

House of Commons
Committee of Public Accounts

**THE NEW DEAL FOR
YOUNG PEOPLE**

Sixty-second Report of Session
2001–02

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YOUNG PEOPLE**

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2001–02

*Report, together with
Proceedings of the Committee,
Minutes of Evidence and an Appendix*

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Committee of Public Accounts

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Footnotes

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SIXTY-SECOND REPORT

The Committee of Public Accounts has agreed to the following Report:

THE NEW DEAL FOR YOUNG PEOPLE

INTRODUCTION AND LIST OF CONCLUSIONS AND RECOMMENDATIONS

1. The New Deal for Young People is the Government's main welfare-to-work programme. It aims to help long-term unemployed young people move away from dependency on unemployment and social security benefits and into worthwhile employment.¹

2. The programme is mandatory for young people aged 18 to 24 who are unemployed and have been claiming Jobseeker's Allowance continuously for more than six months. It provides participants with a range of advice, training, support and other assistance, including work experience, and aims to place into suitable employment those participants who are judged to be job ready or almost job ready. For those who are not job ready, the programme seeks to identify and break down the barriers to employment, and develop appropriate skills and characteristics so that participants will be in a position to compete more effectively in the labour market.²

3. Policy responsibility for the New Deal for Young people rests with the Department for Work and Pensions (the Department). Jobcentre Plus (until April 2002, the Employment Service) has overall responsibility for the programme's delivery.³

4. On the basis of a Report by the Comptroller and Auditor General,⁴ we examined the impact that the New Deal for Young People has had, and how the programme is being developed in the light of changing economic circumstances and an increasing proportion of participants who are harder to help.

5. In the light of our examination, the Committee draws four overall conclusions:

- The New Deal for Young People met its target of getting 250,000 under 25 year-olds off benefit and into work before the end of 2001–02. However, the cost per participant can be high (up to £6,000) and many of these young people would in any event have found a job in a growing economy. The programme has been effective in reducing long-term youth unemployment, and most young people who have participated in the programme have benefited in some way. In its first two years, the programme also had a positive impact on levels of youth employment and on the economy overall. The Department now need to develop effective ways of measuring the longer-term impact of the programme on the employability of participants, including those who do not enter the job market.
- An increasing proportion of participants are harder to help because they experience severe or multiple barriers to employment. The Department have tailored the programme to better meet the specific needs of such participants, for example in conjunction with other agencies to offer support to groups of people who are not part of the benefits system, including ex-offenders before they have been released from prison and rough sleepers. The impact of these initiatives is unclear, however, and early evaluation is needed.

¹ C&AG's Report, para 1

² *ibid*, paras 1.1–1.2

³ *ibid*, para 1.15

⁴ C&AG's Report, *The New Deal for Young People* (HC 639, Session 2001–02)

- While the New Deal for Young People has had a positive impact for many, the outcomes for certain ethnic minority groups have been poorer. The Department's "Outreach" programme focuses particularly on the five conurbations with the biggest concentrations of ethnic minorities, and they should see what lessons can be drawn from it.
- It is important to track the destinations of those leaving the programme, to identify both its success and participants who need further help. Yet the destinations of 30 per cent of leavers are recorded as unknown by the Employment Service, and the findings from two surveys of leavers to unknown destinations are not wholly reliable. The Department and Jobcentre Plus should conduct further research into why people leave, to ensure that they are better able to identify participants who need further advice and support.

6. Our more specific conclusions and recommendations are as follows.

On the impact of the programme

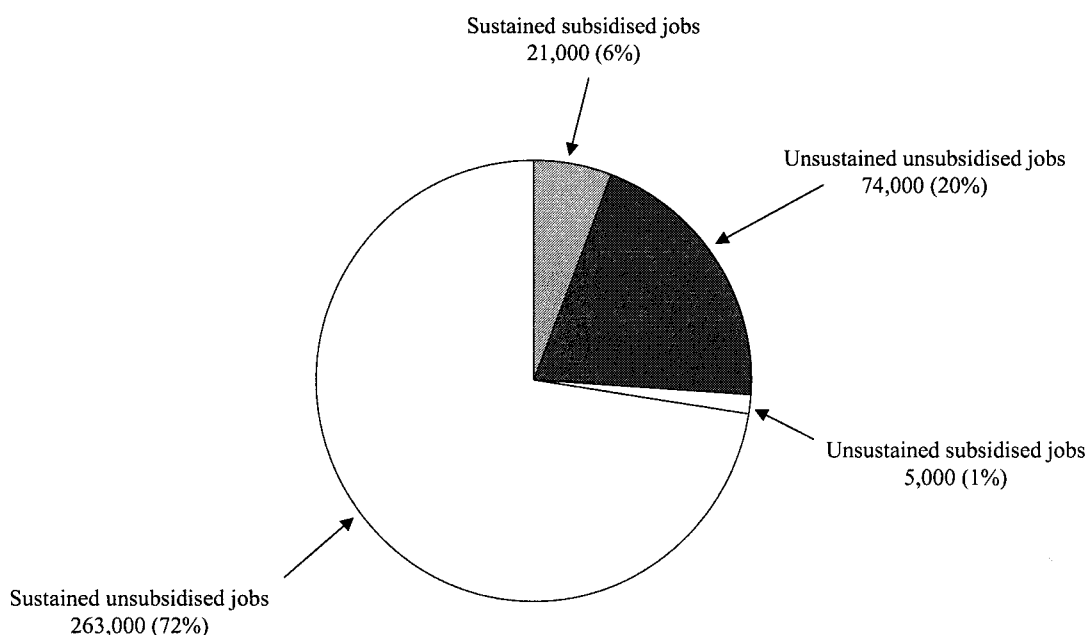
- (i) Variations in performance between the Employment Service's Units of Delivery are strongly related to local economic circumstances, and there is less success in areas of higher youth unemployment and a higher concentration of people with particular problems, such as homelessness or addiction. There are a range of other programmes, such as Action Teams for Jobs, Progress to Work (offering extra help for people with drug problems), Ethnic Minority Outreach and the Step Up pilots that help address these issues. The Department should evaluate the effectiveness of these programmes, individually and collectively, in tackling unemployment in the more deprived areas, including inner cities.
- (ii) Getting young people into jobs is a central aim of the programme. But it also seeks to improve their prospects of staying and progressing in employment, thus increasing the long-term employability of young people and making a positive contribution to sustainable levels of employment and a reduction in social exclusion. As yet, only the first objective has a specific, quantified target. The Department should develop targets for the full range of programme objectives, differentiating between outcome targets for which they are responsible, and the operational targets used to incentivise and measure the performance of Jobcentre Plus.
- (iii) Measuring changes in employability has proved difficult. The Employment Bill, when enacted, should help Jobcentre Plus to monitor systematically the progress in employment of those young people who find work. To measure the employability gains made during the programme, the Department should develop a new range of performance targets and measures relating to the distance travelled towards employment by participants who have not found work, as recommended by the Select Committee for Work and Pensions.
- (iv) In addition, Jobcentre Plus should regularly monitor other aspects of employability for those who obtain work, including the qualifications and skills gained while participating in the programme and the nature and quality of the jobs obtained.
- (v) In the longer term, one of the keys to reducing the number of young people with barriers to employment is improving performance in schools. We have reported separately on some of the main actions needed there, in our Report on *Improving Student Achievement and Widening Participation in Higher Education in England*.

IMPACT OF THE PROGRAMME

(a) Getting people off benefit and into work

7. In September 2000, the Government met its target of getting 250,000 under 25 year-olds off benefit and into work before the end of 2001–02. By the end of March 2002, almost 700,000 young people had participated in and left the New Deal for Young People, of whom 363,000 had ceased claiming Jobseeker's Allowance and had experienced at least one spell in employment. Of these, 263,000 had left the programme for unsubsidised jobs that lasted for more than 13 weeks (Figure 1).⁵

Figure 1: Employment destinations of participants as at March 2002



8. Young people from ethnic minorities have not secured the same level of outcomes, particularly in terms of job entry, as white participants. The evidence suggests that young Caribbean men and women of Pakistani and Bangladeshi origin are particularly disadvantaged, whereas Indian men and Afro-Caribbean women do relatively well. The Employment Service assured us that from the outset it had put significant effort into trying to ensure that New Deal participants from ethnic minorities secured at least the same outcomes as their white counterparts. The Employment Service (now Jobcentre Plus) is now carrying out further research into the labour market and ethnicity, building on work with the Cabinet Office, and is also putting resources into an Outreach programme that will focus particularly on the five conurbations with the biggest concentrations of ethnic minorities.⁶

9. The destinations of 30 per cent of leavers from the programme are unknown. Research suggests that 56 per cent of them had in fact entered employment, but a significant proportion subsequently reverted to the benefits system, including Jobseeker's Allowance. However response rates to the survey were just over 50 per cent, which limits the usefulness of the results as indicators of the destinations and activities of participants.⁷

10. The New Deal for Young People is mandatory for those who meet the qualifying criteria, and there is a series of sanctions for people who try to stay on Jobseeker's

⁵ Department for Work and Pensions, New Deal statistics to the end of March 2002

⁶ Qs 136–138

⁷ C&AG's Report, para 2.13; Qs 80–82; Ev 21–22

allowance and not participate in the New Deal.⁸ Only 0.2 per cent of participants have suffered benefit sanctions, and the surveys of leavers to unknown destinations do not suggest that there is a substantial number of young people who had been forced off Jobseeker's Allowance because they have chosen not to participate. Inner cities and some ethnic minority groups are more likely to leave for unknown destinations, but for them there are other programmes available, which are not confined to people who are on benefits, such as Action Teams for Jobs in the most deprived labour markets.⁹

(b) Variations in performance at local level

11. The New Deal for Young People is delivered across Great Britain through a network of 142 Units of Delivery (now Jobcentre Plus Districts).¹⁰ The Comptroller and Auditor General found significant variations in the outcomes achieved by Units of Delivery in 2000–01. The percentage of leavers recorded as having obtained a job of any description ranged between 37 per cent and 71 per cent, while the percentage who had left to enter unsubsidised jobs that lasted for more than 13 weeks ranged from 25 per cent to 52 per cent. The size of the variation is reduced when account is taken of the different contexts within which different Units operate, such as the characteristics of the local youth unemployed population and local labour market conditions.¹¹

12. The Employment Service monitors these variations and has taken a series of actions to reduce them. These include action plans for performance improvement, and, by promoting the sharing of good practice through conventions and workshops and by twinning Units of delivery, those performing less well can learn from the better performers. However, there is still scope to reduce these variations further.¹²

13. The New Deal for Young People is planned on the basis of an average cost per participant, and the basic allocation of funds to Units of Delivery is related to the number of long-term unemployed young people in an area. So Units that have relatively high levels of long-term youth unemployment receive relatively high levels of provision, both in terms of the number of personal advisers and amounts under the Options. In areas with a higher concentration of people with particular problems, such as homelessness or addiction, further provision is made available to reflect the higher unit cost of tackling their problems.¹³

14. Expenditure can vary quite markedly between participants, mainly because the help an individual receives depends largely on his or her particular circumstances and needs, and is not constrained by any personal cash limit. Linked to this, different participants access the various parts of the programme to differing degrees and leave at different stages. For example, an individual with relatively modest barriers to unemployment may find work relatively quickly with the help of their personal advisor during the Gateway stage and without any additional programme support. In these circumstances, New Deal expenditure could be less than £100. By contrast an individual with greater barriers to employment, or living in a less buoyant labour market, may require help from each element of the programme and the cost of providing help could be £5,000–£6,000.¹⁴

15. Despite these factors, the Employment Service has not found it necessary to refine the national allocation model. Some regions have altered allocations to Units of Delivery to reflect expected demand, but this has not been widespread because few allocations have

⁸ C&AG's Report, para 1.11

⁹ Qs 139–143

¹⁰ C&AG's Report, para 1.15

¹¹ *ibid*, paras 4.9–4.13 and Appendix 3

¹² *ibid*, paras 4.4–4.5 and Box 2; Qs 92–95

¹³ Qs 96–99, 103; Ev 23

¹⁴ C&AG's Report, paras 3.16–3.17; Qs 97, 99, 103; Ev 23

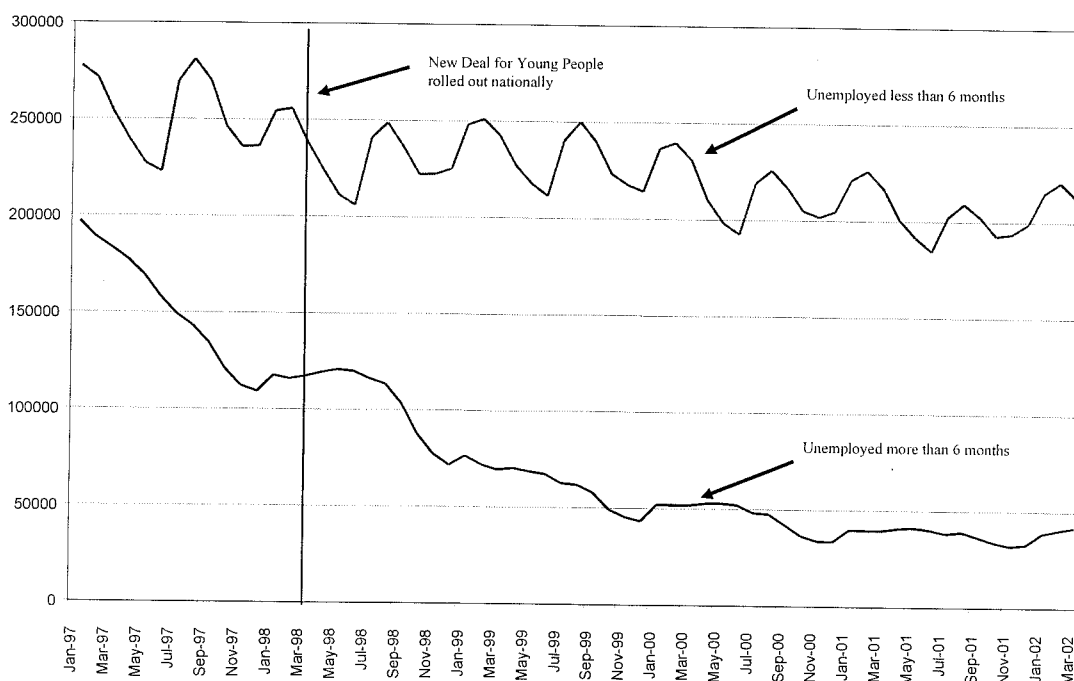
been exceeded. In addition to the New Deal for Young People, other welfare to work schemes are targeted on deprived areas and clients with especially severe barriers to employment. These include Action Teams for Jobs, Progress to Work (offering extra help for people with drug problems), Minority Ethnic Outreach and the Step Up pilots which, from the end of April 2002, provide transitional employment opportunities in some areas of particular disadvantage. The Department told us that in this way, the resources made available to a client should meet their needs in their particular labour market.¹⁵

15. To test other delivery models, 10 Units of Delivery are led by the private sector. They receive broadly the same level of resources, although under their contracts with the Employment Service they receive incentives for increasing the number of young people going into work. They also have greater flexibility in determining how the programme should be delivered in their areas, and the Employment service is drawing on their experience in developing Action Teams. Overall the performance of these 10 Units has been similar to their public sector counterparts although their unit costs per job placement are slightly higher.¹⁶

(c) Impact on the national economy

16. Between March 1998 and March 2002, claimant unemployment in the 18 to 24 age group fell by 102,000. The fall was larger for long-term unemployment: claimant unemployment fell by over three quarters amongst those unemployed for six months or more (the client group for the New Deal for Young People), compared with a fifth of those below six months (Figure 2). Over the same period the level of employment amongst the 18 to 24 age group increased by 165,000.¹⁷ The Department told us that the growth had been relatively even across the country, although areas with the lowest employment rates tended to do slightly better than others.¹⁸

Figure 2: UK claimant unemployment – 18 to 24 year-olds



¹⁵ Qs 96–99, 101–103, 147–148; Ev 23

¹⁶ C&AG's Report, para 1.15; Qs 104–111

¹⁷ *Labour Market Trends*, Tables B2, C12; Qs 36–37, 46–58; Ev 20–21

¹⁸ Qs 114–115; Ev 23–26

18. It is inherently difficult to evaluate with any degree of precision the extent to which the New Deal for Young People has contributed to these changes and its impact on the economy overall.¹⁹ However, evaluation evidence suggests that over the first two years of the programme:

- 60,000 participants found work sooner than would have been the case without the programme;
- youth unemployment fell by between 25,000 and 45,000; and
- youth employment increased by between 8,000 and 20,000.

