reserve, which has been agreed with the European Commission, has been achieved.

Equal Opportunities Forecasts

In terms of the equal opportunity forecasts, the main groups that are looked at are women, ethnic minorities and disabled people.

For the proportions of beneficiaries on the Programme receiving support, women (49%) and ethnic minorities (16%) were just above the forecasts at mid term. However, the achieved level for the proportions of beneficiaries who declared themselves as disabled is below the forecast (12% compared with the forecast of 15%).

For all three groups, outcomes relating to movement into work have been lower than forecast. For women, the achieved proportions in jobs both on leaving (45% compared with the forecast of 54%) and six months after leaving (53% vis-à-vis 60%) were lower than the forecasts. For ethnic minorities, the forecasts have not been met and by a significant margin. The proportion in jobs immediately after leaving was 37% at mid term (the forecast was for 51%) whilst the proportion in jobs six months later was 43% (the forecast in this case was 53%). A similar pattern emerges on analysis of outcomes for the disabled – only 23% were in employment on leaving (against the forecast of 43%), while 25% were in jobs six months later (forecast 46%).

The position with regard to movement into positive outcomes i.e. jobs, education/training or voluntary work was better, in that the outcomes for women and ethnic minorities in positive outcomes six months after leaving were as forecast or not far short of those forecast (74% vs. 74% and 69% vs. 73% for women and ethnic minorities respectively). The outcomes for the disabled were somewhat lower (48% against a forecast of 63%) but this still represents a much better picture than that for employment outcomes only.

The outcomes at mid term for disabled people in employment on leaving under Policy Fields 1 and 2 (27% and 19% respectively) were above forecast (18% in both cases). Given that these policy fields together account for 75% of disabled people benefiting from Objective 3 funding, it seems odd that the performance with regard to disabled people should be running well below that expected in overall terms - 23% in employment on leaving against the forecast of 43%. This suggests some incoherence with regard to the weightings used to derive the overall forecast.

Other indicators were set relating to support measures for equal opportunity groups. Both of these were at mid term well below the forecasts. The proportion of projects offering support to disabled people was 68% (the forecast was set at 85%). Furthermore, the proportion of projects offering childcare facilities was only 36% compared with the forecast of 61%.

It was notable that under Policy Field 2, the indicators concerning the proportions of beneficiaries receiving support were at or above the forecasts for all three groups, as might be expected from the focus of this policy field. The proportion of beneficiaries receiving support that were women was 43% (forecast 42%). For ethnic minorities, the proportion was 28% (forecast was set at 21%) and for disabled people the achieved proportion was 25% (the forecast was 18%). The latter more than makes up the shortfall in participation of disabled people against that forecast in policy field 1 (9% compared with

the forecast of 18%), which may itself have something to do with the introduction of the non-mandatory New Deal for Disabled People. Participation of the disabled in the other three policy fields was significantly below what were relatively modest forecasts.

Validity of the Forecasts

For aggregate activity to mid term, the cumulative number of beneficiaries, especially in Policy Fields 1 and 2, is running well below that forecast. This may of course be because projects have been tardy in getting started or reporting; or that those that have completed are simply unrepresentative of the projects currently underway (but not yet completed). However given that around a third of projects had closed and been reported on by mid term (1,753 projects out of a total of around 5,300), neither of these potential explanations seems, on the face of it, entirely plausible. This in turn suggests the forecasts seriously overestimated the overall level of activity – particularly on Policy Fields 1 and 2. At the same time, it is worth noting that cumulative ESF-allocated expenditure, based on the third of projects that had completed by mid term, was around £230M. vis-à-vis a total programme allocation of £2500M. On Policy Fields 1 and 2, cumulative spend of around £144M compares with a total allocation of £1275M. Thus the third of projects completed by mid term have ostensibly accounted for only around 10% of the total ESF allocation. Many of the projects which have completed may have been shorter projects, which will involve smaller amounts of funding than longer projects which have yet to complete. If this “shortfall” were to be made up during the second half of the programme, this would make up the large apparent shortfall in beneficiary numbers supported and the forecasts would be vindicated.

It is possible that there could be a potential discrepancy between extrapolations based on physical and financial monitoring data, but this would need further investigation. Given this uncertainty it is difficult to state whether or not the forecasts of beneficiaries, set out when the Operational Programme was originally supported, remain valid or not.

In terms of the qualitative integrity of the forecasts, it is notable that the targets are based on previous administrative monitoring and Leavers’ Survey data and are themselves assessed against such (updated) data, so that the analysis presented is somewhat circular or ‘self-referential’. What this suggests therefore is the incorporation perhaps of external benchmarks against which the performance of the programme can be assessed. Given that it is difficult to compare and assess at an aggregated level across such a heterogeneous programme as ESF Objective 3, a more refined, qualitative assessment seems more appropriate. A comparison with appropriate indicators and qualitative outcomes from, for example, the New Deal programme would seem a good start, as well as against benchmarks across the working age population more generally.

Relevance of the Targets and Forecasts

As noted above, the EES guidelines have evolved over the course of the programme. While there is a clear, ongoing commitment to the needs of the unemployed and disadvantaged and on lifelong learning, there has been growing emphasis on job creation and ‘incentivisation’ of work, adaptability, and active ageing. Measures for the inactive are also mentioned specifically in the 2003 guidelines (albeit bracketed along with those for the unemployed).

These in turn suggest the need to derive targets and indicators that might capture activity under these guidelines. There appear to be no indicators that look specifically at the inactive or older workers in particular. With regard to the targeting of older workers under

the 'active ageing' banner, it is noticeable that information on the age of participants is currently collected but only in terms of whether they were employed or unemployed, and not in terms of any other labour market state.

Quality and Accuracy of the Data

A number of issues have arisen during the course of this evaluation relating to the accuracy and quality of the data used.

Applications and closure data - As discussed earlier, the numbers quoted in the applications data generally exceed those reported in the closure reports although most of these are within tolerance limits. However, for some key variables there are major differences. For example, only 36% of projects stated that they actually provided childcare facilities against the 62% that stated they would do so in their applications.

