Staying in Work: Thinking About a New Policy Agenda

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The views expressed in this report are the authors' and do not necessarily reflect those of the Department for Education and Employment.

EXECUTIVE SUMMARY

The Centre for Research in Social Policy (CRSP) was commissioned by the Department for Education and Employment (DfEE) to examine the concept of 'employment sustainability' in order to facilitate the design, assessment and evaluation of labour market policies. The interest in employment sustainability reflects the increasing emphasis given to the longer-term objective of helping people to move into 'sustainable jobs' (DfEE, 1999).

This report presents the findings of the three main elements of the research - the literature review, interviews with key agents and policy actors, and an exploration of existing data sets. Each element was designed to help elucidate the concept of employment sustainability and stimulate ideas for policy development.

The Literature Review (Part 2)

Employment sustainability embraces a common-sense meaning and thus is best defined as:

> *'the maintenance of a stable or upward employment trajectory in the longer term'.*

The review identified a number of concepts related to employment sustainability, including:

- *employability* – the presence of skills and assets, and how they are deployed;
- *job stability* – recognising the reflexivity between the characteristics of the job and the job holder;
- *job retention* – the ability to remain in work when circumstances change;
- *employment development or advancement* – including progression in pay, responsibilities or status; and
- *self-sufficiency* – the ability to sustain oneself financially, possibly embracing the capacity to move around the labour market, without government intervention or assistance.

Factors influencing employment sustainability include individual attributes, employers' attitudes and practices, and labour market characteristics.

There are few working policy models designed specifically to promote employment sustainability, little evidence of what works and generally more experience of failure than of success. Nevertheless, policy evaluation in the USA and Canada suggest that approaches beyond 'case management' should be considered, such as employer focussed interventions, intensive work-readiness training and specific retention help (particularly to tackle practical problems that may arise during the transition from unemployment to employment, such as a breakdown in childcare or transport to work).

In the UK, policy evaluation has tended to focus on the immediate or short-term outcome of programmes rather than longer term retention or sustainability issues, although the evidence does point to the importance of good job matching and 'work trial' periods. Suggested policy options include: more intensive gateway help; flexibility in sequencing of options; training in 'soft skills'; placements with employers who are committed to continued training to support advancement; testing the impact of Intermediate Labour Markets on retention; pilots to test post-placement services for individuals and employers; and the use of intermediary organisations to assist with pre and post-employment services.

Perspectives on Employment Sustainability (Part 3)
Respondents suggested a number of ways in which policy could address employment sustainability, including:

- mechanisms to support *job matching*;
- an expansion of a *work trial* or intern approach;
- developing job-ready skills by providing *work preparation* assistance;
- increasing emphasis on the development of *soft skills*;
- a *work-first* approach to those who were above the threshold of basic job readiness;
- further development of *skills alongside employment*;
- expansion of the *discretionary approach*, seen in the personal advisor model, assembling packages of support tailored to individual needs;
- utilising the knowledge and skills of local intermediary organisations and groups, building *joined-up partnerships* of expertise;
- *continuation of support* during the early transition into work, and for longer if appropriate;
- *liaison between agencies*, intermediaries and employers to develop successful strategies to recruit and retain employees; and
- *mentoring* systems for new employees in the workplace.

The Data-set Exploration (Part 4)
To operationalise the concept of employment sustainability for the purposes of the data exploration exercise, employment was defined as being composed either of a single job or of an uninterrupted series of jobs.

Using data from the British Household Panel Study (1991-96), two definitions of sustainable employment were identified, one based on the three month threshold, the other on the nine month threshold. A job was defined as sustained if it both lasted over the threshold and did not result in an earnings decline. Under the short-term definition, 70 per cent of employment spells were sustained. This declined to 54 per cent under the long-term definition. As expected younger people were less likely to be in sustained employment. However, other associations were less predictable: single people and those on the lowest earnings tended to be more likely to be in sustainable employment than were couples or those on slightly higher earnings. On the other hand, employment preceded by unemployment was more likely to be unsustained than was employment originating from looking after the home, education or 'other' activities.

Policy Implications (Part 5)
Employment sustainability requires policy objectives that extend beyond the promotion of job retention to embrace aspirations for employment retention, progression and the attainment of self-sufficiency.

The attraction of polices that foster employment sustainability is that they offer the possibility of a 'win-win-win' situation: individual and family welfare is enhanced, the skill-base of the economy is increased with positive benefits for international competitiveness, and public expenditure on welfare benefits is reduced.
Issues to consider in the design of policy include:

- *Addressing supply and demand*
  As evidence does not indicate which is the most important set of factors – individual or structural causes - public policies to foster sustainable employment may need to *address both supply and demand* side factors.

- *Targeting*
  The US experience suggests that some form of targeting is essential to ensure effectiveness. Targeting may be categorical, based on prior criteria, or discretionary, based on informed judgements about the kind of support required. The provision of services may need to be comprehensive, but focused on those who need the most help.
- *Seamless Service Provision*
  Individual policies, and the flexible packages of policies that are needed in response to the heterogeneous and multiple barriers that some potential and current employees face, should offer *seamless provision* across the employment divide. Service providers need to be proactive and most intensive during the first weeks and months of employment.
- *Case Management*
  Case management by appropriately and well-trained staff enables intensive support for people most at risk of experiencing unsustainable employment.

Suggested services to promote employment sustainability, covering both pre and post employment transitions, include:
- upgrading skills;
- job search and placement assistance;
- career mediation;
- counselling;
- career and life planning tuition;
- benefits advice and advocacy; and
- specialist referral services.

Specific post-employment measures include:
- earnings supplementation and financial bonuses and incentives for retention or advancement;
- transitional provision and services;
- emergency support services;
- mentoring and support groups;
- employer mediation; and
- the provision of in-work support services.

Suggested measures directed towards employers include:
- financial incentives;
- peripatetic human resource management;
- job retention guidance;
- employment awareness campaigns; and
- sectoral brokerage services.

Policy development is hindered by a lack of statistical information about the true extent of unsustainable employment and the limited value of the traditional data sets for monitoring trends or establishing the impact of new policies. Further analysis of existing data is both possible and necessary.

Given the potential gains that would accrue from the success of polices to foster employment sustainability, there is a clear imperative for action. As there is no proven model of delivery or any surety of success, action should take the form of small scale, carefully evaluated pilots. These should be accompanied by further analysis of existing data to inform understanding of the underlying relationships, and a strategy to improve the statistical monitoring of trends in employment sustainability.

PART 1 INTRODUCTION

The Centre for Research in Social Policy was commissioned by the Department for Education and Employment to examine the concept of 'employment sustainability' in order to facilitate the design, assessment and evaluation of labour market policies. Although a principle objective of the Department for Education and Employment is '*helping people without a job into work'* (DfEE, 1999), the interest in employment sustainability reflects the increasing emphasis given to the longer term objective of:

> '*... helping young people, the long-term unemployed and others at a disadvantage in the labour market, including lone parents, to move into sustainable jobs, within a fair and diverse employment market' (DfEE, 1999)*

1.1 Background

There is an emerging consensus across the political spectrum and throughout most of the industrial world that paid employment provides the major defence against poverty and social exclusion (Walker et al., 1999). Reflecting this, and encouraged by international organisations such as the OECD (1994), many countries including Britain have moved away from passive social security policies towards active labour market measures that seek to encourage and facilitate the transition from benefits into paid employment. Jobseeker's Allowance, introduced in 1996 under the Major government, is one example of such a policy and the New Deal family of policies implemented by the new Labour Government extend and develop similar thinking. However, as early as his first Budget in July 1997 Gordon Brown expressed concern that significant numbers of the people who left benefit reclaimed within a year and stated that Government:

> *'wants them to move up the employment ladder, seeing their earnings increase as they do so.'* (HM Treasury, 1997)

This reflects an evolution in policy objectives from helping people move into employment to helping them to remain in, and possibly progress in, employment. About half of people leaving claimant unemployment for destinations that include employment sign on again within a year, a pattern that has remained constant over a number of years (Teasdale, 1998).

Of people moving off Income Support[1] (in the period before the introduction of Jobseeker's Allowance), one in five could expect to be back on benefit within six months of leaving, with about one in eight having had more than one spell on benefit during a two year period (Shaw et al., 1996). Early data also suggests that almost a third (30 per cent) of people placed into unsubsidised jobs through the New Deal were back on Jobseeker's Allowance within 13 weeks (NDTF, 1999). A concern is that this intermittent work, a repeated cycle of 'low pay, no pay', can 'scar' an individual's future employment and earnings potential (Field and Gregg, 1995), making it harder for individuals to move into and retain work. This concern is echoed in recent publications from the Social Exclusion Unit (Social Exclusion Unit, 1999).

1.2 Aims and Objectives

The aim of the research, therefore, is to examine the concept of employment sustainability in order to facilitate the design, assessment and evaluation of labour market policy. The overall objectives of the research are to:

- explore patterns of employment retention after getting work;
- define what is meant by employment sustainability in the context of labour market policy;
- identify the labour market drivers that come together to enhance and hinder the employment sustainability of individuals, in particular the application of employment sustainability to groups of individuals prone to repeated or prolonged spells of unemployment;
- determine what measures can be used to quantify the achievements of labour market policy in terms of encouraging and attaining employment sustainability amongst participants; and
- determine boundaries as to what can be done by labour market policy to enhance the employment sustainability of individuals.

1.3 Method

It is evident from the above objectives that the research required a developmental approach to the exploration of the concept of employment sustainability. This entailed an analytic sequence of events. The first stage was to assemble literature and research evidence about

[1] Including people claiming on grounds of incapacity and lone parenthood as well as unemployment.

employment sustainability and associated concepts and issues. Secondly, using the information from the first stage, informed opinion and experience was sought from key agents and policy actors by means of qualitative interviews. The third stage involved creative exploration of a number of existing data sets, to begin to operationalise the concept of employment sustainability.

The final outcome of this sequential analysis is a framework to inform policy design, assessment and evaluation.

The main elements of the research are described below:

1.3.1 The literature review

The literature review, presented in Part 2 of this report, was designed to inform the subsequent stages of the research by assembling information on the concept of employment sustainability, including related concepts such as job retention, employability, self-sufficiency, career progression and career development, as well as the kinds of factors that may affect the sustainability of employment. The review also encompassed evidence of the effect on employment sustainability of a number of policy initiatives, programmes and schemes.

1.3.2 Key agent and policy actor interviews

The second stage of the research was to conduct a number of qualitative individual interviews with key agents and policy actors about the concept of employment sustainability. The aim of these interviews was to engage respondents in thinking about the issues raised by the concept, and to pursue thoughts on the development of policies to enhance it. A combination of 16 face-to-face and telephone interviews were conducted with representatives from government departments, the Employment Service, careers advisors, academics, labour market researchers and employers. The United States are also developing their welfare-to-work policies in an attempt to move people from benefit dependency towards 'self-sufficiency'. Interviews were therefore also conducted with nine policy makers and researchers in the US, to learn from their experiences of policy development, implementation and evaluation of initiatives to encourage retention.

The findings of this stage of the research are reported in Part 3.

1.3.3 Examination of data sets

The next part of the research sought to investigate whether and how the concept of employment sustainability can be measured using existing data. The procedure comprised three elements: the development of an ideal conceptualisation of sustainability and procedures necessary to operationalise it empirically; the appraisal of a number of data sets to establish the variables available; and a detailed exploration of the most appropriate data sets: the British Household Panel Study data set and the Jobseeker's Allowance Survey data set[2]. The results of the exploratory analysis are presented in Part 4 of the report.

Part 5 of the report draws together the main findings of the three main components of the research to provide some policy-related conclusions.

[2] Annex B contains a detailed summary of the adequacy of the data available in a number of other existing survey and administrative data sets.

PART 2 A REVIEW OF THE LITERATURE

This part of the report represents the findings of a literature review, which was conducted to investigate the concept of employment sustainability (and its association with related concepts) and to identify policy initiatives that have attempted to address employment sustainability. The review was also designed to inform the structure and content of interviews with the key agents (Part 3) and the examination of national data sets (Part 4).

The review was as comprehensive as possible. A comprehensive review is necessary to avoid any selection bias, for example, studies that show little success tend to be under-reported, whereas those with a higher degree of success may be over-reported. A thorough and systematic approach to the review involved taking a multi-disciplinary approach to the search, utilising the following sources:

- electronic databases, for example, electronic information services such as OCLS FirstSearch and BIDS ISI Citation Index;
- electronic search strategies, for example, world wide web searches, library catalogues, CD-ROM databases (such as ASSIA Plus, EU Infobase etc);
- scanning reference lists: using a 'snowball' type technique;
- hand searching: through existing research reports, publications, circulars etc;
- grey literature;
- conference proceedings;
- archived email discussion list messages; and
- other relevant literature identified by the project Steering Group members.

A key stage in the review is identification, selection and inclusion of the most relevant evidence. The reader is referred to the bibliography attached to this report for a list of all literature reviewed, including papers not cited in the text.

Section 2.1 discusses the definition of employment sustainability, and the influences on employment sustainability are explored in Section 2.2. The impact of labour market and welfare policies are then considered in Section 2.3.

2.1 Defining Employment Sustainability

While the term 'employment sustainability' is ill defined in the literature, it embraces a common-sense meaning. Employment is sustained if an individual stays in a job, or series of jobs, without returning rapidly to benefit. This suggests that factors concerning the individual and their employability, as well as the stability of the job itself, are both likely to be important. To help better understand the concept of sustainability a set of related concepts are first considered: employability, job stability, job retention, career advancement, and self-sufficiency are reviewed in Section 2.1.1. A further distinguishing characteristic of sustainability is that it explicitly embraces a time dimension; this is discussed before introducing the concept of employment trajectories (Section 2.1.2), which draws attention to the processes which may lead to upward or downward movements over time. The context of employment sustainability is reviewed in Section 2.1.3 and the report returns to defining the concept in Section 2.1.4.

2.1.1 Related concepts

A number of concepts adjacent or similar to the notion of employment sustainability are evident in the literature of which one in particular, employability, has already been adopted into the policy lexicon.

a) Employability

The concept of employability is focused on the individual, and the attributes that make him or her attractive to an employer. It has been defined as:

> *'having the capability to gain initial employment, maintain employment and obtain new employment if required'* (Hillage and Pollard, 1998).

Thus employability can encompass the ability to keep a job or series of jobs as well as obtaining one, although the former component is less discussed in the literature. Being able to transfer skills from one occupation or business context to another entails not only having those skills but exploiting and selling them at an appropriate time (Hillage and Pollard, 1998). 'Employability' also embraces the ability to change with the requirements of the job (if the

job or roles change) in order to stay in work. In policy terms employability highlights the importance of equipping individuals to deal with an increasingly uncertain and insecure world of flexible employment.

In their discussion of employability, Hillage and Pollard (1998) recognise the social and labour market context, but focus on the assets held by the individual and the way they deploy and present them. In so doing they emphasise individual attributes to a greater extent than the social and labour market context in which individuals are embedded. These attributes include human capital and social capital. *Human capital* refers to the skills and competencies that people can acquire, either through formal education and training, or less formally through work experience, and has an individual focus. *Social capital*, on the other hand, tends to focus on relationships and networks. Bynner (1998) has introduced the additional concept of *identity capital* (features which shape the individual's view of who and what they are, as well as how they present themselves to others) into discussion of the concept of employability. Employability then becomes a matter of:

> *'marshalling the components of identity in an appropriate way to match job demand'* (Bynner, 1998).

Of course people already in work have their own profile of assets that help to determine their future movements within the labour market. In this regard the literature on employability emphasises the importance of the transferability of skills (especially soft skills) between employers and occupations. The willingness to move with (or to) a job and career management skills are seen as part of employability (Hillage and Pollard, 1998). In an analogous way individual attributes are important in determining how readily and successfully people make the key transition from education to work, (see Section 2.2.).

Although primarily taking an individual focus, Hillage and Pollard (1998) recognise that individual employability is affected by contextual factors and can be construed as relative. A person's employability will vary over place and time in relation to such external factors as the local labour market and economic climate, employer recruitment and selection behaviour, and the operation of benefit rules. The context also includes personal circumstances (such as

caring responsibilities, health problems or disability and household status), with the result that a person's employability will vary over the lifecycle.

In welfare-to-work terms, strategies may be concerned with raising people's employability, through assisting them to make successful and sustained transitions to work, with the adjunct that someone with low employability will benefit from periods of sustained employment. In the wider labour market sphere, the ability to sustain employment may determine someone's employability, and their ability to manage their employment strategy effectively.

b) Job stability

Job stability - or job retention as it is often referred to in policy circles (for example New Deal Task Force, 1999) and in the USA - is usually defined and measured in terms of how long a particular job lasts, or how long an individual stays in a particular job (job tenure). From the perspective of employers, job stability depends on staff turnover. Traditionally high turnover has been viewed as disadvantageous and costly to employers, although the arrival of 'the flexible firm' has led to some speculation that some employers now place a premium on the ability to adjust the size of their workforce quickly (see Meadows, 1999, for a discussion of flexibility).

As is emphasised by the above definition, there is reflexivity between the characteristics of jobs and jobholders that determines job stability. Certain types of worker are known to change jobs more frequently, either through choice or necessity. Women are more likely than men to take short-term jobs and young people (especially those under age 25) often try out various kinds of work before deciding on a preferred job or occupation (Tremlett and Collins, 1999; Cully et al., 1999). Equally, seasonal and temporary work is more prevalent in some industries than others on account of the nature of the business and peaks in demand. That said, if employers tend to recruit workers who prefer to change jobs frequently, they are likely to experience high staff turnover irrespective of the intentions of management. US research suggests that although young workers who have limited education or cognitive skills appear to experience high levels of job instability, this is more to do with the types of jobs and the associated turnover rates, than the characteristics of the individuals themselves (Holzer and LaLonde, 1999).

A problem faced by people moving off benefit into work is that entry level jobs, those taken by the previously non-employed, tend to be in high turnover sectors such as retail, and in less skilled manual and non-manual occupations, and are often part-time or temporary (Gregg and Wadsworth, 1996).

Job stability, therefore, is the complex outcome of an equation of factors that include the jobholder's attributes, the nature of the job itself and the aspirations and behaviour of the employer as well as the characteristics of the labour market.

c) Job retention

The employment literature tends to refer to 'job retention' as applying to those employees who remain in their job when their own circumstances change, such as the onset of sickness or disability or having a child, or when the job itself changes. (See Barnes et al., 1998 in relation to disability and the need for a greater focus on retention rather than welfare-to-work). As such, the term job retention applies to a broader group of people than those who have entered work from other states (including unemployment), but to a more specific set of circumstances than when used generically by policy makers.

The opportunity to retain a job when a jobholder's circumstances change is more likely to be open to better qualified, white-collar workers who have greater 'value' to the company than some less skilled workers. Likewise, retaining a job may be easier in enterprises that invest heavily in a highly trained and flexible workforce when the potential loss of staff imposes significant costs.

Job retention also appears in the literature from the perspective of *employers*, often in relation to employability. The original focus of employability on the ability of individuals to withstand recession and redundancy has been challenged by over-zealous downsizing on the part of some employers, who then find that their workforce lacks certain skills and experience. Hence a renewed focus on the retention of employees with skills and behaviour is considered consistent with the changing workplace (to meet the business and personal goals of the employer), and to motivate people in an 'unforgiving' market (Rajan et al., 1999). Best practice organisations are now striving to achieve a balance for employees between financial and non-money rewards (such as a better work/life balance). This includes a 'sustainable,

interesting' job and career opportunity through upward progression or varied work experience (Rajan et al., ibid).

'Retention' as discussed by the New Deal Task Force (NDTF) is more closely related to the idea of employment sustainability (NDTF, 1999). Here the concept of retention is used in relation to the goal of enabling people who move from welfare-to-work to maximise their chances of remaining in work and to advance to higher skilled, better paid jobs. There can be a distinction, however, between staying in a job, and advancing in a career. For some people staying in the same job may count towards sustainability, whilst for others there may be more scope for a career advance.

d) Career development or advancement

In general, the concept of job retention tends to emphasise a static state, rather than progression, being concerned with whether a worker remains in the same job or returns to a similar one when circumstances change. In contrast, the notion of career development or advancement implies positive movement, and additionally takes account of the quality of jobs, defined in any of a number of ways, and positive changes in quality over time. As analytic concepts they can be expanded further to take account of negative changes in job quality, a phenomenon known in some cases to be associated with spells of unemployment (Walker et al., 1999, Gregg, 1999). Career advancement could, then, be considered as another aspect of employment sustainability, or at least as a further manifestation of sustainability. Career advancement or development can occur through promotion to a more senior position, through gaining more experience in a job or by moving to a new employer.

The concept of 'career progression' tends to appear in the literature in references to upward mobility in professional occupations, such as the 'clinical ladder' grading structure for nursing (Buchan and Thompson, 1997). A period often characterised by career progression is shortly after finishing education or training; the least career advancement seems to occur close to retirement age (Field and Gregg, 1995).

In recent times the concept of a 'career' as offering security and progression has been challenged by workforce reductions and re-structuring. It has therefore come to be considered as a part of individual self-development and Hillage and Pollard (1998) suggest that career management skills can be seen as contributing to an individual's employability. Recently,

though, there has been a trend towards viewing career development as more of a 'partnership' between individuals and their employers (Hirsch and Jackson, 1996). Strategies for advancement can serve employer interests in reducing costly turnover (Kramer, 1998), although again this is more likely to apply to the better-skilled workers.

As with other concepts associated with employment sustainability, career advancement is determined in part by the (changing) characteristics of the labour market. For instance, US research suggests that whereas men typically have 'promotion ladders' to climb, women are more often confronted by a 'revolving door' rather than a ladder, even when doing 'men's work' (Maume, 1999). Similar gender distinctions have been reported by Dex (1999) in the UK. Overall, workers seem to believe that there are now fewer career ladders to climb than in the past; in one British survey of employees a quarter of respondents said their promotion prospects had declined over the previous five years (Burchell et al., 1999).

In general, employment success can be seen to result from the interaction of individual worker attributes and aspects of the work and economic environment. To be considered eligible for advancement in the workplace, individuals need to demonstrate their 'promotability potential' by doing more than is expected and being effective in interpersonal relationships (Johnson, 1993). This of course does not guarantee success and aspiring career builders may have to move employers to make progress.

As noted above, career advancement can be measured on a number of criteria including, wage level, status, responsibility and perhaps, a higher probability of job retention.

e) Self-sufficiency

Sustainability has also been linked to the concept of self-sufficiency, which implies financial independence resulting either from having an income from work or being free from 'benefit dependency'.

Self-sufficiency appears more frequently in US literature where the term has been closely associated with welfare reform, notably welfare for lone parents. As self-reliance is a key objective for US welfare reform, 'self-sufficiency' is assumed to be the inverse of benefit dependency. It has been defined as a:

'continuum of economic self-sufficiency that accounts for both the source of income and its adequacy' (Sandfort and Hill, 1998).

Specific goals or thresholds on the way to becoming self-sufficient have generally not been defined. As used by Sandfort and Hill (1998), the concept of self-sufficiency contains an explicit 'hierarchy' of *sources* of income. Welfare income is placed at the bottom, above which in order of increasing self–sufficiency appear child support, a partner's earnings and self-sufficiency through one's own earnings. The authors recognise that any ranking could vary across cultures or communities. Similarly the *level* of self-sufficient income could vary across the lifecycle and be relative to the needs of a particular family or individual.

There is evidence from both the UK and US that many individuals who move from welfare-to-work remain in poverty because earnings alone prove insufficient to meet family needs (White and Forth, 1998: Parrott, 1998). Especially where the initial routes off benefit are via insecure or 'flexible' jobs, it is often only through the contribution of other family members that needs can be met (White and Forth, ibid). Millar et al., (1997) found that around four out of ten low paid workers needed a partner's income to lift the household above the poverty line. The introduction of the national minimum wage and the Working Families Tax Credit (which is payable higher up the income scale than its predecessor, Family Credit) may improve this situation, and could increase the probability of men with children entering work (Gregg et al., 1999), although its impact on helping people to sustain employment is less clear.

Hillage and Pollard's definition of employability includes the ability to move within the labour market to realise potential 'self-sufficiency'. In the UK context, 'self-sufficiency' cannot be defined in terms of not receiving any benefits since the state provides some support for families with children and to disabled people without regard to work status; the availability of benefits like Child Benefit and Disability Living Allowance means that many people can be in work but also receiving social security payments. Furthermore, wage supplementation, like the Working Families Tax Credit and the Disabled Person's Tax Credit, recognises the limitations on earnings capacity as a result of caring for children or having poor health or a disability. In-work benefits may enable people to gain some footing on the

first rung of the ladder, although more support may be needed to ensure earnings progression of people onto the second rung (Oppenheim, 1998; New Deal Task Force, op cit).

Finally, an additional dimension of self-sufficiency may be security of income. Taking a job can be a risky endeavour for many claimants; it may not last, there are costs to working, and the income generated from work may not be as secure as staying on benefit (see for example Walker and Shaw, 1998).

Hence to be self-sufficient, individuals need access to an income from work, perhaps in combination with child support or a partner's earnings, at a level sufficient to meet family needs and to avoid poverty, and which is secure over a period of time. For employment to be sustained it has to offer some element of self-sufficiency through earnings, although wage supplements may still be needed to contribute towards increasing incomes from work.

2.1.2 Taking account of time

Time is inherent in the concept of sustainability however it is defined. The New Deal Task Force views the concept of retention as 'the outcome of a successful process', hence implying a passage of time and transition (NDTF, op cit). Precisely how and what period of time relates to sustainability will have to be made explicit when it is measured. Indeed, although definition usually precedes measurement, in this case thinking about measurement helps to clarify the concept of sustainability. At its simplest, sustainability could be expressed in terms of the length of a job, namely a measure of job tenure or stability.

As already reported, about half of people who leave benefit for work reclaim unemployment-related benefits within a year. The longer someone stays in work once they have left benefit, the better their chances of keeping off benefit (Shaw et al., 1996). Correspondingly the early weeks when the individual makes the transition into work appear to be the most critical period. A survey of unemployed people, conducted around the time of the introduction of Jobseeker's Allowance, revealed that one in seven respondents who gained work returned to unemployment within four weeks, but thereafter the probability of losing a job declined. Of those who remained in work after four weeks, one in ten returned to unemployment by the third month. Of the remainder, by five months the risk of returning to unemployment was less than one in twenty (Trickey et al., 1998). Similarly, in the US, the first four to six

months seem crucial; people who are still employed after this time are far less likely to lose their jobs (Fishman, 1999). Furthermore, some individuals who have moved into work have said they felt that it took six to eight weeks after starting work before their finances returned to an even keel (Ford et al., 1995).

However, whereas job tenure and retention relate, at the level of the individual, to single jobs, employment sustainability has to take into account individuals' movements between jobs and their moves in and out of employment. The concept of duration, used to measure job tenure, can be extended to spells of continuous employment comprising consecutive jobs between which a person has no or inconsequentially short periods of unemployment. Currently a period of employment is considered 'sustained' for New Deal purposes if it has lasted at least 13 weeks (that is, if there has been no return to Jobseeker's Allowance within the 13 week period).

To take into account periods of unemployment or spells spent outside the labour market, as is clearly necessary in conceptualising sustainability, requires the introduction of some reference period. It would thereby be possible to establish how many days or weeks, or the proportion of time, a person spent employed over a given period.

To proceed a stage further and to take account of career development and progress towards self-sufficiency requires reference to the concept of trajectories. An employment trajectory comprises the sequence of labour market statuses or states that a person experiences and the points of transition between them. Plotted, as in Figure 2.1, against some measure or measures of job quality or progress enables sustainability to be visualised. Each state comprises a continuous period of the same labour market activity. It might be a period of employment and might, therefore, have different jobs nested within it. Each state would have a duration. Progress or regression is likely to occur at the points of transition: the moves, for example from education to employment or from employment to unemployment or to economic inactivity.

Some points of transition would be associated with life events such as confinement. It is also helpful to think of each transition as being associated with decisions affecting the employment trajectory (although the decision need not in practice be made at the exact time

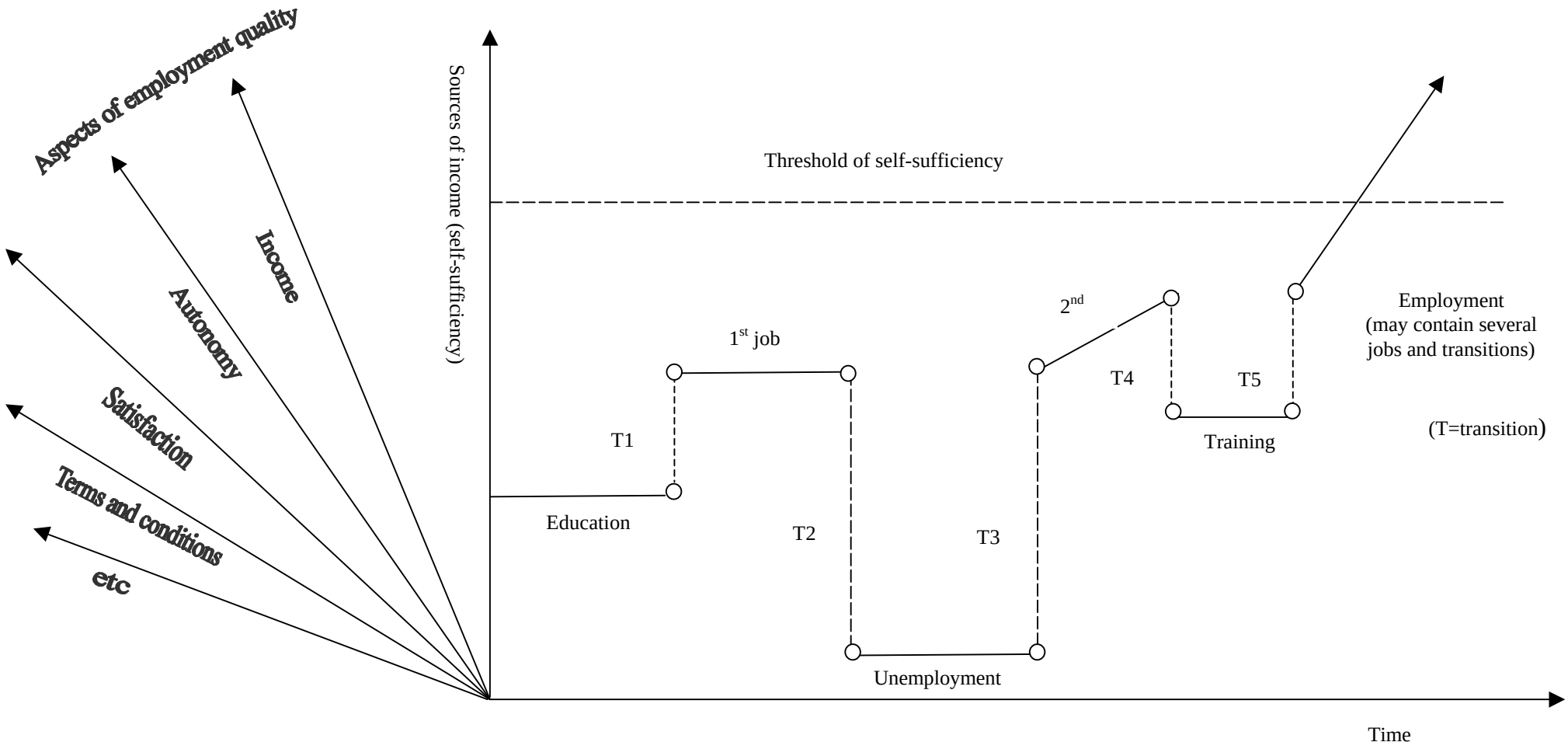
of transition). Policy to enhance sustainable employment might include aiding individuals to make decisions and transitions that would increase the likelihood of them being employed for long periods and achieving progress, say, towards the goal of self-sufficiency. Government might achieve this though the provision of advice, services that break down barriers that inhibit access to sustainable employment and, most radically, by measures designed explicitly to increase the opportunities for sustainable employment that are created by the labour market.

A part of the strategy might even be to help people to change jobs, thereby increasing job instability. US evidence suggests that losing the first job is not necessarily detrimental to future life chances; the person may have gained skills that can be transferred, or may move to a job that pays better than entry wages. However it may take some time to make a transition from a 'bad' job to a 'good' job (where 'good' jobs are defined as paying more than $8 per hour for 35 hours or more a week) and it may be for the authorities to help people make this transition (Fishman, 1999). Helping people make *good transition decisions* would also mean that their employment history needs to demonstrate to employers their quality as workers rather than their inability to maintain steady employment (Kramer, 1998).

Assisting individuals to acquire sufficient human and social capital could also help to minimise the negative impact of transitions. The overall goal at any one point in time would be to prevent a downward spiral, to maintain a 'flat trajectory', or better still, to create an upward virtuous circle.

The reference period to be used might vary according to the policy question. Taking a 'lifecycle' approach would lead to thinking about periods of paid work and unemployment/worklessness over an extended period of years, and developing policies to increase the proportion of time spent in employment (this is one of the approaches taken in evaluation of post-employment services – see Section 2.4.1). Whether a particular job continues, and whether someone spends a few weeks on benefit in between jobs, may not be that important when considered from a longer term perspective provided that the focus is on the advancement, or continuity of employment, rather than the job itself.

Figure 2.1 An employment trajectory



2.1.3 Sustainable employment in context

Sustainability, like employability, cannot be restricted to a purely individualistic concept. A person's ability to achieve sustained employment is necessarily constrained by the opportunities provided by the labour market. In this respect employment sustainability is relative and will vary over time and place. The types of jobs currently available and the expected pattern within the labour market, will change over time. However, in the shorter term the types of jobs available may well impose a ceiling on the level of sustainable employment to which certain individuals can aspire and which society can generally provide.