19. Taking account of the wider impact of the programme on the national economy, the Comptroller and Auditor General estimated that as a result of the additional jobs created national income had increased by more than £200 million a year.²⁰

20. As with other labour market interventions, many of those who participated in the New Deal for Young People and found employment would have found a job anyway because of natural labour market turnover, the help available through other employment programmes and the general expansion of employment in the economy. This is known as “deadweight”. Also, some might have displaced other workers from their jobs, and some would have returned to benefits following a spell in employment.²¹ The Department told us that deadweight was at a relatively low level for the New Deal for Young People, compared to other programmes. Moreover, in addition to changes in employment, the Department saw one of the successes of the programme as increasing the longer-term employability of those with serious barriers to employment.²²

21. By March 2000, £668 million had been spent on the programme, compared with the £1.6 billion expected. This underspending arose mainly because the buoyant economy meant that fewer young people had been required to participate in the programme. By March 2002, the underspending was some £2 billion (expenditure of £1.2 billion compared with £3.15 billion planned) Taking into account the programmes’ impact on other parts of the government budget, including extra tax and reduced benefits, the net cost was £140 million a year.²³

(d) Performance monitoring and evaluation

22. The stated objectives of the New Deal for Young People are: to make a positive contribution to sustainable levels of employment and to a reduction in social exclusion by helping young unemployed people into jobs and improving their prospects of staying and progressing in employment; and by increasing the long-term employability of young people.²⁴

23. The target of getting 250,000 under 25 year-olds off benefit and into work before the end of 2001–02 was linked to the first objective. Although no new medium-term target was set following the achievement of the 250,000 job placements target, the Annual Performance and Resources Agreement for Jobcentre Plus includes an overall target for the job entry outcomes achieved. Included within this, is a sub-target (85,000 job entries in 2002–03) for placing participants on the New Deal for Young People into work.²⁵ No

¹⁹ C&AG’s Report, para 3.7 and Box 1

²⁰ *ibid*, paras 3.8–3.15 and Figure 10; Qs 17–19, 41–42; *Labour Market Trends*, Tables B2, C12

²¹ C&AG’s Report, para 3.2

²² Qs 3, 9, 17, 59–61

²³ C&AG’s Report, paras 3.16–3.17; Qs 16, 19, 66, 83–84

²⁴ C&AG’s Report, para 2.2

²⁵ Q26; Jobcentre Plus Performance and Resources Agreement 2002–03

targets were set for the other objectives because they were difficult to quantify and their achievement difficult to measure.²⁶

24. The Department accept that the short-term impact of whether participants move into work in a buoyant labour market is not an adequate measure of the programme's effectiveness. The programme is also concerned with improving the employability of the long-term youth unemployed, so that they can participate in the labour market in a more meaningful way.²⁷ The characteristics of employability include the ability to gain and hold a job, to progress in a job, to earn more and the qualifications and skills held.²⁸

25. For those participants placed in employment, improvement in employability is monitored to the extent that the achievement of a job and whether or not the job lasts for more than 13 weeks are recorded. At present, it is difficult to monitor progression in employment once a young person's dependency on benefits ceases without relying on young people themselves to continue providing information or imposing an additional burden on employers. The Employment Bill presently at the Report stage provides for Jobcentre Plus to access the Inland Revenue records of participants who have left the programme. This will enable them to track systematically some of their employability improvements.²⁹

26. For participants in the New Deal for Young People who are not job ready, the programme seeks to identify and break down the barriers to employment, and develop appropriate skills and characteristics so that participants will be in a position to compete more effectively in the labour market. For the substantial number of participants who are not placed into employment, however, there is no systematic monitoring of the benefits, in terms of their improved employability, that they might have gained from participating in the programme. For example, all four Options under the New Deal for Young People include a training element intended to lead to a recognised qualification,³⁰ but the number of participants achieving a qualification is not monitored.

27. A recent Report by the Select Committee for Work and Pensions recommended that "the Government seeks to develop and pilot a new range of targets aimed at measuring the "distance travelled" towards labour market participation by clients who are not immediately job-ready. These targets would aim to measure improvements in employability achieved by the intervention of Jobcentre Plus, either alone or through referral to external agencies. Key measures might be improvements in work skills, attitudinal skills, personal skills, and practical skills – as steps along the way to more tangible targets such as qualifications and jobs".³¹

DEVELOPING THE PROGRAMME

28. The Comptroller and Auditor General concluded that, by March 2001, the programme had largely reached its limit for reasonably attainable improvement.³² The New Deal for Young People has now entered a more challenging phase, where economic conditions are less favourable and an increasing proportion of participants are facing severe or multiple barriers to employment (Figure 3). Moreover, an increasing number of participants have been through the programme before.³³

²⁶ C&AG's Report, paras 2.3–2.5; Qs 26–35, 77, 157

²⁷ Qs 9, 21, 60

²⁸ Qs 2, 23–26, 31, 74–79

²⁹ Qs 26, 77, 79, 89

³⁰ C&AG's Report, paras 1.1–1.2, 1.14 and Figure 5

³¹ 1st Report from the Work and Pensions Committee (HC 426, Session 2001–02), *'One' Pilots: Lessons for Jobcentre Plus*, para 85

³² C&AG's Report, paras 4.5–4.6, 4.14–4.16 and Box 2

³³ *ibid*, paras 2.7, 3.23–3.24 and Figure 6

Figure 3: Examples of barriers to employment faced by participants who are harder to help into employment

lack of basic literacy and numeracy skills
homelessness
drug or alcohol dependency
criminal records
behavioural or mental problems
physical disability
caring responsibilities

29. The March 2001 Green Paper “Towards full employment in a modern society” contained proposals to improve the programme’s performance. These included: increasing the flexibility within the programme; increasing the participation of employers and the use of subsidised employment; and additional resources focused on those participants who have particular barriers to employment and are harder to help.³⁴

30. The Employment Service has recognised, particularly as the programme has gone on, that there is a group of people who have serious barriers to employment and who need more help. Eighteen per cent of participants, many of whom are amongst the hardest to help, have been on the programme before. Over time an increased the amount of specialist support and help has been provided for these young people, both in the Gateway and the Options stages, and an important element of the Gateway stage is establishing in each individual case the main barriers to a young person going into employment.³⁵

31. About seven million adults in Britain who have a basic skill deficiency of one kind or another, and a significant number of entrants to the New Deal for Young People lack basic skills. The Employment Service has introduced basic skills screening for all new participants to try to identify their needs at the outset. Where such needs are identified, provision at first is heavily biased towards strengthening basic numeracy and literacy skills before participants are moved on to provision that would not otherwise have been suitable.³⁶

32. The Employment Service does not differentiate between participants, in terms of the help provided under the programme, on the basis of the benefits to society that are likely to be gained from them getting a job. However, certain disadvantaged groups, including ex-offenders, can gain early access to the programme if they so wish, and there is additional help available for those with particular barriers to employment (such as dependency on drugs). One of the initiatives being taken forward in the development of the New Deal for Young People, in conjunction with other agencies, aims to reach out and offer support to groups of people who are not part of the benefits system. These groups include, for example, ex-offenders before they have been released from prison and rough sleepers. But they also include young people, where the Service is strengthening the links with the Connexions Service for 14–19 year-olds, so that people who have most disadvantage can move smoothly into support from a New Deal advisor when they get to 18.³⁷

33. We asked whether the Employment Service offered any guarantees of compensation to encourage employers to take on programme participants who are more difficult to place because, for example, they have a criminal record. The Employment Service explained that

³⁴ C&AG’s Report, paras 5.18–5.19

³⁵ Qs 4–8

³⁶ Qs 70–73

³⁷ C&AG’s Report, para 1.11; Qs 122–128

responsibility for employing a participant rested with the employer and they offered no guarantees about performance in a job. The Service is very open with employers about the background and circumstances of the young people coming through the programme. There had also been increased use of three-week work trials so that employers could experience an individual before committing themselves to taking him or her on as an employee.³⁸

³⁸ Qs 133–135

MINUTES OF PROCEEDINGS OF
THE COMMITTEE OF PUBLIC ACCOUNTS

SESSION 2001-02

WEDNESDAY 13 MARCH 2002

Members present:

Mr Edward Leigh, in the Chair

Mr Richard Bacon
Mr Ian Davidson
Geraint Davies
Mr Nick Gibb
Mr Brian Jenkins

Mr David Rendel
Mr Gerry Steinberg
Jon Trickett
Mr Alan Williams

Sir John Bourn KCB, Comptroller and Auditor General, was further examined..

The Committee deliberated.

Mr Rob Molan, Second Treasury Officer of Accounts, was further examined.

The Comptroller and Auditor General's Report on The New Deal for Young People (HC 639) was considered.

Ms Rachel Lomax, Permanent Secretary, Department for Work and Pensions, was further examined; Mr Leigh Lewis CB, Chief Executive, Employment Service and Jobcentre Plus, Mr Matthew Nicholas, Divisional Manager, Jobseeker Division, Employment Service, and Mr Bill Wells, Head of Economics and Labour Market Division, Department for Work and Pensions, were examined (HC 700-i).

A division of the House being called, the Chairman suspended the meeting for ten minutes.

The Committee resumed.

The witnesses were further examined.

The witnesses withdrew.

The Committee further deliberated.

* * * * *

[Adjourned until Monday 18 March at Four o'clock.

* * * * *

WEDNESDAY 17 JULY 2002

Members present:

Mr Edward Leigh, in the Chair

Mr Richard Bacon
Geraint Davies
Mr Frank Field
Mr Nick Gibb
Mr Brian Jenkins
Mr Nigel Jones

Mr George Osborne
Mr David Rendel
Mr Gerry Steinberg
Jon Trickett
Mr Alan Williams

Mr Tim Burr, Deputy Comptroller and Auditor General, was further examined.

The Committee deliberated.

Draft Report (The New Deal for Young People), proposed by the Chairman, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 5 read and agreed to.

Paragraph 6 postponed.

Paragraphs 7 to 33 read and agreed to.

Postponed paragraph 6 read and agreed to.

Resolved, That the Report be the Sixty-second Report of the Committee to the House.

Ordered, That the Chairman do make the Report to the House.

Ordered, That the provisions of Standing Order No. 134 (Select Committees (Reports)) be applied to the Report.

* * * * *

[Adjourned until Monday 21 October at Four o'clock.]

MINUTES OF EVIDENCE

TAKEN BEFORE THE PUBLIC ACCOUNTS COMMITTEE

WEDNESDAY 13 MARCH 2002

Members present:

Mr Edward Leigh, in the Chair

Mr Richard Bacon
Mr Ian Davidson
Geraint Davies
Mr Nick Gibb
Mr Brian Jenkins

Mr David Rendel
Mr Gerry Steinberg
Jon Trickett
Mr Alan Williams

SIR JOHN BOURN KCB, Comptroller and Auditor General and MR JEFF JONES, Director, National Audit Office, further examined.

MR ROB MOLAN, Second Treasury Officer of Accounts, further examined.

REPORT BY THE COMPTROLLER AND AUDITOR GENERAL:

The New Deal for Young People (HC 639)

Examination of Witnesses

MS RACHEL LOMAX, Permanent Secretary, MR LEIGH LEWIS, CB, Chief Executive, Employment Service and Jobcentre Plus, MR MATTHEW NICHOLAS, Divisional Manager, Jobseeker Division, Employment Service and MR BILL WELLS, Head of Economics and Labour Market Division, Department for Work and Pensions, examined.

Chairman

1. Order, order, welcome to the Committee of Public Accounts. First of all may I apologise for the slightly delayed start? We do pride ourselves that we always start on time in this Committee but as members of the public and witnesses will appreciate, the Government decided to announce its response to the Sharman inquiry today; there was a statement before the House and a number of us felt it was very important we were there. May I thank you, Ms Lomax, for your patience in waiting for us to come back from the Chamber? May I thank you and your colleagues also for coming to answer our questions today about the New Deal for Young People, a very important subject? Would you like to start by introducing your colleagues?

(*Ms Lomax*) Certainly. Starting from my left, Mr Bill Wells, who is our Labour Market Economist. Leigh Lewis is the Chief Executive of the Employment Service, Chief Executive of Jobcentre Plus and the additional Accounting Officer for this programme. Matthew Nicholas, is Head of the Jobseeker Division in the Employment Service.

2. May I start by referring you to page 2, paragraph 7, which is a point which is also repeated in the main body of the Report in paragraph 2.4? It makes the obvious point that "The Employment Service has invested considerable resources in monitoring and evaluating the New Deal for Young People, and has closely monitored progress against the published objectives, which have included targets for helping young unemployed people into jobs. Targets were not set for the programme's other

objectives". If targets were not set for the programme's other objectives how can you claim that overall the programme has been a success?

(*Ms Lomax*) The Government published an objective monitoring and evaluation paper in early 1998, setting out the various ways in which it was going to evaluate the success of the New Deal against the objectives which were set and making it clear then that no single measure was going to measure overall success adequately. The evaluation strategy really had three elements to it involving a variety of studies, both looking at the micro-economic impact of the scheme, the macro-economic impact and also the cost-effectiveness and quality of the delivery of the objectives. An enormous amount of time and money has gone into different kinds of evaluations under these headings; an awful lot of it has been contracted from outside providers, but in-house we have had about 15 people, statisticians and other professionals, working on the New Deal, evaluating it against various criteria. It has been a multi-faceted evaluation strategy.

3. Mr Lewis, may I ask you to refer, please, to page 8, paragraph 1.6? You will see there that "The fundamental justification for them", that is the New Deal programmes, "is the failure of the open market to reconcile the interests and vocational skills of individuals who are without jobs with the skills needs of employers". To what extent do you feel that the New Deal for Young People has filled gaps in the economy?

(*Mr Lewis*) I certainly think it has. It is simply an inevitable fact of life that when employers come to make recruitment decisions they tend to want to recruit people who are most immediately job ready

13 March 2002]

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and have the obvious skills and attributes they need for the vacant jobs they have available. It is undoubtedly the case that many—not all but very many—of the participants who have come through the New Deal for Young People—are not immediately job ready in the sense that on the very first day that they join the programme they would not be people whom employers would always in every case want to take on straightaway. That has been why one of the challenges and one of the successes of the programme has been to help young people come to a position where they are job ready and where they appear to employers to be well-qualified and suitable candidates for their vacancies.

4. One criticism which could perhaps be made of you is that you should have spent more than the £1.2 billion you spent on the scheme on the young people who had the most difficulties, the young people who are furthest away from productive employment. Is that a fair criticism?

(Mr Lewis) It is certainly fair to say that we have tried throughout the life of the scheme increasingly to differentiate the resource and the effort we put into the New Deal so that where young people come onto the New Deal needing only a relatively limited amount of help through the Gateway process to get to the point where they are seriously good candidates for employment, we have sought increasingly to make Gateway operate more effectively so that young people can and indeed have moved into employment quickly. We have recognised, particularly as the programme has gone on, that there is a group of people who have more serious barriers to employment and who are going to need a greater amount of help. One of the developments of the programme over the time that it has been in existence, has been to increase the amount of specialist support and help both in the Gateway and in the options for those young people with more serious barriers to employment.

5. Directly following that point, if you turn back to page 7 and look at Figure 1 you will see listed there in a very easy way to understand examples of barriers to employment experienced by participants who are harder to help into employment. How successful do you think these programmes have been in helping young people with the multiple barriers into employment?

(Mr Lewis) Overall the programme has been very successful in that respect. If you take account of the fact that almost 80 per cent of entrants to the programme have one or more labour market disadvantage, one in three have never actually worked before at the point where they come onto the programme, I think the fact that such very large numbers of young people have gone into employment and sustained that employment during the course of New Deal is testimony to the success of the programme and, if I may say so, to the quite remarkable efforts of personal advisers and of many other partners of the New Deal to help young people with those barriers to employment to overcome them to the point where they have been able to go into employment and sustain that employment.

6. Just give us a flavour of the sort of work you do do specifically to help these young people who suffer from these multiple barriers to productive employment?

(Mr Lewis) The first stage is the Gateway where the personal adviser is seeking with each young person to arrive at an assessment of their particular circumstances, treating them as an individual. We use a number of tools: one called the client progress grid; then the actual Gateway to Work courses during the course of the Gateway. The whole effort there is to try to establish what in each individual case that young person is facing, what those barriers are that are most the obstacle to that young person going into employment. They can be relatively small-scale problems which can be relatively easily overcome up at the other end to major problems of addiction, complete lack of basic skills, which are obviously going to take more effort and more time to resolve.

