

# 1.0 Haringey Guarantee: Economic Impact Assessment

---

This paper provides an assessment of the economic impacts associated with the support provided through the Haringey Guarantee to those individuals participating in the initiative between April 2009 and July 2010. The assessment covers the impacts of the two Haringey Guarantee Extension projects (Women Like Us and 5E).

The results are based on a survey of 114 Haringey Guarantee participants undertaken in July 2010. The methodology employed has been designed to comply with the Government's guidance on establishing the economic impacts of employability initiatives, including the HM Treasury's Green Book, and the Impact Evaluation Framework (and supplementary guidance, such as the IEF plus<sup>1</sup>) developed by the Department for Business, Innovation and Skills.

## 1.1 Analytical Framework

This section sets out our approach for estimating the net economic impacts of the Haringey Guarantee, and is based on the general framework set out in the Homes and Communities Agency's Additionality Guide for assessing the economic impact of area based initiatives. This states that the economic impact should be estimated using the following:

**Net impact = Gross Impact – Deadweight – Crowding Out – Substitution Effects – Leakage – Displacement + Multiplier Effects**

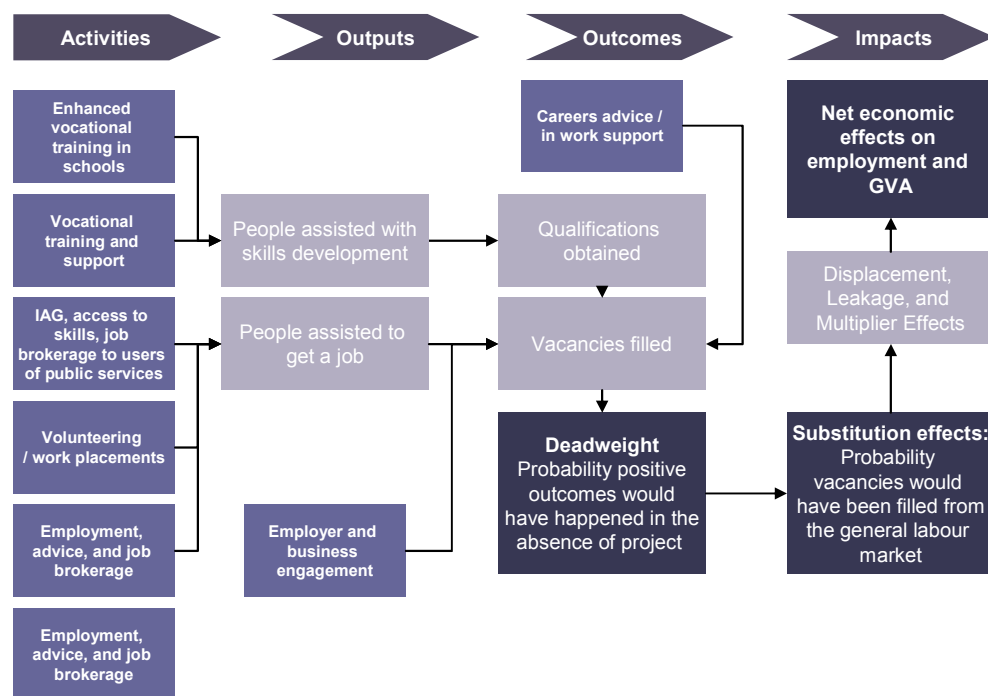
Where:

- **Gross impact** is the positive economic impacts achieved by programmes among participants. In the case of the Haringey Guarantee, these will be achieved where programme participants enter employment, and generate GVA impacts.
- **Deadweight** is the extent to which those gross impacts would have occurred in the absence of the intervention (i.e. the number of participants that would have entered employment in the absence of the programme).
- **Crowding Out** is the extent to which programme investment has crowded out private sector investment in similar initiatives. Crowding out is assumed not to apply in the case of the Haringey Guarantee; it is unlikely that Haringey's investment in the initiative has prevented the private sector developing pre-employment support schemes.