The New Deal Task Force Working Group on Retention suggested 'sectoral gateways' to help people stay in jobs, allowing them to move on within a particular sector (such as Information Technology in London); this would require a more proactive role for the Employment Service with employers (NDTF, op cit).

This raises issues that government would need to determine in developing a policy on employment sustainability. Given that some types of occupations, such as plant and machine operatives and low skilled manual work, have a higher unemployment rate than others (Pullinger and Summerfield, 1998), there is an issue about whether what counts as sustainable employment should vary across occupations. For an unskilled manual worker, sustainable employment might mean getting another similar job within a short period of leaving one, rather than progression to another occupation. Alternatively, policy makers might prefer to move beyond accepting the labour market as it currently exists, and to encourage other forms of work (such as full-time employment in preference to part-time jobs) which are associated with greater security of tenure and income. For instance, the Canadian Self-Sufficiency Project offers a series of incentives explicitly designed for lone parents to take *full-time* rather than part-time jobs (see Section 2.3.1).

Because the working of the labour market is gendered, a case could be made for further analysis of sustainability to focus on men's and women's trajectories separately. Many women, for example, return to full-time work to the same job with the same employer following the birth of a child. However, those working part-time are three times more likely to change jobs than full-timers (McCrae, 1996). Returning to work part-time increases the likelihood of women's downward mobility by about a third, with few training and progression

opportunities (McGiveney, 1994). Establishing, obtaining or staying in *part-time work* as goals for sustainability policy could simply reinforce gender divisions in the labour market and further reduce the possibilities of advancement for women.

Similar issues arise with disability. Disabled people who are assessed as having low productivity can be placed in supported employment (either in workshops or factories, or with host firms). This has tended to be seen as an end in itself rather than offering scope for progression. For example, only about one in ten people leave a Remploy factory for open employment (National Audit Office, 1997) and only two per cent move from the supported employment section (DfEE, 1999). Defining what 'progression' means, and how it can be developed at a pace appropriate to individual abilities, are key questions for DfEE's current review of supported employment for disabled people (DfEE, 1999).

Other groups may also have different experiences of sustainable employment. There is evidence to suggest that non-white people in the UK may fare less well during a recession than white people, moving back into employment after a period of unemployment at a lower level than previously, and at a lower level than their white counterparts (Leslie et al., 1999). Research in the US suggests that black families are more likely to experience recurrent poverty, by repeated movements to and from employment, than are white families (Walker, 1994). It is also apparent that in the US, job stability fell disproportionately amongst black men between the 1970s and the 1990s (Badgett, 1994; Marcotte, D, 1999).

If a policy of sustainable employment is to involve the provision of career development advice it is important to know which routes into the labour market are likely to enable people to sustain employment and ideally reach self-sufficiency. As noted earlier, most of the jobs currently taken by unemployed claimants are low skilled, low paid and insecure. For many people these kinds of jobs do not in themselves provide employment that could be considered 'sustained'. In one UK study, three-quarters of the jobs obtained by people out of work were 'flexible' and these resulted in little upward mobility during the course of four years (White and Forth, 1998). These jobs tended to be taken by people who were confronted by particular types of employment barriers (such as a lack of flexible childcare) but were not of sufficient quality to eliminate those barriers. Likewise, combining part-time work with being on benefit does not appear to help people subsequently move off benefit, or stay in work in the longer

term (Trickey et al., op cit). On the other hand, although those who are somewhat less disadvantaged are more likely to move from benefits into self-employment (Kellard and Middleton, 1998), it seems that self-employment can be an effective route out of unemployment although more so for men than women (Bryson and White 1996; Metcalf, 1998).

2.1.4 Defining the central concept

'Sustainability' could be considered the dynamic counterpart to the concept of employability but embracing a slightly different set of sub-concepts (Figure 2.2). Alternatively it could be considered as a positive outcome of efforts to improve individual employability (therefore measuring each of several small steps), or as a means of increasing the flexibility of the labour market by making more individuals job-ready and enabling as many as possible to progress.

At the individual level, employment sustainability may be viewed as a sequence of labour market statuses and transitions that are experienced and may be constructed over a lifecycle or an extended period of time. The one-off move from welfare-to-work would count as one element in a person's trajectory. The concept of sustainability embraces job stability and retention together with career advancement, leading to self-sufficiency and beyond. It is perhaps best envisaged as individual trajectories that are facilitated, and also constrained, by the individual's attributes and by labour market characteristics. Translated into labour market terms, interest would focus on the proportion of people sustaining upward trajectories during a given period of time, and the proportion of time spent in states that were non-productive in relation to career advancement or development.

The most salient themes in the literature include the following:

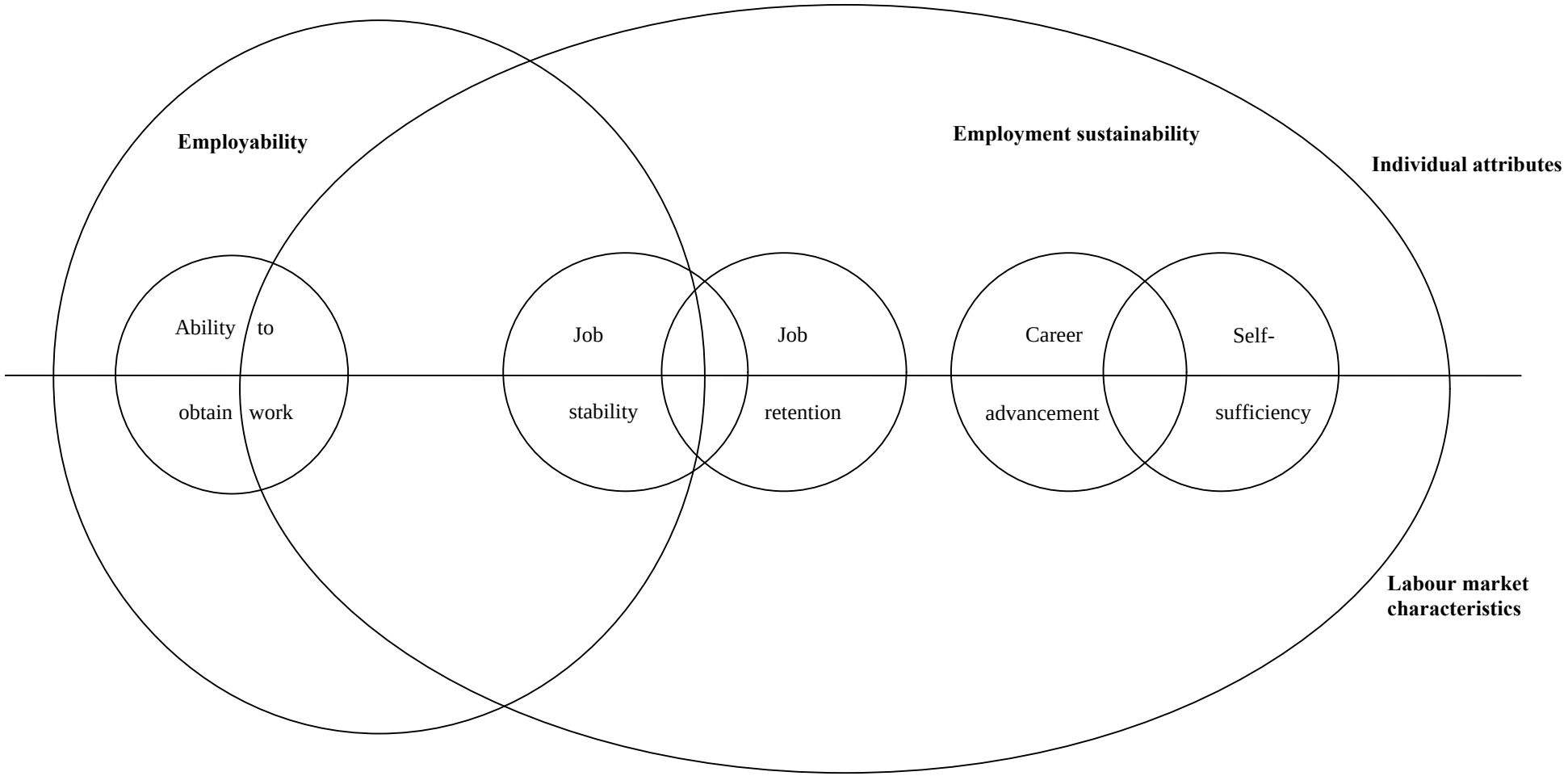
- Sustainability is an aspect of individual employability, including **human capital and social capital,** and the individual characteristics, skills and abilities that help people to stay in work;
- Sustainability is also about **the nature of jobs themselves**; for many people leaving benefits, low-skilled entry jobs may be the only jobs available, and these by definition may be short-lived or insecure;

- Sustainability also concerns **the employment relationship** and practices of employers, which may vary across sectors and by industry demand as well as between individual employees;
- Sustainability is about **staying in the labour market for long enough to have gained resources** (financial or human/social capital) as much as reducing dependency on out of work benefits; precisely how long is 'sustained' will therefore depend on the individual's circumstances; and
- Sustainability includes a dynamic element in the **ability to progress** in employment, which need not mean staying in the same job or with the same employer. Advancement or progression is likely to vary in terms of the time taken, or distance progressed, according to individual attributes and circumstances.

In essence, therefore, employment sustainability may be defined as:

> *'the maintenance of a stable or upward employment trajectory in the longer term. Sustainability will be determined by personal characteristics and circumstances and by labour market opportunities'.*

Figure 2.2 Employability and Employment sustainability



In the ‘snakes and ladders’ world of work, policies to enhance sustainability might be seen as increasing the numbers of ladders and rungs, and reducing the incidence of snakes, or at least their length. People may encounter changing circumstances but they can be equipped with resources to cope with them. The scope for government activity might cover policies to assist people to achieve and retain self-sufficiency, defined in terms of resources sufficient to escape the need to receive income-tested benefits.

2.2 Influences on Employment Sustainability

As indicated above, the elements of sustainability could relate to the individual (such as aspects of employability, including human and social capital), or the nature of the work and the employer, or reflect the stability of the labour market itself. In this section the evidence is examined under three broad headings: individual characteristics (Section 2.2.1), employer characteristics (Section 2.2.2) and the influence of the labour market (Section 2.2.3).

US experience suggests that the factors important for sustaining employment and fostering job advancement may be different and may not always be linked (The Lewin Group, 1999). Factors that seem to relate to *sustaining* work are wage levels and existence of benefits at the start of employment and having stable childcare arrangements. However, important factors in relation to *job advancement* seem to be wage levels and occupation at the start of employment, education and basic skills, and factors which relate to the concept of job stability (discussed in Section 2.1.1) such as job mobility and job tenure. The limited scale of the UK experience does not allow a similar breakdown of factors at this point in time, but illustrates the need for a more detailed analysis of sustainability trends.

2.2.1 Individual characteristics

A fundamental question is the extent to which *individual attributes* affect employment sustainability, and hence the extent to which policy interventions should focus on the individual. This section examines first, the distinction between factors that may affect obtaining employment and those concerned with sustaining employment; secondly, whether multiple barriers to employment remain barriers even when the person finds work; and thirdly, some individual attributes which have been found to influence employment sustainability are considered.

a) Obtaining and sustaining employment - age and gender

Research into the experiences of Jobseeker's Allowance claimants shows that whilst age is a significant predictor of returning to work from unemployment, there does not appear to be a similar association with the *continuity* of that employment (Trickey et al., 1998). Although the risk of losing a job within the first few months was highest among the under 25 age group, the findings suggest once they have established a secure foothold in the labour market, they are no more at risk of further unemployment than anyone else (Trickey et al., 1998). The labour market experiences of older and young people generally (rather than former benefit recipients) is discussed in Section 2.2.3 below.

Findings from this Jobseeker's Allowance survey also indicate that gender did not seem to be an important influence on whether former claimants achieved sustained employment (even though women tended to move out of unemployment much quicker than men (Trickey et al., 1998). (The overall labour market experience of women is considered in Section 2.2.3 below.) It may be that the factors affecting men and women are different; men seem to be more likely to be kept out of work by their limited *human capital* (lack of qualifications, poor health, lack of a driving licence) whereas women seem to be more affected than men by poor *social capital*, such as a lack of social networks (White and Forth, 1998). However, the available research indicates that the factors associated with obtaining work are not necessarily the same as those affecting whether someone *stays* in work.

b) Multiple barriers lasting beyond work

It is likely that some people face multiple barriers to employment, which do not necessarily diminish when the person finds a job. The New Deal Task Force reports that some 80 per cent of New Deal participants are unlikely to be job ready (NDTF, 1999). Some are reported to have basic literacy and numeracy problems, little work experience and possibly have experienced discrimination. Others faced more substantial and multiple barriers such as substance abuse, homelessness and poor health (NDTF, ibid). If some people are disadvantaged in the labour market for these reasons, it is likely that as well as encountering difficulties moving into work in the first place, they could also face additional difficulties in staying in a job. Circumstances which can propel people into lone parenthood (such as relationship breakdown) and childcare difficulties can contribute to lone parents leaving employment (Noble et al., 1998). The US experience confirms that childcare can be a barrier

to continued employment as well as a barrier to obtaining a job (Kisker and Ross, 1997). A third of participants in a welfare-to-work programme for low income lone parents in the US (Job Opportunities and Basic Skills Training, or 'JOBS' programme) encountered problems within the first three months because childcare providers would not look after a sick child, or they closed down and were no longer available.

c) Individual attributes

The UK research so far offers only a patchy view about the importance of other individual characteristics in influencing employment sustainability. Nevertheless, there are some elements that may have an influence on the sustainability of employment. These include (not in any order):

- number and duration of spells on benefit;
- activities whilst unemployed;
- motivation and attachment to work;
- human capital - qualifications and numeracy skills;
- social capital;
- the presence of children;
- race and ethnicity;
- health and disability;
- housing tenure; and
- transport.

Number and duration of spells on benefit

Previous benefit history seems to be a crucial factor in whether a period of working ends early. The *number* of spells on benefit and the total *duration* of such spells seem to be associated with how long someone subsequently stays in work; the more spells and longer durations, the shorter the period in work (Trickey et al., 1998). This may be related to reasons pertinent to the individual needing to claim benefit in the first place (such as health problems or caring responsibilities) or because an extended absence from employment means individual skills or aptitude towards work does not match employer requirements. However, there appears to be the need for further research in this area. Having some previous experience of work appears to be a factor in improving the chances of moving from benefit into employment, and in sustaining employment for longer periods (Trickey et al., 1998).

Activities whilst unemployed

Activities carried out whilst on benefit can have an impact on employment sustainability. Studying or volunteering whilst unemployed is associated with more job stability after leaving unemployment. This may be associated with the individual being able to demonstrate their labour market attachment to employers or with holding out for the right job (Croft, 1997; Trickey et al., op cit).

Motivation and attachment to work

It is possible that individuals who do not have a strong attachment to work would be less likely to sustain employment than those with more commitment to work. The available evidence suggests that the majority of benefit claimants do exhibit attachment to work (see for example McKay et al., 1997), though there is less indication about what happens to any work attachment during a period in work. As suggested earlier, jobseekers who are more flexible in the types of jobs they are prepared to accept may be more likely to work in jobs of shorter duration. Many people express a preference for 'standard' jobs; most former Jobseeker's Allowance claimants saw part-time or temporary work as a substitute for, or as a stepping stone towards, full-time permanent work (69 per cent of men and 37 per cent of women would have preferred a full-time job, and four-fifths of those in temporary work took it as a step to full-time permanent work). People who scored highly on a 'flexibility' score of the kind of work they would be prepared to take tended to have shorter periods in employment before returning to benefit. This may reflect a degree of 'desperation' and taking any job rather than the right one (Trickey et al., ibid). Many who move into work are pessimistic about the likelihood of progression in their career, with almost three fifths (58 per cent) who moved from unemployment to employment stating they were unlikely to get a better job with their employer (Trickey et al., op cit).

Human capital - qualifications and numeracy skills

Whilst for most people a major barrier to getting a job is having few or no qualifications, this aspect of human capital does not seem to be as clearly linked with *remaining in* work. Although people without qualifications tend to remain on benefit for longer (Shaw et al., 1996), having qualifications does not seem to predict whether subsequent employment will be sustained. Research of Jobseeker's Allowance claimants indicated that unemployed respondents who gained new qualifications whilst unemployed were no more likely to move

into work than those who had not gained new qualifications. However, it did appear to affect the length of any subsequent employment spell, with those who had undertaken such study whilst on benefit being more likely to remain in a subsequent period of employment for longer than those who had not. Numeracy skills were also associated with staying in work for longer periods, although there does not seem to be the same link for reading skills (Trickey et al., 1998).

Social capital

The experience of unemployment can erode social capital, as people out of work tend to have weaker family and social ties, and many have friendships with people who are also unemployed. It has been suggested that this can lead to 'network poverty', where people do not have the kind of social networks that are appropriate for their particular stage in life (6, 1997). The findings of a survey of Jobseeker's Allowance recipients indicated that people who moved from benefit into work were more likely to have richer social networks (and had used them in getting work). Conversely those who experienced continuous inactivity were least likely to have developed networks (Trickey et al., 1998). Other evidence suggests that people who have close friends who are in work are significantly more likely than those who do not to exit unemployment (Hannan, 1999). However, whether access to social networks helps people stay in work longer, or progress in employment, is unclear. It is possible that social capital may be important for some lone parents, as family support is particularly important for single never-married mothers who appear to be able to sustain low paid jobs only with the support of relatives to provide informal care (Noble et al., 1998).

The presence of children

The presence of children can increase the chances of sustainable employment. People who have children are more likely to stay in employment for longer periods. In contrast, men living on their own were less likely to sustain employment than other family types (Trickey et al., 1998).

Race and ethnicity

Rates of unemployment are known to be higher amongst people from ethnic minority backgrounds (Social Exclusion Unit, 1999; Sly et al., 1999). There is little UK evidence on the duration of employment for different ethnic groups. However, New Deal statistics

suggest that ethnic minority participants are slightly more likely than white participants to stay in work, and appear less likely to return to Jobseeker's Allowance (Moody, 2000). Nevertheless, evidence does suggest that people from ethnic minorities have a lower 'career' progression rate than their white counterparts, in many sectors of employment (Social Exclusion Unit, 1999).

People from ethnic backgrounds with a disability may face additional disadvantage: it is known that disabled people of ethnic minority origin are more likely to be unemployed than their white counterparts (Meager et al., 1999).

Health and disability

Employment after leaving benefit is more likely to be sustained if the individual has no health problems or disability (Trickey et al., 1998). An employer may be reluctant to continue employing someone with a long-standing illness, possibly because of concerns about the cost of adaptations in the workplace or retraining or because they perceive such people as less 'productive' (Stafford, forthcoming). However, there is some evidence that a higher proportion of disabled people have been in employment for more than five years compared with non-disabled people (Blackaby et al., 1999). This may be a reflection of the higher incidence of disability in the older age groups, by which time people are more likely to have an established work history. Although more than two fifths of employed disabled people work in organisations with 2000 or more employees, almost a fifth are employed by organisations with less than 20 employees (Meager et al., 1999). Interventions or assistance targeting at these employees may assist retention rates of disabled people, particularly as there has been a deterioration in the labour market prospects of disabled workers (Grundy et al., 1999).

Housing tenure

Not only do home owners seem to have a better chance of getting work in the first place (Trickey et al., 1998), they appear to be *less* likely to have another spell on Income Support than renters (Shaw et al., 1996). Unsurprisingly, having difficulties with accommodation makes it harder for homeless people to sustain work even if they have been able to find it (Randall and Brown, 1998).

Transport

It is established that possession of a driving licence increases someone's chances of obtaining work. Evidence also suggests that people with access to a car tend to be more likely to sustain employment (Trickey et al., 1998).

The above evidence suggests that some individual characteristics and personal circumstances may effect the sustainability of employment. However, the attitudes and practices of employers will also be important.

2.2.2 Employers' attitudes and practices

Employers' attitudes and practices which affect the sustainability of employment include:

- Employers' responses to demand;
- Employers' attitudes; and
- The employer-employee relationship.

a) Employers' responses to demand

A potentially important factor in whether a job can be sustained is whether the employer intends it to be of temporary or more permanent duration. Employers may need their work force to be flexible in order to meet product or service demand, hence jobs may be temporary or part-time, or undertaken on a contract or fixed-term basis. Whether employers decide to introduce or extend this 'flexible' working may depend on the relative importance of labour costs, the way labour has been organised in the past, the quality and timeliness of what workers produce, and the constraints or opportunities presented by the wider labour market (Casey et al., 1997). Cost pressures are likely to be particularly important in dictating methods of matching supply and demand, such as multi-skilling and use of temporary work. A recent survey of employers found that the vast majority of all workplaces use at least one of several forms of non-standard labour, such as fixed term contracts or temporary workers, or use sub-contractors for services (Cully et al., 1999), potentially decreasing the opportunity for sustained work. In addition to pressure to create more flexibility in the labour force to meet work demands, employers may be influenced by the (actual or perceived) ability of their existing workforce to adapt to new or existing demands. This may, for instance, be reflected in the process of redundancy selection; redundancies now appear to be used at *any point in the economic cycle* to reduce costs, rather than just in periods of economic downturn

(Burchell et al., 1999). Some employers may curtail employment which would otherwise have been 'sustained' for some groups of employees or individuals considered less adaptable.

b) Employers' attitudes

Employer attitudes to recruitment may effect who is taken on and who is retained, although most of the available evidence concerns recruitment rather than sustainability of employment. It is difficult to disentangle the effects of other factors such as previous employment history, health or skill and qualification levels, to establish whether there is any evidence of direct discrimination on the part of employers, for example, against older people or ethnic minorities. Nevertheless, it has been reported that five per cent of those aged 45 to 69 believe that they have been discriminated against on the grounds of age when *applying* for a job, far more than in any other age group (McKay and Middleton, 1998). It is apparent that many job advertisements place upper (and lower) age limits (or preferences) for applicants. However, in some sectors, notably retail (for example, home and garden or 'do-it-yourself' stores) have recently made considerable efforts and commitment to recruiting older workers. There remains an absence of substantial evidence with regard to the retention or advancement of older workers.

A common perception amongst employers about disabled people is that they may be likely to have higher absenteeism because of their disability (Meager et al., 1999). This attitude may influence employers' behaviour with regard to the employment and retention of disabled people. A survey of a representative sample of workplaces found that almost all would be prepared to take some steps towards retaining an existing employee who became disabled, although considerably less would be willing to incur financial expenditure to do so (Honey et al., 1994). However, Meager et al., (1999) report that over a quarter of disabled people who had left employment as a result of their disability felt that they could have remained in work if necessary workplace adaptations had been made (cited in James et al., 2000).

Employers may also be reluctant to employ people without recent work experience on the basis that being out of work for long periods can reduce motivation (Atkinson et al., 1996). That said, previous experience of recruiting unemployed people can have a positive or negative impact on employers' willingness to recruit further from this group (Atkinson and Meager, 1996). Employers do, however, seem to be more well disposed towards unemployed

people who have undertaken some activities during unemployment, and shown appropriate work attitudes (Snape, 1998). Experience from the New Deal suggests that the qualities employers are looking for in young people tend to be a positive attitude, out-going personality, good motivation, and good health. The desire for communication and interpersonal skills tends to be greater than the need for academic or vocational qualifications (NDTF, 1999).

Employers' expectations of the New Deal participants may not match their experiences of them (Prince's Trust/Employment Policy Institute, 1999). Employers' expectations of young people can be unrealistically high given the disadvantages faced by many New Deal participants, so more intensive help may be needed to enhance participants' job readiness to reach employer standards (NDTF, ibid).

US experience suggests that employers want some basic assurances about the job readiness of former welfare recipients, particularly in relation to criminal records and basic cognitive skills, as some employers had experienced problems of absenteeism and lateness (Holzer, 1998).

c) The employer-employee relationship

The relationship between the employer and their employees may affect job retention or sustained employment. For instance, it has been suggested that job retention of disabled people crucially depends on the past relationship between the parties, retention being more likely when both parties have been satisfied with their past relationship and the disability is considered to be manageable (Habeck, 1999). The outcome of an employer-employee relationship on sustainability of employment may be difficult to predict, although there is evidence to suggest that tensions may arise between the two perspectives. For example, employees may value the opportunity of lifetime employment, good benefits and advancement by seniority, whereas employers may be more likely to focus on training, performance pay and advancement for the most qualified (Ellig, 1998).

2.2.3 Labour market characteristics

The structure of the labour market itself is likely to have a significant effect on the sustainability of employment. Over recent years, labour market conditions have changed,

with the shift away from manufacturing to services, higher labour force participation of women, and increasing polarisation between the wages of those with and without skills, and between work-rich and work-poor households. But the change has not been uniform; although long term unemployment has increased (but only at the same rate as unemployment as a whole), youth unemployment, though twice as high as for other groups, has not altered greatly in the 1990s (Walker et al., 1999). There has also been a fall in retention rates of employees with only basic education (Walker et al., ibid). Furthermore, the employment position of lone parents has deteriorated relative to married mothers, which can be largely attributed to more single (never married) mothers within the lone parent group (Moss et al., 1999). There are also local variations in unemployment and inactivity rates, with some 37 per cent of long-term unemployed people being concentrated in ten per cent of local authority districts (Campbell et al., 1999). Whilst people living in the largest urban areas are more likely to spend longer periods out of work than average (Green and Owen, 1998), an analysis of Jobseeker's Allowance recipients indicated that local unemployment rates did not seem to be related to the likelihood of sustained employment once someone was in a job (Trickey et al., 1998).

Aspects of the labour market which could influence sustainability of employment appear to be:

- an increase in flexible working patterns;
- shorter job tenure;
- a decrease in the sustainability of entry level jobs; and
- more opportunities in high-turnover occupations.

a) An increase in flexible working patterns

'Flexible' working practices have increased during the past two decades. Self employment almost doubled from seven per cent in 1979 to 13 per cent in 1993 (Kellard and Middleton, 1998). Part-time work, particularly where this is under 16 hours per week, has grown from 25 per cent in 1975 to 40 per cent in 1996 (House of Commons, 1999). Temporary work has grown slightly from five per cent in 1984 to seven per cent in 1997 (Tremlett and Collins, op cit). Temporary and fixed term contract workers now make up a large part of major occupational groups in the workplace. For example, in a third of workplaces where clerical workers were the largest occupational group, they tended to be employed on fixed term

contracts. This suggests that non-standard work has entered the workforce 'core' as well as being used in the periphery (Cully et al., 1999).

Entry into temporary work is shaped by circumstances (for example redundancy) and the benefits of such work (for example flexibility, such as for women returnees wanting to retain their skill levels). For new entrants to the labour market, such as school leavers and graduates, it can be a useful stopgap in 'buying time' to see what they want to do. Hence much temporary work is undertaken by young people and women (Tremlett and Collins, 1999), and the rise in temporary working during the 1990s has been more prevalent among younger workers (Employment Policy Institute, 1997) than any other group. Overall patterns within the labour market indicate that young workers tend to have higher turnover rates than older workers (for example, Cully et al., 1999).

Women tend to change jobs more frequently than men, at twice as higher rate when measured over a decade, and two to four times higher over a year, and fewer women than men have job tenure of more than ten years (Hakim, 1996). It is likely that women's job changes are predominantly associated with adapting to changes in family composition or household circumstances (for example, the birth of a child, a child starting school, or separation, divorce or repartnering), whereas men's (fewer) job changes may be more directly related to the labour market (moving to a better job, for example). Labour turnover of part-timers (the majority of whom are women) is also now double that of full-timers. The question is whether the expectations and definitions of 'sustainability' need to reflect the different (and changing) labour market experiences of men and women.

b) Shorter job tenure

In addition to flexible practices, job tenure appears to be decreasing. Job tenure tends to be linked to the economy. Tenure may fall as economic recovery gets under way; the proportion of jobs that end because the worker quits, rather than an involuntary job loss, tends to become more important during times of recovery when employees are better placed to shop around. Short-term turnover, indexed by the proportion of employees with tenure of less than a year increased between 1985 and 1995 (Walker et al., 1999). Analysis of Labour Force Survey data shows that median job tenure dropped from six years one month in 1975 to four years four months in 1995 (Employment Policy Institute, 1997). It further suggests that people who

have been in a job for a relatively short period of time are more likely to leave than 'established' workers, with those who have been in post for less than a year having the highest probability of leaving (Employment Policy Institute, ibid).

In terms of gender differences, job tenure now seems to be lower for men in all age groups, but is particularly marked for men aged over 50, for whom tenure has fallen from 14 years 11 months in 1990 to 11 years eight months by 1998 (Employment Policy Institute, 1998). This may in part be due to the increased opportunities for early retirement, particularly for those who are financially secure. Early retirement may also be an alternative to unemployment, for example following redundancy (Jackson and Taylor, 1994). For women without children, the tenure patterns are much the same as for men, but for those with children, tenure has risen (the median for all women with children has increased from two years three months to three years ten months) (Employment Policy Institute, 1998).

c) A decrease in the 'sustainability' of entry level jobs

Entry level job opportunities tend to be dominated by expanding high turnover sectors (like retail), largely offering less-skilled manual jobs when compared with the stock of all jobs (Gregg and Wadsworth, 1997). Many entry-level jobs are temporary, part-time or on short-term contracts. Compared with all jobs, entry jobs are five times more likely to be temporary and 50 per cent more likely to be part-time (Gregg and Wadsworth, ibid). It is no surprise, then, that the evidence points to few claimants sustaining employment from non-standard entry level jobs. For instance, using five waves of the British Household Panel study data between 1991-5, White and Forth (1998) have shown that people, particularly women, who take temporary or part-time work as a route off benefit are less likely to sustain employment and are more likely to return to benefit. There is further evidence that the weekly pay levels of those who enter and exit their jobs quickly are much lower than the pay received by those who stay in them (Employment Policy Institute, 1998). That this is evident for prime age workers (25-49) suggests that it is associated with labour market as well as with individual attributes such as age. For example, younger workers are more likely to be entering the labour force at the beginning of their working lives and so could be expected to be on a lower wage.

d) Opportunities in high-turnover occupations

Semi- or unskilled workers are four times more likely to be out of work than professional or managerial workers. Occupations and sectors with high turnover can generate opportunities for unemployed people to move into them, but their job tenure is likely to be limited (Campbell et al., 1999), and so sustaining employment in these occupations may prove difficult. There are different patterns of demand across sectors, which may have an impact on whether work is sustained or not. The main occupations being sought by people out of work tend to be characterised by higher turnover and flexible work practices, which may further militate against employment sustainability. For instance, the food industry typically has short term demands from retailers, seasonal production and competition from other food producers; the hospitality sector operates shift work, often split, and call centres often use agency contract labour (Purcell et al., 1998). Very few unemployed people are seeking work in higher level non-manual occupations, which are the major growth areas (Green and Owen, 1998).

As well as individual attributes, the impact of the relationship with the employer, and pressures on employers themselves, as well as the broader labour market context, needs to be more fully explored for their impact on employment sustainability. It is likely that all factors will have a part to play in sustainability. The next Section examines some of the labour market and welfare policies and programmes which may have an impact on sustainability.

2.3 The Impact of Labour Market and Welfare Policies

Historically, policy has tended to focus on getting people into jobs rather than helping to sustain employment. Research evidence to date, discussed in Section 2.2, suggests that factors relating to the individual, employers and the labour market all have an impact on whether employment can be sustained. The role of policy is to identify what are the most effective interventions to enhance sustainability.

Research into the best methods to sustain people in work is limited. Evaluations of welfare-to-work policies in the UK have tended to focus on the immediate or short-term outcome of programmes (for example, getting a job or training), and deadweight or substitution effects rather than longer term sustainability. Effectiveness has been evaluated by different methods

at different times (Finn et al., 1998), making comparison difficult or inappropriate. Furthermore, the impact may vary across different groups of people (for example White et al., 1997) and it may be appropriate to consider separately the effectiveness of policies for these different groups. However, within such groups there will be further differences.

Benefit status does not necessarily indicate job readiness nor the likelihood of sustaining employment. Lone parents can be thought of as being on a continuum of greater or lesser 'distance' from the labour market (Finch et al., op cit). Disabled people may also be on a continuum from having little or no prospects of work to being job-ready, irrespective of whether they receive Incapacity Benefit or Jobseeker's Allowance.

The 'scarring' effects of unemployment mentioned earlier suggests that a period out of work can have far reaching effects on future earnings potential, long after re-entry into work (Field and Gregg, 1995). In policy design, it is important to have an understanding of whether it is an individual's attributes that affect their ability to sustain employment, or whether it is the duration of unemployment spells, which have corrosive effects. Policy that focuses on addressing the weakness left by periods of unemployment (for example, lack of confidence or poor financial management skills) may be more beneficial in these circumstances than one that targets perceived deficits in individual attributes such as qualifications.

There have been many recent US experimental programmes designed to enhance job retention, although the evaluation follow-up periods are at present often inadequate to determine the full effect of the programmes. However, a recent review of the US experience (Fishman et al., 1999) concludes that there is scarce evidence to suggest that either basic skills training, education and training-focussed programs (which aim to improve employability), or intensive case management increase employment rates. The second generation experiments are, however, building on the lessons learnt from the earlier experiments (Paulsell and Wood, 1999).