Other specific issues raised in the course of the review of the monitoring data included:

- improving the design of the monitoring return forms which at the moment appears to lead to under-reporting of qualifications data;
- potential under-reporting of socially-excluded groups such as the homeless, ex-offenders and drug addicts. There are clearly considerations of sensitivity around the disclosure of such information; and
- improving the design in relation to qualitative and contextual data for analytical needs. Several questions that ask respondents to give information about e.g. their capacity building activities or how the project has added value yield information that does not lend itself to easy analysis and was of variable quality. It may be more preferable to rationalise these questions by providing a more suitable response format that can be more readily analysed.

2002 Leavers' Survey – when attempting to contact beneficiaries using telephone details supplied by projects it was found that:

- 25% of contact leads proved to be untraceable. This may be partly because these individuals had moved address or because mobile telephone numbers were no longer available. However, it is also possible that some of these contact details had been incorrectly recorded by projects;
- 21% of beneficiaries who were contacted proved to be beyond the scope of the survey because they said that they had only undertaken advice and guidance or because they had not attended the course described by the contractor. It is possible that a proportion of these beneficiaries could not remember attending the course or were unable to identify it from the description given. Even so, projects may have incorrectly recorded the activities of some of those who subsequently proved to be beyond the scope of the study.

Analysis of the project closure data indicates that it is generally internally consistent and in many cases reflects findings from the Leavers Survey (despite the fact that these data sources are not strictly comparable), suggesting a reasonably robust data source. Even so, the above findings from the Leavers Survey indicate that some projects may not always accurately record/collect administrative monitoring data. In turn this suggests that the project closure data may not be completely accurate. Bearing in mind the number of projects involved and the extent of monitoring information required, this is perhaps hardly surprising.

Mainstreaming of Equal Opportunities - Objective 3 (Chapter 8)

Introduction

Mainstreaming of equality between men and women has been a horizontal principle in European policy since 1996, following the European Commission's 1996 Communication *Incorporating equal opportunities for women and men into all Community policies and activities*. However, the European Commission has stressed the need for more effective action on equality in the current programming period.

ECOTEC Research & Consulting was appointed to carry a study to evaluate equal opportunities mainstreaming in ESF Objective 3. The research used a variety of methods to look at the effectiveness of the implementation of equality mainstreaming in England. In summary this included: interviews with 6 national and 20 regional stakeholders; a review of 15 project case studies; interviews with project staff and beneficiaries; a review of policy documents and equality mainstreaming systems and analysis of both project closure data – March 2003 and the 2001 Leavers' Survey data. The research involved interviews with both Government Offices and Co-financing Organisations (CFOs).

Equality Mainstreaming Policy and Practice

Objective 3 Operational Programme for England 2000-6: Equality and Equality Mainstreaming - The England Operational Programme (OP) outlines how equality mainstreaming will be addressed during 2000-6 through: development of an equality mainstreaming action plan and an evaluation strategy for analysing the OP's impact on key disadvantaged groups.

The definition of equal opportunities in the England OP is wider than the existing definition of equality mainstreaming used within the EU. It anticipates the more comprehensive definition of equality mainstreaming related to the Employment and Race Directives. In line with this wider definition, this study has looked at the mainstreaming of equality in relation to gender, race and disability. Good practice in promoting age-related equality has also been taken into account in light of forthcoming UK legislation on age discrimination.

The English Objective 3 Operational Programme Equal Opportunities Mainstreaming Plan - An Equality Mainstreaming Plan (EMP) has been developed to provide a framework for mainstreaming activity within Objective 3 in England. This *England Objective 3 Operational Programme Equal Opportunities Mainstreaming Plan* was agreed by the England Objective 3 Monitoring Committee in March 2003 after consultation in the regions. The plan sets out how equal opportunities will be mainstreamed in the England Objective 3 programme for 2000-6.

Part one of the plan forecasts the numbers of women, minority ethnic groups and disabled people: participating in the programme; in jobs immediately after leaving the programme; in jobs six months after leaving; in positive outcomes immediately after leaving; in positive outcomes six months after leaving. The percentage of projects offering support measures is also included. Part two is an action plan for developing a high level of commitment to equal opportunities in all aspects of the Programme.

This research found that the EMP provides an important framework for action on equality mainstreaming within Objective 3 as it gives an important direction to the GOs and co-financing agencies. Interviewees considered that the EMP is now embedded in the Objective 3 system at a national and regional level, although some initial confusion regarding the status of the plan may have led to it being implemented in some regions

more quickly than in others.

To support the implementation of the EMP's aims and to monitor progress, a reporting template has been developed. The research found this template plays a key role in equality mainstreaming within the English Objective 3 programme, as it ensures accountability in the regions.

Roles and Responsibilities

Equality mainstreaming is a standing item on the agenda of the England and GB Monitoring Committees. The equality commissions (Equal Opportunities Commission (EOC), Commission for Racial Equality (CRE) and Disability Rights Commission (DRC)) are Monitoring Committee members, as are organisations representing specific disadvantaged groups.

There is an Equal Opportunities Sub-Committee of the Monitoring Committee with a remit to oversee the mainstreaming of equal opportunities in ESF-assisted activities in Great Britain. The research found that the sub-committee is central in taking forward and monitoring the EMP.

The ESF Division has a policy officer to support equality mainstreaming within the Objective 3 system. Duties include supporting the regions in implementing equality mainstreaming. Most regions were pleased with the support they receive from DWP, though some areas have expressed the need for training before they proceed any further with their equality mainstreaming work.

Regional Systems for Equality Mainstreaming

Regional Objective 3 Committees - Each English GO has a Regional Committee (RC) to oversee implementation of Objective 3 policy and funding in its area. Seven of these have achieved a gender balance of 40:60 women to men. The RCs aim to increase their level of representation from disadvantaged groups. Although they have developed strategies to do so, there is still a lack of clarity on how to proceed. Some regional partners commented that equalities did not have sufficient priority, and felt that regional champions were required to stimulate debate.