7. Thank you for that. May I now pursue this a bit further by referring you to page 14? There you see from Figure 6 that 18 per cent of the participants on these programmes have been on the programme more than once. What is the point of putting a young person back on a programme which has already failed them?

(Mr Lewis) If we were just to do that and no more, then we would be failing that young person. Actually it is around 18 per cent of all the entrants onto the New Deal who re-enter the programme a second time. To state the obvious, that means that over 80 per cent do not. There is another characteristic which is that we find people who have been through New Deal once, even if they have not then been able to sustain employment, in general exhibit the characteristics more of short-term unemployed people rather than longer-term unemployed people. We have also, in recognition that some of those people inevitably joining the programme for a second time are amongst the hardest to help, as the programme has gone on, developed the Gateway, developed the Options and, through a number of announcements which the Government made in its Green Paper last year such as the Step-Up Programme, sought to ensure that if people do come onto the problem a second time round then they are going to have an even more intensive range of support and assistance available to them to try to ensure that we do, on that second occasion, really get to the route of those barriers if not to overcome them.

8. If it is so useful for them to come round the course a second time, why do they have to wait six months before you allow them to do so?

(Mr Lewis) Because there remains the point that when someone has been through the entire New Deal programme on one occasion, has been through the Gateway, has been through the Options, it remains the case actually that within a relatively short time of leaving the programme formally, significant numbers of young people do go back into work. Because the New Deal programme is inevitably a resource-intensive one, by leaving a period between somebody ending their participation for the first time on that programme and re-entering it a second time, we are trying to ensure that before we offer that full panoply

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of support and assistance again, a second time, we have allowed the programme's impact the first time to take effect. It would be wrong to say that no support is available in that intervening period. That would not be the case. There is all the normal support which is available through the Employment Service during that period.

9. Ms Lomax, may I now ask you a very important question? Could you please turn to page 21 and look at paragraph 3.23? There we read, what we know, that "... the New Deal for Young People was introduced in 1998 into a buoyant economy, and the labour market has subsequently continued to improve. The programme has therefore yet to be tested in deteriorating labour market conditions, where job outcomes may be more difficult to achieve". That leads one to the obvious question: how many of these jobs would have been created anyway because you were in the situation of a buoyant national economy? How are you going to develop the programme when, as must happen sometime in the future, the economy gets far more difficult?

(Ms Lomax) The New Deal is about a good deal more than creating extra jobs, it is about improving employability and about improving people's ability once they have a job to stay in it and in the long term to thrive in the labour market. The short-term impact of whether they would have moved into work in a buoyant labour market is not an adequate measure of the effectiveness of the programme. It is also highly uncertain exactly what would have happened in the absence of the New Deal, as the NAO Report makes extremely clear. Since it is about improving employability, it is equally relevant when the labour market becomes less buoyant, when the economy becomes difficult, the people who suffer most are the long-term unemployed. Working with young people to maintain their morale and their employability in the down-swing seems to me to be a very worthwhile thing to be doing.

10. I accept all that. What you said is all obvious. But there will come a time when the job market is far more difficult. My question was: how are you going to develop these programmes, make them more sophisticated so that you have almost as much success in the future as you have had in the past?

(Ms Lomax) One of the things we are doing at the moment, for example, is the rapid response programme which is working with people in situations of large-scale redundancies, before they have actually been laid off. I saw one last week, for example, in Xerox in the Forest of Dean. They are laying off about 1,000 people, and the Employment Service and the rapid response unit are in there working with people before the redundancy actually takes effect. The chances of people being able to take advantage of what jobs there might be by retraining themselves before they become unemployed, are greatly improved. That is the sort of thing. There is about £9 million in that particular initiative. There are other things we can do, but that is one particular thing we are doing at the moment.

Mr Rendel

11. When New Deal was first set up there were two arguments about it really: first of all whether it was a good idea or not and that is a policy matter and we are not here to discuss policy matters; the other was how it should be funded and it was due to be funded out of the windfall tax. Is it still being funded out of the windfall tax?

(Ms Lomax) It is being funded out of the employment opportunities fund, which is the ring-fenced fund that the windfall tax was paid into in the spending review 2000.

12. But it is now due to go on indefinitely. Does that mean the windfall tax and this fund you are talking about are going to run out and it will be forced to come to an end just because there will be no funds?

(Ms Lomax) It has not run out yet.

13. But it is currently being funded out of a fund which has a finite life. Is that what you are saying?

(Mr Wells) In the spending review 2002 a permanent stream of funding was applied to the New Deal.

14. So it is not being funded out of this fund which was set up out of the windfall tax, it is being funded out of a new fund.

(Ms Lomax) The receipts of the windfall tax have not yet been exhausted and they are in a ring-fenced fund called the employment opportunities fund. What you are saying is that when that is exhausted, is there a stream of funding beyond that? Is that correct?

(Mr Wells) Yes.

(Ms Lomax) But it has not been exhausted yet.

15. So currently it is being funded out of a finite fund, but there is another fund which has been identified within the spending review.

(Ms Lomax) Presumably it is being funded out of core funding beyond that.

(Mr Lewis) I think that is right. Ministers have announced that the New Deal is now seen as a permanent New Deal, a permanent feature and thus in a sense it becomes a call on expenditure and will be funded in the future to the extent that funding is clearly needed out of general expenditure within the employment opportunities fund that Ms Lomax has referred to.

16. So the Government has accepted that the windfall tax is not going to last for ever, for as long as this scheme is needed.

(Mr Lewis) That is right but it is the case, as the NAO Report makes clear, that the gross cost of the programme is much higher than the net cost once the returns in terms of higher tax, national insurance and so on, are taken into account.

17. The other point which has been made, particularly since this NAO Report came out, is that the programme has been a bit of a waste of money in the sense that a lot of people have got jobs who would have got jobs anyway. Your answer to that appeared to be that that was not the point because half the point about the whole programme is to improve employability.

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(*Ms Lomax*) No. That is a point to be made about the programme, but I would certainly not say it has been a waste of money. It has paid for itself very easily. The figures in the NAO Report make that perfectly clear.

18. Paid for itself in what sense? Perhaps I was misreading the NAO Report.

(*Ms Lomax*) Paid for itself in the addition to national income, which the NAO put at a minimum of £200 million. The National Institute for Economic and Social Research put it at £½ billion.

19. And the cost of the programme to date?

(*Ms Lomax*) The cost of the programme in net terms, taking account of estimated tax and social security flowback is £140 million a year.

(*Mr Wells*) There is a difference between the effect on the GDP and public finances.

(*Ms Lomax*) Let us go through that. The effect on public finances net of tax and social security flowback is something like £140 million a year according to the work which is here. If you accept that extra jobs have been created within a margin of error, as the National Institute and the IFS and almost anyone else who has looked at this does, those extra jobs do have a value as well which you need to add in. That is why you would say that national income is higher as a result. I must have seen at least four times in the NAO Report that there is no doubt that, although figures are subject to a wide margin of error, the New Deal for Young People has had a positive impact on the economy. It has certainly not been a waste of money.

20. I am glad to hear you say that, but your main justification seemed to be in answer to the Chairman not that there was a straightforward payback for the economy, which interpretation of these figures in terms of how worthwhile that has been to the economy might be slightly confusing, but let us leave that on one side for the moment. Your answer to the Chairman a few moments ago appeared to be that it was not just a question of how many jobs you created, it was also a question of the other objectives you were looking at, including long-term employability. Is that correct?

(*Ms Lomax*) Let us take this head-on. All employment programmes are open to the criticism you and the Chairman have just mentioned; all of them. It is very difficult to say that every extra person who goes into a job would not have gone into a job otherwise. What the New Deal for Young People has done is got people into work, even on the evaluation evidence we have here, more successfully than most previous programmes, or most programmes in other countries, even on that narrow definition of success.

21. If I may say so, you are moving a bit away from the point I was trying to get to, which was this question of improving employability. As I understand it, that was what you were saying to the Chairman just now was one of the major reasons why you felt, whether it is a waste of money or not, the issue was not purely about how many jobs you had created or how many people you had removed from unemployment, the issue was also about improving long-term employability.

(*Ms Lomax*) Yes; it is indeed. I wanted to challenge your summary of my reply to the Chairman which implied that I was accepting that the scheme was a waste of money and I most definitely do not.

22. You have challenged it very well but I do not want to stick on that. I want to get onto employability.

(*Ms Lomax*) Let there be no misunderstanding.

23. The point here is that if it is true that the question of improving employability is an important aspect of the whole scheme, then I want to ask you why in that case you have apparently no measure for measuring whether that has worked or not.

(*Ms Lomax*) It is quite difficult just to capture employability in a target.

24. Is it a sensible way then of justifying the scheme if you cannot know really whether it has worked or not?

(*Ms Lomax*) You can capture the impact of a scheme by evaluating, as we have done, with specific evaluation studies. For example, I think it was the Policy Studies Institute (PSI) which did an evaluation looking precisely at the employability issue and concluded that on a number of different dimensions you could safely conclude that the New Deal for Young People was improving employability in terms of whether people were progressing in jobs, getting more pay, getting more responsibility, retaining jobs longer—

25. Were they able to quantify that?

(*Ms Lomax*)—and they quantified that.

26. So why was no target set? If you can quantify it, you might as well set a target and see whether you have achieved the target.

(*Ms Lomax*) Because we cannot trace everybody in their post-New Deal work record. What we have tried to capture is retention in terms of the people who come back onto JSA and that has been reflected in Employment Service targets and Ministers are going to be announcing the Jobcentre Plus targets next week and we shall be trying to capture a bit more of some of these ideas in the targets we set for Jobcentre Plus. It is a moving target. We are trying to develop our ability to capture it. We are learning how to do this as we go along and we also need to improve our ability to track people once they move into work. That is why in the Employment Bill at the moment, which is before the House of Lords, we are taking powers to enable us to join up the Employment Service records with Inland Revenue records so that we can track what happens to people once they enter work. That is exactly so we can begin to get some meaningful measures of employability.

27. You seemed to say just now that one of the things people have been looking at is the question of whether, once they go into jobs, people's salaries then increase and this is a measure of employability. People have been measuring that and you appear to think that some of the work you are doing therefore has been worthwhile. I am not trying to deny that for a moment. What I am suggesting is that if this was always possible and people have been doing it, why, when you set up the scheme, did you not set a target that was measurable—okay you cannot track them

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all—in terms of a percentage of those you can track whose salaries increased over the year when they went into a job, or whatever?

(Mr Lewis) May I say something pretty fundamental on this about what target setting is about within any major organisation or business? One sets targets for things which the organisation itself can directly and clearly change and make happen, because that is the motivation, that you want to ensure things happen within the organisation. There are many things you measure and you want to happen, but which you do not believe you can directly impact day by day. To give an example of that, we know from very extensive evaluation, just to put a few numbers on what Ms Lomax was saying, that 75 per cent of those leaving the New Deal for jobs have received a pay rise within six months, we know that 40 per cent have gained more responsibility within their jobs within six months. We know, and it is the acid test for me, that 90 per cent of option participants themselves identified employability benefits. It is hard to say to an individual member of staff in the Employment Service that their target is to ensure that somebody receives a pay rise within X months, because they cannot directly impact on that. That is the difference between on the one hand setting targets where you can have a direct and clear impact, helping to place someone into a job, and measuring outcomes which also matter to you.

(Ms Lomax) What we can do is incentivise the agency to put people into sustained jobs, into quality jobs and that is what the retention targets were about.

28. I find this one a bit hard to take. It does seem to me that if you are going to set an objective for your organisation with no measurable target at all and then say you can measure all sorts of things but you have not actually said how much you want these things to increase in order to improve, you have met that objective, I would have thought that was a fairly feeble way of monitoring what you are doing.

(Ms Lomax) No. May I have another go at this because it is quite a fundamental point.

29. It is a very fundamental point and I am rather worried about the reply.

(Ms Lomax) Let us go back. You can set outcomes for objectives and outcomes for programmes which are ambitious and long-term and go beyond those things you can immediately control. Employability is a very long-term concept. It is relevant, it is very important for employment programmes but it would be quite wrong to pretend that it was easily measured or was something under our immediate control. As Mr Lewis said, what you do by way of target setting for an operational business is try to focus their attention on things they can impact. It is supposed to motivate them and focus their efforts. I really think that there is a distinction between the outcomes you are seeking to influence and operational targets which you are setting to try to focus business efforts. The two are not the same.

30. I have to say that setting objectives and having no way of measuring whether you are meeting them or not is an unfortunate way of managing a business.

(Ms Lomax) I would contest that we have no means of measuring whether we are having any impact on employability.

31. But if you do have a method of measuring it, why do you not set targets to measure against?

(Ms Lomax) Because setting targets and evaluating the impact of the programme are two separate things. That is the argument I am trying to make at the moment. We have an evaluation strategy which tends to look at quantitative evidence, long-term evidence, things which are difficult to quantify and which might be out there in the world. That is why we have a complex evaluation strategy. It is to get at the many dimensions of the things we are attempting to influence over a period of time. Targets are about trying to focus the efforts of the operational business in a way which will be supportive of getting performance, which will help contribute towards this. Any operational business which has woolly targets, complex targets, excessively bureaucratic targets, is not going to perform well.

32. You do not have any targets; that is the point.

(Ms Lomax) That is not true.

33. It is not a woolly target, you do not have any targets.

(Ms Lomax) The Employment Service has a large number of targets—

34. But not for this programme.

(Ms Lomax)—and some of them are related to things which we think they can control which are relevant to employability. That is why I mentioned retention. It is an important point.

(Mr Lewis) If you were, as the NAO did, to go out and speak to Employment Service staff, personal advisers and other staff who worked on this programme and have been proud to do so for the last five years, they would certainly say that they have known and been very clear from the very first day that they had very clear targets to achieve. Those targets, in terms of employability, were fundamentally about helping a very significant number of young people coming through that programme into jobs and that is the fundamental starting point. You cannot develop your employability, if you do not first go into a job. We have measured many, many other things and made very clear that we attach great importance to them.

35. Actually the measure should not perhaps have been just how many people went into jobs, but how many people went into jobs who would not otherwise have and Ms Lomax said that was very, very difficult to measure. So the one measurable target you set yourselves everyone knows you cannot really use terribly well to monitor the effectiveness of the programme and the others do not have targets at all. That is what worries me about the whole thing.

(Ms Lomax) No, that is not true; that is just not true.

36. Could I turn you to page 9 and Figure 4 where it looks as though the overall reduction in number of young claimants is very well worthwhile and I do not deny that for a moment, but it looks rather as though the reduction is almost entirely in terms of the over-six-months unemployed. I can understand very good

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reasons for wanting the long-term unemployed number to come down as quickly as possible. I just wonder whether you could comment at all on the fact that since the reduction is almost entirely in terms of the long-term unemployed, whether that is to some extent at least at the expense of the short-term unemployed, those who are more likely to get jobs anyway.

(*Mr Wells*) It is true that some people, when they leave the Options, or leave a job, will come back into short-term unemployment. However, the rate at which they are leaving short-term unemployment has also improved over this period.

37. But the number of short-term unemployed has not gone down. The dark blue lines on the graph are almost exactly the same.

(*Mr Wells*) It is partly an optical illusion; they have actually gone down. The rate at which people are coming back on who are leaving the count has improved for the short-term unemployed as well as the long-term unemployed. There was an increase of short-term unemployed as people came round again, but it was nowhere near as big as the reduction in long-term unemployment and the net effect of both of those figures was a substantial reduction in overall youth unemployment and the evaluation evidence suggested that a substantial part of that was due to the New Deal.

Mr Gibb

38. Chairman, I should like to beg your patience for 30 seconds while I say thank you to Ms Lomax for the figures I received this morning on income support and Jobseeker's Allowance fraud. You very helpfully split the figures between fraud and customer error: 290,000 cases of fraud and 316,000 cases of customer error in those two benefits. I was baffled by the answer I received from the Minister yesterday morning when he said that these figures could not be split because to do so would involve excessive cost because he would have to go through every case individually to see whether it was fraud or customer error; he said the split could not be made. Is the Minister's answer correct? In which case are the figures you have given me correct?

(*Ms Lomax*) Yes, they are. Would you like me to write about it or does the Committee want to hear this answer.