<sup>1</sup> Practical Guidance on Implementing the Impact Evaluation Framework, BIS, December 2009

- **Substitution Effects** occur where employers filling vacancies with participants of the Haringey Guarantee would have filled vacancies with other residents of the borough in the absence of the scheme. Related to this, it is also important to consider whether firms have been able to recruit workers that were more suitably trained or at an earlier date than in the absence of the programme.
- **Leakage** occurs where the benefits of the programme go to other areas outside Haringey. For example, if a resident that is supported into employment leaves the borough, then this impact benefits another area. Where residents of the borough have been supported into jobs outside the borough, then the GVA impacts are lost to Haringey (although Haringey retains the employment impact).
- **Displacement** may occur where firms filling vacancies with Haringey Guarantee participants are able to produce more and generate more sales. If these sales are taken away from other firms in Haringey then there are potentially negative effects on employment
- **Multiplier Effects** occur through two main mechanisms: firms filling vacancies with Haringey Guarantee participants may increase procurement spend among local firms, generating positive local impacts (supply chain multiplier effects). Further benefits will be gained by local firms where the additional income (i.e. the increase above any benefits participants may be claiming) are spent by programme participants in the local economy (induced multiplier effects).

Our overall analytical framework is set out in the diagram below.



## 1.2 Gross Employment and GVA Outcomes

### 1.2.1 Gross employment outcomes

At the beginning of July 2010, there were 1,751 participants of the Haringey Guarantee registered on MegaNexus, of which 259 were recorded as entering employment<sup>1</sup>. All respondents to the survey were asked to report whether they had entered employment since receiving support as a means of verifying the monitoring data.

The survey evidence suggests that 26 percent of participants with no employment outcome recorded in MegaNexus had in reality entered employment at the time of the survey, while 22 percent of participants that had been recorded as achieving an employment outcome reported that they had not entered any employment since receiving support.

Overall, this suggests that the 259 employment outputs recorded by MegaNexus are an underestimate of the total gross employment outcomes of the Haringey Guarantee by July 2010. Applying the results above to the numbers of participants in the programme (by employment outcome), it is estimated that around 600 Haringey Guarantee participants have obtained employment since receiving support (closer to 35 percent).

**Table 1.1 Gross employment outcomes**

Employment outcome recorded on MegaNexus	Number of participants	Percentage of survey respondents reporting they had obtained employment	Estimated number of participants obtaining employment
Employment outcome	259	78	201
No employment outcome	1,492	27	403
<b>Total</b>	<b>1,751</b>	<b>-</b>	<b>604</b>

*Source: MegaNexus and Participant Survey*

### 1.2.2 Gross GVA outcomes

The Haringey Guarantee will also generate economic effects in terms of GVA as a result of the output created by those individuals supported into work. The income based measure of GVA is defined as the sum of wages received by employees and profits accruing to owners of firms. More productive workers (i.e. those able to generate more GVA per hour worked) tend to obtain higher wages.

In order to assess the economic contribution of the Haringey Guarantee in terms of GVA, respondents were asked to report their average hourly earnings, and whether they worked full-time (30 or more hours per week) or part time (less than 30 hours per week).

On average, respondents reported they earned an hourly wage of £7.76. This is low in comparison to borough averages, with residents of Haringey earning £14.65 per hour in full-time work, and

<sup>1</sup> Either recorded and verified as a job entry, job sustained for 13 weeks, or job sustained for 26 weeks.

£9.19 in part-time work<sup>1</sup>, suggesting that participants have mainly found employment in lower skilled occupations. 34 percent of those finding work reported they had entered full-time time employment, and 66 percent entered part-time employment. Applying these results to the average weekly hours worked by residents of Haringey (37.5 hours for full-time workers, and 16.7 hours for part-time workers<sup>2</sup>) it is estimated that participants entering employment work on average 23.8 hours per week, earn a weekly wage of £184, and an annual wage of £9,600.

