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# Jobs for All

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## National Strategy for Neighbourhood Renewal

(Report of the policy action team on jobs)

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Members of the Policy Action Team were saddened to learn of the death in November 1999 of Valerie Tomlin who was Secretary to the PAT. Valerie was 37. Valerie Tomlin worked tirelessly on behalf of the Policy Action Team and its members. She was a fine Public Servant and also convinced of the importance of the work on which the Policy Action Team was engaged. The Policy Action Team would like to recognise Valerie Tomlin's dedication and commitment to which this report testifies.

## FOREWORD



I am delighted to introduce this report from the Policy Action Team on Jobs (PAT1) which has been considering how best to ensure that the delivery of Government labour market policies helps jobless people in deprived neighbourhoods and from ethnic minority backgrounds into work.

The Government is taking forward the most ambitious programme of labour market reform we have seen to enable people to move from welfare into work – a programme which the PAT endorses. But in

doing this, which will have benefits across the labour market, we must not ignore the inequalities that currently exist. People from ethnic minority backgrounds and people in deprived neighbourhoods have much less good chances in the labour market than the rest of the population. They have lower rates of employment and higher rates of unemployment. This is unacceptable.

The Policy Action Team on Jobs was one of eighteen teams set up by the Social Exclusion Unit's September 1998 report on neighbourhood renewal. As a contribution to the development of a coherent national strategy, PAT1 was asked to develop an action plan, with targets, to: reduce the difference between levels of employment and unemployment in poor neighbourhoods and the national average; and between people from ethnic minority backgrounds and the rest of the population.

The PAT was made up of representatives from a range of organisations involved in the delivery of employment and training services to jobless people, organisations representing people from ethnic minorities, academics with expertise in the employment field, officials from Government Departments and business

people. I would very much like to thank members of the Policy Action Team and its secretariat for the time and commitment they have given.

PAT members gained a great deal from consultations with local agencies and local people in the areas they visited and from meetings with national organisations with a particular perspective on the issues. The openness of jobless people themselves about their experiences has been especially useful in helping us to understand the barriers to employment faced by people in deprived neighbourhoods and from ethnic minority backgrounds.

The PAT has looked at a wide range of employment policy issues and the action plan set out in this report makes over sixty recommendations around the following themes:

- supporting jobless people from deprived neighbourhoods more effectively;
- tackling racial discrimination in the labour market;
- building effective partnerships with business in deprived neighbourhoods;
- addressing jobless people's concerns

about the financial implications of taking up work; and

- enabling local organisations working in deprived neighbourhoods and with ethnic minority communities to contribute to the delivery of active labour market policies.

I welcome the recommendations the PAT has made for my own Department, the Department for Education and Employment. Some of the recommendations will also require close co-operation between Government Departments to make them work. I believe that this work must be taken forward with determination across all Departments with an interest if we are to make a real difference to the employment prospects of people from deprived areas, including people from ethnic minorities.

I look forward to doing all I can to support this important work.



**TESSA JOWELL**

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# On Jobs

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## FINAL REPORT

## EXECUTIVE SUMMARY

### REMIT

1. The Social Exclusion Unit published a groundbreaking report on neighbourhood renewal in September 1998 – *Bringing Britain together: a national strategy for neighbourhood renewal*. It recommended the establishment of a number of Policy Action Teams to review different aspects of national policy bearing on the revival of the poorest neighbourhoods. The Policy Action Team on Jobs was one of these.

2. As a contribution to the development of a coherent strategy for neighbourhood renewal, the Policy Action Team on Jobs was asked to develop an action plan, with targets, to:

- a. reduce the difference in levels of worklessness in poor neighbourhoods and the national average; and
- b. within that, to reduce the disproportionate unemployment rates for people from ethnic minorities.

3. The Policy Action Team's terms of reference are more fully spelt out in chapter 1 which also provides an account of the PAT's membership and methods of working.

### THE PROBLEM

4. The Policy Action Team found that opportunities in the labour market were unequal. Rates of employment and unemployment varied widely from area to area, with high concentrations of joblessness in some wards. Employment rates are much lower than the average among people from ethnic minority backgrounds. Rates of unemployment are much higher.

5. There is no single cause of this inequality. Underlying it are long-running trends towards greater income and labour market inequality. Lack of a job is the most acute manifestation of this, with long-run impacts on the life chances of children. The very dynamism of the economy acts to create new pockets of deprivation as long-established industries give way to new ones, in new locations, demanding new skills. These pockets persist because of structural barriers that prevent markets working to get rid of poor areas: poor school and training standards mean that young people do not acquire the skills they need to compete effectively for many of the jobs being generated; lack of amenity and crime mean that many people who do get jobs and prosper move out; poor physical and human capital deters inward investment.

6. Jobless people living within deprived neighbourhoods and from ethnic minority backgrounds also face some distinct disadvantages in the labour market in competing for jobs.

- a. There is an unequal distribution of the skills and aptitudes which employers want: long-term joblessness undermines the self-confidence, inter-personal skills and work record to which employers attach importance or prevents younger people from acquiring them in the first place.
- b. Racial discrimination in the labour market curtails opportunities for people from ethnic minority backgrounds.
- c. There is a lack of networks linking people without jobs to the employers with jobs to fill; not all vacant jobs are accessible to jobless people.
- d. The transitional costs of taking up a job deter some people who perceive that they will not be much better off or even worse off and reliable information about the financial implications of making the transition is hard to come by.
- e. The help provided to jobless people – though greatly extended under the Government's welfare to work

programme – is not always accessible to the most vulnerable people.

7. A full discussion of labour market inequality and its causes can be found in chapter 2 on ***Setting our sights***.

8. Addressing these inequalities in the labour market will take time and will involve action across a wide front – not just labour market policy. But the PAT recommends that our national aspirations – which should guide policy – should be to:

- a. halve the percentage point differential between the employment and unemployment rates in the most disadvantaged local authority districts and the average and between rates in the most disadvantaged wards and the average for the local authority district concerned; and
- b. eliminate differences in the employment and unemployment rates at national level between people from ethnic minority backgrounds and the rest of the population with the same levels of qualification, of the same age and living in the same area.

9. These are challenging aspirations. It is difficult to judge how quickly they can be fulfilled. The PAT recommends therefore that the Government should monitor progress towards them in the Spring of 2001 and set a harder timetable for achieving them then. But the PAT hopes that substantial progress can be made in the next decade by 2010.

10. A pre-requisite for making progress will be the collection and collation of better information about employment and unemployment rates at local level and among people from ethnic minority backgrounds which can be used to monitor progress and to set targets.

11. A fuller account of these proposed national aspirations, and the information needed to underpin them, can also be found in chapter 2 on **Setting our sights**.

## THE SOLUTIONS

12. Meeting these national aspirations will depend on a concerted strategy – on which the Government is now embarked – to address the underlying causes of inequality: by reforming the welfare system to make work pay; by creating new opportunities to prosper through raising standards in schools and training; by improving access to health care and the effectiveness of that care; through local regeneration and tackling social exclusion; through sustained economic growth. The action recommended by the

other Policy Action Teams will also contribute.

13. The distinctive role of labour market policy is to help jobless people to compete for jobs in the labour markets in which they find themselves. That means focusing on employment, not just on unemployment. And it means tackling the barriers which jobless people currently face when attempting to move back into a job.

14. Here too the Government has already acted. Its welfare to work policy includes a range of measures to make work pay and to provide active help – through the New Deals and now the new “ONE” service – to help people compete effectively for jobs.

15. The PAT wants to build on these policies by enhancing their effectiveness for people living in deprived neighbourhoods and from ethnic minority backgrounds.

16. The report recommends five key ways of doing this.

### **By reaching out to jobless people, particularly the most vulnerable who slip past existing labour market programmes**

17. The PAT recommends engaging long-term jobless people living in deprived neighbourhoods through more use of outreach, linked to professional labour

market advice; the dissemination of IT; and the opening up of personal adviser support to all long-term jobless people regardless of whether they are claiming benefit. It also recommends piloting access to the most intensive support offered under the New Deals to all jobless people in a small number of areas to test whether this makes a difference to employment rates. Once jobless people are drawn in to the networks of support that already exist, the PAT recommends that the priority should be to provide intensive support to enhance self-confidence and inter-personal skills. This support should be brokered by well-trained advisers – preferably drawn themselves from the local community – with a particular expertise in the local labour market. And support should continue to be available post-employment to promote retention in jobs.

18. The PAT's full recommendations on this front can be found in chapter 3 on ***Supporting jobless people***.

### **By tackling racial discrimination in the jobs market**

19. The PAT is clear that eliminating the inequalities faced by people from ethnic minority backgrounds will depend on tackling discrimination in the labour market. People from ethnic minority backgrounds have higher unemployment rates regardless of their qualifications or where they live.

They are rarely represented in proportion to their numbers at senior levels of organisations. The effect is an institutional bar to advancement based on race.

20. So the PAT recommends that the Government, in collaboration with business, leads a major initiative to promote racial equality. This should be launched and underpinned by a national campaign to persuade employers of the benefits of diversity, backed up by practical help to business to implement fair recruitment and fair promotion policies. Public sector employers should lead by example. All employers should be helped to build racial equality into their business plans by incorporating fair promotion and fair recruitment standards into liP and the Business Excellence Model. Racial equality should be on the agenda when Government grants and procurement contracts are under consideration.

21. The PAT also recommends that equality of outcomes should be the objective of the Government's own labour market programmes which should be monitored with that in mind. Where equality is not achieved the reasons should be followed up and, where unequal outcomes persist, responsibility for delivering programmes transferred to other organisations. In line with this, the help provided to people from ethnic minority

backgrounds should be sensitive to their backgrounds and aspirations, with more use of advisers, mentors and intermediary organisations from the ethnic minority communities themselves.

22. The PAT's full recommendations for tackling discrimination in the jobs market are set out in chapter 4 on ***Tackling racial discrimination***.

### **By building bridges to employers**

23. Employers must be part of the solution. Wherever the PAT went, it met employers with vacancies to fill. Enabling jobless people from deprived neighbourhoods to compete for those jobs depends on understanding and responding effectively to employers' needs. The PAT recommends that the key to this is to ensure that staff in job broking agencies – including the Employment Service – are on employers' wavelengths; that employers are involved in the design of labour market programmes like the New Deals; that effective use is made of trusted intermediary organisations to prepare jobless people for the jobs available through work-focused intermediate labour markets or training; and that mobility problems within local labour markets are imaginatively and systematically addressed.

24. The PAT sets out its proposals for involving employers in chapter 5 on

### ***Building bridges: partnerships with employers.***

### **By making work pay**

25. No matter how much active support is available to jobless people, it is still vital that work pays and is seen to pay. The PAT strongly supports the steps that the Government has already taken in this direction, but came across evidence that some jobless people are still deterred by the transitional costs of taking a job, find it difficult to get reliable information and, while on benefit, have little incentive to engage in or declare economic activity which could prepare them for a job.

26. So the PAT recommends steps should be taken to ease the transition by guaranteeing run-ons of Housing Benefit and Council Tax Benefit until a revised in-work rate has been calculated and guaranteeing quick re-establishment of benefit if a job collapses. It also advocates improving the information available to jobless people and the organisations advising them about the financial implications of taking a job. And it proposes piloting changes to rules governing casual earnings and participation in Local Exchange Trading Schemes (LETS) while on benefit to strike a better balance between the need not to blunt incentives to re-enter the job market on the one hand, but to encourage useful economic activity on the other.

27. The PAT's full recommendations on this front can be found in chapter 6 on ***Making work pay***.

**By involving local and ethnic minority organisations in the delivery of labour market services where they have value to add**

28. The PAT took the view that many labour market services could be more effectively and sensitively delivered by organisations based in deprived neighbourhoods or in ethnic minority communities. If this is to happen, it will depend on making it easier for such organisations to become involved in the delivery of programmes like the New Deals or aspects of them. To this end, the PAT recommends more involvement of such organisations in the formation of local partnerships; more discretion for the local managers of organisations delivering labour market programmes locally to contract with such organisations; funding for capacity building where necessary; and the simplification of contracting procedures, particularly audit procedures.

29. The PAT's full recommendations are set out in chapter 7 on ***Delivering the goods***.

## CHAPTER 1 Introduction

### THE REMIT

1.1 The remit of the Policy Action Team on Jobs, set out in the Social Exclusion Unit's September 1998 report: *Bringing Britain together: a national strategy for neighbourhood renewal*, was to examine and make recommendations about:

- the number of people in poor neighbourhoods who could benefit from the New Deal programmes, but who do not because they are not on the right benefit or are off benefit entirely – see here chapter 3, pages 51-53;
- what is known about those who leave the benefits register or New Deal programmes for currently unknown destinations – see here chapter 3, pages 43-46;
- how to re-engage these groups in the labour market, for example through neighbourhood-based initiatives such as job-shops and outreach campaigns – see here chapter 3, pages 46-51;
- what benefit rule flexibilities it might be helpful to pilot: for example, whether changes to earnings disregards, or an easier regime for local exchange trading schemes (LETs)

would be cost-effective in drawing people back into work – see here chapter 6, pages 105-114;

- the best examples of “intermediate labour markets” – where they work and why; their cost-effectiveness; which budgets might be used to fund them; and whether the Government should do more to promote them – see here chapter 5, pages 93-95;
- evidence on how the barriers to employment for ethnic minority groups differ from those faced by other disadvantaged groups, and how much is down to direct or indirect racial discrimination – see here chapter 4;
- the most successful strategies that have been used to combat ethnic minority unemployment in this country and abroad – see here chapter 4.

1.2 The PAT was also asked to set an action plan with targets to:

- reduce the difference between levels of worklessness in poor neighbourhoods and the national average; and
- within that to reduce the disproportionate unemployment rates for people from ethnic minorities.

See here chapter 2 and the summary of recommendations.

## PAT MEMBERS

1.3 The membership of the PAT was broadly agreed by December 1998. The PAT members included representatives from 10 Government departments and from a range of external organisations involved in the delivery of employment and training services to jobless people (including groups with particular training and employment needs). Members included representatives from organisations representing people from ethnic minorities and with experience of working in deprived neighbourhoods as well as academics with expertise in the employment field and business people. A list of members is attached at **Annex A**.

## OUR APPROACH

### Organisation of Work

1.4 At its first meeting the PAT agreed that it would:

- a. focus its work on a small number of wards where levels of unemployment are among the highest in the country and find out from the people living there what prevents them from working; what

help to get a job is already available and how they can be supported more effectively;

- b. look separately at the causes of high unemployment in poor neighbourhoods and among people from ethnic minority backgrounds and at the best ways of reducing unemployment in both cases;
- c. identify approaches to helping people get jobs that are working at local level and how they can be generalised.

1.5 In taking this work forward, the PAT identified a number of key issues on which it wanted to gather evidence and form views. Members decided that the practical way forward was to form sub-teams which would look at each issue in depth and report back to the main PAT with emerging conclusions and recommendations. Our sub-teams focused on:

- coherence and targeting of funding
- what keeps people out of jobs and what helps them in?
  - in deprived neighbourhoods
  - and among people from ethnic minority backgrounds;
- empowering local communities



- supporting jobless people
- partnerships with employers
- financial incentives and disincentives to entering the labour market.

1.6 The structure of our report broadly follows these themes.

## Consultation

1.7 The PAT decided early on to consult as widely as possible. We decided to look at the causes of unemployment and the ways of tackling it in a small number of areas with high rates of long-term unemployment. We also decided that it was important to look separately at the reasons for the higher rates of unemployment experienced by people from ethnic minority backgrounds.

1.8 We engaged the help of the Government Offices for the Regions in setting up visits to areas of the country which would provide the opportunity to explore each of these issues in depth with local agencies and local people. The areas we visited were: Glasgow, Liverpool, Middlesbrough, South Yorkshire, Bradford, Kings Cross and Haringey in London, Brighton, Birmingham and Bristol.

1.9 This enabled us to gain a broad view of employment and training issues in a wide range of different environments including:

- inner cities;

- former coalfield and industrial areas undergoing regeneration;
- seaside towns;
- outlying estates where unemployed people were experiencing particular problems with accessing work;
- areas with significant proportions of people from ethnic minority backgrounds; and
- areas where there was real or perceived discrimination towards people from particular estates or post codes.

1.10 We also visited organisations providing support to refugees or which specialised in providing services to promote the economic development of black and other ethnic minority groups.

1.11 In addition to this fieldwork, we also took the opportunity to consult a number of national organisations which could offer a particular perspective on the issues we were considering. PAT members met representatives from: the National Council for Voluntary Organisations; the Commission for Racial Equality; CBI; TUC; the Local Government Association; the TEC National Council; the Society of Local Authority Chief Executives and Senior Managers; and Chief Education Officers.

1.12 A list of the organisations with which we consulted is at **Annex B**.

1.13 We also carried out a postal consultation exercise in which we invited organisations to respond to questions identified in our Key Issues paper (**Annex C**). A summary of the key points is at **Annex D**.

1.14 We are very grateful to those in the Government Offices for the Regions who arranged an excellent programme of visits and to all the agencies, employers and individuals who helped us to understand the range of issues we needed to incorporate into our findings.

1.15 Through our consultations we have gained a great deal of information and insight into the very wide range of factors which impact on the employment prospects of people from deprived neighbourhoods and people from ethnic minority backgrounds. Wherever we went and to whomever we spoke, we got a clear message that training and employment issues are closely linked to the local context: environment and infrastructure; industrial history and the impact on the way of life of whole communities when major industries disappear; education; health; housing and not least the diversity of communities.

1.16 In addition to this first hand gathering of evidence through fieldwork and consultation, we of course consulted as much research and analysis from this

country and abroad as we could. We identify the specific research on which we have relied at specific points in the text. Some analyses have, however, had a more pervasive influence. This is true, for example, of the report of the New Deal Task Force working group on disadvantaged young people, chaired by Victor Adebawale, which contains much good sense about how to engage disadvantaged people with application well beyond the New Deal for Young People itself. We draw on it extensively.

1.17 Our report distils the learning process we have gone through and to recommend practical and workable solutions to some of the barriers to employment we have seen and heard about.

## CHAPTER 2 Setting our Sights

2.1 In this chapter we review the current state of knowledge about inequality within the labour market and why it occurs, outline a strategy for securing more equal

outcomes and propose some benchmarks against which to chart our progress in achieving them.

### SUMMARY

Opportunities in the labour market are unequal. Rates of employment and unemployment vary widely from area to area. The disparities are greater between local areas within regions than between regions themselves. Local areas can be very small, and disparities are reinforced by the concentration of social housing. Employment rates are much lower among people from ethnic minority backgrounds. Rates of unemployment are much higher.

There is no single cause of this inequality. Underlying it are long-running trends towards greater income and labour market inequality. Lack of a job is the most acute manifestation of this, with long-run impacts on the life chances of children. The very dynamism of the economy acts to create new pockets of deprivation as long-established industries give way to new ones, in new locations and demanding new skills. Pockets persist because of structural barriers that prevent markets working to

get rid of poor areas – for example, lack of a skilled local workforce.

Inequality manifests itself in, and is reinforced by, an unequal distribution of the skills and aptitudes which people need in order to compete effectively for jobs. People from low employment/high unemployment neighbourhoods and from ethnic minority backgrounds are also at a disadvantage in other ways: because they are not tied into informal recruitment networks; because they are victims of prejudice; because they cannot physically reach the available jobs.

Racial discrimination in the jobs market is a key factor underpinning unequal outcomes for people from ethnic minority backgrounds.

For all people who have been out of a job for any length of time financial incentives play a role: many people perceive that the financial certainty of remaining on benefit is

preferable to the potentially higher, but less certain, rewards of taking a job.

It follows from this that tackling unequal outcomes in the labour market cannot entirely be the province of labour market policy. It will depend on a concerted strategy – on which the Government is now embarked – to address the underlying causes of inequality: by reforming the welfare system to make work pay; by creating new opportunities to prosper through educational reform; by improving access to healthcare and the effectiveness of that care, through local regeneration and tackling social exclusion, through sustained economic growth. Employment prospects in poor neighbourhoods can also be significantly improved by action being considered by other PATs to improve the infrastructure, resources and opportunities available to these neighbourhoods – for example, to provide more shops; culture and leisure activity; and access to finance.

Labour market policy does however have an important role to play in equipping people to compete for jobs in the labour markets in which they find themselves. An effective strategy for equality in the jobs market must focus not just on unemployment, but

also on employment. And such a strategy must have a number of broad elements if it is to respond to the multi-faceted causes of inequality. It must:

- a. overcome the obstacles to entry to the labour market facing people with severe disadvantages in the labour market, including people from ethnic minority backgrounds and from low employment/high unemployment neighbourhoods – above all by providing effective support for people without jobs who currently lack the skills and aptitudes to compete effectively for work and by forging effective partnerships with business;
- b. tackle racial discrimination in the jobs market;
- c. remove the financial disincentives – real and perceived – to making the transition from welfare into a job.

The Government has a range of policies in place on all these fronts: to make work pay and, through the New Deals and other initiatives, to help people make the transition from welfare to work. The PAT welcomes these and wants to build on them. Subsequent chapters of the report make specific recommendations about how this might be done.

The PAT also strongly believes that we must establish some benchmarks against which we can measure our progress. This is not straightforward because inequality is not simply a function of imperfections and inefficiencies in the labour market. Nor are all labour market imperfections and inefficiencies amenable to Government intervention. So benchmarking progress is partly about being clear about our national aspirations and partly about establishing some clear objectives nationally and locally to underpin them.

The PAT is clear that our national aspirations should be to:

- a. halve the percentage point differential between the employment and unemployment rates in the most disadvantaged local authority districts and the average and between rates in most disadvantaged wards and the average for the local authority district concerned; and
- b. eliminate differences in the employment and unemployment rates at national level between people from ethnic minority backgrounds and the rest of the population with the same levels of qualification, of the same age and living in the same area.

The PAT recognises that it is difficult to judge how quickly the policies which it recommends will enable these aspirations to be fulfilled. It therefore recommends that the Government should review progress towards achieving the national aspirations in the Spring of 2001 and a timetable set then for achieving them. The PAT – or a successor

body – might play a part in this exercise. Despite the uncertainty over timing, the PAT hopes that these aspirations might in both cases be achieved – or close to achieved – over the course of the next decade by 2010.

Achieving these aspirations will depend on having better information about employment and unemployment rates locally and among people from ethnic minority backgrounds. It will depend on setting hard targets for organisations delivering labour market services locally based on this information.

In the case of wards, the PAT recommends that progress towards the national aspiration of narrowing differentials is assessed by looking at average employment and unemployment rates in the 5% of wards which are currently thought to be most disadvantaged in labour market terms.

And it will also depend on ensuring that the delivery of labour market services is more sensitive to the aspirations and circumstances of people living in deprived neighbourhoods and from ethnic minority backgrounds. This does not mean radically changing the current administration of the Jobseeker's Allowance or the delivery of the Government's various active labour market interventions. But it will mean ensuring that local organisations with value to add – whether in the public, private or not-for-profit sectors – are able to make an effective contribution to the shaping and delivery of services to people without jobs in deprived neighbourhoods and from ethnic minority backgrounds.

## INEQUALITY IN THE LABOUR MARKET

2.2 Opportunities in the labour market are unequal. Your chances of having a job depend markedly on where you live and on your ethnic background. So do your chances of remaining unemployed if you lose your job or if you fail to get one on leaving education and training.

### Geographical inequality: deprived neighbourhoods

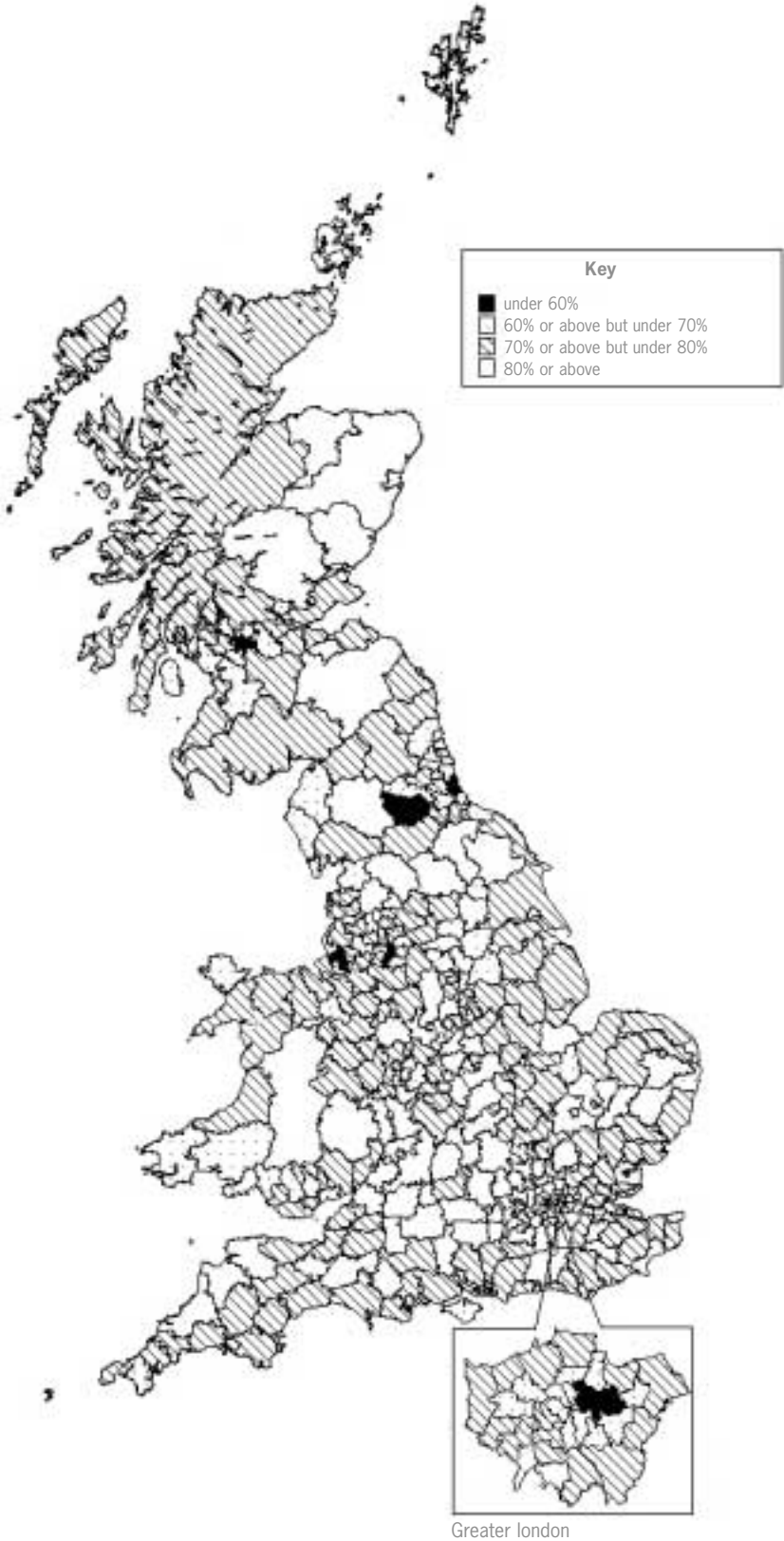
2.3 Inequality within the labour market is less marked at country or regional level. The national labour market has been improving steadily since the end of 1992. Latest labour market figures, seasonally adjusted for the period January to March 1999, show the UK employment rate – the total working age population in work as a proportion of all people of working age – has now reached 74% – its highest level since 1990. Conversely the UK ILO unemployment rate – those available for and actively seeking work as a proportion of all economically active people – has been steadily falling, reaching 6.2% in the quarter January – March 1999.

2.4 Regional disparities are also narrowing. Spring data (seasonally unadjusted) from the Labour Force Survey, exist for Standard Statistical Regions going back to 1984. Focusing on this period and geography:

- differences between the employment rates between regions peaked in Spring 1988 – the difference between the lowest and the highest was around 16.6 percentage points. By Spring 1998, this had reduced to 11 percentage points;
- differences in the ILO unemployment rates between regions peaked in Spring 1989 – the difference between the highest and lowest region was 8.5 percentage points. By Spring 1998, the difference was just 6.3 percentage points.

2.5 But this picture of overall improvement and narrowing regional disparities conceals much sharper inequalities between areas within regions. Charts 1, 2 and 3 show for local authority districts (UALADs) in Great Britain (England, Scotland and Wales) respectively: the average employment rates in 1997; the average number of claimants unemployed for over 2 years as a proportion of the population of working age in 1997; and the average ILO unemployment rates in 1997. All this information has been compiled from official statistics but in certain cases has been manipulated to construct a comprehensive set of comparable data.