39. Yes, write, as it is not relevant to this hearing.

(*Ms Lomax*) I have looked at this. I will write to you to explain how they marry up.

40. Thank you very much. Has an estimate been made of the job opportunity cost of the utility sector from the £5 billion windfall tax which has led to a cutback in the capital expenditure programme? When you assess whether this has been a worthwhile programme, has any estimate been made of potential job losses or opportunity costs of the tax?

(*Mr Wells*) It was not done either with DfEE or DWP. I am not sure that it was done within the Treasury either. I am not sure there is a figure.

41. How do we know as Members of Parliament, in assessing whether this was a worthwhile thing to do, whether it is a worthwhile thing to do?

(*Mr Wells*) Part of it is the way the evaluation of the National Institute works which looks at the whole effect of the New Deal moving through the economy and will include the effect of raising the windfall tax. Their estimates are that overall there was an increase in employment and also in GDP.

42. What were the two figures Ms Lomax gave for the increase in GDP as a result of this programme? Was it £200 million or £500 million? There were two figures. The range is presumably between £200 million and £500 million.

(*Mr Wells*) Those are the two estimates which have been given.

43. What is the opportunity cost of £5.2 billion? What is the annual return which in business you might be expected to achieve from investing £5.2 billion a year?

(*Mr Wells*) I am not sure that is the appropriate comparison because the £5.2 billion will be built into the National Institute model. The reduction in profits and various others things will work their way through.

44. So the £200 million is already taken out.

(*Mr Wells*) Yes.

45. May I ask the Comptroller and Auditor General whether that is right? Is it already taken out?

(*Mr Jones*) Yes.

(*Ms Lomax*) Yes.

46. What was the total youth unemployment figure in May 1997? I am really referring to a comment on page 13 that there was a commitment to get 250,000 under-25-year-olds off benefit and into work and this has happened. What was the total youth unemployment in May 1997, which was the starting point?

(*Mr Wells*) The total for unemployed 18 to 24-year-olds was 397,000.

47. In May 1997.

(*Mr Wells*) In 1997.

48. What was it by, say, June 2001 or the end of the Parliament.

(*Mr Wells*) In January of this year it is 253,000.

49. So if I deduct 253,000 from 397,000 I get 134,000; so the reduction is 134,000.

(*Mr Wells*) There is a slight problem because these figures are not seasonally adjusted and you should do year on year comparisons.

50. Can we have the seasonally adjusted year on year figures then? I am just trying to understand, to get to grips with it.

(*Mr Wells*) If you compare, for example, January 1997 with January 2002, to try to take account of seasonal adjustments, then the January 1997 figure was 475,000.

51. And the January 2002 figure was . . . ? That was the 253,000.

(*Mr Wells*) Yes.

52. So that does come to 222,000.

(*Mr Lewis*) May I add one thing to what Mr Wells has said, which is that those figures are for all 18 to 24-year-old unemployed people of any duration of unemployment. The New Deal normally begins when somebody has been out of work for six months.

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53. I understand that.

(Mr Lewis) If you look at the figure for 18 to 24-year-olds six-months-plus unemployment in 1997, it was around 178,000 and the current figure is 38,600 and that is probably a more meaningful figure to look at to see the impact of the New Deal.

54. I was really looking at this number here. So if unemployment was 475,000, is that the starting point rather than 397,000? There does seem to be a large difference between a seasonally adjusted number and the actual number, 397,000 and 475,000.

(Mr Wells) These are all seasonally unadjusted numbers and January is a month when there are many unemployed people compared with the rest of the year because of the seasonal pattern after Christmas.

55. Why is it fair then to take a January 1997 figure when you say there are all these people coming onto the lists for seasonal reasons rather than the May 1997 figure? Why is one intellectually more objective than the other?

(Mr Wells) Because the figure you are comparing is January 2002. You could compare May 1997 with May 2001, but that is nearly a year old now. I could give you those figures.

56. Yes, please; that would be helpful. What is the number now, the latest figure?

(Mr Wells) The number now is January 2002, 253,000.

57. Is that the latest figure?

(Mr Wells) Yes, that is the latest figure. The May 2001 figure is 233,000 and the May 1997 figure is 397,000.

58. It would be helpful if we could have a chart with all those numbers on. As far as I am concerned they are the key figures.¹ May I turn to page 3, paragraph 9 and the numbers there? It says the effect was to reduce youth unemployment between 25,000 to 45,000 and to increase youth employment between 8,000 to 20,000. Why are those numbers different? I do not quite understand why they are not exactly the same numbers on each line.

(Mr Wells) Not everybody who leaves unemployment goes into work. Some of them go onto the programmes themselves, the Options. In general, there is a range of other avenues as well as employment for young people. The biggest is the number of people who are on the Government's training programmes.

Mr Steinberg

59. We were told in the Report that in January 1998 120,000 young people were long-term unemployed. We were told that every month 15,000 to 20,000 young people became unemployed adding to the numbers and within two and a half years of the scheme being introduced, 250,000 youngsters had found work. That is fantastic. That is great. Then the Report says, which is a bit of a downer, that a lot of them would have found work anyway. What do you say to that?

(Ms Lomax) I say that the fact that people will find work anyhow is a feature of any employment programme. The evidence of the evaluation is that people found work quicker. Some people who would never have found work found work, but the employability of those people who were helped into work may also have been improved. So over a period of time they have been helped in a way which will improve their longer term employment in a way which is not captured by these short-term figures.

60. You obviously agreed the Report, so you accept what has been said. It seems to me that if I had been in your position I would not have agreed the Report. I would have said that here we were with 120,000 unemployed, increasing 15,000 to 20,000 a month, so it was getting bigger, yet the NAO are saying these people would have got jobs. The numbers were increasing. I would have said I just do not agree with that.

(Ms Lomax) It goes back to the answer I was trying to give to the Chairman right at the beginning. It does not mean that the scheme has had no impact. It does not mean that it has not improved the employability of these people. That was what the scheme was really about. It was about developing young people so that they can participate in a more meaningful way in the labour market. All employment programmes have the feature that short term you can say people would have found work anyhow. This scheme relative to other employment programmes has been very successful. 'Deadweight', as they call it in the trade, has been rather low.

61. I am on your side.

(Ms Lomax) Yes, but I wanted the opportunity to say this. Compared with previous schemes we have run in this country, compared with previous schemes of this sort, though this is a bit *sui generis*, compared with other employment programmes which people run in other countries, this has been very successful. Even the figures quoted here as a bit of a disappointment are good. They are very good. In Workstart, to take a previous scheme, 'deadweight' was something like 90 per cent of those who were moved into work. 'Deadweight' there was 90 per cent. We are talking here about 50 or 80 per cent which is a good record.

62. Good, that is great. What I have been trying to get you to say is that the NAO are wrong. In my constituency youth unemployment is down something like 60 per cent and that is a fantastic achievement in anybody's terms.

(Ms Lomax) Yes.

63. Why did you accept the statement that they could have got jobs anyway, because I do not think they could have got jobs anyway?

(Ms Lomax) Some of the people could never have got jobs anyway; possibly some of the people in your constituency are in that category. This scheme has been remarkably successful in virtually eliminating long-term unemployment among young people.

64. Good; that is what I wanted you to say. That is what I have been trying to get you to say.

(Ms Lomax) Young people who are unemployed for more than two years just do not exist any more. Even in 1997 we were talking about 16,000 in this

¹ Ev 20, Appendix 1.

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[Continued]

[Mr Steinberg Cont]

category; if we go back to 1985 we are talking 169,000. It has just completely cracked a problem which was a serious problem.

(Mr Lewis) In many ways I want to agree with you because our staff out there, our personal advisers believe and have every right to believe that they have done a tremendous job over the last four or five years in delivering the New Deal and 90 per cent of young people say that and say they have hugely valued their relationship with their personal adviser. What we have to remember is that when you move into the realms of economic analysis, if you have a number of unemployed people on one day and you may have the same number of unemployed people on another day, they are not going to be the same individuals because some of them will have got jobs the day before, other people will have become unemployed on the next day. As everyone has said, the NAO Report, NIESR, etcetera, it is very hard, it is a seriously difficult task to know what would have happened anyway. What every personal adviser would say is that they believe there are very few people who have entered the New Deal who, even if they might have got a job anyway had the New Deal not existed, have not left the New Deal better off than they joined it with more advantages in the long term as a result of their participation.

65. When I walked round the streets in Durham in 1997 canvassing I was not talking about the economic results of New Deal, I was saying to people that if they elected us, we would put 250,000 youngsters to work within five years. So that was my aim as I walked round the streets. What do you believe is the most important aim of this particular scheme? Was it or is it to get 250,000 youngsters off the dole and into jobs or was it the aim basically to create more jobs or to have an impact on the macro-economy? What was the actual aim of the scheme?

(Ms Lomax) I think it was about getting 250,000 people off benefit and into work. Why? Because that was going to drive other benefits, some of the things we have been talking about. It is bad for people to be out of work. If you want to make people more employable it is a good idea to put them in work as the first step and there are some long-term benefits about moving people off benefit into work. Getting them into jobs is not the end of the matter, but it is the beginning of a lot of things that matter a great deal. We do not need to be complicated about this. It was about getting 250,000 off benefit into work. That is what the Employment Service focused on and that is what it achieved by September 2000 with an enormous effort.

66. When I was canvassing I was also saying that we would use the windfall profits to do that and that there would be £5 billion of windfall profits to use. Then I read the Report and think to myself that it seems to have been very cost effective, because in fact the scheme has only cost £1.48 billion over the lifetime of Parliament and it was expected to cost £3.15 billion. Has it been cost effective?

(Ms Lomax) Yes and the fact that the economy has been quite buoyant has been one reason why the money has gone further as well. Yes, it has been extremely cost effective. Sixty per cent of the gross cost of the scheme has come back in lower social

security benefits and higher taxes, quite apart from the benefits to the earning capacity of the people who have gone through.

(Mr Lewis) Inevitably, when we were constructing estimates at the very beginning of the programme one had no track record to go on in terms of how a programme like this would operate because there had not been a programme like this. We assumed at the beginning, for example, that of 100 per cent of people coming onto the programme, roughly 40 per cent, 40 out of every 100, would leave during the Gateway phase of the programme and that 60 per cent would go on into the Option phase, the Option phase being the more expensive phase inevitably because that is where there is more intensive assistance. In fact the figures have turned out to be almost the exact opposite. Sixty per cent have left New Deal during the Gateway phase and only 40 per cent—in fact slightly less—have needed to go into the Options. That again has been a tribute over time to the success of people who have worked on that programme, particularly the personal advisers, in establishing a real relationship with individuals.

67. When all the factors are taken into consideration and paragraphs 3.19 and 3.20 tell us that for every £5 spent on the New Deal, £3 is returned to the Treasury, that does not look a bad deal. I also seem to remember reading somewhere that the cost per job has been something like £5,000 per job. Is that right or was I reading it wrongly?

(Mr Wells) As there always is, there have been two estimates of this, one from the NAO and one from NIESR. They come out at roughly the same number, £5,000 to £8,000 and £4,000 to £7,000. I should stress though that that is the short-term increase in employment and is not the overall effect. It is likely if there is an increase in employability that those costs will fall over time.

68. Have you compared your costs of creating a job with let us say Teeside Development Corporation who created a number of jobs?

(Mr Wells) There is a difference in the type of programme. This was about helping the long-term unemployed into jobs. It was not a job creation programme of that type. The employability which was mentioned is actually quite important as well as the overall increase in employment. I am not sure they are directly comparable.

69. You should say they are because yours has cost £7,000 and theirs cost £36,000 a job.

(Ms Lomax) If we were doing it on a comparable basis, we would come out with a much lower number than £7,000 to £8,000.

70. I am trying to be really helpful here. For the first time in three years, I am trying to be really helpful. Let us move on to page 13, paragraph 2.7 and Figure 6. We see here that there are failures in the scheme, there are always failures in any scheme and that cannot be helped. We see that something like 600,000 youngsters participated and over 100,000 have not found work and that is a failure rate of something like 18 per cent. What happens to that 18 per cent?

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(Mr Lewis) They certainly do not simply go through a revolving door back into long-term unemployment without anyone seeking to help them further.

71. Do they go back onto benefits?

(Mr Lewis) Yes, they go back onto Jobseeker's Allowance if they leave a New Deal Option without going into work, assuming they meet the normal entitlement conditions. It is just worth saying in answering your question, again remembering that almost 80 per cent of people entering the New Deal have one or more labour market disadvantages, that it is a remarkable achievement that over 80 per cent of them do not go through the programme a second time. Where people do go through the programme a second time, as I was saying in answer to an earlier question, we try to take account of their experience, the benefits they have gained going through the programme the first time round. We try to ensure that we tailor even more the support that is available to their individual needs.

72. Out of the 18 per cent how many are illiterate?

(Mr Lewis) We think there are about seven million adults in Britain who have a basic skill deficiency of one kind or another and it is true to say that while I do not have instant figures in my head a significant number of the people who come onto New Deal lack basic skills.

73. I was the head teacher of a special school a number of years ago and I always remember an incident when I was reading the report of a child we were admitting which came from a secondary school and said that this child was useless at French and did not participate properly. Then when I looked at his record, he had a reading age of about six, which meant he virtually could not read. So here were secondary school teachers trying to teach him French and he could not read English. It worries me that some of these youngsters are sent on these schemes and frankly they cannot read or write and they are bound to fail. What are we doing about that?

(Mr Nicholas) That is why we put in place basic skills screening for everybody who comes onto New Deal to try to identify them right at the beginning. Then we can tailor provision for them, steer them towards provision which is heavily biased towards meeting their basic numeracy and literacy needs, so we can get those cracked first and try to strengthen that as we go through so more of them have those basic skills needs dealt with right at the beginning rather than going onto provision which is not suitable for them for just that reason.

Mr Bacon

74. You were talking about your multi-faceted evaluation strategy. I was listening with interest to your answers to Mr Rendel about measuring employability. I too found it odd and there are several references in the Report to the fact that a lot of things are not measured. Could you say what are the characteristics of employability?

(Ms Lomax) The ability to hold a job, the ability to progress in a job, the qualifications, skills, the ability to earn more, the ability if unemployed or having lost a job to get another one quickly, a

number of dimensions. The Policy Studies Institute evaluation to which I was referring actually also asked people questions and did have a basic scoring mechanism.

(Mr Wells) In terms of employability there are really two parts: the first is that you stay in jobs longer over your working life; the second is that you earn more whilst you are in the jobs. Most of the estimates of employability that we have so far are in the very early part of this, the period during the New Deal. If the New Deal helps to provide a history of employment, it may be that over the rest of their working life there will be an improvement both in terms of the time they spend in work and the amount of earnings that they will receive.

75. I have an open mind about whether the New Deal was a success or not, but I understand from what Ms Lomax was saying earlier, indeed from what Tessa Jowell when she was the Employment Minister said to the Employment Select Committee, published in the Fifth Report of the Education and Employment Committee, "What the New Deal aims to achieve is radical improvement in the employability of young people, giving them the necessary skills which in turn become personal assets, not just to get a job but to stay in work for the rest of their lives". That I understand to be the primary purpose and thrust of the New Deal. How are we as a Committee of Public Accounts to assess whether this has been good value for money or not when this central purpose was not the central focus of what you were measuring? It says in the Report on page 13, paragraph 2.4, "The nature and quality of jobs achieved and the progress that young people have made within employment are not systematically monitored". In paragraph 2.5, "The Employment Service does not routinely gather and monitor data on improvements in employability, such as the number of qualifications gained". There are plainly some things you mentioned like the ability to hold down a job which are not easily measurable but I would have thought that the number of qualifications one has, levels of literacy, levels of numeracy, levels of IT skills and so on, are plainly perfectly measurable, but it does not sound from the NAO Report that measuring these things has been at the heart of your programme.

(Mr Wells) Holding down a job is one of the things you can measure. The increase in employment is because more people have been in jobs for longer. Therefore the net effect in terms of employment is because more people have been in those jobs.

76. What I am really asking is why more of these things which are relating to employability are not being measured?

(Mr Wells) There is some consideration in things like the Policy Studies Institute Report to see whether there is an improvement during the period we were looking at it. The results of the PSI Report that there was an improvement in employability in the short run.

77. It says in the NAO Report, "The Employment Service does not routinely gather and monitor data on improvements in employability"; that is what the NAO Report says.

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(Mr Lewis) That is because of the inherent difficulty of gathering data on things which are not routinely available. It is very hard to gather data routinely without imposing enormous burdens on employers on what has happened to every one of over one quarter of a million people who have been placed into a job.