A recent review of US and European literature on the effects of labour market programmes on young people (Auspos et al., 1999) confirms the limited data on employment sustainability, in particular because the characteristics of the jobs (that is, whether temporary or permanent) is difficult to establish across follow-up surveys. However, the authors of the review cite a

French study which systematically examined transitions from training programmes into permanent and temporary jobs over a two year period, showing that training had helped young men without vocational qualifications to enter *permanent* jobs, despite the labour market for young people being characterised by a high degree of circulation between unemployment, programmes and (temporary) jobs.

In the US, states generally identify claimants at their initial claim who might benefit from more intensive help. This 'profiling' is intended to avoid wasting resources on people likely to return to work quickly, whilst preventing others becoming long-term unemployed (for example, Bennett and Walker, 1998). If people become long-term unemployed because of their characteristics they could be targeted on the basis of those characteristics; if the process of unemployment itself is damaging, targeting could be by duration. In the UK, some individuals are considered to be particularly disadvantaged in the labour market and so have early access to a variety of schemes including components of the New Deal. This includes people with a health condition or disability, those who need help with basic skills (reading, writing, and numeracy), ex-offenders and rough sleepers. These are similar to the 'hard-to-reach' groups in the US, who have needs which typically go beyond the scope of traditional employment assistance, requiring adjustments by both employer and employee. Research suggests that some groups may have particular needs; for instance services for ex-offenders could focus on recruitment because of the associated stigma, whilst for those with mental health problems, treatment and job retention services may be more appropriate (Dion et al., 1999). However, all groups need common strategies such as a positive context of support, co-ordination of services, more 'up-front' services (e.g. tackling pre-employment attitudes and behaviour) and staff training.

The following section explores the development of welfare reform strategies in an international context, notably in the US, as well as UK policies that relate to employment sustainability.

2.3.1 Some international experiences

a) The US experience

The context of the US interest in sustainability and self-sufficiency stems largely from 'welfare reform'. Emphasis on personal responsibility led to Congress enacting legislation in 1996 to replace open-ended welfare (Aid for Families with Dependant Children - AFDC) with time limited Temporary Assistance to Needy Families (TANF) under the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA). Eligibility rules for Supplemental Security Income (SSI) have become stricter, resulting in the need for all but the most severely disabled people to become self-sufficient (Dion et al., 1999). Most able-bodied welfare recipients must find some sort of work within two years of starting on welfare, and welfare receipt is limited to five years during a lifetime. Pre-TANF studies showed that half of those on welfare who moved off into work subsequently lost their jobs within a year; the consequences of job loss are clearly more serious when there is time limited access to welfare (Rangarajan, 1996). In the US, the limited access to employer benefits may be more serious than in the UK, particularly if someone falls ill. The US has no national health service and so individuals rely on employer health insurance and transitional Medicaid if they fall ill.

'Non-standard' work has increased in the US. In 1995, almost a third of all jobs were non-standard (Kallenberg and Russell, 1997). These tend to pay less, be of shorter duration and have fewer benefits. Women and non-white males tend to be concentrated in the lowest-quality types of jobs. The welfare reforms of the mid 1990s were passed at a time when the US was benefiting from a strong economy; some ten million jobs were created between 1993 and 1997, with a six per cent increase in the size of the labour force (Fishman et al., 1999). However whilst this growth has created more opportunities for low-skilled workers, there are fewer 'quality' jobs on offer to those without many years of education or specific skills. Thus, the chances of progression from entry-level employment is likely to be limited for many; over a three year period, only 45 per cent of those without a college education moved out of the lowest income quintile, and only 22 per cent of welfare recipients made such a move (Gottschalk and Danziger, quoted in Fishman et al., 1999).

Indeed, there is evidence that ex-welfare recipients can become trapped by taking low waged jobs or ones with minimal occupational benefits (Cancian and Meyer, 1998; Rangarajan; Schochet and Chu, 1998). Women taking better jobs – defined in terms of wages and benefits

– are, after taking account of individual characteristics, both more likely to be working five years later and more likely to be earning more. Furthermore, the greater earnings growth appears to be associated with the characteristics of the first job rather than being a by-product of achieving stable employment. Steady employment does not in itself seem to result in earnings growth among former welfare recipients in the USA.

Recent evidence indicates that the US welfare reforms have been more successful in reducing caseloads than in raising the disposable income of former welfare recipients; but even with a booming economy, some former recipients have already 'slipped through the cracks', and the concern is that the successes to date may disappear during the next recession (Danziger, ed, 1999). This may coincide with the end of lifetime benefit limit, and the authors caution States to make contingency plans for economic downturn.

As welfare provision in the US is time limited, the focus on helping former welfare recipients to keep their (predominantly entry-level) jobs has a greater urgency. Hence attention is being paid to helping such people retain their jobs, and advance within the labour market, rather than returning to welfare. A number of 'welfare-to-work' projects have been developed across the US, many pre-dating the welfare reforms, and operating to variations of welfare rules, which makes research and analysis of effective interventions difficult to establish. However, several recent initiatives that may be relevant to the UK are: The Post Employment Services Demonstration Projects; the GAPS Employment Retention Initiative and the Earned Income Tax Credits.

Post Employment Services Demonstration Projects

The Post Employment Services Demonstration Projects (PESD) were set up in 1993 to help clients to remain employed or to become re-employed by providing case management and other services for periods of six months to two years. The projects were set up in four sites, and early evaluation findings suggested that in two sites the projects had a small effect on increasing job tenure, and in three of the sites only modest impacts on earnings, with lower earnings in the fourth (Rangarajan et al., 1998).

Findings from the PESD studies suggest that case management is a somewhat blunt instrument. Under the AFDC regime, case management could only be provided for 90 days

after someone left AFDC, although in practice few states did so (Rangarajan, 1996). PESD offered the opportunity for more on-going post employment support. However, case managers spent *less* time than anticipated on direct intervention to help employees with their employers and on Earned Income Tax Credit advice, and *more* on resolving benefit eligibility and payment errors. The authors of the evaluation reports suggested a more targeted approach so that case management could be focussed on those who needed it, as many could manage without. Subsequent evaluation showed that reductions in employment in the first six months after job starts were consistent with patterns indicated by earlier studies, and that there was little difference between the program and control groups (Rangarajan and Novak, 1999).

Only in one of the four sites were there slightly better outcomes for people with no work history. However, this seems to be due in part to the different population being targeted for PESD and the site having fewer 'job-ready' clients, as well as the impact of the program design itself, which may have 'contaminated' the control group. The authors of the PESD evaluation conclude that the findings reflect in part the program design being experimental and evolving over time, which meant there was no guidance to case managers about their role, little targeting of clients, and little attention to existing services that were accessible to the control group which would affect the evaluation. The findings also suggest that consideration be given to approaches beyond case management: for example, employer focused interventions, intensive work-readiness training, incentives for retention and additional job training for participants.

GAPS Employment Retention Initiative

Another initiative, GAPS (so called because its goal is to bridge the gap between dependence on welfare and self-sufficiency), was set up in 1997 in Allegheny County as a two-year project, involving case management as a central element. It differs from the PESD model in that it commenced after TANF implementation, was provided by community-based organisations rather than within the welfare department, and was voluntary.

Most US studies cite unreliable or costly childcare and transportation as barriers to obtaining and sustaining jobs. The evaluation of the first phase of the GAPS project found that although participants valued the personal contact from the case management approach, they

also wanted more specific retention help like finding and paying for emergency childcare, and financial assistance, coupled with more help with job search and job advancement (half were looking for another job). Four-fifths (80 per cent) of GAPS participants stayed continuously employed during the six month evaluation period, but whether this was due to the program services (such as counselling, advice about childcare or workplace behaviour) has not been established (Wood and Paulsell, 1999). One in five participants had a spell of unemployment of at least two weeks during this period, and only one in five of these were re-employed within three months. Those at most risk of the employment coming to an end were those who had another child, followed by those with health problems and those aged under 30 (considered by GAPS staff to be more likely to have difficulty handling work conflicts and in need of budgeting advice) (Wood and Paulsell, ibid).

Earned Income Tax Credit

The Earned Income Tax Credit is an in-work credit available to those on a low income in the US. The evidence of its effectiveness in keeping people in employment is mixed. It has helped 500,000 lone mothers enter work and thus reported to have offset about a third of the growing income inequality in US. However, as it is withdrawn as income rises, it is predicted to reduce the incentive to increase hours worked because of the high marginal tax rates (Leibman, 1997). Nevertheless, EITC appears to increase earnings, and thus can increase labour market attachment, which may encourage economic self-sufficiency (Neumark and Wascher, 1999). EITC also appears to have had a strong positive effect on work by single (female) parents, but only a modest effect on the work of *some* married mothers (Ellwood, 1999). A recent analysis of changes which led to the expansion of the EITC between 1984-1996 suggest that it can increase the labour force participation of married men, but not that of married women (Eissa and Hoynes, 1999). The reason for this is that compared to single people, couples are more likely to be in the withdrawal range (when payments are phased out) rather than on the maximum credit. Therefore, women in the 'phase out' range are less likely to work, or if in work, are likely to reduce their hours. Eissa and Hoynes conclude that the EITC is in effect subsidising married women to stay at home, and that if increased labour market participation is desired, an EITC based on individual rather than household earnings, or a wage subsidy rather than an earnings subsidy, would need to be developed.

The evidence from the above example, and from other US initiatives with similar objectives, suggests that the success of interventions to promote sustained employment is still somewhat mixed. Targeting is likely to be an important strategy so as to identify individuals who are more likely to leave jobs than others, and to provide intensive services for those that need it most (The Lewin Group, 1999). Additionally, employer-focussed initiatives, such as mentoring, and training supervisors to deal with workplace issues, are being tested by states. It is possible that a combination of approaches, targeted on those who are most likely to benefit from such interventions, may produce more gains.

Most of the US experience quoted here refers to lone parents. The review of welfare-to-work programmes for young people (Auspos et al., 1999), whilst not focussing specifically on employment sustainability, indicates that although most of the programmes had limited long-term impacts overall, there were some positive impacts in some localities, or for some sub-groups of young people. Evidence about the effectiveness of employer subsidies on young people suggests that take-up rates by employers tend to be low, and that knowing that an applicant might belong to a target group could have a stigmatising effect.

b) The Canadian experience

In Canada, there have also been initiatives that have attempted to help lone parents remain off benefits and into sustained employment, with perhaps more promising results.

In New Brunswick and British Columbia, a Self Sufficiency Payment (SSP) is available to lone parents who have been on welfare for a year and take-up a full-time job (defined as 30 hours or more) during their second year on welfare. The payments can last for up to three years and are withdrawn at 50 per cent over a locally set threshold to ensure that work pays better than Income Assistance (the main means-tested benefit for those out of work). The impact of the SSP has been evaluated by randomly assigning half of those agreeing to participate to the SSP and the other to a control group. An estimated 6,000 families will be followed up for more than five years (Card and Robins, 1996) to establish the effect of the payment on labour market activity.

Initial evaluation of the first 18 months suggested an SSP take-up rate of 20 per cent, and a 50 per cent increase in employment relative to the control group (Card and Robins, 1996).

Subsequent evaluation (Card et al., 1999) showed an increase in full-time employment of 12 per cent, producing an 11 per cent reduction in the proportion of lone parent families living below the poverty line. Participants in the program group worked an average of 19 hours more than the control group, and thus had higher earnings. Some SSP claimants were also offered pre and post employment services to test the effectiveness of these services as against a purely financial incentive (SSP Plus). These services included childcare, transportation, job coaching, and jobsearch assistance or advancement help. There was some indication that those who received the payment *and* the additional service had higher wages and had a lower turnover at 18 months. If they left their job, they were more likely to find a new one than those who did *not* receive the additional employment services.

This experience suggests that careful and timely application of case management to help individuals navigate through the transition, backed up by swift jobsearch and referral when necessary *might* have an impact on employment sustainability. Such support may be more effective when combined with financial incentives and where it addresses the practical problems that individuals may face, such as childcare and transport. The SSP scheme expires after three years, and further evaluations are planned to establish the longer-term effects the scheme has on participants.

2.3.2 UK Evidence

The policy focus in the UK has predominantly been on placing people in work, rather than explicitly retaining them in work or sustaining them in employment. However, there is some evidence on the longer term effects of some initiatives.

a) Jobsearch and sustainability

Providing assistance with jobsearch can produce immediate results, but it is unclear what effect it has on the long term job prospects of participants. Evaluation of the Restart programme (which offered interviews and help with jobsearch to people reaching six months of unemployment), using control and action groups, indicates there may have been some positive gains in reducing the duration of *unemployment* (Dolton and O'Neill, 1996). However these gains may not have resulted in 'sustained' employment; of exits to full-time jobs lasting for more than three months, there was little difference between the action group and control group. Getting people into work quickly may be resented by individuals, who

may believe that their own needs and long-term goals are being ignored for short-term outcomes (Finn et al., 1998).

b) Case management and New Deals

A 'case management' approach, in the form of a Personal Adviser in the New Deal family of policies, gives advisers more discretion and flexibility in identifying a client's needs, and tailoring services accordingly. Despite the lack of evidence to date about their influence on employment retention, it is known that advisers can have a significant impact on a range of clients; although there have been criticisms that advisers do not always have enough time or were not in a position to offer a high quality and personalised service (Prince's Trust/Employment Policy Institute, 1999). That said, more than half of the lone parents who have gained employment through the New Deal for Lone Parents have chosen to continue to receive in-work support from a Personal Adviser (DfEE, 1999).

Evidence also suggests that subsidised jobs in New Deal, which encompass continuing contact with a Personal Advisor, are less likely to end within 13 weeks than unsubsidised ones.

The New Deal, has as one of its core performance measurement components, a target for retaining people in employment, and this has distinguished it from previous programmes. In January 1999 The New Deal Task Force set up a working group to examine the issue of job retention of New Deal clients (*Working Brief*, October 1999). This Retention Group made 24 recommendations including more intensive Gateway help, flexibility in sequencing of options, training in 'soft skills' and placements with employers who are committed to continued training to support career advancement. The Group also recommended: testing the impact of Intermediate Labour Markets on retention; pilots to test post-placement services for individuals (as has also been suggested by the Social Exclusion Unit's Policy Action Team on Jobs) and employers; and the use of intermediary organisations to assist with pre and post employment services (NTDF, 1999).

c) Training and other Employment Service programmes

Training programmes like Training for Work (TfW), now replaced by Work based Training for Adults, provide training in skills, jobsearch strategies and work experience for people unemployed for at least six months. A recent evaluation has established that, controlling for individual characteristics, participants spent more time in paid work than if they had not taken part in TfW (Payne et al., 1999). Although TfW appeared to have little impact on hourly wages, in the longer term it did increase the chances of getting a full-time rather than a part-time job.

Employer placements were more effective than project placements for getting TfW participants into work, possibly because employer placements offered the chance for individuals to prove themselves to employers and to be kept on after the programme. However, this may reflect a process of matching the most suitable or more 'job ready' individuals to an employer, hence increasing the likelihood of the employment being sustained. If this is the case, this would support good job-matching as a key strategy in helping individuals have a successful transition to employment. This is consistent with the view of the New Deal Task Force, which suggested that the single factor most likely to influence retention rates is making the right match between the individual and the job (NDTF, 1999). The review of US and European evaluations of labour market initiatives for young people, referred to above, also suggests that the positive effects of training were contingent on matching the person and their labour market trajectory to the particular type of training (Auspos et al., 1999).

The importance of a matching and screening service may also be illustrated by the success of Work Trials, where an unemployed person can be placed with an employer for (up to) a three-week 'trial' period, during which time the individual continues to receive benefits and the employer does not have to pay a wage. Work Trials have been shown to increase the employment rate of participants by between 30 and 40 per cent; (Finn et al., 1998). By comparison, some of the schemes which offer temporary work find that between 20 and 30 per cent of participants are typically in work between three and six months after leaving unemployment, but that a significant amount is deadweight.

Intermediate Labour Markets (ILMs) have been developed in the past few years as a bridge between unemployment and the mainstream labour market and aim to 'improve labour supply and to activate or stimulate demand for labour' (Social Exclusion Unit, 1999). ILMs can provide up to a year of work experience paying the rate-for-job plus providing formal training. Although the evidence is not extensive, they appear to be more effective in helping people remain in work after leaving the programme than other government work experience programmes (Finn et al., 1998; Social Exclusion Unit, ibid). Evaluation of the Wise ILM projects indicates that two-thirds of their recruits are still in full-time work six months after they have left the project, irrespective of prior duration of unemployment (McGregor et al., 1997).

d) Incentives to employers

Some schemes have offered employers a subsidy (for example a wage or training subsidy) to encourage them to take on and retain workers. Evaluations suggest that some subsidised employees are likely to be kept on after the subsidy has expired. For example, the Workstart pilots (announced in 1993) were intended to improve the chances of long-term unemployed in competition for vacancies by offering employers a weekly subsidy of £60 for six months and £30 for the following six months. These pilots were considered to influence almost half (45 per cent) of employers in their recruitment decisions. Furthermore, over four-fifths (83 per cent) of employers indicated that they intended to continue to employ the Workstart recruit after the subsidy ran out (Atkinson and Meager, 1994). The dominant reasons for retaining the employee appeared to be related to their personal characteristics, rather than for business reasons. There is concern that subsidies may encourage the development of short-term jobs as they reduce the costs of turnover, particularly if (as in the case of New Deal) the subsidy includes an amount for training, which could encourage employers to 'churn' recruits once the subsidy period had expired (White and Forth, 1998).

A further employer incentive was the National Insurance Contribution Holiday, announced in the November 1994 Budget. Evaluation found that take-up was low, suggesting that the amount of money was too small to act as an incentive to recruit, but rather served as a bonus after recruitment (Snape, 1998). Changes to National Insurance Contributions (NICs) announced in the March 1998 Budget may have effects on the aggregate effect of employment sustainability, rather than being targeted specifically on individuals. The NIC

changes include the abolition of the 'entry fee' once the lower earnings limit is reached, ending the additional 'steps' in NICs above that level, and raising the level itself. These changes are intended to reduce the costs of recruitment for employers, although whether it is likely to have a further impact on employment sustainability remains to be seen.

Finally, there has been a subsidy for employers recruiting disabled people, although there has been little evaluation of its impact on the duration of the employment. The Job Introduction Scheme (JIS), introduced in 1997, was a £45 (recently uprated to £75) weekly subsidy to employers who took on a disabled person for a trial period of between six and 13 weeks. Its effectiveness has not yet been fully evaluated, although one study indicated that, of those disabled people who started work following a disability assessment, only six per cent had done so as a result of JIS (Beinart, 1997).

e) Financial support to individuals

Although earned income can be a powerful work incentive (see for example. Ford et al., 1995), the evidence has shown that many of the jobs taken by people moving off benefit tend to be low-skilled entry level jobs, which do not necessarily result in being better off financially than when unemployed and on benefits. The median entry wage is around 69 per cent of the median for the whole wage distribution (Gregg et al., 1999). In-work benefits and credits are intended to boost low incomes to ensure that 'work pays'. However, there is mixed evidence about the impact of in-work financial support to help people stay in work.

Some evidence suggests that in-work benefits can reduce the incentive to progress in employment; 15 per cent of former Jobseeker's Allowance claimants getting in-work benefits said they had turned down a better job or more hours because they might lose benefit (Trickey et al., op cit). Recent evaluation of the Earnings Top Up, piloted as a Family Credit equivalent for childless couples and single people, indicates that two-fifths of employers believed that in-work benefits made employees less likely to work overtime and possibly to decrease their hours of work. Individuals, on the other hand, tended to be pessimistic about their chances of a better paid job, and so may welcome a top-up rather than hold out for higher wages (Marsh et al., 1999).

Family Credit[1] can act as a safety net for families already in work when their circumstances change, such as a drop in income or the birth of a child (Bryson and Marsh, 1996). Take-up is higher for lone parents, who tend to stay on Family Credit for longer than couples. There is some evidence that Family Credit receipt can aid progression in employment. Recent research suggests that about a third (30 per cent) of lone parents claiming Family Credit were still receiving it three years later, but over half (54 per cent) of lone parents had moved off Family Credit or were claiming only Housing Benefit/Council Tax Benefit because of higher earnings (Noble et al., 1998). The six month fixed payment period for Family Credit can provide some financial stability to families. In one study, people receiving in-work benefits tended to be 'flexible' workers, such as seasonal, part-time, self-employed workers, and hence had fluctuating incomes, so in-work benefits such as Family Credit smoothed these income variations (Ford et al., 1995). There has been little support for the contention that Family Credit could encourage employers to pay lower wages (Callender et al., 1994) though the impact on wage levels of the Working Families Tax Credit, which is to be paid directly via the employer from 2000, will undoubtedly continue to be monitored.

The in-work benefit for disabled people, Disability Working Allowance[2] (DWA), appears to be more important to those who are already in work, rather than acting as an incentive to move into employment (Rowlingson and Berthoud, 1996). Evaluation of DWA recipients suggests that DWA has not had any significant effect on sustaining employment (Arthur and Zarb, 1997). Although about one in six of DWA recipients later stopped claiming DWA when they moved into a higher paying job; the major reasons for stopping claiming were related to leaving work for health reasons.

Individuals can incur additional costs as a result of going back to work, such as travel, work expenses, and delays to the payment of in-work benefits (McKay et al., 1997). This can make the transition back to work more difficult, and put continued employment at risk. Financial help to make the transition into work can be provided through the Housing Benefit and Council Tax Benefit Extended Payments Scheme, or through the Income Support run-on for lone parents, as well as the Back-to-Work Bonus. However an evaluation of the Back-to-

1 Replaced in October 1999 by the Working Families Tax Credit.
2 Replaced by the Disabled Person's Tax Credit.

Work Bonus suggests that awareness of the Bonus is low, with little connection being made between part-time work and the bonus (Thomas et al., 1999). When described, respondents tended to view the bonus more as 'enforced savings' rather than an incentive to full-time work. Its 'sustainability impact' is therefore likely to be negligible. The Jobfinder's Grant, which is a one-off payment for long-term unemployed people who obtain work that is expected to last for six months or more has been found to be effective and inexpensive (Gardiner, 1997) and has now been extended to people on incapacity benefits finding work in New Deal pilot areas. Another form of in-work support is the Job-match scheme, which pays an allowance to JSA recipients who are aged between 18 and 24 who enter the employment option of the New Deal, if they start working for between 16 and 30 hours a week. The scheme has met with some sustained success: 70 per cent of participants were still in work 12 months after starting on Job-match, compared to 16 per cent of the comparison group. Half were still in the job that qualified them for the payment and half of these had increased their hours (Clemens, 1997). However, all of these initiatives have eligibility criteria attached to them, such as the length of time unemployed and the hours of employment.

The introduction of the minimum wage and the Working Families Tax Credit should increase the in-work incomes of people moving off benefit (see Part 4). There is also evidence that frequent job changes could enhance men's earnings, but not women's (Payne et al., 1996), although as suggested earlier this may be linked in part to the reasons for the job change(s). Women who took part-time or temporary work on leaving benefit were more likely to have lower incomes than those taking standard jobs; men who took up self-employment were, however, less affected by lower earnings and downward mobility (White and Forth, 1998). Older workers also tend to have lower earnings (McKay and Middleton, 1998).

Furthermore some aspects of the benefits system may deter people from taking periods of temporary or seasonal work. People may lose out of work benefits if they break their claim for a short period, for example, many home owners on Income Support getting mortgage interest have to wait 39 weeks to requalify for interest payments if they break their claim for more than 12 weeks (Allbeson, 1997). Problems may also arise for people who want to work part-time, as benefit activity rules and earnings disregards tend to limit the scope of the work which can be considered (although the Back-to-Work Bonus attempted to address this latter issue).

In summary, the UK experience indicates that some interventions may help people to stay in work, but the scope of the programmes, the interrelationship between them and the lack of focussed evaluation on the impact on sustainability means that it is difficult to assess effectiveness with any certainty.

2.4 Summary

While the term 'employment sustainability' is ill defined in the literature, it embraces a common-sense meaning: employment is sustained if an individual stays in a job, or a series of jobs, without returning rapidly to benefit. Time is inherent in the concept of sustainable employment. Therefore employment sustainability may be defined as:

> *'the maintenance of a stable or upward employment trajectory in the longer term. Sustainability will be determined by personal characteristics and circumstances and by labour market opportunities'.*

The findings of the review suggest that there are a number of concepts adjacent to employment sustainability, including:

- employability;
- job stability;
- job retention;
- 'career' Development or Advancement; and
- self-sufficiency.

Elements of employment sustainability may relate to the individual, the nature of the work and the behaviour of the employer and the stability of the labour market itself. The review identifies a number of influences on employment sustainability including individual characteristics, such as:

- age and gender;
- multiple barriers extending into work;
- number and duration of spells on benefit;
- activities whilst unemployed;

- motivation and attachment to work;
- human capital – qualifications and numeracy skills;
- social capital;
- the presence of children;
- race and ethnicity;
- health and disability;
- housing tenure; and
- transport.

In addition, the sustainability of employment is also affected by employer behaviour and labour market characteristics. Employers' responses to product or service demand may affect their recruitment and retention strategies. Employers are increasingly demanding softer skills from their employees, and are expecting employees to be 'job ready'. Employers' behaviour is partly linked to the characteristics of the labour market. Aspects of the labour market which could influence the sustainability of employment include:

- an increase in flexible working patterns;
- shorter job tenure;
- the increasing dominance of entry level jobs; and
- more opportunities in high-turnover sectors and occupations.

The evidence available from the evaluation of labour market and welfare policies, from here in the UK and abroad, suggests that approaches beyond case management should be considered, such as employer focussed interventions, intensive work-readiness training and specific retention help (particularly to tackle practical problems that may arise during the transition, such as a breakdown in childcare or transport to work). Although most evaluations in the UK have tended to focus on the immediate or short-term outcome of programmes (for example, job placements) rather than longer term retention or sustainability, there is evidence that points to the importance of good job matching, trial work placements, and forms of in-work support (such as help with resolving practical difficulties, and financial assistance during the transition from unemployment to work).

Therefore, employment sustainability is intrinsically linked to: employability, including human, social and identity capital; the nature of jobs themselves; the employment relationship and practices of employers; staying in the labour market for long enough to have gained resources; and the ability to progress in employment.

PART 3 PERSPECTIVES ON EMPLOYMENT SUSTAINABILITY

This part of the report presents the findings from the qualitative interviews conducted with a number of key agents and policy actors. The aim of the interviews was to gain insights from a variety of professionals into the issues raised by the concept of employment sustainability. This included current policy thinking, and opinion concerning the factors that may serve to foster or constrain sustainable employment as well as how policy may address such circumstances.

In the UK, a combination of 16 face to face and telephone interviews were conducted with: policy makers from the Treasury, the Department for Education and Employment and the Department of Social Security; careers specialists; academics and labour market researchers; Employment Service advisors; and personnel staff from employers (Table 3.1). Face to face interviews were also conducted with eight policy makers and academics in the US, to explore current policy developments around employment sustainability, including the impact of programmes designed to enhance job retention and progression. All of the interviews were conducted with the aid of a topic guide (Annex A), which was sent in advance to respondents to encourage preliminary thinking about the issues prior to the interview. The majority of the interviews were tape recorded, and transcribed to assist with the process of analysis. As the purpose of the interviews was to gain insights rather than to compare views, the ideas reported are not generally attributed to particular respondents.

The findings are presented in a format broadly similar to Part 2 of this report (the literature review). Section 3.1 presents the views of respondents on the concept of employment sustainability, its salience in current policy thinking, and its relevance to associated concepts. Section 3.2 reports on respondents' insights into the factors affecting sustainable employment, including characteristics associated with individuals, employers and the labour market. Possible ways in which policy might address employment sustainability are discussed in Section 3.3, and Section 3.4 provides some thoughts about the issues of measurement and targeting. A conclusion for of this part of the report is provided in Section 3.5.

Table 3.1 Key Agent Interviews

UK Respondents	**(16)**
Policy makers from government departments	5
Academics and labour market researchers	4
Careers specialists	2
Employment Service advisors	3
Personnel staff	2
US Respondents	**(8)**
Policy makers from the Department of Labour	2
Policy makers from the Department of Health and Human Services	1
Programme evaluators	4
Academics	1

3.1 The Concept of Employment Sustainability – the Policy View

There was a general recognition that a concept of employment sustainability was helpful in moving the current policy debate forward, towards a longer term goal of enabling individuals to move into *and* retain employment. However, some respondents appeared uncomfortable semantically with the term 'employment sustainability'. The terms that were more commonly used to refer to the concept included job retention and advancement, breaking the 'low pay no pay' cycle, employment progression, employment stability (the ability to remain in employment in a continuous way over relatively long periods of time) and even the notion of sustainable employment (the emphasis here being on aggregate levels of employment in the labour market rather than at the individual level). There was a desire for the term to be clarified and made more specific. Without clear definitions, there was not only a danger of misinterpretation, but also that the importance of the concept in terms of policy development would be obscured.

Pursuing the goal of successful, sustained transitions to employment was seen as economically advantageous, enabling an increasingly skilled workforce to operate successfully in a dynamic labour market, thus bringing a reduction in the concentration and

duration of unemployment. There were also political advantages. Setting sustainable employment as a policy objective also fulfilled a wider social welfare commitment to '*give people a chance to fulfil their potential'*, as such it was a fundamental aspect not just of welfare-to-work strategies but also of wider government anti-poverty strategies. The New Deal was frequently cited as an example of a related shift in policy moving away from short-term measures of success to '*trying to encourage people to improve their employability, to improve their prospects and to move into work that is going to last them'*.

3.1.1 Attaching a definition to the concept

Most representatives of UK government departments were already working to clearly defined definitions of what constitutes sustained employment, namely those commonly used in the evaluations of the New Deal and Employment Zone initiatives (for example, linking 13 weeks off benefit and in a job to output payments). Nevertheless, it was recognised that these definitions, although necessary for funding allocation and monitoring purposes, were not always sufficient when attempting to assess or evaluate the longer term success of policy initiatives designed to facilitate movements from welfare-to-work. Alternative thresholds for defining sustained employment in the longer term ranged between six months and two years. It was generally recognised that short spells of a few weeks out of work, or frictional unemployment, had little impact on individuals' long term employment opportunities, and that consequently any definition of employment sustainability should reflect this.

The majority of respondents raised the question of how to reconcile the employment experiences and opportunities of different groups when attempting to formulate a definition. Some individuals, for example, those with limited labour market experience, poor health or poor literacy or numeracy skills, may have '*further to travel*' than others before they are in a position to successfully enter the labour market. Any definition of what constitutes a sustained period of employment may need to differ to take account of the various disadvantages that jobseekers bring to the labour market. Furthermore, people with responsibilities for dependants may require, or choose, absences from the labour market to fulfil such responsibilities.

For some respondents, the concept of employment sustainability was linked closely to that of employability, in that the latter was the vehicle for the former.

> '[employability is] … *that collection of skills and attributes and competencies and so on which enable an individual to remain employed throughout his or her working life, whether that happens to be in the same organisation, in a series of organisations or indeed to be self-employed'*

Others recognised an association between the two concepts, with employment sustainability being an outcome of employability.

Most respondents took employment sustainability as an individualistic concept, that is it was associated with an individual's capacity to obtain and sustain employment, although a minority, predominantly those involved in labour market and employment research, also linked it to the labour market as a whole.

> '*the ability of a society to maintain sufficient jobs for those of working age, so its more to do with employment generation and the preservation of high levels of employment in society over time …'*

Respondents were divided on whether employment sustainability should imply some kind of upward progression or mobility in terms of, for example, career development, earnings advancement or increased responsibilities or opportunities. Some, mostly those in the research and academic fields, saw retaining a job and progressing in employment as two separate (but related) concepts. This view was based on the understanding that a large proportion of people experiencing longer term spells of unemployment have a variety of labour market disadvantages such as a history of unemployment, limited work experience, basic skill deficiencies and often other difficulties such as health or social problems. For these people, the primary objective is to overcome the barriers that militate against a successful transition into work. Only when those barriers are overcome is it appropriate to progress to the development of some notion of advancement in employment, either within that job, or on to another employment opportunity. That said, for many individuals, the notion of 'career' progression may be unrealistic, or opportunities may be limited.

> '*there's a big group of people who are unlikely to ever have the skills and abilities to progress a long way in the labour market … not everybody who you place in a job is going to be capable of progressing'*

However, the alternative view was that it was necessary to have some form of progression in employment, to ensure that any period in work enhanced an individual's future

'employability'. For example, if a period of work does not include development of skills or responsibilities, then when the employment ends the individual is at no greater advantage than prior to the spell of employment. Repeated 'cycling', from employment to unemployment and back, was said to act against future prospects of sustained employment, although there was some concern about encouraging people to remain in a job that did not develop skills or offer any chance of progression. The ideal would be that every period of employment, regardless of its duration, added to an individual's skills and experience and therefore contributed to their development; the example was given of the GAIN welfare-to-work programme in the US, which has as its objective 'a job, a better job, a career'. Progression therefore could be about:

> '*... improving skills, improving marketability to employers, and to increase earnings'*

Staff in the Employment Service recognised the importance of helping people into employment that could be termed 'sustained', despite being driven by placement targets:

> ' … I think we should also look at getting people into work and staying in work, getting some good skills, some experience and some qualifications that's going to stand them in good stead in the future … so that if one job finishes they can take those skills elsewhere … '

The term 'self-sufficiency' which in welfare-to-work terms is quite well established in the US, was not a term that was familiar to respondents in the UK. There was, however, some recognition that it could be useful in terms of a longer term goal for individuals, either in terms of being financially independent in work (for example, by not being reliant on means-tested benefits), or having the ability to develop one's capabilities to enable movement around and progression within the labour market, without government intervention or support.