Chart 1: Average employment rates for UALADs in Great Britain in 1997





**Chart 2: UALADs in Great Britain: Average 2yr+ unemployed as percentage of working age population in 1997**

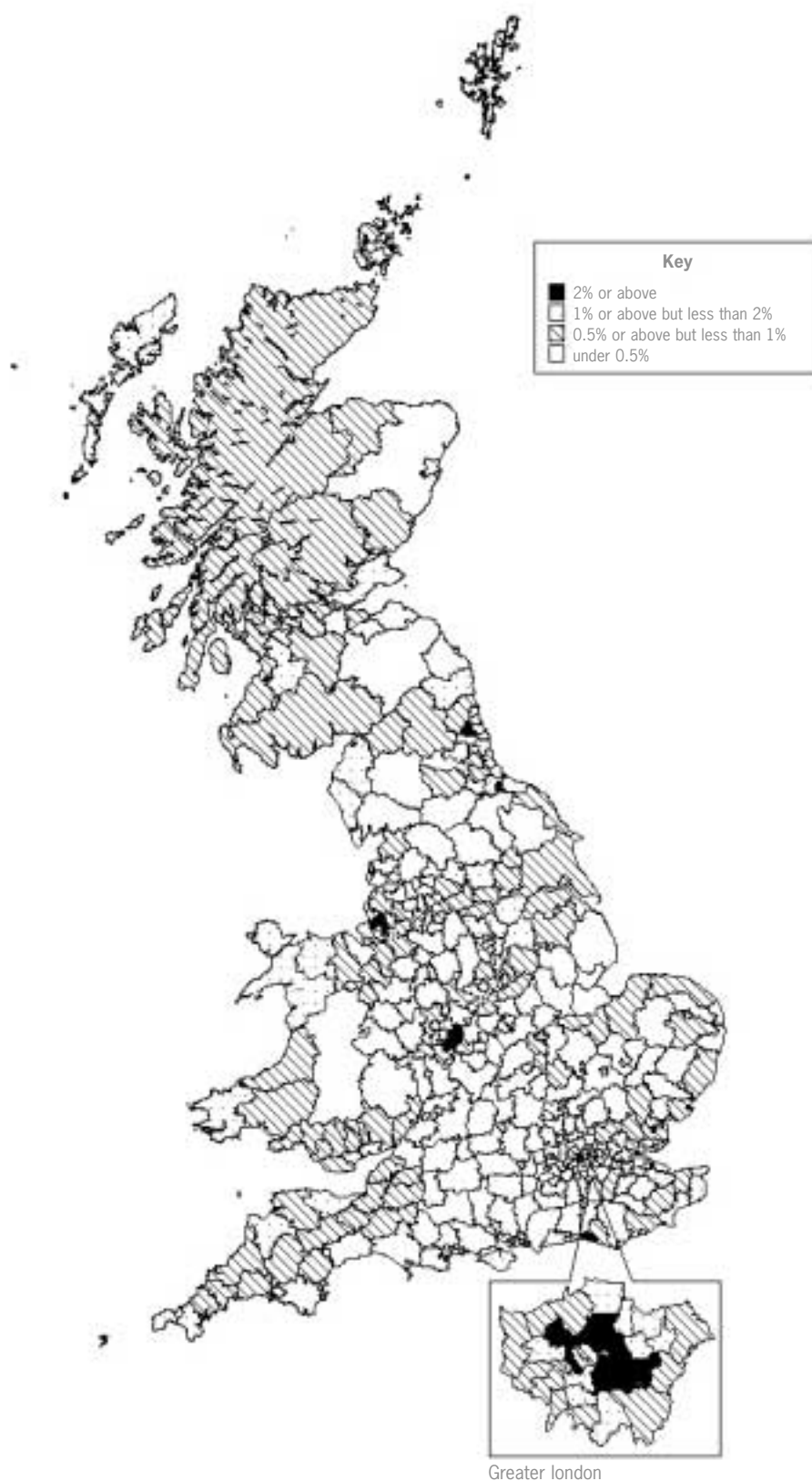
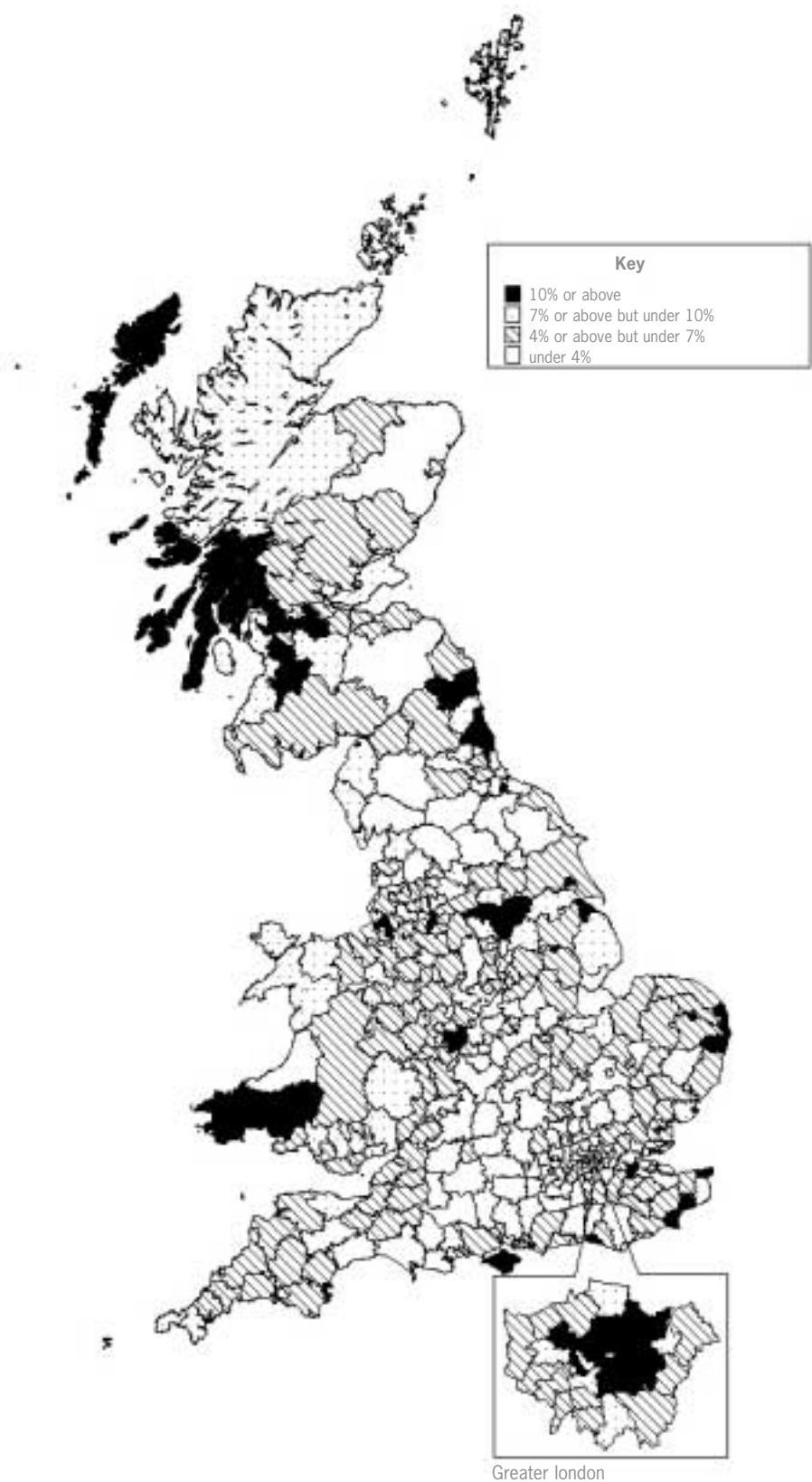




Chart 3: Average ILO unemployment rates for UALADs in Great Britain in 1997



2.6 A number of points are worth drawing out:

- a. there is a tail of 15 local authority districts with very low employment rates of around 61.75% or below – more than 10 percentage points below the national average. They were mostly in major cities, although some former coalfield areas and seaside towns also appear;
- b. most of these 15 local authority districts also had ILO unemployment rates above 10% including all those in urban areas, although there was not a perfect fit. Two low employment districts – Easington and Teesdale – had unemployment rates at around and below the average respectively – but this was mainly because a high proportion of those not working were economically inactive;
- c. conversely there were some local authority districts where above average unemployment co-existed with average or above average employment rates. These areas tended to be concentrated in parts of Scotland and Wales and the English coastal resorts.

2.7 In other words, unemployment was only one manifestation of labour market inequality and benefit dependency. High inactivity rates among the working age population pushed down employment rates in some areas. Conversely high unemployment could be found within otherwise relatively buoyant labour markets.

2.8 An even starker picture of labour market inequality emerges at ward level.

2.9 Employment rates for recent periods are not yet reliable for wards because sample sizes in the Labour Force Survey are not large enough – a major weakness in the information available of which more below. But we have constructed unemployment rates by dividing claimant count unemployment for 1996-97 by the number of economically active people in each ward from the 1991 census. Using this rough and ready – though best available – method we find unemployment rates in the 100 worst of the country's 11 000 wards on this measure were between 15-25 percentage points higher than average. Applying this difference to the April 1999 GB claimant count rate of 4.4% implies rates of unemployment in the worst wards of around 20-30%. In other words, you are up to six times more likely to be unemployed if you live in one of these hundred wards.

2.10 We list the 48 most disadvantaged wards in Table 1 below. These wards tended to have a high proportion of people generally on benefits – for example, unemployment, lone parents and disability benefits. As the Social Exclusion Unit report on *Neighbourhood Renewal* brought out, they also in many cases have significant populations of people from ethnic minority backgrounds. The predominance of inner city wards will perhaps surprise few people, but the number of wards in seaside towns may. We drew on this list in selecting the places for visits by the PAT.

**TABLE 1: 48 WARDS WITH HIGHEST UNEMPLOYMENT RATES**

<b>CITIES</b>		
<b>London</b>		
<u>Tower Hamlets*</u> Spitalfields	<u>Hackney*</u> Westdown Chatham Queensbridge	<u>Brent</u> Carlton
<u>Lambeth</u> Angell  Greenwich Saint Mary's	<u>Haringey</u> Park	<u>Lewisham</u> Grinling Gibbon
<b>Liverpool</b>		
<u>Liverpool*</u> Granby Abercromby Vauxhall	<u>Knowsley*</u> Princess	<u>Sefton</u> Linacre
<b>Newcastle</b>		
West City	<b>Birmingham</b> Sparkbrook Aston Ladywood Handsworth	<b>Nottingham</b> Radford Lenton
<b>Middlesbrough</b>		
Saint Hilda's Southfield Thorn tree	<b>Stockton on Tees</b> Portrack Parkfield	<b>Manchester*</b> Hulme Longsight Ardwick
<b>Dundee City</b>		
Longhaugh	<b>Cardiff</b> Bute Town	<b>Newport</b> Pillgwenlly
<b>Leicester</b>		
Wycliffe	<b>Derby</b> Babington	<b>Bradford</b> University
<b>COASTAL AND SEASIDE TOWNS</b>		
<b>Thanet</b> Elthelbert Pier	<b>Arfon</b> Deinol Menai (Bangor)	<b>Brighton &amp; Hove</b> Regency
<b>Great Grimsby</b> Victoria	<b>Shepway</b> Folkestone Central	<b>Great Yarmouth</b> Regent
<b>Kingston upon Hull*</b> Myton	<b>Plymouth</b> Saint Peter	<b>Rhuddian</b> Rhyl West
<b>OTHER</b>		
<b>Inverness</b> South Kessock	<b>Badenoch</b> Badenoch	

\* amongst worst 15 local authority districts in GB

## **Racial inequality: people from ethnic minority backgrounds**

2.11 You are also less likely to be in a job and more likely to be unemployed if you come from an ethnic minority background.

2.12 Compared to an average employment rate among white people of working age in 1998 of 75.1% the employment rate among people from ethnic minority backgrounds was only 57%. This represents a major inequality in opportunities to forge economic independence and prosperity. And some ethnic minority groups had even lower employment rates than this: only 35% of people of working age from Bangladeshi backgrounds and 41% of people from Pakistani backgrounds were in work, reflecting in part even lower rates of employment among women of Pakistani or Bangladeshi origin – of 25% and 13% respectively.

2.13 Among those people who are economically active, unemployment is considerably higher among ethnic minority communities. Compared to an ILO unemployment rate of 5.8% among white people of working age in 1998, the equivalent rate among people from ethnic minority backgrounds was over double at 13%. And again the rate was significantly higher for some ethnic minority groups: 16% among black people of working age and 20% and 23% among people of

Pakistani and Bangladeshi origins respectively.

2.14 Table 2 opposite provides the latest annual statistics, drawn from the Labour Force Survey, on economic activity by ethnic group.

2.15 In short, opportunities to work and prosper in our society are strongly influenced by where you live and by your ethnic origin. No one would agree to play a game with loaded dice. But, as things stand, life chances are heavily loaded for people from some areas and from some ethnic backgrounds. We must now act to change that.

## **THE CAUSES OF INEQUALITY**

2.16 You cannot tackle the symptoms of inequality unless you understand its causes. The PAT therefore established two sub-teams to look at the reasons for labour market inequality in deprived neighbourhoods and among people from ethnic minority backgrounds. It also, on its visits, talked to many unemployed people and people outside the labour market entirely about the reasons.

2.17 Unsurprisingly there was no one simple explanation. The stories and predicaments of the unemployed and jobless people we met were as individual and varied as the people themselves.

TABLE 2: ANNEX A

Economic activity by ethnic group, Great Britain, average 1998<sup>d</sup>

Thousands and per cent

	In employment	ILO unemployed	Total Economically active	All aged 16 and over	Economic activity rate (%) 16-59/64	Employ- ment rate (%) 16-59/64	ILO un- employment rate (%) 16 and over
<b>All</b>							
All origins <sup>a</sup>	26,526	1,763	28,289	44,882	78.9	73.9	6.2
White	25,206	1,561	26,767	42,381	79.8	75.1	5.8
All ethnic minority groups	1,313	202	1,515	2,492	66	57	13
Black – Caribbean	219	33	252	383	76	66	13
Black – African	134	26	160	241	69	57	16
Black – Other <sup>b</sup>	38	9	47	61	79	63	19
Indian	416	41	457	716	71	65	9
Pakistani	142	35	177	369	51	41	20
Bangladeshi	43	13	56	133	45	35	23
Chinese	73	7	80	140	62	57	9
Other Origins <sup>c</sup>	248	39	287	449	67	58	13
<b>Men</b>							
All origins <sup>a</sup>	14,649	1,085	15,735	21,886	84.7	78.8	6.9
White	13,893	963	14,856	20,651	85.3	79.7	6.5
All ethnic minority groups	754	122	876	1,231	76	65	14
Black – Caribbean	105	18	123	174	81	69	15
Black – African	81	15	96	127	77	65	16
Black – Other <sup>b</sup>	17	*	23	28	80	60	*
Indian	248	24	273	368	80	73	9
Pakistani	101	25	126	187	71	57	20
Bangladeshi	36	10	45	70	68	54	21
Chinese	36	*	39	66	62	57	*
Other Origins <sup>c</sup>	131	21	152	210	75	64	14
<b>Women</b>							
All origins <sup>a</sup>	11,876	678	12,554	22,997	72.5	68.5	5.4
White	11,313	598	11,911	21,730	73.7	69.9	5.0
All ethnic minority groups	560	80	639	1,261	56	49	12
Black – Caribbean	114	15	129	209	72	63	12
Black – African	54	11	64	113	59	49	17
Black – Other <sup>b</sup>	21	*	24	33	77	66	*
Indian	168	16	184	348	62	56	9
Pakistani	41	10	51	181	30	25	19
Bangladeshi	8	*	11	62	19	13	*
Chinese	37	*	41	74	62	56	*
Other Origins <sup>c</sup>	118	17	135	239	60	52	13

\* Sample size too small for reliable estimate.

<sup>a</sup> Includes those who did not state ethnic origin.<sup>b</sup> Excludes Black-mixed.<sup>c</sup> Includes all mixed origins.<sup>d</sup> Spring 1998 to Winter 1998/9.

Source: Labour Force Survey

2.18 Nevertheless it is clearly possible to identify some underlying causes of the current inequality in labour market outcomes, as well as some of the key reasons which keep unemployed and jobless people out of jobs.

2.19 At the root of the problem, as the recent Treasury paper on Tackling Poverty and Extending Opportunity clearly demonstrated, is a long-standing trend – running since the late 1970s – towards greater income inequality and the persistence of low income. Income inequality in itself need not be disturbing or surprising in a dynamic economy if matched by equality of opportunity to move up the economic scale. But in fact, the lack of a job is a key manifestation – both cause and effect – of low income. Around two-thirds of low income households are without work. And the lack of work locks these households into a cycle of decline. People who have been unemployed are at much greater risk of subsequent unemployment and low pay. And children from workless or low income households are much less likely to stay on at school and to have poor educational attainments. Educational attainment in turn has a significant impact on people's chances in the labour market.

2.20 No one knows for sure what lies behind the twenty year trend to greater income inequality. But it is widely accepted that a key factor has been technological change which has tended to save unskilled

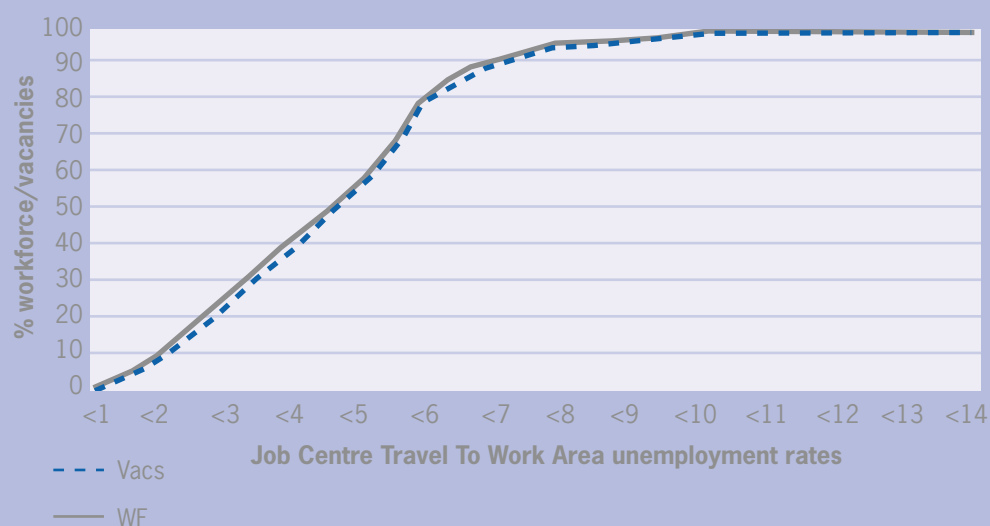
jobs, while placing a higher premium on skills. And technological change has also undermined long-established working patterns and geographies, with older industries dying out and new ones rising to replace them in different locations and demanding different skills.

2.21 This was most graphically demonstrated for the PAT in South Yorkshire where we saw an acute lack of economic activity and low levels of employment in former mining villages, while not many miles away new call centres were opening in the Dearne Valley. This change – an inescapable part of a dynamic economy – hits hard at established skills. It is no surprise perhaps that rates of employment have declined most steeply among men aged over 50 who were formerly employed in declining industries.

2.22 But the other side of a dynamic economy is job creation. On all our visits, the PAT asked whether one of the reasons for the labour market inequalities we have described was a shortage of jobs. We also looked at the statistical evidence.

2.23 Notwithstanding the lack of jobs in many neighbourhoods, we were rarely told that there was a lack of jobs within travelling distance of the places we visited. On the contrary, as we note above, unfilled vacancies co-existed with unemployed and jobless people.

**CHART 4: CUMULATIVE PERCENTAGE OF WORKFORCE AND VACANCIES BELOW EACH UNEMPLOYMENT RATE – OCTOBER 1998**



Source: NOMIS

2.24 This is confirmed by the statistical evidence at the level of Travel to Work Areas (TTWAs). Chart 4 above plots shares of the workforce and of vacancies notified to the Employment Service below each unemployment rate for the year to October 1998. Very broadly, the two lines coincide: indicating crudely that, given its size, each TTWA had an appropriate share of vacancies.

2.25 Chart 5 on the next page bears this out: it shows the shares of vacancies and unemployment in certain unemployment ranges. For most of the ranges the share of vacancies exceeds the share of the workforce. The exceptions were in TTWAs where unemployment rates are below 3% and, particularly, those in the range 5-5.5%.

The latter range is dominated by London which has a share of vacancies significantly below its share of the national workforce.

2.26 Of course, vacancies are simply a snap shot of the labour market on a given day. Many are filled very quickly. Others demand skills which unemployed and jobless people may not have. Others again may have unattractive terms and conditions. Still others may lie out of reach of some people within the travel to work area because of poor transport links or reluctance to travel or both. And our information is based on vacancies notified to the Employment Service which represent only a proportion of the total – usually estimated at one third, though this may vary from area to area.

**CHART 5: SHARE OF TOTAL VACANCIES AND WORKFORCE IN EACH UNEMPLOYMENT RANGE – OCTOBER 1998**



Source: NOMIS

2.27 So the underlying picture is complex. The geographical and racial inequalities we have described are in part a product of deeper-seated trends towards income inequality. They are made worse in some areas by the decline of traditional industries. But they co-exist with a dynamic economy which is also creating new jobs.

2.28 We have considered in this context a recent study, funded by the Joseph Rowntree Foundation, by Ivan Turok and Nicola Edge about *The jobs gap in Britain's cities*. But we do not think it fundamentally alters our conclusions. It simply confirms a relative shift of both jobs and population away from cities in the last twenty years. But given these coincident population changes and the growth of mobility, it does

not alter the basic point that jobs exist within most travel to work areas, though, as we discuss in chapter 5, some jobs are easier to reach than others.

2.29 So why do people living in low employment/high unemployment neighbourhoods and people from ethnic minority backgrounds fail to secure the jobs that exist?

2.30 The PAT identified four principal reasons for the perpetuation of inequality. We set them out below in no particular order of importance.

**The skills and aptitudes which equip people to compete effectively for jobs are themselves unequally distributed.**



2.31 We know that there is a strong relationship between people's level of qualification and their success in the labour market. In 1998 the employment rate for people with no qualifications was only 51.8% compared to an average of 73.4% and a higher rate still for people with degrees.

2.32 We also know that people living in the most deprived neighbourhoods are much more likely to lack formal qualifications at these levels. In part this is a legacy of the past failure of the education system to set high enough aspirations for children and students from deprived neighbourhoods. In part, it reflects the tendency – noted in the reports of other PATs – for people who do become economically independent to move away from deprived neighbourhoods, leaving concentrations of workless households behind. In part it reflects, as we note above, the decline of traditional industries which renders redundant the skills which people possess. The Policy Action Team on Skills analyses these issues more fully in its report.

2.33 Even more important in the PAT's view is the corrosive and combined effect of poor formal qualifications and prolonged lack of paid work on people's self-confidence and inter-personal skills. What employers want most is people with commitment, determination and self-

discipline. But these are exactly the qualities which people deprived of work for long periods lose or have little opportunity to acquire. And in the case of areas where unemployment reaches 20-30% and a significant further proportion of people of working age is inactive, there may be few positive role models on which to draw. Young people who have themselves been brought up in workless households – and 20% of children now are – are particularly at risk in this respect.

2.34 But being qualified and employable does not guarantee a job either.

**For people from ethnic minority backgrounds, a key cause of inequality in the labour market is racial discrimination**

2.35 Neither qualifications, nor geography explain why people from ethnic minority backgrounds do less well in the labour market. As table 3 on the next page shows, ILO unemployment rates are higher for people of ethnic minority backgrounds no matter what their level of qualification and no matter what their age or sex. In some of the areas we visited, unemployed people from ethnic minority backgrounds had trained several times over to no avail.

**TABLE 3: ILO UNEMPLOYMENT RATES BY HIGHEST QUALIFICATIONS LEVEL,<sup>a</sup> ETHNIC ORIGIN, AGE AND SEX; PEOPLE OF WORKING AGE (16-59/64); GREAT BRITAIN; AVERAGE 1996/98, NOT SEASONALLY ADJUSTED**

Age group and level of highest qualification held <sup>a</sup>	Great Britain, Per cent					
	All persons		Men		Women	
	White	Ethnic minority groups	White	Ethnic minority groups	White	Ethnic minority groups
<b>All 16-59/64<sup>b</sup></b>	7	15	8	16	6	14
Higher qualifications	3	8	3	9	3	7
Other qualifications	7	16	7	17	6	16
No qualifications	13	23	17	25	9	19
<b>All 16-24<sup>b</sup></b>	13	26	15	27	10	24
Higher qualifications	7	12	9	*	6	*
Other qualifications	11	25	13	26	9	24
No qualifications	29	45	32	43	24	49
<b>All 25-34<sup>b</sup></b>	7	15	7	16	6	15
Higher qualifications	3	9	3	9	2	8
Other qualifications	7	17	7	17	6	17
No qualifications	19	27	22	27	15	27
<b>All 35-59/64<sup>b</sup></b>	5	11	6	13	4	9
Higher qualifications	3	7	3	7	2	6
Other qualifications	5	12	6	13	4	10
No qualifications	9	17	12	20	6	12

Source: Labour Force Survey

\* Sample size too small for reliable estimate.

<sup>a</sup> Higher qualifications are those above GCE A-level or equivalent, 'other' qualifications are those of GCE A-level or equivalent or lower.

<sup>b</sup> Includes those whose highest qualification level was not stated.

2.36 And although people from ethnic minority backgrounds tend to be concentrated in major cities, compared to whites, they are under-represented when one looks at employment rates, and over-represented when one considers ILO unemployment rates. Table 4 sets out the figures.

2.37 This leaves discrimination as an explanatory factor. And on this there is plentiful evidence. We know from the Government's New Deal for Young People programme that, on average, it takes more job referrals to move a young person from an ethnic minority background into work, compared to whites.

**TABLE 4: DISADVANTAGE RATIOS OF PEOPLE FROM ETHNIC MINORITIES.  
AVERAGE SPRING 1998 TO WINTER 1998-99,  
NOT SEASONALLY ADJUSTED**

	Great Britain		
	Disadvantage ratios <sup>1</sup>		Ethnic minorities as a percentage of total <sup>3</sup> population
	Employment <sup>2</sup> rate	Unemployment rate	
Great Britain	0.8	2.3	6.5
Inner London	0.8	2.5	28.1
Outer London	0.8	1.8	22.7
West Midlands (Met. County)	0.7	2.3	17.6
Greater Manchester	0.6	2.4	6.9
West Yorkshire	0.6	3.2	9.4
Rest of Great Britain	0.8	1.8	2.5

Source: Labour Force Survey

<sup>1</sup> Disadvantage is expressed as a relation to white people, who are taken to represent 1. A figure below 1 gives, therefore, the degree of under-representation in that category compared with whites.

<sup>2</sup> As a percentage of population of working age.

<sup>3</sup> Total population excludes those who did not state their ethnic origin.

2.38 This is consistent with the evidence of a 1996 CRE study *We Regret to Inform You: Testing for racial discrimination in youth employment in the north of England and Scotland* which found that, among young people, white applicants were three times more likely to get interviews than people from Asian backgrounds with equivalent qualifications and five times more likely than black people.

2.39 Many people whom we met on our visits told us that discrimination in the jobs market was part of their everyday experience.

2.40 In short, for whatever reasons – and to this we return – employers are setting on one side employable people who could add

value to their businesses because they come from ethnic minority backgrounds.

2.41 Racial discrimination is not however the only barrier to a job for unemployed and jobless people.

**There is a lack of fully effective mechanisms for building bridges between employers and employable, but jobless, people in deprived neighbourhoods.**

2.42 In all the places that we visited we talked to unemployed and inactive people who wanted jobs and were well capable of filling them and to employers who wanted to fill vacancies. But never the twain shall meet – or at least not frequently enough.

2.43 The reasons varied for these failures to link people without jobs to jobs without people varied. In many cases employers lacked confidence that people from the areas concerned would meet their needs and decided not to take the risk of recruiting from them. In effect, employers were sifting by area or “red-lining” deprived neighbourhoods (though the Employment Service challenges employers who explicitly set unreasonable geographical limits to their recruitment).

2.44 In other cases, people regarded the available jobs as out of reach because transport links were not good enough or because the journeys involved travelling to or through places that were outside their established mental geographies.

2.45 Either way, employable people from deprived neighbourhoods were not being matched to vacant jobs as frequently as they could, or should, have been.

**Many people who have been out of regular paid work for some time regard the certainty of benefit as preferable to the potentially higher but more risky (as they see it) rewards of work.**

2.46 In the course of our visits the PAT met many people who doubted whether it was worth making the transition to work.

2.47 In some cases (although not invariably) this reflected a misunderstanding of their likely earnings in-work and of the impact of the various measures already taken by the Government to make work pay. People assumed that loss of benefit income would more than offset their earnings in work. In others, people accepted in principle that a job would leave them better off, but were deterred by the transition. They were worried that in-work benefits would not catch up with their change of status confronting them with a temporary interruption in income. And they were concerned that it would be difficult to re-establish their entitlement to benefit if a job collapsed a short time after taking it.

2.48 The difficulty of finding convenient, affordable childcare was also a barrier to taking up employment for some people.

2.49 Underlying these anxieties about the financial impact of taking a job were often mismatches between people’s expectations and the realities of the job market. Many of the jobs on offer were relatively low paid and did not attract unemployed and inactive people. There was little appreciation of the opportunities for progression once in a job or of the wider benefits which work brings in terms of dignity and sociability.

## A STRATEGY FOR TACKLING INEQUALITY

2.50 The strategy for tackling inequalities in the labour market which the PAT recommends in subsequent chapters of this report is grounded on this analysis of the causes of inequality.

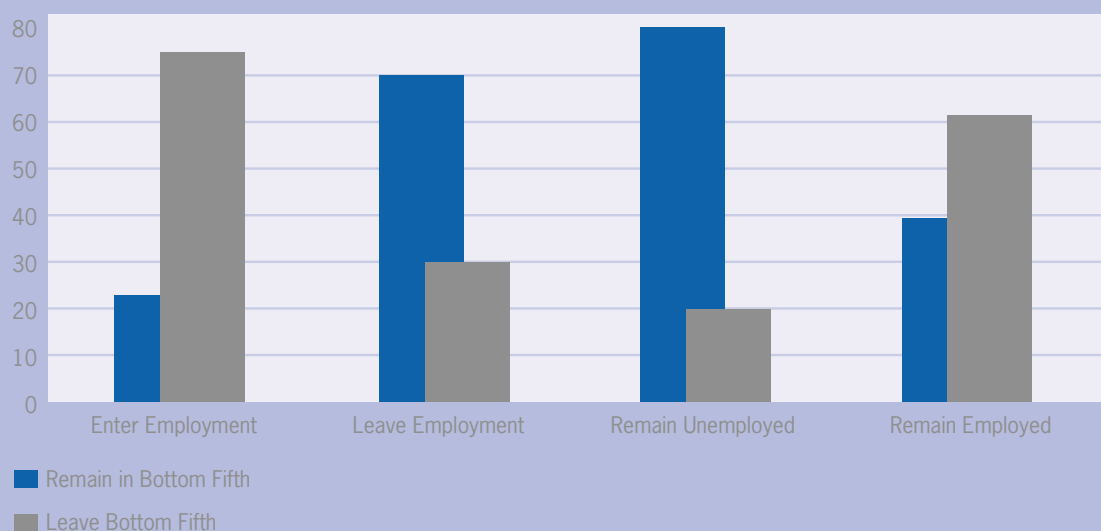
2.51 Labour market policy cannot do the whole job. The deep-seated trend towards greater inequality which, as we note above, underlies inequality in the labour market has to be tackled across the board of economic and social policy. It requires a concerted strategy, on which the Government is now embarked, to equip people with the opportunities – educational, economic, and in terms of better health – to take control of their own lives and to prosper. The PAT welcomes the steps the Government is taking to improve standards in schools, to improve people's health and the effectiveness of the NHS, to improve work incentives; to regenerate deprived areas and to lay the ground work for a more productive economy. All will make a difference.

2.52 But labour market policy does have a distinctive contribution to make in equipping unemployed and jobless people from deprived neighbourhoods and from ethnic minority backgrounds to compete for the jobs that exist. The PAT has concentrated on this.

2.53 First and foremost, we advise that inequality is as much a function of low rates of employment as of high rates of unemployment. It is as important therefore that we offer opportunities to work and to earn to people in deprived neighbourhoods and from ethnic minority backgrounds who have withdrawn from the labour market as it is to people who remain active but cannot find a job. Providing employment opportunities for all is the single most effective means of tackling poverty and social exclusion. Chart 6 shows that when people in the bottom fifth of the income distribution gain work, the chance of them moving out of low income is very high. Almost eight out of ten who had moved from joblessness into work between 1991 and 1995 had moved up the income distribution out of the bottom fifth. In contrast people on low incomes who remained unemployed are very unlikely to move up the income distribution.

2.54 The PAT was, of course, very conscious that the Government had already put in place a range of policies designed to help people move from welfare to work, based on a balance between active help for unemployed and inactive people to compete for jobs and changes to the tax and benefit systems to make work pay. The PAT generally welcomed these policies and saw no case for recommending wholesale changes now. It would be premature to do so.