78. Do you accept that there is a range of measures of employability which you could be measuring but you are not measuring?

(Mr Lewis) No, I do not accept that. As part of what has been a hugely comprehensive evaluation strategy, we have, through a whole range of measures, sought to evaluate whether those employability gains which are indeed a very clearly desired outcome of the programme have been made, indeed the NAO Report itself says that there is evidence to suggest that the long-term employability for most young people who have participated in the programme has improved. That evidence is primarily the evidence we have gathered ourselves through the evaluation programme. We have actually gone to considerable lengths, as part of a very, very major evaluation programme, to seek and find evidence as to whether people's longer term employability has or has not improved.

79. I am not just making this up myself, although it is an opinion I am inclined to have from what I have read. The Report I referred to of the Education and Employment Committee itself concluded, paragraph 17 on page viii, of the Fifth Report, "It is perhaps surprising then", given what Tessa Jowell, the then Minister said about the fundamental aims of the New Deal, "that much of the evaluation of the New Deal for Young People is centred around measuring decreases in youth unemployment and increases in youth employment rather than measures which attempt to assess increases in employability. We accept that the overall target for the New Deal is not to make participants job ready, but to help them into sustained employment. The evaluation programme also needs to take into account improvements in employability which result from participation in the programme but which may not result in employment in the short term".

(Ms Lomax) The way in which we evaluate the New Deal and the way in which we measure employability is going to develop. I do not think that anybody is being defeatist about this. I referred earlier, in answering questions from Mr Rendel, to the Employment Bill which is going through Parliament at the moment. It has a clause in it which is designed to improve our ability to link Employment Service data with Inland Revenue data precisely to improve our ability to track people after they have gone into work, so that we can see what happens to their earnings record. We will improve our ability to follow people through, but what Mr Lewis says is relevant: we have to do it in a way which is reasonably focused and cost effective. Evaluating New Deal is already a huge industry, it really is and there are potential burdens on employers and everybody else in adding to it. We need to be convinced we are focusing on the right things.

The Committee suspended from 17.27 pm to 17.37 pm for a division in the House.

80. May I quickly keep flogging this horse, evaluation, a little bit more and hopefully kill it? I am content, from what I read in the National Audit Office Report, that more could be being done to measure and evaluate and it seems to me odd that you would set up a programme the fundamental aim of which you could not measure from the outset. It does say in the National Audit Office Report in paragraph 2.18, "The quality of information on the programme's performance and outcomes would be improved if the Employment Service was better able to identify the subsequent labour market activity". I am looking forward to hearing the greater detail that you say will hopefully come as a result of the Employment Bill. One quick question about paragraph 2.13 which says, "Thirty per cent of leavers from the programme have no recorded known destination". What happens to them or what do you think happens to them and why do you lose them?

(Ms Lomax) A lot of them go into jobs but they are not recorded as jobs, for reasons which Leigh can explain.

(Mr Lewis) We do know a great deal and we have done two major surveys.

81. Do you mean you know a great deal about the flow out?

(Mr Lewis) Yes; about the 30 per cent of leavers to so-called unknown destinations. It is worth saying that this arises because when someone stops claiming a social security benefit they are not required to tell us what has happened, where they have gone. They can just stop claiming and no longer appear in our offices. We have conducted two major surveys in 1999 and 2001 and they have both involved an extensive programme of surveying people who had left, trying to contact them to find out what had happened to them.

82. Would you mind sending us a note with a bit more detail about that?

(Mr Lewis) Yes, I will. The headline figure is that in each case 56 per cent of those people had gone into jobs.²

83. Paragraph 3.19 of the Report says that the Treasury allocated £3.15 billion for this programme and that "... for every £5 spent on the New Deal for Young People about £3 is returned to the Exchequer through savings on benefits and increased tax revenue". I make that that for every £3.15 billion you spend you get £1.89 billion back leaving a net cost to the Exchequer of £1.26 billion, which I do not square with £140 million. Does that mean that not all the £3.15 billion has been spent yet?

(Ms Lomax) It has not all been spent yet and also the £140 million is a per annum figure and not a total.

84. Yes, but over the five years of this Government it is £700 million.

(Ms Lomax) How much have we spent? About half. On a UK basis it is about £1.2 billion so far.

85. One other question about the cost of evaluation. It says in the Education and Employment Committee Report, admittedly a year ago, that £4 million to date has been spent on evaluating the

² Ev 21-22, Appendix 1.

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programme, representing some £7 per New Deal participant. That was a year ago. Could you say what the total cost of evaluation so far is to date?

(Mr Wells) It is the same number. That was the cost of the evaluated programme.

86. When you say it is the same number, do you mean there has been no evaluation in the last 12 months?

(Mr Wells) No, but the money was spelt out in the £4 million. The £4 million includes the continued evaluation this year.

87. So when this was published in March 2001 and it said "The total cost of the Government's evaluation programme to date", presumably to March 2001, "has been £4 million"—

(Ms Lomax) My understanding is that that £4 million applies to the budget for the evaluation over the period 1998–2002, which will be an ongoing programme. It may well all have been committed by March 2001 but the research is ongoing.

88. Seven pounds per New Deal participant sounds quite cheap. If you are spending £3.15 billion, £4 million is obviously very, very small. If a charity were spending that proportion on administration they would be hymned to the rooftops, would they not? Have you thought about spending a bit more on evaluation to get some more accurate data? The NAO criticises the Employment Service for not having enough data.

(Ms Lomax) We are spending more all the time. Basically it is not administration, this is on top of administration, this is evaluation. It is an enormously elaborate programme by the standards of most evaluation. The results have been fed back into policy as we went along. We will spend what we need to spend to improve the policy.

89. I want to place on record that I am not very satisfied with the answers about measuring employability. While I accept a lot of what has been said, it does seem to me that there are many characteristics of employability which can be measured, like literacy, numeracy, IT skills, qualifications and so on. It is disappointing to me that more of that was not done from the outset. I hope that more will be done from now on.

(Ms Lomax) May I elaborate a little on what I said before the break, which is that in order to obtain this information it has to be got from someone somehow, by surveying firms, by requesting information from individuals? It is not information which naturally comes to the Employment Service once someone has gone into work. There is a real issue about what is an appropriate burden of requests for information, particularly from small firms.

Mr Bacon: I accept that, but £4 million out of £1.5 billion spent so far does not sound like a huge burden as a percentage. I only make the point in conclusion that there is an old saying "If you can't measure it, you can't manage it". It seems to me that should be there at the inception of any Government programme involving this sort of expenditure.

Mr Jenkins

90. I thought employability was quite an acceptable concept in so far as it was to meet a market demand for a skill at the required level and at an agreed price. What variables we have in that are pretty easily categorised. From the time I have spent with the Tamworth office on the New Deal I can only say that the New Deal transformed the morale of the staff and the level of motivation of the staff. No longer were they just giving someone a number and saying "Stand in line"; they believed they were doing the job they had been employed to do, helping young people. I am not surprised young people liked it because maybe for the first time in their life they had someone who sat down, listened to them and had total interest in them and were there to assist them, so this feedback is to be expected. The big difference of course is that unemployment numbers are down. In some respects I find it churlish if someone says that the economy is doing well. Yes, but that was not an accident, we had to work hard at it, so let us take credit on both fronts, shall we? We did get the numbers down through a number of competing programmes. I hope literacy and numeracy will be better in future, because I hope that when the primary school programme is transferred into the secondary school we do not get the numbers leaving with such a poor level of numeracy and literacy. One of the things I do find difficult and I cannot find in the Report and no-one has asked it yet, is that unemployment is about the number of jobs available and it is a lot harder to find a job in some of the Yorkshire coal mining areas than it is in some of the peripheral towns around London like Slough or Swindon. When you say that one third of the youngsters have barriers to employment, yes, but some of those barriers are that there are no jobs in their areas or region so it is very, very difficult to get young people into work. If there are employers who want employees they will take people with lower levels of skill to fill the jobs. There are certain areas where schools do better at retaining youngsters to the sixth form and sending them off to university. To me it seems fairly obvious and should be part and parcel of the programme. I notice in the programme there are subsidised jobs or subsidised work opportunities when we get to the harder people to place. I remember a few years ago people working for the local authority were almost ring-fenced; they were people we would now call educationally sub-normal, illiterate, innumerate and they had jobs in the local authority and they did very, very good jobs. They turned up regularly and they were very worthwhile employees. Then the rules changed to become more competitive and they could not compete and they were put on the scrap heap and that is what happened to us as a society. So even with this small amount of money we cannot cure all society's ills. I think we should say that loud and clear. Do you think as a society, as a Government, we should start to look at creating ring-fenced employment opportunities within our services?

(Mr Lewis) In many ways that is a question for Ministers and Parliament and not for us as civil servants. One thing I would say is that I would just echo a great deal of what you said in your question about the impact on the motivation of staff and on

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the motivation of young people. I do not think many of the young people I have met on the New Deal—and I have met a great many—want in a sense to be characterised as a problem person. They want to feel that they are going to be given an opportunity to show what they can do. The great strength of New Deal has been that with the more active support of personal advisers and other members of staff and other organisations than we have ever been able to offer before, more young people have been able to demonstrate to employers that they have what it takes on merit to get the job with that employer and retain it and leave on a Friday evening with their pay, with their heads held high. That has been the great strength of the New Deal and I do not think there are that many people who want to be put into a category marked “problem case”.

91. When these people disappear without trace and for all you know they could go into prison and come back a couple of years later, that is a difficult one which you maybe cannot know, but one thing you can know is when they disappear onto another benefit, a disability benefit. Do you not ask yourself why they are on the New Deal to start with?

(Mr Lewis) Yes, we tend to do that. Sometimes it is because genuinely people's circumstances change. To give an obvious example, a young woman may come onto New Deal and then may become pregnant and may qualify for Income Support as a lone parent; people's circumstances can change. There are instances where people might not have been on the right benefit to start with because they might not have been available for work or actively seeking it. One facet of the New Deal has undoubtedly been that in some cases it has helped people to qualify for the benefit they were more accurately entitled to receive.

(Mr Wells) I should say that the numbers going on to benefit are a gross number. There will always be people moving between benefits and that is a feature of all benefits. It does not necessarily mean that because people move onto another benefit it is because of the New Deal.

Jon Trickett

92. I do not want to ask questions which will elicit fairly self-congratulatory responses, because it is axiomatic that the New Deal, at least in my philosophy, was a good thing. I do think that there are unacceptable variations across the country in the performance of your officials and I want to try to tackle that. The first thing to say is that there is obviously a correlation between the difficulty of a particular labour market and the performance of the units of delivery which you are using to deliver the New Deal. Even taking that into account, the table on page 38 indicates very substantial variations and I want to ask how you account for those variations and whether you think they are as unacceptable as I do.

(Mr Lewis) Let me say something first. We have spent a great deal of time since the programme was initiated looking at variations in performance between units of delivery and we have gone to great lengths to try to ensure that we were comparing like with like by putting units together in what we have called clusters of similar labour market conditions.

There is no doubt that there have been some underlying variances in performance and, as the Report from the NAO points out, we have gone to great lengths to try to even those out and bring poorer performers up to the level of the best. I do not want either to engage in self-congratulation. I know better than anyone that there are areas where we can still improve and should. What I do take comfort from is the conclusion in the NAO Report that actually the action taken by the Employment Service to improve performance has reduced local variations to the extent possible and the programme had largely reached its limit for a reasonably attainable improvement by March of last year.

93. So you find a 15 per cent differential between the best and the worst acceptable. It seems to me that for those poor people out there, the long-term unemployed youths, to be served by an office which is under-performing by as much as 15 per cent relative to the best is a rather upsetting prospect, is it not? I think your response is somewhat complacent.

(Mr Lewis) I should not like to make clear that that was not what I was saying in any degree, because I do not think it is acceptable for a single person to be long-term unemployed if we can seriously do something to help them address that. The issue is at one level below that. It is to what extent those variations in performance are because of unacceptable differentials in performance between different units of delivery and to what extent they reflect other factors underlying labour market conditions. I think what the NAO Report is saying is that it is the latter much more than the former which gives rise to those differences in performance.

94. I am not sure whether it is saying that or not. There has been an attempt to take out the significant variables so that we are comparing like with like and there are still substantial differences. Since government is really about prioritising I just want to try to understand one thing, which is the following. The normal way that an accountant or an auditor would measure the performance of a unit of delivery such as these would be to apply some financial calculations as well as outputs, because at the end of the day if we are spending a lot of money to achieve an output relative to another organisation, we are not necessarily very effective. I wonder whether I can ask the National Audit Office whether or not they bothered to make an analysis of the cost per unit. No, you did not. Why not?

(Mr Jones) The cost does not vary very much between units. We were just looking at the performance in terms of putting people into jobs.

95. Is that correct?

(Mr Lewis) Inevitably there are some costs which do vary between different units of delivery where we are putting in place more intensive provision. What I would say, without seeking for one moment to suggest we have been complacent about this issue, is that the Report sets out on page 24 a whole set of means by which the Employment Service sought to stimulate improved performance by individual units of delivery. I do not think I have ever lived through a period in which we subjected units of delivery and individual leaders and managers in the organisation to more intense scrutiny.

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96. Nevertheless, you do have these variations which I think are unaccounted for. I want to try to understand, because I represent an area which is an extremely difficult labour market, the differences in financial provision. It is much easier to get people into work in some areas than in others. I just want to understand whether there are variations because the NAO seem to say that there were no substantial variations between different units of delivery presumably working in very difficult conditions and some in less difficult conditions. Without giving me a long-winded answer can you try to explain to me how that differential distribution of finances is calculated?

(Mr Lewis) The very simple answer is that in areas which have much higher levels of unemployment, there is increased provision both in terms of the number of personal advisers, in terms of the amount of provision under the Options. So more will be spent in those areas than in areas where unemployment is seriously down.

97. That implies that the average cost per job at between £5,000 and £8,000 or between £4,000 and 7,000 varies considerably between labour markets. Is that correct?

(Mr Lewis) No, it is not necessarily because that is saying we will put more provision into area A than area B but that will normally reflect that there are more young unemployed people in area A than in area B. It does not necessarily imply that the units will be different.

98. It seems to me that this is crucial to the governance of this whole project and its capacity to deliver or not. Are financial allocations made relating to the number of long-term unemployed rather than to their employability or lack of employability?

(Mr Lewis) The basic allocation is made in respect of the number of long-term young unemployed people in an area. That is the starting point.

99. That might account for some of the variations here, might it? Not wishing at all to denigrate the people I represent who I think are wonderful, as we all do in our constituencies, we have acute problems in my constituency. Am I to understand that the amount of money per young person in an area like mine would be the same as the amount of money allocated for each young unemployed person in a place in the more affluent South East?

(Mr Lewis) No. What I was saying was that that is the starting point of the allocation process but is not necessarily the finish point of the allocation process. In an area which has a higher concentration, for example, with people with particular problems, say homelessness or addiction or whatever it might be, then we would tend to have greater provision available in that area. That greater provision tends to have a high unit cost and that would tend to mean that there would be a higher expenditure per individual in that area.

100. When I asked the NAO why an analysis was not done of the unit cost to measure against outputs because we have used measures or outputs rather than the cost of outputs, the NAO's response seemed to be that they did not look at it on the understanding that there was not a great deal of variation. It now appears that there is some variation. I then tried to ask you whether there was a great variation in the

£5,000 to £8,000 and £4,000 to £7,000 and you said no. My further questioning seemed to be eliciting a slightly different response. I am not quite clear now whether you are stonewalling me or not. Could you indicate to me in a few words what you believe the variations are in cost?

(Mr Wells) May I mention the difference between gross and net costs? The gross costs, the costs of dealing with each individual young person, will be greater for the reasons Mr Lewis has given. The numbers you mentioned of £5,000 to £8,000 are actually the effect of everything going through.

101. If you do not mind me interrupting you, I think you are on the wrong track there. What I am trying to do is get a gauge of two things: one is that the governance of this whole scheme depends crucially on our capacity to get the most difficult people back into work and therefore one would have thought that somewhere along the line someone would make a decision to put more money into those areas where there are multiple problems relative to other areas. I am afraid you are not really giving me a very straightforward answer.

(Ms Lomax) Is it worth mentioning that this is not the beginning and the end of all the welfare to work provision there is for deprived areas? We have not talked about Action Teams for Jobs, we have not talked about Progress to Work, we have not talked about Step Up. There is an enormous number of other schemes which areas like your constituency will benefit disproportionately from, which are targeted on exactly those hard to help. Just looking at this sort of data at the back is not giving you a measure of the help which is available.