In the USA, self-sufficiency is usually taken to mean that family income is above the eligibility threshold for TANF social assistance payments[1] and/or above the poverty line. A working family in receipt of positive Earned Income Tax Credit will be considered to be self-sufficient since this is construed as a tax rather than a benefit expenditure. In this

[1] Temporary Assistance Aid for Needy Families is paid predominantly to lone parents with dependent children.

conceptualisation, self-sufficiency is defined as the opposite of benefit dependency or the absence of poverty.

Some US academics have moved beyond these essentially negative conceptualisations to give thought to self-sufficiency as economic viability, a positive attribute embracing a number of dimensions. These include:

- *adequacy*, having an income equal to some positive multiple of the poverty line or earning a 'living wage';
- *hardiness*, being able to cope with external shocks and financial stress;
- *resilience*, the ability rapidly to 'bounce back' or rapidly and repeatedly recover from economic set-backs, loss of employment or social and family problems; and
- *resourcefulness*, a willingness to take a broad view of issues and to mobilise social and economic resources at times of crisis.

Although discussed in this way, these dimensions emerge as individualistic attributes, they can also be presented as policy objectives: services need to be in place to assist workers to be better able to manage and recover from crises through the mobilisation of appropriate resources.

In summary, despite recognition of the difficulty in attaching a definition to the concept of employment sustainability, respondents had encompassed the concept as the next natural step in terms of a policy focus. There was some concern that as a goal, it was still hindered by current shorter term policy objectives: success was predominantly measured by the numbers moving off benefit at any point in time, rather than by any longer term developmental measure.

3.2 Factors Affecting Employment Sustainability

This section summarises respondents' views of the factors that may serve to hinder or facilitate sustained employment. These include a combination of individual characteristics or circumstances, employer practice and labour market characteristics as well as other influences such as the availability and accessibility of continued training and education, and the role of in-work financial support such as in-work benefits and tax credits.

3.2.1 Individual attributes

There was general agreement that the ability to obtain employment is related to certain individual characteristics; these are well rehearsed in the research evidence, and include previous employment history, skills and qualifications, health, having a driving licence, household or family circumstances and so on (see Section 2). It was recognised that in part, these characteristics may also affect someone's ability to *remain* in work. Factors could be divided into individual characteristics, such as skill level and attitudes to working, and circumstantial or environmental factors such as the accessibility of childcare or transport.

The majority of respondents pointed to the presence or absence of skills and qualifications as being linked to an individual's ability to retain work, particularly technological or '21st century' skills. The ability of (or opportunity for) individuals to obtain or develop such skills once in work was also seen as important, in that an employee who was unwilling or unable to develop the skills needed to meet the demands of their work was unlikely to remain in a job for any length of time (Section 3.3.2 discusses employers' expectations in more detail). It was recognised that policy was attempting to encourage a 'learning culture' with, for example, the creation of Individual Learning Accounts, a University for Industry and other related initiatives that emphasise lifelong and open learning. Equally, there was scope for individuals to be encouraged to take responsibility for increasing their 'human' capital, alongside the responsibilities that lay with state and employers.

Individuals' attitudes to work were also thought to be important. A few respondents, notably those more likely to have direct experience of policy implementation, believed that individual expectations had risen in recent years, and that, rightly or wrongly, this had led to people's reluctance to take work with few prospects, or work that meant they were not better off financially than when on benefit. If they did take this kind of work, the job often did not work out for those reasons. Furthermore, it was suggested that those with limited labour market experience might find it difficult adjusting to the 'world of work', even understanding what is expected from them as an employee. In addition, some people, notably young persons without the responsibility of housing or providing for dependants, may prefer to move around the labour market, trying different jobs and taking short term or temporary contracts rather than pursuing any longer term goal of sustained employment or the notion of a 'career'.

The consensus was that it was a combination of factors that led to difficulties in sustaining employment. For example, the interplay of individual characteristics such as low skill levels, labour market experience, long-term unemployment, limited attachment to work and environmental factors such as the local labour market and access to childcare and transport, affected the ability to achieve sustainable employment.

> '*we're talking about people at the margins and they've got lots of additional problems, people who have got to six and nine months of unemployment have … often got a lot of other problems associated, poor literacy, alcohol problems sometimes, homelessness …'*

Those respondents who had daily contact with jobseekers noted that the majority of individuals who were longer term unemployed (defined here as six months or more) had a variety of social problems which could militate against successful transitions to sustainable employment.

> '*a lot of the people that we deal with have got social problems. Poor housing … drug related or alcohol abuse, lacking academic skills, literacy, numeracy, but also social skills, dealing with people, able to communicate with people … [they] are going to have problems dealing with their colleagues in a work situation'.*

Personal circumstances may bring different problems in the early weeks of employment. Factors that determine whether a lone parent or disabled person will retain employment may be very different to those that may be relevant to a young person or someone with a history of repeated spells of unemployment.

However, most respondents were cautious about directly linking specific individual circumstances or characteristics to whether or not sustainable employment is achieved, preferring to *associate* certain factors or attributes with the likelihood of sustainable employment (see Section 3.3 for views about early identification or prediction).

One respondent, a prominent labour market researcher, directly associated the frequency and duration of previous spells of worklessness with an individual's ability to obtain and retain work. In other words, the greater the number of spells of unemployment experienced, the longer the duration of unemployment and the harder it became to move back into employment. If a move to employment was made, it was more likely into a lower paid or

poorer quality job than prior to the spell of unemployment, that is, the cost of the job loss rose over time. The presence of attributes such as skills and qualifications may reduce one's chances of becoming unemployed in the first place, but it is the unemployment itself that does the most damage in terms of the ability to move back into the labour market.

3.2.2 Employers' attitudes and practices

The previous section touched on the importance of so called 'soft skills', and the evidence from respondents was that employers are increasingly focussing more attention on the presence of such skills in potential employees, particularly if they have limited labour market experience or skills and qualifications.

> *'consistently it is the soft skills, the transferable skills … and they're not all skills, some of them are attitudes and approaches to work, like motivation and enthusiasm, but it's interpersonal skills, teamworking, being able to communicate'*

Employers were much more willing to take on staff with these types of skills, and invest in their training to ensure that they then developed the practical job-specific skills needed.

Evidence cited from the US is that about one third of job endings involving recent former welfare recipients result from the breakdown of relations at work - often entailing disagreements with supervisors - which might be avoided with additional soft-skill training. Another third are explicable in terms of factors such as transportation, child-care and health problems where, again, the job might be salvageable had either the employee or employer had access to specialist resources and support.

If employment sustainability is to entail some kind of upward progression, then employers were seen as playing a crucial role in enabling such advancement, by providing training in the workplace, or offering the time, resources or support to undertake training outside of the workplace. It was recognised that there is an unwillingness on the part of some employers to invest in such training at lower entry-levels, partly because of low economic returns, but that they should be encouraged to take on more responsibility for doing so. The experience of respondents who worked at a local level was that the commitment of employers to initiatives such as New Deal, which attracts wage and training subsidies, was much higher amongst smaller employers. The enthusiastic commitment often expressed by the head office or corporate policy level in large firms did not necessarily filter down to local branches, who

were less attracted than small local enterprises to the subsidies offered. It was felt therefore that more could be done to enthuse employers to develop the skills of their workforce, or for them to encourage and support their employees to continue their education by providing, for example, time off for external study or assistance with the cost of such study.

The example of certain continental countries was quoted, where the 'quality of working life' was increasingly recognised to be important. There, mechanisms were in place to improve the quality of low skilled work, for example by providing opportunities for self-development and more job variety. In some countries, employers were able to obtain research funding to explore ways of improving the quality of low skilled employment, thus enhancing retention of staff and fostering good employment practice.

There was also a view that if employers are increasingly seeking flexibility from their workforce, then they should take on the responsibility of ensuring that their employees develop employability skills to enable them to remain with and progress with them, or to move on to another employer.

> '*the only security companies can offer their people today are the skills that make them employable and remain employable'*

> '*if they [employers] don't invest the time and money now in training the young people then the workforce in the future is going to be unskilled'*

It was reported that it was often employer practices which lead to a job ending. For example, promised wage reviews or negotiations did not materialise, or a change in work practice (hours of work or pay) caused difficulties with childcare or transport arrangements. Academics, though, tended to argue that insufficient was known about either the recruitment and retention strategies of employers or about the reasons for jobs ending.

Employers sometimes failed to appreciate the difficulties experienced by some employees, such as young people or those with limited labour market experience, in adjusting to the workplace, and in understanding the obligations placed on them as an employee, and the relationship between an employee and an employer. Failure to understand these issues was often cited as a reason for employment breaking down. Section 3.3.2 discusses ways in which post-placement support may help to address these issues.

In summary, respondents were generally of the view that employers had a major role to play in moving towards the goal of employment sustainability. This may include closer working with relevant authorities to address mechanisms to meet employers' increasing skill demands, particularly soft skills, as well as attempting to enhance the quality of low skilled employment, and fostering commitment to welfare-to-work strategies, all of which could encourage job retention and employee development (thus benefiting individuals, employers and labour market concerns).

3.2.3 Labour market characteristics

Employers' recruitment and retention strategies are in part responsive to the dynamics and demands of the labour market and in part define them. This section discusses respondents' views of the impact of the labour market on employment sustainability, an issue that some respondents thought was more important than any discussed above.

A common view was that there are certain geographical, industrial and occupational sectors that function imperfectly, creating insecure or fragile employment, or poor quality jobs and opportunities. Several respondents suggested that policy should attempt to overcome or correct such imperfections at a local level, building on the goals of the Employment Zone initiatives, which seek to develop ways of addressing local difficulties. Many were concerned that the jobs that were available to unemployed people, particularly entry-level job opportunities or those that require limited skills or qualifications, were often poor quality and not conducive to promoting sustainable employment.

> '*the jobs themselves are very routine, and don't offer much in the way of personal development … so there will be a tendency for people to start looking elsewhere and of course once you start trying to move across the labour market you run a higher risk of unemployment anyhow … they may try to make labour market moves which just ends up with them becoming casualties … they won't actually have acquired the sort of experience, let alone skill to make them particularly strong on the labour market'*

Furthermore, respondents who worked at a local level with unemployed people highlighted the importance of matching local labour market demands with the supply of workers. One locality cited had experienced a dramatic decline in the pottery industry, and a marked increase in the electronics industry. This meant that many of the newly unemployed lacked the appropriate skills to fill the incoming vacancies, but there was reluctance on the part of the employers to invest in any large scale training programme.

It was recognised that the rate of change in the skill requirements of the labour market had been very rapid in the last decade, and that consequently any time spent out of the labour market, or in very low skilled employment with little development, quickly eroded human capital. In addition, the rise in temporary employment, short-term contracts and agency work meant that in some circumstances, and in certain industrial sectors, sustainable employment was not always feasible.

The first few weeks in employment were considered to be crucial in determining whether the transition from unemployment to employment was to be negotiated successfully. Many respondents believed that employers have an important role to play in addressing the difficulties that may be encountered during these early weeks, for example, by providing mentoring type support.

Some employers in the USA – United Airlines and the Marriott hotel chain are often cited – have put in place special recruitment and support schemes for staff recruited from welfare. These schemes include additional work awareness and soft skill training, mentoring systems and awareness training for supervisory staff. Although such systems have not been rigorously evaluated the employers involved often claim retention levels for ex-welfare that are comparable with or even above those achieved through normal recruitment. Sectoral schemes involving a range of employers with in an industrial sector are also in place in the US. In some of these, the welfare or labour office acts as an intermediary, fostering employment advancement by proactively encouraging employees to move into better jobs as they accumulate work experience, initially in low skilled low paying entry jobs.

Although comparison was made by some respondents to the experiences of welfare-to-work policies in the US that provided such support to employers, it was recognised that the labour market there was 'tighter' than in the UK, with some employers finding it difficult to fill entry level vacancies. It was felt that if this was more the case in the UK, it was foreseeable that employers may come to view employees as more of a scarce resource, and therefore pay more attention to retaining and developing employees.

The introduction of the Working Families Tax Credit was welcomed by respondents, although it was recognised as being too early to establish the extent to which it facilitated job

retention or sustained employment. This was amidst some concern that its predecessor, Family Credit, may not have encouraged progression within the labour market.

3.3 Addressing Employment Sustainability

A further aim of the qualitative interviews was to explore views on the ways in which policy may foster employment sustainability. Strategies suggested can be divided into those that focus on preparation for the move into employment, and those that support the transitionary period of moving from unemployment into the first few weeks or months of work.

3.3.1 Preparing for work

Many respondents reported that one of the key indicators of whether a move to work will be successful or not was the quality of the initial job 'match'.

> *' … the key to retention is the quality of the hit in the first place. And a good job-match in the first place is … a very large part of the battle won'*

In the USA the quality of the job secured, defined in terms of above rock bottom wage rate and good working conditions such as a package that includes paid holidays, health insurance and training, is a strong predictor of sustainable employment. What is much less clear is whether this is because better, more work ready, people acquire these better jobs, or because these better jobs indicate better employers, or because employers are keen to retain staff in order to secure a return on the investment of providing better employment conditions. US respondents generally guessed that higher levels of employment retention resulted from a mixture of these factors.

One way of ensuring appropriate job-matching was by using a Work Trial. Although only mentioned by a few respondents, this approach, similar to the employee 'intern' strategy used in parts of the US, was thought to benefit both the employer and the potential employee. It was relatively risk free, cost the employer little if the trial did not work out, and typically entailed no sanction or loss of benefit for the work trial participant. Employment Service advisors considered Work Trials to be a very successful way of identifying whether or not a job was an appropriate match for an individual, and reported that the initiative was well supported by employers and participants.

However, it was recognised that some individuals were some way from being able to enter the labour market directly, either because they had inadequate skills, 'hard' and 'soft', or faced other barriers, such as the social problems highlighted earlier in this section of the report. There was a role for policy, therefore, to foster skills – especially soft ones – to ensure that individuals were 'job-ready'. It was suggested that this might be done by providing settings that replicated the work environment, providing opportunities to learn about patterns of working and the expectations of employers and to adjust to the routine of working. Different approaches might need to be developed for different groups of people, such as lone parents, older people, disabled people, or young people.

A few respondents were concerned that approaches as those outlined above could result in some individuals or groups of people being 'parked outside' of the labour market until the difficulties or disadvantages that they faced had been addressed. Some therefore advocated a 'work first' approach to prevent the period of unemployment from becoming too damaging. There was general agreement that the most successful way to develop skills and obtain qualifications was either in employment, or alongside employment.

US respondents generally accepted the work-first approach although there was a recognition that this only worked if people were above a threshold of basic job readiness. For some people, it was necessary to put in place work motivation and soft skill training ahead of job placement. For others, considerable in-work support was necessary to help people adapt to the world of work and to negotiate personal and other crises that could interfere with work. There was recognition, too, that work-first strategies did not guarantee job progression and could militate against it if people were placed in jobs without prospects or training. Indeed, the policy movement towards post-employment measures was initially driven by concern about high levels of welfare recidivism. After 1996, limits were placed on the time for which people could receive welfare. This added momentum to the search for new policies because of the ubiquitous failure of ex-welfare recipients to experience wage progression that would eventually take them out of range of benefits and stop the welfare clock from ticking.

The emphasis on personal advisors as seen in the New Deals and in the ONE pilots was welcomed by respondents in the UK, because it offered clients some continuity. It also enabled the advisor to work with the client, building a relationship and being in a position to assemble a 'package' of support to help that individual move into and retain employment.

Respondents who worked at a local level with unemployed people particularly favoured this approach:

> '*you're not starting from scratch every time, you see somebody, you've got the background, and any problems towards their jobsearch and employability … you can carry through with that'*

It was noted, however, that the success of this approach depended on the training, ability and continuity of the personal advisor.

Respondents were asked to consider the appropriateness of identifying individuals or groups that would benefit from early intervention or targeting of programmes or initiatives, on the basis of prior characteristics or experiences.

A few respondents favoured a 'risk' profiling type of approach, to identify whether certain individuals or groups may be more likely to be *at risk* of finding it difficult to obtain or retain employment. This could entail building up a 'profile' of an individual, to include not just measurable characteristics such as qualifications or employment history, but also more qualitative aspects such as motivation, social skills, or indicators of deprivation or exclusion. The information could then be used to inform the design of a package of support to help address the individual needs, rather than assigning them to a distinct category or group of people requiring specific interventions or support.

The apparent success of the more discretionary approach to tailoring services and support as seen in the Personal Advisor model was cited by some. It was felt that this model could be built on further, to give such advisors, whether in the Employment Service, another government agency or in a partnership or intermediary organisation, the capacity and skills to identify weaknesses (such as poor social skills, lack of confidence, literacy or numeracy difficulties), and the discretion to assemble mechanisms to address them. This individual level approach also enables assessment of the presence of 'softer' skills that are of increasing importance, such as motivation and interpersonal skills – skills which are very difficult to quantify.

A number of potential disadvantages towards a targeted approach to services were raised. Some respondents perceived a tension between early identification and the issue of

deadweight (the costs of targeting help at those who would have moved off benefit without such intervention). That said, it was suggested that the costs associated with deadweight are only high if the cost of the intervention is high. A few respondents thought that some services, such as having an advisor available to talk through any difficulties in the first few weeks of employment, were relatively inexpensive, and thus any deadweight cost would be minimal.

A second concern was that limiting help until the unemployment spell becomes 'long-term' adds another barrier to employment (that is, being 'long term' unemployed – a situation which may have been avoided had the intervention been sooner). Thirdly, it would be difficult to predict or profile particular groups who would benefit from early invention, without taking into account the local labour market, the local unemployment rate and the overall economic climate.

However, despite these concerns, the consensus among US respondents was that targeting was essential. This was because to make a difference to those at risk of returning to benefit or failing to progress in the labour market, considerable resource inputs might be required, while many others could make a successful transition without needing such intensive support. One US respondent believed that targeting people on the basis of statistical profiles – as happens under the US system of unemployment benefit – was possible, at least as a guide to caseworkers. Others felt that cruder targeting had to be incorporated into broad eligibility criteria for access to programmes but that more precise targeting would have to be dependent on the professional judgement of caseworkers.

It was suggested by British respondents that lessons could be learned from the US experience of the profiling of clients, particularly by intermediary organisations, and whether it is appropriate for such organisations to develop specialisms to deal with certain sub-groups, such as ex-offenders, absent fathers or people from ethnic groups. This was amidst concern about predisposing or 'labelling' certain groups of individuals as having certain prescribed characteristics or difficulties, and in providing certain services to some groups and not to others. Respondents in this country generally thought that any kind of early identification of particular groups had had limited success.

3.3.2 Post employment support

While policies have tended to focus mostly on pre-employment initiatives there was a general agreement that the emphasis was, rightly, shifting towards providing support to those who need it in the early stages of work. The first few months of employment were critical in determining the sustainability of employment. A role of policy could be to assist people to overcome any difficulties arising during the first few weeks and months of employment. What needs to be determined is the kind of support to be provided and who is best placed to provide it.

The kinds of support it was felt might be appropriate included providing social contact or mentoring, informal review and support, assistance with claiming in-work benefits and tax credits, accessing appropriate training or addressing skill deficits, issues of financial management (particularly important for those who have experienced long periods on benefit), and possibly conflict resolution.

It was also suggested that continued liaison between organisations such as the Employment Service and employers, in order to identify and address particular difficulties as they arise, might be beneficial. The example was given of difficulties in managing the transition from the fortnightly receipt of benefit to being paid monthly in arrears, where negotiations with an employer might result in an advance of wages being paid to an employee to cover this period. Further examples included raising employers' awareness of the challenges some individuals may face in adjusting to the work routine, and attempting to identify 'flashpoints', such as childcare arrangements breaking down and a potential conflict in the workplace, before they result in a crisis.

However, take-up of post-placement support, where available (for example in the US and in some of the New Deal initiatives), was thought to be relatively low. The reasons for this were unclear. It was suggested that they could partly be related to who offers the support (that is, whether it is seen as support, or policing), or a desire to disassociate with the experience of unemployment once in the world of work. It was noted that in the US, where there was some take-up, it was mostly practical help such as sorting out benefit entitlement and payments, rather than acting as a liaison between the employee and the employer.

The low take-up of services recorded in the Post Employment Service Demonstration projects were variously attributed to the policy design and clients' attitudes and behaviour. There was a lack of continuity in the administration of services provided prior to work and those delivered after welfare recipients had entered work that meant that clients had to be recruited and persuaded to take-up post employment services. There was also a lack of joined up service delivery with too little promotion of complete policy packages. Some clients were unwilling to involve their new employers with the welfare system which then denied them that access to such services as mediation in the case of workplace disputes. Many clients were unable or unwilling to fit additional training and education programmes in parallel with working – they argued that the pressure of working and parenthood were already enough without devoting further time to self-employment. Often programmes had to adjust to the fact that their clients were employed, opening 'out of hours' and at weekends and providing childcare facilities at the same time.

There was considerable support for a mentoring system for those entering employment. This would take the form of support being provided informally via an existing established employee. This practice appeared to be relatively common amongst larger employers for all new employees, not just those coming to the job after a period away from the labour market. Most respondents did not consider this an appropriate role for the Employment Service or other external partnership organisation, possibly because of a potential conflict of interest.

A few respondents highlighted the need for an independent body to provide post-employment counselling in terms of career development, for example, by providing assistance in identifying how skill deficits might be addressed, and strategies to progress upwards, or on to another employer.

3.3.3 Delivery of programmes

Respondents discussed the best means of delivering the kind of programmes outlined above. There was a general agreement that forms of partnership enabled a variety of skills and resources to be pooled. Partnerships could include, for example, local organisations or agencies with particular expertise in dealing with certain client groups, or with a detailed knowledge of the local area in terms of the labour market or particular areas of disadvantage. These organisations could include voluntary agencies, private sector organisations or local authorities. Such partnerships then could take a proactive role in identifying problems at a

local level that may hinder sustainable employment, and design and implement services or programmes that attempt to address such problems. This assembling of a 'toolkit' of organisations with specific expertise and experience would ensure that the package of intervention and support addressed the specific needs of individuals at a local level. Respondents thought that this would be far more effective than any kind of blanket approach to policy initiatives.

It was suggested that an organisation or agency other than the Employment Service should have responsibility for some particular aspects of service provision, such as in-work support or 'mentoring'. The reasons for this were to avoid the possible stigma associated with continuing to receive government support whilst in work, and because the continued involvement of the Employment Service might be seen to represent a 'policing' or coercion element. Nevertheless the particular expertise and experience of government agencies such as the Employment Service and the Benefits Agency would necessitate a prominent role in service provision.

However, another stream of thought was that the most important consideration was continuity of service, rather than who delivered the service, for example, the allocation of a personal advisor or caseworker who has the skills and experience to work with the client to get them into employment, and if necessary continue the support once the transition to work had been made.

3.4 Measuring Employment Sustainability and Setting Targets

It was argued by some that no one single measure of employment sustainability could be used to establish whether specific policies to address employment sustainability were successful. As this report has suggested, the concept itself is multi-faceted and encompasses a number of dimensions which need to be taken into account. Measurement also needs to be sensitive to variations between different groups of people, different employment sectors, different geographical areas as well as in the prevailing unemployment rate and stage in the economic cycle. As with any labour market or welfare policy evaluation, this presents challenges in terms of disentangling the external influences from the impact of the programme or policy itself.

However, the principal measures that emerged from the discussions were earnings over time as a primary indicator of stable or upward progression in employment, as well as the number and duration of spells of unemployment and employment over a given time period, for example one, two or three years. However, it was acknowledged that these types of measures were crude, and required some clear definitions if they were to be of use. For example, they would not capture any upward (or downward) progression within employment, nor would they differentiate between unemployment and inactivity for other reasons. It was suggested that the definition of unemployment could be taken as any period of unemployment where there was no guarantee of re-employment. This would exclude, for example, temporary lay-offs, maternity leave, time away from work to undertake a period of training, or a period of short-term sickness when a return to work was anticipated, and would therefore capture the 'stability' of any spell of employment. Respondents generally agreed that no measure of sustained employment would be ideal, and that whatever definitions were used needed to be recognised as having limitation, and be explicit in meaning.

Respondents who worked within Government departments were amenable to the notion of setting targets for employment sustainability. The Department for Education and Employment already set retention targets. For example, the success of New Deal subsidised employment spells is being assessed by a 'retention' measurement (number of weeks without a return to Jobseeker's Allowance) of initially 13 and 26, with possible plans for measurement beyond this. The performance targets in the Employment Zones evaluation are also currently set at 13 weeks, mainly to tie in with the New Deal measures. Although respondents recognised that these kinds of definitions were not ideal, they met current short-term evaluation and monitoring needs. Some respondents raised the issue of linking definitions of 'sustained' to performance or output payments due to intermediary or partnership organisations. If the time definition of sustained employment was increased (for example, to 12 months), there was concern that it could be met with resistance from intermediary organisations. These organisations, who receive output payments according to their performance, could argue that longer time periods would mean waiting too long for their payments, thus generating short term cash flow problems. Nevertheless, in operational terms, as short-term measures of success it was thought that setting short-term targets for three months or six months off benefit was relatively straight-forward.

Setting longer-term targets for employment sustainability, say over years, was deemed more problematic. The issue of whether some degree of upward progression, or at the least, stability, rather than any downward trajectory was inherent in the definition of sustainable employment would need to be resolved. Another issue is whether a situation where someone spends large amounts of time revolving around short-term and fragile employment, with no increase in income and little employment prospects or little chance of an increase in employability, is measured as a success, in policy outcome terms. At the same time, the structure of the labour market is such that some particular sectors, for example, hospitality and agriculture, are characterised by short-term, temporary or insecure employment.

Although some respondents were in favour of setting different targets for sustained employment for different groups of people, others were cautious in doing so, amidst concerns about the underlying assumptions in treating groups of individuals differently. Furthermore, there was concern, both from policy makers and those responsible for implementing policy, that any target for sustainable employment could work against existing placement targets:

> *' ... if you had a target for employment sustainability, you'd have to set it in such a way that you weren't encouraging the Employment Service or other people to try to get people into jobs in which they would stay in for years and years, rather than being prepared to move round from one job to another'*

Some respondents were cautious about setting targets at all, concerned about the dangers of perverse incentives, and the pursuing of targets to the detriment of other less specified goals. That said, it was recognised that setting targets provided a focus in terms of accountability and performance.

Most respondents recognised the absence of adequate longitudinal data to explore or measure issues of employment sustainability. For example, once someone ceases to claim a benefit, or moves off the register of unemployment, little is known about their activity, unless they rejoin the register at a later date. Although administrative data from National Insurance and tax records could provide further information, there are obvious difficulties with regard to data protection. In addition such records would be likely to under-record those on very low incomes.

Ideally, it was suggested that longitudinal information covering a period of two to three years or more was required, at a level that recorded information about progression in work, including pay, hours of work and responsibilities. Annex B in this report discusses the availability of adequate data in existing data sets.

3.5 Conclusions

Respondents recognised the concept of employment sustainability but were more likely to use such terms as job and employment stability, job retention and advancement and employment progression. However, moving policy goals towards the concept was seen as necessary and inevitable. Respondents recognised difficulties in defining 'sustained' employment, not least in defining an appropriate duration. Whether the definition should encompass a notion of progression or advancement was a further issue of debate, with recognition that individuals' distance from the labour market varies considerably, and thus a measure of sustainable employment that may be appropriate for some, may be inappropriate or unrealistic for others. In the US, academic usage of the term 'self-sufficiency', can be translated into a policy objective of assisting people to be able to earn a living wage, to 'manage' their income and employment strategies and to rapidly recover from set-backs such as unemployment, family problems or other difficulties. This could be achieved by having in place services and resources to work towards this goal.

Even if a definition of employment sustainability was determined, achieving 'sustained employment' could be problematic, requiring reconciliation of the employment opportunities and experiences (and expectations) of different groups of individuals with the behaviour and attitudes of employers, and the characteristics of the labour market, as well as linking it to the economic cycle. There was also some concern that as a goal, it was still hindered by shorter term policy objectives, with 'success' being predominantly measured by the numbers moving off benefit at any point in time, rather than for a duration. To obtain adequate information about the sustainability of employment, a longer term measure was required, perhaps over a period of one or two years, and at a depth that permitted exploration of stability or progression (for example in earnings or job quality).

Nevertheless, respondents suggested a number of ways in which labour market policy could encourage employment sustainability. These included:

- mechanisms to achieve appropriate job-matches, such as Work Trials;
- development of 'soft skills' such as confidence, ability to work in a team, communication skills;
- 'work adjustment' initiatives, particularly for those with limited labour market experience, to include replicating the work environment, learning about the employee/employer relationship etc;
- 'mentoring' by either an intermediary person, or a peer within the workplace, once the transition to work had been made;
- on-going practical support in the initial period in work, for example, budgeting advice, help with claiming in-work benefits, transport or childcare arrangements etc;
- work with employers to increase understanding of the difficulties some new employees may face; and
- addressing some of the practical barriers that may hinder sustained employment, such as access to transport or childcare difficulties.

The identification and targeting of individuals who may benefit from the kinds of interventions or support described above raised a number of issues. These included concerns about early identification and the associated costs of deadweight, disentangling the effect of local factors such as the prevailing unemployment rate, the local labour market and economic climate, the 'labelling' of certain groups as having certain prescribed difficulties, or providing services to some people and not others.

Mechanisms to enable packages of support to be tailor made to individual or local requirements was welcomed, as were utilising organisations with particular expertise or knowledge, and building on the Personal Advisor or caseworker type of approach.

Respondents therefore generally agreed that there were at least several issues that policy could focus on, to work towards a goal of sustainable employment. The strong consensus among US respondents was that, despite the failure of initiatives such as the Post

Employment Service Demonstration to identify successful strategies for sustaining employment (see Section 2.4.1), policies to enhance employment retention and progression were essential. Respondents felt that they knew what did not work – notably non-targeted, open access programmes that split pre and post employment services. Lessons can be learnt from the experience in the US. The challenge there and in the UK is to find policies that do work.

PART 4 THE DATA SET EXPLORATION

This section of the report explores the components of an operational definition of employment sustainability. A number of databases were evaluated to establish the availability of variables that could be used for the exploration (see Annex B). The British Household Panel Study (BHPS) was identified as most suited for exploration of the concept of employment sustainability.

The basic data requirements are first discussed (Section 4.1), after which the duration of job and employment spells, starting after a period of non-employment are considered (Section 4.2.1). Factors influencing employment duration are next examined, prior to exploring changes in earnings as an indicator of 'career' advancement (Section 4.2.2). Two tentative measures of sustained employment, based on a short and long duration, are then investigated (Section 4.2.3).

The effect on employment duration of a specific policy intervention, the introduction of the Jobseeker's Allowance, is investigated in Section 4.3, using data from the Jobseeker's Allowance Survey. A summary and final discussion is presented in Section 4.4.

4.1 Employment Sustainability: Initial Operational Considerations

The preceding chapters have shown that the concept of employment sustainability is linked to a number of other related concepts, but can best be defined as '*the maintenance of a stable or upward trajectory in the longer term'*. Underlying this definition are the related concepts of job and employment stability and 'career' advancement. Employment stability is a broader concept than job stability because it refers not only to a job that is of a relatively long duration, but also to a series of jobs that are adjacent in time, or at least are separated only by short incidental periods of non-employment. It is also possible for a person advancing quickly in their career to have a long spell of employment made up of a series of short jobs. In other words, job stability and employment stability are not synonymous.

There are, therefore, three components required to define employment sustainability:

- the duration of employment;
- the duration of non-employment; and
- indicators of career trajectories.

An operational definition of sustainability requires translating these concepts into relatively well defined measures. It is thus necessary to establish the extent to which this can be achieved and the capacity for measuring these indicators is a primary concern of the database evaluation, particularly whether existing databases contain the necessary information.

Another concern in evaluating the value of existing data sets is the extent to which they adequately represent the populations of interest. An ideal data set would include all relevant individuals along with information on all of their job spells and other economic activities, as well as indicators of advancement. In other words, the ideal requirement is a complete record of all people, with complete coverage of their economic activity as well as start and end-dates from the first entry into employment until retirement.

A data set that meets all these requirements is unlikely to exist. Nevertheless, the *minimum* information required of a data set to enable some exploration and operationalisation of the concept 'employment sustainability' includes:

1. The economic activity states of people over a given window of observation.
2. The start and end dates of each spell of activity - hence determining the length of each spell.
3. Indicators of 'career' advancement.
4. Data to provide a basis for understanding factors that influence the extent of sustainable and unsustainable employment.

Seven data sets were examined to assess the availability of the above information. These were:

- The British Household Panel Study (BHPS).
- The Jobseeker's Allowance Survey (JSA).
- The Labour Force Survey, including the longitudinal component (LFS).

- The New Earnings Survey (NES).
- The Joint Unemployment and Vacancies Operating System (JUVOS).
- The Lifetime Labour Market Database (LLMDB).
- The New Deal Evaluation Database (NDED).

Detailed descriptions of these data sets, including their capability for exploring employment sustainability, are given in Annex B. A number of these data sets met the basic requirements, although to differing extents.

One survey meeting the requirements was the British Household Panel Study, an annual survey of members of a random sample of households that have been re-interviewed each year since 1991. The sample is re-weighted each year so as to remain representative of the current population. As it is a random sample of the population, it should also be representative of people who start work. All information on changes in economic activity between interview waves are included, along with the starting and usual pay of the job that is current. The latter is useful in determining career trajectories (though comparable information is not available for jobs that start and end within the year between interviews).