**CHART 6: MOVEMENT OUT OF THE BOTTOM FIFTH AND ECONOMIC STATUS 1991 – 95**



Source: *“Tackling Poverty and Extending Opportunity”, HM Treasury, The Modernisation of Britain’s Tax & Benefit System, March 1999.*

2.55 Some programmes of active help – the New Deal for Disabled People, the New Deal for partners of the unemployed, the Single Work Focused Gateway, the “ONE” Service – and Employment Zones – are only just getting started. In other cases – the New Deal for Young People, the New Deal for long-term unemployed people aged 25+ and the New Deal for Lone Parents – we await the results of independent evaluation. As we discuss in our chapter on *Making work pay*, the changes the Government has made to the tax and benefit system – the working families tax credit, the childcare tax credit – have also yet to come fully on stream. And we have yet to see the full

impact of the National Minimum Wage which will also improve incentives to work.

2.56 But the PAT did believe that it was possible to develop existing policies in ways which would make them more effective in narrowing the acute labour market inequalities we have described. More particularly, promoting equal opportunities depends on tackling the specific causes of inequality which we outline above. It means:

- a. **providing more effective support to people without jobs in deprived neighbourhoods and from ethnic minority backgrounds who currently**

**lack the skills, confidence and aptitudes to compete effectively for jobs and to retain jobs and enhance their skills and earnings once in**

**them:** we outline in chapter 3 proposals for enhancing the help available through existing employment programmes and for reaching beyond existing programmes;

- b. **tackling racial discrimination in the labour market** by ensuring that employers are much more aware of the bottom line benefits of a diverse workforce, that there are positive incentives for business to adopt fair recruitment and promotion procedures and positive role models in both the private and public sectors to copy, and that the providers of employment programmes themselves achieve equal outcomes: we make our recommendations in chapter 4;
- c. **building bridges for employable people from deprived neighbourhoods into the labour market** by giving employers the confidence and incentives to recruit and by tackling mobility problems. This is the subject of chapter 5; and
- d. **tackling the financial disincentives which unemployed and inactive people perceive make it not worth their while to make the transition into work and improving the quality and reliability of information about**

**the actual financial implications of taking a job:** chapter 6 deals with these issues.

2.57 And, although not itself one of the causes of unemployment, we must also enhance the delivery of labour market services within deprived neighbourhoods and to people from ethnic minority backgrounds. We have more to say about this below and in chapter 7.

## MONITORING PROGRESS

2.58 The PAT also strongly believes that we must establish benchmarks against which we can monitor our progress. This involves being clear about what we want to achieve, the timescales for doing so and the implications for the work of the many organisations involved in the labour market and in delivering services to unemployed and inactive people at local level.

2.59 It also involves being clear about the limitations of labour market policy. As we have discussed, the geographical and racial inequalities we have found in the labour market have causes which go deeper than the imperfections and inefficiencies of the labour market itself. That is why the Government has established eighteen Policy Action Teams to develop policies for righting inequality and lack of opportunity – for neighbourhood renewal – across the board. Equally, not all the imperfections and

inefficiencies which do exist in the labour market are necessarily amenable to direct intervention by Government. They depend on action by employers, by voluntary bodies and by communities themselves (although, as we argue, the Government can exert a powerful influence on all three).

2.60 Against this background, we need to develop benchmarks at a number of levels. We must:

- a. set ourselves clear national aspirations for narrowing labour market inequalities between deprived neighbourhoods and ethnic minority communities and the rest of the country;
- b. ensure that these national aspirations are underpinned by local targets and the information to make sense of them; and
- c. see to it that that organisations delivering active labour market measures are set equality targets and judged in part on whether they deliver them.

### **Deprived neighbourhoods**

2.61 We shall never altogether eliminate the regional and local variations in rates of employment and unemployment which stem from differing patterns of employment and the differing economic impacts to which they are subject. A dynamic economy will lead to relative imbalances between regions and, within regions, between areas as industries wax and wane. At ward level, high unemployment and low employment rates

may reflect a tendency for people to move out as and when they secure a job. The important thing is that the balance should not become permanently tilted against particular areas.

2.62 In the case of deprived neighbourhoods, the starting point is to narrow the inequalities in employment and unemployment rates that we noted between local authority districts.

#### **Recommendation 1**

**2.63 We recommend that our national aspiration should be to halve the percentage point differential between employment and unemployment rates in the most disadvantaged local authority districts and the average.**

#### **Recommendation 2**

**2.64 We recommend that a similar approach should be taken at ward level. We should adopt it as national aspiration to halve the differential between employment and unemployment rates in the most disadvantaged wards and the average for the local authority district concerned.**

**It will be for the DfEE/ES to take the action and coordinate the activity needed to achieve this aspiration.**



2.65 It is a stretching and ambitious aspiration. For example, halving the difference in the average employment rate for the worst 15 local authority districts would require a relative change of around 8 percentage points.

### **Recommendation 3**

**2.66 Because it is so stretching, we recognise however that it is difficult to be sure how quick the measures we recommend in this report will prove to be. Rather therefore than propose a hard and fast timetable now, we recommend that the Government review the pace with which we can realistically move towards this national aspiration in Spring 2001 in the light of the progress made by then and a timetable be set then for further advance. We recommend that it would be sensible to reconvene the PAT – or a body like it – to undertake this exercise and to offer further advice to the Government.**

2.67 Despite its ambition, we very much hope that the national aspiration we recommend will be achieved, or close to achievement, during the course of the next decade, by 2010.

2.68 We also recognise that central government cannot act alone on this front. The absence of reliable information about employment and unemployment rates at ward level means that it is difficult to identify which are the most disadvantaged wards in labour market terms at any one time. Moreover their composition is likely to change over time as economic activity shifts and jobs are gained in some areas and lost in others. Indeed focusing significant central government money now on what appear to be the most disadvantaged 50 or 100 wards could lead, over time, to serious misallocations of resources.

### **Recommendation 4**

**2.69 So there is an important role here for organisations delivering labour market policies at local level. Specifically, the PAT recommends that:**

- a. those organisations with an interest in the local labour market – particularly the Employment Service and local authorities – should periodically commission and fund – say, every five years – a survey of employment and unemployment within local authority districts capable of yielding robust information at ward level.**

*(In conjunction with the Policy Action Team on Skills which also wants to improve the quality of information at local level, we have commissioned research into the likely cost of such periodic surveys at local level);*

- b. the aim of employment policy at local level – by whomsoever delivered – should be to ensure that the percentage point differential between the employment and unemployment rates in most disadvantaged wards and the average for the local authority district concerned is halved by 2010; and*
- c. all organisations delivering labour market services at local level to different groups of unemployed and economically inactive people should be expected to monitor relative success rates in moving people into jobs on the basis of postcode and to achieve broadly the same rates of success irrespective of the wards in which people live.*

2.70 For its part, the DfEE will need to monitor the differential between employment and unemployment rates in the most

disadvantaged wards and the average at regular intervals on the basis of the available information in order to assess whether changes are needed to the framework of national labour market policy in order to facilitate the delivery at local level of the targets set out above. It will be able to do this in part by aggregating existing information from the Labour Force Survey and increasingly, as time goes on, by drawing on local surveys of employment rates.

#### **Recommendation 5**

**2.71 We recommend that progress towards the national aspiration of narrowing differentials between wards is assessed by looking at average employment and unemployment rates in the 5% of wards – 470 in England and Wales – which are currently – on the basis of the unemployment statistics marshalled above – thought to be most disadvantaged in labour market terms. DfEE and ONS will be responsible for taking this forward.**

#### **People from ethnic minority backgrounds**

2.72 In the case of people from ethnic minority backgrounds the PAT believes that our national aspiration can be straightforwardly stated: it should be to eliminate inequalities in employment and

unemployment rates between people from ethnic backgrounds and the rest of the population.

2.73 Clearly however the inequalities faced by people from ethnic minority backgrounds do not stem wholly from factors intrinsic to the labour market. They are also a reflection of unequal access to educational opportunities and qualifications, to patterns of settlement and to the experience of discrimination in many other walks of life.

2.74 Bearing this mind, it is important to set ourselves aspirations for achieving equality in the labour market which it is reasonable to look to Government, employers and other participants in the market to deliver.

#### **Recommendation 6**

**2.75 In the PAT's view a reasonable aspiration on this basis would be to aim to have brought about equality in employment and unemployment rates for people, regardless of their ethnic origin, with broadly equivalent qualifications, of roughly the same age and living in the same area. In other words, people from ethnic minority backgrounds should be as likely to be employed and as unlikely to be unemployed as the rest of the local population with the same level of qualification and of the same age. We so recommend.**

2.76 All organisations active in the labour market as employers or providers of employment services have a role to play in meeting this objective. But it must, necessarily, be for the Government to take the lead in coordinating the action needed to achieve it. We explain in chapter 4 some of the steps which we think need to be taken in order to do so.

2.77 This aspiration applies as much between ethnic minority groups as it does between the white population on the one hand and people from all ethnic minority backgrounds combined on the other. It would only be a partial success to achieve equality on the latter measure, while inequality persisted between ethnic minority groups. The PAT recognises, however, that the very low rates of employment experienced by some people from ethnic minority backgrounds, particularly women from Pakistani and Bangladeshi backgrounds, have multiple causes and will not be reversed overnight. The important thing is that the support and help available to jobless people is sensitive to these differences and the reasons for them so that progress towards higher employment rates is at least relatively as fast.

### **Recommendation 7**

**2.78** We hope that this aspiration too can be achieved, or significant progress made towards it in the course of this decade by 2010, but, again, recognise that we cannot be sure how quickly the policies we advocate will take effect. So we recommend on this too that the Government should reconvene the PAT, or a body like it, in Spring 2001 to review progress and propose a timetable for further advance.

### **Recommendation 8**

**2.79** As with deprived neighbourhoods, it will be critical to the achievement of this objective that it is also adopted at local level. To this end we recommend that:

- a.** all labour market surveys at national and local level should include questions about ethnic origin: this is primarily for the DfEE/ES and ONS to implement, but also applies to local organisations which commission surveys to inform their work;
- b.** all those claiming benefits should be asked about their ethnic origin – this is already true in the case of the

**Jobseeker's Allowance – as should, on the model of the New Deal for Young People, all people enrolling on active labour market programmes: this is for the DfEE/ES, the DSS and local authorities;**

- c.** on the basis of this information, all organisations delivering active labour market programmes like the New Deals at local level should be expected to monitor the relative success rates of people from ethnic minority backgrounds and to achieve equality of outcomes regardless of people's ethnic background: we return to this in chapter 4 of our report which deals with tackling racial discrimination.

## **DELIVERY**

**2.80** Finally, it is clear that implementation of the strategy mapped out in this chapter, and described in more depth in subsequent ones, will depend on effective delivery of labour market policies and programmes at local level. The PAT has considered how we can improve the quality, sensitivity and effectiveness of the services provided to people living in deprived neighbourhoods and to people from ethnic minority backgrounds.

2.81 Sufficient to say here, that we think that there is scope for improvement. It lies not in radical reform of the Employment Service or of the arrangements for delivering existing Government programmes like the New Deal. Rather the key is to harness local organisations working within deprived neighbourhoods and with people from ethnic minority backgrounds to the delivery of the Government's existing programmes where they have value to add.

2.82 If we are to do this however we shall need to give those responsible for delivering programmes locally – whether from the Employment Service, from partnerships of local organisations or from the private sector – discretion to use public money to develop and involve local organisations with a contribution to make. We shall need to simplify some of bidding and audit procedures. And we shall need to ensure that the Employment Service's own targets provide positive incentives to cooperate with other organisations.

2.83 We address all these issues in depth in chapter 7.

2.84 We now turn in the remainder of our report to the concrete strategies which we believe, if followed at national and local level, could help to make these aspirations achievable.



## CHAPTER 3 Supporting Jobless People

3.1 In this chapter we consider how better to help jobless people in deprived neighbourhoods and from ethnic minority backgrounds to compete effectively for jobs. Our focus is on those people – whether unemployed or inactive – who lack the formal qualifications and personal qualities which employers want. We also

look, as our terms of reference require, at the predicament of those people who are currently ineligible for labour market help because they are not claiming benefit. And we marshal the available evidence about the circumstances of people who stop claiming Jobseeker's Allowance without disclosing what they are doing.

### SUMMARY

When it comes to supporting jobless people, there are two related issues:

- a. whether we can improve the quality of service offered to long-term unemployed and inactive people who are claiming benefit and so qualify for one or other of the Government's welfare to work initiatives, like the New Deals; and
- b. whether there are other people to whom this support could, and should, be offered, but who are either not claiming benefit or decide to stop doing so.

The Government has already extended the active help available to jobless people. Onto the foundation of the job broking service offered by the Employment Service – backed up in the case of unemployed people, by the active case management

integral to Jobseeker's Allowance – the Government has built a number of active labour market measures designed to help unemployed and inactive people to secure their economic independence through work. And the Government is now piloting a new gateway to the benefits system – known as "ONE" – which will provide anyone claiming benefit – regardless of the reason and the benefit concerned – with help to look for work.

Intrinsic to all these initiatives are the support of a personal adviser, access to special help where needed and the use of mentors. The PAT wants to build on this in a number of ways in the case of jobless people from deprived neighbourhoods and from ethnic minority backgrounds in order to give such people a better chance of

making the transition into work and to retain people who might otherwise stop claiming benefit and drift away.

And the PAT also wants to ensure that help is available to those people who are not currently eligible for support because they are not claiming the benefits which entitle them to it.

There are five main elements to the strategy proposed by the PAT.

First, the PAT believes that more can be done to reach people who currently slip past existing labour market programmes or choose not to join the labour market. The key here is to bring the services to people rather than make the people go to services. There is no one right way to do this. It can be achieved both by harnessing local organisations working in the community as an initial point of contact and by stationing Employment Service and other labour market professionals in deprived neighbourhoods themselves. But, whatever the approach, there have to be effective mechanisms making available to jobless people professional advice about the opportunities available in the local labour market.

Second, the PAT recommends that people in deprived neighbourhoods who are jobless and who are reached through these means but who are not claiming benefit should wherever they are, be given access to the support of a personal adviser. Where they are in principle eligible for benefit, they should be encouraged to claim it and, generally, access to the more intensive employment interventions available under the New Deals should be conditional on doing so. This applies particularly to unemployed people who should accept the responsibilities associated with the Jobseeker's Allowance before taking advantage of the help and support to which it leads. However, we recommend, as an experiment, giving access to the appropriate New Deal to all long-term jobless people in a small number of deprived neighbourhoods to test whether open access in these neighbourhoods makes an appreciable difference to the employment rate.

Third, the personal adviser is the pivotal figure. It follows that he or she must be well chosen, well-trained and well-motivated. In the view of the PAT, advisers are most likely to be effective when they are someone with whom the unemployed or jobless person can readily identify; when they possess or



have ready access to good local labour market knowledge; and when they have the selling skills to market jobless people to employers and vacant jobs to jobless people.

Fourth, the PAT strongly believes that the primary emphasis of support for jobless people should be on the enhancement of their inter-personal skills, especially their ability to communicate and to present themselves. This is what employers want. Getting this right will involve:

- a. more intensive gateways, mimicking the disciplines of work, with the emphasis on developing self-confidence, self-presentation and self-esteem;
- b. the early identification of any basic literacy and numeracy weaknesses and prompt and systematic help to remedy them; and
- c. the provision of prompt help for other special needs, with, where necessary, continuing support where jobless people

progress to training or intermediate labour markets.

Formal training and intermediate labour markets also have a part to play, but mainly as a bridge into employment – see here chapter 5.

Fifth, support should not stop on the threshold of a job. Turnover in jobs remains high, at a cost to both business and individuals. The PAT strongly recommends that the Government promotes experimentation with post-employment support to see if retention rates in employment can be increased.

Finally, the PAT noted that there were a number of groups of excluded people who might well require support that was both more intensive and different in kind from what we recommend. Foremost among these are refugees. The PAT recommends that the Government set in hand a separate study of the particular needs of this group.

## WHERE WE ARE NOW

3.2 There are two aspects to the issue of support for jobless people. One has to do with what can be done to enhance the services already available to long-term unemployed and inactive people from deprived neighbourhoods and from ethnic minority backgrounds who already qualify for it and take it up. The other has to do with whether help could or should

be extended to jobless people who do not take up such services because they are not eligible for them or choose not to take up their entitlements.

### Existing help and support for jobless people

3.3 The range and quality of support available to jobless people to enter the

labour market has been greatly extended under this Government.

3.4 The bedrock of the system is the job broking service offered by the Employment Service to anyone who wants a job but does not have one or who has a job but wants to change it. In the case of unemployed people claiming Jobseeker's Allowance, the Employment Service also provides, in addition to this service, an important element of case management. It maintains regular contact with unemployed people to check that they are satisfying the labour market conditions of the Jobseeker's Allowance: that they are available for and actively seeking work. That contact is usually provided through fortnightly interviews where progress is checked against the Jobseeker's Agreement which sets out a series of steps to find work agreed by the Employment Service and the unemployed person. Last year the Employment Service placed over 1.2 million people in jobs, including 120 000 long-term unemployed people.

3.5 On this foundation the Government has built a range of active labour market programmes designed to help people claiming benefit to secure their economic independence by competing successfully for work.

- Young unemployed people claiming Jobseeker's Allowance have access to

the New Deal for Young People which cuts in after six months of unemployment (but with immediate access for people facing particularly acute disadvantages in the labour market).

- Long-term unemployed people aged 25+ have access to the New Deal 25+ which, in most cases, cuts in after 2 years of unemployment. 29 pilots up and down the country are however experimenting with earlier entry – at either 12 or 18 months – and with innovative approaches to offering help. And fully-fledged Employment Zones, which come on stream from April 2000, will also provide help to long-term unemployed people of this age group by experimenting with the use of personal job accounts.
- Lone parents claiming Income Support have had access since Autumn 1998 to the New Deal for Lone Parents.
- People claiming disability benefits will shortly have access to an experimental New Deal in twelve pilot areas up and down the country.
- The partners of unemployed people have had access to a national New Deal from April 1999.
- Jobless people aged over 50 and claiming benefit will, from next year, have access to a national New Deal 50+ which will provide access to personal adviser support and, after six

months on benefit, to significant income support on taking a job.

And, most radical of all, the Government is piloting a service – to be called “ONE” – which will provide a single gateway to the benefits system for claimants of all benefits. At the core of this will be the provision of advice – through a personal adviser – about the opportunities available to become independent by taking a job in the open labour market.

3.6 In addition to these programmes, jobless people receive help and support through programmes funded by the Training and Enterprise Councils – notably work-based learning for adults – of which more in chapter 5 – by local authorities, by the Single Regeneration Budget and the European Social Fund.

3.7 Although we have some recommendations to make about the coordination of these programmes in chapter 7, for the purpose of the PAT’s work, we have assumed that the existing support available through JSA and existing welfare to work programmes will continue. We particularly welcome the advent of “ONE” which is very much in line with the PAT’s own focus on raising employment in deprived neighbourhoods and among people from ethnic minority backgrounds.

3.8 Intrinsic to “ONE” and to the New Deals is the provision of support by a

personal adviser. We have no doubt that this has been crucial to their success.

Seeing the same person each time someone comes in for an interview has had the powerful effect of making people feel that they are being listened to and treated as an individual.

3.9 Qualitative research carried out by Social and Community Planning Research which looked at the experience of young people on the New Deal Gateway found that, generally, young people had a positive view of their personal adviser. The evaluation found that advisers were particularly regarded as helpful if they had a warm and friendly manner, were proactive, flexible in their approach and provided clear explanations. One young person said: “[my personal adviser] treated me as an individual, not looking down on me. He treated me as if he really wanted to help. He cared whereas the others in the Jobcentre don’t act as if they care. He has helped me with training, with housing and confidence.”

### **Hidden or missing jobless?**

3.10 The PAT was however concerned that not all jobless people who could benefit from this kind of support were in practice doing so. At issue here were in particular people who were not claiming the benefits which qualified them for support and people who stopped claiming relevant benefits without disclosing what they then went on to do. Were people in either or both of

these categories in danger of marginalisation or exclusion?

3.11 In this context, we were very interested to read recently published research by the independent think tank, DEMOS, on Destination Unknown which analyses the circumstances of the roughly the 624,000 young people aged 16-24 who are not in work, not in full-time education and training and not claiming Jobseeker's Allowance. Not all of these young people fall directly within the PAT's remit or are excluded from the help now available under the labour market programmes outlined earlier:

- a. roughly 21% are 16 and 17 year olds – a key group – but for whom the Government's objective is further education and training rather than immediate labour market entry;
- b. another 44% are single mothers or carers who, for the most part, claim Income Support and so will be eligible for help from the New Deal for Lone Parents; and
- c. a further 5% are studying part-time and not looking for work.

3.12 Of these groups, the PAT attached particular importance to the 16-17 year olds. Given its remit, it would not have been appropriate for the PAT to make particular recommendations for this age group. Members were moreover aware that the

issue of re-engaging those young people who drop from sight on leaving school at 16 was central to the Government's review of post-16 education, and are also the subject of a separate study by the Social Exclusion Unit. But the PAT was in no doubt that successfully reintegrating these young people into further education and training would greatly diminish the subsequent problems of labour market exclusion with which the PAT was concerned.

3.13 Even leaving out of account the 16-17 year olds and the other two groups identified above, that still leaves around 190,000 young people – or 30% of the total studied by DEMOS – who are either recorded by the Labour Force Survey as actively seeking and available for work but not claiming benefit (125,000 young people) or simply missing (65,000 young people) – not in work or full-time education, not unemployed and not inactive.

3.14 It would be wrong to infer that all people who fall into one or other of these categories are at risk of marginalisation. Some of those seeking work, but not claiming benefit, will be partners of people who are employed. Some will be partners of unemployed people and hence eligible to receive help from the New Deal for Partners. Some will be students looking for work in vacations or about to leave on a "year out" travelling. Many are living with parents. Similarly, those missing from the

record will include people who have caring responsibilities or who are living with an employed partner and not seeking work themselves.

3.15 But among these hidden and missing jobless will also be people who could benefit from help and who are at risk of exclusion if they do not receive it. It is notable, for example, that around 25% of the hidden unemployed 18-24 year olds and 28% of the missing group have no qualifications. Of the missing young people, 40% say that they would like a job even though they are not looking for one. 43% of those living with another adult live in a workless household. People from ethnic minority backgrounds are disproportionately represented among both the hidden and missing unemployed.

3.16 In short, the evidence does not allow us to say for sure how many people within the ranks of the hidden and missing jobless are at risk of exclusion. It seems likely that many are not. But the evidence also strongly suggest that many others, particularly among the missing jobless, could benefit from the support available through programmes like the New Deals but are currently ineligible because they do not claim the benefits which would give them entry. The recommendations in this chapter are designed in part to re-engage people who fall into this category.

## **People who leave benefit for unknown destinations**

3.17 The PAT was also concerned to establish what was happening to people who leave the New Deals and unemployment without disclosing what they are doing – “Unknown destinations” so-called. We noted in this context that around a third of young people who have left the New Deal for Young People so far are recorded as leaving for an “unknown destination”. The equivalent figure for the New Deal 25+ is 27%.

3.18 The question is: are there among these leavers people who could continue to benefit from labour market support and, without that help, are at risk of exclusion?

3.19 We were greatly helped in addressing this question by sight of early findings of independent research by the National Centre for Social Research – commissioned by the Government – to address exactly this question. The research followed up in December/January 1998/99 a sample of young people who left the New Deal between April and August 1998 without disclosing their destination.

3.20 The key findings are that:

- a. the backgrounds of young people who leave the New Deal for unknown destinations are not much different from those whose destinations are known;

- b. 57% of those who had ended their JSA claim said that they had left New Deal for a job and 29% were in paid work at the time of the interview itself – several months after leaving the New Deal;
- c. 25% had left New Deal because of illness, or caring responsibilities or problems with their JSA claim and 12% were economically inactive at the time of the interview;
- d. 55% of those surveyed were unemployed at the time of the interview, but, significantly, 75% of these were claiming Jobseeker's Allowance and only 19% were claiming no benefits; the majority of the latter were likely to be living rent free with their parents; and
- e. 6% of those surveyed were on training courses at the time of the interview.

3.21 These findings do not suggest that significant numbers of young people who leave the New Deal for unknown destinations are at risk of exclusion. Nor have organisations working with young people on the whole pointed to a problem of destitution among people leaving the New Deal early and ceasing to claim benefit. But they do certainly suggest that some young people are only tentatively engaged with the labour market, are apt to move in and out of jobs quickly and take intermittent advantage of the help and support offered by the New Deal and equivalent programmes.

## OUTREACH

3.22 What we discovered about the hidden and missing jobless – when taken in conjunction with the evidence about low employment rates in deprived neighbourhoods and among people from ethnic minority backgrounds – led the PAT to conclude that the first prerequisite for better support was a service which reached out to jobless people rather than expecting them to come to it.

3.23 We looked in this context at:

- a. direct contact through the outposting of Employment Service staff and other labour market professionals and the use of intermediary bodies;
- b. the use of IT; and
- c. the impact of the Employment Service APA targets.

### Direct contact

3.24 The Employment Service plays an important part in the provision of support to unemployed people. But it does not have the monopoly on such support – we found many good examples of other organisations also providing significant support to unemployed people – and of course fulfilling the requirements of JSA underpins the contact between Personal Advisers in the ES and the unemployed person they are helping so the relationship is not at its core voluntary. It seemed to us that developing effective outreach systems offered a

valuable way of building on the help already available from the ES, and adding a local dimension to these arrangements. That seemed to us to be particularly helpful for people in deprived neighbourhoods, where travel to advice points can be difficult and where formal networks of support may be more limited.

3.25 Outreach can be done in a number of ways.

3.26 We found good examples of out-posting of ES and other labour market professionals in deprived areas: for example, the ES Jobshop in Hyson Green, Nottingham. This office is deliberately sited in an inner city area with high unemployment, high migration, high ethnic minority population. It has had some good results helping unemployed people into work. We were told that part of its success is because of its location, which is convenient and not threatening for local people. We also noted that considerable effort had gone into making the office attractive and part of the local environment, which increased its credibility with local clients. There are messages here that could be replicated elsewhere.

3.27 We also found other ways of reaching people that had some success, such as taking information about jobs and training into local communities, through

youth clubs, local interest groups, church and faith groups and through engaging local schools to provide facilities and support. All shared the purpose of involving local people in a way that made sense of local circumstances. We did not find one way that was better than others in doing this. Different approaches seemed to work well with different communities.

3.28 And one of the keys to involving jobless people who are also parents will be the provision of affordable childcare.

3.29 What was crucial though was to bring the services to people rather than making people go to services.

3.30 We heard for example from PECAN, who target long term unemployed people in run down estates in a deprived area of South London. They use people to door knock, in order to reach people who are not claiming benefit and are not in touch with organisations who might be able to help them find work again.

3.31 The personal relationship must be an ongoing one: people need continuity. We were told repeatedly on our visits that the chain of help available to unemployed people can be a long one. But each time a fresh link was made, and someone was moved on to a fresh source of help, the chances increased of that person being

lost. There is a difficult balance to be struck here; it is hard for many organisations, including small community based ones, to be able to provide the full range of help that different people might need. So there have to be effective mechanisms of handing people on to other agencies when further help is needed.

3.32 It is particularly important in this context that organisations providing outreach services have access to high quality labour market advice. We noted in this context recent research by the Institute for Employment Studies into the Gateway in Birmingham where extensive use has been made of community organisations in delivering the Gateway. The IES found that this service was less effective than it could be because many of these organisations were not adequately linked into the local labour market and intelligence about it. The National Skills Task Force, in its second report, May 1999, emphasised the importance of an effective and reliable system for ensuring that individuals have easy access to the information they need to make informed choices, including information on jobs, education and training.

#### **Recommendation 9**

**3.33 In sum, we recommend that organisations delivering labour market services should make more effort to reach out to people living in wards with significantly higher than average unemployment or lower than average employment. They should do this either by out-stationing their own staff or by acting through the intermediary of organisations working in the local community. But, whichever way they do it, arrangements should be in place to ensure access to high quality advice about the local labour market. This recommendation is for the Employment Service and other bodies responsible for the local delivery of employment programmes to act on.**

3.34 We turn now to the use of IT which offers one way of combining outreach and continuing access to labour market advice.

#### **Information technology**

3.35 We considered what portfolio of tools might help outreach workers reach unemployed people more effectively and as part of this looked at the benefits of using information technology more widely. We have concluded that to deprive communities of access to information technology runs



the risk of increasing the gap between those communities who are information poor and those areas which are information rich.

3.36 We believe strongly that an effective labour market information and communication system which could be used by all the key players in a local area would do much to develop partnership and good joint working, as well as increasing the numbers of people moving into work. There is clearly no such system in place at present, which means for example that the Employment Service's Labour Market System cannot easily be shared with existing partner organisations.

#### **Recommendation 10**

**3.37 We recommend work is done to look at the scope for developing common labour market systems as a matter of urgency. Giving those acting in a personal adviser role in a local community access to IT support to facilitate effective job search could be very powerful.**

3.38 We believe it would also be worth developing more technical support for unemployed people. This could include placing computer terminals in places where unemployed people are likely to go – libraries, community groups and so on – so they can practice their jobsearch skills by

searching for vacancies on line, developing CVs and working through distance learning packages that could help. The new library in Knowsley provides a good example of computer provision, with user support, extending IT opportunities.

3.39 It could also mean exploring the possibility of making existing information about job vacancies more widely available to jobseekers who want to access vacancy information remotely. This would need to be handled sensitively; some employers might find it difficult to cope with a wide number of approaches from people who have self-selected themselves, and might prefer to use an intermediary to act as a screening point. We know though that a system of this kind, which enables users to search for jobs by location and occupation, has recently been launched in Australia. There would be merit in exploring what can be done here as well.

3.40 ES is already experimenting extensively with using new technology to help jobseekers. For example

- a pilot telephone job matching system, "Employment Service Direct" was introduced nationwide in January 1999; it has taken more than a million calls so far;
- the first vacancies were advertised on the Internet from April 1999, and the Webvacs project is following up how this

can develop into a full web-based jobs and learning databank

- a prototype ES Call Centre was established in Peterlee, near Durham, in May 1999, to take and follow up all vacancies from employers in Northern Region;
- touch-screen terminals, which could replace vacancy display boards, are being tested in 10 Jobcentres.

3.41 With its IT partner, EDS, the Employment Service is evaluating all these initiatives, and planning how they might be developed to help more jobseekers access its services.

3.42 More effective IT support and systems cannot however be the whole answer. Better IT cannot by itself end the isolation felt by those in deprived communities. Using IT will appeal more to some unemployed people than others; we understand the view that people who are socially excluded may feel more alienated if faced with technology they cannot understand and cannot use. We look forward here to the work done by the Policy Action Team on Information Technology, which will recommend more user friendly ways to refer to IT in order to encourage people to have a go. We are clear that personal contact remains key, and nothing can replace face to face contact.

### **Recommendation 11**

**3.43 So the PAT recommends that:**

- a) building on the initiatives already launched by the Employment Service, the Government pilots in a number of deprived neighbourhoods wider access to IT for local organisations providing gateway and outreach services;***
- b) experiments also be run in a number of deprived neighbourhoods with direct access to jobsearch IT for local jobless people, drawing on lessons from Australia and elsewhere overseas.***

***Both recommendations are for DfEE to take forward.***

### **ES targets**

3.44 There is a further issue which acts as a barrier to the development of common systems. The Employment Service are given annual performance targets to meet in a range of areas, including crucially moving unemployed people into work. In order to achieve those targets they have to be able to demonstrate to the satisfaction of the DfEE that they can produce clear evidence of the numbers of people helped. Sharing vacancy information with partner

organisations means where a partner organisation follows up that information and submits someone for a job on behalf of the ES, the ES cannot claim credit for a placing, even where the ES had spent time finding the vacancy in the first place and then helping someone undertake appropriate jobsearch. That takes away much of the incentive for joint working (although, much to the Employment Service's credit, it has experimented with joint working, including in one case giving access to its jobcentres to a private sector job broking agency.)