102. It is data which you have provided.

(Ms Lomax) Yes, but we are just taking a slice of what is going on here. It is not the whole story.

103. If we are saying that the efficacy of the New Deal depends on all kinds of other hidden projects, that is a very significant statement. What I want to be able to do is to judge the performance as a constituency Member of Parliament first of all but then as a member of this Committee, to judge the efficacy in expenditure terms of my own units of delivery and to measure it against the average and the expectations which you have and then to see whether or not any financial judgement is made as to the efficacy of the units of delivery. The only information you have provided for us is what is in front of us which you say in any event is misleading. I think I have made the point but it would be useful, if other members of the Committee are interested, because it is a significant discussion, to see some note which specifies the amounts of variation per output across the units of delivery. Is that okay?

(Mr Lewis) Yes.

(Ms Lomax) Yes; certainly.³

104. May I just move on to another question about units of delivery? I see that you privatised ten units of delivery. Can you tell us the circumstances which lay behind the privatisation since they do not seem to be working any better or any worse than the public sector providers?

³ Ev 23, Appendix 1.

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[Continued

[Jon Trickett Cont]

(Mr Lewis) Ministers concluded that it would not be right to see a single delivery model, so they took a decision early on in the life of the New Deal that in ten areas private or voluntary sector organisations would be invited to lead the delivery of New Deal. You are right to say that we have done a good deal of evaluation which suggests that while there are individual variations, overall the performance of the private sector led New Deal areas and public sector led New Deal areas has been similar.

105. I am interested in the distribution of finance, since I think that is the core to everything, I should just say that it is surprising that is not in this Report. In terms of the private providers, how have you decided how much money they should receive per unit of output or per number of people unemployed in the area?

(Mr Nicholas) We contracted them with some incentives to increase the number of young people going to work. So if they get more young people into work they receive more money as a result. Broadly the costs available to them are the same as those available across the country as a whole.

106. Have we ever bothered to measure, since we have not bothered to tell the Committee, whether or not they are performing as well financially as the public sector comparators? Is that something we have ever measured?

(Mr Nicholas) Yes, our understanding is that the cost is slightly higher per job in the private sector ones, but broadly comparable.

107. But slightly higher.

(Mr Nicholas) That is my understanding.

108. Are the providers using different methodologies?

(Mr Nicholas) Yes, some of them do. They have different combinations of the numbers of personal advisers, how much they rely on training, how much they rely on job subsidies. They have flexibility to put together the provision they see is right for the clients in their area.

109. Do the public sector comparators have the same capacity to be flexible?

(Mr Nicholas) There are areas of methodology where the private sector ones have from the outset had greater flexibility. We are learning from the way they use those flexibilities in things like Action Teams in the public sector so that we can draw all the more flexible models for staff throughout the organisation.

110. Notwithstanding the fact that there are fewer regulatory impositions on the private sector and that they have tried other methodologies, they are actually more expensive and not producing any additional outputs relative to the public sector. Is that a reasonable summary of what you have said?

(Mr Nicholas) The comparison is that they are broadly in the same position as the public sector ones.

111. Notwithstanding the fact that they have fewer impositions on them in terms of the regime which they must use and notwithstanding the fact that they are more expensive than the public sector. Is that also true?

(Mr Nicholas) Yes, that is broadly true.

Geraint Davies

112. May I first of all ask the NAO why it is that we have no regional breakdown of the impact of the New Deal in this Report?

(Sir John Bourn) I recognise that the Report could usefully have been developed in such a way as to provide this.

113. Presumably the reason it is not in the Report is that it was not asked for or was it because you did not think to provide it?

(Ms Lomax) This is the NAO's Report.

114. The point I want to move to is that the issue here is how many of these jobs would have been created anyway by the economic upturn and the reality as we all know is that there is enormous regional variation in levels of economic performance and change and therefore in so far as there has been a relative boom in the South East if we find an enormous proportion of these jobs are there and not in the North, the real challenge for the New Deal is the regional impact. Mr Wells, I understand you are a bit of an expert in this area.

(Mr Wells) The growth in employment has been relatively evenly spread across the country. Overall there has been roughly the same growth in most areas of the country with the areas with the lowest employment rates tending to do slightly better than the other areas.

115. Might it be possible to provide the Committee with some breakdown on that? I think people would be interested.

(Mr Wells) Yes; certainly.⁴

116. I am very glad to hear that.

(Mr Wells) It is also true that the areas which appear to do relatively badly in terms of the units of delivery tend not to be geographically concentrated. They tend to be concentrated in the middle of cities or urban areas with London as a particular example of the tail of the graph we were talking about. It is not actually the distribution across the country. The clusters were chosen more to do with the types of the labour market.

117. Anyway you can provide the regional data if we want it.

(Mr Wells) Yes.

118. Do not misunderstand me, I am very pleased with what has happened in the New Deal and this Report and I think you have done a wonderful job. I just want to ask some questions. Something like 340,000 have participated in New Deal and we have generated something in the order of 30,000 sustainable jobs. Is that right? Have I got this wrong?

(Ms Lomax) Something like 700,000 people have participated in the New Deal and about 340,000 young people have actually gone into jobs.

119. I am confusing things. Something like 340,000 are doing this and the National Institute of Economic and Social Research suggest these various figures for the marginal extra jobs which have been created which would not have otherwise been created. I hope therefore I cannot conclude that those people who would have got a job anyway have

⁴ Ev 23-25, Appendix 1.

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inadvertently been stopped from getting a job by being put in the New Deal but in fact what we have done is put them in the New Deal, they would have got a job otherwise and we have just lost a lot of tax.

(Mr Lewis) Not at all and indeed one of the findings of the National Institute, and this was up to March 2001, was a much higher figure of 60,000 young people leaving unemployment for a job more quickly than they would otherwise have done.

(Ms Lomax) People still have to go on doing active job search when they are on the New Deal. You do not get relieved of the need to look for a job.

120. If you are on the New Deal and you get a job you just break out.

(Ms Lomax) Yes; you go. That is one reason why you might not go all the way through.

121. It seems to me the two basic values of the New Deal are firstly preparing people and getting people to get a job through getting them into work habits, giving them skills, getting them into a job; secondly, increasing their productivity in the labour market itself. Do we have any reliable measures of added value productivity in terms of moving people from this level to that level, or is that rather difficult?

(Mr Wells) It is rather difficult. An attempt was made in the National Institute and they did suggest that there may be an increase in productivity in the future. However, it was very much that sort of caveat ridden conclusion.

122. When you do your cost benefit analysis how do you compare this person now going into low wage employment with a situation where they are benefit recipients and you get these net gains? If you subdivide these into different groupings and you take, for argument's sake, people who have come from prison, my understanding is that people in prison are costing £34,000 a year, then within a couple of years of coming out of prison 25 per cent of the men re-offend, etcetera, and there are the costs of crime and this sort of thing. If you look at that category of people who have been in prison, there must be an enormous value in getting them back into work and an enormous cost if they do not go into work. In the figure work we have seen, are those sorts of costs factored in or not?

(Ms Lomax) No.

(Mr Lewis) We have not done that very detailed kind of analysis. What I would say actually is that within the overall framework of the New Deal, we have worked very closely with the Prison Service and other organisations like NACRO precisely to try to ensure that young people in this age group, leaving a custodial sentence, are able to come straight onto the New Deal.

123. What I guess I am moving towards is that there would be a strong argument for differential investment levels in problem cases, in particular those who have a very high social cost if left to go down the wrong track in terms of drugs and crime and that sort of thing. Am I right to say that given the success in the easier to manage people and at an easier to manage time we are now re-focusing the actual level of investment at these hard cases? I do not know whether you have any information about prisons but are you putting extra resource into prisons versus normal people?

(Mr Lewis) Yes, we are in one absolutely key sense and that is normally people will not be able to benefit from the New Deal during their first six months of unemployment. That is not the case with someone leaving a custodial sentence, who is able to join the New Deal straightaway. In other ways we will be putting in differentially increased investment.

124. Is it correct that you can only start your New Deal after you have left prison?

(Mr Lewis) No.

125. Can they start straightaway or do they start in prison?

(Mr Lewis) Actually the programmes we have been piloting with the Prison Service have been helping people from before they actually step out through the prison doors so that in their last few weeks and months in the prison serving a custodial sentence, they are already working in ways which can help them.

126. Good. What about before they step through the prison doors? What I mean is that 75 per cent of people in prison have been permanently excluded from school. They get about five or six hours education a week. Obviously this is a bit premature, but some of them are hanging around nicking mobile phones some of the time. Has any thought been given now, as we have got rid of a lot of the New Deal people successfully and put them in the market, and you have these training resources, institution, which actually work, to somehow refocusing on some of these other cases which would be socially valuable?

(Mr Lewis) One of the initiatives we are taking within the development of New Deal is to reach out to a group of people who do not at the moment necessarily even come near the benefit system and claim benefit but are living in other ways, to try first of all to make contact with them and secondly to offer them this kind of support.

(Mr Nicholas) We have done a lot of very good work with the rough sleepers unit to bring people who are completely outside the benefit system and at risk into our offices or into dealing with advisers so that they can become part of the system and supported into work. The New Deal does not go back into people underneath the age of 18; there are no proposals for doing that.

127. Is it possible to look at those, or do you have to have Ministers? You could presumably say you have all these facilities for helping people, here is a group which could be helped or would that be inappropriate?

(Mr Nicholas) What we are doing, with the growth of the Connexions Service, which is the advisory service for 14 to 19-year-olds which focuses particularly on those who have most disadvantage is to strengthen the links so that people who have a Connexions Service adviser can move smoothly into support from the New Deal personal adviser when they get to the age of 18. So there is no break there. We build on what support they have had before the age of 18 as well. We try to get a seamless service.

128. I have been putting my questions into how you could move out your target and backwards in time into the education system. Conversely, one could argue, in so far as you are picking up numeracy

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and literacy problems some of the characteristics of the people you are dealing with are that they have been failed by the education system. So you are spending whatever it is, £5,000 a job or £3,500 a person, whatever it is, on these people, but would that money be better spent in some instances on these people earlier on in schools? I am not trying to take your budget away.

(*Ms Lomax*) The return on spending money is better the sooner you get them. That is why so much money is going into SureStart and initiatives like that. You cannot just write off these people who have reached 18.

129. The advantage we have with your system is that when they come to you they are individually assessed and targeted with training and resources, whereas some of these people have been neglected in the back of classrooms and that £3,500 is being pushed at them when formerly it was just an aggregate amount of money in a class. Is that a reasonable point?

(*Ms Lomax*) Some of the education system has not produced the result it needed to. I also think the other thing the New Deal is doing, which we have not talked about, is connecting with employers, what employers want. Sometimes people may have got basic skills but they are not work ready in many other crucial ways. One of the key things the New Deal has done is get employers involved in specifying what they want.

130. I shall move on to that. I am glad you started talking about that. Basically there is a difference between the micro interest of the individual, what they need, and the macro interest of the marketplace, the skills shortage and therefore how to train these people. To what extent are you getting people in these Gateways and thinking in terms of market needs of adjusting that to them rather than saying okay, you have a skills gap here and let us hope it fits the marketplace.

(*Mr Lewis*) We are trying to operate in two ways. This has developed as the New Deal has gone on through the Gateway to Work courses. We have been trying to ensure that people have those softer, but absolutely critical skills which employers call for and require. In one sense skills is almost the wrong word, it is the ability if the business opens at nine o'clock in the morning to be there at nine o'clock, to be well turned out, to be polite to the customer, etcetera. These are absolutely critical things which employers want and they expect in anyone they are going to recruit. Those characteristics are not necessarily there in young people on the day they come through our doors.

131. Basically the idea of work habits and all the rest of it.

(*Ms Lomax*) Yes.

132. Normal standards of behaviour in work after having a long period out of it.

(*Mr Lewis*) That is absolutely fundamental. What we have also been doing, without going on at great length, is trying to work and increasingly we are working with individual sectors like retail, construction, energy, to tailor our Gateway so that it reflects the specific needs of those sectors.

133. Page 7, Figure 1 gives a basic list of problems people may have, criminal records, behavioural or mental problems, these sorts of things. As we move from the easier to employ to the hard core people who are more difficult and given the need for employer involvement and engagement, what guarantees for compensation can you give to prospective employers who take on one of your people? Say this person has been in prison, has had drug problems and you are telling the employer you have added value and changed them for life, but they might come along and steal something or mess up the job or whatever it is and cause a problem and the employer does not want to take a risk. Is there anything you can give him, if something goes wrong can you compensate him?

(*Mr Lewis*) What we have been trying to do increasingly through the New Deal is have a very grown-up and honest conversation with employers so that we talk about some of the young people coming through the New Deal and their backgrounds and their circumstances, etcetera. There are many more employers than one might at first sight imagine who are prepared to consider, for example, employing somebody who is an ex offender as long as they are clear that that is the case, as long as they are clear that that young person, through their participation in the New Deal wants to come and work for that employer.

134. I understand that but if I am an employer who has taken on this bloke who has been inside for doing various things and my worry is that he is going to cause problems on the shopfloor or steal things, if he does, what comeback have I got against you otherwise I am not going ahead?

(*Mr Lewis*) No, we do not operate in that way. We do not operate like that, just as we do not right across our business. In the end the responsibility lies with an employer.

(*Ms Lomax*) I absolutely agree with what Mr Lewis has said. We cannot get into the business of guaranteeing the performance of people. At the end of the day employers have to take responsibility for the ones they have. We are not in the business of trying to shove people onto them that they really do not want. That does not work. What we have to find out is what they want.

135. Let us say you have got someone you believe is a person who is fit to work and is a reliable person but has had an unfortunate background maybe due to an unfortunate family background and all the rest of it and who has come good through the New Deal. You have spent all this money on them and you are trying to place them in employment and people just say they do not want to know anything about it. What do you do?

(*Mr Lewis*) One thing we do have to offer and we have offered it increasingly as part of the New Deal programme and more widely is the work trial programme which allows an employer to take someone for three weeks. They remain on their Jobseeker's Allowance, they do not become an employee, but the employer has three weeks' experience of that individual actually working for them. That has been one of our successful

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programmes with a very high number of young people taken on as employees at the end of that period.

136. Is there any ethnicity issue by region in general terms?

(*Ms Lomax*) This is not a question which can be answered briefly. It is quite a difficult question. On the face of it yes, the job outcomes for ethnic minorities are not as good as for white participants. If you correct for where ethnic minorities live, it is much closer: something like 97 per cent of the outcome for whites. I would not be complacent about that and I would not be satisfied with it. There is an ethnicity issue, but the scale of it is something you can debate.

(*Mr Lewis*) I sense the Committee is not at this moment looking for a long exposition of this. Let me simply say that this has been an issue which has been absolutely very high on our agenda from the very early days of New Deal, how to try to ensure that New Deal participants from ethnic minorities do secure at least the same outcomes as their white counterparts. We have gone to enormous lengths in a whole variety of ways to try to secure that outcome.

(*Ms Lomax*) That is actually one of the novel features of the New Deal. Previous employment programmes have not had that focus on the ethnic dimension. It is fairly early days.

137. Are you saying that other things being equal we get the same sort of outcome, or other things being equal we do not?

(*Mr Lewis*) I know you would like a yes or no answer to that. The answer is more complex and this is a very complex subject. On the face of it young people from ethnic minorities do not secure the same level of outcomes, particularly in terms of job entries, as people who are not from ethnic minorities. When you correct that for some of the other factors, where they live and those labour markets, then it appears to become more equal. Everyone who has worked on the New Deal would say that that is not a reason why we can afford to take our eye off this issue and become complacent about it. We are going on looking to try to ensure that the outcomes which ethnic minority young people secure on the programme are genuinely the equal of their white counterparts.

(*Ms Lomax*) Of course it varies from ethnic minority to ethnic minority and according to gender and all the rest of it. A huge tome came out from the Cabinet Office a couple of weeks ago, which we were involved in producing on research into the labour market and ethnicity. It is a very complicated story on which we are doing research and need to do more.

Chairman

138. There was a report on the News at Ten yesterday that there is a particular problem for educationists with young Caribbean men and that we needed not to be politically correct about this but realise the problem and concentrate more resources on them. What do you say to that?

(*Ms Lomax*) Yes, the evidence is that young Caribbean men, Pakistani and Bangladeshi women are particularly disadvantaged in the labour market.