**Table 1.2 Average Weekly Hours and Earnings, Participants Entering Employment**

Response to: Do/did you work full time or part time?	Total	Percentage	Average Weekly Hours / Earnings
Full time (more than 30 hours per week)	18	34	37.5
Part time (less than 30 hours per week)	35	66	16.7
<b>Total</b>	<b>53</b>	<b>100</b>	<b>23.8</b>
Average hourly earnings			£7.76
Average weekly earnings			£184.48
<b>Estimated average annual earnings</b>			<b>£9,593.21</b>

Source: Participant Survey (ECOTEC), Annual Survey of Hours and Earnings (ONS)

On the basis of average annual earnings of £9,600, the 600 individuals entering employment since participating in the Haringey Guarantee are estimated to earn a total of £5.8m per annum. In London, wage expenditure represents 54 percent of total GVA<sup>3</sup> (i.e. every £0.54 spent on wages generates £1 of GVA), implying the Haringey Guarantee has had a total gross impact on GVA of £10.7m per annum to date.

**Table 1.3 Gross GVA Created**

GVA Estimates	
People supported into employment	604
Estimated average annual income (£)	9593
Estimated total annual income (£m)	5.8
Ratio of Wage Expenditure to GVA	0.54
Estimated total gross GVA impact (£m per annum)	10.7

Source: Participant Survey

### 1.3 Additionality

A crucial consideration in establishing the net economic impacts of the Haringey Guarantee is how far participants would have found employment without the support they received. This comprises two elements: how far the participants entered employment as a direct result of the support

<sup>1</sup> Annual Survey of Hours and Earnings, Office for National Statistics, 2009

<sup>2</sup> Annual Survey of Hours and Earnings, Office for National Statistics, 2009

<sup>3</sup> Annual Business Inquiry, Office for National Statistics, 2008

provided, and how far participants would have obtained an alternative source of similar support that would lead to the same outcomes.

### 1.3.1 Additionality of employment outcomes

Respondents that had entered employment were asked to report how likely they would have been to find a job if they had not received the support from the Haringey Guarantee. More than a quarter of respondents reported that they definitely would not have found a job without the support they received, and a further 10 percent reported that they would only possibly have found a job, suggesting that in many cases, the programme is making a direct contribution to the employment prospects of participants.

However, a substantial proportion (57 percent) reported that they would have definitely or probably found their job without the support they received. No respondents reported that they were able to obtain a job with greater earnings as a result of support, perhaps reflecting the low earnings received by participants. Using the additionality assumptions outlined in the table below, it is estimated that, on average, 45 percent of participants obtaining employment would not have done so without the support.

**Table 1.4 Additionality of employment outcomes**

Response 'How likely is it that you would have found this job without the support you received?'	Number of respondents	Percentage of respondents	Assumed additionality
Would definitely have found this job anyway	22	42	0.00
Would probably have found this job anyway	8	15	0.25
Would have found a job, but at a later date	4	8	1.00 <sup>1</sup>
Would have found a job, but with lower wages	0	0	1.00
Would possibly have found this job anyway	5	9	0.75
Would definitely not have found this job anyway	14	26	1.00
<b>Total</b>	<b>53</b>	<b>100</b>	<b>0.45</b>

Source: Participant Survey

### 1.3.2 Additionality of support

Respondents were also asked to report if they would have been able to find a similar level of support from an alternative source, and if so, how likely they would have been to use it. The survey results suggested that only a minority (13 percent) would have been able to find similar support elsewhere, indicating the support provided by the programme has added substantial value to support provided locally.

Using the additionality assumptions outlined in the table below, it is estimated that 89 percent of participants would not have obtained similar alternative support in the absence of the Haringey Guarantee.

<sup>1</sup> While the outcomes associated with those that would have found a job at a later date are assumed to be 100 percent additional, the impacts are assumed to endure only on a temporary basis (see section 1.7 below).

**Table 1.5 Additionality of support**

Response to 'Do you think you could have found a similar level of support elsewhere?'	Number of respondents	Percentage of respondents	Assumed additionality
No	99	87	1.00
Yes	15	13	-
<i>If yes, how likely is that you would take up this alternative support?</i>			
Definitely	7	6	0.00
Likely	8	7	0.25
Neither likely nor unlikely	0	0	0.50
Unlikely	0	0	0.75
Definitely not	0	0	1.00
<b>Total</b>	<b>114</b>	<b>100</b>	<b>0.89</b>

## 1.4 Gross Additional Employment Outcomes

Estimates of the gross additional impacts of the Haringey Guarantee in terms of people supported into employment, and associated GVA, are set out in the table below.