3.45 Clearly it is important that performance information can be validated. But we felt this was a case when targets had taken on a life of their own, and were hindering collaboration rather than supporting it.

#### **Recommendation 12**

**3.46 We recommend the current review of ES targets explicitly consider how targets can be set which encourage partnership working. This is for DfEE to take forward.**

and re-engage some of those people who leave the New Deal early and stop claiming benefit.

3.48 Assuming this is right, the question then becomes: should these people have access – and if so on what terms – to the Government's existing labour market programmes, like the New Deals? Issues here are:

- a. whether eligibility should primarily be determined by benefit claimed; and
- b. whether access should also be governed by the duration of joblessness or unemployment or be open early to some groups of people or to individuals.

3.49 Taking the issue of benefit and eligibility first, the PAT is strongly of the view that, at least in deprived neighbourhoods, access to the support of a personal adviser should not depend on whether or not a benefit is being claimed. It should suffice that a person is jobless. That is why we recommend that more emphasis be placed on outreach.

3.50 It is less clear cut however that a jobless person should be able to gain access to the active help available within the New Deal programmes regardless of whether they are claiming benefit. On balance, the PAT's view is that, where a person is, in principle, eligible to claim a benefit which in turns gives access to labour market support, they should be

## **ELIGIBILITY**

3.47 The PAT believes that the outreach approaches outlined above will help to win the confidence of many of the hidden and missing jobless people we described earlier

encouraged to do so as a precursor of receiving support. This applies particularly to jobless people who would qualify for Jobseeker's Allowance were they to conform to the associated labour market conditions of being available for and actively seeking work.

3.51 There are two reasons for this. First, the act of claiming benefit in itself diminishes a person's exclusion. And, second, it is intrinsically right that an unemployed person should be prepared to shoulder the responsibility of looking actively for work before gaining access to the considerable rights associated with the New Deals for unemployed people.

3.52 There will however be hard cases. These will include disaffected and alienated young people. They will also include men or women living with a working partner and without caring responsibilities – who are not therefore eligible for benefit. Should they nevertheless have access to labour market programmes if attracted to engage with them by outreach activity? The latter category is likely to include substantial numbers of women from Pakistani and Bangladeshi backgrounds for whom, as we saw in chapter 2, rates of employment are particularly low.

3.53 To respond to such hard cases members of the PAT felt that there were benefits to opening help on a pilot basis to

all workless people. Allowing all workless people access to help would smooth the recruitment process, particularly where combined with outreach, and might help increase employment levels in areas where a significant proportion of working age people were unemployed or inactive. By help, we have in mind that a jobless person not claiming benefit might have access to the help available under whatever New Deal was most apt to their own circumstances. So a single parent would have access to the New Deal for Lone Parents, a disabled person to the New Deal for the Disabled and others to the New Deals for the unemployed appropriate to their age.

#### **Recommendation 13**

**3.54 To test this proposition the PAT therefore recommends that a small number of pilots be run in New Deal for Communities areas or in Employment Zones to test whether opening access to personal advisers, and to help available within the New Deals, to all jobless people in a particular neighbourhood – regardless of benefit claimed or duration of joblessness – would make any significant impact on employment rates locally. This is for DfEE and DETR to take forward.**

3.55 The PAT also considered whether, in the case of people claiming Jobseeker's Allowance, there was a case for easing the current eligibility rules based on the duration of unemployment. As we noted earlier, access to the New Deal for Young People is generally available after six months of unemployment, though early entry is possible for some groups like disabled people, those lacking basic skills, or victims of large-scale redundancy. Access to the New Deal 25+ is available after two years of unemployment, with early entry for some groups after a year.

3.56 The PAT considered whether there was a case for allowing early entry to the New Deals for all unemployed people living in deprived neighbourhoods. We were advised however that flows out of unemployment varied very little from area to area. Of those who become unemployed roughly half leave in three months and around two-thirds in less than six months. Given these exit rates, and their lack of sensitivity to local labour market conditions, we concluded that blanket early entry even in deprived neighbourhoods was unlikely to offer value for money.

3.57 The PAT also considered whether it was likely to be possible to develop robust tools for predicting correctly which individuals were likely to remain unemployed without early intervention. The research evidence suggests that such early

identification techniques are not effective: that many of those who would have been selected for early help leave unemployment quickly, while others who would not have qualified on the strength of their characteristics do become long-term unemployed.

3.58 Against this background, the PAT concluded that there was insufficient evidence to warrant a recommendation in favour of a significant extension of early entry. But members of the PAT did take the view that the rationale for restricting entry on the basis of the duration of unemployment applied equally to people who had been outside the labour market for long periods while not claiming Jobseeker's Allowance.

#### **Recommendation 14**

**3.59 It therefore recommends that personal advisers should have discretion to admit immediately to the New Deals for the unemployed people who agree to claim Jobseeker's Allowance and who have been inactive for a period equivalent to the qualifying threshold for an unemployed person. This is for DfEE to take forward.**

## PERSONAL ADVISERS

3.60 We see the personal adviser as the pivotal figure. We are clear that it is critical to choose the right people and train them well. Not every one has the right qualities to be a personal adviser. We were told by many unemployed people and training providers that it was important to feel that the personal adviser had empathy with the people they were seeing.

3.61 One training provider, who dealt mainly with young black men, told us of the value of having people in their peer group act as advisers. It meant their clients felt that the person sitting opposite them could understand their experiences and situations, and it gave them hope that they too would be able to find a way into work. But he also said that while it was helpful to have people of a similar racial background offering support, it was not an imperative. What mattered more was feeling that that person understood how demoralising it was to be unemployed and was prepared to work to change that situation.

3.62 Personal advisers have to do more than offer support. We know from the experience of New Deal that a key part of the personal advisers' role has been to challenge some of the aspirations of young people where these have been unrealistic – jobs for which the young person is not suited, or starting salaries which are unachievable at that stage of job search.

Maintaining a relationship while delivering unpalatable news is clearly difficult. The personal adviser role is not for everyone.

3.63 Training and support is clearly vital to help someone develop the necessary skills. It is also necessary for a personal adviser to have a good knowledge of the labour market. As the New Deal research found, one of the things young people liked about their adviser was when they were seen to give extra help – searching through vacancies when the client was not there, ringing them up to tell them about jobs or training opportunities that had just come in.

3.64 That requires someone to have ready access to good local labour market knowledge. That means a good understanding about local employers and the wider jobs picture. We recognise that gaining this knowledge can take time: employer visits, particularly in rural areas, may be very time consuming. We think there may be steps which can be taken to make the job easier for personal advisers. Some advisers might be expected to specialise in local labour market understanding, while others might lead on particular sectors. Our view is that advisers are much more likely to be effective when their discussions with those looking for work are informed and realistic, and local arrangements need to build in the capacity to develop this expertise.

3.65 We should say in this context that we are concerned about the expectations that exist of what exactly a Personal Adviser can deliver. We have said the role is a key one. It is however important that unemployed people, employers, training providers and local communities are not encouraged to believe that a personal adviser can by him or herself overcome all the inequalities an unemployed person from a deprived community or from an ethnic minority background faces. Personal advisers must be equipped with a portfolio of tools – IT support, a database of employers, access to formal and informal training – which they can use. They must be properly supported by the organisations in which they work, and there must be joined up partnership arrangements to underpin their work. They must be able to sell jobless people to employers and vacant jobs to jobless people. We feel strongly that this is a difficult and demanding position.

3.66 That view was strengthened when we looked at the arrangements set in place to train New Deal advisers. The amount of time devoted to this was impressive. But we felt the primary focus was on process, rather than development of the labour market knowledge we regard as critical in the work to find workless people jobs. We think there is considerable scope to extend the occasional secondments we heard about between Employment Service staff and other organisations with a local

presence – and we think these should be encouraged to operate broadly as we see merit in both organisations learning from each other.

#### **Recommendation 15**

**3.67 We therefore recommend that:**

- a) the model of a personal adviser who supports individuals on a one to one basis is built into national labour market programmes designed to help people back into work, using the New Deal personal adviser function as a model. We welcome in this context the model of ONE, which provides a single entry point to the benefits system through an individual Personal Adviser;**
- b) the ES is asked to review the role and training arrangements for personal advisers across all the New Deal programmes to ensure that the development of labour market knowledge is central to the position.**

**Both recommendations are for DfEE and the Employment Service to act on.**

## WHAT SUPPORT DO PEOPLE NEED?

3.68 As we have said, personal advisers must, first and foremost, be labour market professionals. Their primary responsibility is to offer jobless people realistic advice about the job opportunities open to them in the local labour market and to match people to vacancies for which they are suited.

3.69 But personal advisers must also be facilitators. Not all jobless people will move rapidly into a job even with the support of a personal adviser. In these cases, the adviser must be able to refer people to additional help apt to their circumstances. But what should this additional help consist of for people living in deprived neighbourhoods and from ethnic minority backgrounds?

3.70 In the view of the PAT, it is likely, broadly speaking, to be of two kinds:

- a. intensive help to boost self-confidence and inter-personal skills: this is likely to be appropriate to many jobless people who struggle to find jobs despite the help offered by intensive programmes like the New Deal; and
- b. specialist help for people who face particular barriers to job entry such as a lack of basic skills or drug or alcohol dependencies.

We look at each in turn.

## Boosting self-confidence

3.71 As we noted in chapter 2, one of the first things to suffer as a result of spells of prolonged joblessness is people's self-confidence. People begin to lack the conviction that they will be able to persuade an employer to recruit them. Because they have been out of the workplace for some time – or, in some cases, have never been in it – they lack the confidence to relate confidently and effectively to colleagues and customers.

3.72 But confidence, self-presentation and the ability to relate effectively to other people are exactly the qualities for which many employers are looking. And the continuing shift in the balance of the economy towards services will tend to accentuate this.

3.73 This was brought home to us when we organised a forum of employers operating in the South London area. The forum included retailers, transport companies, caterers and a number of small businesses. All without exception said that their primary requirement when recruiting was an ability to communicate confidently and effectively with customers. Formal qualifications were much less important. Most of the businesses represented provided training in the key vocational skills for new recruits.

3.74 The findings of our forum are borne out by the available research. We were interested, for example, to read a survey of



research in this field carried out by Chris Hasluck of Warwick University as part of the evaluation of the New Deal for Young People: *Employers, young people and the unemployed: a review of research* (July 1999). This too concluded that that employers tended to set more store by soft skills than by narrow vocational ones.

3.75 We are reassured that the Policy Action Team on Skills has come to an identical conclusion.

3.76 Against this background, we believe that the main emphasis of support for jobless people from deprived neighbourhoods and from ethnic minority backgrounds should be on the enhancement of soft and inter-personal skills.

3.77 We have seen this tried in the United States. And it works.

3.78 Many welfare to work programmes in the United States begin with intensive programmes of daily support – lasting three or four weeks – with a strong emphasis on helping an individual identify his or her strengths and on building up the confidence to market those strengths to employers. The focus is firmly on what people can do and have achieved – not on what has held them back in the past or might hold them back in future.

3.79 A good example is the help offered by the Kenosha County programme in

Wisconsin. Here the priority is to give participants personal skill development by increasing self-esteem, self-confidence, employment search skills, job retention skills and life coping skills. The Kenosha County Welfare to Work programme has had the highest placement rate of programme participants for medium and large counties in the state of Wisconsin – 44% of all participants in 1997.

3.80 The PAT believes that intensive programmes of this kind could usefully be replicated in the Gateway periods of the Government's New Deals, particularly within deprived neighbourhoods. We are very pleased to learn therefore that the Government is proposing to trailblaze intensive gateways of exactly this kind within the New Deal for Young People.

#### **Recommendation 16**

**3.81 We recommend that there should be an emphasis in the provision of support for jobless people on the enhancement of soft and inter-personal skills and, in support of this, further work should be done to experiment with intensive gateways with a strong focus on the development of self-confidence, self-presentation and communication and mimicking, as far as possible, the disciplines and time-keeping of work.**

## Special needs

3.82 Intensive help to re-build confidence and inter-personal skills may not however be enough for the minority of jobless people who also face some distinct additional barrier to entry to the job market. This may be a lack of basic literacy or numeracy skills; it may be a drug or alcohol dependency; it may be homelessness or debt. Or it may be some combination of all these things.

3.83 It is very important that the existence of special needs like this does not lead to the labelling of a jobless person as “unemployable” – as we have said it is impossible to predict with any certainty who will get a job and who will not. But it is equally important that specialist help should be available.

3.84 The prerequisite here is prompt identification of a special need when a jobless person enters a Government programme like the New Deal.

3.85 We do not mean by this that an attempt should be made to predict who will become long-term jobless at the point they claim benefit: the evidence is that this kind of forecasting does not work. But we do mean that a systematic attempt should be made to find out whether people who are long-term jobless do have special needs when they enter intensive programmes like the New Deal or Employment Zones so that help can be offered quickly.

3.86 The screening instrument introduced this year at the outset of the Gateway of the New Deal for Young People is a step in this direction. It provides personal advisers with a checklist of key questions to ask young people joining the New Deal designed to tease out whether they face any particular barriers to entry to the job market.

### **Recommendation 17**

***3.87 The PAT recommends that the effectiveness of the New Deal for Young People screening instrument be fully evaluated and, if it leads to people receiving help and moving into jobs more quickly than would otherwise have been the case, recommends that such an instrument be introduced for the use of personal advisers in all New Deals and equivalent programmes.***

3.88 The PAT was particularly concerned that people without basic literacy and numeracy skills should be offered intensive help. The recently published Moser report Improving literacy and numeracy: a fresh start (DfEE 1999) estimated that around two million people in this country have serious problems with reading and writing. The report made a number of important recommendations about the initial assessment of individuals with poor basic skills claiming benefit and entering labour market programmes and about the steps

which should be taken to give them support.

3.89 The PAT endorses the Moser recommendations because we agree that the acquisition of effective literacy and numeracy skills has an important part to play in increasing the employability of jobless people who lack them.

3.90 It follows that personal advisers should, as a matter of course, ask long-term jobless people whether they have literacy and numeracy qualifications and, where they do not, invite them to undertake an approved diagnostic test. Where this test confirms that someone has literacy or numeracy weaknesses, we think that they should be offered help as a matter of course. This could either take the form of an intensive full-time course preceding entry to a job or of a part-time or evening course to be pursued in work.

#### **Recommendation 18**

**3.91 In sum, the PAT recommends that personal advisers should be trained in the identification of literacy and numeracy weaknesses so that these can be identified quickly and should have access to prompt and systematic help to remedy them.**

## **RETENTION**

3.92 Retention depends in part on ensuring that there is a fair match between an individual's aptitudes and interests, and the employer's needs. We have already said that there is much that an employer can do to smooth a person's transition into work. Retention is important for jobseekers and business alike. For the jobseeker, the longer people stay in a job the more able they are to build up experiences and skills that will help them move to another higher skilled, better paying position. It is also easier for someone with a period of work experience under their belt to find another job if they lose the one they have. Retention is also important for an employer: it costs money to recruit and train someone. That is resource wasted if someone leaves quickly.

3.93 We have noted with interest the publication of statistics with the New Deals for unemployed people which set out the numbers of people moving into sustained and unsustained jobs, using the definition of sustained jobs as being where someone has not returned to claim JSA within 13 weeks. The latest Government statistics, published in November, and covering the performance of the New Deal to September 1999 show that of the 155,500 young people into jobs by the end of September 1999, 115,000 were in sustained jobs, and 40,500 were in jobs lasting less than 13 weeks. Significantly, however, subsidised

jobs – which embody training and continuing contact with a personal adviser – are much less likely to collapse within thirteen weeks than unsubsidised ones. The proportions are 9% and 30% respectively. (Of course, it is important that we do not dismiss jobs which do not last in the longer term, since they still have a part to play in improving someone's employability.)

3.94 We have said already that we have much to learn from America here. The New Deal Task Force sponsored in January 1999 the Business Forum on Welfare to Work: Lessons from America. With the support of the Rockefeller Foundation an American research and development organisation, Jobs for the Future, produced a report *Business Participation in Welfare to Work: Lessons from the United States*. One of its most significant findings was that people hired from welfare rolls stayed longer with a business than other employees recruited to equivalent jobs.

3.95 In line with this, the research found American companies are increasingly concerned with strategies for increasing retention and lowering turnover. They interviewed a wide range of companies – including American Airlines, Federal Express, Marriott, McDonald's, Pizza Hut, United Parcel Service and Xerox Business Services who cited activities including arranging specific supervisor training on working with new recruits, mentoring and

coaching by company staff, and post placement support to address logistical and personal barriers to employment.

3.96 The American perspective has relied on the use of local partnerships to simplify and strengthen employer efforts to hire and retain welfare recipients. Firms have “bought in” expertise through intermediary organisations which are well grounded in labour market realities, and have engaged a range of organisations to collaborate on designing and delivering effective work-based training programmes and post employment support. We believe such approaches show promise.

3.97 And we found evidence that such support is starting to be available in this country as well.

3.98 A number of employers recruiting through the New Deal provide mentors for new employees. And some organisations providing services to jobless people offer post-placement support.

3.99 In Birmingham, for example, we were told by a training organisation about their efforts to support a young man with learning difficulties. He had been employed by a large hotel chain, and although very willing was being hampered in his duties by his lack of basic skills. This meant he had some difficulty recognising for example whether he was on the correct hotel floor to

carry out his housekeeping functions. He was in danger of losing his job when the community organisation was asked to intervene. They identified another way of identifying each floor by making the assignment of tasks refer to the different wall pictures hanging on each floor rather than just identifying each floor by number. That worked well and the young man was kept on – a small example of post placement support working, but a big difference to the individual concerned.

#### **Recommendation 19**

**3.100 Against this background, we recommend that the Government should pilot post placement support more widely in this country, to see if retention rates can be increased. We think that the emerging report of the New Deal Task Force on retention provides a range of sensible and impressive recommendations about the conditions for the success of such experiments and hope very much that the Government will build on the recommendations which it contains. This is for DfEE to act on.**

3.101 The PAT thought that individual learning accounts might have a useful role to play in supporting retention and the development of skills in work. Such accounts are likely to be particularly

appropriate for formerly long-term jobless people, who lack skills at NVQ level 2 or above, but who compete successfully for entry level jobs as a result of the help they receive through active labour market programmes like the New Deal.

3.102 In the hands of such a person, an individual learning account might represent just the incentive needed to persevere in the existing job while up-grading skills to compete for more highly paid jobs.

#### **Recommendation 20**

**3.103 The PAT recommends that the Government pilots the use of individual learning accounts with lower skilled people who move into jobs after extended periods of joblessness. This is for DfEE.**

3.104 We also note that one of the keys to better retention is not just post-employment support, but also the involvement of employers in pre-employment support. This is the subject of chapter 5.

### **OTHER EXCLUDED GROUPS**

3.105 During the course of its consultations and visits, the PAT also became acutely aware that there were some groups of jobless people who faced unique disadvantages in the labour market that went beyond those common to deprived neighbourhoods or people from

ethnic minority backgrounds. This was especially true of refugees and ex-offenders.

3.106 The PAT was not able in the time available to it fully to investigate these issues or to make well-considered recommendations about the right way to address them. But we do set out below some lines of enquiry which we recommend that the Government set in hand.

## Refugees

3.107 We visited a number of organisations – in Haringey and Kings Cross – which provide help and labour market services to refugees. On these visits we were struck by three issues in particular:

- a. the tendency for refugees to be advised to continue to claim Income Support rather than Jobseeker's Allowance once they became eligible to work. There is no doubt that this advice is well-intentioned and reflects a view that many refugees are not immediately equipped to enter the labour market. But paradoxically it has the effect of cutting refugees off from the help available under the New Deals to make the transition into a job;
- b. the difficulty which many refugees with overseas qualifications have in getting these qualifications recognised in this country. As a result, many professional people enter jobs for which they are

significantly under-qualified and in consequence do not contribute as much to the economy as they could. There is an urgent need to establish swifter arrangements for verifying overseas qualifications; and

- c. the need, in some cases, for effective course to be available in English as a second language both on a full-time basis and, for refugees who enter jobs, on a continuing part-time basis.

### **Recommendation 21**

**3.108 We recommend that the Government – with DfEE in the lead – reviews the advice given to refugees about what benefit to claim; the verification of overseas qualifications; and the provision of English as a second language courses.**

## Ex-offenders

3.109 People with a criminal record face particular disadvantages in the labour market. Many ex-offenders will have poor basic skills or lack the generic skills and qualities which together are influential with employers.

3.110 The introduction of the Criminal Records Bureau (CRB) will increase access to conviction information which could be required by employers when they recruit. This could further disadvantage ex-offenders if employers use it to screen out

all applicants with convictions which are not “spent” under the Rehabilitation of Offenders Act. Basic conviction information (Criminal Conviction Certificates) will not be available from the CRB for some time yet. Meanwhile we understand that the DFEE has commissioned research into the use that employers are likely to make of conviction information. The research will report early in the New Year.

**Recommendation 22**

***3.111 The PAT recommends that the outcome of the research be used by DfEE and the Home Office to develop appropriate guidance to employers about the use of conviction information and, above all, to ensure that it is not used to prejudice the employment prospects of people whose past convictions are not directly related to their fitness for the jobs for which they apply.***





## CHAPTER 4 Tackling Racial Discrimination

4.1 In this chapter we review the position of people from ethnic minority backgrounds within the labour market and propose strategies for countering the

discrimination which contributes markedly to the lower employment rates and higher unemployment rates among this section of our society.

### SUMMARY

We have already described the inequalities which confront people from ethnic minority backgrounds. Employment rates are much lower among people from ethnic minority backgrounds. Rates of unemployment are much higher.

We have already said that people from ethnic minority backgrounds suffer the same disadvantages – many going wider than the labour market itself – faced by other people living in deprived neighbourhoods. In the labour market they do not always receive effective support to help them compete effectively in the labour market and find their job prospects diminished by informal recruitment networks and, in some cases, lack of mobility.

In addition, people from ethnic minority backgrounds face racial discrimination in the job market. Inequality is pervasive. People from ethnic minority backgrounds are not securing jobs in proportion to their

total numbers in the population. People from ethnic minority backgrounds are rarely represented in proportion to their numbers in the workforce at senior levels of organisations in all sectors of the economy. Though in many cases this may not stem from intentional prejudice, the effect is an institutional bar to advancement based on race. That is unacceptable.

This chapter is about how we go about eradicating that discrimination.

The PAT recommends that there are three key components to an effective strategy to tackle discrimination.

First, the Government must take the lead in promoting equal opportunities within the wider labour market. This means:

- a. persuading businesses public, voluntary and private of the benefits of diversity, including ethnic diversity;

- b. providing clear encouragement and practical help to businesses to implement effective racial equality policies, underpinned by robust monitoring, with the public sector leading the way;
- c. building standards of fair recruitment and promotion into Investors in People and the Business Excellence model to aid companies in aligning equal opportunities measures – especially positive action – to their business objectives; and
- d. putting racial equality on the agenda when Government grants and procurement contracts are under consideration.

Second, the Government must ensure that active labour market policies designed to

help unemployed and jobless people compete effectively for jobs themselves deliver equal outcomes. This means monitoring the outcomes of such policies by ethnic origin, stipulating equality as a key condition of contracts to deliver programmes such as the New Deal at local level, following up and establishing the reasons for unequal outcomes where they arise and being prepared to transfer responsibility for delivering labour market programmes to other organisations where unequal outcomes persist.

Third, we must ensure that the support provided to people from ethnic minority backgrounds is sensitive to their backgrounds and aspirations, with more use of role models and advisers from similar backgrounds.

## DISCRIMINATION: HOW AND WHY IT OCCURS

4.2 We were struck on the visits we made throughout the country by a point that kept being made by different people in different places at different times. All were united by a common desire to work. But all told us that it was their daily experience to encounter prejudice which gave them little

chance of finding work in certain areas and occupations.

4.3 It is simply unacceptable that opportunities in the labour market should be determined in this way by ethnic origin, not individual merit.

4.4 Yet this is all too often the case. We were told by many organisations working with people from ethnic minority backgrounds in Liverpool that people from these communities rarely secured jobs in the city centre. We were told by one organisation helping refugees look for work that no useful purpose was served by applying to the private sector for jobs. Instead applications for work were made only to the public sector and to voluntary organisations. We were told by another organisation that part of the job search training they offered included working with individuals on the presentation of their CVs to make identifying factors such as education in another country less immediately obvious. We were even told of people who had changed their names in order to conceal their ethnic origin.

4.5 As we noted in the opening chapter on *Setting our Sights* these individual stories are backed up by much systematic research by the CRE and others.

4.6 At the same time that we met people who wanted to work but could not find jobs, we also met employers who had vacancies but could not find people to fill them. We have already said that the reasons for the comparative failure of the job matching process varied. But in many cases employers simply lacked the confidence that people from particular areas would meet their needs and decided

not to take the risk of recruiting from those areas.

4.7 We draw this out in order to emphasise that discrimination is in no one's interest. It denies people from ethnic minority backgrounds fair chances. It denies employers the opportunity to recruit talented and hard-working people who could add value to their organisations.

4.8 Many businesses, particularly larger ones, have realised this and put in place equal opportunities policies. At various times and from various sources, we heard praise for a number of major businesses.

4.9 But effective equal opportunities policies – by which we mean active measures to ensure that recruitment and internal promotion arrangements are inclusive and fair – are still far from the rule. Too many businesses, especially small and medium enterprises, rely on informal networks and word of mouth recruitment without considering or monitoring the possible exclusion of people from ethnic minority backgrounds. The outcomes of too many internal promotion and appraisal arrangements go unexamined to ensure that they are giving fair chances to all. And, of course, overt prejudice is also a factor.

4.10 Many people would describe the overall effect of this exclusion as institutional racism. That is as good a term

as any. But what matters is that people from ethnic minority backgrounds have a less good chance of prospering in the labour market than their fellow citizens.

4.11 It is, of course, no less important that public employment programmes designed to help unemployed and inactive people to compete more effectively for jobs deliver equal outcomes. These programmes cannot in themselves overcome inequalities in the wider labour market. But they should at least secure equality in their own terms.

4.12 Yet we also found an uneven record in this respect. Despite great advances made in the New Deal, ethnic monitoring of outcomes is not as systematic as it should be. Nor, necessarily, is the delivery of equality sufficiently strongly emphasised when the performance of organisations delivering labour market programmes at local level is scrutinised. Hence many of the people we met told us that they had trained several times without finding work. The process was in place, but not the end result.

4.13 Partly because of this lack of emphasis on outcomes, the PAT did not think that labour market programmes had invariably been as effective and imaginative as they could have been in providing support for people from ethnic minority backgrounds.

4.14 It is against this background that we conclude an effective strategy for tackling discrimination in the job market must have the three components described earlier; a real push to secure equal opportunities in the wider labour market; much more emphasis on equal outcomes in public labour market programmes; and more effective support on those programmes for people from ethnic minority backgrounds.

4.15 The rest of the chapter looks at the specific actions which need to be taken under each of these headings.

## **EQUAL OPPORTUNITIES IN THE WIDER LABOUR MARKET**

4.16 Much has already been done to convince employers of the benefits of equal opportunities policies. It is a mark of the success of these policies that there is a foundation of good practice to work from in some organisations in the public, voluntary and private sectors. That is very helpful.

4.17 But we did not come across evidence on our visits that such commitment is widespread across all sizes and sectors of employers. Nor were we always convinced that commitment to equal opportunities was mainstreamed in all aspects of the workplace.

4.18 The PAT concluded therefore the achievement of equality in the labour market depended critically on the embracing by

employers in all sectors of a commitment to diversity and equal opportunities, backed up by action to deliver equality of opportunity. The case for diversity obviously goes beyond people from ethnic minority backgrounds to embrace other groups. Our focus in this chapter – in line with our remit – is on racial equality.

4.19 Our starting point is the business case for diversity and equality of opportunity. Employers should embrace diversity because it is in their interest to do so. So the task is primarily one of persuasion. Regulation would be costly and counter-productive. But, in the view of the PAT, the Government can, and must, provide a lead, practical help and, where appropriate, positive incentives.

4.20 An effective strategy should have four main elements:

- a. a new drive in partnership with business itself, to publicise the benefits of diversity for business and hence of effective racial equality policies;
- b. clear encouragement and practical help to business to implement racial equality and positive action policies, including the public disclosure of information about the ethnic composition of workforces, with the public sector leading by example;
- c. help for business in aligning equal opportunities and business objectives

by building fair recruitment and promotion standards into the liP and Business Excellence models; and

- d. proactive use of Government grant giving and procurement as an agent of change.

### **Setting out the business case for equality**

4.21 Promoting the business case for equality is a continuing challenge.

Considerable work has already been done to persuade employers that equality pays because:

- a. recruiting on merit the best people for jobs is a pre-condition for strong performance and innovation from a diverse workforce;
- b. businesses that reflect the diversity of their customer base can develop, promote and sell products that have a broader customer appeal and penetrate previously over-looked segments of the market; and
- c. businesses which demonstrate commitment to employee needs are more likely to attract and retain employees who are committed to employer objectives.

4.22 The DfEE's Race Relations Employment Advisory Service (RREAS) offers a free consultancy service to employers on how to develop and implement good equal opportunity practices. The service is delivered by a

team of advisers based throughout the country to ensure local expertise.

4.23 RREAS helps employers formulate, develop and introduce:

- equal opportunity policies;
- fair and effective recruitment systems;
- ethnic minority systems;
- equality targets;
- lawful positive measures;
- training programmes to support policy communication;
- policies to combat racial harassment; and
- develop employment initiatives to promote racial equality in co-operation with other interested groups and bodies.

4.24 The DfEE also publishes a range of guidance including: *Equal Opportunities – the Ten Point Plan for Employers* (DfEE, Ref SRED 922, reprinted March 1999) promoting the message to employers that workforce diversity helps businesses to prosper.

4.25 Thanks to this work, the racial equality message has clearly been received and understood in some organisations both public and private. The effective equal opportunities policies which we have already described are the result.

4.26 But the evidence is that it is only those organisations pre-disposed to listen which have taken, and acted on, this message. A more insistent and high profile campaign is needed if we are to reach those other organisations – particularly small and medium sized organisations – who also account for the bulk of the country's recruitment.

4.27 The PAT believes that the New Deal itself provides a good example of the sort of campaign which could, and should, be mounted. There is no doubt that the high quality marketing effort directed at employers – and backed by the evident commitment – of senior members of the Government and senior business people – has generated enthusiasm and commitment.