Indian men, for example, and Afro-Caribbean women do rather well. It is not an homogeneous group.

(*Mr Nicholas*) We are putting more money into that and new provision for Outreach to work with communities is coming into play next month, focused particularly on the five conurbations with the biggest concentrations of ethnic minorities.

Mr Davidson

139. May I raise the question of the fifth Option and the numbers who have chosen that? We have been congratulating ourselves, I think quite rightly, on all the successes but the Government made it clear that they did not want to have a fifth Option. It is certainly my impression in my constituency that there are many youngsters who have just dropped out altogether. Could you give me a feel for the numbers involved and the distribution?

(*Mr Nicholas*) There are two issues there. The first is that there is no fifth Option of remaining on Jobseeker's Allowance and not doing anything. There is the Option of course of signing off and we talked earlier on about the follow-up we have done to see where people go and the proportions who go into work. We have a series of sanction triggers for people who try to stay on Jobseeker's Allowance and not take advantage of the New Deal and those were strengthened almost two years ago. There is a small proportion of people, 0.2 per cent of people, who have been on the programme who have suffered a series of benefit sanctions so that they cannot take the decision to stay on JSA and not take part. In the research we have done a number of them said that the threat of losing their benefit was the impetus.

140. I accept the Government's line that the fifth Option should not be remaining on benefit and not doing anything and has been cut off but in my own area I have the impression that there is a much larger grouping of youngsters than I would wish to see who have been successfully forced off Jobseeker's Allowance, but they have not gone into the programme, they have just vanished. They have gone into crime, they have gone into a whole number of other areas of economic activity and I am not clear what is being done either to follow them up or try to attract them in some meaningful way.

(*Mr Wells*) That is one of the reasons why there were these big surveys of the unknown destinations. The results from the unknown destination surveys do not suggest that there are substantial numbers who are being lost to the system.

141. If it is not substantial numbers across the UK as a whole, is there not evidence that there are substantial numbers in particular locations, the inner cities in particular?

(*Mr Wells*) It is true that inner cities and some of the ethnic minority groups are more prone to unknown destinations. If there were the same proportion who were obvious then they would tend to be concentrated on.

142. What schemes do you have to address this difficulty?

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(Ms Lomax) We do do some things which are not confined to people who are on benefit, for example, Action Teams for Jobs which operates in the most deprived labour markets, and is about getting people into work, whether they are on benefit or not. We also have Employment Zones. We have 15 of those around the country. There is an increasing number of things which do not focus on people who happen to be on benefit.

143. With the best will in the world the answers are a bit weak there. That is an area where I would certainly want to see some more activity. I am conscious that I am aware of two groups: those who drop out and turn to crime and a whole range of other options; the other is the comfortable middle class youngster who just goes off and is supported by his parents and is going to have difficulty at some time further on down the road coming back into the job market since, as far as I am aware, parents are generally not willing to support them for life. There will come a point when they have to re-enter. May I pick up the point that not only do we have geographical divergence not covered adequately here, we have touched on race, we have not touched much on gender? I am not sure whether the figures are different by gender and also by social class. It has been my impression, as with all schemes, that the nice white middle class boys find it easiest just to work their way through the system and all other groups do not. I am not clear the extent to which you have overcome the natural biases within the system.

(Mr Wells) May I mention some background material on this? The numbers who get to be six months unemployed on JSA are disproportionately male, disproportionately in disadvantaged areas. Therefore the groups of people who are affected by the New Deal and their characteristics tend to be people with the most disadvantages.

144. I understand that. Those who are then placed most easily, those who are skimmed off the top, are those who are the most attractive to employers, least money needs to be spent on them and as you go down in terms of difficulty it goes back to some of the points about the emphasis on easy targets. I must confess I do not have all that much confidence in the Employment Service. My constituency is in the worst 25 in the UK, third worst employment in Scotland and we have no Job Centre. Everybody has to go quite some considerable distance to find the opportunity for work. That does not seem to me to be a focus on those in greatest need.

(Ms Lomax) May I say that what we are about to do is close the Employment Service and create Jobcentre Plus. Jobcentre Plus is in a sense taking this all a stage further and will be serving both the sorts of people you are talking about as well as the JSA people you regard as easy targets. It will be looking right across the whole working age population, including all those much larger numbers of people who are on inactive benefits like income support and incapacity benefit.

145. In my constituency unemployment has fallen substantially but it has fallen less quickly in the more prosperous areas. As soon as there is a recession unemployment goes up faster. Not having a Job Centre and having these youngsters who are slipping

through the net for one reason or another, does not give me the confidence that you are actually focusing on those in greatest need in the way that I would wish.

(Ms Lomax) You do have a Benefits Agency though, do you not?

146. I have.

(Ms Lomax) That will become part of Jobcentre Plus.

(Mr Lewis) I should welcome the chance outside of the Committee to discuss those specifics. One thing which has changed, which goes slightly wider than the New Deal but I think it is directly relevant, is that we used to provide our services only by people walking through the doors of the Job Centre. That is no longer the case.

147. I do understand that. There is the question of being in your face, as it were, being there, having a presence. It just raises the profile. May I turn to page 38 and the chart about expectations? I am conscious here that in terms of the low expectations it reminds me a bit of late movie-going where all the children were above average. The number actually below expectation is really very small. I wonder how fair it is to have this extended version when you are measuring variations in performance. It seems to me, coming back as well to paragraphs 4.10, 4.11, 4.12, that sort of area of variation, that some of these are alibis rather than explanations. I can understand what affects delivery and I can understand that some areas are more difficult than others but what I find difficult to believe is that funding should not then follow in order to tackle the hardest targets and spending more in the areas of greatest need to compensate for disadvantage. It seems clear that is not being done.

(Ms Lomax) May I repeat the unsatisfactory answer I gave before. This is not the only way in which we take action in the areas that have the most problems. There is a range of things we can be doing in these areas and the conclusion of the NAO Report, which is basically that we have driven out the differences which can be driven out through this programme, really points in the direction of saying you need to be thinking of different ways of tackling these problems, you need to be improving the offering. That is roughly what we are trying to do and that is part of the rationale for Jobcentre Plus, it is the rationale for some of the new things Mr Nicholas was talking about earlier such as Progress 2 Work and Step Up and all the rest of it. We need to vary the offering to be appropriate to the sorts of area you are worried about.

148. I am just anxious that I have not detected so far sufficient urgency from my perspective.

(Ms Lomax) I hope you will see a change.

149. So do I. May I ask about outputs? Part of the outputs of the scheme is obviously the number of youngsters getting jobs and achievements and so on. When we look at the activities undertaken by youngsters who are on environmental task forces and who are in the voluntary sector, I think that my constituency and a number of others in Glasgow, which are amongst the worst environments, are probably getting the least put into them in terms of the projects undertaking activities there. Why is that?

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(Mr Lewis) At the risk of saying much the same thing, there is a whole range of other initiatives and other programmes, for example Glasgow has one of the Government's employment zones, Working Links, which is actually a public/private partnership, working there and working there very successfully. Through the Wise Group and other organisations which you will know better than I, we have worked with a whole range of partners to try to ensure that some of those very special needs are met.

150. Yes, but in terms of having an assessment of the work which is actually done by the youngsters on these schemes, unless I am mistaken, you do not have any objectives which would make sure that the work was done in the areas of greatest need. Are your environment projects done predominantly in the areas which have the worst environments or are they, as I tend to think, in the areas which have nice middle class youngsters, a decent environment, but they are just tarting things up a bit? A yes or no would suffice.

(Mr Wells) These projects are for the individual. There is a difference between where the individual works and whether they are on the New Deal or not. Even if the environment task force is in a particular part of Glasgow it is for the purpose of improving the employability of the young person.

151. That is a "won't tell" really, is it not? I appreciate it is for improving the employability of the young person, but undertaking an environmental improvement project in a poor run-down constituency is probably of more social benefit than undertaking it in an already prosperous reasonably well maintained constituency. There seems to be no perspective from yourselves about measuring that as one of the possible outputs.

(Mr Lewis) Ministers were always clear at the outset of the New Deal programme that it was not an environmental improvement programme as such, it was a programme about helping young people into employment.

152. Yes, I do understand that but environmental schemes are being undertaken.

(Mr Lewis) Indeed they are.

153. Are they being undertaken in the context of the Government's social inclusion strategy or not?

(Mr Lewis) Increasingly the answer is that they are, through strategic local partnerships and a whole variety of other means. It is perhaps just worth saying that the whole of New Deal has not been delivered simply by the Employment Service as a stand-alone public sector organisation. For each unit of delivery there has been a delivery partnership and that has typically had the local authority and a significant number of voluntary environmental groups.

154. So it is somebody else's fault.

(Mr Lewis) No, I was not saying that for one moment. What I was seeking to say was that in judging, for example environmental programmes round the table, in units of delivery typically are a lot of organisations who have exactly those concerns in mind.

155. If they had those concerns in mind about the Government's social inclusion strategy and the projects followed those social objectives I would not be raising this point. It is because they do not that I am. May I turn to paragraph 2.7 which talks about 18 per cent having gone round more than once, if only briefly in some cases. Do we have any statistical information about where those are, coming back again to gender, race, class, geographical basis of that?

(Mr Wells) We can provide the information. I do not have it to hand.⁵

156. Do you have a feel for it at all?

(Mr Wells) No, is the answer.

Mr Davidson: I would have thought that if, as I suspect, it is the poorest areas and the youngsters with most difficulties who are repeating, the fact that no response is coming back to that is an anxiety.

Chairman

157. I must put this to you so you can answer your critics. Did you concentrate on the easy cases in order to meet the Government pledge?

(Mr Lewis) No.

158. Thank you. May I thank you for coming here today? We have to put tough questions to you about targets and money and the rest but could you pass on our thanks to your staff? You will know that I did six years hard labour with the Social Security Select Committee and I was putting forward a constant theme on that Committee that we had to stop viewing people on benefit as numbers. I know that your staff at the front dealing with people are actually taking enormous care in a very difficult area to help people with their personal problems. Can you pass on our thanks to your staff?

(Ms Lomax) Thank you very much, that will be very welcome and very well received.

Chairman: The session is closed.

⁵ Ev 25-26, Appendix 1.

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[Continued

APPENDIX 1

Supplementary memorandum submitted by the Department for Work and Pensions

Question 58: Trends in youth (18 to 24 year olds) claimant unemployment since 1997?

Graph 1 sets out the information on youth claimant unemployment. The top panel gives the information for those with a duration of unemployment of 0 to 6 months and the lower panel for those with a duration of six months and over. The information is seasonally unadjusted so a twelve-month rolling average is also included to give some idea of the trends. (Because the figures are seasonally unadjusted the comparisons below are given on an annual basis to avoid problems of seasonality.)

The graph shows that both short-term and long-term claimant unemployment have fallen over the period from February 1997 to 2002. The fall was larger for long-term than short-term unemployment and also larger for the longer durations. Claimant unemployment fell by over three quarters (79 per cent) amongst the client group for the New Deal for Young People—those with durations of six months or more—and has been virtually eradicated for those with a duration of a year or more. By comparison, those with a duration of less than six months has fallen by around a fifth (19 per cent).

Since (roughly) the start of the New Deal the New Deal client group has fallen by nearly two-thirds (65 per cent) and those with a duration of less than 6 months by 14 per cent.

CLAIMANT UNEMPLOYMENT: 18 TO 24 YEAR OLDS: 1997–2002

	<i>May 1997</i>	<i>April 1998</i>	<i>February 1997</i>	<i>February 1998</i>	<i>February 2002</i>
0–6 months	227,200	224,200	271,400	255,900	220,700
Change since 1997 ¹					– 50,700
					(– 18.7%)
Change since 1998					– 35,100
					(– 13.7%)

	<i>May 1997</i>	<i>April 1998</i>	<i>February 1997</i>	<i>February 1998</i>	<i>February 2002</i>
6 months and over	169,500	119,400	189,000	116,000	40,400
Change since 1997					– 148,600
					(– 78.6%)
Change since 1998					– 75,600
					(– 65.2%)

	<i>May 1997</i>	<i>April 1998</i>	<i>February 1997</i>	<i>February 1998</i>	<i>February 2002</i>
12 months and over	85,500	49,800	100,500	51,800	4,700
Change since 1997 ¹					– 95,700
					(– 95.3%)
Change since 1998					– 47,000
					(– 90.9%)

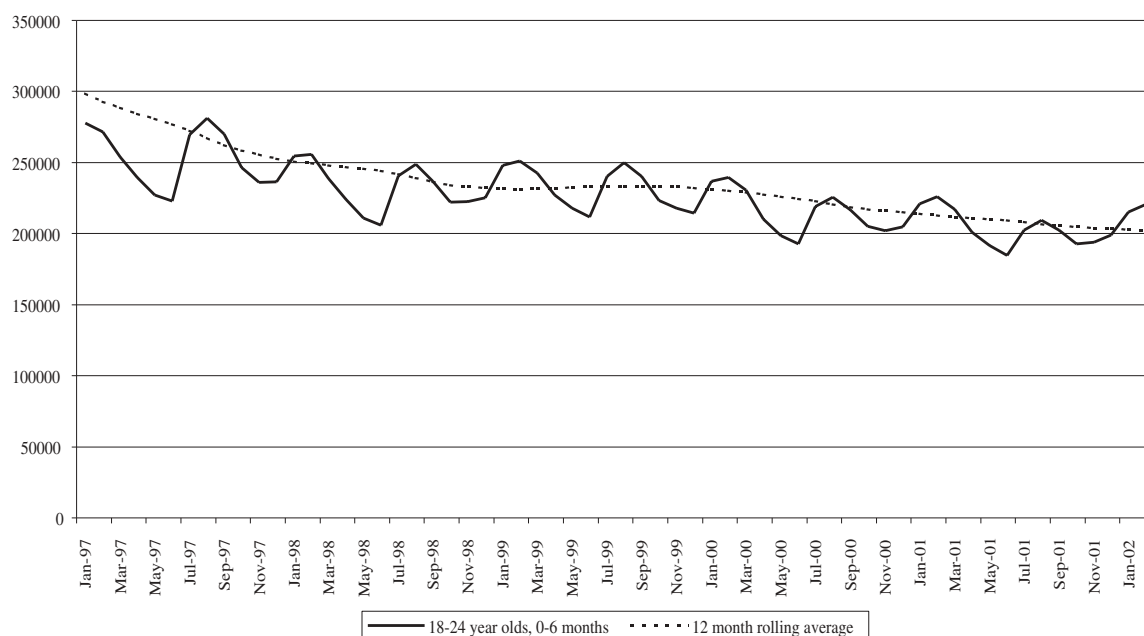
¹ Because the figures are seasonally unadjusted and the latest figures are for February 2002 the percentage change are annual. Thus, the change since 1997 is the change between February 1997 and February 2002 and the change since 1998 is the change between February 1998 and February 2002.

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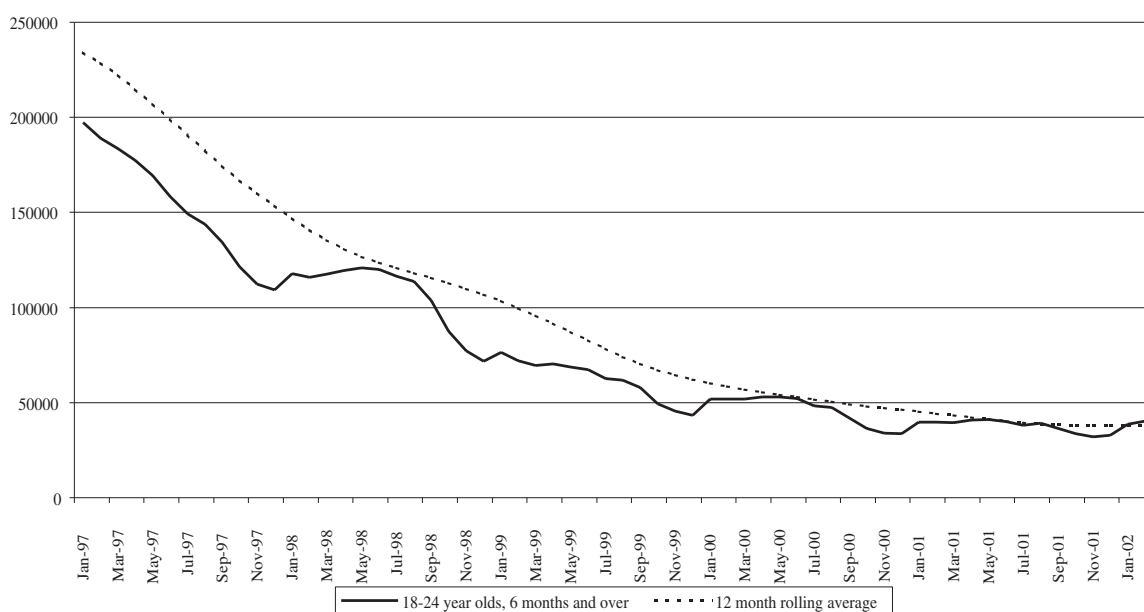
[Continued

GRAPH 1: UK CLAIMANT UNEMPLOYMENT: 18–24 YEAR OLDS

0–6 Months:



6 Months and over:

*Question 82: Evaluation Evidence for NDYP Leavers to Unknown Destinations?*

There have been two NDYP evaluation reports relating to leavers to unknown destinations. These are:

New Deal for Young People: leavers with unknown destinations, National Centre for Social Research, June 1999, ESR 21.