**Table 1.6 Additionality of employment outcomes**

Impact	Gross outcome	Additionality of outcomes	Additionality of support	Gross additional outcomes
Gross additional people supported into employment	604	0.45	0.89	240
Gross additional GVA created (£m per annum)	10.7	0.45	0.89	4.2

*Gross additional impact = Gross impact x Additionality of outcomes x Additionality of support*

## 1.5 Substitution Effects, Leakage, Displacement, and Multiplier Effects

### 1.5.1 Substitution effects

Substitution effects depend on how far employers would have recruited other labour market participants (either from Haringey or elsewhere in London) in the absence of the support provided by the initiative. Employer research has not yet been completed as part of the evaluation, so a value for substitution effects has been assumed on the basis of meta-research undertaken by BIS in 2009 that suggested that prior evaluation studies found a value for substitution effects of 7.6 percent (at the regional level) for employability programmes.

Applying this assumption implies that 7.6 percent of the vacancies filled by Haringey Guarantee participants would have been filled by other residents of London in the short term. It is assumed of

these, 50 percent would have been Haringey residents (on the basis that many jobs will have been sourced locally), suggesting a value for local substitution effects of 3.8 percent<sup>1</sup>.

### 1.5.2 Leakage

The economic impacts of the Haringey Guarantee will leak outside of the borough (or London) to the extent that non-residents have benefited from support provided by the programme. Analysis of the postcodes of participants (as recorded in MegaNexus) suggested a small share (2 percent) of participants lived outside the borough of Haringey, and none lived outside London. Leakage is therefore assumed to be 2 percent at the local level, and zero at the regional level.

### 1.5.3 Displacement and Multiplier Effects

Displacement and multiplier effects depend primarily on the extent to which employers recruiting Haringey Guarantee participants compete and procure from with other firms in the borough (or London at the regional level). Assumptions for displacement are taken from a review of City Challenge programmes that suggested training programmes led to displacement of 31 percent at the local level, and 78 percent at the regional level<sup>2</sup>. Most programme participants obtained employment in service industries, and assumptions for composite multiplier effects (for B1 office land use classes) of 1.29 at the local level and 1.44 at the regional level have been taken from the Homes and Communities Agency Additionality Guide<sup>3</sup>.

### 1.5.4 Gross to net additionality assumptions

Gross to net additionality assumptions are set out in the table below.

**Table 1.7 Summary of gross to net additionality assumptions**

Spatial Level	Substitution Effects	Leakage	Displacement	Multiplier Effects
Haringey	0.02	0.04	0.31	1.29
London	0.00	0.08	0.78	1.44

## 1.6 Net Additional Employment Impacts

Estimates of the net additional impact of Haringey Guarantee by July 2010 are set out in the table below. Overall, it is estimated that the programme has supported 201 net additional residents of Haringey into employment, with an associated GVA impact of £3.6m per annum. Owing to primarily high rates of assumed displacement at the London level, this impact falls to 70 net additional people into employment, and £1.2m per annum in GVA, at the level of the region.

<sup>1</sup> These assumptions will be updated on completion of the employer survey.

<sup>2</sup> Additionality Guide, Homes and Communities Agency, 2008

<sup>3</sup> Again, these assumptions will be updated on completion of employer research

**Table 1.8 Net additional employment and GVA impacts**

Net additional impacts	Haringey	London
Net additional people supported into employment	201	70
Net additional GVA created (£m per annum, residence based)	3.6	1.2

*Net additional impact = Gross additional impact x (1 – Substitution) x (1 – Leakage) x (1 – Displacement) x Multiplier effects*

## 1.7 Present value of GVA impacts

In order to estimate the total GVA impact of the Haringey Guarantee, it is necessary to take to further elements into account:

- **Persistence:** The impacts outlined above measure the annual GVA impact associated with individuals supported into employment, whereas the total impact will depend on how long individuals are able sustain employment. Tracking of participants (to be undertaken over the remainder of the study) will be used to develop an understanding of the sustainability of employment outcomes. In the interim, and in line with IEF plus guidance (for the intervention type 'Matching People to Jobs'), it is assumed that impacts endure for a period of one year.
- **Accelerated effects:** Eight percent of participants reported that they would have obtained employment, but at a later date. On average, these respondents reported that they would have found a job 9 months later than they did, so in eight percent of cases, impacts are assumed to endure for 0.75 years only.
- **Discount rate:** In line with the principles of the HM Treasury Green Book, a discount rate of 3.5 percent per annum should be applied to monetary values. As the impacts of the programme have only accumulated over a single year since the programme started, an adjustment of 3.5 has been made.