#### **Recommendation 23**

**4.28 So the PAT recommends that an equivalent and sustained campaign be launched as soon as possible on racial equality in conjunction with business. The aim should be to build on the CRE's existing Leadership Challenge and to bring about a shift in culture and underlying attitudes by demonstrating that Government**

**Ministers and senior business people believe that diversity pays. The key elements might be:**

- a. a high profile national seminar for business leaders presided over by the Prime Minister: the aim should not only be to persuade but also to seek practical commitments on fair recruitment and fair promotion from the businesses represented;**
- b. complemented by a series of regional seminars – also presided over by senior members of the Government, local business leaders and the Regional Development Agencies – with the same objectives and with strong representation by organisations representing small and medium enterprises;**
- c. leading into a sustained nationwide media campaign underlining the message that diversity pays and advertising the existence of practical help to implement fair recruitment and promotion policies.**

4.29 On the basis of the New Deal precedent, we estimate the cost of such a campaign at around £12 million.

### **Practical help for business and a practical lead**

4.30 It is no good raising the profile of racial equality in the way we recommend unless there is practical help easily available for those businesses that want to respond but are uncertain of how to do so. So the Government and its agencies need to be ready to offer help by providing a clear structure of support to businesses that respond positively to the media campaign. And they must also lead by example.

4.31 The PAT thinks that there are three main ways in which the Government can offer support.

4.32 First, it seemed to us that a straightforward tool kit could be given to employers responding to the media campaign. We do not propose re-inventing the wheel: we have already mentioned above the *Equal Opportunities Ten Point Plan for Employers* which takes an employer through the steps needed to develop an equal opportunities policy and supporting action plan and targets, including the provision of appropriate training for all staff and the review of recruitment, selection, promotion and training procedures. This booklet is not

new, but is still in demand with employers. The DfEE has also published booklets on *Equality Pays*, *Employer Equality Networks*, and *Positive Action*. The CRE has built on the DfEE *Ten Point Plan* with its publication *Racial Equality Means Business* which provides a guide for companies on developing a strategy and measuring progress on racial equality. And we know that a joint CRE/EOC/National Disability Council leaflet for small firms is nearing completion.

**Recommendation 24**

**4.33 We recommend that work is done to update and consolidate these booklets into one document and that the document is re-launched to coincide with the awareness raising campaign we advocate above. In doing so, we strongly advocate that the Government should ask RREAS, the CRE, CBI, Federation of Small Businesses, IoD, TUC, British Chambers of Commerce, the Inner City Religious Council, London First and other interested organisations to work together on this project so that the document commands as broad a consensus as possible for the approach which it outlines.**

4.34 More generally, we would hope that collaboration between these organisations on this front would be a precursor for more consistent collaboration on racial equality issues in the labour market. Useful collaboration already takes place and this must be built on. Fragmentation of effort can only hinder not help. It is for the DfEE to take forward both our specific and general recommendations on this front.

4.35 Second, the PAT takes the view that the Government can usefully act to clarify what positive action employers can take within the law to promote equal opportunities for people from ethnic minority backgrounds.

4.36 The Race Relations Act 1976 makes it possible for members of ethnic minority groups under-represented in the workforce to take advantage of opportunities to do particular work or to undertake training to do that work. Such positive action schemes can help people from ethnic minority backgrounds to compete for jobs on equal terms with others and help tackle under-representation, particularly at senior levels.

4.37 We looked at the evidence on positive action schemes. These seemed to us to be a helpful approach for employers to consider as part of their strategies to increase ethnic minority representation in their organisations. We were encouraged to see that a significant proportion of



employers using positive action found an increase in applications from ethnic minority individuals. That said, it was clear that positive action scheme coverage was variable. A significant proportion of employers do not go much beyond general statements that they welcome applications from all sections of the community. Such statements, though helpful, are not enough.

4.38 We thought that there might be a number of reasons why employers were reluctant to go further. Some of this might be because employers were not certain of their legal position or were uncertain about how to go about identifying which ethnic minority groups were under-represented in their work force.

4.39 Practical advice on the legal position and techniques for ethnic monitoring might help overcome this. We also see considerable scope for linking the development of positive action programmes to the closer involvement of intermediary bodies working within deprived neighbourhoods or with people from ethnic minority backgrounds.

4.40 The PAT saw a good example of this in Bristol where the Centre for Employment and Enterprise Development (CEED) runs a successful programme of Positive Action Traineeships. CEED runs the traineeships in collaboration with participating businesses which meet part of the cost and provide on

the job training and work experience for the trainees. The trainees themselves – generally from ethnic minority backgrounds – have typically been unemployed for at least two years. But 81% of trainees secure employment on the completion of the training which lasts either 12 or 24 months.

4.41 We see a strong case for supporting such arrangements with public funds where they lead to the chance of job opportunities for unemployed or jobless people within these neighbourhoods or from ethnic minority communities.

#### **Recommendation 25**

**4.42 Specifically the PAT recommends that:**

**a) the DfEE should use the Innovation Fund established to support new ideas within the New Deals for unemployed people to test the cost-effectiveness of positive action traineeships on this model within the New Deal for Young People and the New Deal 25+. We would in particular like to see such traineeships aimed at long-term unemployed graduates from ethnic minority backgrounds and from deprived neighbourhoods. This is where one of the greatest wastes of potential now lies; and**

***b) the Innovation Fund should be opened up to direct bids from not-for-profit, public and private sector bodies not directly involved in existing partnerships in order to ensure that the best ideas can be supported.***

4.43 Third, the Government and its agencies can lead by example. The message that diversity pays will carry more conviction if Government departments and other public bodies are themselves seen to monitor the ethnic composition of their workforce and to adopt fair recruitment and fair promotion policies.

4.44 The PAT therefore strongly welcomes the commitment to diversity set out in the recent White Paper on Modernising Government. The targets for the fair representation of women and people from ethnic minority backgrounds which the Government has set for the public service is a good model of what we want to see more generally.

#### **Recommendation 26**

**4.45 We strongly recommend that:**

- a. equivalent targets are adopted by individual departments and public agencies and are published in departmental reports: the Home Office and DfEE are already leading the way in this respect; and***
- b. the Government encourages businesses and voluntary bodies to follow its example and publish targets for the fair representation of people from ethnic minority backgrounds in their workforces.***

4.46 Targets are however only half the battle. They must be followed up by action where they are not met and where inequalities persist. And they must be monitored. The PAT was pleased to note that some Departments were already taking action: to run equal opportunities workshops and courses; to reform promotion procedures; to audit standards of appraisal. But such action is not universal. And nor is monitoring and the systematic dissemination of good practice in place.

#### **Recommendation 27**

**4.47 The PAT recommends that the Government should consider establishing either an equality committee – perhaps composed of senior Ministers, Permanent Secretaries and outsiders – or an equality chief at Ministerial level to take responsibility for disseminating good practice and for monitoring the compliance of departments and other public bodies with the objectives set out in the Modernising Government White Paper.**

4.48 This would build on, and be supported by, the official machinery which we know already exists within Government to monitor equal opportunities. In this context, the PAT welcomed the recently formed Diversity Sub-Group of the Civil Service Management Committee, chaired by Nick Montagu, which gives a lead to and encourages work across departments and agencies to create a Civil Service which embraces fairness and diversity.

#### **liP and the Business Excellence Model**

4.49 The PAT also sees great merit in helping business to align equal opportunities policies and their business objectives. We think that one way to do that is to build standards of fair recruitment and

fair promotion into the Investors in People (liP) model into the Business Excellence Model (BEM).

4.50 Linking achievement of the liP standard to the existence of fair recruitment and promotion systems would send a clear message to the business world that equal opportunities are an intrinsic part of being an investor in people. We are encouraged to hear that liP UK is indeed looking at the scope for action on this front.

#### **Recommendation 28**

**4.51 We recommend that achievement of liP status should in future be conditional on a business having in place:**

- a. fair recruitment procedures which give a wide range of qualified local people the chance to compete for jobs: fairness need be neither elaborate or expensive; for small businesses it could consist of making use of the free services of the Employment Service, for example;**
- b. arrangements to monitor the ethnic background of recruits and of the workforce at all levels; and**

**c. policies to promote fair representation of people from ethnic minority backgrounds at the different levels of the organisation where that has not already been achieved and in training and development programmes.**

**This is for the DfEE, DTI and liP UK to take forward.**

#### **Recommendation 29**

**4.54 We recommend more work is done on the promulgation of the BEM as a useful tool for organisation dealing with these difficult issues and specifically that the equal opportunities implications of the Model's fundamental criteria of excellence are effectively brought out in the guidance materials. This is for the DfEE, DTI and the British Quality Foundation to take forward.**

4.52 The Business Excellence Model may also have something to offer here. Based on the European Foundation framework for quality management, it provides a structured approach to organisational improvement. It is used widely by TECs/CCTEs and medium and large businesses. BEM expects organisations to address a range of key questions designed to improve business performance; these include questions intended to focus the organisation on how to manage the full potential of its people; how to manage resources effectively and efficiently; and how well the organisation is meeting the needs and expectations of the community within which it works.

4.53 These questions have a resonance with those we want organisations to ask themselves specifically about equal opportunities.

#### **Procurement and grant giving**

4.55 In many of the places visited by the PAT local people told us that a great deal of public money had been spent locally – either through contracts for local capital projects or in the shape of grants to business to subsidise investment. But this spending had produced few jobs for local people. This prompted us to look at the scope for linking grant giving and procurement to the achievement of labour market objectives, including equal opportunities.

4.56 This is a complex area.

4.57 In the case of grants like Regional Selective Assistance where one objective of the policy is to provide incentives for the creation of jobs in assisted areas, it is at least arguable that the recruitment of a

proportion of people from the locality and from among the unemployed or inactive should be an explicit condition. After all, unless people are recruited from these groups, the effect of the additional investment is likely to be inflationary because it will simply create competition for people already employed.

4.58 But it was also strongly represented to us that to attach explicit conditions of this kind was simply likely to lead to investment going elsewhere where no such conditions were attached, with no gain for the locality. We also noted that increasing emphasis was being placed on the use of RSA to foster innovation rather than, as such, to generate local employment.

4.59 Similarly, in the case of procurement contracts, it is clear that in order to conform to EU rules, conditions should not be attached to contracts which cannot be met equally by all potential bidders. Nor should best value considerations be lightly set aside because they provide an essential discipline for the procurement process and underpin the overall productivity of the economy.

4.60 There is however an important distinction between imposing a requirement that a certain proportion of the existing workforce be locally based as a condition of bidding – which clearly would be discriminatory under EU law – and attaching as a condition to grants or contracts with

whichever organisation wins a bidding competition that any necessary new recruitment needed to undertake the investment or contract should give a fair opportunity to local people.

### **Recommendation 30**

**4.61 We recommend that the DTI, Treasury and DfEE should jointly review whether attaching conditions to any additional recruitment flowing from a public contract or grant would be consistent with existing legal and best value constraints.**

4.62 Even if it were, it would not necessarily follow that compliance conditions of this kind would be the best approach in all cases. There remains much to be said for proceeding on a voluntary basis. And the PAT does believe that much more could be done in collaboration with business to secure the same objective: the recruitment of local people to work on local projects.

4.63 The key here is for public bodies making grants or letting contracts to be much more proactive in emphasising the advantages of equal opportunities, backed up with practical help to business to make them a reality.

**Recommendation 31**

**4.64 Specifically we recommend that public bodies engaged in procurement or grant giving in areas of high unemployment or low employment should:**

- a. ensure, in the case of procurement contracts, that businesses run by people from the ethnic minority communities and SMEs in general are able to bid and that the ethnic background of the owners of businesses invited to bid is monitored. Wherever possible contracts should be broken down into manageable components to facilitate bids from smaller businesses and feedback should be offered to those that do not succeed;**
- b. talk to prospective contractors and businesses securing grants for investment about their recruitment needs and the advantages of adopting approaches which give a fair opportunity to local people, including people from ethnic minority communities, to compete for jobs and ensure that procurement panels are alert to racial equality issues;**

- c. take steps to ensure that there are training programmes or intermediate labour markets in place which are capable of preparing local people to compete for future jobs. Wherever possible employers should be encouraged to influence the design of such arrangements and, in return, asked to make use of them for recruitment purposes, including, where possible, guaranteeing job interviews for people who successfully complete them.**

**Recommendation 32**

**4.65 We recommend that guidance on public procurement and guidance governing the award of subsidies for investment, such as Regional Selective Assistance – should be revised to draw this out. This, again, is for the Treasury, DTI and DfEE to lead on.**

4.66 We should also not ignore that the powerful leverage which larger businesses – committed to equal opportunities policies – can exert through their supply chains by, in turn and in the manner described above emphasising to their suppliers the bottom line advantages of recruiting local people and people from ethnic minority backgrounds.

**Recommendation 33**

***4.67 We recommend that part of the publicity and marketing effort recommended above should be directed at encouraging larger businesses to promote equal opportunities policies among their suppliers. This is for the departments taking forward the marketing campaign to act on.***

**DELIVERING LABOUR MARKET PROGRAMMES**

4.68 No matter how effective the Government's labour market programmes, we shall not make real progress towards our target of eliminating labour market inequality based on ethnic origin unless we make an impression on the wider labour market. But people from ethnic minority backgrounds are disproportionately represented among the long-term unemployed and economically inactive whom active labour market policies are intended to help. So it is of critical importance that these programmes too deliver equal outcomes.

4.69 In many respects, the New Deal already incorporates much best practice.

4.70 The ethnic background of participants is systematically monitored. The Employment Service has commissioned the Black Training and Enterprise Group

(BTEG) to develop a "mapping/baselining toolkit" which will help partnerships to identify the extent to which existing New Deal provision is relevant to and taken up by ethnic minority groups. The Government has adopted and published a strategy and action plan for *Engaging ethnic minority jobseekers and businesses*. To follow this, the Employment Service is committed to six monthly reviews of the progress of all partnerships in delivering equal opportunities. These are very welcome developments which the PAT endorses and recommends should be generally replicated in labour market programmes.

4.71 Specifically, the PAT believes that there are three essential ingredients to ensuring equal opportunity through labour market interventions. They are that:

- a. information about the ethnic origin of people participating in these programmes is collected and outcomes monitored by ethnic origin at both national and local level;
- b. the achievement of equal outcomes is an explicit target for all organisations delivering active labour market programmes like the New Deals at local level and, where appropriate, is built into their contracts; and
- c. failure to deliver equal outcomes is followed up to establish the reasons and, where it persists, leads to action to transfer responsibility for the delivery of

active labour market measures to other organisations which can deliver.

We enlarge on each of these conditions below.

### **Ethnic monitoring**

4.72 Until recently monitoring the ethnic origin of participants on labour market programmes has not happened to any great extent. As a result, it has been difficult to assess their effectiveness in meeting the needs of people from ethnic minority backgrounds.

4.73 As in a number of other respects, the New Deal for Young People marks a very welcome advance. All young people entering the programme are asked about their ethnic origin (as are all JSA claimants). As a result, it has been possible to build up an impressive picture of the operation of the programme nationally and at local level. We know, for example, that rates of entry into unsubsidised jobs between people from ethnic minority backgrounds and whites are much closer than might be implied by wider labour market differences, although there remains a gap – of three percentage points – to be closed. We also know however that:

- a. it takes on average more referrals to employers to move someone from an ethnic minority background into work;
- b. young people from ethnic minority backgrounds are under-represented on

the employer option and over-represented in full-time education and training among those entering options; and

- c. there are wide discrepancies between the performance of different areas, with some areas achieving equal outcomes and others falling well short by up to 13 or 14 percentage points.

4.74 This information provides an excellent basis on which to take action to remedy inequalities.

#### **Recommendation 34**

**4.75 The PAT strongly recommends that all labour market programmes in future monitor the ethnic origin of participants on the same basis as the New Deal.**

4.76 We also think that there is a role for inspection where that is already used to monitor the performance of publicly-funded organisations. Many young people from ethnic minority backgrounds are, for example, choosing to enter the full-time education and training option of the New Deal. It is therefore critically important that FE colleges and other training providers are effective in preparing these young people to compete for jobs and achieve equal outcomes in this respect.



### **Recommendation 35**

**4.77 We recommend that the Training Inspectorate should be explicitly tasked with reviewing the effectiveness of training providers' in this respect when looking at New Deal provision. This is for DfEE to ensure.**

## **Targets**

4.78 Information on its own is not however enough. Information must be used to set targets for improvement which narrow and eliminate inequality in the delivery of labour market policy at local level. The first New Deal performance tables setting out the relative performance of local partnerships in moving young people from ethnic minority backgrounds into work reveal just how variable performance can be and how important it is to take active steps to narrow these discrepancies.

4.79 Again, the PAT identified some good examples of exactly that. Since 1996 the TECs have been set the target of making measurable progress towards achieving equality of opportunity in their areas and have been expected to have in place a coherent strategy, backed by targets, for achieving that.

4.80 The existence of these explicit standards has enabled TEC's performance in this respect to be monitored and compared for the first time. We read, for example, with interest the 1998 BTEG report on Closing the Gap between Black and White which demonstrated that it was now possible to hold the TECs to account – both collectively and individually – for their performance in this respect.

4.81 The PAT is pleased to note that the Government intends to set the partnerships delivering the New Deal for Young People targets to improve their performance, including to narrow discrepancies in the progress of young people from ethnic minority backgrounds.

### **Recommendation 36**

**4.82 Building on this, the PAT recommends that the Government should set all organisations delivering publicly-funded labour market programme equality targets and monitor their performance against those targets on a regular basis. Action here rests with the DfEE.**

## **Compliance**

4.83 This is one area where we do believe that contract compliance is right. The fact some New Deal partnerships are already achieving equal outcomes reassures

the PAT that failure is not inevitable and that success can be delivered.

**Recommendation 37**

**4.84 Where publicly-funded organisations fail to deliver equality targets, the PAT recommends that this should be followed up, the reasons established and, in the case of persistent failure, responsibility for delivering programmes like the New Deal should be transferred to an organisation better equipped to do so. Again, this recommendation is for the DfEE to act on.**

## SUPPORT FOR ETHNIC MINORITY PEOPLE

4.85 We discuss in chapter 3 ways in which long-term unemployed and inactive people can be more effectively supported to compete effectively for jobs. All the recommendations in that chapter apply with no less force to people from ethnic minority backgrounds who find themselves excluded from the labour market.

4.86 But the PAT also concluded that there were a number of ways in which this support could be made more effective for people from ethnic minority backgrounds. These included:

- a) the use of role models drawn from ethnic minority communities;
- b) the recruitment of personal advisers and their managers from the same backgrounds as those whom they are serving;
- c) greater use of mentors; and
- d) the use of intermediary organisations with a track record in securing jobs for people from ethnic minority backgrounds.

### Role models

4.87 We were told on our visits that successful role models could have a powerful effect for many people from ethnic minority backgrounds by giving them something to aspire towards as well as encouragement not to give up their search for work. We were told several times that seeing people from their own community working in business or for public bodies made others feel that there was hope for them too.

### Advisers

4.88 We also noted that a number of organisations thought that employment advice carries most weight when it is given by people who were themselves from ethnic minority backgrounds, located in ethnic minority communities.

**Recommendation 38**

**4.89 We recommend that further work is done to see what scope there is for engaging ethnic minority organisations in the delivery of personal adviser services and for secondments from those organisations.**

**Recommendation 39**

**4.90 We also strongly recommend that organisations providing personal adviser services within the framework of publicly-funded programmes should monitor the ethnic background of personal advisers and their managers and seek to ensure that, as far as possible, people from ethnic minority backgrounds are represented in proportion to their presence in the local community as a whole. This is for Employment Service and other service delivery organisations to act on.**

**Mentors**

4.91 We take the view that people from ethnic minority backgrounds are likely to benefit particularly from mentors drawn from their own communities. We see particular merit in making use of mentors drawn from the same community when

providing services to women from Pakistani and Bangladeshi backgrounds who, as the figures we cite in chapter 2 show, are heavily under-represented in the workforce.

**Recommendation 40**

**4.92 Accordingly, we recommend that this should be borne in mind wherever possible when unemployed and inactive people are matched to mentors. This is predominantly for the Employment Service and other organisations providing or contracting for mentoring services within publicly-funded organisations to take forward.**

**Intermediary organisations**

4.93 In the course of our work, we came across many organisations with an effective track record in equipping people from ethnic minority backgrounds to compete successfully for jobs. In some cases these organisations were rooted in these communities themselves. We have already mentioned CEED in Bristol. Another good example is STRIVE in North London. In other cases we witnessed private sector job broking agencies providing an effective service to jobless people from ethnic minority backgrounds.

**Recommendation 41**

**4.94** *We strongly recommend that organisations delivering the Government's labour market programmes locally like the New Deal, should make use of such intermediary bodies.* We return to this in chapter 7.

**LAST WORD**

4.95 We have proposed in this chapter a range of concrete strategies to eradicate discrimination in the labour market: the dice must be evenly balanced.

## CHAPTER 5 Building Bridges: Partnerships with Employers

5.1 Wherever we went we met jobless people who were eager to work and had the skills and aptitudes to do so and we met employers with vacancies to fill. But the two failed to connect: sometimes because the job matching process was not working effectively; sometimes because employers were sceptical about recruiting from deprived neighbourhoods; sometimes

because the jobs were inaccessible to the people. In this chapter we analyse and make some recommendations about how we can build better bridges between, on the one hand, deprived neighbourhoods with people without jobs and, on the other, employers with jobs without people. We look particularly at the role of intermediate labour markets.

### SUMMARY

In the PAT's view, building effective bridges depends on developing more effective partnerships with employers. This does not mean shifting the primary focus away from jobless people themselves, but it does mean recognising that employers will only take on people who meet their needs. So it is critical to understand and respond to their needs. This is especially so when providing help and support to long-term unemployed people from deprived neighbourhoods.

It follows that organisations aiming to help long-term unemployed and jobless people to compete effectively for jobs will never be as effective as they could be unless they also see employers as their clients and take the time and trouble to understand the skills

and aptitudes that employers want.

Employers, for their part, must recognise that they are denying themselves access to talented people who will add value to their businesses if they do not engage with and build effective working relationships with labour market organisations working in deprived neighbourhoods. And both employers and labour market organisations need to be alert for mobility impediments to matching people to jobs and take action to address them in conjunction with local authorities and transport companies.

Against this background, the PAT believes that there are four elements to a strategy for building bridges between employers and jobless people from deprived neighbourhoods.

First, organisations providing labour market services, and particularly job broking services, in deprived neighbourhoods must be on employers' wavelengths. This is likely to involve ensuring that some staff are dedicated to finding out what local employers want and acting within their organisations as employers' advocates. This will lead to better and more realistic advice to unemployed people and jobless people about the opportunities available and the skills and aptitudes they will need to compete for them effectively.

Second, the PAT believes that every effort must be made directly to engage employers in the design of labour market support. Gateways, training and intermediate labour market schemes will all be more effective if employers have had a hand in their design. The steps taken by the Government to achieve this within the New Deal by opening up the employer subsidy to innovative use are very much in the right direction. There are also impressive local initiatives of this kind.

Third, it is essential to find ways of giving employers the confidence to recruit from deprived neighbourhoods. This is where the PAT sees a particular role for intermediate

labour markets and training provided by intermediary bodies. Where intermediate labour markets and training are locked into the needs of employers in the open labour market and provided by organisations which are themselves trusted by employers, they can be effective bridges into jobs. Views within the PAT were mixed on whether intermediate labour markets could also be an effective mechanism for regenerating areas lacking jobs. The PAT concluded that employer subsidies and worktrials also had a role to play in giving employers the confidence to recruit long-term unemployed people from deprived neighbourhoods.

Fourth, employers and organisations delivering labour market services must not be passive in the face of mobility difficulties. This means employers and local labour market organisations ensuring that labour market considerations are fed into local authority and RDA transport strategies and, where necessary, enter into direct discussion with the transport utilities. It also means using public money imaginatively to tackle the mobility problems of individuals, including, where it will help with getting a job, paying for driving lessons.

## WHAT HAPPENS NOW

5.2 As we have said, the bedrock of the system of providing support to unemployed people must be the existing Jobseeker's Allowance regime and the job matching services which go with it. This is effective in moving into jobs many people who have been unemployed for a short time.

5.3 But for people who have been unemployed or inactive for a long time, and particularly for people from deprived neighbourhoods, more intensive help is needed to break down the barriers which have grown up between them and the labour market. We have already discussed in chapter 3 what more might done to support such people to enhance their own self-confidence and skills.

5.4 That will not however be enough unless employers in turn have the confidence to recruit them. That is why many of the Government's existing active labour market interventions like the New Deal for Young People include specific measures – employer subsidies and so on – which are designed to provide incentives to employers to recruit people who have been out of the labour market for some time.

5.5 It is a question of building bridges.

5.6 On our visits and consultations, the team found several examples of bridges being down, but also examples of people

and employers in local communities showing how they could be built.

5.7 The team visited the St Hilda's partnership in Middlesbrough which is a charitable status company funded from the SRB challenge fund, the lottery and the private sector. The partnership aims to assist the social and economic regeneration of a particularly deprived area of the city. People we met there told us there was evidence that employers discriminated against job applicants from St Hilda's. Unemployed people sometimes resorted to the use of alternative addresses outside the area when applying for jobs. Most of the local business were small and recruited by word of mouth, or through family networks, mainly because this was an inexpensive way for employers to recruit. However, the effect was to disadvantage the unemployed people in the area.

5.8 In the Toxteth area of Liverpool we found local people from ethnic minorities who were reluctant to venture out of their own area because of a fear of racism. We also saw the effects that long term unemployment has on people's confidence. In the case of some young unemployed people, who had never worked or came from workless families, a lack of confidence or fear of the unknown involved in taking a job was severely hampering their chances of finding work.

5.9 In South Yorkshire traditional patterns of local employment had collapsed in many villages with the eclipse of the mine. Historically work had always been available in the village and there had been no need to travel to other areas to work. We were also made aware of the jobs that were being created in the Dearne Valley in the South Yorkshire. Many of these jobs were being taken by employed people from the surrounding towns, but making little impact on the core of local unemployment.

5.10 To set against this, there were examples of positive programmes linking people with employers. In Bradford, the Youth Build project was providing training and work placements for 12 local young people in the construction industry. Trainees first took a CITB test and the 12 successful candidates were placed in work placements with local employers, at the same time working towards relevant qualifications.

5.11 We offer some more examples later in this chapter to illustrate what we consider good practice in the building of bridges.

## THE EMPLOYER IS IMPORTANT TOO

5.12 “They kept on talking about “clients”, but I thought I was the client” – **an employer from South London.**

5.13 The employers we talked to related similar experiences. They had often seen

candidates for their vacancy, referred to them through job broking organisations, who did not match even the basic criteria for their job. Sometimes this mismatch was in basic literacy or numerical skills, sometimes it was between the person’s work aspirations and the job available. These mismatches were particularly disappointing when they occurred as a result of referrals from the New Deal.

5.14 If the employers were the client (and they assumed they were) they were often not being given the kind of service they expected. The diversity of employers also needed to be recognised by job matching organisations and, within that diversity, each employer’s individual needs.

5.15 The clear lesson for job matching organisations is that exclusive focus on unemployed and jobless people will not work. Employers have also to be seen as clients and their needs understood if jobless people are to be given apt and sensible advice.

5.16 We saw organisations who were making a considerable effort to bridge the gap between unemployed people and employers. The Talent employment agency in South London divides its staff between those who work with employers and those who work with unemployed people. Before referrals are made, staff working with unemployed clients have to ‘sell’ their



clients to the staff with vacancies. Staff with the vacancies have the final decision on who to refer to employers. This helped, not only in avoiding wrong referrals, but also in building knowledge of employer's needs and local labour market conditions.

5.17 There were also some good examples of service to employers from other job broking organisations, including the Employment Service. We discussed the role of the Employment Service and some aspects of their service to employers in chapter 3. The common elements of that good service were: a more in depth screening of candidates; good personal contacts being built up between the employer and individuals in the job broking organisation built on a relationship of trust and honesty; and confidence in the job broker being conversant with their own procedures and that of the employers. All these approaches increased the credibility of the service in the eyes of employers.

#### **Recommendation 42**

**5.18 In sum, the PAT recommends that much more can be done to bridge the gap between people from poor neighbourhoods and employers if the organisations who provide labour market services at a local level take greater care to understand the employer's needs.**

***One of the ways of ensuring this is to have advisers in those organisations who are dedicated to employer's needs and act as their advocates. This is primarily for the Employment Service nationally and other organisations providing job matching services within publicly-funded programmes locally to act on.***

## **GETTING EMPLOYERS INVOLVED**

5.19 But, where possible, we also need employers to pull on behalf of people from deprived neighbourhoods. One way we can do that is to promote employer involvement in the design of labour market interventions like the New Deal.

5.20 The PAT came across some good examples of such involvement. There was the work of CEED in the Bristol and South West area. CEED was running an effective programme of positive action partnerships on behalf of local employers: we have more to say about this in chapter 4.

5.21 The Birmingham Gateway for the hospitality industry was another good example of how a partnership with employers had developed successfully. Initially a partnership of Birmingham City Council, Birmingham & Solihull TEC and a company called Redcliffe Catering, it is now

run and organised by Birmingham Hospitality Services Ltd. It offers training to clients referred through Birmingham's Catering Academy and guarantees employment to those who complete the work tasters. The employers involved are finding it a successful and cost effective way to recruit.

5.22 Take too the Sheffield Employer Coalition. The coalition is composed of 25 Sheffield employers representing a range of firm sizes and industrial sectors. It was established to advise the Employment Service and New Deal partnership on ways in which the programme might be enhanced to encourage greater business participation. The Coalition produced a document in March 1999 called *Recommendations for engaging Sheffield Employers in New Deal*. This document has resulted in a strategy to raise employability training during the New Deal Gateway and to continue this during Options and Follow Through. The coalition research with employers identified that young people needed a better understanding of the world of work. To address this the Coalition is at present identifying a few key companies in growth sectors that would be willing to provide a variety of work taster opportunities.

5.23 The moral is clear, employer involvement in the design and delivery of programmes for the unemployed is possible

and where it has been tried, it is successful and beneficial for employers.

5.24 The Government is already encouraging the process, in particular through the New Deal initiative to make innovative use of the employer subsidy. The objective here is to invite bids from employers and other organisations which can move more unemployed people into jobs by deploying in innovative ways the money available for employer subsidies.

5.25 One of the innovations envisaged is that groups of employers within a particular area or sector will agree to substitute the New Deal subsidy for with another arrangement that suits them better in recruiting and retaining unemployed people. For example, employers might prefer to use the same money to design their own Gateway instead; New Deal for Communities areas might be used as a pilot in this regard.

5.26 Equally, the subsidy might be used to contract for job broking service with intermediary organisations in the private or not-for-profit sectors which already have established relationships with employers. No one organisation has a monopoly of effective contacts.

5.27 The PAT believes that this is the way forward for the future.

### **Recommendation 43**

**5.28 Subject to the evaluation of the current initiative, we recommend that:**

- a) organisations responsible for the local delivery of national labour market programmes should seek actively to forge links with local employers and employers' organisations or seek out and contract for job broking services with organisations who already have links with employers; and**
- b) with this in mind, the Government should give organisations delivering active labour market policies at local level – including the Employment Service – discretion to use public money to draw employers into the design of Gateways and other job preparation arrangements.**

5.29 We return to this in Chapter 7 and, in particular, to how these links with local organisations can be brought about.

## **BUILDING PARTNERSHIPS**

5.30 The PAT's consultations with employers came across a common theme: that employers were prepared in principle to recruit more widely but felt that there was a risk involved in

taking on more people from deprived neighbourhoods.