New Deal for Young People: Survey of Leavers to Unknown Destinations, ORC International, January 2001, ESR 63.

The first study (ESR 21) was conducted by the National Centre for Social Research to examine the activities of people who had left NDYP between April and August 1998. The aim was to identify actual destinations of people with no destination recorded in ES records. Interviews were conducted in December 1998 and January 1999. The response rate was 55 per cent.

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The second (ESR 63) evaluation examined the activities of participants who had left NDYP to unknown destinations between May and October 1999. Forty Units of delivery (approximately one third) were chosen to represent the profile of the national population. The sample was stratified to obtain robust samples from Gateway, each of the four Options and from Follow-through.

Face-to-face interviews took place between June and August 2000. There was a response rate of 51 per cent. 8 per cent of respondents considered they had never taken part in the programme and 1 per cent considered that they had never left the programme. Figures are based on those who considered they had both taken part in New Deal and had since left.

The findings below are from the second (ESR 63) evaluation because these figures are the most up-to-date.

FINDINGS FROM ESR 63

Initial Destination

The survey showed that 56 per cent of participants entered employment on leaving the programme. This is identical to the figure for those leaving to known destinations during May–October 1999. Therefore it appears that unknown destinations do not reflect a lack of success for New Deal in helping participants to find employment.

56 per cent of participants stated that they entered employment on leaving New Deal, when asked to provide their reasons for leaving the programme:

- 43 per cent named the start of full-time employment;
- 8 per cent the start of part time employment; and
- 2 per cent the start of self-employment.

Those who left New Deal for employment were more likely to be in employment at the time of interview.

Sustainability

55 per cent of all respondents, regardless of their perceived participation in New Deal, had achieved at least one period of sustained employment since leaving the programme or since May 1999. Of those who left directly into employment, 78 per cent have had a sustained job. In addition, 66 per cent of all respondents had achieved at least one period of employment within this period.

41 per cent of those whose initial destination was full- or part-time employment stated that they were still engaged in this job at the time of interview (21 per cent of the total sample).

Subsequent and Current Activities

43 per cent of those who provided information about their activity at the time of interview were in employment at this time, and 30 per cent were unemployed claimants. Information was not available for 3 per cent of the total sample.

Claiming JSA or Benefits, Sanctions

48 per cent of the total sample stated that they were in receipt of at least one benefit at the time of interview and 32 per cent were in receipt of JSA. There is a 2 per cent variation between this figure and that for claimant unemployment provided for current activity, but these are derived from different questions in the survey and slight variations in response are not uncommon.

23 per cent of the total sample stated that they had had their JSA stopped or reduced since May 1999. Twenty-four respondents gave reasons related to sanctions for this disruption to their benefit.

Barriers to work

55 per cent of the total sample stated that they have experienced at least one barrier to employment in the past year. The main barrier experienced is lack of personal transport (19 per cent), followed by ill-health or disability (14 per cent), lack of jobs in the area (15 per cent) and a lack of public transport (12 per cent). 17 per cent of the total sample mentioned at least one problem which might be expected to restrict “employability”.

Those who have experienced barriers to employment are no more likely to have had repeat participation in New Deal than others.

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[Continued

Question 103: Variations across Units of Delivery?

Although the New Deal is planned on the basis of an average cost per participant, which includes both the cost of providing Personal Adviser support for everyone and programme support, in practice expenditure can vary quite markedly between individuals. These differences arise for two principal reasons:

- New Deal is demand led. In other words the help that an individual receives depends on their circumstances and needs and is not constrained by any personal cash limit;
- linked to this, participants move into jobs at different stages in the New Deal process and, therefore, have access the various parts of the programme to differing degrees. In addition we know that some people leave the New Deal but do not move immediately into a job.

There are also some local variations in the costs of delivering parts of the programme—eg different contract prices—but these are less important in explaining cost variations.

To illustrate this the average unit costs for each element of the New Deal are currently as follows (including Personal Adviser support):

Gateway:	£773
Employment Option:	£2,180
Full Time Education and Training Option:	£2,427
Voluntary Sector Option:	£2,877
Environment Task Force Option:	£2,877
Follow through:	£395

An individual with relatively modest barriers to employment may well find work relatively quickly. This could, for example, simply be with the help of their Personal Adviser during the Gateway and without any additional programme support. In these circumstances New Deal expenditure on that individual could be less than £100.

By contrast another individual with greater personal barriers to employment, or living in a less buoyant labour market, may require additional help from each of the elements of the programme. So, for example, they might receive more intensive help with jobsearch, additional careers advice and/or help with debt problems alongside the Personal Adviser support. There is no limit to the amount that can be spent in the Gateway although the overall four month limit and the focus on shorter provision at this stage means that the average cost is relatively low. If the individual does not leave New Deal at this point they may then move onto Option provision which is more cost intensive. Where necessary further assistance is provided in Follow Through again constrained primarily by time and the focus on capitalising on the Option experience rather than simply extending it.

Accordingly the help provided to someone with relatively severe barriers could conceivably amount to £5–6,000. In practice this would be funded by effectively re-deploying resource not needed by those with less severe barriers who find jobs relatively quickly.

In theory the extent of these differences could affect the national approach to resource distribution between regions and Units of Delivery (now Jobcentre Plus Districts). However, in practice there has been no need to attempt greater refinement of the national allocation model to date although some Employment Service regions have altered the balance of resource allocation between Units of Delivery to reflect expected demand. But even this has not been widespread, in large measure because the success of the programme in helping people into work during the Gateway process has meant that few local allocations have been exceeded. This links to the point made in the NAO Report (paragraph 3.16) about the difference between planned and actual expenditure. Information on outcome unit costs by Unit of Delivery is not, therefore, routinely compiled.

At the same time additional resources have been targeted in areas and for clients with especially severe barriers. This includes Action Teams, Progress to Work (offering extra help for people with drug problems), Minority Ethnic Outreach and the StepUP pilots which, from the end of April, will be providing transitional employment opportunities in some areas of particular disadvantage.

In summary, therefore, the general principle is that the provision and, therefore, the resources made available to a client should meet the needs of that individual in their particular labour market.

Question 115: The spread of employment and unemployment across the country?

At 74.5 per cent the UK's employment rate² as a whole is one of the highest in the world and much higher than the EU average of 65.3 per cent.

In addition, every region of the country has an employment rate above the EU average. However, regions are not the ideal geographical unit for analysis of the labour market as differences within regions are much greater than differences between regions. Therefore, Graph 1 gives the employment rates by local authority

² The employment rate is the proportion of the population of working age who are in work.

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districts in Great Britain for the years 1997 and 2000³ together with the GB and EU averages for comparison. The information is ranked from the lowest employment rate to the highest in each year in order to show the spread across the country.

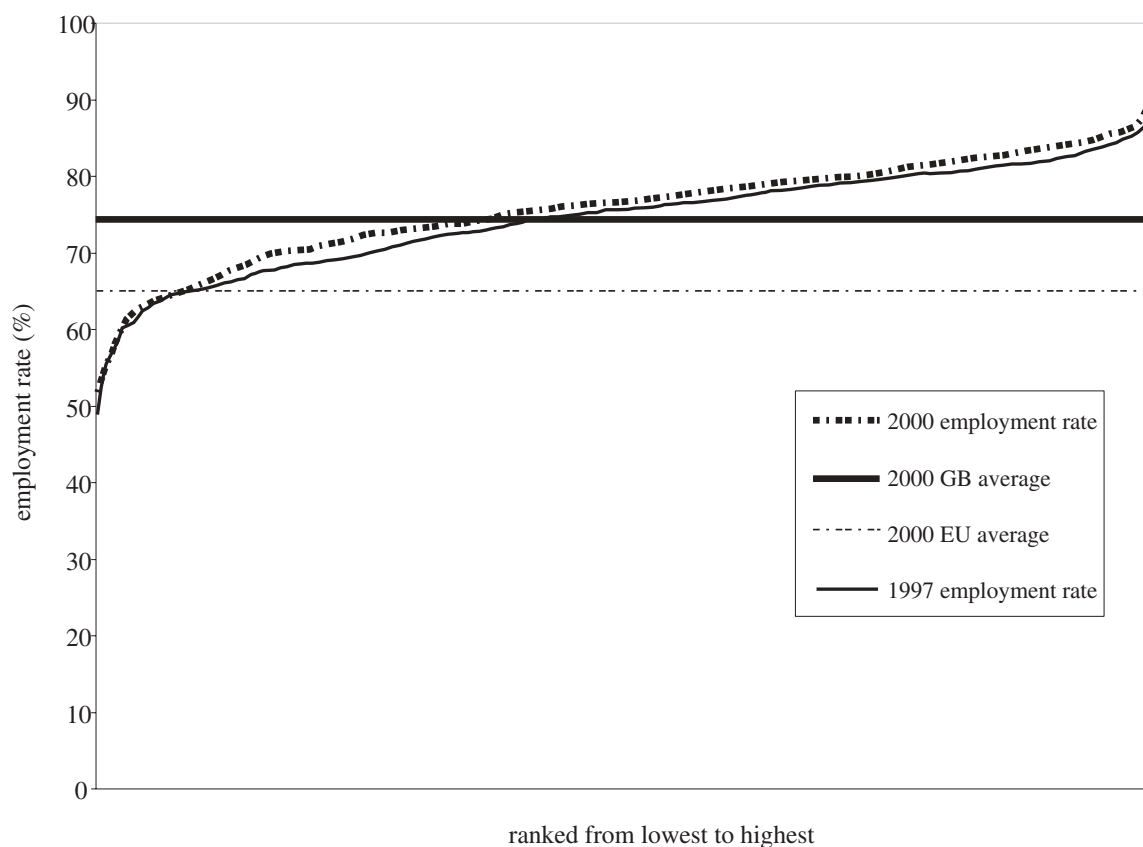
There are a small number of areas within each region with low employment rates. These are concentrated in the major cities—particularly London and Liverpool—some seaside and coastal towns, and some, though not all, coalfield and other industrial areas particularly in Wales and the North East. For these local authorities have been used as the geographical unit. It is a broadly similar story if we use either parliamentary constituencies or wards.

Between 1997 and 2000 there has been a general overall rise in most areas of the country with the areas with the lowest employment rates tending to do slightly better than others. Although it is not evident from the graph (because it is ranked from lowest to highest in both years) there have been some areas where the employment rate has fallen.⁴

In addition, later information from the claimant unemployment count tends to confirm this picture. Although the claimant count rate presents a partial picture it does provide the latest information on developments in the labour market. Graph 2 shows the distribution of claimant unemployment rates in the UK for February of the years 1997, 2000, 2001 and 2002. A different geographical unit is used here—parliamentary constituencies—to suggest that the same picture holds, whichever geographical unit is chosen.

Between 1997 and 2001 there has been a general improvement in claimant unemployment rates across the country with the largest improvements in the areas that started with the highest rates. Over the past year there has been a slowdown in the labour market but most areas of the country have continued to see an improvement with 415 Parliamentary constituencies having seen a further fall in their claimant count rate, 64 are unchanged and 180 have seen a (generally small) increase. Overall the improvements have again tended to be in areas, which started with high claimant unemployment rates.

GRAPH 1: EMPLOYMENT RATES BY LOCAL AUTHORITY DISTRICTS: GB 1997 AND 2000



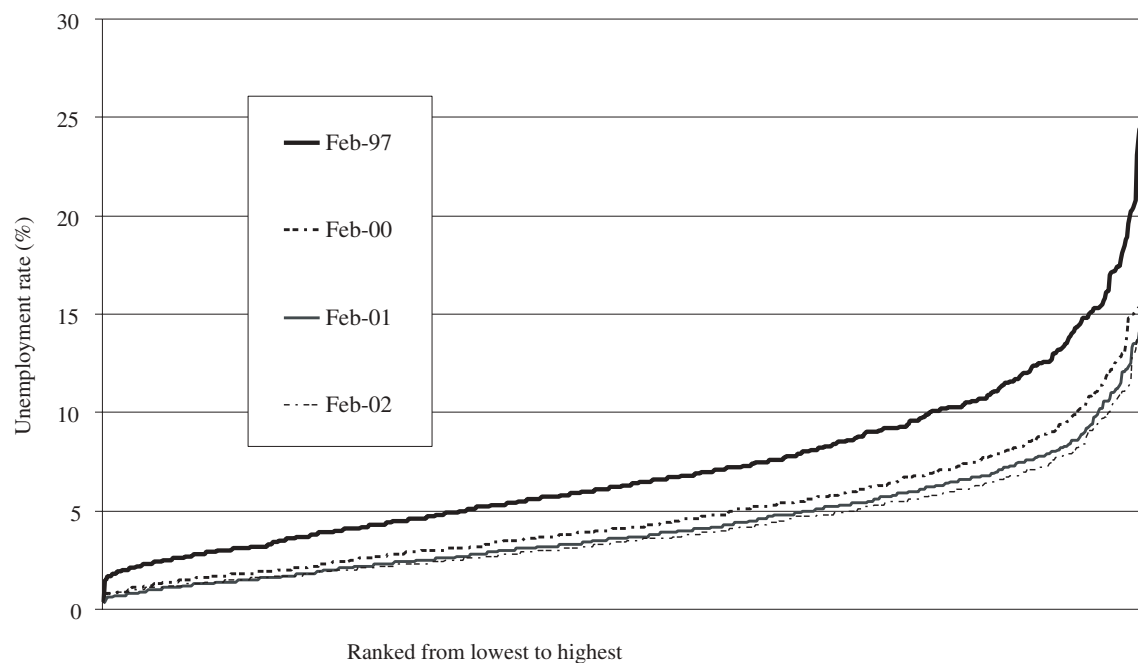
³ The employment rates are from the annual local Labour Force Survey (LFS) databases. The employment rates are for the residents of an area and relate to the period March-February. Thus, 2000 relates to March 2000 to February 2001.

⁴ Although because the LFS is a sampling survey and these are relatively small areas this may be due in some cases to sampling variation.

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[Continued

GRAPH 2: CLAIMANT UNEMPLOYMENT RATES BY PARLIAMENTARY CONSTITUENCIES: UK (SEASONALLY UNADJUSTED)



Question 155: Statistical breakdown by gender, race, class and geographical area of those returning to the Programme?

Gender

71% of all starts to NDYP are male, this increases to 78% for those with a second or subsequent spell.

	<i>All Starts</i>	<i>2nd and Subsequent Spells</i>
Male	71%	78%
Female	29%	22%

Ethnicity

16 per cent of all starts to NDYP are from minority ethnic groups. This proportion remains the same when looking at those with a second or subsequent spell on the programme.

	<i>All Starts</i>	<i>2nd and Subsequent Spells</i>
White	84%	84%
Minority Ethnic	16%	16%

Geography

The table below shows that all ES Regions have a similar proportion of second and subsequent starts on the programme as to their proportion of total starts. No ES Region experiences a disproportionately high number of returners to the programme.

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	<i>All Starts</i>	<i>2nd and Subsequent Spells</i>
Office for Scotland	11.4%	12.5%
Northern	7.7%	8.4%
North West	14.2%	13.9%
Yorkshire and the Humber	11.5%	12.3%
Office for Wales	6.3%	6.4%
West Midlands	10.6%	10.6%
East Mids. & Eastern	8.6%	8.2%
South West	5.7%	5.0%
LASER	24.0%	22.7%

Note: LASER stands for London And South East Region

There is no recording of participants' class or socio-economic status.

Department for Work and Pensions

April 2002

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SESSION 2001–02

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