The primary drawback of the BHPS is the comparatively small sample. A further problem, which affects all panel surveys, is that of respondent recall error. Respondents may not recall either the day or month on which a particular economic activity started and ended. Moreover, in different interview waves, respondents may recall the same spell of economic activity as starting at different dates. It should be emphasised that the BHPS is not unique in such inconsistencies. The Labour Force Survey suffers from the same problem (Laux and Tonks, 1996) and other alternatives to recording date-based information present their own associated set of problems for the analyst.

An analysis of the Jobseeker's Allowance Survey has also been included because it offers the opportunity to explore the impact of a major labour market policy change on one component of employment sustainability – the duration of employment.

4.2 Exploring the Concept: The British Household Panel Study Evidence

Because sustainability is defined with respect to these dimensions, job stability (a single or a consecutive series of jobs being classified as an employment spell), employment stability and 'career' advancement, an incremental approach was adopted to the analysis of the BHPS.

The focus adopted here is on employment spells rather than on individuals. This alleviates the need to consider whether or not two spells of employment separated by a short period without work actually constitutes a single spell of employment. However, this issue is a very real one and is likely to have consequences for any measurement of the prevalence of sustainable and unsustainable employment.

Defining career stability or advancement raises a further set of issues: the choice of appropriate indicators; how to standardise for differing lengths of employment; and whether it is more important to focus on people who are entering the labour market for the first time or re-entering after a period of labour market inactivity, or whether analyses should be confined to those who are entering employment from unemployment. The appropriate response to these issues in part depends on whether the main concern is with broad labour market processes, or with welfare-to-work initiatives. While both approaches are equally valid, the British Household Panel Study comprises a sample of *all* households, therefore this analysis does not examine separately the experiences of those entering the labour market from unemployment.

Section 4.2.1 focuses on the jobs and employment spells observed of those entering work from non-employment during the observation period. This is followed by a discussion of the measurement of 'career' advancement, stability and decline, using changes in earnings (Section 4.2.2). In Section 4.2.3, the duration and 'career' advancement measures are combined to create a tentative measure of sustainable employment, and individual characteristics associated with sustainable and unsustainable employment are subsequently examined.

4.2.1 Jobs, employment spells and career advancement

This section divides into three main parts. The first considers the jobs that start within the six year observation period and examines the characteristics of respondents most likely to experience single or repeat entries into a job or employment spell. The second section examines the stability of the entry job, and the stability of the employment spell. Potential duration thresholds are investigated as a consequence of examining the rates at which respondents' employment spells ended. Variations in entry jobs and employment spells are explored in the third section, according to standard industrial and occupational classification schemes.

a) Entering work 1990 - 1996

The BHPS allows an observation period of approximately six years to be constructed over which people can be observed starting an employment spell, starting on the 1st September 1990 and running through to the 1st October 1996[1]. The data refer to all people of working age including those who turned aged 16 within the observation period. Only individuals who were present for all six waves of the interview (including as children) have been included in the analysis.

The starting point for this analysis is the jobs that people obtained when first (re)-entering work from non-employment ('entry' jobs).

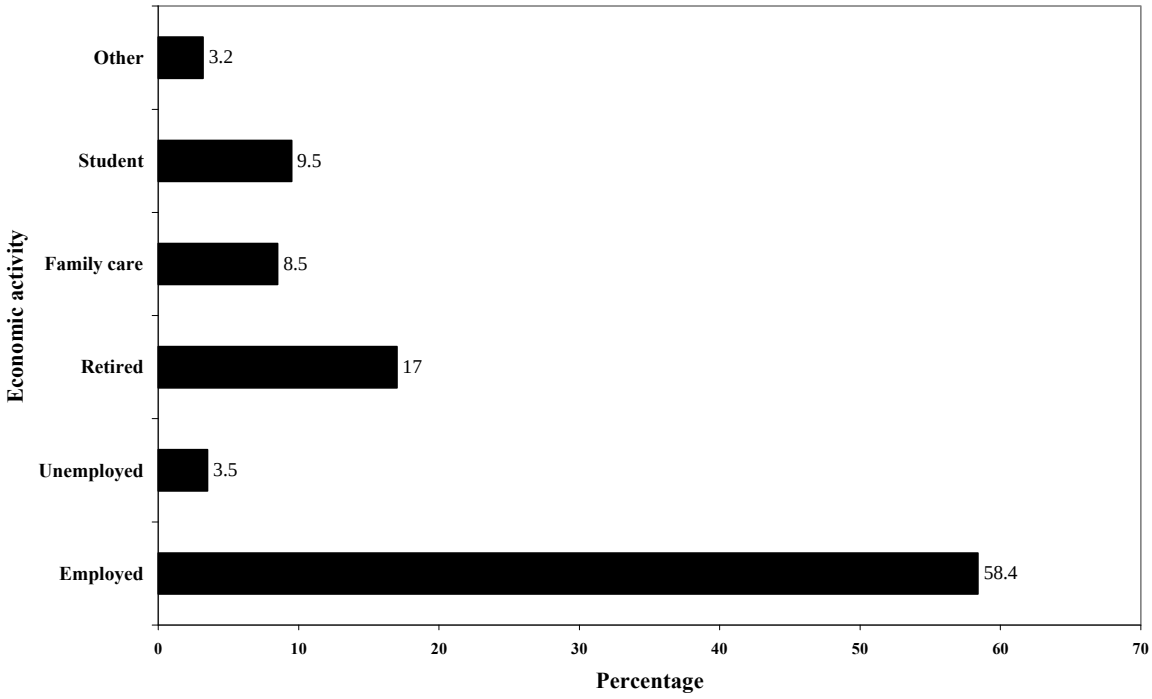
In each interview, data on current economic activity is collected from individuals, who are then asked what they have been doing over the preceding year. Anybody in employment at the time of the interview is asked a detailed series of questions about that employment. Questions about earlier spells of work that occurred within the year are less detailed. Data on the start and end dates of employment are based on respondent recall, and thus are prone to inconsistencies. These inconsistencies are also apparent where an individual is in the same job across more than wave. It was necessary to 'clean' the data for these inconsistencies.

[1] Some interviews took place after 1st October 1996, thus the actual observation period is some four months longer than six years. Longitudinal weights have been used when analysing cross-sectional data, either in 1990 or 1996, but as these weights are individual based, they are not appropriate when examining jobs starting between 1990 and 1996, and such analyses have been conducted unweighted.

The data allows a distinction to be made between a job change whilst remaining with the same employer, a job change from one employer to another (or to self-employment) and a job change with a period of non-employment in between. Each of these changes has a start and end date attached, allowing the duration of a particular activity to be calculated. Any spell of employment that began before the beginning of the observation period is excluded from the analysis, but subsequent spells of employment undertaken by the person affected are included.

At the start of the observation period (1st September 1990) the majority of people (58 per cent) were in employment, under a fifth (17 per cent) were retired and approximately one tenth were in full-time education[2] (Figure 4.1). A further tenth (nine per cent) were looking after the family, with the remainder either unemployed or in some other activity.

Figure 4.1 Economic Activity (1st September 1990)

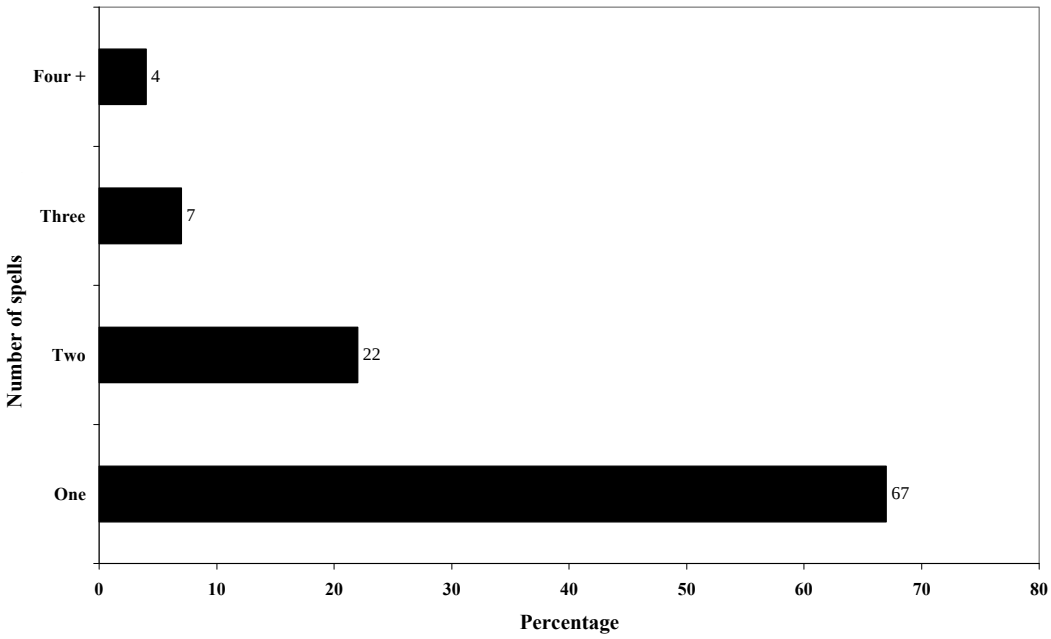


Source: BHPS. Includes respondents present in all of the first six waves, weighted to be representative of the population of Britain. N=6257.

[2] Including mandatory education and further study.

In total 1,843 people (29 per cent of the sample) took a job after a period of non-employment (an 'entry' job) during the observation period. A total of 2,838 entry job starts were recorded. Over two thirds of people (67 per cent) had only one entry job (Figure 4.2). Just over one fifth (22 per cent) had two entry jobs (separated by periods of non-employment), seven per cent had three entry jobs, and the remaining four per cent had four or more entry jobs during the six year observation period.

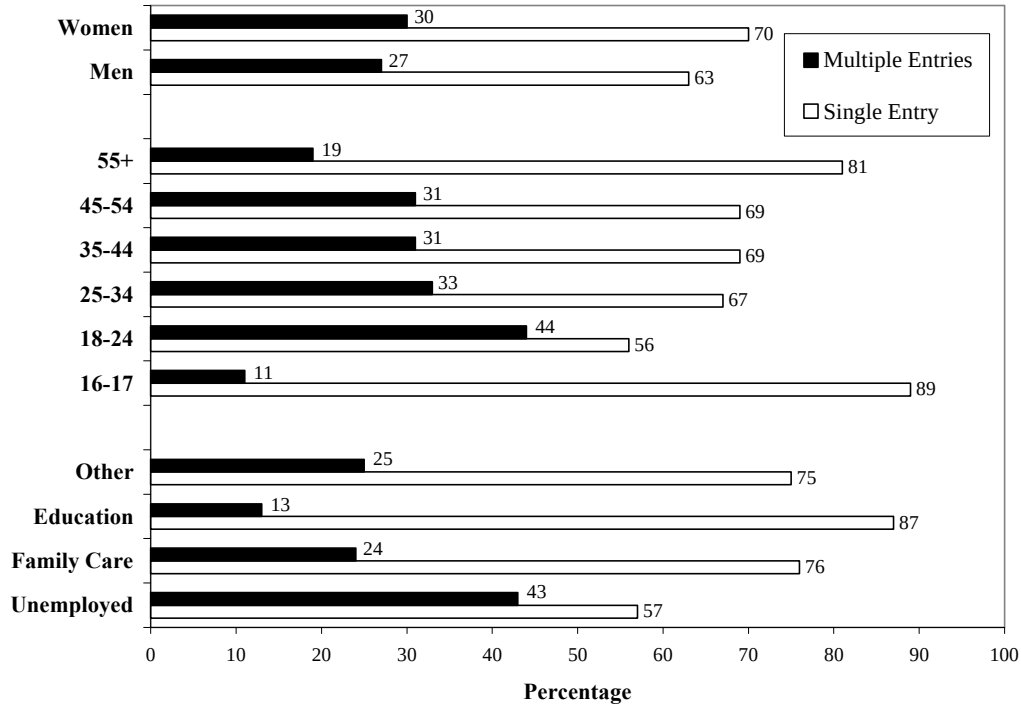
Figure 4.2 Number of Entry Jobs within the Observation Period



Source: BHPS. Includes all jobs, preceded by a spell of non-employment, starting within the first six years of the study. N of people=1,843. N of spells=2,838.

Women were more likely than men to have a single job entry during the observation period. People aged under 18, or aged 55 or over were also more likely than other groups to move into work, as were those entering a job from full-time education (Figure 4.3). Those most likely to have more than one entry job were men, respondents aged 18-24, and those who were unemployed immediately before entering work.

Figure 4.3 Number of job entries by sex, age and economic origin



Source: BHPS. Includes all jobs, preceded by a spell of non-employment, starting within the first six years of the study. N of people=1,843. N of spells=2,838.

b) Job and employment stability

Stability can be considered along two dimensions: the number of job changes and the duration of employment – both dimensions are considered below. Multiple jobs may reflect either 'career' advancement or difficulties in holding-down jobs. However, a-priori, an employment spell of a longer duration is generally valued above one of a shorter duration, other things being equal.

In total, 2,306 of the 2,838 (81 per cent) of employment spells that began during the observation period involved only a single job[3] (Table 4.1). Employment spells involving multiple jobs were less likely to have finished before the end of the observation period than were those with a single spell (66 per cent compared to 49 per cent).

Table 4.1 Single and Multiple Jobs for Employment Spells Starting 1990-1996

Column per cent

	Number of employment spells	
	Single Job	**Multiple Jobs**
Finished spells	51	34
Unfinished spells	49	66
N = 2838	2306	532

Source: BHPS – respondents starting a job (after a spell of non-employment) between 1990 and 1996.

One potential bias within this framework of a fixed observation period is that there is less time to establish whether or not a job finishes if it started in the final year than if it started within the first year. Measuring the duration of a job is further complicated by the fact that not all jobs end within the observation period (Table 4.1). Therefore, the observed duration of such a job underestimates the completed duration of the job. Furthermore, it is not known whether the job will end with non-employment, or with a transition to another job.

Statistical techniques[4] exist that allow estimates to be made of the completed duration of spells of employment even though some spells have not finished when the observation period ends (technically termed 'right hand censored'), and these are used below[5].

[3] The extent to which breaks in employment spells were a result of being a short time between jobs or involved a real spell of non-employment was not investigated. However, it is possible that more job changes existed than were apparent from the analysis undertaken here.

[4] These are known collectively as event history techniques, and include basic life-table and Kaplan-Meier estimates, as well as more sophisticated regression models, which can be used with duration defined either as a discrete or continuous dependent variable.

[5] However, in using such techniques it is useful to clarify the assumptions being made. An initial concern is with the duration of the job, and the distinction between jobs that end with non-employment and those that result in a job change. As the destination of uncompleted jobs is unknown, the assumption is that these are jobs are still 'at risk' of either transition occurring. The distribution of completed duration is estimated through first estimating the hazard, or exit probability, from which it is possible to construct the 'survival curve' of the number of jobs remaining 'live' at each time point. Given an observation period of just over six years, a monthly unit of analysis was chosen as most convenient, giving a maximum of 76 months for a job or employment spell to remain 'live'.

Job Stability

Three different models were considered. The first model defined a job to end (an 'exit) when there was *either* a change to another job *or* a move to non-employment. The second model defined an exit as the move into non-employment, and the third model as a change to another job. The latter two models reveal the probability of each of the two types of exits occurring.

All three models showed that jobs were more likely to end earlier rather than later. For example, a fifth of jobs that ended with either a change to another job or a move to non-employment ended within the first four months. A further 14 per cent ended in the next four months, and eight per cent within the final third of the first year (Figure 4.4). After five years, approximately 70 per cent of entry jobs had ended, although the reliability of this figure is limited by the small number of jobs that ended after such a long period of time.

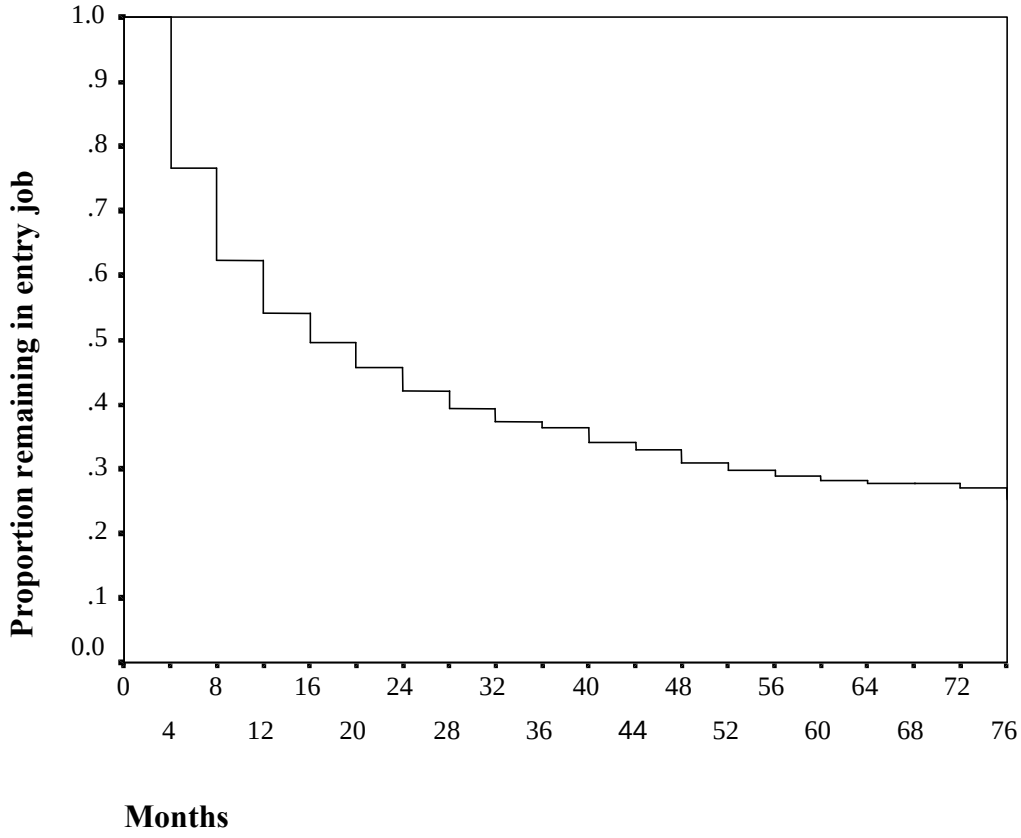
When counting an 'exit' only as jobs that were followed by a spell of non-employment, 16 per cent left within the first four months, a further nine in the middle third of the first year, and six per cent in the final third of the first year (Figure 4.5). After five years, about 60 per cent of jobs had resulted in non-employment.

Jobs destined to end with a change to another job were relatively infrequent, which means that the following results should be treated with a degree of caution. However, nine per cent of these kind of job changes occurred within the first four months of a job, six per cent in the next four months and four per cent in the final third of the first year of the job (Figure 4.6).

Jobs whose outcome was a switch to another job tended to last longer than jobs that were destined to end with non-employment. The median duration of jobs ending with a change to another job was six years[6], compared to three years for jobs followed by non-employment. When both events were considered, the median job duration was about 16 months. However, in all cases, exits were more frequent earlier on in the spell rather than later on.

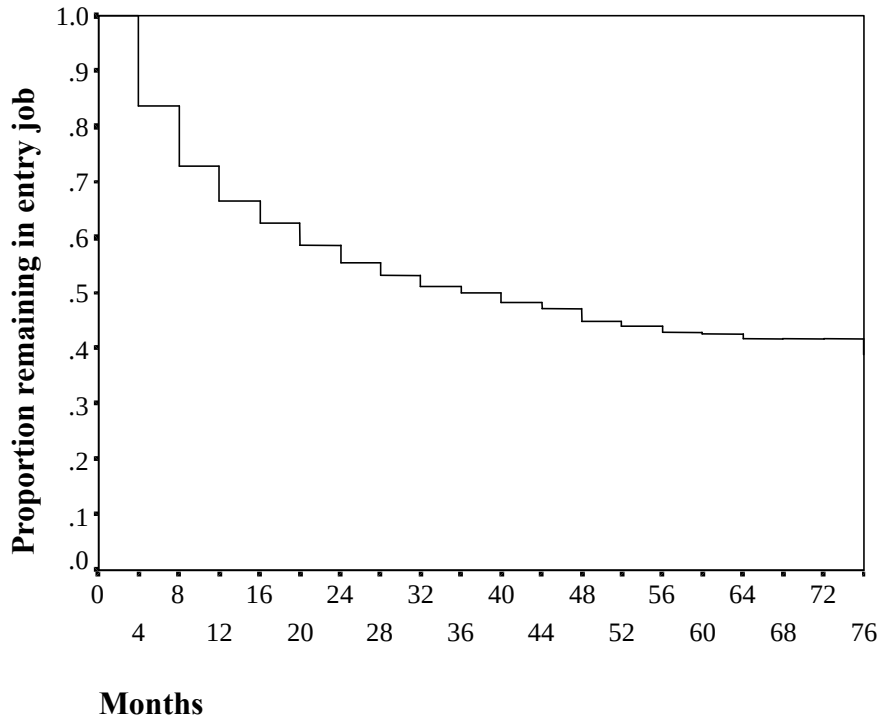
[6] The number of changes to another job was relatively low, thus this estimate should be treated with some caution.

Figure 4.4 Staying in Work (destinations to non-employment or into another job)



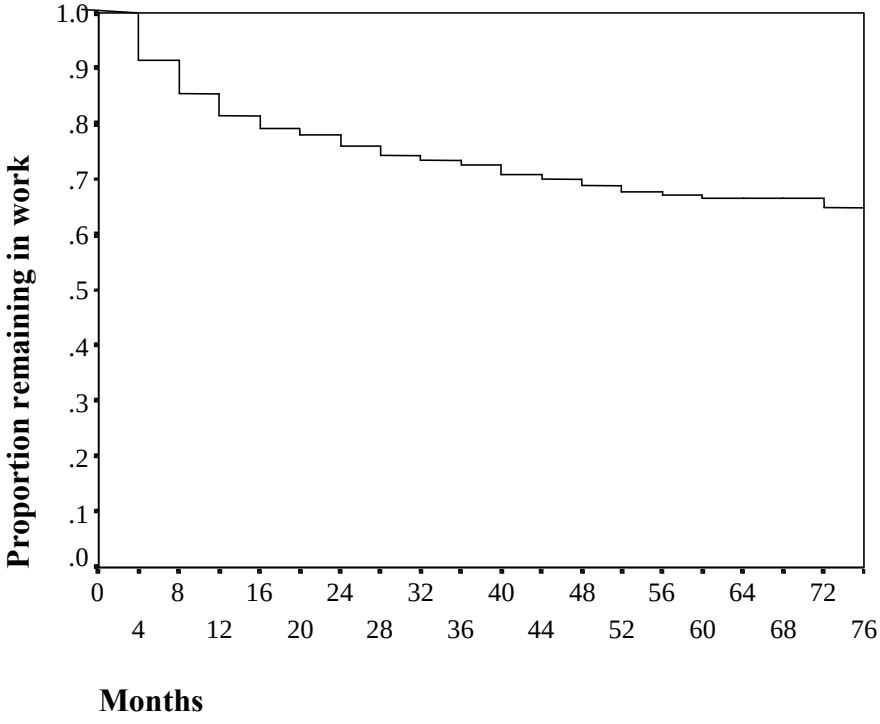
Source: BHPS. Includes all jobs, preceded by a spell of non-employment, starting within the first six years of the study, with a valid duration. N of spells=2,677, N of exits=1,714.
Note: Figure reads of the 100 per cent of job spell starts, 82 per cent continued their job spell beyond four months, 63 per cent beyond eight months etc.

Figure 4.5 Proportion remaining in entry job (includes only transitions to non-employment)



Source: BHPS. Includes all jobs, preceded by a spell of non-employment, starting within the first six years of the study, with a valid duration. N of spells=2,677, N of exits=1,182.

Figure 4.6 Proportion Remaining in Entry Job (only includes transitions to a second job)

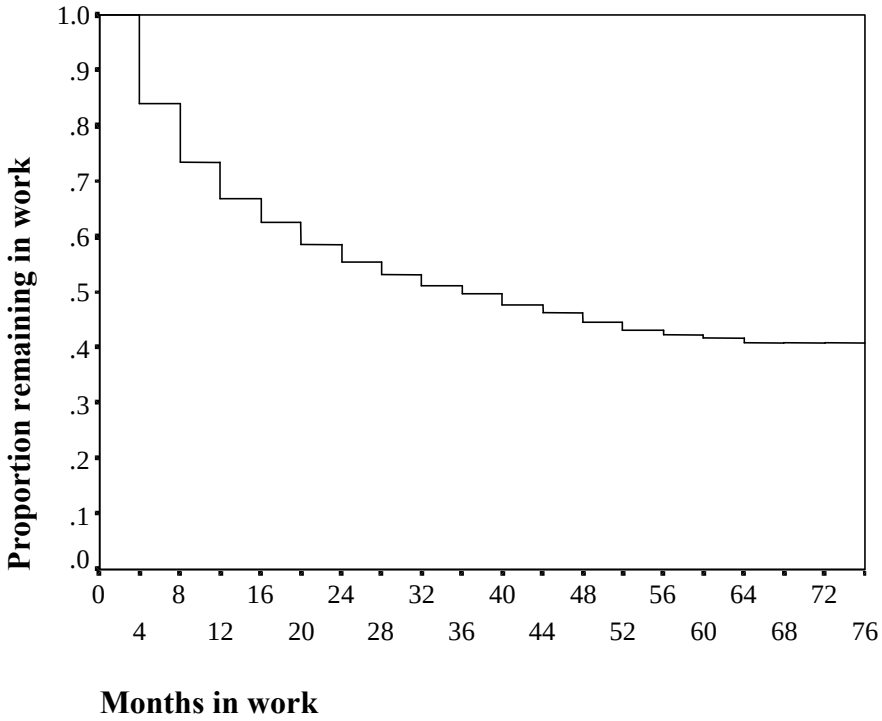


Source: BHPS. Includes all jobs, preceded by a spell of non-employment, starting within the first six years of the study, with a valid duration. N of spells=2,677, N of exits=532.

Employment Stability

If employment is defined as a job, or a series of adjacent or consecutive jobs, the average length of employment following a period of non-employment ('entry employment') was three years. This is comparable to the duration of entry jobs ending in non-employment (see above). Again, spells of employment that come to and end are unlikely to do so quickly (Figure 4.7). Sixteen per cent of employment spells had terminated within the first four months, another 11 per cent after eight months, and a further 10 per cent within a year.

Figure 4.7 People Remaining in Employment 1990 - 1996



Source: BHPS. Includes all jobs, preceded by a spell of non-employment, starting within the first six years of the study, with a valid duration. N of spells=2,674, N of exits=1,475.

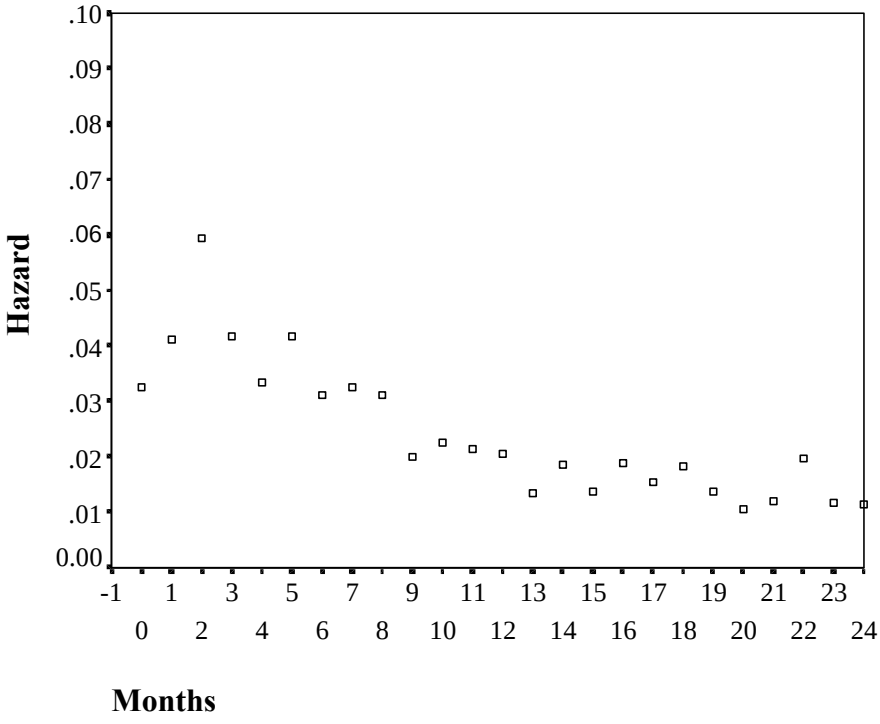
The previous two sub-sections have shown the proportion of people remaining in work over the six year period. The proportion of people leaving work can be plotted on a monthly basis to give a 'hazard rate'. The hazard rate is the proportion of people who finish an employment spell in month *t* relative to all those who are still in work at the beginning of month *t*. The duration of employment is a key concern for the definition of sustainability.

The hazard rate provides an opportunity to determine the length of time after which spells of employment are most likely to end and hence provides the best threshold to be used to define

sustainability. For the sake of clarity, the exit rates shown in Figure 4.8 have been restricted to the first two years. The horizontal axis starts at zero, which denotes spells with a duration of less than one month.

Two possible thresholds emerge from the data, which could be used to define employment sustainability. The first is relatively short-term and occurs within the first three months of work: the hazard rises from zero to its maximum for jobs ending before the third month (Figure 4.8). Three months is consistent with current Employment Service definitions (for example, the 13 week retention definition as used in New Deal), and accounts for 12 per cent of terminations. The second option is over a longer term, occurring within the first nine months, and represents the ending of 29 per cent of employment spells.

Figure 4.8 The Hazard of Employment Spells Finishing within the First Two Years of Starting (all spells starting between 1990-1996)



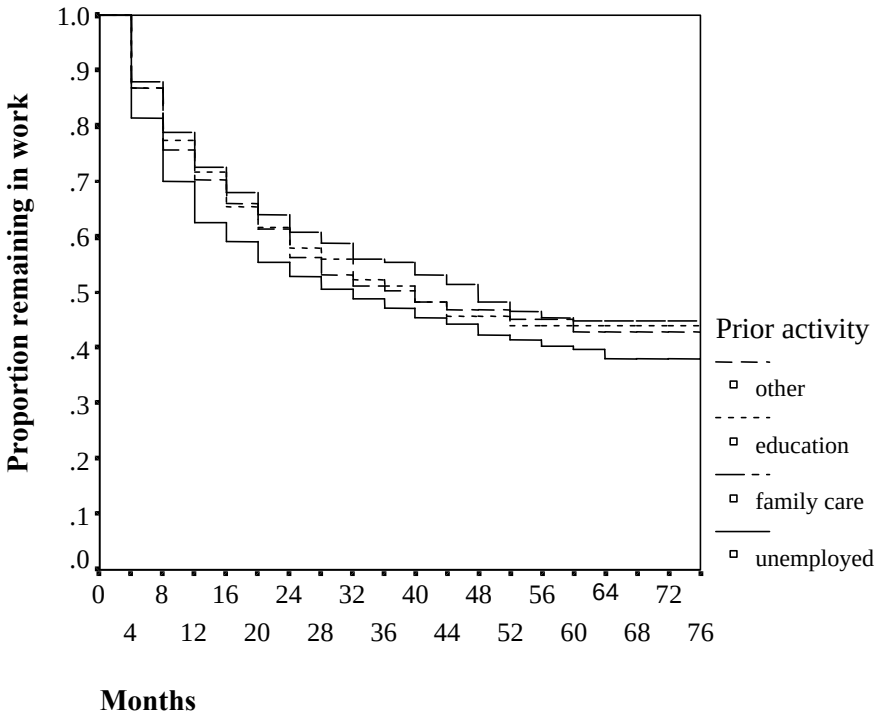
Source: BHPS. Includes all jobs, preceded by a spell of non-employment, starting within the first six years of the study, with a valid duration. N of spells=2,674, N of exits=1,475.

The stability of employment seems to be affected by what someone was doing immediately before taking up employment. These activities can be separated into 'previously unemployed', 'looking after the family', 'full-time education' or 'other'.

The majority of 'entry' employment spells started after a spell of unemployment (55 per cent) (Figure 4.9). One fifth of employment spells were preceded by looking after the family, 14 per cent by full-time education and the remaining 11 per cent by some 'other' activity.

People entering work after a spell of looking after the family, mainly women, were more likely than people entering work from unemployment, study or an 'other' activity to remain employed[7]. The median duration of employment for those previously looking after the family was 47 months, compared to 29 months for those entering from unemployment, 38 months for those entering from study and 37 months for those entering from an 'other' activity. It is not clear why these differences existed, although they may in part be related to the reasons for entering employment, and the choices available to them.

Figure 4.9 The proportion remaining employed according to their activity before entering work



Source: BHPS. Includes all jobs, preceded by a spell of non-employment, starting within the first six years of the study, with a valid duration. N of spells=2,674, N of exits=1,475.