5.31 We found some evidence of discrimination based on a person's post code or the particular estate on which someone lived. This was not a universal practice by employers but does occur in some areas of the country.

5.32 A report by the Institute for Employment Research at Warwick University "Employers, Young People and the Unemployed: a Review of Research" found evidence that "employers seek two things when they recruit: people with the right skills and people who represent the minimum risk". The report goes on to say that "Employers who tend to associate longer-term unemployment with poor work performance, poor motivation and self discipline and unacceptable attitudes, regard people who have been unemployed for a lengthy period as risky. Many employers automatically reject applications from the long-term unemployed for this reason".

5.33 This implies that we must find ways of reducing the risks which employers perceive when recruiting jobless people from low employment/high unemployment neighbourhoods. We have talked to many employers about this, including those represented on the PAT itself. We conclude that there are three main ways forward:

- a. the use of intermediate labour markets and training provided by trusted intermediary organisations which take on from employers the job of training or preparing jobless people to meet the employers' requirements;
- b. employer subsidies which compensate employers for the costs of lower productivity as people learn the job and which may also cover training costs; and
- c. work trials which give employers and jobless people the opportunity to try each other out with no commitment on either side.

We look at each in turn.

### **Intermediary bodies: intermediate labour markets and training**

5.34 The perception of risk can be countered effectively through the use of well-designed intermediate labour markets and through job-related training.

5.35 The key here is the involvement of trusted intermediary organisations which have effective working relationships with local employers and are prepared to assume responsibility for training or preparing jobless people to compete effectively for jobs with the employers. The main purpose of intermediaries, according to the New Deal Task Force Project on the Role of Intermediaries, is to "intervene in

the labour market at the point of labour market failure, both to improve labour supply and to activate or stimulate demand for labour. In this respect intermediaries undertake a number of functions at the interface between the unemployed person and the employer. The exact nature of the interventions will be determined by the needs of the unemployed person and the employer".

5.36 We are aware of very effective use made by business of such intermediaries in the United States. One example, cited by Eli Segal, the President of the US Welfare to Work Partnership in his 30th anniversary lecture for the National Centre for Social Research in June 1999, illustrates what we have in mind. It concerns a not-for-profit service provider in New York City called Wildcats Service Corporation which provided IT training to welfare recipients but without much success in moving them into jobs. That is until it teamed up with Saloman Smith Barney in a partnership. Saloman Smith Barney explained what skills it wanted in new recruits and provided help with the training; Wildcats Services identified welfare recipients, trained them and delivered them to Salomans.

5.37 To quote Eli Segal: "Suddenly welfare recipients found good paying jobs while Saloman Smith Barney found dedicated, enthusiastic employees."

5.38 We look in turn at the role of intermediate labour markets and of training and at the circumstances in which each can be effective.

### ***Intermediate Labour Markets***

5.39 An intermediate labour market is a term of art which describes jobs created in or by the public sector specifically for long-term unemployed or inactive people and which would not exist without public subsidy. Apart from the underlying public subsidy, such jobs typically have all the characteristics of jobs in the open labour market. Wages are paid to employees who are subject to normal work disciplines, including requirements to attend. Though some greater latitude is offered to participants, persistent failure to abide by work disciplines results in penalties and ultimate dismissal for repeated offences. The jobs themselves often have some social and or community benefit, but the return they earn is rarely sufficient to cover their costs, including the wage costs: hence the need for public subsidy.

5.40 Although the distinction is not clear cut, intermediate labour markets tend to be used to fulfil one or other of two public policy objectives.

5.41 First, and of chief interest to the PAT, intermediate labour markets can be explicitly designed as a temporary bridge to work providing the work experience

which long-term unemployed and inactive people lack and creating a work record which, it is hoped, will persuade employers to take people on. The definition of the ILM model adopted by the UK ILM Network is that “the Intermediate Labour Market model was developed to offer long term unemployed people and others excluded from work a means to enter or re- enter the labour market”. In the ILM model’s features they include the aim: “to give those who are furthest from the labour market a bridge back to the world of work. It is about improving people’s employability”.

5.42 This is, for example, how they are being used in the New Deal for Young People where two of the four options available to young people if they fail to find a job during the Gateway are, in effect, intermediate labour markets: the opportunity of work experience with voluntary sector in a variety of roles or enrolment on the Environment Task Force which, as its name implies, has a particular focus on environmental projects in the local community.

5.43 Second, intermediate labour markets have also been used as part of strategies to regenerate areas lacking jobs. In this case, the primary purpose is to substitute public employment for demand deficiencies in the local economy. Typically such projects set less rigid time limits on

the length of participation and are less geared to transferring participants into the open labour market. They are more an end in themselves. We return to this use of intermediate labour markets.

5.44 Bearing in mind the PAT's remit, we looked primarily at the effectiveness of intermediate labour markets in their first role as a bridge into the open labour market. To this end we consulted the available research evidence, particularly the 1996 Cambridge Policy Consultants study of Glasgow Works. We also went to see a number of intermediate labour market projects on our visits.

5.45 The research evidence is not extensive, but yields some fairly consistent conclusions:

- a. intermediate labour markets are expensive: £14,000 per place per year in the case of the Glasgow Works programme;
- b. but they can be effective in giving long-term unemployed and inactive people a work record and easing their transition into the open labour market: in 1996 62% of participants in Glasgow Works projects – who were all drawn from among the 1 year + unemployed or inactive – moved into jobs;
- c. this is especially so where the focus of the intermediate labour market is firmly on placements in the open labour market.

5.46 Much of this was confirmed by our own observations.

5.47 In Glasgow for example, PAT members saw the Rehab Remanufacturing Services (RRS) in Easterhouse which is an intermediate labour market project that has linked particularly effectively with local employers. The project refurbishes washing machines and cookers and re-sells them at their own city centre outlet. One of the objectives of the project is to help long term unemployed people into employment. The idea is to help participants gain confidence on the programme and be better able to secure employment in the open labour market. And they have been successful – 80% of the people who have been on the programme have gone into employment. The project has forged close links with a number of local employers including Bodyshop.

5.48 In Middlesbrough the PAT visited East Middlesbrough Community Venture (EMCV). EMCV saw itself as an ILM where long-term unemployed people felt they could work and train in a supportive environment. EMCV had very positive links with local security firms who often employed EMCV trainees. Local recruitment officers regularly visited the centre to interview applicants in the familiar environment of the training centre.

5.49 The key to EMCV's approach was to work with and support both its trainees and local employers. It provided post-employment support to both and offered to mediate in case of any problems between employers and new employees. 95% of trainees were placed in employment. Former trainees continued to get support for their NVQs once in employment.

#### **Recommendation 44**

**5.50 In sum, the PAT recommends that intermediary bodies running work experience programmes have an important role to play in bridging the divide between low employment/high unemployment neighbourhoods and employers. But the link with employers is critical. Work experience divorced from the work place is likely to be less effective. The high cost of such intermediate labour markets also means that such projects should generally not be used as a first resort. As in the case of the New Deal for Young People, they are better deployed in support of people for whom other interventions have proved unsuccessful. It is, in other words, for organisations delivering labour market interventions locally to make sensible use of intermediate labour markets as part of a mix of policies to help people from deprived neighbourhoods make the transition into work.**

5.51 The PAT also considered the role of intermediate labour markets as instruments of regeneration. We were conscious in this context that the TUC had recommended their use in this way to compensate for demand deficiencies in those areas of the country with high proportions of jobs in the manufacturing sector.

5.52 On this, opinions within the PAT were divided. Some members strongly believed that intermediate labour markets could and should be used, as the TUC had recommended, to boost demand in areas suffering from shortages of jobs. Other members of the PAT felt equally strongly that using intermediate labour markets in this way created a risk that unemployed and inactive people would be separated from the open labour market in a way which would damage, not enhance, their ultimate prospects of obtaining a job.

5.53 Given that this regenerative function of some intermediate labour markets lay outside the PAT's terms of reference, we did not seek to resolve this difference, but simply record it.

#### **Training**

5.54 The Policy Action Team on Skills is examining how well current arrangements work in addressing potential skill gaps in deprived neighbourhoods. It is drawing up plans to improve the effectiveness of current provision. However, that did not

preclude this PAT from considering the role of training providers and the training they provide particularly as intermediaries in bridging the divide between long-term unemployed and inactive people from deprived neighbourhoods and the open labour market.

5.55 As with intermediate labour markets, we found that the success of training programmes was closely tied to their own links with employers.

5.56 We looked at the international research evidence, drawing particularly on John P Martin's 1998 study for the OECD *What works among active labour market policies: evidence from OECD countries' experience*. This suggested a mixed record for training as bridge back into work. Many training programmes have been found to yield very low rates of return. But this was not true for all. Successful programmes can be found in terms of earnings gains and positive rates of return for individuals. Although the evidence of what makes these programmes effective is far from complete, Martin suggests that three key pre-conditions for success are:

- a. tight targeting on participants: focusing the programmes on those motivated to succeed;
- b. keeping programmes relatively small in scale; and

- c. including a strong on-the-job component in the training and hence establishing links with local employers.

5.57 This is borne out by important recent research by Social and Community Planning Research into the Training for Work programme which showed that those trainees (roughly a third) who had employer placements were more likely to have entered jobs and stayed in them longer than other trainees. It also reflects the research evidence – cited elsewhere in this report – that employers attach more importance to personal qualities than they do to formal qualifications when making recruitment decisions. In other words, a qualification in itself is unlikely in employers' eyes to overcome the lack of a work record or poor self-presentation.

5.58 This is very much confirmed by our own observations.

5.59 For example, we told on our visit to Liverpool that many people living in the deprived neighbourhoods of Toxteth and Granby had trained several times over without securing a job. So training by itself had not proved a way forward for them.

5.60 By contrast, we saw some good examples of how training could be harnessed to provide new opportunities for people from deprived neighbourhoods and from ethnic minority backgrounds



particularly in pre-employment training where courses were designed to meet the company's specific requirements.

5.61 Thorn Lighting Group UK in Spennymoor, County Durham has run pre-employment training courses since 1994. The courses vary in length from 3 to 5 days and introduce trainees to Thorn and its processes. On the last day of the course the trainees are placed on a database and given preference when either permanent or temporary vacancies arise. So far nearly 50% of people completing the training have gone on to take full time employment. The pre-employment training programme has also helped form a strong working relationship with the local Employment Service who carry out a pre-screening of candidates to Thorn's specifications.

5.62 On Teeside, we met with the tutor and participants on the EMTA Food Manufacturing Initiative – an Employment Zone initiative – providing training designed specifically to meet the recruitment needs of two local food manufacturing employers. On this scheme, participants are trained in a working environment and work towards a food hygiene qualification. All participants who secured this qualification were then guaranteed work experience with a local business. Most were then taken on permanently.

5.63 In Bradford, we visited a highly effective training programme for long-term

unemployed and inactive people which was focused on the growing call centre industry. The training mimicked a call centre itself and involved participants working the equivalent of full days dealing with the sorts of enquiry they would encounter in the real world. Nearly all participants were taken on directly by the industry.

5.64 In Chapter 4 we discuss good examples of where positive action traineeships have proved to be a helpful approach for employers to consider as part of their strategies to increase ethnic minority representation.

5.65 In short, employer involvement is again the key to success. The more employers can see at first hand what skills and talent are available from people living in deprived neighbourhoods the more we get over the perception of risk.

#### **Recommendation 45**

**5.66 So the PAT recommends that training too has a place in the range of help available to people from deprived neighbourhoods. But the lessons from here and abroad strongly suggest that this training must be linked to the workplace, with a high degree of employer involvement. This recommendation is directed at organisations delivering labour market policies at local level.**

## Subsidies

5.67 Subsidies have been one of the policies used, including in this country, to overcome 'risk factor'.

5.68 We have looked at research evidence bearing in their effectiveness. This is well summarised in the paper by John Martin of the OECD referred to earlier. It concludes that wage subsidies "do give an advantage to the target group compared to other job seekers and the resulting redistribution of job opportunities may be justified on equity grounds." Martin notes that subsidies often have high deadweight and displacement costs, but that these can be reduced through tight targeting of the measures to particular groups among the unemployed and clear ground rules for their use agreed with employers.

5.69 We found this analysis broadly encouraging because we see the primary purpose of subsidies as lying not in the creation of new jobs, but in the incentive they create for employers to take on people whom they might otherwise have rejected.

5.70 In our consultations and visits we found that larger employers tended not to attach great importance to the subsidy. They felt the cost of administration outweighed the value of the subsidy.

5.71 But subsidies did make a difference with SMEs. In "New Deal for Young

*Unemployed People: A Good Deal for Employers?"*, a report prepared for the Employment Service by the Social and Community Planning Research, in depth interviews were conducted with employers. They found that one of the factors that 'tips the balance' towards the recruitment of young and unemployed people was subsidies. They were thought to be "increasing the attractiveness and lowering the risks to employers of recruiting" and "enhancing the attractiveness of New Deal clients compared to others".

5.72 We also noted that subsidies had a rôle to play in promoting fair recruitment by causing employers to use the services of the Employment Service or of job broking agencies in the private and voluntary sectors where before they might have recruited through informal networks. This struck us as a powerful continuing justification for their use.

### **Recommendation 46**

**5.73 So, on all counts, we recommend that employer subsidies should continue to be available within national labour market programmes like the New Deal. These subsidies must however be more actively marketed to small and medium enterprises and public sector organisations in particular and must be linked, to be**

**successful, to more effective servicing of the needs of such businesses by job broking agencies. This recommendation is directed at organisations delivering labour market policies at both national and local level.**

## **Work trials**

5.74 Work trials or tasters reduce risk in a different way: by giving both employers and jobless people the chance to test a working relationship over a short period of two or three weeks without obligation on either side. The employer has no obligation to take on the potential recruit at the end of the trial and, during the trial, assumes no responsibilities as an employer beyond those of health and safety. The jobless person can leave the job without detriment to his or her benefit or work record.

5.75 Many employers told the PAT that they valued the work trial or taster. This was borne out by other evidence.

5.76 For example, one of the recommendations of the Sheffield Employers Coalition in their report *Design for Success – Recommendations for Engaging Sheffield Employers in the New Deal* was that more opportunities should be made available for New Deal participants to go on work tasters with

employers. They mentioned that a number of employers in Sheffield had indicated that they would be prepared to provide them.

5.77 The PAT also found however that there was an important issue around employers' insurance covering Work Trial employees. ES and other labour market organisations must ensure that the employer has insurance which will cover the Work Trial participant. All employers (with the exception of national and government bodies, which have other arrangements) are required by law to have Employer Liability Insurance. However, as a Work Trial participant is not an employee, an employer's Employer Liability Policy will not necessarily cover them. The position must therefore be checked with the insurance company (for new employers, the best time to do this may be when they sign the agreement).

5.78 Many insurance companies are likely to be willing to extend Employer Liability Cover to Work Trial participants at no extra charge, if they are notified. Alternatively, an employer's Public Liability Policy may cover Work Trial participants. We saw, at any point, no reason why the issue of insurance should inhibit the use of work trials.

#### **Recommendation 47**

***5.79 In the light of this evidence, the PAT recommends that work trials should be used more extensively to give jobless people the opportunity to show what they can do and to give employers the chance to recruit without risk. This recommendation is directed at organisations delivering labour market policies at both national and local level.***

## **MOBILITY**

5.80 A lack of links with employers is not the only reason why jobless people find it difficult to take up vacancies. Some people physically cannot reach jobs because of public transport problems. Other people are reluctant to travel outside their neighbourhoods. Active labour market policies must tackle both phenomena.

5.81 For example, in Brighton, the team were told that vacancies at Gatwick airport remained unfilled, partly because public transport was not available at times that would suit the hours of the work, but also because people considered a thirty minute journey by train too far to travel to work. The Institute of Employment Studies report, mentioned earlier, found under “Client’s Perceptions” that some young New Deal participants were unwilling to travel outside their district. We have already mentioned

some of the problems associated with areas where historically there was no reason to travel. We have also mentioned some of the problems associated with long term unemployment, racism and confidence to travel.

5.82 The different problems of mobility need different solutions.

### **Tackling impediments to mobility**

5.83 In many cases the problems of mobility are structural rather than individual. Information about vacancies may not be widely enough available across a travel to work area. The transport infrastructure may not have adapted to changing patterns of work. Bus routes do not serve employers or train schedules are not geared to shift work.

5.84 Structural problems demand structural solutions.

5.85 Where the problem is about lack of information, the key will be to find ways of disseminating information about job vacancies across a wider area which reflects travel to work patterns and opportunities. Our recommendation about the use of IT in chapter 3 should help here. But more tailored initiatives may also be needed, particularly in inner cities where job vacancies may have gravitated to the periphery away from jobless people in the centre. So we were pleased to hear about

the Employment Service's London Matches project which creates a data base of vacancies in shortage areas and matches them to a data base of jobless people with the skills and experience in short supply.

**Recommendation 48**

**5.86 We recommend that London Matches be evaluated and, if found to be effective in enabling jobless people in deprived neighbourhoods to compete for jobs, imitated in other major conurbations. This is for the Employment Service.**

5.87 Where the problem is the transport infrastructure, the key will be liaison at local level between employers, the local authority and RDA and the Employment Service. The focus for this liaison should be the drawing up of the new local transport plans foreshadowed in the Government's White Paper A New Deal for Transport: Better for Everyone.

5.88 The potential for enhancing mobility within the labour market is already clear where such liaison predated the establishment of local transport plans. So, for example, the Rural Development Commission funded a review of public transport in Cornwall with a particular brief to examine the obstacles faced by jobless people. This led to:

- improved information for jobless people and their advisers through the production of a composite map of all transport services and contact numbers; and
- a rural transport subsidy scheme which pays the transport costs of young people enrolling on the employer option of the New Deal for a period of 6-8 weeks.

**Recommendation 49**

**5.89 The PAT strongly recommends that mobility within the labour market, and particularly the problems faced by jobless people in deprived neighbourhoods should be a key focus of the drawing up of local transport policies. This is for local authorities to act on in conjunction with partner organisations.**

5.90 In order to solve the physical problem of lack of transport we also need to think more imaginatively about how we use public money to overcome individual problems.

5.91 The New Deal has provided examples of where this has been done. In the 25 plus pilots ideas are being tested from the simple individual solution to longer term schemes that can help groups of people. The Fife Initiative for Employment

has a “Cars for Work” programme where low cost cars are made available to participants, who have a genuine hardship posed by lack of accessible transport, on a “rent to own” basis. In Herefordshire, video conferencing with advisers has been arranged through a local school. Interviews and job search advice are available through this facility. In addition individual help is available like the loan of a moped. In the New Deal for Young People in London, travel cards are being made available to New Deal participants.

#### **Recommendation 50**

**5.92 The PAT strongly recommends that organisations delivering labour market policy at local level should have discretion to use public money imaginatively in this way to solve individual mobility problems. This help should extend to the provision of driving lessons where the acquisition of a driving licence would make a real difference to a person’s ability to secure a job.** This is likely to be particularly so in rural areas or where people have qualifications – as an electrician or plumber for example – which oblige them to be mobile.

#### **Tackling anxieties about mobility**

5.93 The anxieties involved in travelling to work may be tackled, to an extent, by some

of the earlier recommendations in this chapter. For instance, the use of work trials. Some of the worries about the additional cost of travelling might also be tackled by some of our recommendations in Chapter 6 on *Sharpening Financial Incentives*.

5.94 The PAT also believes that useful additional help could be provided by enlisting the support of other people who may have been in a similar situation to those seeking work or are trusted by them because of their background or experience. The mentoring programme in the New Deal has been a good example of where people have had their confidence boosted by the support and advice of a trusted individual who has guided them through initial difficulties. It would be possible to extend that type of assistance to those who have not been in employment for a while, perhaps to the extent of having the mentor act as an initial travelling companion.

#### **Recommendation 51**

**5.95 The PAT therefore recommends that more widespread use is made of mentors particularly in overcoming some of the mobility problems experienced by those people who have been out of the labour market for a long period. This is a recommendation for national organisations involved in delivering labour market interventions.**

## CHAPTER 6 Making Work Pay

6.1 Active measures to help jobless people to improve their job search skills and, where necessary, to enhance their employability will play a key part in bringing down rates of joblessness in deprived neighbourhoods and among people from ethnic minority backgrounds. So will the measures we are recommending to build bridges to employers. But they are not enough on their own. It is also vital that work itself should pay, and be seen to pay, and that the financial risks of the transition to work should be reduced if jobless people are to leave the certainty of welfare for the potentially higher but less certain rewards of a job.

6.2 In this chapter, we consider how we can more effectively address the concerns many jobless people have about the financial implications of making the transition to work and specifically

- a. what more could be done – over and above the Government's existing measures to make work pay – to reduce the financial risks of making the transition to work;
- b. how the information available to jobless people about the financial implications of taking a job could be made more accessible;
- c. what could be done to help jobless people from low employment neighbourhoods and from ethnic minority communities to combine benefit with temporary or casual work which moved them closer to the labour market without blunting the incentive to move off benefit altogether; and
- d. whether participation in Local Exchange Trading Schemes (LETS) could help jobless people make the transition to the open labour market and, if so, what could be done to facilitate participation in LETS;

### SUMMARY

The PAT met many people who thought that the short-term risks to their income of making the transition from welfare to work were, on balance, too high to be faced. And it met many more who under-estimated what their income would be in work.

Against this background, the PAT concluded that there was a strong case for improving people's financial security at the point of transition by:

- a. guaranteeing run-ons of Housing Benefit and Council Tax benefit until a revised

- work benefit had been calculated and guaranteeing that all benefits could be re-established at their pre-existing level where a job collapsed within a fixed period;
- b. unifying benefits paid in respect of children; and
  - c. extending tax credits on the model of the working families tax credit to all eligible working people without children if the evaluation of the Earnings Top Up Scheme shows that this had a positive impact on incentives.

It was also in no doubt that the information available to jobless people about the financial implications of taking a job needed to be improved. The PAT thought that, in principle, the aim should be to move towards a system in which a spur to accuracy was secured by transferring the risk of inaccurate information from the individual to the organisation providing that information. This could be achieved by guaranteeing a jobless person a minimum income in line with that foreshadowed in any information provided.

The PAT also reviewed the current rules bearing on casual work while claiming benefit. It recognised that there was a balance to be struck between, on the one

hand, increasing the rewards of casual work and, on the other, blunting incentives to enter the open labour market by increasing potential income on benefit. But the PAT also thought that work of any kind was valuable preparation for more sustained re-entry to the labour market and accordingly that – pilots should be run in areas of low employment/high unemployment, to test whether a revised regime – subject to the safeguard of approval by a personal adviser – based on a pot of disregarded earnings rather than a weekly disregard, did create positive incentives for jobless people to take up casual opportunities to work which enhanced their employability.

By the same token, the PAT thought that participation in Local Exchange Trading Scheme (LETS) could provide useful preparation for re-entry to the labour market and hence in the case of unemployed people, should not affect benefit entitlements provided that the person remained available for work and that the LETS itself was community-based, not run for profit and was not generating sterling equivalent income higher than we recommend should be disregarded in the cash economy. We recommend piloting a change in the benefit rules on this basis.



## UNDERLYING ASSUMPTIONS

6.3 The PAT approached its work on financial incentives on the basis of three key underlying assumptions.

6.4 The first was that the objective of any reforms in this area should be to stimulate more jobless people to take up and hold down jobs in the open labour market than would otherwise have done so. By jobless people, we have in mind not just people claiming Jobseeker's Allowance, but also those claiming Income Support or Incapacity Benefit who are not working now because of sickness or disability. We were conscious that a secondary and desirable benefit of some of the changes we considered – more generous earnings disregards while on benefit, for example – would be to increase people's incomes and quality of life. But we were clear that such secondary benefits should only be embraced provided that they did not blunt (and preferably sharpened) incentives to move off benefit and into work.

6.5 In line with this, our second assumption was that the changes which we considered should be allied to active case management of individual jobless people by personal advisers. It was imperative that jobless people received clear and accurate advice about the financial implications of taking a job in the open labour market. And, in the case of people claiming Jobseekers' Allowance, we were clear that the

requirement to be available for and actively to seek work should continue to apply, with any casual or temporary economic activity clearly linked, through an action plan, to transition into the open labour market.

6.6 Our third assumption was that any changes to financial incentives should be kept clear, simple and explicable. There was no virtue in changes that were ingenious but impossible to get across.

6.7 We tested all the ideas we considered against these three criteria, drawing on the available evidence from our consultations, from international experience and from research in this country. We looked both at what could be done to improve financial incentives on transition to work and at the scope for enhancing employability by improving incentives to do casual work while claiming benefit.

## TRANSITION TO WORK

### Improving financial incentives

6.8 The Government has already put in place a comprehensive strategy to make work pay. Key to this are the National Minimum Wage, the Working Families Tax Credit and childcare tax credit announced in the 1998 Budget and the Employment Credit for the over-50s and tax and National Insurance reforms announced in the 1999 Budget. The PAT welcomed these steps and did not believe that it would make much sense for it to second guess them.

Moreover during the course of the PAT's work, the Joseph Rowntree Foundation published the results of research into the likely impact of these measures by Paul Gregg of the LSE, Paul Johnson of the Financial Services Authority and Howard Reed of the Institute for Fiscal Studies which concluded that "the reforms will help more people move into work".

6.9 In the course of its work, the PAT was nevertheless struck by how many unemployed and jobless people expressed concern about the financial consequences of making the transition from welfare to work. This was so even where people accepted that they would be likely to be better off in work in the medium term. These transitional concerns centred on:

- a. the risk that the payment of certain in-work benefits such as Housing Benefit and Council Tax Benefit would be delayed while a fresh assessment was made of a person's changed circumstances in work and that other benefits – such as free school meals and free dentistry and glasses – would end altogether;
- b. the perceived difficulties of re-establishing entitlement to benefits at their previous level in the event that a job collapsed quickly after it was taken up; and
- c. the one-off costs of taking up work, including of transport, clothes and tools.

6.10 These concerns acted as a real deterrent to taking up work. The perception was that the certainty of benefit income was being swapped for a much less assured future stream of income.

6.11 The PAT concluded, in the light of this, that it would be well worth experimenting with benefit reforms which, on the one hand, removed this uncertainty and, on the other, created a positive incentive for the administrators of benefits to make fresh calculations quickly and accurately.

#### **Recommendation 52**

**6.12 Specifically, the PAT recommends piloting and evaluating the impact of:**

- a. providing for Housing Benefit and Council Tax Benefit to run on virtually automatically at their existing level until an accurate re-assessment has been made of a revised in-work level – subject to the fulfilment of the conditions set out in the paragraph below; and**
- b. providing, where a job collapses within a specified period of being taken up, that all relevant benefits will be re-activated quickly and at their pre-existing levels until a fresh assessment has been made of a person's entitlement.**

**This is for DSS to take forward.**

6.13 In both cases the PAT noted that provision for more generous benefit run-ons would have to be linked to the provision by benefit claimants of prompt and accurate information about their circumstances and changes to them. If there were no conditionality of this kind, there would be a risk of people withholding information needed to re-calculate benefit entitlements in order to prolong benefit payments at existing levels or, where a job collapsed, have them restored at the pre-existing level for an extended period.

6.14 The PAT also noted in the context the particular disincentives facing people claiming disability benefits who made the transition into work. The risk perceived by many people in this position was that, not only would it be time-consuming to re-establish benefits if the job collapsed, but that the fact of having worked would call into question their entitlement to disability benefit in particular. A linking rule currently exists which enables a person in this position to reclaim disability benefit if a job collapses within a year. This is not well known however and may not in itself overcome the concerns felt by many people in this position.

#### **Recommendation 53**

**6.15 So the PAT recommends that the Government should do more to make the existing linking rule known to disabled people and should run a pilot to see whether a more generous linking rule – of, say, five years makes any appreciable difference to the propensity of people claiming disability benefit to enter the labour market. These recommendations fall to DSS.**

6.16 In the case of the one-off transitional costs of taking up work, the PAT noted that some help already existed. Long-term unemployed people can benefit from a Jobfinders' grant of £200. Long-term unemployed young people are eligible for a Jobseekers' Grant – also of £200. Neither grant has yet been formally evaluated, although Employment Service staff reported to the PAT that they were effective in helping certain jobseekers.

#### **Recommendation 54**

**6.17 The PAT recommends that the Jobfinders' and Jobseekers' grants should be evaluated to establish whether they do offer value for money.**

6.18 Meanwhile the Government also announced in the Budget that it intended to ease the transition from welfare to work for lone parents by extending entitlement to Income Support for two weeks in order to bridge the gap between benefits and work. The PAT welcomes this, and also the Government's stated intention to consider extending this help to other benefit claimants if it proves effective in encouraging lone parents to make the transition into work.

6.19 The PAT also noted the Government's intimation in the Budget 99 document that the Government saw a case in the longer term for extending tax credits on the model of the Working Families Tax Credit to all working people. The PAT took the view that consideration of this issue would be usefully informed by the findings of the evaluation of the Earnings Top-up scheme which were not available before the PAT completed its work. But in the course of our work we met a number of single people for whom such a change would have made a material difference to their perception of the financial benefits of work.

**Recommendation 55**

**6.20 We recommend therefore that the Government should give serious consideration to the extension of a tax credit to all working people.**

6.21 Consistent with its concern about the transition to work, the PAT sought reassurance that the systems for administering the **Working Families Tax Credit** would ensure that eligible people making this transition received their credit promptly. Any delay, or fear of delay, could significantly reduce the incentive to move from welfare to work. We were partly reassured on this point and understand that the Inland Revenue will pay the credit for up to the first 42 days after a person takes up a job (14 days in the case of people paid weekly).

**Recommendation 56**

**6.22 But the PAT nevertheless recommends that the Government satisfy itself about the soundness of the arrangements for prompt payment of the Working Families Tax Credit as circumstances change, including movements between jobs and out of them, to ensure that administrative delays do not create inadvertent deterrents to make the transition into work. This is for the Treasury.**

**Recommendation 57**

**6.23 Finally the PAT also saw considerable advantage for the future in active consideration of the scope for unifying benefits paid in respect of children – IS/JSA allowances, child benefit, the new Family Credit – so that uncertainty about fluctuations in this income at the point of transition to work were reduced or removed. We so recommend. This is for the Treasury and DSS to take forward.**

**Better information**

6.24 No amount of help with the transition to work will be effective if people do not know about it, or misunderstand it, or under-estimate its impact in their own case. But the PAT repeatedly found on its visits that jobless people underplayed the implications for their own income of taking a job. There was also a great deal of straight misinformation. For example, we met one young person in Birmingham who had been wrongly advised that her entitlement to Housing Benefit lapsed entirely on taking a job. She had done so anyway, but was needlessly worse off as a result. That was not untypical.

6.25 The answer to this is to improve the reliability and accessibility of information about in-work benefits and calculations of

in-work income which take these benefits into account.

6.26 The PAT was pleased therefore to learn that the Employment Service and Benefits Agency had developed computer software – known as the Integrated Benefit Information System (IBIS) capable of calculating likely entitlements to benefit once in work. It is also encouraging that the IBIS system is being tried out by a number of independent agencies – the Citizen's Advice Bureau (Scotland) and the Day Care Trust for Families – in support of their work. And the Benefits Agency is also experimenting with putting this information on the Internet.