Regional Mainstreaming Strategies - All regions have an equality mainstreaming plan or are developing one. These plans must be in line with the England EMP, but reflect regional issues. Progress against the plans was generally monitored by an internal officer, or a RC sub-group reporting to the full committee. However, the plans vary in their structure, those that comprise general policy statements need an implementation plan or strategy to aid monitoring.

Forecasts and Targets - The England EMP's national forecasts are not integrated into the majority of regions' mainstreaming plans due to difficulties with accessing baseline data for measuring targets or concerns over the appropriateness of forecasts/targets. The ESF Division intends to support the regions in developing more appropriate regional targets.

Co-financing - The ESF Regional Committee approves co-financing plans and takes into consideration how equality of opportunity will be embedded in the plan. The equal opportunities sub group has developed comparable criteria for equality mainstreaming between the national Objective 3 guidance and the CFO consolidated guidance. As yet there is no overall assessment of the systems in use in CFOs and the extent to which

equality is mainstreamed in each system.

Applicant and Project-level Requirements on Equality Mainstreaming

Application Processes and Equality Criterion - GOs and CFOs are using a variety of ways to promote calls and support applicants. Examples of innovative methods in relation to equal opportunities include: developing equal opportunities toolkits for applicants and running equal opportunities surgeries and seminars for applicant organisations.

The marks for each question in the Objective 3 application forms are set nationally. The ESF's national guidance on scoring is incorporated into and complemented by regional guidance. Regions can also tailor the marks apportioned to each of the main questions' individual elements. Selection and appraisal form a relatively standardised process across GOs and CFOs. All regions stated that there was a good level of knowledge among all the people involved in the process, but there was no clear evidence of how this is assessed. Training the ESF Division is putting training in place for the regions, covering equal opportunities within selection and appraisal processes, will help to address this issue.

Following extensive consultation a 'gateway' question on equality of opportunity will be introduced in 2003. The introduction of a gateway question on equality will help to embed equal opportunities into the appraisal and selection process for projects. The gateway's introduction will be monitored to assess how it is being implemented across the regions. CFOs will not have to implement the gateway, although several have stated that they will use it. GOs will need to ensure that CFOs have suitable equal opportunities criteria comparable to the gateway.

Some interviewees expressed concerns that a gateway scoring system would penalise certain types of projects, such as research and capacity-building and those from community groups with less bid-writing experience. It will be important that technical assistance is available to support all potential applicants in developing the equality-related aspects of their applications – especially those with little experience of bid-writing or the concept of equality mainstreaming.

Project Closure Reports - At the end of their lifetime, projects are required to complete a project closure report. This provides detailed information on total numbers of beneficiaries, all broken down by gender. The lead applicant is also required to describe how the project supported and promoted equal opportunities. This level of analysis is sophisticated and the level of reporting required by projects is more thorough than many other similar regeneration initiatives.

Project Level Equality Mainstreaming

Fifteen diverse projects, covering all five policy fields, were reviewed for good practice in developing equality-related work. A range of issues were looked at including:

Projects' Target Groups - Project staff discussed how the target groups were chosen for their projects. The factors considered important in reaching disadvantaged groups were: local research demonstrating need, knowledge of the specific target group, knowledge of the local labour market. Stimulating demand for training through the projects was also considered important in occupations and activities where specific groups are under-represented.

Working With Companies and Business Support Agencies - The private sector, and especially small and medium-sized enterprises were reported as hard to engage by all

projects. Using a business case to persuade employers to use local labour from disadvantaged groups worked well once such links were established. Options such as job fairs were especially popular with employers, as they are cheaper than advertising. Taking employers around areas and communities to meet people can break down prejudice on both sides.

Recruiting from Target Groups - Projects took advice from various community organisations about the best approach for recruiting each type of beneficiary. A number of projects advertised in religious and community venues to diversify their intake of beneficiaries. One targeted minority ethnic groups through word of mouth, leaflets and information at Friday prayers in the mosque, and used a female worker to recruit minority ethnic women. Another found that advertising the flexible nature of the training attracted people with caring responsibilities. Attracting younger people through arts and music-based training was also effective.

Understanding of Equality Mainstreaming

Interviewees from national and European agencies demonstrated a reasonably good understanding of equality mainstreaming. While mainstreaming at policy and strategic level was reasonably well understood, interviewees pointed to the lack of 'trickle-down' of understanding to regional partners and project-level systems for making equality a reality in practice. Most interviewees felt that there was a problem in translating equality mainstreaming into practice across the board.

Equality Mainstreaming in the Current Programme - There was a consensus that the priority attached to mainstreaming was much greater in the current programming period. Recognising equality mainstreaming as applying to race, gender and disability, rather than just gender, was particularly welcomed. However, national players expressed a fear that the greater emphasis on mainstreaming *all equalities* within the new programming period could undermine the requirement for positive action for specific target groups at project level.

In some regions, the horizontal requirement for equality mainstreaming was described as "not a significant additional requirement." This indicates the importance of the ESF Division continuing to take a strong lead in pushing equality mainstreaming forward from the centre.

Does the Objective 3 Programme Meet the Needs of Disadvantaged Groups? - All interviewees considered that the Objective 3 approach to equality was something additional to anything provided through domestic funding. Bringing local authorities (LAs) on board as co-financers, many of which prioritise work with voluntary and community groups, appeared to have increased the numbers of projects on equality issues. One local authority CFO has focused its co-financing plan solely on disability.

Measure 5.2 has been under-spent in all regions in the first half of the programme. A number of GOs have taken specific steps to deal with this under-spend, through additional targeted seminars or more specific guidance to potential applicants.

The research indicated that projects *led* by black and minority ethnic (BME) organisations felt that they "did not have the key to the door" of ESF. Although disabled people were in general considered to be receiving a reasonable amount of funding, this was being channelled through larger voluntary-sector charities.

Programme Support for Disadvantaged Groups

This section examines the numbers and proportions of key beneficiary types who have taken part in Objective 3 projects. It looks at the overall numbers and proportions of these groups and compares the figures to the individual policy fields.

The gender ratio of beneficiaries was almost equal: 51% were men and 49% were women. Overall, 17% of beneficiaries were from an ethnic minority. Almost 11% of beneficiaries were returners to the labour market, 3% were lone parents and 12% had a long-term illness or disability.