[7] This difference was confirmed using a proportional hazards model

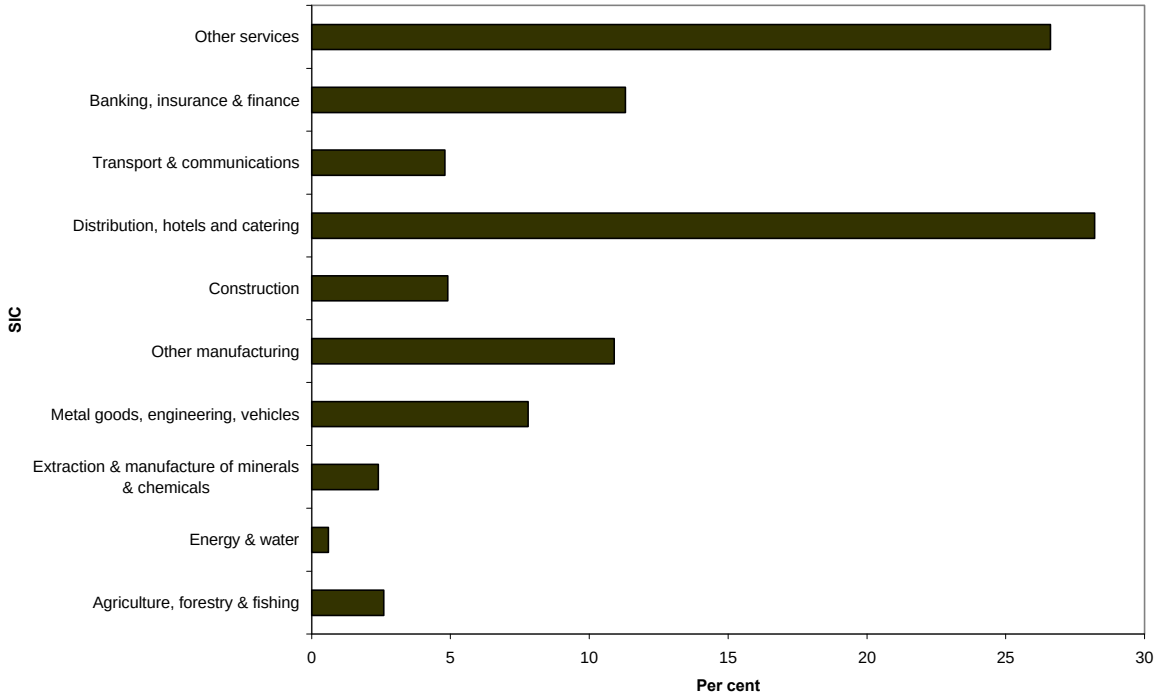
c) Characteristics of entry jobs

The BHPS allows a breakdown of jobs according to the 1980 Standard Industrial Classification (SIC), and the 1988 Standard Occupational Classification (SOC). This enables investigation of the kinds of industrial and occupational sectors that entry jobs may be in.

Entry job industries

The 1980 Standard Industrial Classification gives ten separate categories (Figure 4.10). Most entry jobs during the observation period were in the 'distribution, hotels and catering' sector (28 per cent), followed by 'other' services (27 per cent). Just over a tenth of entry jobs were in banking, insurance and finance (11 per cent) and in 'other' manufacturing (11 per cent). Entry jobs were least likely to be in agriculture, forestry and fishing, energy and water or minerals and chemicals.

Figure 4.10 Entry Job Industries

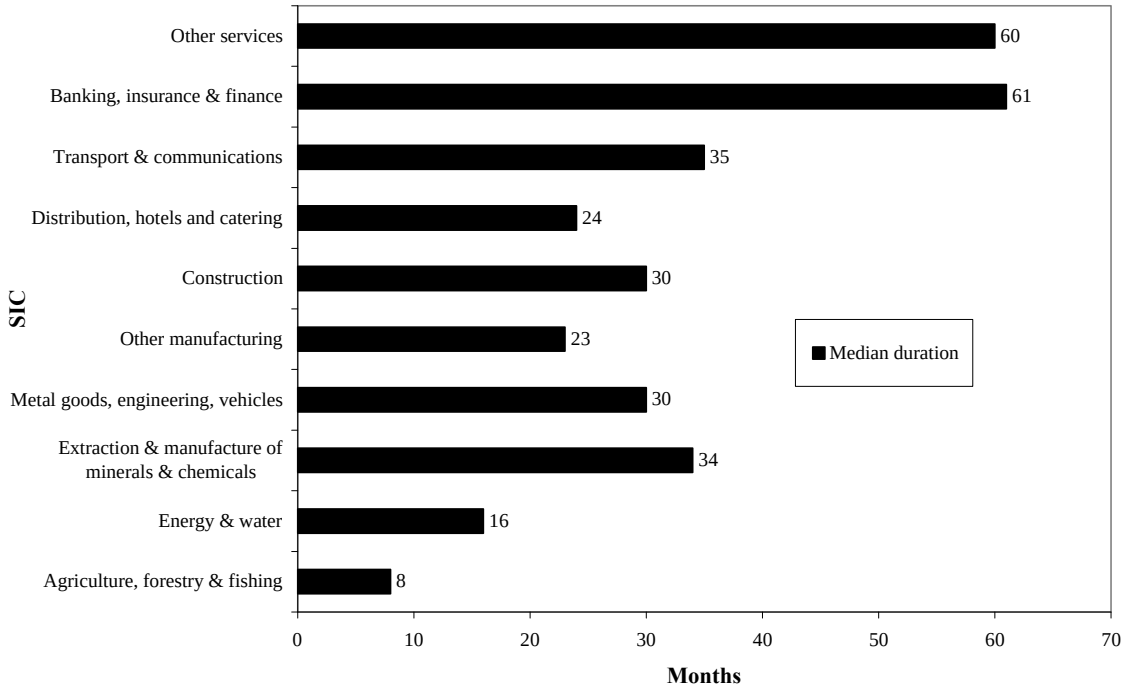


Source: BHPS. Data for spells starting between 1990 and 1996 = 2,677.

The analysis explains variations in the length of periods of employment according to the industrial sector of employment entered after a period of non-employment ('entry'

employment). Service sector employment could be expected to last on average[8] for around five years (Figure 4.11), whereas employment spells that began in the distribution, hotel and catering sector averaged a two-year duration. So although both sectors appeared to offer the greatest opportunity for entry level employment, such employment tended to last longer in the service sector.

Figure 4.11 The Median Duration of Employment Spells, According to the Entry Job Industry



Source: BHPS. Spells starting between 1990 and 1996 = 2,677 spells.

Another sector providing work of a relatively long duration was banking, insurance and finance, a median of five years. Jobs in agriculture, fisheries and forestry, and in energy and water, tended to be of short duration (an average of eight and 16 months respectively), although jobs in these sectors only accounted for about three per cent of all entry jobs (Figure 4.10).

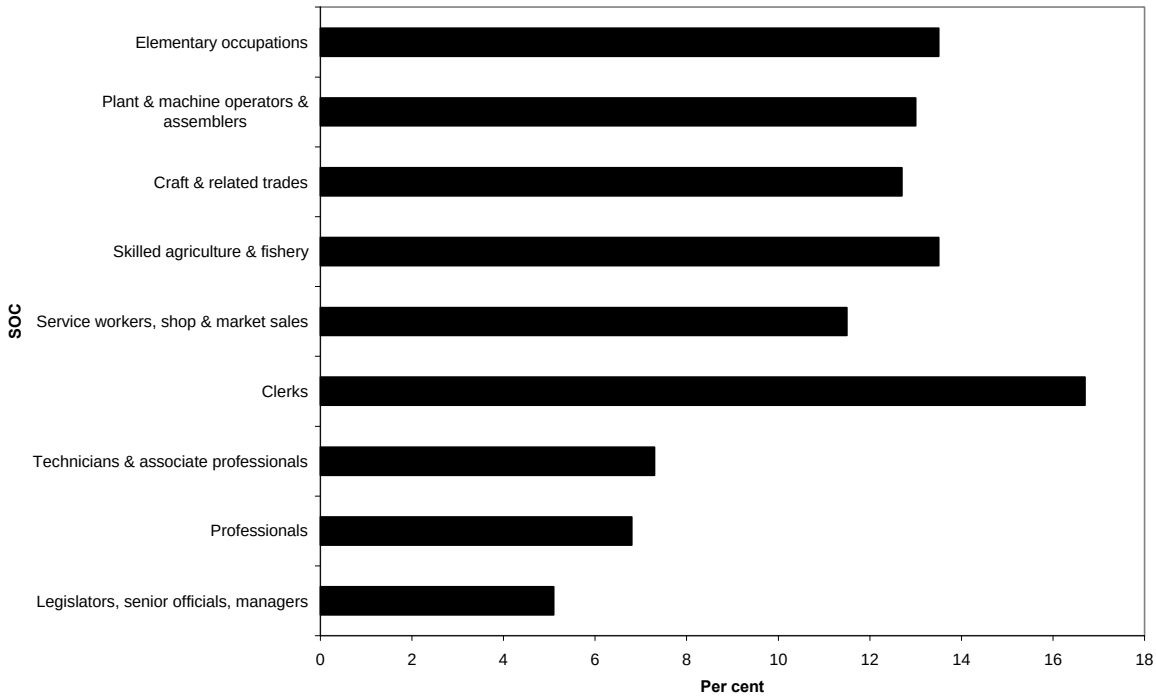
[8] The median duration estimated using life table procedures.

Entry job occupations

The second employment classification in the BHPS is the Standard Occupational Classification (SOC) which comprises nine major groups (Figure 4.12).

Most entry jobs from non-employment were as 'clerks' (17 per cent), followed by skilled agriculture and fishery and 'elementary'[9] occupations (14 per cent each), plant and machine operators and assemblers and craft and related (13 per cent each) and service workers, shops and market sales (12 per cent). Entry jobs from non-employment were least likely to be as legislators, senior officials or managers (five per cent) or other professional occupations (Figure 4.12).

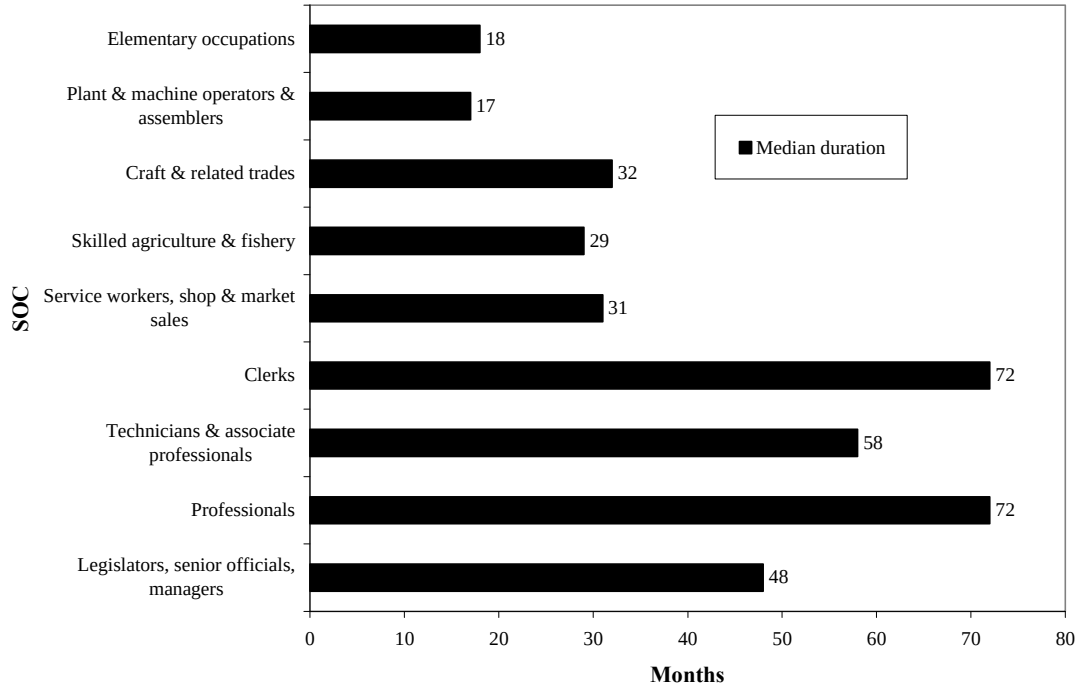
Figure 4.12 Entry Job Occupations



Source: BHPS. Data for spells starting between 1990 and 1996 = 2,677.

[9] Elementary occupations include: shoe cleaning and street services, domestic and related helpers, cleaners and launderers, caretakers and window cleaners, messengers, porters, doorkeepers, garbage collectors, agriculture fishery and related labourers, labourers in mining, construction, manufacturing and transport.

Figure 4.13 The Median Duration of Employment Spells by the SOC of the Entry Job



Source: BHPS. Data for spells starting between 1990 and 1996 = 2,677.

Again there are apparent differences in the duration of employment according to occupation. Jobs showing the lowest average duration were those in the 'elementary' occupations and in the plant and machine operators and assemblers group (an average of 18 and 17 months respectively). Entry jobs as clerks and professionals were likely to have the longest employment duration (six years for each), followed by technicians and associate professionals (58 months) (Figure 4.13).

In summary, most entry jobs tended to be in occupational and industrial sectors associated with a shorter tenure, hence presumably also with greater turnover. Entry jobs were most prevalent in the 'distribution, hotels and catering' sector and in 'other'[10] services: these two sectors accounting for the greatest number of jobs current both in 1990 and 1996. However, jobs in the former sector tended to be of a shorter duration than in the latter sector. Jobs in the 'banking, insurance and finance' sector also tended to be of longer duration than average.

[10] A heterogeneous collection of jobs including national and local government service, diplomatic service, education, hospitals and nursing, veterinarian, social, charitable welfare, trades unions, religious, tourist officers, films, authors and composers, libraries, sport and recreation, dry-cleaning, hair-dressing, personal and, domestic services.

4.2.2 Employment trajectories

Previous sections have discussed the concept of employment trajectories, and have suggested that sustainable employment might be defined in terms of progression towards self-sufficiency (see Section 2.1.2). Numerous measures of a stable or upward trajectory are possible, for which the most obvious candidate is earnings.

The data available in the BHPS are restricted to monthly net and gross pay for each job that occurs within the year preceding the interview, though more detailed data are available for the job held at the time of the survey interview. (Ideally, average hourly-earnings would be a preferred indicator, to take into account variations or fluctuations in hours worked.)

Limiting the definition of career trajectories to pay ignores the issue of other in-work benefits or payments such as perks and pensions. In addition, it raises the issue of whether or not earnings should be adjusted for differing lengths of time spent in employment. Earnings may fluctuate over time, particularly for self-employed people, and for people who vary the number of hours they work (for example, overtime or flexi-time).

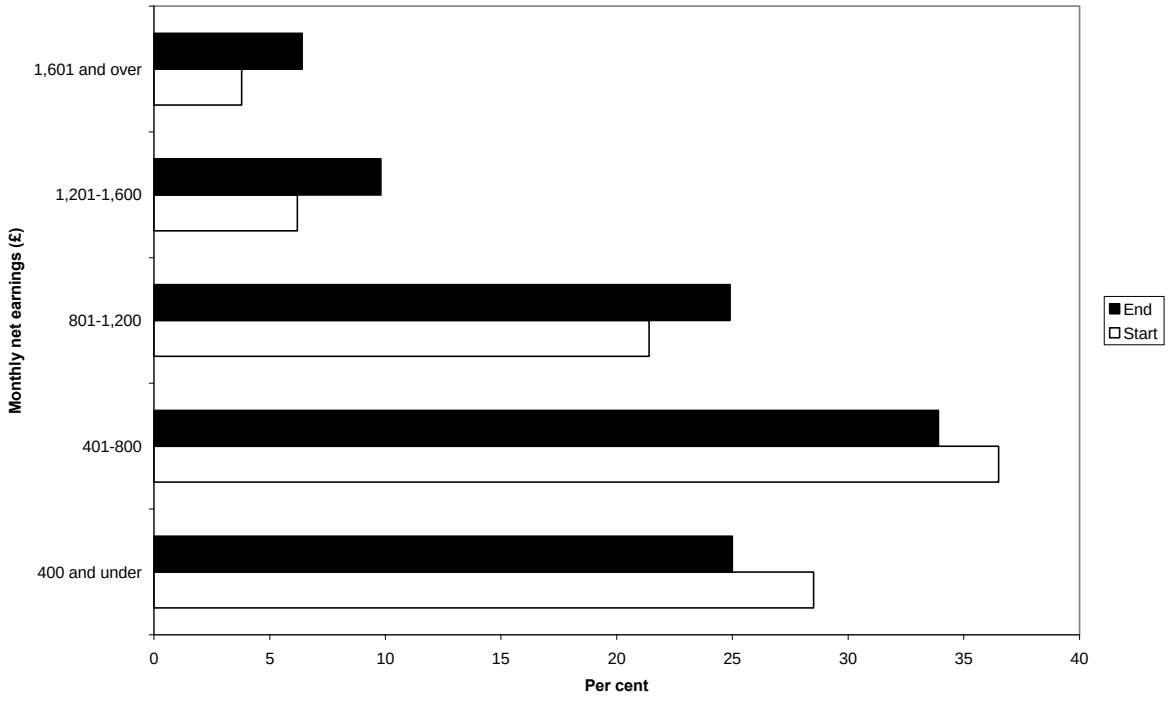
Furthermore although some employment spells have observed endings within the six year observation window, enabling the start and end pay to be known, others have endings that extend beyond the survey period and hence are unknown. Thus the trajectory can only be defined in relation to the pay a person is receiving at the end of the observation period, which may be at any point in their employment spell[11]. One option would be to estimate the likely pay a person would receive at the end of their employment. However, this issue is beyond the scope of this study. Another option, if the data were available, would be to examine earnings at the same time as chosen by the duration threshold.

Earnings[12] at the start of entry jobs were, as expected, concentrated at the lower end of the distribution (Figure 4.14). At the end of the employment spell there was an increase in earnings.

[11] A further point to note is that for some spells, typically those that are for less than a year, the data collection method only records the start or usual earnings, and hence cannot be observed to change, thus they are likely to be biased towards earnings stability.

[12] Adjusted to 1996 earnings.

Figure 4.14 Monthly Net Earnings in 1990, 1996 and at the Beginning and end of Employment Spell Starts 1990-1996

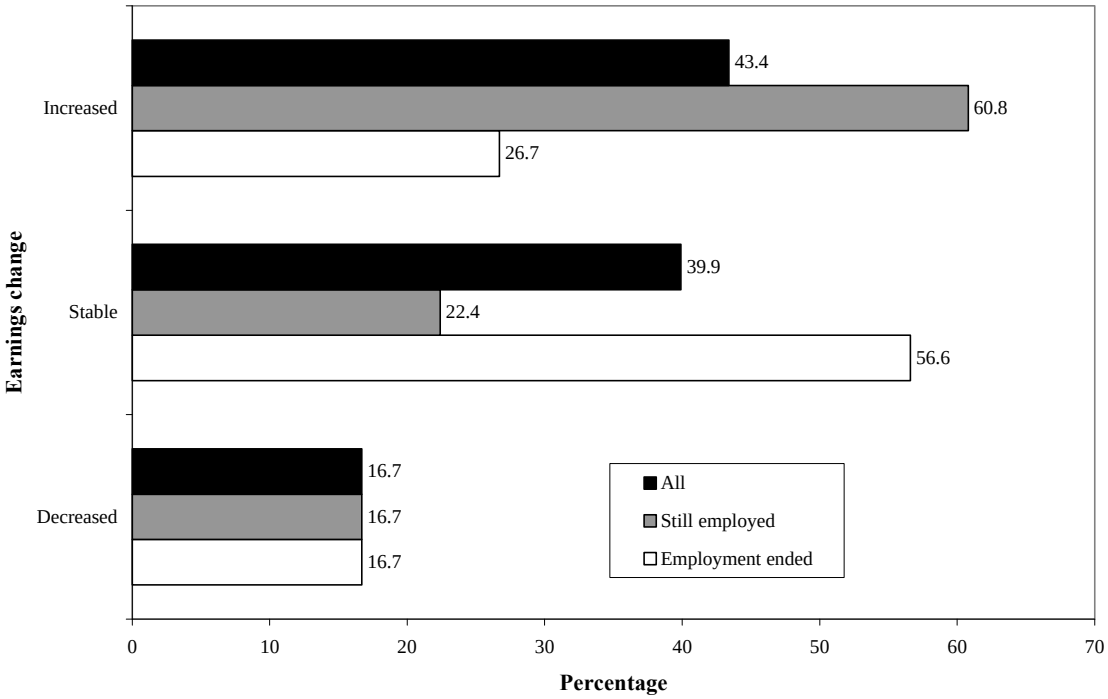


Source: BHPS. Data for spells starting between 1990 and 1996 = 2,677.

In 17 per cent of cases, earnings fell during a spell of employment[13], 40 per cent of earnings remained stable and 43 per cent of earnings increased (Figure 4.15). The majority of respondents who were still employed at the end of the observation period enjoyed a greater increase in earnings than did those whose employment had finished.

[13] Stability was defined as plus or minus £10 per month, to account for any error in recall.

Figure 4.15 Changes in Usual Monthly Net Earnings between the Start and End of an Employment Spell



Source: BHPS. Data for spells starting between 1990 and 1996 = 2,677.

4.2.3 Towards a definition of sustainable employment

The previous sections have explored two components of employment sustainability – the duration of employment spells (encompassing one or more jobs) and employment trajectories (using earnings to indicate stability or progression). Two definitions of sustained employment are now considered. The first is a short-term measure, which defines as sustained employment any spell lasting three months or more, which does not result in an earnings decline. The second is a longer-term measure using a nine-month threshold. Thus, employment may be defined as unsustained either because it does not exceed a duration threshold or because earnings decline during an employment spell. (It is necessary to exclude employment spells that are under the threshold from the analysis because it is not known whether or not these will cross the threshold.)

Under the short-term three month definition, 70 per cent of job starts resulted in sustained employment. Of those that were unsustained, 47 per cent of job starts did not reach the three month duration threshold, and the remaining 53 per cent showed a decline in earnings.

Using the long-term nine month definition, 54 per cent of jobs resulted in sustained employment. Of those that were unsustained, 70 per cent failed to reach the nine month threshold, and the remaining 30 per cent showed a decline in earnings.

The following variables were used to examine the characteristics of sustained and unsustained employment:

- standard occupational classification;
- standard industrial classification;
- employment status;
- monthly net 'entry' earnings;
- economic activity prior to starting employment;
- sex;
- age;
- family type;
- highest academic qualification;
- any vocational qualifications;
- race; and
- disability[14]

A limited number of characteristics were found significantly to distinguish between employment spells classified as sustained and unsustained, using the three and nine month definition (Table 4.2). Younger people were less likely to experience sustained employment. This may reflect younger people being more likely to try out different jobs, or taking on work on a temporary basis prior to starting a career (as suggested in Part 2 and Part 3 of this report). Academic qualifications did not appear to be related to the sustainability of employment, but this may be because no distinction was made between 'career' advancement and stability.

Table 4.2 Characteristics of Sustained and Unsustained Employment Spells

Cell per cent

Characteristics	Short-term Measure (3 months)		Long-term Measure (9 months)	
	Unsustained employment	Sustained employment	Unsustained employment	Sustained employment
SIC				
'Other' services[15]	22	29	21	31
Age				
18-24	34	27	34	27
Economic origin				
Unemployed	60	54	61	53
Initial Earnings				
£400 or less	24	35	26	37
£801-£1,200	26	19	24	19
Family type (all adults)				
Single	49	59	52	60
Couple	44	34	41	32
Base N	699	1,590	956	1,141

Table reads: 22 per cent of unsustained employment spells were in the 'other' services, as determined by the SIC of the entry job, which compares to 29 per cent of sustained employment spells.
Note: only those characteristics showing a significant ($P<0.05$) difference were included in the table.
The base refers to the number of respondents whose jobs had lasted over the duration threshold. The actual N in each cell may vary because of missing values for the explanatory variables.

[14] The BHPS asks if a person is registered as disabled. However, too few registered disabled people entered employment for this variable to be used.

[15] A heterogeneous collection of jobs including national and local government service, diplomatic service, education, hospitals and nursing, veterinarian, social, charitable welfare, trades unions, religious, tourist officers, films, authors and composers, libraries, sport and recreation, dry-cleaning, hair-dressing, personal and, domestic services.

Single people were more likely than those in couples to have entered jobs that resulted in sustained employment. It is possible that this difference arises from one member in a two earner couple undertaking occasional or temporary work as a means of topping up the family income. If the analysis had been limited to a benefit based population (as opposed to households representative of the current population, as with BHPS) it is plausible that different results would be obtained. For example, a temporary earner in a couple would be unlikely to be claiming Jobseeker's Allowance.

No differences in sustainable employment were found between men and women. Again, a benefit based analysis may also show women as more likely to be in sustainable employment, given that they are less likely to return to benefit than are men (see, for example, Smith et al., 2000). However, the inclusion in the sample of women entering and leaving work from outside of the labour market may obscure benefit-based differences.

Low paid employment is not necessarily unsustainable, in fact a greater proportion of sustained employment spells paid earnings of under £400 per month than did unsustained employment spells. A number of reasons could underlie this finding including the possibility that many were part-time workers, or second earners in a family, or were in receipt of additional income, for example, from in-work benefits. Another possibility is that substantial numbers of people may be willing to work for relatively long periods in low-paid work because they have, or perceive themselves to have, few alternative options.

Indeed, the importance of differentiating between unemployment and other economic origins was shown by the fact that people who moved into employment from unemployment were over-represented in those experiencing unsustained employment. People entering employment from destinations other than unemployment appeared to be slightly more successful in entering work that was sustained. Previous findings (see Figure 4.9) showed that the duration of employment did not differ between spells originating from unemployment, education and 'other'.

The same distinguishing characteristics of sustained and unsustained employment are apparent both for the short and long-term definitions. This is partly because earnings were

compared at the beginning and end of the spell, thus were fixed. In other words, the proportion whose earnings failed to meet the sustainability criterion was the same whichever employment duration cut-off was used.

4.3 The Impact of Jobseeker's Allowance on Employment Sustainability

The Jobseeker's Allowance Survey (JSA) data do not give a long enough observation period in which to follow a representative sample off benefit and into work using a long-term duration measure (see Annex B). Neither is it possible to establish changes in earnings because earnings data are only collected on more than one occasion for a (biased) subset of individuals. However, it is possible to examine whether or not the introduction of JSA had any impact on the duration of employment over the short-term. This is important because a speculative criticism of JSA was that it could force people off benefit into inappropriate work, which could result in people leaving work more quickly and cycling back onto benefit and into unemployment.

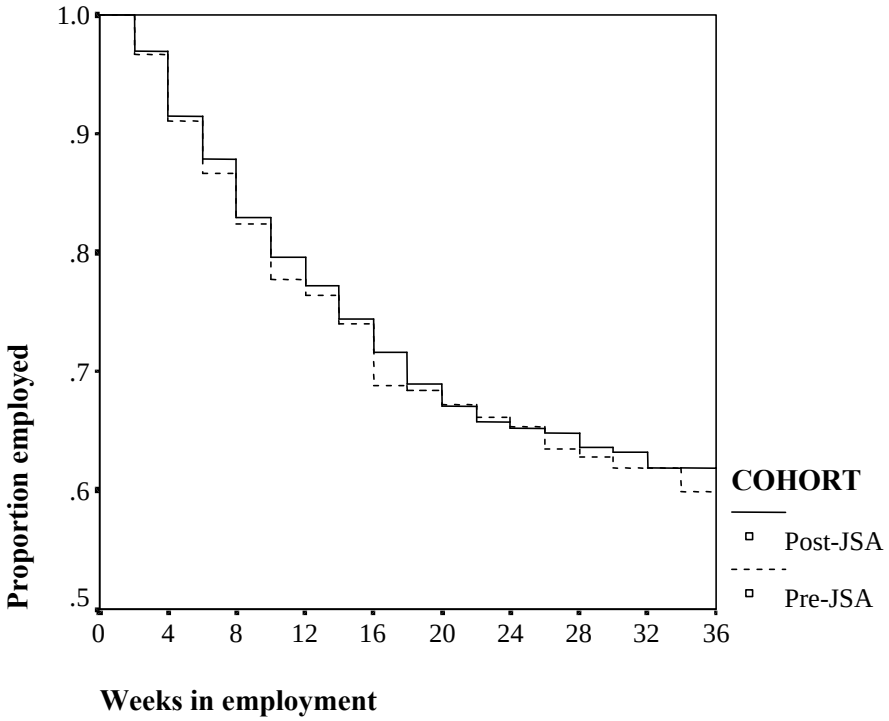
The data from the Work-Benefit-History-Sheets (WBHS) meant that it was possible to examine directly the rates at which people who had left benefit for work remained employed over an approximate eight to nine month period (the time between sampling and the end of the second interview). Although the WBHS allow histories to be constructed prior to the date of sampling, these histories would not be representative of a well-defined population[16].

Overall, about two fifths of jobseekers who had experienced a 'return to work' job finished their employment spell within the observation window. There was no difference in the rates at which employment ended according to whether the recipient received JSA or Unemployment Benefit/Income Support (Figure 4.16), hence the new benefit regime introduced with JSA did not appear to affect the length of employment subsequent to a spell on benefit.

[16] The difficulty is that it is impossible to know how many people had claimed JSA at the same time as those people in the interview sample but had already left benefit before the sample was drawn.

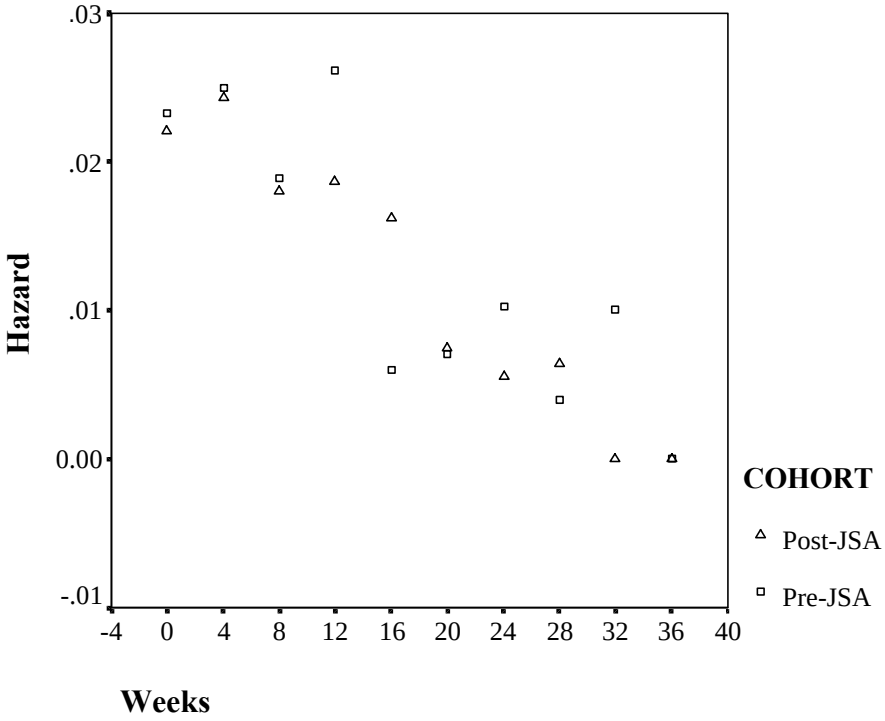
The rate of leaving employment was slightly greater at the beginning of the work spell than later. After the first four weeks around nine per cent of people who had returned to work had finished work, and after eight weeks, this had risen to 17 per cent, after 12 weeks a further six per cent were again out of work. After 16 weeks the rate of finishing employment reduced quite dramatically: approximately 31 per cent had left work by this time, leaving around nine per cent to finish work within the remaining 20 weeks (Figure 4.16).

Figure 4.16 The Proportion of Recipients Remaining in the Return to Work Employment Spell (stock sample)



Source JSA. Includes stock respondents who had left benefit for paid work. Number of spells=1,366; number of exits=381.

Figure 4.17 The Hazard of Leaving the Return to Work Employment Spell (stock sample)



Source JSA. Includes stock respondents who had left benefit for paid work. Number of spells=1,366; number of exits=381.

Analysis of the hazard of leaving employment shows that the first three months (pre JSA) or four months (post JSA) appeared to have higher exit rates than for later months (Figure 4.17). Again, evidence for a short-term duration threshold for defining employment sustainability, but this time based solely on a benefit-based population. However, the greater the duration, the fewer the cases remaining for analysis. Thus, results for durations greater than 28 weeks should be treated with caution.

4.4 Summary and Discussion

The examination of a number of existing data sets identified the British Household Panel Study (BHPS) as the most appropriate in this instance for exploration of the concept of employment sustainability. Using BHPS, of interest were the nature, characteristics and duration of jobs that respondents obtained when they entered (or re-entered) work from non-employment. Such jobs have been referred to as 'entry jobs', and one or more of such jobs

may make up an employment spell. Almost a third (29 per cent) of the sample took such an 'entry job' during the six year observation period. The large majority (81 per cent) of employment spells that began during the observation period involved just one job. Women were more likely than men to have just one job entry during the observation period. People aged under 18, or aged 55 or over were also more likely than other groups to have just one job entry. Those who were unemployed prior to entering work (as opposed to, for example, studying or looking after the home or dependants) were more likely to have more than one job. Multiple jobs may reflect advancement in the labour market, or may imply difficulty in sustaining work.

A fifth of entry jobs ended within the first four months, confirming earlier evidence (see Part 2) that the early months in work can be unstable. A further 14 per cent of jobs had ended by eight months, with an additional eight per cent ending by the end of the first year. Jobs that ended because of a change to another job tended to last longer than jobs that ended with non-employment: the median duration for the former was six years, compared to three years for the latter.

An examination of employment spells (comprising one or more jobs) reveals that 16 per cent terminated within the first four months, a further 11 per cent by eight months and another 10 per cent by the end of the first year.

The stability of employment may be affected by the activity being undertaken prior to the start of the employment spell. Respondents entering employment after a spell of looking after the home/family (mainly women) were more likely to stay in employment than those entering from unemployment, study or 'other' activity.