**Recommendation 58**

**6.27 The PAT strongly recommends that work on the Integrated Benefit Information System should have a high priority and in particular that:**

- a. the system, once improved, be made freely available to independent advisory agencies working with unemployed and jobless people;**
- b. it should be made accessible via the Internet so that individuals and organisations can independently calculate the implications for their income of taking a job;**

**c. every effort be made to ensure that electronic systems and printed publicity are accessible to people from ethnic minority backgrounds for whom English is not a first language.**

**This is for the Employment Service and the Benefits Agency.**

6.28 The PAT took the view that the ideal in the longer term should be to move towards a position in which these calculations of in-work benefits and of in-work income were sufficiently robust as to represent an assured minimum income entitlement for a benefit recipient for as long as their circumstances remained the same and assuming that they had been accurately described when the calculation was made. This would give jobless people an absolute assurance of the income they could expect if they moved into a job in the open labour market and, in the process, create a strong incentive for government and its agencies to ensure the accuracy of in work benefit calculations.

6.29 The immediate financial implications of taking a job are only part of the story. The PAT also felt strongly the information available to jobless people should emphasise both the longer term financial benefit of a job – the widening differential in income between a job and benefit over time, the opportunities for career and pay

progress and access to credit and banking facilities, for example – and the intangible benefits of sociability in work. Personal advisers should encourage jobless people to look at these durable advantages of making the transition, not just the short-term financial trade-off.

## ENHANCING EMPLOYABILITY

6.30 As we have said earlier in this report, employers attach much importance when recruiting to personal qualities such as motivation and a work record. It follows that, at least in principle, it is desirable to create incentives for jobless people claiming benefit to undertake casual or temporary work which increases their own self-confidence and gives them a track record in work. But on the other hand those incentives must obviously not, when added to benefit entitlements, offer an assurance of a combined, continuing income equal to or greater than what could be earned in the open labour market. If they did, there would be no incentive to make the transition. So there is a balance to be struck.

6.31 As things stand, the UK social security system seeks to address this in two ways:

- a. by allowing up to £5 per week of income from casual or temporary work to be disregarded for the purpose of claims for Jobseeker's Allowance and £15 for the purpose of Income Support claims; and

- b. by enabling claimants to JSA and Income Support (IS) to build up an entitlement to a Back to Work Bonus – accessed on taking up a job in the open labour market – and equal to half the earnings from casual and temporary work accumulated while on benefit to a limit of £1,000.

6.32 The evidence that we gathered in the course of our work about the effectiveness of these measures was that:

- a. the £5 disregard was too small to represent a real incentive to take up casual work so that casual earnings were either not declared or were foregone; and
- b. though there was reasonable awareness of the Back to Work Bonus – 57% among claimants of JSA – the rules were imperfectly understood so that its effectiveness as an incentive was impaired by its complexity. There was also criticism that the bonus was set at only half of the accumulated earnings.

6.33 Against this background, we considered two broad ways of enhancing the existing incentives to engage in casual or temporary work with the potential to enhance employability:

- a. by more generous disregards: we were attracted to the broad approach adopted in Australia in 1994 – the Earnings Credit Scheme – which

enabled welfare recipients to build up an overall pot of disregarded earnings which could be called down until exhausted without detriment to benefit entitlements;

- b. by enabling earnings from casual or temporary work to be accumulated, on the Back to Work Bonus model, up to a certain limit and paid over to the jobless person once a job in the open labour market was taken up: we considered the idea of linking such a scheme to the establishment of a suspended bank account – of the kind developed as part of the self-employment options of the New Deals for Young People and the 25+ long-term unemployed.

6.34 Of these two approaches, the PAT on balance favoured the first – crediting jobless people who had been claiming benefit for defined period with a pot of disregarded earnings. Key considerations were that:

- a. an accumulated bonus involved deferring the rewards of work and thus represented a less immediate incentive. As the Back to Work Bonus scheme showed, it was also likely to be difficult to explain;
- b. by contrast, a capped pot of disregarded earnings which could be accessed at once created an immediate incentive to engage in casual economic activity which a personal adviser could

incorporate into a back to work strategy;

- c. the immediate availability of the disregarded earnings would also remove a powerful disincentive for jobless people to volunteer information about such earnings in order to have access to the pot and so, potentially, cut down on concealed economic activity: where a person claiming benefit was discovered to have undertaken casual or temporary work without revealing it, the pot would be forfeited;
- d. and, because the overall pot of disregarded earnings would be capped, there would be an additional incentive for people to take up jobs in the open labour market once the pot was exhausted in order to maintain their income.

6.35 These conclusions were largely borne out by the evaluation of the Australian Earnings Credit Scheme, which we have seen. The evaluation appears to confirm that the scheme provided an incentive to take up casual work and to report earnings from it. This is based on analysis of the proportion of welfare claimants reporting earnings following the abolition of the Scheme as a cost-cutting measure in March 1997. Between August 1996 and August 1998 this proportion fell by roughly a quarter from 15.7% of people claiming unemployment benefit to 12.1%. The evaluators surmise that this fall – which has

no precedent – was caused partly by fewer people taking casual work and partly by fewer people declaring the earnings from work that was undertaken.

6.36 The PAT was conscious that there were risks associated with a more generous regime of earnings disregards. The main one was that the combined income available from casual work and benefit would blunt the incentive to look for a full-time job in the open labour market. But the PAT took the view that this risk could be guarded against by:

- a. setting a clear limit to the size of the pot of disregarded earnings – we propose £1,000 for claimants of all benefits in line with the current maximum back-to-work bonus – with no further disregards allowed once the pot was exhausted in any one period of benefit claim so that there was a clear incentive to move into a job in the open labour market to maintain and enhance income;
- b. requiring any casual or temporary work to be disclosed to a personal adviser and agreed by him/her as part of the strategy or action plan to get the person concerned back to work. We recommend that the scheme should be open equally to claimants of Income Support and disability benefits and, in these cases, we believe that claimants should agree to accept the help and advice of personal advisers as a condition of participation; and



- c. providing for any amount remaining in the pot to be forfeited where it was apparent that casual or temporary work was being undertaken without disclosure to the personal adviser.

6.37 The PAT was also conscious that a UK-version of the Earnings Credit Scheme would have administrative costs. Personal advisers would, in particular, have to keep track of the earnings of jobless people entitled to take part.

#### **Recommendation 59**

**6.38 Because of these risks and because the relative lack of conclusive evaluation evidence bearing on the effectiveness of such schemes, the PAT recommends that:**

- a. a new approach to income from casual work – based on a pot of disregarded income – should be tried out initially in a number of low employment neighbourhoods – perhaps in some of the New Deal for Communities areas – with an equal number of comparable neighbourhoods identified as controls; and**
- b. it should be available only to people in those neighbourhoods who have been claiming benefit for year or more and subject to the approval of a personal adviser.**

## **LOCAL EXCHANGE TRADING SCHEMES (LETS)**

6.39 LETS schemes involve the exchange of services between members of the scheme in return for credits issued as part of the scheme which can be used to pay for further such services within the scheme. As our terms of reference from the SEU required, the PAT considered whether participation in LETS could represent a useful transition to the open labour market and, if it did, what the implications were for the treatment of LETS by the benefit and tax regimes.

6.40 To this end, members of the PAT

- a. talked to the Director of the LETS co-ordinating body, LETSLINK UK, and proponents of LETS schemes in the UK;
- b. visited LETS schemes in Canning, Liverpool and the Liverpool City Council LETS development team;
- c. gathered the available academic research on such schemes; and
- d. considered the Australian law governing such schemes (The Veteran Entitlements Act 1986).

6.41 We also noted that DSS Ministers had already taken steps to re-consider the treatment of LETS schemes from the perspective of benefit entitlements.

6.42 We reached a number of conclusions.

- a. LETS schemes came in all shapes and sizes. Most UK schemes were on a small-scale, with the value of annual turn-over for participating individuals averaging around £150 a year. Some overseas schemes on the other hand were on a far grander scale, with far higher volumes of goods and services traded within the scheme, including for profit by participating businesses.
- b. Hard evidence that participation in such schemes could act as a useful bridge to the open labour market for jobless people in deprived neighbourhoods was hard to come by. Nevertheless it was clear that, in principle, such schemes could offer the opportunity to acquire valuable work experience as well as the chance to demonstrate a work ethic to employers in the open labour market. In that sense, there was a strong affinity between LETS and casual or temporary work while on benefit.
- c. Despite these potentially positive outcomes, existing benefit rules created barriers to participation in LETS because benefit payment were liable to be reduced to reflect income from LETS. This meant that many welfare recipients were reluctant to take part.
- d. As with casual or temporary work, the capacity of LETS to pave the way to a job in the open labour market could

however be undermined if the amount of time given over to the provision of services to other scheme members impaired a person's availability for other work or if the income earned through the LETS – in the shape of the range of goods and services available in exchange for LETS credits – was sufficiently high and predictable to make a combination of benefit and LETS income more attractive than a job.

#### **Recommendation 60**

**6.43 Against this background, the PAT recommends that there was a good case for providing that benefit entitlements should not in future be affected by participation in a LETS provided that:**

- a. **unemployed people claiming JSA continue to be available for and actively seeking work and, in line with that, disclosed their participation in a LETS to their personal adviser so that its capacity to smooth the transition to a job in the open labour market could be fully exploited. (In considering whether a person continued to be available for and actively seeking work, personal advisers would need, among other things, to have regard to the value of the goods and services**

*available to people within a LETS as a result of their work As a rough rule of thumb, advisers should begin to question availability if the value of a person's income exceeded the limits we have recommended for earning disregards in the cash economy.)*

- b. the LETS itself should be community-based, not run for a profit and be composed exclusively of individuals, not corporations.*

6.44 The latter condition closely mirrors criteria built into the equivalent Australian legislation to help determine whether LETS schemes should qualify for tax relief. We recommend that the Government takes careful note of these provisions in devising equivalent tests in this country for the purpose of benefit entitlements and suggest that changes to the benefit rules on these lines should be piloted in a number of deprived neighbourhoods to test their workability and impact on participation in LETs and subsequent transition into jobs in the open labour market. This is for DSS.



## CHAPTER 7 Delivering the Goods

7.1 In the previous chapters we have made recommendations for developments to policy and practice which will, we believe, be effective in narrowing unemployment and employment rates between deprived neighbourhoods and ethnic minority people and the rest of the country. But all these developments depend on effective implementation. In this chapter

we turn to how labour market policy is delivered and financed. The PAT strongly believes that delivery is likely to be more effective if organisations working in deprived neighbourhoods and within ethnic minority communities can play a part. We make some recommendations about how to bring that about.

### SUMMARY

The PAT holds no particular brief for the public sector, the voluntary sector or the private sector when it comes to delivering national labour market policies. What counts is what works. We have seen much good and effective provision by the Employment Service, by other public sector or publicly funded organisations like local authorities and TECs, by voluntary bodies and by private sector job broking agencies.

The PAT does however strongly believe that services to people in deprived neighbourhoods and from ethnic minority backgrounds are likely to be more effective with the active involvement of local organisations. Organisations working in deprived neighbourhoods and with people from ethnic minority backgrounds add value

because they are trusted by the people concerned and because they have insights into their skills, aptitudes and aspirations which more distant organisations do not.

But how can we get these organisation involved where they have value to add? The PAT believes that there are four pre-conditions.

First, it is essential that local organisations serving deprived neighbourhoods and ethnic minority communities are included in strategic partnerships. It follows that, where the Government is itself promoting the creation of partnerships to deliver labour market policies like the New Deal it should stipulate that these partnerships must be inclusive. And where organisations are being invited to bid to run the delivery of labour

market policies, their bid should be judged in part on their track record in forming effective working relationships with local organisations.

Second, those organisations and partnerships responsible for the delivery of labour market policies locally – whether the Employment Service, voluntary bodies, private sector bodies or partnerships of all three – must devolve to local managers the discretion and budgets to contract with local organisations where they can add value. We know this is already happening in some areas on some programmes: we believe this should be the case elsewhere.

Third, action should be taken to build capacity in local organisations with the potential to offer effective support to unemployed and jobless people or to act as bridges between deprived neighbourhoods and employers by running training and employment in intermediate labour markets.

And, fourth, we should seek to make it easier for local organisations to bid for contracts to deliver labour market services locally. This means simplifying the rules for bidding for money and aligning the timetables of different funding streams. And

it means simplifying audit procedures, while retaining assurance that public funds are being used effectively.

Except where we have indicated that a pilot approach should be used, the recommendations in this chapter are ones which we feel should have national application.

Finally, the PAT considered the overall financial implications of our recommendations. Some clearly do have additional costs – the proposed national campaign to promote equality in the labour market, for example. We have costed these wherever possible and believe them to be a price worth paying for the achievement of greater equality. In some other cases we recommend piloting new innovations to test their cost-effectiveness. But in many other cases, our recommendations are essentially about delivering services to people in disadvantaged areas or from ethnic minority backgrounds in smarter ways. Though this may entail some re-distribution of resources towards these areas, it should not add significantly to the costs of the comprehensive welfare to work strategy which the Government is now putting in place.

## HOW LABOUR MARKET POLICY IS CURRENTLY DELIVERED

7.2 As a preliminary to our discussion of how the objectives outlined above can be achieved, we have looked closely at current labour market policies and the differing approaches they take to delivery. Our intention is not to replace existing national labour market programmes but to build on them. We take the view that the effectiveness of national programmes in tackling inequalities can be improved by encouraging greater involvement of locally based organisations which can add value.

7.3 The degree to which locally-based organisations can be, or are involved in labour market programmes now varies considerably. Much depends on how delivery is organised, what degree of local devolution over the design of interventions is provided for, and the nature of the contracting arrangements.

7.4 Examples of current approaches to delivery include:

- the **New Deal for Young People** – has a national design framework within which specific provision is planned by the Employment Service and its partners and put in place locally. Its broad framework of Gateway, four options and Follow-through is common to provision across the country, but, within these parameters, there is scope for local flavour in the manner of delivery;
- the **New Deal for Lone Parents** – is a voluntary programme delivered via a network of Employment Service NDLP personal advisers sited in jobcentres and again follows a centrally determined model. However, although private and voluntary organisations are not directly involved in the delivery of NDLP, maintaining good working relationships with them is of critical importance in ensuring the success of the programme. NDLP personal advisers work alongside local groups including TECs, local authorities and employers, as well as voluntary sector organisations representing the interests of lone parents.
- the **New Deal 25+ pilots** – the first part of the New Deal 25+ programme set out a central view of the available help. This has been developed through a range of new approaches to helping long-term unemployed people back into work. Pilot partners have been asked to develop innovative approaches to meeting these objective, based on a sound analysis of their local labour market, and to consider innovative ways of using the employer subsidy. This approach therefore offers a greater degree of local flexibility;
- the current **prototype Employment Zones** – are delivered through autonomous local partnerships. They focus on the barriers to getting and keeping a job or self-employment faced by individuals aged 25+ who have been

unemployed for at least 12 months. There is no national programme but each Zone is expected to offer opportunities in Learning for Work, Neighbourhood Match and Business Enterprise tailored to the needs of the individual in the local context.

- **New Employment Zones** – with personal job accounts (PJAs) are due to begin in April 2000, subject to legislation. It is envisaged that the private sector will play an important role in delivering about half of the fifteen new Zones, contracts will be awarded through competitive tender. These Zones will cater for 12 or 18 month plus long-term unemployed JSA claimants only. No provision will be stipulated as the PJA will enable benefit equivalent and programme money to be used flexibly to move people back into sustainable work.
- The **Single Regeneration Budget** provides resources for up to seven years to support regeneration initiatives in England carried out by local regeneration partnerships. The SRB is a flexible programme. The schemes that it supports can have a mix of overall objectives, including “enhancing the employment prospects, education and skills of local people”. SRB is very much about a “bottom-up” approach and through annual bidding rounds, partnerships submit proposals for tackling the regeneration needs of the area. The local community must be involved in working up the bid. The bid should show how the SRB will link to other initiatives eg. Employment Zones and promote synergy by reinforcing or adding value to national spending programmes. If the bid is successful, the partnership will be asked to draw up an annual delivery plan. This will show, amongst other things, how the scheme’s strategic aims will be achieved and specifies the projects to be delivered.
- The **European Social Fund (ESF)** – is used to support a wide range of training and employment activities. In addition to national programmes it also part funds provision tailored to local needs and delivered by the voluntary and social economy sectors. A particular feature of ESF over the past few years has been the development of a pathway approach which brings together a range of different forms of provision and is designed to meet individual needs. ESF funding is also used to add value to a number of New Deal and Employment Zone projects.
- **Local authorities** – fund and manage a range of programmes aimed at economic development and regeneration in deprived neighbourhoods. These are tailored to local conditions and circumstances and mesh with central government employment programmes.



- **TEC managed programmes** – the 72 TECs in England are independent, private limited companies and have a broad remit, working strategically in partnership, to foster local economic development, focusing on human resource aspects. They have specific responsibility for managing Government-funded training and business support programmes. TECs work under contract to Government – DfEE, DTI, DETR – via Government Offices. TECs provide an integrated approach to training, business support and economic development, and have the flexibility to develop and design activities to meet local needs.
- **Further education colleges** – offer a wide range of courses funded by the Further Education Funding Council. Courses on offer include basic skills courses; courses for students with learning difficulties and/or disabilities; vocational courses; GCSEs and GCE A levels. Colleges allow flexible ways to learning: as well as undertaking courses on a full-time basis, students may study part-time, or via distance learning. Further education has a key role to play in lifelong learning and lifelong learning partnerships. It also makes a valuable contribution to the skills agenda and offers courses of study under the New Deal and Modern Apprenticeships.
- The new ONE Service (described in chapter 3), piloted from June 1999, will offer a new approach to delivery of benefits and employment advice and support to a wide range of benefit claimants. The ONE service will:
  - place a greater focus on the individual (regardless of which benefit they are claiming) which may help people with a combination of related disadvantages;
  - provide more benefit claimants with the help of a personal adviser who can assist with jobsearch and benefit advice and help people gain access to other assistance such as training, education or childcare; and
  - provide a more coherent service, focused on helping individuals overcome barriers to independence and work.

The ONE approach is in line with the PAT's view that help to make the transition to work should be accessible to all jobless people for whom work is an appropriate option, regardless of what benefit they happen to be claiming.

7.5 The Employment Service is a major player in the delivery of labour market policies, but it does not have a monopoly. For example, the New Deal is delivered by partnerships bringing together a range of organisations locally, including ES.

7.6 The voluntary sector is a key partner. As well as providing placements for young people to gain valuable work

experience and qualifications, the expertise of voluntary organisations allows the New Deal to provide specialist help to clients who need to overcome specific problems. The views of voluntary sector organisations were sought during the design stage of the New Deal, and the sector is well represented on local partnerships and on the New Deal Task Force.

7.7 There are ten private sector led units of delivery involved in the New Deal for Young People and the New Deal 25+pilots.

7.8 And local authorities, TECs/LECs and employers themselves are also key players in many partnerships.

7.9 The PAT saw good practice across a range of programmes being delivered by organisations from the public, voluntary and private sectors. We hold no particular brief for any sector when it comes to the delivery of national labour market programmes. Nor do we have strong views about the relative merits of different arrangements for delivering those programmes. Forthcoming evaluations will help to shed light on the relative effectiveness of the different models of delivering labour market policies currently in play.

7.10 We have, however, formed clear views, whatever the organisational arrangements, about the importance of

involving local organisations working in deprived neighbourhoods and with people from ethnic minority backgrounds.

## ROLE OF LOCAL ORGANISATIONS

7.11 During many of our consultation visits we met representatives of local organisations which were actively involved in the delivery of national labour market programmes.

7.12 Locally based organisations were able to add value because of their in-depth understanding of the skills, aptitudes and aspirations of jobless people in their locality and of the barriers to employment which they face.

7.13 For example, during our visit to Bradford, members of the PAT spoke to staff at the Bangladesh Youth Organisation based in the Manningham/Girlington Community Centre. Funded under the Single Regeneration Budget, the Bangladesh Youth Organisation provided locally based support for training and employment to young people from the area. It provided, among other things, basic employability skills training; a jobclub; support on CV writing and interview skills; arranged voluntary work experience and referred clients to further education provision. Staff at the Centre were able to provide individually tailored help to jobless young people which took account of their particular problems such as poor qualification levels; employer

discrimination against people from the area; narrow expectations of the types of jobs attainable by people from the Asian community and a local drugs culture.

7.14 In this and other cases we heard that locally based provision was very popular among jobless people because provision was often more responsive to individual need (particularly for clients who lacked basic employability and social skills), and took account of local circumstances.

7.15 Many people we consulted also made the point that locally based training and employment provision also helped to overcome the reluctance of some jobless people to engage with government organisations such as the Employment Service. Local centres played an important role in drawing people in and helping them link up with the help available to them through national labour market programmes.

7.16 The benefits of delivery through outreach centres and by local organisations are illustrated by some of the New Deal 25+pilots.

- the Sheffield and Rotherham pilots are delivering all pilot provision through outreach facilities. Three centres in Sheffield, and two in Rotherham will provide the Gateway period of the pilots, some elements of the intensive activity phase, and the Follow through

help. Employment Service advisers have been seconded to Sheffield TEC and Phoenix Enterprises in Rotherham to work in the outreach centres. The Sheffield outreach centres also house the seconded careers advisers, and hope through this to deliver a one-stop shop for the advisory interviews. This approach is enhanced by using a 'case conference' approach for clients, again based on the premises, where ES and careers staff jointly draw up a client's action plan for the pilot having both had contact with the client. Although numbers are very raw at this stage, the Sheffield pilot has noticed a much smaller level of non-attendance than expected on referrals from clients initial interviews with the ES to beginning pilot provision fully at the outreach centres.

- the Camden and Bristol pilots are promoting pilot provision in non-pilot/ES community centres, such as centres run by local ethnic minority groups. Their feeling is that this will help address the reluctance of some disadvantaged clients to engage with central Government provision.

7.17 The value of community based projects in attracting people to consider work or training was also illustrated during our visit to the Acorn Centre in Grimethorpe, a multi-purpose community resource centre based in the former Coal Board Headquarters at Grimethorpe.

- The Acorn Centre had been designed as an accessible one-stop-shop bringing together a wide range of services from a variety of agencies including, among others, NACRO (Crime Prevention and Community Development Project); Grimethorpe Activity Zone (a young people's project); Barnsley Alcohol Advisory Service; Barnsley College; Northern College; Careers Service; welfare and employment rights advice; a support for micro-enterprises project; training and support to local volunteers; and a full time daily Jobshop for people seeking work or training. The Jobshop offered access to a number of free services such as help with CVs and job applications, postage, phone calls and positive encouragement to seek work. Although there had been some reluctance among some local people to use the Centre because of concerns that their benefits would be affected, the Jobshop was successful in drawing local people in to look for work or training in an environment free from the perceived threat of benefit sanctions.
- lack of knowledge about the bidding process for programmes such as the New Deal (this was linked to the lack of participation by local organisations in strategic partnerships – see section on *Strategic Partnerships* below);
- the reluctance of some organisations (especially in the community and voluntary sector and private sector) to engage with the (perceived or real) complexity of the bidding and audit processes for national programmes;
- lack of capacity in some organisations to engage in those processes.

7.19 We need to make it easier for local organisations to bid for contracts to deliver labour market programmes. Our proposed strategy for achieving this includes:

7.18 But, inevitably, many local organisations working in deprived neighbourhoods and with people from ethnic minority backgrounds which could well have the potential to add value in this way have been left on the shelf. Our consultations indicated that this could be for many reasons:

- ensuring that partnerships delivering labour market policies have strategic input from organisations representing deprived neighbourhoods and ethnic minorities (see section on *Strategic partnerships* below);
- ensuring that opportunities to bid for contracts to deliver national labour market programmes are widely publicised to local organisations and that they are actively encouraged to be involved;
- identifying mechanisms for building capacity by investing in organisations which seem to have the potential to help local jobless people make the transition

to work (see section on *Capacity building* below).

- simplifying contracting, funding and audit procedures and aligning the timetables for different funding streams (see sections below on *Contracting at local level* and *Simplifying the rules*);

## INVOLVEMENT IN STRATEGIC PARTNERSHIPS

7.20 We recognise that many community based organisations working in deprived areas and with people from ethnic minority backgrounds were not engaged when New Deal strategic partnerships were being formed. This has been for a variety of reasons: the difficulty of identifying all those to be approached has been very significant when they have not already been part of existing networks.

7.21 In the course of our consultation meetings and visits PAT members raised the question of the relative importance of community based organisations being involved in:

- a. strategic partnerships; and
- b. delivery of employment programmes, and whether it was practicable for organisations to be involved in both.

7.22 It was generally recognised that many organisations currently involved in strategic partnerships were also delivering New Deal contracts. Local organisations

needed to be involved in both capacities. Some of those we consulted took the view that involvement in strategic partnerships was the most crucial role as it afforded the opportunity to influence the delivery of the programme to make it more responsive to local needs.

7.23 We looked at how the involvement of local organisations in strategic partnerships is encouraged in the context of regeneration. For example, the Single Regeneration Budget Round 5 bidding guidance says that bids must be supported by partnerships representing all those with a key interest. The make-up of partnerships should reflect the context of the bid and characteristics of the area or groups at which it is aimed. Partnerships are expected to encourage active involvement from all relevant interests in the private and public sectors and in local, voluntary and community organisations.

7.24 We also noted that the DETR has published two key guidance documents *Effective Partnerships – a handbook for members of SRB partnerships*, January 1997, which gives guidance on selecting the appropriate organisational structure, partnership composition, and effective structures for community involvement; and *Involving Communities in Urban and Rural Regeneration*, September 1997, which explains the principles and techniques of community involvement, capacity building

and involving particular groups, including ethnic minorities. Both of these should provide some useful precedents for taking forward our recommendations below.

7.25 We take the view that, where the Government is promoting the creation of partnerships to deliver labour market policies it should do more to involve local organisations which can add value.

**Recommendation 61**

**7.26 The PAT recommends that:**

- *the DfEE and the Employment Service should be more active in encouraging local organisations which represent the interests of people from deprived neighbourhoods or ethnic minority backgrounds to join strategic partnerships set up to deliver national labour market policies; and*
- *where organisations are being invited to bid to deliver the New Deal or other welfare to work programmes locally their bid should be partly judged on their track record in forming effective working relationships with local organisations.*

***This is for DfEE to take forward.***

7.27 The PAT also recognised that there may be tensions where an organisation is involved both in a strategic partnership and in programme delivery.

**Recommendation 62**

**7.28 To minimise the potential conflict between strategy and delivery, the PAT therefore recommends that formal procedures should be put in place to avoid any conflicts of interests by members or employees of partnerships. This must involve, in particular, members declaring an interest where necessary at project appraisal and approval stages. Where partnership members bid for a partnership contract, they must be excluded from the contract awarding process.**

**Recommendation 63**

**7.29 We further recommend that, as far as possible, the rules should be agreed between departments responsible for different funding streams** (this theme of agreeing common rules is further developed in the section on Simplifying the Rules below).

## CONTRACTING AT LOCAL LEVEL

7.30 As a backdrop to its consideration of how to make contracting easier for local organisations, the PAT looked at how the ES currently lets New Deal contracts.

7.31 There are three principal contracting models for delivering the New Deal: joint venture partnerships; a single consortium; and individual contracts. A major feature of the New Deal is that it is planned and delivered through a range of organisations in public, private and voluntary sectors and that provision is organised and delivered locally to meet the needs of the client group.

7.32 The contracting strategies are agreed with partnerships in each location (Unit of Delivery). Once strategies have been approved, local specifications for the delivery of New Deal options are prepared. ES District Managers assist delivery partners to develop their local delivery plans.

7.33 New Deal contracts are let by competitive tender, unless single tender action can be justified. ES regional contracting teams are responsible for managing the procurement process and letting main New Deal contracts. Main contracts are awarded by ES Regional Directors, Directors for Scotland and Wales, on behalf of the Secretary of State.

7.34 However, ES District Managers have the authority to purchase appropriate provision in their own Units of Delivery (within the parameters of ES guidance on procurement) and decisions on letting contracts are normally made at District Manager level.

7.35 Where organisations within a partnership wish to use sub-contracted provision, they are responsible for letting the sub-contract.

7.36 Against this background, we heard from ES colleagues that there were plenty of examples of partnerships working in a flexible and creative way within the framework of New Deal. For example, although the bulk of provision was through larger contracts with major providers, there were many one-off contracts with relatively small specialist community based organisations.

7.37 But we believe there is still plenty of scope for a bolder approach to local level contracting.

7.38 The PAT also looked at SRB contracting arrangements. Following approval of the delivery plan, the Regional Development Agency will make a formal offer of grant – an annual funding agreement – to the partnership. Similarly, the partnership will make a formal offer of grant to each deliverer of the projects shown in the delivery plan.

7.39 And we noted the flexibility of TEC funding and contracting arrangements. Government Offices negotiate performance targets and funding with individual TECs. TECs organise the delivery of training and business support through a wide range of providers in the private, public and voluntary sectors; they have considerable discretion in their funding and contracting arrangements and these vary from TEC to TEC.

7.40 It was also recognised that organisations which had put in unsuccessful bids for contracts could be helped by full and constructive feedback on the reasons for their failure.

7.41 It was also agreed that there was a need to encourage bidding by consortia, as this approach would help to smaller organisations to deliver labour market programmes while freeing them of much of the bureaucracy involved in bidding for and managing contracts.

7.42 The Employment Service's National Development Programme, which supports small scale, experimental projects within Employment Service Local Offices with a view to identifying those worthy of more extensive piloting, was cited as a possible model for a Programme which could offer similar flexibilities to local managers to design and fund small scale pilot projects to meet particular local needs. Local

managers holding the budget for such pilots would need to build in evaluation mechanisms to ensure that the pilots were effective in moving people into jobs before considering expansion of the projects.

#### **Recommendation 64**

**7.43 Against this background we recommend that:**

- **organisations and partnerships responsible for the delivery of labour market policies locally (whether the Employment Service, voluntary bodies, private sector bodies or partnerships) should devolve to local managers the discretion and budgets to contract with local organisations where they can add value;**
- **action is taken to reinforce the messages to ES District Managers about the flexibility of existing delivery models for the New Deals and other programmes and the discretion they have actively to involve locally based organisations which can add value;**
- **the ES contracting guidelines are scrutinised with a view to avoiding the use of complex business planning systems or other requirements of contracts**



*which could be a barrier to participation by locally based organisations without the capacity to manage complex systems;*

- *smaller organisations are actively encouraged to bid as part of larger consortia; and*
- *the arrangements for providing feedback on bids for national labour market programmes are strengthened and formalised.*

### **Employment Service links with community organisations**

7.44 The role of the Employment Service in deprived neighbourhoods has already been set out in chapter 3. We believe that community organisations should be seen as natural partners of the Employment Service: as part of an integrated delivery system which is achieved through a wide variety of organisations. The PAT is aware that there can be a tension between the need for ES to achieve its Annual Performance Agreement targets and the need to work in partnership with other organisations which are also placing people into jobs. We have already recommended in chapter 3 that ES targets should be revisited so that moving people into work is a shared goal and not an exercise in point scoring.