Policy Field 4, Adaptability and Entrepreneurship has the lowest number of all disadvantaged groups apart from women. This would merit further investigation to review whether *all* groups of employees have equal access to training and skills development.

Ethnic origins of beneficiaries - The majority of beneficiaries (82.8%) were of white British, Irish or other origin. The second largest group was the Asian category (7.8%), followed by black (5.5%), and finally the 'other' (2.8) and mixed ethnicity categories (1.2). Overall, the gender ratio of minority ethnic beneficiaries was roughly equal, but with slightly more women than men.

Comparisons to Forecast - Forecasts for each policy field were set for percentages of women, minority ethnic groups and disabled people supported by the programme. The number of women being supported by the programme was above target, as was the number of minority ethnic groups. The group below target was disabled people. It would be of interest to know whether projects were catering for some disabilities better than others.

Beneficiaries' Employment Patterns on Leaving the Programme

The following sections look at beneficiaries' employment outcomes by analysing data taken from the 2001 Leavers Survey.

Respondents from ethnic minorities and long-term ill or disabled people were significantly less likely to be in employment on leaving their course than other groups. Only 35% of ethnic minorities and 34% of ill/disabled were in work. Both of these groups were much less likely to be in full-time work (22% and 17% respectively), and very few minority ethnic respondents were in self-employment (only 3%).

At six months after leaving the course, the overall employment pattern among respondents was similar to that immediately upon leaving. For three of the four sub-groups of respondents, overall employment rates had barely changed in the six months since finishing the course. However, for ill/disabled people, employment had fallen from 34% of respondents immediately after the course to only 25.5% six months later. This fall occurred across all categories of employment.

Support Services Provided for Beneficiaries by Project

Overall, more than a third of projects (36%) provided childcare, and a small minority (8%) provided care for other dependants. In Policy Fields 1-3, the proportion of projects providing childcare was broadly similar to the average. However, in Policy Field 4 only 14% of projects provided childcare, while in Policy Field 5, 76% of projects provided childcare facilities. The pattern was similar for the provision of care for dependants. The proportion of projects providing care for dependants was equal to or higher than the

overall average in all policy fields except Policy Field 4, where only 3% of projects provided this service.

The forecast level for childcare/care provision was 59% for projects in all policy fields except Policy Field 5, where 86% were expected to provide support. This means that the projects have fallen well below the anticipated levels for childcare provision. In the second half of the programming period there needs to be greater emphasis on funding projects which provide childcare/care for dependants.

Support for People With Disabilities - The most common form of support was ensuring access to premises, provided by 60% of projects. Almost half of the projects offered some form of specialist provision (49%) and a third provided transport to training (33%). A fifth (20%) provided some other form of support.

Provision of services within individual policy fields varied. In Policy Fields 1-3, over 60% of projects provided access to premises for disabled beneficiaries, but in Policy Fields 4 and 5 the proportions were much lower (44% and 53% respectively).

The majority of projects provided two or more of the above support measures for people with disabilities (51%). A small proportion provided all the support measures (11%). However, almost a third of projects (32%) did not make any provision for beneficiaries with disabilities. The forecast level of support measures for disabled people on the programme was 85% across all policy fields. This figure should be reconsidered.

Opportunities for Beneficiaries in Non-traditional Occupational Areas for Their Sex

Overall, very few beneficiaries were given opportunities in non-traditional occupational areas for their sex, especially in terms of training and qualifications, work experience or gaining work. However, a significant minority (13%) benefited from increased awareness of opportunities in occupations dominated by members of the opposite sex.

Overall, men were less likely to benefit from training opportunities or gain qualifications in non-traditional areas than women. But they were more likely to benefit from work experience or gain work in non-traditional sectors. Men were also less likely to improve their awareness of other opportunities.

The Use of Information and Communication Technologies in Objective 3 Supported Projects (Chapter 9)

Introduction

The information Society is another of the four horizontal themes designed to cut across all of the five policy fields through which Objective 3 support is delivered in England. To examine the role ICT is playing within the Objective 3 Programme and its effect upon the Programme, CRG Research Ltd were commissioned to conduct an evaluation project to specifically look at these issues. Data for the study was collected, primarily between January and April 2003, through a variety of research methods including: a literature review, a postal survey of projects (1,419 questionnaires were sent out and 504 returned, representing a 35.4% response rate), semi-structured interviews with 'key informants' and in-depth reviews (case studies) with those delivering and benefiting from 12 practical projects. These case studies pointed out just how very varied approaches to ICT issues can be within approved ESF-supported projects: they range from projects helping

individuals from a range of 'disadvantaged' backgrounds gain work with a local authority (including upgrading their ICT skills) through to providing very high level specialist ICT-related skills for advanced manufacturing.

Findings

The Information Society

Within the Operational Programme the aspirations for the Information Society are quite lofty -offering the scope for changing whole societies. On the other hand, the emphasis within the specific questions asked in the ESF application form relate to much more 'nuts and bolts' issues like applying specific ICT packages and equipment. This kind of dichotomy between high level – almost philosophical - deliberations on the part of the EU, and more direct 'kit and training' emphases as part of practical programmes, can be detected from the literature too.

In this context, it is perhaps hardly surprising that within Objective 3 projects in England, there is similarly very little direct linkage with high-level aspirations. Rather their immediate focus is more narrowly defined – very often linking to provision of and improving access to ICT equipment and delivering ICT training of various forms. Having said this, a repeated observation from key informants and the project sample was that, *“despite this maybe low-key, ‘bottom-up’ picture there are good results showing through in some ‘big picture’ areas”*. Many examples were quoted, including promoting internet access for socially excluded people, building up ICT skills in large numbers of long-term unemployed people, helping SMEs have the ICT skills they need to be competitive, rapidly expanding e-learning and electronic job search and much else.