Estimates of the total present value of the GVA impacts of the Haringey Guarantee by July 2010 are set out in the table below.

**Table 1.9 Present value of net additional GVA impacts**

Net additional impacts	Haringey	London
Present value of GVA created (£m, residence based)	3.5	1.2

## 1.8 Value for money

Over the first year of programme delivery, projects funded through the Haringey Guarantee spent £556,500<sup>1</sup>. This equates to a cost per net additional person into employment of £2,800 (£7,900 at

<sup>1</sup> Note that this excludes payments made to projects in Year 1 for outputs that would be delivered in year 2.



the London level) and a return on investment of £6.3 in GVA per £1 of spending (£2.2 at the London level).

These value for money ratios are compared against the results of recent evaluations of other London based employability programmes in the table below, which have tended to focus on impacts at the regional rather than the local level:

- The cost per net additional person supported into employment is low in comparison to other initiatives. GVA per £1 invested is broadly comparable, and is likely due to the high proportion of participants that have obtained part-time employment.
- It should be noted that, some of the evaluation studies made more favourable assumptions than utilised here. For example, impacts were assumed to endure for 3 years (rather than the 1 year assumed here) for the Local Employment and Training Framework, which will inflate estimates of impact as compared to estimates here.
- Overall, this suggests the Haringey Guarantee has demonstrated reasonably good value for money. Additionally, the programme will generate further impacts in the future when further current and new participants enter employment, which may further improve value for money measures.

It should be noted, however, that these estimates do not reflect all costs involved in delivering the programme and associated employment outcomes. Participants may have received support from other public sector agencies that may have contributed to these outcomes either directly or indirectly, and the costs of these interventions are not reflected here. In addition, participants themselves incur costs (including additional transport costs, childcare costs, and loss of leisure time) that are not captured in this estimate of return on investment.

**Table 1.10 Value for Money Benchmarks**

Programme	Local impacts		Regional impacts	
	Cost per net additional job created (£)	£ of GVA per £1 invested	Cost per net additional job created (£)	£ of GVA per £1 invested
<b>Haringey Guarantee</b>	2,800	6.3	7,900	2.2
Relay London Jobs <sup>1</sup>	-	-	13,700	1.4
Local Employment and Training Framework <sup>2</sup>	-	-	13,900	2.0
London South Central Enterprise and Employment Programme <sup>1</sup>	-	-	14,600	4.8

<sup>1</sup> Source: Evaluation of the London Employment and Skills Taskforce, ECOTEC Research and Consulting, 2010. Results include multiplier effects but exclude monetised losses of leisure time to ensure comparability.

<sup>2</sup> Source: Evaluation of the London Employment and Training Framework, Roger Tyms and Partners, 2009. This study assumed the GVA effects of the programme would endure for 3 years, not 1 as assumed here.

Programme	Local impacts		Regional impacts	
	Cost per net additional job created (£)	£ of GVA per £1 invested	Cost per net additional job created (£)	£ of GVA per £1 invested
Thames Gateway JobNet <sup>2</sup>	-	-	10,400	2.1

<sup>1</sup> Source: Evaluation of the London South Central Employment and Enterprise Programme, ECOTEC Research and Consulting, 2009. Results include effects of a range of enterprise projects, for which impacts are assumed to endure for 3 years.

<sup>2</sup> Source: Interim Evaluation of the Thames Gateway JobNet, Adroit Economics, 2008, results are based on all sources of funding, note that £ of GVA per £1 invested rises to £4.1 where impacts are assumed to endure for 3 years.