The stability of a job or employment spell may also be affected by the industrial or occupational sector. Most entry jobs tended to be in occupations or industrial sectors associated with shorter tenure and with high turnover, for example in the 'distribution, hotels and catering' sector. The majority of jobs taken by respondents after non-employment (entry jobs) were unskilled or semi-skilled manual jobs, or clerical jobs.

Plotting the information about the proportion of respondents remaining in work over the six year period provides a 'hazard rate' of the likelihood of leaving employment after certain lengths of time (see Figure 4.8). The hazard rate offers an opportunity to identify whether there are points in time during which employment is most likely to end. A short term and longer term threshold has emerged. The first is relatively short-term (three months or more) and closely corresponds to that used by the Employment Service (13 weeks) for current monitoring practices. The second is longer term, corresponding to an employment spell of nine months or more in duration.

Using these measures, relatively few characteristics have been found to distinguish between sustained and unsustained employment. Jobs starting after a spell of unemployment tended to be less likely to be sustained than those that began after other activities such as looking after the home or family, or studying. Low paid work also appeared more likely to be sustained, although this warrants further investigation to establish factors such as other sources of income, hours of work, and income from other household members . People in couples were more likely to experience employment that was not sustained. This may be because the presence of a second earner makes it easier to be flexible in patterns of work, perhaps being better able to afford to change hours of work. Younger people were also less likely to be sustained employment, perhaps being more likely to try out different jobs.

The issue of measuring 'career' advancement is more contentious. Earnings are a relatively crude measure, but are a readily available indicator. However, it is not clear whether and how this measure should be standardised to give an acceptable measure of employment stability or advancement. One option would be to link earnings to the duration threshold, but this would exclude employment spells in jobs that although stable are low paid, requiring supplementation of in-work benefits or tax credits. Linkages could be made with in-work benefit receipt (for example, Housing Benefit, Council Tax Benefit, Working Families Tax Credit and Disabled Person's Tax Credit) to attempt to include reductions in reliance on such benefits, but this would add further complications to the measure.

The issue of measurement is clearly one that must be uppermost when considering the available data sources, or the construction of a new database. However, it needs to be combined with questions about what the measure is to achieve and whether the concern is

with the prevalence of sustainable jobs, or employment spells, or with the number of periods of unsustained employment a person experiences.

Finally, examining sustainability using these broad measures does not encapsulate the complex sequence of trajectories underlying different life circumstances. A complementary approach might attempt to map individuals' employment and family trajectories at one point in the life-cycle (say between ages 16 and 21) to that measured over a later stage. The interdependence of different trajectories at earlier points in the life course could be examined to outcomes in the next, particularly those that incorporate sustainable employment.

PART 5 POLICY IMPLICATIONS

The aim in this final section is to reflect on the evidence reported above - from the literature review, the interviews with key agents and the exploration of existing data – with a view to elucidating some of the policy implications.

This section is structured in relation to the objectives of the research outlined in the original schedule (see Section 1.2 above). Section 5.1 covers the definition of employment sustainability against a background of what is known about patterns of employment retention, job stability and other related concepts. Section 5.2 reflects on findings concerning the labour market and other factors that help to determine the employment sustainability of individuals and groups.

The design of policy to promote employment sustainability is considered in Section 5.3, including policy objectives (Section 5.3.1), targeting (Section 5.3.2), timing (Section 5.3.3), constraints on take-up (Section 5.3.4), agency and implementation (Section 5.3.5) and service provision (Section 5.3.6). In Section 5.4, the issues of time and trajectories are explored, in relation to measuring sustainable employment and assessing the success of policy in achieving employment sustainability. Finally, conclusions and policy boundaries are given in Section 5.5.

5.1 Defining Employment Sustainability

The term *employment sustainability* has not hitherto been explicitly defined or widely used. Nevertheless, there was widespread acceptance among the policy actors interviewed that some such concept was useful and readily understood, even if 'the sustainability of employment' was preferred by some to the term 'employment sustainability'. It may be defined as:

> '*the maintenance of a stable, or upward, trajectory in the longer term'*

Employment sustainability will generally be determined by the interaction of personal characteristics and circumstances with labour market opportunities and may potentially be

influenced by targeted labour market policies, although the evidence is of limited success to date.

Employment sustainability is related to the concept of employability and embraces other concepts such as job stability, job retention, career or employment advancement and self-sufficiency. Employability refers to the characteristics that individuals may have, such as their skills and human and social capital resources, which enable them to operate successfully in the labour market. However, the presence or absence of such characteristics does not necessarily dictate whether individuals, or groups of individuals, will achieve sustainable employment. This is because a variety of other factors are important, including the behaviour of employers, local labour market characteristics and economic and technological trends that help to determine the nature of the jobs available.

Thus the concept of employment sustainability has individualistic and structural dimensions that might need to be tackled by different packages of polices focused on both labour supply and labour demand. The former would seek to equip individuals with the skills and support systems necessary to prosper in the modern labour market. The latter would aim to encourage employers to recognise the commercial advantages that accrue from promoting career progression and stable employment, and to assist them in implementing practices that foster employment sustainability.

Employment sustainability could be considered as an inherently dynamic concept. It encompasses the ideas of job retention – holding on to a job when circumstances change, job stability - the duration of jobs, and career advancement – the progression to better jobs. It also typically places the focus not on jobs *per se* but on periods of employment and employment trajectories over the longer term.

In the US debate, self-sufficiency is presented as a goal of employment sustainability or as an important threshold at which public policy might no longer have a legitimate role to play. Self-sufficiency is often defined simply in economic terms, as having the ability to sustain oneself financially (in employment) without having resort to out of work and certain in-work benefits. It may thus be considered the inverse of benefit or welfare dependency. In the US, Sandfort and Hill (1996) have developed a continuum, or scale, of economic self-sufficiency that includes both the source and adequacy of the financial support.

A wider interpretation of self-sufficiency embraces the ability of people to develop themselves, their abilities, skills and opportunities to enable movement within the labour market, without requiring the intervention of government initiatives or assistance. The role of policy, therefore, would be to encourage individuals to develop 'career' management skills and an employment strategy. This could be available both to those seeking employment, and to those already in (entry-level) work who are seeking to progress or advance in the labour market.

5.2 Employment Sustainability in the Labour Market

The level of sustainable employment results from the interplay of individual and structural factors. Taking the latter first, the literature review drew attention to the secular shift in employment away from manufacturing towards the service sector and the associated growth in low paid, non-standard and 'flexible' employment including temporary work.

There may have been some increase in numerical flexibility as employers have sought to respond to changes in demand by varying the number of employees and/or sub-contractors, through the use of fixed term contracts, labour only contracts and other forms of temporary work, and an increased willingness to make permanent employers redundant. Likewise, employers may have tried to cope with pressures towards 24-hour consumption by the use of overtime, short time, shift working and part-time employment. It is possible, too, that the demise of state owned industries and the proliferation of small businesses or establishments in the service sector with limited scope for internal advancement have both further contributed to the erosion of sustainable employment.

It is important not to exaggerate the scale of these changes and there is little evidence that the core-periphery model of the flexible firm with a large number of casual workers in relation to permanent staff is widespread (Meadows, 1999; Walker et al., 1999). However, non-standard employment tends to be concentrated in particular industrial sectors, some of which have been growing comparatively quickly. Moreover, the entry-level jobs available to people moving off benefit are disproportionately likely to be temporary and/or non-standard. Indeed, sectors with high levels of staff turnover will necessarily generate disproportionate numbers of job openings although again, by definition, disproportionate numbers of engagements will be temporary or otherwise result in involuntary separations.

Evidence from the data analysis exercise, reported in Part 4, confirms that shorter term employment is concentrated in industrial sectors such as distribution, hotels and catering, and agriculture and disproportionately affected retail and service workers, machine operators and other elementary occupations. Likewise, key agents pointed to the fragility of employment in the hospitality and distribution sectors, and their perceived inability to offer, at the lower level, employment that could considered sustainable, either in terms of tenure or the opportunity for progression or skill development (see Part 3).

Over the last twenty years or so, employers in the UK may have found it relatively easy to fill unskilled or low level jobs, and accordingly may have placed limited emphasis on strategies to retain employees at these levels. Where there is a tighter labour market, as currently exists in the US, employers may find it difficult to fill even their low-level vacancies. In such circumstances employers may be more receptive to incorporating employee retention and development strategies into their recruitment practices. There is some evidence of this happening in the US even in a context where there are increasing numbers of welfare recipients seeking work (as a consequence of time limited entitlement to welfare and a 'work-first' approach to labour market attachment). Employers are finding that potential employees do not have the basic or 'soft' skills that the workplace needs (Mills and Kazis, 1999).

As unstable employment is concentrated in certain industrial sectors, and therefore also in geographic regions, so it is concentrated among certain types of workers: the young; women; those with limited education and qualifications; and those with a history of unemployment and casual employment. Women, for example, are more likely than men to take short-term or part-time jobs (Tremlett and Collins, 1999; Cully et al., 1999). This may in part be due to their juggling the demands of caring for dependants. Equally, it might mean that, perhaps as a consequence of their caring responsibilities, they can only access precarious or low skilled employment. Indeed, there is an inherent reflexivity, as noted in Section 2.1.2, between the characteristics of jobs and jobholders. US research, for example, suggests that although younger worker with low skill levels experience high levels of job instability, this has more to do with the types of jobs that are available to them, than with individuals' attributes, preferences or aspirations (Holzer and LaLonde, 1999). In this example, the authors conclude that it is labour market deficiencies rather than individual ones that make it difficult to achieve sustained employment.

There is little reason to suppose that changes in labour supply have been the major determinants eroding employment sustainability. On the one hand, there has been a sustained growth in the proportion of women working and, as noted above, women are more prone to be in casual or short-term employment. Equally, the recessions of the 1980s, which affected manufacturing more than the service sector, released large numbers of people on to the labour market with redundant skills who may have found it difficult to secure sustained employment. On the other hand, the proportion of young workers, a group renowned for their propensity to change jobs quickly, has fallen over the last 20 years both for demographic reasons and because more have stayed on in education. Correspondingly the proportion of workers with vocational and especially academic qualifications has also risen which should have tended to enhance employment sustainability. Whether employers' demand for qualifications has outstripped the increasing supply is uncertain although the early evidence from the New Deal evaluations is that employers report a deficit of soft or people-centred skills among recruits (for example, NDTF, 1999).

Further research is required to establish whether there has been a fall in sustainable employment and the balance between structural and individualistic causes. What is evident is that entry-level jobs often fail to foster sustained employment. Respondents in the qualitative interviews suggested that there is certainly scope to improve the quality of such jobs, for example by encouraging self-development within the workplace and by making the job more intrinsically rewarding. This might in turn encourage job retention and, in the longer term, facilitate more employment progression. The next section lists some of the considerations that will need to be taken into account in designing policies to foster employment sustainability.

5.3 Designing Policies to Promote Employment Sustainability

Designing policy to enhance employment sustainability, to enable people to make better, or more successful, transitions from unemployment to work and to advance within employment towards self-sufficiency is new territory. There are few working models, little evidence as to what (if anything) works and more experience of failure than of success. There is consensus in the USA that it is vital to try to develop policy to foster sustainability (or employment retention and advancement) despite previous disappointments, but a paucity of ideas as to what form policy should take. However, while the research evidence offers no clear-cut

policy answers, it points to a number of factors that will need to be taken into account in the design of policy. These are grouped below into those appertaining to the:

- objectives of policy;
- targeting of intervention;
- timing of intervention;
- constraints on take-up;
- agency and implementation; and
- service provision.

5.3.1 Policy objectives

Policies could be designed to advance one or more of the component elements of employment sustainability over varying periods of time. Likewise, policies could focus on supply and/or demand side factors. Table 5.1 lists eight separate policy objectives based on the four primary objectives of promoting stability, retention, progression and self-sufficiency, differentiated according to whether the emphasis is job focused (and generally short-term) or employment-focused (and typically longer term). As noted in Part 2, policy in the USA was initially targeted on helping people to retain their entry job but that the aim rapidly changed to one of promoting employment stability and progression. This reflected a realisation that entry-level jobs often do not facilitate promotion or wage progression and that the latter might only be achieved through job mobility (Fishman et al., 1999). With employment focused objectives, it is important to ensure that spells of unemployment between jobs are minimised, or ideally avoided, so as to ensure overall income growth and avoid any negative effects of unemployment on human capital resources.

Table 5.1 Objectives

Objective	Job centred	Employment focused
Stability	Maximise duration of job	Minimise periods without work (or in non-developmental activity)
Retention	Minimise impact on job tenure of changes in circumstances	Maximise adaptability
Progression	Foster promotion within the workplace/enterprise	Promote employment advancement and career development
Self-sufficiency	Maximise wage and post-transfer income	Maximise individual wage growth

5.3.2 Targeting

A key lesson drawn by respondents from the US Post-Employment Services Demonstration was that targeting is essential if post-employment services are to prove effective (Rangarajan and Novak, 1999). Many welfare recipients returning to work in the USA required no or very little support, others required intensive service provision; serving a large, heterogeneous population frustrated attempts to deliver effective services to those who most needed them.

Targeting can be categorical, based on prior criteria, or discretionary. As noted above, while the characteristics of those prone to long spells of unemployment are well known, few studies have sought to predict employment stability on the basis of individual characteristics and circumstances. One exception in Britain (Trickey et al., 1998) suggested that short spells of employment were characteristic of people in bad health with limited prior work experience and poor numeracy. In the USA, predictive models have taken account of age, health status, prior work experience, school graduation, age of youngest child, and a set of job characteristics including hourly wage rate and the availability of paid holidays (Rangarajan et al., 1998). Such multivariate models can be computerised or simplified for administrative use but the balance of opinion in the US is that they should be used as indicative or supportive aids to targeting rather than the sole or principal method.

In the absence of definitive targeting criteria, allocative decisions are likely to fall to case-workers who, with sufficient time and contact, may be able to build up a rounded understanding of people's circumstances and make informed judgements as to what level of

support should be offered. However, even such a preliminary evaluation is likely to prove time-consuming.

It is at least arguable that some of the softer attributes needed to perform well in today's labour market, such as 'identity capital' (Bynner, 1998) - the individual's view of who they are and how they present themselves to others – are not amenable to formal measurement. This may encompass 'soft skills' including communication, adaptability and amenability. The Personal Advisor model has already been shown to be successful in identifying and addressing these kind of deficiencies (see Part 3), with the discretion to assemble appropriate packages of support and development, assisted by intermediary organisations with particular specialisms or experience of certain groups.

It is worth noting that the evidence presented in this report suggests that it is the presence of *multiple* barriers that hinder the transition into employment, rather than any one particular disadvantage. The key agent respondents in this research believed that those most disadvantaged in the labour market, and therefore warranting policy intervention, typically suffered from a variety of disadvantages, such as poor housing, low skill levels, poor social skills, family breakdown, drug or alcohol dependency, low self-esteem and ill-health. The existence of multiple disadvantages could thereby be used as a criteria for offering services (the aim of which might also be to address the variety of problems rather than tackling one barrier in isolation, see below).

Equity considerations could arise if services to foster employment sustainability were only open to people who had previously received income maintenance benefits. While many recent ex-benefit recipients occupy entry-level jobs with little prospect of advancement, many others would seem to face equally limited opportunities for betterment.

A final aspect of targeting, considered in more detail in Section 5.4 (below) which deals with policy content, relates to whether resources should be focused on changing the behaviour of workers and potential workers, or that of employers, or a mixture of both. This will reflect political considerations as well as analysis of the nature of the problem.

5.3.3 Timing

Evidence from the USA suggests that the timing of intervention is likely to be critically important to the success of policies designed to foster job retention. There, promoting services only after welfare mothers had moved into employment was found to be counter-productive, since clients in work had to be re-recruited to the post-employment scheme. The prevailing wisdom is that services should be offered in a joined-up fashion, beginning before clients take-up (or return to) employment. This is seen as likely to substantiate the legitimacy of employment advisers having a post-employment role – both in the eyes of clients and especially from the viewpoint of employers, to whom they can offer a comprehensive service spanning recruitment and retention. It may also act as a work incentive since prospective employees know that help is at hand, should difficulties arise during the first weeks of employment.

A focus on retention and progression means that traditional, pre-employment services, such as classes to boost self-esteem and teach soft skills, are re-orientated. In addition to imparting advice and skills that allow clients to perform well at interview, the aim becomes to equip prospective employees with the techniques necessary to hold down employment and to develop and follow a 'career' plan.

Timing is also an aspect of the targeting decision. The longer someone remains in a job, the more likely it is that they will continue in employment (Part 4). The first four to six months in a job are particularly precarious, and it is during this period that individuals are most at risk of returning to unemployment. Analysis of the British Household Panel Survey reveals that sixteen per cent of all those starting work left first four months, and that after a year almost two fifths (37 per cent) had ceased employment (see Part 4). Those moving to work from unemployment are even more likely to leave work early: around 40 per cent of people leaving Income Support and Jobseeker's Allowance in the mid 1990s ceased employment within eight months and 17 per cent within eight weeks. The first four to eight weeks of work involve families in significant adjustments in their way of life and pattern of budgeting (Ford et al., 1995). Workers have to adapt to the work environment and the job-match may well not be perfect. The period to receipt of the first wage package has to be negotiated and there are often problems and delays associated with receiving in-work benefits. Strategies need to be developed for coping with the breakdown of childcare or transport.

This evidence suggests that post-employment support needs to be at its most intensive during the first few weeks of employment, and substantial for a period of perhaps six months. However, if the objective is employment progression rather than simple job-retention, services are required to be accessible for much longer.

5.3.4 Constraints on take-up

Uptake of a number of the voluntary New Deal programmes in Britain and of the Post-Employment Services Demonstrations in the USA has been low. In part, this may simply reflect the time it takes for people to adjust to the provision of a new service where one did not exist before. Integrating new services within the fabric of well-established and socially accepted ones can serve simultaneously to dispel ignorance and engender positive support for innovation. In this regard, post-employment measures follow naturally from existing pre-employment and job placement schemes.

Nevertheless, there may be specific obstacles to the high take-up of post-employment measures. One, already mentioned, is the possible stigma attached to receipt of state welfare and a desire to conceal this from employers and work colleagues. The provision of a seamless job placement and retention service for employers may partially neutralise this concern to the extent that the continuing role of employment advisers or their counterparts becomes widely accepted in the work-setting.

Another consideration is the availability of post-employment support outside working hours. Access to services after work or at weekends is essential since many employers do not allow employees to take time off during the working day. Provision of services, such as training on work premises, and perhaps during lunch hours, may also be an option.

A further brake on the use of post-employment services are the time-pressures that employment itself creates. The uptake of further education classes provided for former recipients of welfare in the USA, for example, has often been limited because lone mothers have little time to spare and limited energy to expend after a working day. What little they do have, they often wish to devote to their children. One response (run under the auspices of GAIN in California) has been to provide family centres providing learning and other experiences for all family members.

5.3.5 Agency and implementation

Although employment advice and job-placement assistance have traditionally been the preserve of the Employment Service and commercial recruitment agencies, many of the New Deal schemes are seeking to engage with a wide-range of partners, including employers. Indeed, a strong case can be made that employers are major beneficiaries of policies that encourage employment retention and progression.

It is relatively easy to define the qualities to which post-employment measures should aspire but, as the US experience demonstrates, less easy to deliver them.

- *Continuity* – seamless provision across the employment divide so that expectations of post-employment support can be established early and confidence developed in the ability of named personnel to deliver. This aspiration can breakdown when pre-employment job-placement and other services have a poor reputation or are perceived to be highly stigmatising. When different agencies (and/or personnel) deliver pre and post-employment services, continuity may be compromised unless inter-agency communications are excellent.
- *Case-working* – named caseworkers can offer continuity, follow-through and, given a detailed understanding of clients' needs, employer demands, service options and labour market opportunities, gain the respect of their clients and effectively allocate resources. However, effective case-working can be frustrated if caseloads are too large. This can prevent detailed assessment and matching, particularly if staff are inadequately trained or if staff turnover is high. It has been suggested in the USA that caseworkers should have a practical problem solving orientation rather than a counselling or therapeutic focus (Strawn and Martinson, 1999).
- *Quality job placement* – US evidence suggests that people who enter better quality, better paid jobs enjoy more sustained employment and progress more quickly, although it is sometimes difficult to isolate the impact of 'quality jobs' from 'quality workers' (Strawn and Martinson, 1999)
- *Selective proactive and pre-emptive strategies* – policy intervention and implementation needs to be selective – to maximise the impact of scarce resources – and focused on the avoidance of unsustainable crises through foresight and early action. It is preferable to strive for prevention in the workplace than to rely on ameliorative action after the event. This will typically mean initiating frequent contact with clients in the early weeks of

work, seeking feedback from employers and focusing on resolving the immediate causes of impending problems.

- *Flexibility* – policy design and implementation has to be flexible because employees are very heterogeneous in their characteristics and employment situations vary markedly.
- *Comprehensiveness* – because of clients' heterogeneous needs, services have to be wide-ranging. They also need to be designed simultaneously to tackle the multiple obstacles to sustainable employment that some people face, rather than addressing problems in a one-off, ad hoc fashion. This, in turn, will typically mean that services need to be offered through a range of specialist suppliers, and that caseworkers act principally as the brokers rather than the suppliers of services.
- *Co-ordination and team working* – the involvement of multiple suppliers required by the demands of flexibility and comprehensiveness in turn imposes the need for effective co-ordination and a common commitment to meeting the needs of clients. It was evident in the Post-Employment Services Demonstrations that there was sometimes a failing in communication that left clients and their advisers unaware of the full range of services that could be deployed. It is also the case that suppliers of services are sometimes competitors and find it difficult to move quickly into a partnership relationship. Equally, styles of operation often differ markedly across the public/private and profit/not-for-profit divides. While there is no legitimate reason why these obstacles should not be overcome, they need to be recognised in the design and implementation of post-employment services.

If the above list serves to define good practice, albeit based on aspiration rather than empirical evidence, views are less clear cut on the relative merits of compulsion over voluntary schemes or what is the most appropriate basis for setting targets and monitoring performance.

Compulsion versus voluntary provision – it is difficult to argue that all people should be compelled to advance in employment or even to seek to do so. However, compulsory engagement in post-employment measures might be justified for people receiving in-work benefits by reference to a personal responsibility pact: this could emphasise that individuals have a personal responsibility to pursue self-sufficiency and to avoid reliance on welfare. Compulsion might help to address problems of low uptake and high unit costs but could

reduce effectiveness if clients were reluctant participants, trust between caseworker and client was undermined or caseloads became too large.

Performance monitoring – the literature on performance monitoring has not been reviewed in this research. However, respondents warned of some the perverse effects that can result from setting performance targets. Many welfare-to-work contracts with commercial and voluntary sector organisations in the USA now include payment bonuses linked to job retention, partly to avoid the off-loading of welfare recipients into temporary employment. Even so, there was talk of unscrupulous agencies fixing employment contracts in relation to the period of employment required to generate bonuses. Some respondents were impressed by arguments that incentives should be linked to the achievement of intermediate outcomes rather than 'final' outcomes such as job retention rates. The view was expressed that small steps towards sustainable employment, such as the demonstrable acquisition of soft skills, constituted large leaps for some more disadvantaged clients.

5.3.6 Service provision

The more obvious forms of intervention that could be implemented with a view to increasing employment sustainability are listed in Table 5.2 (Fishman et al., 1999; Rangarajan, 1998; Strawn, and Martinson, 1999). The table differentiates between interventions directed at jobseekers and employees and those aimed at employers. For the former group it also distinguished between measures that would only be applicable after a person had secured employment from those that could be applied either before or after a person enters work. It also relates each intervention to the eight sub-objectives introduced in Section 5.3.1.

The interventions are briefly discussed below. It is important to recognise that very few have been effectively evaluated.

a) Pre- and post-employment services

- *Upgrading skills* through providing training in job specific (hard), workplace (soft) and life skills and remedial education. Much of the content of the various New Deals is directed to this goal, and to the extent that it is successful, this should enhance employment sustainability. In Britain, in-work training has largely been left to employers (although there is evidence that little is provided in entry-level jobs) and individual initiative in the case of out of work-time training. Policies to stimulate the provision of

in-work, developmental training (as opposed to job specific training) by employers, either individually or as industrial sectors, could help to promote employment progression.

- *Job-search and placement assistance* is traditionally restricted to unemployed people and selected groups wishing to enter the labour force. Employment advancement and career development objectives point to expanding employment services to employed workers and making them more accessible (by, for example, extending Jobcentre opening hours and offering more internet-based services).
- *Career mediation*, a new term, refers to sectoral initiatives which seek to offer structured career advancement ('job ladders') by facilitating movement between firms and enterprises, with moves initiated and/or managed by employment advisers/caseworkers (Bernhardt and Bailey, 1998).
- *Counselling* can include support for money management and budgeting, contingency planning, guidance to improve workplace behaviour and help with personal problems judged likely to impede sustained employment. The New Deal family of policies include counselling but this is not extensively available to people who have taken up employment.
- *Career and life-planning tuition* assists clients to take a longer-term perspective on their employment prospects and career opportunities and provides advice and support in developing strategies. The careers service companies provide elements of such a service for young people in Britain.
- *Benefits advice and advocacy* is an essential service for people especially, but not only, at the point when they begin work. The network of Citizens Advice Bureaux and welfare rights offices offers benefits advice in a responsive mode while the various New Deals proactively offer advice to jobseekers. A proactive service might need to be offered to people already in work to foster sustainable employment.
- *Service referrals* are required to assist people assess the employment implications of their health conditions and impairment and to identify and tackle substance abuse. The New Deal for Disabled People Personal Advisor Service is an example of such a scheme that focuses on job retention as well as job placement.

b) Post-employment measures

The following set of measures may be appropriate for people once in work.

- *Earnings supplementation* through the Working Families' Tax Credit and the Disabled Person's Tax Credit and other in work benefits enhance employment sustainability by protecting people against the most immediate consequences of downward fluctuating earnings. There is some concern, however, that such benefits may inhibit wage progression leading to suggestions that work-focused interviews should accompany benefit renewals (Bennett and Walker, 1998).
- *Financial bonuses and other incentives* can be paid to individual clients or intermediary organisations linked to job retention, job advancement or to other measurable intermediate outcomes such as attendance at training or education sessions.
- *Transitional provision and services* are particularly important to smooth the transition into employment during the early weeks which, as noted earlier, is the time when employment separations are most likely to occur. Many provisions are already in place within the benefit system which are designed to facilitate this transition and, in the case of some groups such as disabled people, to limit loss of benefit entitlement should employment prove to be unsustainable. Proactive counselling/case-management would also be most intensive during the early weeks of employment.
- *Emergency support services* are an important feature of post-employment provision in the US. Often they take the form of cash payments to cover such contingencies as car repairs or insurance. They also include initial employment expenses such as tools and work clothing.
- *Mentoring and support groups* provide a relatively low cost method of boosting morale and providing assistance at times of crisis. Mentoring involves the pairing of less and more experienced or skilled workers. Mentoring schemes can be sponsored by employers or provided through voluntary organisations. If the costs are borne by the employer for example, (in terms of staff time for mentoring roles), the benefits to the employer are likely to be extended both to the 'mentored' employee and to the mentor themselves, in terms of staff development and responsibility gained. Support groups comprise cohorts of people returning to work and tend to be co-ordinated by caseworkers.
- *Employer mediation* allows for the caseworker to mediate disputes that may place the prospect of continuing employment in jeopardy. Mediation by its very nature entails the agreement of both employer and employee. In the Post Employment Services

Demonstration in the USA many of the employees did not want the caseworkers to mediate for fear of their employers learning that they had been on welfare or needed external help dealing with their problems.

- *Provision of in-work support services* covering childcare, transport and housing is recognised in the USA to be essential for some people if their employment is to be sustained. In Britain, the National Childcare Strategy, together with the Childcare Tax Credit, covers registered childcare but does not benefit those reliant on informal childcare. Emergency provision in the event of child sickness might be particularly beneficial for lone parents and two worker couples. Poor housing may be less of a concern in Britain (with the obvious exception of homeless people) but access to transport to work is probably more important as a factor contributing to job-loss than is typically recognised.

c) Measures for employers

Employers stand to benefit directly and indirectly from all the policy measures discussed above in so far as they succeed in fostering employment retention and progression, thereby enabling them to retain productive staff. Indeed, employers are the direct customer for job placement, emergency support and mediation services. However, there are specific demand side measures, in addition to the supply side ones discussed so far, that could be aimed directly at employers. These include:

- *Financial incentives* aim to change employers' recruitment and retention strategies by offering monetary rewards or penalties. In the same way that recruitment subsidies are offered to employers to recruit staff from some of the New Deal programmes, bonuses could be offered based on the length of employment served by former benefit recipients. Alternatively, as in some continental European countries, taxes and social insurance levies could be used to penalise redundancies or involuntary separations. Tax incentives could be used to encourage staff training which would foster the progression of staff but which might also encourage employers to retain their staff.
- *Peripatetic human resource management* offers small firms specialist personnel functions to which they do not normally have access for reasons of cost. In this way employers may become more aware of the financial advantages that accrue from investing in developmental staff training and the costs of casual employment practices.

- *Job retention guidance* may be viewed as a sub-category of peripatetic human resource management designed to provide employers with specific advice in the event that an employee suffers a chronic health problem or develops an impairment that puts their job in jeopardy. The New Deal for Disabled People programme includes job retention guidance as an element.
- *Employment awareness campaigns* would seek to draw the attention of employers to the advantages of prioritising job retention and human resource policies, as well as alerting them to public policies to support such activities.
- *Sectoral brokerage services* provide an infrastructure to encourage firms within industrial sectors to act in partnership to implement policies to promote developmental training and employment progression.

5.3.7 Measuring outcomes

An evaluation of the impact or effect of policy interventions designed to enhance employment sustainability requires the measurement of outcome variables, such as length of time in employment or wage progression. Recent work in the US on employment retention and advancement has suggested the following possible indicators (The Lewin Group, 1999):

- continuous quarters of employment;
- changes in wages;
- changes or progression in jobs;
- quarterly earnings;
- quarterly benefit receipt;
- type of job;
- length of time between jobs;
- hours worked (part-time, full-time, seasonal);
- length of employment;
- number of returns to 'welfare'; and
- number of persons in jobs with benefits (such as health care or transport assistance).

These indicators are clearly not comprehensive or complete, nor do they satisfactorily capture all aspects of the concept employment sustainability identified in this report. Moreover, they are defined with respect to data readily available in the USA. Nevertheless, they provide a battery of measures that have already been used to some effect.

Table 5.2 Policies to promote employment sustainability

	Objectives							
	Job centred				Employment focused			
	Stability	Retention	Progression	Self-sufficiency	Stability	Retention	Progression	Self-sufficiency
Pre- and post-employment services								
Upgrading skills	✓	✓	✓	✓	✓	✓	✓	✓
Job search and placement assistance	✓		✓	✓?	✓		✓	✓?
Career mediation	✓	✓	✓	✓?	✓	✓	✓	✓?
Counselling	✓	✓	✓?		✓		✓?	
Career and life-planning tuition	✓	✓	✓	✓?	✓	✓	✓	✓?
Benefits advice and advocacy	✓	✓?						
Service referrals								
• *Health related*	✓	✓	✓?		✓			
• *Substance abuse*	✓	✓	✓?		✓			
Post-employment measures								
Earnings supplementation	✓			✓	✓			✓
Financial bonuses	✓	✓	✓					
Transitional provision and services	✓					✓	✓	
Emergency support services	✓	✓				✓		
Mentoring	✓	✓?						
Employer mediation	✓	✓						
Provision of in-work support services								
• *Childcare*	✓	✓			✓?	✓?		
• *Transport*	✓	✓			✓?	✓?		
Measures aimed at employers								
Financial incentives	✓	✓	✓?					
Peripatetic human resource management	✓	✓	✓					
Job retention guidance		✓						
Employer awareness campaigns	✓	✓	✓					

Sectoral brokerage services	✓	✓

5.4 Measuring Employment Sustainability

Defined as the longer term maintenance of a stable or upward employment trajectory, employment sustainability is a multifaceted, composite term that does not lend itself to measurement by means of a single indicator. However, in principle at least, many of its constituent elements are likely to be readily measurable and taken together may provide an adequate basis for measurement.

The constituent elements of sustainability include job and employment duration, duration of periods spent in 'unproductive activity' and a set of change variables relating to measures of employment quality that index career development. The definition of 'longer term', the time-frame over which sustainability is assessed is likely to be partly determined by availability of longitudinal data.

5.4.1 Duration

Measures of duration are already widely used in policy as monitoring criteria, as targets and as eligibility criteria. Unemployment durations are regularly published and six months or 12 months is generally used as the definition of long-term unemployment. For New Deal purposes employment is considered 'sustained' if it has lasted at least 13 weeks[1]. The Unemployment Unit has suggested that 'sustainable placings' could be defined as those where there is no return to benefit within a three month or a six-month period or where the initial contract period exceeds 6 months (Bivand, 1999). This research report suggests that the minimum length of the observation period should be greater than a year (Part 4), to allow for cyclical employment and seasonal variations in employment.

While it is relatively straightforward to measure the duration of unemployment and employment (the latter is marginally more difficult), more problems are apparent in measuring spells of unproductive activity. 'Unproductive' was defined above with respect to the contribution made by the activity to enhancing employment sustainability through its effect

[1] The retention measure actually refers to the proportion not returning to JSA within the given time period and thus is not strictly speaking a retention measure.

on an individual's human and social capital. It is not evident, from the literature reviewed in Part 2, that sufficient is yet known about those activities which do enhance sustainability and those which do not. Moreover, comparatively few surveys provide good information on the work-related activities of people who are recorded as being economically inactive.