Policy Alignment

Good alignment between both Objective 3 policy field/measures and a wide range of other policies was widely reported. There was agreement that integrating the Information Society horizontal theme generally presented *“no problems”*. More strategically, links between ESF-supported projects and UK national programmes e.g. UK Online were identified and Regional Development Plans give high priority to training and business development issues associated with Information Society/ICT developments. Depending on the region, the latter may also address the needs of low skilled/older workers, sectoral needs and issues connected with social exclusion. All of this gives good *reported* alignment with ESF overall aims, and may well include significant Information Society/ICT dimensions.

Processes

The following section refers to projects funded through alternative bidding not through co-financing organisations. All project applicants must give active consideration to how ICT will be addressed through their projects.

There are a number of triggers within the overall development and application processes which potentially could help to promote greater attention to ICT/Information Society issues. For example, when organisations are developing projects and preparing bids, they will have their own perceptions of Labour Market needs, ICT opportunities and 'what has worked well in the past'. In addition, when completing their application form, applicants must enter details including describing how the project fits in with the RDP and other Government programmes – as well as the specific question on ICT (Question 4.8). The processes by which ICT becomes incorporated into specific project applications may

therefore be relatively straightforward. However, interviews indicated that although good quality ICT activity seems to be happening, it is not given a particularly high priority in terms of development or monitoring.

Development - GOs are central (for non-CFO projects) to giving formal approval to projects, with decisions depending heavily on assessments of material submitted through the standard on-line ESF application forms. Prioritising ICT may be constrained by the limited expertise available to scoring panels and GOs and the implications from this in terms of assessing the quality of projects. Another constraint is the need to consider very many other issues when scoring applications – most of which have a significantly higher maximum score than the Information Society cross-cutting theme.

Monitoring – Limited resources similarly characterise active project monitoring - over and above quarterly monitoring claim forms and other standard reporting (for example through project closure reports). Therefore, the ways in which ICT horizontal theme issues are actually being delivered may not be tracked nor learned from.

More active promotion of ICT issues, (with ancillary advice, support, monitoring and evaluation) would involve substantial additional resources at GO and/or RDA level. Equally, if the Information Society/ICT were to be given higher priority – at project screening stage, for example - this could only be done at the (relative) expense of other priorities, and it seems very difficult to argue a strong case for, as an example, downplaying the importance of lifelong learning, sustainability or equal opportunities.

Project Characteristics

Despite lack of formal pressure to address ICT issues, project promoters expect significant attention to ICT to be a key feature of their projects when they are actually applying for Objective 3 support. For example results from the postal survey indicate that: almost three quarters of project providers (73%) thought the project would help people to improve their ICT skills and over half (56%) considered that the project would help unemployed people to get better jobs by improving their ICT skills. This was borne out by the case studies where even for those projects giving limited direct attention to Information Society/ ICT issues a range of ICT elements were, in practice, well embedded – perhaps for project management and communications roles, but also as key elements within learning delivery, efforts to bring people in isolated communities 'into learning', or as an element within training needs analyses.

Projects tended to address specific target groups (73%), particularly in relation to long-term unemployed people (37.4%), labour market returners (34.0%), lone parents (36.2%) and ethnic groups (30.4%). Much lower levels of targeting were apparent in relation to disabled people (7.7%), refugees (13.0%) and homeless people (13.6%).

Outputs/Outcomes

The postal survey suggested that significant proportions of participants increased their ICT skills as a result of participating in projects (51% of responses to the postal survey indicated that half of beneficiaries or more did improve their ICT skills). As for how improved ICT skills were measured, 44% of responses to the postal survey pointed to certificates/qualifications/examinations of various kinds (e.g. CLAIT); other means of assessing achievements included assignments, observation, discussions, various forms of feedback and simple course attendance (only 7% indicated they did not measure the extent to which people improve their ICT skills at all). There was less evidence to suggest that employers became more competitive as a result of the project increasing their

employee's skills, or that project participants obtained better jobs as a result of the project. Some of the strongest impacts, however, were related to bringing people back into learning by using ICT.

On the whole it appears that promoting and incorporating ICT within ESF-supported projects is very much part of the 'received wisdom'. The Information Society horizontal theme may have prompted clearer thinking in relevant areas, or led to somewhat greater attention at the margin when projects are being developed and approved, but much of this kind of activity would be seen as deserving high priority by project promoters anyway.

How the European Social Fund Impacts on the Local Level (Chapter 10)

Introduction

The ways in which, and the extent to which, the 2000-2006 ESF Objective 3 programme is meeting the needs of local areas is looked at in the context of being one of the horizontal themes reaching across all of the five policy fields in the Objective 3 Programme. The national policy context provided by the NAP and the OP emphasises the fact that the Objective 3 programme is designed to add value to Government policies that are targeted on the needs of areas with high concentrations of joblessness and disadvantage, within the framework of the National Strategy for Neighbourhood Renewal.

A study was commissioned to examine how ESF impacts on the local level. It is important to note that this research focused on the alternative bidding system. The research was undertaken by a consortium of researchers from the Policy Research Institute - Leeds Metropolitan University, the Centre for Regional Economic and Social Research - Sheffield Hallam University and the Institute for Employment Studies. The research comprised a number of activities, including: a review of ESF programming documents at the national, regional and sub-regional level; interviews with individuals involved in the ESF programming, application, funding and monitoring process; a postal survey of ESF projects - 616 responses were received and in depth case studies of over 20 ESF projects.

Programming and Application Process

Finding out About ESF - The dominant source for information about the current programme was through previous involvement with ESF, although most organisations indicated more than one source of information. This suggests information about the programme is quite widely and readily accessible to potential applicants, whether old or new. Over a third of respondents cited the Regional Government Office or a local organisation or local partner (around a half the sample when combined) suggesting that information sources based within localities have been very important sources of initial information and interest. Local sources of information seem to be particularly important for projects that had limited or no involvement with previous Structural Fund programmes.

The Local Dimension in the Application Process - three quarters of project survey respondents said that the ESF Regional Development Plans were helpful or very helpful in providing guidance for developing their project proposal. The documentary review of the showed considerable attention devoted in them to spatial considerations, with the balance of emphasis varying from region to region.

