

The New Deal for Young People (NDYP) Five Years On

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Abstract

The New Deal For Young People is the major welfare-to-work program in the UK. It is a mandatory multistage policy targeted at the 18-24 year old unemployed (JSA claimants). This paper investigates the effectiveness of the program in terms of enhancing (re)employment probability of participant males. Since it started there have been few evaluation studies, mainly devoted to short term effects (Blundell et al., 2004). While on the political side it has been regarded as a major success, based mainly on descriptive statistics, very little has been done so far to evaluate the long run effects of the program in a causation framework. I exploit the eligibility rule to identify a suitable counterfactual relying upon a simple regression discontinuity design. While young unemployed slightly younger than 25 are eligible for the treatment their slightly older counterpart is not. By exploiting such a discontinuity I am able to non parametrically identify (Hahn et al., 2001) a local average treatment effect (LATE). While relying upon the non parametric local linear regression method I am able to push forward such a parameter to a “global” dimension, implicitly adding parametric structure. No evidence of possible general equilibrium as well as substitution effects is found by a cohort specific approach (before and after the program). The main result is that the program enhances employability by about 6-7%.

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