Summary measures of duration could comprise a series of ratios expressing the proportion of time spent in particular employment states, for example, the total time spent in employment during the observation period or the proportion of non-employment time spent in training or educational activities.

Decisions would need to be taken as how best to take account of part-time activities in the above, recognising that three months' part-time work might not equate with three months of full-time work in terms of sustainability. To address this issue many US studies express employment in terms of the total hours worked.

5.4.2 Trajectories and progress.

Neither simple nor additive measures of duration take account of job quality or career progression, both of which may be considered dimensions of employment sustainability. To be able to incorporate these components requires both the specification of appropriate measures of employment quality and more complex sequence analysis to determine trajectories. Few studies have attempted to do this although Pavetti (1997), in a study of the employment outcomes of low-income women in the US, has used a simple four-way employment typology that blends duration and quality type measures:

1. Limited employment - working 25 per cent or less of the quarters during the two-year study period;
2. Intermittent employment - 25-75 per cent;
3. Steady employment in a bad job – 75 per cent of the time working and at least half the quarters spent working were in a 'bad' job; and
4. Steady employment in a 'good job' – 75 per cent of the time working, and at least half of the quarters in a 'good' job[2].

[2] Defined in terms of jobs paying at least $8 per hour.

The Unemployment Unit has also suggested the use of quality-type measures (Bivand, 1999):

1. number of placements where pay exceeded minimum wage plus an agreed percentage; and
2. more 'qualitative' targets reflecting customer/staff satisfaction.

In Section 4.2.3, a simple four-way measure is utilised combining earnings growth and employment stability. Employment is defined as sustainable if it lasts for three months (short term sustainability) or nine months (longer term sustainability) and earnings grow or remain constant in real terms during the period. Using this measure, six years of data from the British Household Panel Survey suggests that in the early 1990s 30 per cent of job engagements resulted in employment that was not sustained under the short-term definition. This proportion rose to 46 per cent under the more rigorous longer term formulation.

Quality measures such as earnings are in theory relatively simple to assess. So, too, is the threshold level for self-sufficiency if this is defined as the absence of mean-tested income (but becomes much more complex if the threshold is instead defined as having no need to apply for means-tested assistance and has to account for non-take-up).

Nevertheless, in practice, matters are less straightforward. One difficulty is that few surveys carry evidence of earnings measured over time periods of less than one year. The British Household Panel Survey includes monthly estimates of income and a monthly record of the kind of income received but not the specific amounts. Another is that self-sufficiency requires income to be collected not only for the individual in question but also for other members of their household: the British Household Panel Survey does this but the Labour Force Survey, for example, does not.

Turning to other aspects, there are established measures of a number of appropriate concepts, such as job satisfaction and autonomy, although obtaining sub-annual measures may again be a difficulty. More importantly, the reliability of many attitudinal type measures is not high meaning that measures of change are prone to large measurement error.

Simple measures of change, comparing the absolute values of measures from panel survey data or longitudinal administrative data, can provide very useful indicators of the direction of employment trajectories. The longer the data series the larger the measurement time-frame

that is possible, the more robust are measures of sustained change and the greater the ability to assess the long run consequences of policy intervention. The greater the frequency of measurement the better the ability to measure rapid changes and the short-term impact of policy interventions.

When measurement frequency is high it becomes possible to plot real employment trajectories such as the one presented schematically in Figure 2.1 (in Part 2 of this report). The technical challenge presented by trajectories is to develop methods by which typologies of similar trajectories can be developed, for example distinguishing between upward, stable and downward trajectories. Both Pavetti's typology and that used in Section 4.2.3 are straightforward although overly simple examples. One particular challenge would be to identify those sequences of states in early parts of the observation period that are later associated with consistent upward trajectories and those which portend more negative employment experiences.

5.5 Conclusions and the Boundaries of Policy

The attraction of policies that foster employment sustainability is that they offer the possibility of a 'win-win-win' situation: individual and family welfare is enhanced, the skill-base of the economy is increased with positive benefits for international competitiveness, and public expenditure on welfare benefits is reduced. It is not surprising, therefore, that with seemingly successful welfare-to-work policies in place, attention in Britain should expand to policies that help people to stay in work. Similarly, it is understandable that policy makers in the USA are keen to pursue such policies even in the absence of encouraging results from their first generation of employment retention and advancement programmes.

The causes of unsustainable employment must reside in the abilities, aptitudes and aspirations of workers and in the structural factors that shape both labour demand and the behaviour and attitudes of employers. Evidence does not indicate which is the most important set of factors.

It follows that public policies to foster sustainable employment can address either supply or demand side factors and, since it is not apparent which is the most important, may need to tackle both. The kinds of policy that might be introduced have been discussed above. None

has yet been proven to work *in situ,* although information gleaned from analogous welfare-to-work schemes can be brought to bear in choosing between policy options, along with evidence of what has been tried, especially in the US, and found lacking.

Employment sustainability, best defined as *'the maintenance of a stable, or upward employment trajectory in the longer term'*, requires policy objectives that extend beyond the promotion of job retention to embrace aspirations for employment retention, progression and the attainment of self-sufficiency. Policies limited to job-retention in the USA have been found to trap people in low-quality, entry-level jobs that offer little earnings growth, and fail to assist people to move out of poverty and off in-work benefits.

Individual policies, and the flexible packages of policies that are needed in response to the heterogeneous and multiple barriers that some potential and current employees face, should offer seamless provision across the employment divide. The seeds of sustainability should be planted while a person is still unemployed (or even before when they are economically inactive). This means the acquisition of life-skills, hard and soft workplace skills and career planning skills and the provision of support and counselling. These services and provisions need to continue to be available at various times and for varying periods when people are, or become, employed. Provision needs to be proactive and most intense during the first weeks and months of employment. It also needs to be conveniently accessible to people in full-time employment, a group not traditionally served by the Employment Service.

Provision needs to be comprehensive in scope but focused in its targeting. Intensive provision is required for people most at risk of experiencing unsustainable employment. This requires case-management or casework by appropriately and well-trained staff; it is likely to be ineffectual if staff have to divide their time among an overly large caseload. Other people returning to work probably require little or no support during their transition into work or while in employment. In the virtual absence of detailed statistical evidence about who is prone to experience unstable employment – beyond a knowledge of broad at-risk groups and general precipitant characteristics – eligibility assessments and resource allocation are perhaps best handled by caseworkers.

Most policies implemented to date have focused on enhancing the skills and resilience of prospective and existing workers. Therefore, there is little evidence about the effectiveness of policies directed at employers: either low cost awareness campaigns or more expensive incentives and subsidies and human resource management services. However, it is self-evident that employers have a stake in the effectiveness of all policies to enhance employment sustainability and stand to gain financially and in other ways from their success. It is also apparent that, under specific circumstances, certain employers are prepared to engage proactively in policies to reduce staff turnover and to promote career advancement. Equally, though, large numbers of employers appear to have given little priority to fostering job retention or developmental training, either because they have been unwilling or unable to do so.

Policy development is further hindered by a lack of statistical information about the true extent of unsustainable employment and the limited value of the traditional data sets for monitoring trends or establishing the impact of new policies. The British Household Panel Study contains more relevant information than most surveys but the sample size is relatively small. What the panel element of the Labour Force Survey offers, in terms of large sample size is offset by the restricted number of variables, its individual rather than household focus and the limited time window that it provides. Nevertheless, further analysis of existing data is both necessary and possible.

Furthermore the evidence available to date does not guarantee that policies to foster employment sustainability will meet with success. Schemes introduced in the USA aimed at workers and potential workers have generally proved lacking – uptake has been limited and net outcomes in terms of employment and earnings have been disappointing. Moreover, while certain employer-based schemes in the USA claim a considerable degree of success, they have not been independently evaluated. In addition some of the potential causes of unsustainable employment lie outside labour market policy in the primary education system, in management training and in the dynamics of the global economy. Nevertheless, the US policy community remain committed to the revision, development and further testing of policies in this area.

Given the potential gains that would accrue from the success of polices to foster employment sustainability for individual families, individual firms and for the long-term well being of society, there is a clear imperative for action. As there is no proven model of delivery or any surety of success, action should take the form of small scale, carefully evaluated pilots. These should be accompanied by further analysis of existing data to inform understanding of the underlying relationships, and a strategy to improve the basis for the statistical monitoring of trends in employment sustainability.

ANNEX A

Topic Guide

EMPLOYMENT SUSTAINABILITY PROJECT (DfEE)

Topic Guide

AIM:
To inform the interviewee beforehand of the key issue;,
to encourage preparatory thinking;
to act as an aide-mémoire for the interviewer.

1. Introduction

- Research background and aims
  CRSP has been commissioned to carry out this research on behalf of the Department for Education and Employment.

  The term 'employment sustainability' recognises the widening emphasis from helping people move into employment to include helping people to remain in employment.

  The aim of the research is to investigate the concept and to examine whether, and how, 'employment sustainability' may be measured.

- Purpose of this component of the research
  To gather different informed perspectives on the concept by talking to individuals from a range of professions and organisations, including academics, policy makers, employment advisors and careers specialists.

  To inform subsequent stages of the research.

2. The concept 'Employment Sustainability'

- Familiarity with the term 'employment sustainability'
  Is it a term or concept that you are comfortable with?

- What definition(s) would you apply to 'employment sustainability'?
  For example, does it mean remaining in employment (either in a single job or a series of jobs) as opposed to being unemployed, or does it imply some kind of progression or trajectory in employment?

- How does it fit with your understanding of other terms such as employability, job retention and self-sufficiency? [define as appropriate]
  Is there a better or more appropriate term?

- What problems could you perceive with a general definition of sustained employment?
  For example, how would such a definition allow for breaks from the labour market to care for dependants, pursue training or education. Are different definitions required for different groups of people?

- Its relevance in terms of informing current policy debate/development within your organisation?
  Salience of term in current thinking within your organisation/department.

- Who is the concept primarily focused on?
  For example, young people, those on welfare, long-term unemployed, disabled people.

- Are there any groups for whom it is not applicable?

3. Characteristics/factors associated with sustained employment

- What individual characteristics or factors can hinder or facilitate 'employment sustainability'?
  Can predictions be made about who will sustain employment and who will not?

- How can (or does) employer behaviour influence employment sustainability?
  Recruitment and retention strategies, quality and conditions of employment, hours of work, etc.

- What labour market characteristics impact on employment sustainability?
  Demands for a flexible workforce? Geographical/sectorial/occupational variations?

  Quality of jobs available – 'self-sufficiency' and the role of Family Credit/Working Families Tax Credit?

If not already covered above:

- What barriers do individuals face when seeking sustained employment?

4. Role of labour market (and other) policies

- Is there scope for policies or programmes to address employment sustainability?

- Who (else) should/could be key players or stakeholders?
  In terms of policy development and/or service provision, for example, careers service, employers, training providers or other government departments.

- What kind of services could programmes provide or offer?
  In the US, examples include mentoring, budgeting advice in work etc and support for employers.

- Should such initiatives be targeted, and if so, how?
  How easy or difficult would it be to identify groups/individuals to target initiatives towards?

- What constraints might there be?
  What barriers might a policy to address employment sustainability face?

5. Measuring 'Employment Sustainability'

One of the key aims of this research is to investigate whether it is possible to develop a measure of employment sustainability, for example as a policy outcome, either by looking at data in existing data sets or identifying the gaps in such data sets.

- Is it possible to measure employment sustainability?
  Can a definition be reached that enables employment sustainability to be measured?

- What measurement difficulties could you foresee?
  Should distinctions be drawn between sustained employment at the individual level, the employer level and the whole economy level?

- Awareness of any current measurement of sustained employment?

  If yes, what time period is used to define 'sustained', what definition of 'employment' is used (for example, remaining off benefit, remaining with the same employer etc)?

6. Feasibility of setting targets

- If employment sustainability could be measured, could targets then be set?

- Could it be a policy outcome measure? Should it be?
  For example, there is already a core performance measure in New Deal for the proportion who gained a job under New Deal and did not renew their Jobseeker's Allowance claim.

7. General

- How realistic is it to expect there to be a workforce predominantly in sustained employment?

- What are the advantages of pursing employment sustainability as a policy goal?

- What are the disadvantages of pursuing employment sustainability as a policy goal?

- What possible effects of ‘employment sustainability’ might there be on the individual, and on the wider economy?

8. Any other issues or points to raise?

CLOSE

ANNEX B

Data set Descriptions

ANNEX B DATA-SET DESCRIPTIONS

A number of data sets have been reviewed to examine whether or not they meet the stated requirements (Section 4.1). These may be divided into survey and administrative data sets. In general, the former data sets are smaller but richer in detail. Administrative data have the advantage of large numbers, but are limited in the amount of detailed information collected.

B.1 Survey data-sets

B.1.1 The British Household Panel Study

The British Household Panel Study (BHPS) is an ongoing study where individuals are interviewed about a variety of topics on an annual basis, known as an interview 'wave'. It comprises a random sample, drawn in 1991, of approximately 5,500 households, in which around 13,000 people lived. Information was collected on all individuals in each of the households, and the attempt was made to interview each person[1] aged over 16 (the mandatory school leaving age[2]). The sample was selected from Postcode Address records, using a multistage sampling procedure. At each wave, weights are available to adjust for systematic non-response. Two sets of weights are available. The first set adjust the data for each particular wave to be representative at a cross-sectional level. The second set (longitudinal weights) adjust the sub-set of people who remain in the panel across each subsequent wave to be representative of the overall population. Weights are available at the individual and household levels.

Ensuring the panel remains representative of the population means having rules, which account for population changes relating to births, deaths, family formation and dissolution. In and out migration is also an important consideration, though perhaps less so in Britain than in countries such as the U.S. and Australia. In order to account for the former set of conditions, the BHPS follows children born into the sample, and

[1] Where it was not possible to interview a person, proxy information was collected for certain factual data, from another household member.

[2] Data were collected from children aged 14-16 from the fourth wave of interviews.

partners of original sample members. However, should a partner leave an original sample member they are no longer followed.

Detailed job information on the BHPS is collected in each wave of the survey by asking people about their current economic status at the time of the interview, and what date that activity started. If it was later than September in the previous year, then further information was collected on all economic activities that had occurred between September of the preceding year and the interview date.

It is therefore possible, theoretically, to identify all jobs that were current in September 1990 and those having their start date after that date. The following information about jobs is available:

- Start and end dates of the job, hence the length of the spell.
- Hours worked (only for jobs current at the time of the interview).
- Employment status (employee/self-employed).
- Employment classification (Standard Occupational Classification; Standard Industrial Classification; Socio-economic Group; Social Class).
- Size of the employing establishment.
- Managerial responsibilities.
- Sector in which employed.
- Pay (only monthly gross and net pay for jobs that occur prior to that current at the time of the interview).

In addition, at the second wave of interviews all respondents were asked about their labour market history since the time of leaving full-time education. However, this information is limited to the start and end dates of the transitions and the associated economic activity, along with the length of time spent in each state, with no supplementary data available about the jobs themselves.

Using the data taken from the first wave onwards it is possible to trace periods of unemployment that were linked to benefit receipt (either personal or within the household). However, using the supplementary economic activity history data collected at wave 2, only self-defined unemployment is available.

The data on jobs includes not only those that involve an interstitial spell of non-employment between them, but also job switches within the same employer and between employers. In addition, changes from self-employment to employee status (and vice-versa) can be identified.

B.1.2 The Jobseeker's Allowance Survey

The Jobseeker's Allowance (JSA) Survey was commissioned by the Department of Social Security in order to establish if the introduction of JSA had any impact on the behaviour and/or attitudes of jobseekers. The study was a 'before and after' design, and as, JSA was introduced nationally, had no control group.

A cohort of unemployed individuals was drawn from Employment Service administrative records before the introduction of JSA, and a similar cohort after JSA was implemented (approximately 4,500 people per cohort). The pre-JSA cohort was drawn some 15 months prior to JSA being implemented in order to minimise potential contaminant changes that might have arisen in anticipation of JSA. Similarly, the second cohort was drawn about eight months after JSA was implemented giving time for the benefit to 'settle down'.

Each cohort was comprised of two sub-samples. The first was a random sample of the population of jobseekers unemployed at the time the sample was drawn (the 'stock'). The second was a random sample of people making a new (or repeat[3]) claim within an approximate two-week window of observation (the 'flow'). Weights were available to combine these two samples into a single sample representative of the population of jobseekers at the time the sample was drawn. Each cohort had a follow-up interview some six to eight months after the first interview. In addition, a third wave of data was also collected from the first cohort in summer 1997 (almost two years after the initial interview), but no comparable data were collected for the second cohort.

[3] A repeat claim is defined here as one that is separated from a previous claim by a time off benefit.

Data were collected on the following:

Wave 1

1. Work and benefit history.
2. Work, study and voluntary work while signing-on and activity after spell of unemployment.
3. Jobsearch.
4. Start of claim.
5. Experience of Employment Service.
6. Financial Situation.
7. Personal and demographic.

Wave 2

1. Work and benefit history.
2. Activity after spell of unemployment.
3. Signed-off: current job.
4. Activity whilst signing-on.
5. Jobsearch.
6. Experience of Employment Service and Benefits Agency.
7. Finances, personal and demographic characteristics.

Information on work and benefit history was collected in two ways. A work-benefit-history-sheet (WBHS) was used first to collect weekly information on each person's economic activity over a two-year period prior to the first interview. In addition, information was also collected on a weekly basis on whether or not a person was signing-on as unemployed over the two years. A further WBHS was used at the second interview to collect the same information for the period since the first interview.

As it was not practical to collect detailed information about all spells of work and benefit, sections of the questionnaire were devoted to information about work preceding the spell of unemployment on which sample selection was based. In addition, information was also obtained about the first return-to-work job if the unemployment spell ended (within the observation period).

The JSA survey data has two distinct advantages for examining employment sustainability. The first is that it was designed to investigate a major labour market policy implementation and therefore offers an opportunity to examine whether or not JSA had any impact on the behaviour and activity of jobseekers. The second is that, in social survey terms, it comprises a relatively large sample of unemployed jobseekers; hence it allows relatively robust conclusions to be drawn. Furthermore, it is known that all members of the sample were receiving benefit for unemployment when selected, and so allows the focus of questioning to be of 'welfare to work', rather than broader labour market questions relating to starting work from other economic inactivity.

However, one drawback to the JSA surveys is that the observation period is limited to the time between selection for the sample and the second interview, approximately nine months. Using data from the WBHS beyond these nine months would firstly result in a sample that was no longer well defined as representative of flows into work.

Finally, the data from the JSA survey is limited in terms of constructing career trajectories.

B.1.3 The Labour Force Survey[4]

The Labour Force Survey (LFS) is designed to provide comprehensive information on labour market activities in order to help develop, design and evaluate labour market policies (ONS, 1997). It started in 1973 and up until 1983 was carried out on a biennial basis. Between 1983 and 1991 it was transformed to an annual survey carried out on a quarterly basis with around 15,000 households, complemented by a booster sample of over 44,000 households in the quarter covering March to May of each year. From spring 1992, results were published on a quarterly basis, supplementing the capacity for amalgamation to an annual basis. Two further

[4] In addition to the references cited in the text, the ONS Labour Force Survey User Guide (1997) Vols. 1-4, served as the source for this information.

changes were that an unclustered sample was introduced, and that people resident in communal accommodation were also included (for example NHS accommodation and students in halls of residence). The remainder of the sample is chosen at random from the Post Office's Postal Address File (PAF). Thus, the survey is representative of individuals living in private households as well as enabling estimates to be made of people living in communal establishments.

In total about 60,000 households in Britain are interviewed every quarter, along with 3,250 households in Northern Ireland. A 'rotated panel' design is employed, so that each household is interviewed five times in total: once in each of five successive quarters. In any one quarter, the survey will consist of one fifth of respondents who are being interviewed for their first time, another fifth for their second time and so forth. After their fifth interview, that sub-sample will be replaced with another sub-sample members of which will be interviewed for their first time. This aspect of the design allows for the construction of a longitudinal data set, as discussed below.

The Labour Force Survey is designed to meet the requirements of Eurostat[5], as it derives from an international regulation from the Treaty of Rome. Therefore, analyses using the (private household component of the) LFS will permit international comparisons to be made.

The LFS collects a wide variety of information in general, some of which is 'core', i.e. is asked each quarter, whilst others are asked less often. The data collected includes:

- Individual demographics.
- Household characteristics.
- Family Characteristics.
- Economic activity.
- Work and redundancy.
- Seeking/not seeking work.

[5] The Statistical Office of the European Communities, which collects uniform data from member countries of the European Union that enables comparative analysis to be undertaken.

- ILO[6] unemployment.
- Benefit entitlement.
- Education and training.
- Health.
- Income.

The LFS primarily is designed as a cross-sectional data set and the focus of many of the survey questions is about current activity. However, recall information is available for a subset of people on their employment status three months and 12 months prior to the interview, which, in principle makes it possible to identify people with jobs that have started recently and who have had time out of work previously. However, the LFS has a limited capacity for identifying unemployment spells. Although data are collected on the length of time since a person left their last job and the length of time a person has spent unemployed (self-defined), information on benefit receipt is poor, and is restricted to knowing whether or not people signed for various benefits within the last four months.

B.1.4 The Longitudinal Labour Force Survey

The exploitation of the fact that the rotated panel design of the LFS potentially allows a respondent's circumstances to be followed over a period of 15 months is currently underway. Laux and Tonks (1996) reported on the initial attempts of the Office for National Statistics (ONS) to link flows between different economic states. They identified problems with using the recall questions to attempt to measure change. Such problems include the fact that data on people's circumstances three and 12 months previously was only asked of a sub-set of the sample. Another difficulty is that associated with remembering behavioural events: such as in attempting to classify as ILO unemployed a person out of work three (or 12) months previously. This is particularly true when asking a person to recall if they had been searching for work for four weeks prior to that recall date.

[6] International Labour market Organisation: defines people as unemployed if they have been out of work and seeking work within the last four weeks and are able to take it up within two weeks of the interview; or those waiting to start work already obtained.

As Laux and Tonks (1996) state, amongst other things, the linked quarterly records will be of use in examining estimates of people moving from ILO unemployment to employment, and in examining how long people moving from government training schemes stay in work.

Challenges associated with combining the quarterly records were described by Laux and Tonks (1996), many of which relate to problems arising from different interview modes (face-to-face and telephone interviews with associated reporting errors) and to problems with differential non-response and weighting. A second report by Tate (1999) reviewed the compensation strategies made to adjust for non-response bias, but concluded that response error bias (inaccurate data given by the respondent) remained an issue. In particular, it appeared that there was likely to be a greater reporting of a change between economic activities than apparently was true. Moreover, current investigations had only taken into account the linkage of two waves of interviewing.

B.1.5 The New Earnings Survey

The New Earnings Survey (NES) data, based on employer payroll records, is collected annually in April from employers, under the Statistics of Trade Act (1947). Employers are legally obliged to return the NES questionnaires, hence response rates are comparatively high. All data are collected with reference to a specified week in April. The 'main purpose of the survey is to obtain annual information about the level, distribution and make-up of earnings of employees in all industries and occupations' (ONS, 1997).

The sampling frame for the NES is the National Insurance number (NINO). Individuals with a NINO ending in '14' are selected, effectively this provides for a one per cent sample of all people in employment. However, as addresses are drawn from a tax office database and not all employees have a current tax record, not all employees are included. Those excluded are people who have recently changed jobs, and, more importantly, employees whose earnings are not sufficient for the payment of National Insurance or tax (ONS, 1997). By definition, self-employed workers are exempt from the survey. Data are available on earnings, hours, deductions, employment sector, industrial and occupational groups, region and a limited number of demographic characteristics.

The fact that the same sampling frame is used each year means that a longitudinal data set can be constructed by linking together the records from each year. This procedure has been undertaken since 1975, since when the format of the questionnaire has remained relatively stable.

Typically, the NES panel data are linked to the JUVOS cohort (Section B.2, below), and a linkage variable exists within the data set to facilitate this operation.

B.2 Administrative data-sets

B.2.1 Joint Unemployment and Vacancies Operating System (JUVOS)

The JUVOS file was originally established in 1982 when the unemployment count replaced the register of people unemployed (Ward and Bird, 1995). It was sampled from the National Unemployment Benefit Payments System (NUBS), which has now been succeeded by the Jobseeker's Allowance Payment System (JSAPS). These systems hold information on the unemployment claims of all jobseekers on benefit.

JUVOS is constructed by using the same five NINO endings of people unemployed in each month of the year, giving an approximate five per cent sample of jobseekers. Given that the same NINOs are used on each occasion, a person's unemployment history can be followed over time.

The data contain the following information:

- Basic demographics.
- The start and end dates of each spell of unemployment.
- Standard Occupational Classification code (usual and that sought at the time of the claim).
- Reasons for claim endings (these are notifications from jobseekers signing off and are not necessarily completed by all recipients, it has been estimated that 80 per cent are returned, Daly and Bentley, 1999).

By 1995, JUVOS contained data on 1.02 million jobseekers who between them had experienced 2.94 million claims (Ward and Bird, 1995).

The JUVOS data contains no information on destinations, hence requires linkage to other databases using the same sampling procedures and frame in order to make use of its potential.

It is worth noting that numerous changes have occurred since 1982 in the rules and regulations concerning unemployment and these may well have to be accounted for when undertaking analyses.

B.2.2 The Lifetime Labour Market database

The Lifetime Labour Market Database (LLMDB) has been developed by the Department of Social Security in order to study people's interaction with the labour market and benefit system (Ball and Marland, 1996).

It is derived from the National Insurance Records System (NIRS), which records the contribution history of individuals, enabling State pensions contributions to be calculated upon retirement. As such it records all instances of the four different classes of National Insurance contribution types made in each and every year by an individual.

The records used to create the LLMDB are selected on the basis of particular NINO endings, again numbers ending with the digits '14' are used, enabling linkages to be made to JUVOS and the NES. It is also linked to the Inland Revenue's National Income Statistics File (NISF), which is again based on the same one per cent of NINOs, and is composed of employee annual taxable earnings taken from employer's annual P14 returns (Ball and Marland, 1996). To date, although the LLMDB is augmented with the NISF and NES, it is not linked to the JUVOS cohort.

The data include:

- Basic personal details.
- National Insurance contributions: types and amounts (employee and employer).
- Annual employment information.
- Employment and benefits data.
- Annual National Insurance credits and types, including duration.

B.2.3 The New Deal Evaluation Database[7]

The New Deal for Young People was introduced in 12 pathfinder areas in January 1998, and implemented nationally in April 1998. The New Deal for the Long-term Unemployed (aged over 24) was introduced in June 1998. The aim of the New Deal packages was to assist specific groups of people back into work by ensuring a 'gateway' period for all entrants, during which Employment Service staff help jobseekers to improve their employability and to find work. If work has not been found during the gateway period, four options are available: a period of subsidised employment; a full-time education/training course; a place on the environment task force; or a job in the voluntary sector.

In order to evaluate the New Deal, the New Deal evaluation database (NDED) was set-up. This is constructed from a variety of sources:

- The Labour Market System (LMS).
- JUVOS.
- CSL payments system.
- Additional sources.

The LMS was introduced with Jobseeker's Allowance in October 1996 with the aims of streamlining administration and helping Employment Service (ES) staff to deliver an improved service to jobseekers. It contains information on all ES clients, vacancies notified to ES, and information of training and placements. Of primary interest to this review is that it records the claim start dates and entry to many, though not all, of the New Deal entries and placements. Extracted from the LMS is:

- Basic personal information.
- Jobs for which the client has been submitted and their outcomes.
- Training programmes to which they were referred and outcomes.
- Gateway entry and New Deal starts.
- Qualifications (initial and those obtained during the New Deal process).
- Referrals to Adjudication officers.
- Benefit sanctions.

[7] This section is based upon an article by Daly and Bentley (1999).

The CSL system primarily is used to monitor subsidised employment placements. It records whether or not employers are actually being paid their subsidies. It also records payments made to employers to cover training costs, which helps to determine how many jobseekers have finished their training as opposed to just completing their time on a course.

Additional data is gathered from a variety of places to help to establish the reason for leaving benefit (see Daly and Bentley, 1999, for more detailed information).

The NDED offers detailed information concerning the trajectories of people undergoing the New Deal process and offers insight into factors that might help a person into sustainable employment. However, in isolation, though destinations are known, the outcomes after this are not. Thus, the length of time that a person remains in unsupported employment cannot be ascertained, although if a person returns to benefit the JUVOS records will record this for that person.

It is worth noting that since the introduction of the New Deal there has been a pilot of ONE. This is an experiment consisting of matched pilot and control areas, where in the pilot areas all claimants of certain benefits are routed through a single point of access and offered the help of a Personal Adviser. This has resulted in the creation of a database designed to help evaluate this change. This database may offer further opportunities for evaluating movements into employment for a wider range of clients than those on the New Deal.

B.3 Discussion of the Data Sets

Two basic sources of data have been described: survey and administrative. The value of survey data is that they offer a much greater variety of information than do administrative sources. The trade off between the two sources is breadth of information against sample size. Administrative data generally include large numbers of cases enabling robust statistics to be drawn, but contain fewer explanatory variables. In contrast, social surveys offer a much greater understanding of what is happening in people's employment careers, and, potentially, why, but the numbers involved may be too small to treat the results with confidence.

The data sets require evaluation along the following lines:

- Do the data allow the concept to be operationalised?
- What explanatory data are available to help understand the process?
- Are the data representative of a well defined population?

a) The British Household Panel Study (BHPS)

Of the survey databases, the BHPS offers a random sample of the population and should also be representative of people who start work. It includes information on all economic activity changes between interview waves, and the starting and usual pay of the current job. Comparable information is not available for jobs that start and end within the year between interviews, which would have been useful in determining career trajectories. The primary drawback of the BHPS is the comparatively small sample. In addition, as is discussed below, there are errors in start and end dates of activities within waves, and inconsistencies between waves. It should be emphasised that the BHPS is not unique in exhibiting such inconsistencies, as was reported by Laux and Tonks (1996) with respect to the LFS.

b) The Labour Force Survey (LFS)

The LFS offers detailed job information and a much larger sample size than the BHPS, but at a cross-sectional level does not readily lend itself to ascertaining a random sample of people who start work. It could reveal how many jobs at a given time are 'sustainable' in terms of their duration, but would likely be much more difficult to determine career trajectories and advancement.

The longitudinal component of the LFS though is much more promising. As each individual is interviewed a total of five times with a three month gap between interviews it is possible to identify those who start work at interview wave 2 or 3 and to follow them over a 12 or nine-month period. This should be a sufficient window of observation for definitions of sustainability over the short and intermediate term. It would also be possible to investigate career trajectories using a detailed set of information about a person's employment spell and it's component jobs.

c) The Jobseeker's Allowance Surveys (JSA)

The preceding two surveys are on-going, and as such offer much greater potential for examining changes in sustainability over time. However, the JSA surveys have been included here because they offer the opportunity to explore the impact of a policy on one component of sustainability: duration of employment.

d) The Restart and Family and Working Lives Surveys (FWLS)

Another survey offering the chance to examine policy impact, though not reviewed in detail here, is the Restart Survey of 1988. It was excluded because it is limited to a scheme of historic interest. Though if combined with JUVOS, as was done previously (Doulton and O'Neill, 1996), it could be used to examine the long-term consequences of that scheme in guarding against returns to unemployment.

Another survey, initially proposed, but subsequently rejected, is the Family and Working Lives Survey. This is a one-off and, as such, does not offer the same advantages as the BHPS, which also collects a biographical work history.

e) The New Earnings Survey (NES)

The final survey considered was the NES. This differs from those previously mentioned because it is completed by employers, and is based on their payroll information. However, it is only available at an annual level in April of each year. Thus, it is possible to determine job changes year on year; and information on pay, hours, and employment sector is also regularly available. However, job changes that occur within years will not be recorded, though spells of unemployment can be identified through linkages with JUVOS. It seems unlikely that the NES will have the capacity for an operational definition of sustainability, as conceived here.

Another issue that needs to be addressed is that of the prevalence of jobs below the lower earnings limit (LEL) for NI contributions. The sampling frame for the NES is the NIRS, which means that jobs paying below the LEL may be missed, depending upon whether they are deducted at source and later reclaimed by the individual, or initially are not deducted. This creates the potential for bias in estimates of the extent of unsustainable employment if there is a link between low earnings and sustainability.

f) The Lifetime Labour Market Database (LLMDB)

Of the administrative data sets, the LLMDB appears to offer the best opportunity to measure sustainable employment. It already links to the NES, and collects different instances of NI changes within a year. Further, linkages to JUVOS are possible through the use of National Insurance numbers. Tracking differences in the amounts of Class 1 contributions would offer one way of defining career trajectories over time, up to the upper earnings limit. One drawback with the LLDB is that explanatory variables are limited.

g) The New Deal Evaluation Database (NDED)

The New Deal Evaluation Database collects much information relating to a person's history whilst unemployed and in the New Deal system. However, once a person is in work, relevant data become sparse. The destination of people leaving benefit is known, for those who give to the Department of Social Security a reason for leaving benefit. People returning to benefit can be identified, along with information on the work they were doing before they became unemployed (obtained from standard administrative data collected for processing the claim). However, information on job changes between leaving and re-entering the system is not available, although it should be possible to use the National Insurance number to link to other administrative sources mentioned above. This should help to improve the coverage of the database, providing such linkages do not contravene the Data Protection Act.

Whichever database is used to define sustainable employment, the task will be a relatively complex one. Definitional issues are not straightforward, not least the decision to focus on the individual or the job. When data on the same spells of employment (or unemployment) from different sources, or interview waves, are available, it will be necessary to reconcile the inconsistencies that will always arise.

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