For many project respondents (as with the RDPs) the target group, rather than the exact location of the project, was the main area of consideration in proposals. Location was

often a secondary consideration. However, almost all interview and survey respondents felt that the programme was geared to meeting local needs.

Making the Application - This section refers to project application for projects being funded through the alternative bidding system.

The application process was felt by most respondents to be clear, transparent and open, although it was also seen as a considerable logistical investment often requiring significant amounts of expert resource. Over a third of successfully funded organisations had found their resources stretched in making an application and there was a widespread view that the entire process was too bureaucratic (this latter barrier was more likely than average to be cited by voluntary and community sector organisations). Furthermore, voluntary/community bodies and business-related organisations were significantly more likely than average to have encountered difficulties in identifying sources of matched funding.

Many of the bids had been written by specialist development workers within the bidding organisation, (and in some cases by consultants outside it). As a result, in many projects there was a gap between the proposal and the project - with a danger of bid writers aiming for high scores rather than realistic deliverable projects. The priorities set out in the RDP (whether local ones or otherwise) were often used to 'adjust' proposals to justify funding, rather than as fundamental sources of inspiration for the project.

Potential Impact at the Local Level of Co-Financing

The comments in this section relate primarily to the intended and likely impacts of co-financing **at the local level**, with the wider issues being discussed in Chapter 4 as that draws on a specific study of the co-financing system. This research focused on projects that had been funded under the direct bidding system, but incorporated interviews with six CFOs and included reviews of their plans. Other key informants at national and regional level provided an overview of the operation of the co-financing system within their spheres of responsibility.

The research revealed broad support at national and regional levels for the argument that the co-financing system is more likely than the direct bidding process to be able to identify local needs that are not being fully met by mainstream services, and to establish procedures whereby local (and other) organisations could be asked to put forward proposals to address unmet needs, within the broad framework of the relevant RDP. The research suggests that many CFOs have made efforts to identify unmet local needs through analysis of official data, use of local survey data and consultation with local actors.

Forty four per cent of survey respondents had received some funding through the co-financing system. Analysis of these successful projects indicates that voluntary and community sector organisations that were involved in ESF under the alternative bidding system are broadly in line with other types of organisations in terms of the percentages that have applied for or received co-financing funding.

The responses of survey and case study projects (including both successful and unsuccessful applicants for Co-Financing) reveals that many individuals expressed mixed feelings about co-financing and its likely impact on their organisation's activities. This is to be expected, given that co-financing is a new system and some organisations that have benefited from the direct bidding system have lost out in the early stages of the implementation of CFOs. The idea of 100 per cent funding was universally welcomed as a positive move and some respondents did indeed feel that the application and approval

process under co-financing was easier than was previously the case under direct bidding.

With particular regard to the potential impact of co-financing on local development, the key issues that were raised by a cross-section of survey respondents were concerns around: whether national priorities and targets of the national CFO organisations will always coincide with those of local areas or organisations, whether a competitive tendering approach under Co-financing might disadvantage smaller, local groups despite the undoubted benefits of 100 per cent funding and whether some activities in relation to innovation and capacity building, as well as some regional or sectoral projects, may not be emphasised by Co-financing.

Operation and Impact of ESF at the Local Level

Linkages with Domestic Programmes at Local Level - there is some evidence of ESF projects working with and enhancing the activities of a range of local and national initiatives. For example, the survey of projects showed that most projects have some links with mainstream initiatives, with the strongest links being with Single Regeneration Budget (SRB) programmes and the New Deal. Involvement in local/regional initiatives is higher than average among voluntary/community groups and business-related organisations (including private training providers).

In many cases links may be weak and be little more than a sharing of common clients or in some cases a contractual relationship (for example in the case of New Deal). In some cases, however, the links are more substantial and strategic, with representatives of mainstream initiatives sitting on project management boards or steering groups.

Involvement of Local Actors in Programme Implementation - There exists a significant amount of inter-organisational collaboration at the local level in the implementation of ESF projects, covering a wide range of organisations. The research indicates that most projects involve at least one other organisation (in addition to the project promoter) in the implementation phase, although there are considerable variations in the extent and nature of this involvement. The voluntary/community sector, local authorities and FE colleges play a prominent role in becoming involved in the implementation of ESF projects run by other organisations. The HE sector and business-related organisations such as Chambers of Commerce and Business Links are less likely than average to do so. Organisations running ESF projects are particularly likely to become involved with other organisations within the same sector, particularly local authorities. On the whole there is scope for more effective working between different sectors and in particular closer links between relevant ESF projects and business-related organisations.

Support to Local Systems and Structures

Local collaborative initiatives are seen as a key feature of both the EU's and the UK Government's attempts to foster job creation, to improve employability and to tackle social exclusion. Not all locally based agencies are able to participate in such initiatives without further developing: local partnership structures as the vehicle for inter-agency collaboration; and the ability to deal with the financial and administrative tasks attached to ESF funding, and/or to work in partnership with other organisations. A portion of ESF Objective 3 resources has been made available for such "capacity-building" activities.

Extent and Nature of Partnership Working - The evidence suggests that collaborative and partnership working is widespread amongst those who have been awarded ESF support under Objective 3, around 70% of projects studied were being delivered via

collaborative arrangements between two or more agencies. Participation covered a range of activities, including membership of the project steering group, referral of clients to the project, provision of match funding, acting as an entry point to wider networks and direct delivery of project activities.

Impact of ESF on Partnership Working - Partnership working is encouraged under the Objective 3 programme, but it is not a necessary condition for securing ESF funding. It is not surprising, therefore, that the evidence of impact on partnership working is mixed. According to the postal survey findings, around half of projects claimed that ESF had helped them to get more involved in partnerships. This ranges from greater contact and consultation between agencies working in the same area, to establishment of new collaborative arrangements. However, this may have happened anyway, given the general increase in partnership working within the regeneration sphere. For other projects the scope for increased partnership working has been constrained. More generally, the tendency has been for project sponsors to work with organisations of the same type, rather than to operate in a broader-based coalition.

Impact of Capacity Building at the Local Level - The role of ESF and Objective 3 in "capacity building" is intended to be a limited one. Those capacity building projects investigated as case studies appear to have played a key role in assisting smaller voluntary and community organisations in accessing finance, in reaching otherwise neglected groups and in developing innovative approaches. However, the research showed that capacity building can take time and even with appropriate support some organisations will be unable to reach the standards of professional and administrative competence required.

Concerns were raised over: the possibility that those most in need of assistance may miss out as capacity building may remain with those already *au fait* with ESF protocols and practices; that using a limited number of capacity-building projects may result in other opportunities being overlooked and that short-term funding and difficulties of securing repeat funding for successful projects can reduce local capacity and undermine efforts to build sustainable employment.

Impact of ESF in Rural Areas

Rural areas face a range of specific problems which need to be addressed with the assistance of ESF funding. The research indicates that there is recognition of these issues within the Objective 3 Programme, for example, people living in rural areas are mentioned frequently as target groups for ESF-funded activities. However, there is little evidence of any specific stimulus to rural-based projects within the direct bidding system.

Features of ESF Projects Addressing Rural Issues - Just over one in five survey respondents stated that their project addressed specific rural issue. Projects stated that they addressed specifically rural issues in a number of ways, for example, outreach provision using mobile units and/or local facilities; building the capacity of rural-based providers and provision of transport and/or refund of transport costs for participants. The target groups for rural projects are skewed towards older people, women, labour market returners and lone parents.

Problems Faced by Rural Projects - rural projects are more likely than average to have faced problems in identifying and obtaining match funding. Other specific problems noted by rural projects are directly related to the type of area in which they are working, for example, the dispersed nature of employment opportunities for beneficiaries and problems with transport to training facilities. However, in general, the problems of rural projects are

very similar to those of other types of project.

The research highlighted some calls for the ESF programme to focus more explicitly upon rural issues and to better recognise the needs of rural areas in the programming, application and approval process. Given widespread concerns about the limited range of providers covering many rural areas, it seems clear that capacity building projects have a particular role to play in rural areas.

Impact of ESF on Sustainable Development

Sustainable development is one of the horizontal themes within the ESF Objective 3 Programme. The Operational Programme suggests that many of the socio-economic aspects of sustainable development are included in the ESF Objective 3 remit – for example through the promotion of equal opportunities. It is suggested that because of the relatively new nature of sustainable development in relation to ESF, the first half of the programme would focus on education and the second half would focus on the implementation of best practice.

The research showed that at regional level, managers within Government Offices generally felt that there had been ‘minimal’ incorporation of sustainable development objectives both into Regional Development Plans (although this seems to have been addressed to some extent in subsequent revisions) and also into the actual implementation of Objective 3.

Barriers to the Incorporation of Sustainable Development into ESF Objective 3 - The most significant barriers to the incorporation of sustainable development in ESF projects were a lack of knowledge of sustainable development issues (cited by 43% of project managers responding to the project survey) and a lack of guidance or support (41%). Case studies and interviews with regional players indicated that there were real issues around how to apply sustainable development to projects, particularly those that did not have an explicit environmental theme.

Mechanisms to Promote and Support Sustainable Development - A number of mechanisms have been established to incorporate sustainable development into the Objective 3 ESF Programme. For example, at the national level, the National Environment and Structural Funds Forum has been set up to promote the incorporation of the environment and sustainable development into the Structural Funds. At the regional level, Government Offices provide a range of support and guidance for project applicants, though the extent of this guidance and support varies widely.

The application scoring process is one of the key mechanisms for the incorporation of sustainable development at the project level. Regional Cross Cutting Theme Managers, however, generally felt that the scoring process was inadequate and scoring panels were often unclear about how to score projects in relationship to sustainable development.

Impact on Sustainable Development at the Project Level - Awareness by project managers of the focus on sustainable development within the ESF Objective programme was generally high with 85% of postal survey respondents claiming to be aware of it. There appears to be widespread confusion amongst projects about the meaning and applicability of sustainable development. This in part appears to be due to the use of key terms, in particular: sustainable development, environmental sustainability and project sustainability (i.e. continuation after the programme has finished). Examples of good practice, as well as local/regional seminars were cited as mechanisms for raising awareness.

Recommendations

Previous sections indicate that, in general, the Programme is performing well to the mid-term. Of course, as this Summary has also indicated, there are areas where improvements are required or issues have arisen since the Operational Programme was drafted which need consideration. Recommendations arising from these are outlined below:

Supporting the economically inactive:

Recommendation 1 - Projects should be encouraged to provide more effective and focused support to help the economically inactive. Analysis of labour market data and current research on activity will be used to inform the targeting of this support and guidance to projects. This will include consideration of appropriate indicators of outcomes.

Recommendation 2 – Objective 3 projects should be provided with examples of good practice in relation to support/training to the economically inactive that appears to be successful in helping these beneficiaries obtain employment/positive outcomes. Examples may be supplied through research that is due to start in early 2004 looking at good practice in Objective 3 projects with “hard to reach groups”; and also from domestic programmes, e.g. New Deal, adult and community learning (ACL).

Support for the multiple disadvantaged:

Recommendation 3 – To conduct further analysis/research to examine if specific combinations of disadvantage are associated with beneficiaries being more/less likely to achieve positive outcomes. Evidence will provide projects with examples of good practice and indicate where more help is required.

Support for those with basic skills deficiencies:

Recommendation 4 – Further research should be undertaken with projects in Policy Field 2 measure 1 to examine the factors which have caused take up to be low.

Equal opportunities- support to beneficiaries:

Recommendation 5 - There is therefore a need to ensure that projects provide childcare/allowances where they have committed to doing this, and do not under-spend this budget area;

Recommendation 6 - Projects should take more pro-active steps to increase the numbers of people with care responsibilities entering the programme.

Recommendation 7 - Projects need to ensure that the support provided to disabled people should be appropriate for the jobs that individuals can sustain and that links with employers should be made to develop these sustainable employment opportunities.

Recommendation 8 - Projects should ensure that active assessment, of the support needs of disabled people, are carried out.

Recommendation 9 - Projects should ensure that support to beneficiaries includes job search skills, developing skills to discuss their needs with a new employer and

mechanisms to enable disabled beneficiaries to deal with discrimination in the workplace.

Recommendation 10 - Projects should ensure that support to beneficiaries includes job search skills, and mechanisms to enable ethnic minority beneficiaries to deal with discrimination in the workplace.

Recommendation 11 - To increase the use of wage subsidies and other ESF-eligible support measures such as training allowances and meal and travel allowances for members of minority ethnic groups to improve retention rates.

Recommendation 12 - Projects should take a much more pro-active line in promoting labour-market change by providing opportunities for both men and women to train and gain work experience and qualifications in areas not traditional for their sex.

On the gender pay gap, this is an issue on which ESF can have only a marginal impact. However to assess impact and the following is suggested:

Recommendation 13 - To monitor post-participation outcomes not just in terms of numbers entering employment but also types of employment (occupation, status etc.) and incomes. This would be through analysis of the Leavers' Survey and the scheduled longitudinal survey.

Equal opportunities mainstreaming:

Recommendation 14 - There should be increased use of guidance and training as a means to develop regional players and project staff in their understanding and commitment to equality mainstreaming;

Recommendation 15 - That more extensive use of specialist contracts or technical assistance (as is the case with the EQUAL programme) is made.

Equal opportunities forecasts:

Recommendation 16 - It is recommended that the forecasts be reviewed and supplemented.

Recommendation 17 - To compare and contrast the forecasts (operational as well as equal opportunities) with external benchmarks, such as those within other government departments, for domestic programmes etc. The current forecasts are essentially 'self-referential', being based on prior programme performance. The Equal Opportunities Mainstreaming group should be encouraged to take a lead on these issues.

Policy field and regional allocations:

Recommendation 18 - *If necessary* because further analysis on defining economic inactivity suggests that it is appropriate for projects to focus further support on the inactive - there should be a review of both the current policy field and regional allocations (Chapter 4.7). This may include consideration of using any underspends that emerge during the remainder of the Programme to provide additional resources to support the economically inactive. If it emerges that there are **fundamental** inconsistencies between the regions, based on the original formula, change will be suggested.

Identifying the added value and net impact of ESF support:

Recommendation 19 – That further analysis/evaluation is undertaken to obtain more robust information on the added value that Objective 3 projects can provide to domestic programmes. This would include economic analysis of spend in relation to domestic programmes.

Recommendation 20 - To continue research to examine alternative approaches to measuring the net impact of the Programme.

Co-financing:

Recommendation 21 - To continue to review RDPs to ensure they have a clear focus and contain relevant and well-interpreted labour market information – this will encourage stronger links to be made between the RDPs and those co-financing plans where the evaluation identified weak linkages.

Recommendation 22 - To ensure that the allocation process is seen to be transparent CFOs should devote more resources to providing feedback to provider applicants. This should be regarded by CFOs and GOs as a *sine qua non* of the process.

Recommendations 23 – To conduct a third evaluation study of co-financing during the second half of the programme to assess continued progress with implementation. This would include examining how effectively CFOs are pursuing the horizontal themes – such as equal opportunities mainstreaming and also issues such as added value.

Recommendation 24 – To conduct a separate, case study based, evaluation which will assess the relative costs and benefits of co-financing on a mix of projects.

Operational forecasts:

Recommendation 25 – Further analysis is required to provide robust information on the numbers of beneficiaries supported on the Programme.

Recommendation 26 - That further work is undertaken to assess the feasibility of providing comparison indicators from, for example, the New Deal programme as well as against benchmarks across the working age population more generally.

Recommendation 27 - That consideration is given to supplementing the current forecasts with: a) information on beneficiaries age distribution; and b) basic skills provision.

Accuracy and quality of monitoring data:

Recommendation 28 - To design a monitoring form which more effectively captures qualitative data.

Recommendation 29 - That further evaluation should take place to review the systems that projects have in place for collecting management information. This may be linked to information derived from audit and verification visits.

Support for companies:

Recommendation 30 – To continue to evaluate Objective 3 support to companies to further understand how it impacts upon companies and their employees.

Recommendation 31 - In connection with the above point to produce clear guidance to GOs, CFOs and projects on the type of companies, employees and training that it is most appropriate for ESF funding to support.

Recommendation 32 – Consideration should be given to augmenting the forecast on numbers of companies helped, under Policy Field 4, by including information on company size and perhaps a forecast relating to the sectors in which companies are supported.

Soft outcomes:

Recommendation 33 - That the importance of measuring soft outcomes continues to be emphasised from the centre and GOs and CFOs should be trained to provide assistance to projects in this respect.

Recommendation 34 - That further research is conducted on the feasibility of measuring soft outcomes at a Programme level, which will take into account administrative burdens on projects.

Role of the Monitoring Committee:

Recommendation 35 - That further clarification, beyond the Terms of Reference, should be provided on what is expected of members of the Committee.

Recommendation 36 - To continue to ensure that information is presented to members of the Committee in an accessible format, particularly financial information which can appear complex, and to review the balance of material presented. To this end it may also be appropriate to encourage the participation of individuals from outside the Programme's direct administration and to include more evaluation evidence on topics of relevance.

Costs of ESF support:

Recommendation 37 - An analysis of unit costs should be undertaken during the second half of the programme once greater numbers of beneficiaries have completed on Policy Fields 2 and 5. This may include obtaining an indication of the dispersal of costs around the average, particularly for the more expensive, integrated projects that support the more disadvantaged beneficiaries.

Capacity building:

Recommendation 38 - Further evaluation should be conducted to look at capacity building activity with a view to developing a definition of capacity building.

Global Grants:

Recommendation 39 – Updated guidance should be produced on the types of projects eligible for Global Grant funding, how to obtain match funding and the administrative arrangements that should be put in place to process grants and regarding audit arrangements (Chapter 4.10.10).

The impact of ESF at the local level:

Recommendation 40 - There is a need for a national strategy for the incorporation of sustainable development into ESF Objective 3. This would provide the framework for guidance around the links between Objective 3 and sustainable development. Along with this there should be the development of a common understanding of sustainable development and consistency in the application of key terms.