## **CAPACITY BUILDING**

7.45 Our consultations with organisations around the country involved in the delivery of labour market programmes have led us to the conclusion that there is a need to build the capacity of local organisations with the potential to offer effective support to unemployed and jobless people. Many local organisations could provide valuable help which does not involve delivery of national employment programmes. For example, local organisations which offer training or employment in intermediate labour markets also have an important role as bridges between deprived neighbourhoods and employers. Or they may have a role in identifying clients for referral to ES or in providing mentoring support to unemployed and jobless people.

7.46 As already mentioned above, many local organisations which could potentially provide valuable support to unemployed and jobless people lack the capacity to manage the complexities of bidding for and managing contracts to run national labour market programmes. Some might be reluctant to bid for contracts where there is a potential risk of financial loss. Where funding mechanisms require contract holders to have a certain level of infrastructure in place before payments are made, the problems of managing cashflow in the early stages of a contract could deter smaller organisations from bidding. Similarly, cashflow problems could

arise as a result of output related funding schemes.

7.47 In this context, we welcome the facility within the funding mechanism for SRB Round 5 for 10% to be used for capacity building as we felt that this sends the right messages to smaller local organisations and provides a lever for them to become involved in local partnerships.

7.48 The PAT also recognised that capacity building was not simply a matter of providing money for development but should also encompass exchange of knowledge through the use of secondments between government departments which manage funding streams and organisations wishing to develop their potential to run labour market programmes. We note that the emerging conclusions of PAT 16: Learning Lessons also point to the need for a structured and managed system of interchange between the Civil Service and local practitioners.

#### **Recommendation 65**

**7.49 To help local organisations overcome the barriers outlined above the PAT recommends that:**

- **where a local organisation appears to have the potential to help unemployed and jobless people make the transition to work but currently lacks the**

**capacity to bid for and manage the process, mechanisms should be identified to invest in the organisation to help it develop that capacity (the SRB 5 model might be followed);**

- **clear guidance should be given to ES District Managers about assessing the capacity of local organisations to deliver labour market programmes and about audit requirements;**
- **there should be a named person in each Employment Service District who can provide information and support to potential bidders for New Deal or other programmes about how to engage with the contracting process;**
- **the Employment Service should encourage local organisations which are not equipped to deliver its programmes to become involved in other ways, for example by having clear routes for referral of clients to Employment Service advisers or by involving the organisations concerned in the provision of mentoring support.**
- **funding models for ES programmes and for other funding streams such as the**

***Single Regeneration Budget and European Social Fund should be reviewed and, if appropriate, adapted to facilitate the inclusion of organisations which have the potential to provide employment help to meet particular local needs, but are prevented from doing so by standard funding models. This review should ensure that there are workable rules in place to ensure that funding reaches contractors promptly, as specified in the contract; and***

- ***departments and agencies delivering labour market programmes should explore and take up opportunities for both inward and outward secondment to help develop the capacity of community based organisations.***

***This is for DfEE and the Employment Service to take forward.***

7.50 As part of our exploration of capacity building issues we have had the benefit of the discussions and conclusions of the Policy Action Team on Community Self – Help (PAT9). We particularly welcome PAT 9’s recommendations about increasing the viability of community groups and the services they deliver and believe there is much scope for developing the linkages with our recommendations on capacity building.

7.51 We have also been interested in the development of capital funds for social entrepreneurs such as the Business in the Community Local Investment Fund and we are convinced that there is a valuable role for these. We recommend that the Government should support their development.

7.52 We also raise a note of caution regarding the use of labour market related funding for capacity building. We consider that such funding should have a clear and specific purpose – to enhance the delivery of national labour market programmes in ways which add value for people disadvantaged in the labour market through developing the organisations which can best provide support to those people. It is not to support community development in the wider sense. There will need to be in place mechanisms for evaluating the value added through capacity building funding in terms of both the increased capacity of recipient organisations to successfully bid for and deliver programmes; and their success in moving people into employment.

#### ***Recommendation 66***

***7.53 We recommend that further consideration is given to the issue of capacity building in the light of forthcoming evaluation of ESF Objective 3 priority 4 which aims to build the capacity of organisations that can reach and deliver support to the target and sub-target groups of the Objective 3 programme.***

## SIMPLIFYING THE RULES

7.54 One of the recurrent themes of our consultations was the difficulties being experienced by organisations delivering labour market policies in trying to combine different funding streams (such as New Deal, Single Regeneration Budget, European Social Fund and Further Education Funding Council) which operate different rules and run to different timetables. This is particularly difficult for smaller or inexperienced organisations with limited management capacity which cannot invest the time and effort required to bid for and manage multiple contracts.

7.55 The European Social Fund Objective 3 (ESF) funding mechanism was taken as an example to illustrate some of the difficulties. The following issues with ESF arrangements were identified:

- **decision-making criteria** – funding decisions were based on a scoring system based on inputs (beneficiary hours) and labour market analysis rather than on outcomes. This was in contrast to other funding regimes such as SRB and New Deal;
- **timing** – ESF funding was on an annual basis (calendar year) and funding decisions were generally not made until after the year had started. The impact of this is to make it hard to match ESF with other statutory programmes effectively. Final Claims (20% of total

funding) were sometimes paid six months after the end of the project – causing some projects which could not cope with the delay in payment to go bust;

- **programme design** – the ESF programme design was seen as complex and as imposing a significant administrative burden.

7.56 The range of audit requirements across different funding streams was also identified as a particularly heavy burden on organisations trying to combine funding. There was little commonality between definitions of what constituted a valid output and different funding streams operated different audit procedures.

7.57 And many of those we consulted said that the short-term nature of some funding mechanisms did not support continuity of provision.

7.58 In view of the problems identified, we consider that there is a very strong case for aligning different funding streams as far as possible. As we have said in chapter 5, we believe that providers and employers should be involved in the process of reviewing programme design, including funding and audit requirements.

#### **Recommendation 67**

**7.59 The PAT recommends that government departments responsible for the operation of the main funding streams being used for the delivery of training and employment related programmes and representatives of provider organisations (who might include members of PAT 1 with a particular interest in these issues) should work jointly to:**

- identify common ground between the aims and objectives of funding sources;**
- identify the overlap and differences between bidding, contract management and audit processes and explore the possibilities for aligning them;**
- consider whether consistent annuality between funding streams can be achieved;**
- consider alternative funding options which would support continuity of provision;**
- look at options for reducing the administrative burden of audit requirements, for example by introducing audit by random inspection rather than requiring documentary evidence of every aspect of a contract;**

- identify some common definitions for the purpose of validation of outcomes and audit; and**
- investigate options for “smart” audit: for example by linking up providers and organisations responsible for audit with Inland Revenue and NICS computer systems to verify the employment status of people helped into jobs.**

7.60 Of these recommendations, we attach particular importance to those on audit. Many of the organisations we consulted emphasised that the biggest obstacle to their participation in the local delivery of labour market programmes, or the highest cost if they did take part, was the complexity of the audit arrangements. Much audit now seems to be based on documentary over-kill, with organisations expected to provide detailed accounts of the participation of jobless people, or of the outcomes of programmes. It is clearly vital that public money is properly accounted for and organisations deliver the services for which they have contracted.

7.61 But we do strongly believe that this assurance can be delivered through less bureaucratic and time-consuming procedures. And, as stated above, we are particularly attracted to the use of random, sample audits to check numbers participating. We would also like to see the Government

explore the scope for drawing on Inland Revenue and National Insurance Contributions Records to confirm that people are in work.

7.62 In this context, the PAT also noted that the Further Education Funding Council operates an Individualised Student Return data collection system and provides software to the institutions it works with to assist them in making data returns. We suggest that the FEFC should be consulted before designing similar systems for labour market programmes. It will also be vital to consult widely with potential users of such a system throughout the development phase.

## **Finance**

7.63 It would not be right to conclude this report without offering some overview of the financial implications.

7.64 We have made a large number of concrete proposals for the adoption and development of existing programmes. We believe that, taken together, these recommendations amount to a coherent strategy which will make a real difference to the inequalities we have addressed. How much though will this strategy cost to implement?

7.65 In some cases we do make recommendations for additional public spending. This is true, for example, of our proposals for a concerted campaign to promote diversity and equal opportunity in

the labour market. Wherever possible we have costed these extra commitments. We believe that they are a price worth paying.

7.66 In other cases – where we are unsure of the costs or of the associated benefits or both – we have proposed pilots. This is particularly so, for example, in the case of the changes we recommend to the benefit regime to help work pay. The impact on incentives and hence behaviour is necessarily unpredictable.

7.67 The greater part of our recommendations relate to the development and adoption of existing policies. As we have made clear, the Government's existing Welfare to Work policies – particularly its labour market interventions – like the New Deal – will make a positive contribution to tackling inequality. We want to build on these programmes by enhancing the service they provide in deprived neighbourhoods and to people from ethnic minority backgrounds.

7.68 This need not be costly. It depends on the monitoring of outcomes. It depends on spending money more intelligently within those deprived neighbourhoods. It may require some redistribution of resources towards those neighbourhoods. But it should not entail significant additional spending on top of the £5.2 billion which the Government has allocated from the Windfall Tax to its Welfare to Work programme over the lifetime of this Parliament.

RECOMMENDED ACTION	RESPONSIBLE BODY	TIMESCALE
<p><b>CHAPTER 2 – SETTING OUR SIGHTS</b></p> <p><b><u>Monitoring Progress</u></b></p> <p><b>Deprived neighbourhoods</b></p> <p><b>Recommendations 1,2 &amp;3</b></p> <p>Our national aspiration should be to halve the percentage point differential between employment and unemployment rates in the most disadvantaged local authority districts and the average. At ward level our national aspiration should be to halve the differential between employment and unemployment rates in the most disadvantaged wards and the average for the local authority district concerned.</p> <p><b>Recommendation 4</b></p> <p>Organisations with an interest in the local labour market should periodically commission and fund – say, every five years – a survey of employment and unemployment within local authority districts capable of yielding robust information at ward level (the aim of employment policy at local level should be to ensure that the percentage point differential between the employment and unemployment rates in most disadvantaged wards and the average for the local authority district concerned is halved by 2010).</p> <p>All organisations delivering labour market services at local level to different groups of unemployed and economically inactive people should be expected to monitor relative success rates in moving people into jobs on the basis of postcode and to achieve broadly the same rates of success irrespective of the wards in which people live.</p>	<p>DfEE/Employment Service.</p> <p>Organisations delivering labour market policies at local level (particularly the Employment Service and local authorities).</p> <p>Organisations delivering labour market policies at local level (particularly the Employment Service and local authorities).</p>	<p>Set work in hand now. Review in Spring 2001 in the light of the progress made by then. New timetable set then for further advance. PAT (or similar body) to be reconvened.</p> <p>Await outcome of research into the likely cost of such periodic surveys at local level. This information should be available in early 2000.</p> <p>Immediately.</p>

RECOMMENDED ACTION	RESPONSIBLE BODY	TIMESCALE
<p><b>Recommendation 5</b> Progress towards the national aspiration of narrowing differentials between wards should be assessed by looking at average employment and unemployment rates in the 5% of wards – 470 in England and Wales – which are currently thought to be most disadvantaged in labour market terms.</p> <p><b>People from ethnic minority backgrounds</b> <b>Recommendation 6 &amp; 7</b> Our national aspiration should be to aim to have brought about equality in employment and unemployment rates for people, regardless of their ethnic origin, with broadly equivalent qualifications, of roughly the same age and living in the same area.</p> <p><b>Recommendation 8</b> All labour market surveys at national and local level should include questions about ethnic origin.</p> <p>All those claiming benefits should be asked about their ethnic origin – this is already true in the case of Jobseeker's Allowance – , as should, on the model of the New Deal for Young People, all people enrolling on active labour market programmes.</p> <p>On the basis of this information, all organisations delivering active labour market programmes like the New Deal at local level should be expected to monitor the relative success rates of people from ethnic minority backgrounds and to achieve equality of outcomes regardless of people's ethnic background.</p>	<p>DfEE and ONS</p> <p>DfEE and Employment Service to take the action and coordinate the activity needed to achieve this aspiration. Organisations delivering labour market policies at local level also have a role.</p> <p>Primarily for the DfEE/ES and ONS to implement, but also applies to local organisations which commission surveys to inform their work.</p> <p>DfEE/ES, the DSS and local authorities.</p> <p>Organisations delivering active labour market measures at local level</p>	<p>Immediately</p> <p>Set work in hand now. Review in Spring 2001 in the light of the progress made by then. New timetable set then for further advance. PAT (or similar body) to be reconvened</p> <p>Immediately.</p> <p>Immediately.</p> <p>Immediately.</p>



RECOMMENDED ACTION	RESPONSIBLE BODY	TIMESCALE
<p><b>CHAPTER 3 – SUPPORTING JOBLESS PEOPLE</b></p> <p><u>Outreach</u></p> <p><b>Direct Contact</b></p> <p><b>Recommendation 9</b> Organisations delivering labour market services should make more effort to reach out to people living in wards with significantly higher than average unemployment or lower than average employment: either by out-stationing their own staff or by acting through the intermediary of organisations working in the local community.</p> <p><b>Information Technology</b></p> <p><b>Recommendation 10</b> We recommend work is done to look at the scope for developing common labour market systems as a matter of urgency. Giving those acting in a personal adviser role in a local community access to IT support to facilitate effective job search could be very powerful.</p> <p><b>Recommendation 11</b> In a number of deprived neighbourhoods the Government should pilot wider access to IT for local organisations providing gateway and outreach services and should also experiment with direct access to jobsearch IT for local jobless people.</p> <p><b>ES Targets</b></p> <p><b>Recommendation 12</b> We recommend the current review of ES targets explicitly consider how targets can be set which encourage partnership working.</p>	<p>Employment Service and other bodies responsible for the local delivery of employment programmes.</p> <p>DfEE/ES</p> <p>DfEE</p> <p>DfEE [ES]</p>	<p>From Spring 2000 onwards.</p> <p>Immediately.</p> <p>Spring 2000.</p> <p>With effect from 2000-01.</p>

RECOMMENDED ACTION	RESPONSIBLE BODY	TIMESCALE
<p><b><u>Eligibility</u></b></p> <p><b>Recommendation 13</b> A small number of pilots be run in New Deal for Communities or Employment Zone areas to test whether opening access to personal advisers, and to help available within the New Deals, to all jobless people in a particular neighbourhood – regardless of benefit claimed or duration of joblessness – would make any significant impact on employment rates locally.</p> <p><b>Recommendation 14</b> Personal advisers should have discretion to admit immediately to the New Deals for the unemployed people who agree to claim Jobseeker's Allowance and who have been inactive for a period equivalent to the qualifying threshold for an unemployed person.</p> <p><b>Personal Advisers</b></p> <p><b>Recommendation 15</b> The model of a personal adviser who supports individuals on a one to one basis is built into national labour market programmes designed to help people back into work, using the New Deal personal adviser function as a model. The ES should be asked to review the role and training arrangements for personal advisers across all the New Deal programmes to ensure that the development of labour market knowledge is central to the position.</p> <p><b><u>What support do people need?</u></b></p> <p><b>Recommendation 16</b> We recommend that there should be an emphasis in the provision of support for jobless people on the enhancement of soft and inter-personal skills and, in support of this, further work should be done to experiment with intensive</p>	<p>DfEE and DETR</p> <p>DfEE</p> <p>DfEE and ES</p> <p>DfEE, ES and training providers.</p>	<p>From 2000/01.</p> <p>From 2000/01.</p> <p>Review to be completed by end Spring 2000.</p> <p>Immediately.</p>

RECOMMENDED ACTION	RESPONSIBLE BODY	TIMESCALE
<p><b>What support do people need (continued)</b></p> <p>gateways with a strong focus on the development of self-confidence, self-presentation and communication.</p> <p><b>Recommendation 17</b> The PAT recommends that the effectiveness of the New Deal for Young People screening instrument be fully evaluated and, if it leads to people receiving help and moving into jobs more quickly than would otherwise have been the case, recommends that such an instrument be introduced for the use of personal advisers in all New Deals and equivalent programmes.</p> <p><b>Recommendation 18</b> In sum, the PAT recommends that personal advisers should be trained in the identification of literacy and numeracy weaknesses so that these can be identified quickly and should have access to prompt and systematic help to remedy them.</p> <p><b>Retention</b></p> <p><b>Recommendation 19</b> The Government should pilot post placement support more widely in this country, to see if retention rates can be increased.</p> <p><b>Recommendation 20</b> The Government should pilot the use of Individual Learning Accounts with lower skilled people who move into jobs after extended periods of joblessness.</p>	<p>DfEE and ES</p> <p>DfEE and ES</p> <p>DfEE</p> <p>DfEE</p>	<p>Evaluation completed by Spring 2000.</p> <p>From Spring 2000.</p> <p>From Spring 2000.</p> <p>Depending on outcome of current pilots (which include people with low skills) – evaluation due shortly.</p>

RECOMMENDED ACTION	RESPONSIBLE BODY	TIMESCALE
<p><u>Other excluded groups</u></p> <p><b>Refugees</b></p> <p><b>Recommendation 21</b> The Government should review the arrangements for provision of advice to refugees about what benefit to claim; the verification of overseas qualifications; and the provision of English as a second language courses.</p> <p><b>Ex Offenders</b></p> <p><b>Recommendation 22</b> The outcome of DfEE research into the use that employers are likely to make of conviction information should be used by DfEE and the Home Office to develop appropriate guidance to employers about the use of conviction information and, above all, to ensure that it is not used to prejudice the employment prospects of people whose past convictions are not directly related to their fitness for the jobs for which they apply.</p>	<p>DfEE /Home Office</p> <p>DfEE and the Home Office</p>	<p>Spring 2000.</p> <p>Guidance to be issued by Spring 2000.</p>

RECOMMENDED ACTION	RESPONSIBLE BODY	TIMESCALE
<p><b>CHAPTER 4 – TACKLING RACIAL DISCRIMINATION</b></p> <p><b><u>Equal Opportunities in the Wider Labour Market</u></b></p> <p><b>Setting out the Business Case for Equality</b></p> <p><b>Recommendation 23</b></p> <p>A sustained campaign should be launched as soon as possible on racial equality, in conjunction with business, to bring about a shift in culture and underlying attitudes by demonstrating that Government Ministers and senior business people believe that diversity pays.</p> <p><b>Practical help for business and a practical lead</b></p> <p><b>Recommendation 24</b></p> <p>A straightforward tool kit should be given to employers responding to the media campaign. We strongly advocate that the Government should ask RREAS, the CRE, CBI, Federation of Small Businesses, IoD, TUC, British Chambers of Commerce, the Inner City Religious Council, London First and other interested organisations to work together on this project so that the document commands a broad consensus.</p> <p>The Government should act to clarify what positive action employers can take within the law to promote equal opportunities for people from ethnic minority backgrounds.</p> <p><b>Recommendation 25</b></p> <p>The DfEE should use the Innovation Fund established to support new ideas within the New Deals for unemployed people to test the cost-effectiveness of positive action traineeships on this model within the New Deal for Young People and the New Deal 25+. The Innovation Fund should be opened up to direct bids from not-for profit, public and private sector bodies not directly involved in existing partnerships to ensure that the best ideas can be supported</p>	<p>DfEE/DTI</p> <p>DfEE/DTI in lead</p> <p>DfEE/DTI</p> <p>DfEE</p>	<p>As soon as possible.</p> <p>Toolkit launched to coincide with the awareness raising campaign</p> <p>To coincide with the awareness raising campaign.</p> <p>Immediately.</p>

RECOMMENDED ACTION	RESPONSIBLE BODY	TIMESCALE
<p><b>Recommendation 26 &amp; 27</b></p> <p>The PAT strongly welcomes the commitment to diversity set out in the recent White Paper on <u>Modernising Government</u> and recommends that:</p> <ul style="list-style-type: none"> <li>• equivalent targets are adopted by individual departments and public agencies and are published in departmental reports: the Home Office and DfEE are already leading the way in this respect; and</li> <li>• the Government encourages businesses and voluntary bodies to follow its example and publish targets for the fair representation of people from ethnic minority backgrounds in their workforces.</li> <li>• the Government should consider establishing either an equality committee or an equality chief at Ministerial level to take responsibility for disseminating good practice and for monitoring the compliance of departments and other public bodies with the objectives set out in the Modernising Government White Paper.</li> </ul> <p><b>liP and the Business Excellence Model</b></p> <p><b>Recommendation 28</b></p> <p>Achievement of liP status should in future be conditional on a business having in place:</p> <ul style="list-style-type: none"> <li>• fair recruitment procedures which give a wide range of qualified local people the chance to compete for jobs;</li> <li>• arrangements to monitor the ethnic background of recruits and of the workforce at all levels; and</li> <li>• policies to promote fair representation of people from ethnic minority backgrounds at the different levels of the organisation where that has not already been achieved and in training and development programmes.</li> </ul>	<p>[All Government Departments with DfEE and the Home Office in the lead]</p> <p>DfEE/DTI.</p> <p>Cabinet Office.</p> <p>DfEE, DTI and liP UK</p>	<p>Target to be in place by Spring 2000.</p> <p>To coincide with the awareness raising campaign.</p> <p>Decision by Spring 2000.</p> <p>By Spring 2000.</p>

RECOMMENDED ACTION	RESPONSIBLE BODY	TIMESCALE
<p><b>Recommendation 29</b> More work should be done on the promulgation of the Business Excellence Model as a useful tool for organisations; in particular that the equal opportunities implications of the Model's fundamental criteria of excellence are effectively brought out in the guidance materials.</p> <p><b>Procurement and Grant Giving</b></p> <p><b>Recommendation 30</b> We recommend that the DTI, Treasury and DfEE should jointly review whether, attaching conditions to any additional recruitment flowing from a public contract or grant would be consistent with existing legal and best value constraints.</p> <p><b>Recommendation 31</b> Public bodies engaged in procurement or grant giving in areas of high unemployment or low employment should:</p> <ul style="list-style-type: none"> <li>• ensure, in the case of procurement contracts, that businesses run by people from the ethnic minority communities and SMEs in general are able to bid and that the ethnic background of the owners of businesses invited to bid is monitored. Wherever possible contracts should be organised to facilitate bids from smaller businesses and feedback should be offered to those that do not succeed;</li> <li>• talk to prospective contractors and businesses securing grants for investment about their recruitment needs and the advantages of adopting approaches which give a fair opportunity to local people, including people from ethnic minority communities, to compete for jobs and ensure that procurement panels are alert to racial equality issues;</li> </ul>	<p>DfEE, DTI and the British Quality Foundation.</p> <p>DTI, Treasury and DfEE</p> <p>Public Bodies engaged in procurement or grant giving</p>	<p>By Spring 2000.</p> <p>By Spring 2000.</p> <p>From Spring 2000.</p> <p>From Spring 2000.</p>

RECOMMENDED ACTION	RESPONSIBLE BODY	TIMESCALE
<ul style="list-style-type: none"> <li>take steps to ensure that there are training programmes or intermediate labour markets in place which are capable of preparing local people to compete for future jobs. Wherever possible employers should be encouraged to influence the design of such arrangements and, in return, asked to make use of them for recruitment purposes, including, where possible, guaranteeing job interviews for people who successfully complete them.</li> </ul> <p><b>Recommendation 32</b> Guidance on public procurement and guidance governing the award of subsidies for investment, such as Regional Selective Assistance – should be revised to draw this out.</p> <p><b>Recommendation 33</b> Part of the publicity and marketing effort recommended above should be directed at encouraging larger businesses to promote equal opportunities policies among their suppliers.</p> <p><b><u>Delivering Labour Market Programmes</u></b></p> <p><b>Ethnic Monitoring</b></p> <p><b>Recommendation 34</b> The PAT strongly recommends that all labour market programmes in future monitor the ethnic origin of participants on the same basis as for the New Deal for Young People (all those entering the programme are asked about their ethnic origin). (This recommendation is also made in chapter 2.)</p> <p><b>Recommendation 35</b> The Training Inspectorate should be explicitly tasked with reviewing the effectiveness of FE Colleges and other training providers in preparing young people from ethnic minority backgrounds to compete for jobs and achieve equal outcomes when on the New Deal.</p>	<p>From Spring 2000.</p> <p>Treasury, DTI and DfEE in lead</p> <p>Departments taking forward the marketing campaign.</p> <p>Organisations delivering labour market programmes.</p> <p>DfEE</p>	<p>From Spring 2000.</p> <p>From Spring 2000.</p> <p>To coincide with the awareness raising campaign.</p> <p>From Spring 2000.</p> <p>From Spring 2000.</p>



RECOMMENDED ACTION	RESPONSIBLE BODY	TIMESCALE
<p><b>Targets</b></p> <p><b>Recommendation 36</b> The Government should set all organisations delivering publicly-funded labour market programme equality targets and monitor their performance against those targets on a regular basis.</p> <p><b>Compliance</b></p> <p><b>Recommendation 37</b> Where publicly-funded organisations fail to deliver equality targets, the PAT recommends that this should be followed up, the reasons established and, in the case of persistent failure, responsibility for delivering programmes like the New Deal should be transferred to an organisation better equipped to do so.</p> <p><b>Support for ethnic minority people</b></p> <p><b>Advisers</b></p> <p><b>Recommendation 38 &amp; 39</b> Further work should be done to see what scope there is for engaging ethnic minority organisations in the delivery of personal adviser services and for secondments from those organisations. Organisations providing personal adviser services within the framework of publicly-funded programmes should monitor the ethnic background of personal advisers and their managers and seek to ensure that, as far as possible, people from ethnic minority backgrounds are represented in proportion to their presence in the local community as a whole.</p>	<p>DfEE</p> <p>DfEE</p> <p>Employment Service and others service delivery organisations.</p>	<p>Immediately</p> <p>Ongoing.</p> <p>Work to be completed by Spring 2000.</p>

RECOMMENDED ACTION	RESPONSIBLE BODY	TIMESCALE
<p><b>Mentors</b></p> <p><b>Recommendation 40</b> People from ethnic minority backgrounds are likely to benefit particularly from mentors drawn from their own communities. We recommend that this should be borne in mind wherever possible when unemployed and inactive people are matched to mentors.</p> <p><b>Intermediary bodies</b></p> <p><b>Recommendation 41</b> We strongly recommend that organisations delivering the Government's labour market programmes, like the New Deal, locally should make use of intermediary bodies which provide an effective service to jobless people from ethnic minority backgrounds.</p>	<p>Employment Service and other organisations providing or contracting for mentoring services within publicly-funded organisations.</p> <p>All organisations delivering Government labour market programmes.</p>	<p>Immediately</p> <p>Immediately</p>

RECOMMENDED ACTION	RESPONSIBLE BODY	TIMESCALE
<p><b>Chapter 5 – Building Bridges: Partnerships with Employers</b></p> <p><b>The employer is important too</b></p> <p><b>Recommendation 42</b> Organisations who provide labour market services at a local level should take greater care to understand the needs of employers. There should be advisers in those organisations who are dedicated to employer's needs and act as their advocates.</p> <p><b>Getting employers involved</b></p> <p><b>Recommendation 43</b> Subject to the evaluation of the current New Deal initiative to make innovative use of the employer subsidy, we recommend that:-</p> <ul style="list-style-type: none"> <li>organisations responsible for the local delivery of national labour market programmes should seek actively to forge links with local employers and employers' organisations or seek out and contract for job broking services with organisations who already have links with employers; and</li> <li>the Government should give organisations, including the Employment Service, delivering active labour market policies at local level discretion to use public money to draw employers into the design of Gateways and other job preparation arrangements.</li> </ul> <p><b>Building Partnerships</b></p> <p><b>Intermediary Bodies: Intermediate labour markets</b></p> <p><b>Recommendation 44</b> Organisations delivering labour market interventions locally should make sensible use of intermediate labour markets as part of a mix of policies to help people from deprived neighbourhoods make the transition into work.</p>	<p>Employment Service nationally and other organisations providing job matching services within publicly-funded programmes locally.</p> <p>Organisations responsible for local delivery of national labour market programmes.</p> <p>[DfEE, DETR, ES and other organisations responsible for letting contracts for labour market programmes]</p> <p>Organisations delivering labour market interventions locally</p>	<p>Ongoing.</p> <p>Immediately.</p> <p>Immediately.</p> <p>Ongoing.</p>

RECOMMENDED ACTION	RESPONSIBLE BODY	TIMESCALE
<p><b>Training</b></p> <p><b>Recommendation 45</b> Training should have a place in the range of help available to people from deprived neighbourhoods. But the lessons from here and abroad strongly suggest that this training must be linked to the workplace, with a high degree of employer involvement.</p> <p><b>Subsidies</b></p> <p><b>Recommendation 46</b> We recommend that employer subsidies should continue to be available within national labour market programmes like the New Deal. These subsidies must however be more actively marketed to small and medium enterprises and public sector organisations in particular and must be linked, to be successful, to more effective servicing of the needs of such businesses by job broking agencies.</p> <p><b>Work Trials</b></p> <p><b>Recommendation 47</b> Work trials should be used more extensively to give jobless people the opportunity to show what they can do and to give employers the chance to recruit without risk.</p> <p><b>Mobility</b></p> <p><b>Recommendation 48</b> The Employment Services' London Matches project should be evaluated and, if found to be effective in enabling jobless people in deprived neighbourhoods to compete for jobs, imitated in other major conurbations.</p>	<p>This recommendation is directed at organisations delivering labour market policies at local level.</p> <p>Organisations delivering labour market policies at both national and local level.</p> <p>Organisations delivering labour market policies at both national and local level.</p> <p>Employment Service.</p>	<p>Ongoing.</p> <p>Ongoing</p> <p>Ongoing.</p> <p>Evaluation to be complete by end of 1999.</p>

RECOMMENDED ACTION	RESPONSIBLE BODY	TIMESCALE
<p><b>Recommendation 49</b> Mobility within the labour market, and particularly the problems faced by jobless people in deprived neighbourhoods, should be a key focus of the drawing up of local transport policies.</p>	Local authorities, in conjunction with partner organisations (employers, RDAs and ES).	Ongoing.
<p><b>Recommendation 50</b> Organisations delivering labour market policy at local level should have discretion to use public money imaginatively in this way to solve individual mobility problems. This help should extend to the provision of driving lessons where the acquisition of a driving licence would make a real difference to a person's ability to secure a job.</p>	Organisations delivering labour market policy at local level	Ongoing.
<p><b>Recommendation 51</b> More widespread use should be made of mentors particularly in overcoming some of the mobility problems experienced by those people who have been out of the labour market for a long period.</p>	National organisations involved in delivering labour market interventions	Ongoing.

RECOMMENDED ACTION	RESPONSIBLE BODY	TIMESCALE
<p><b>Chapter 6 – Making Work Pay</b></p> <p><b><u>Transition to Work</u></b></p> <p><b>Improving financial incentives</b></p> <p><b>Recommendation 52</b> The PAT recommends piloting and evaluating the impact of:</p> <ul style="list-style-type: none"> <li>providing for Housing Benefit and Council Tax Benefit to run on virtually automatically at their existing level until an accurate re-assessment has been made of a revised in-work level – subject to the provision by benefit claimants of prompt and accurate information about their circumstances and changes to them; and</li> <li>providing, where a job collapses within a specified period of being taken up, that all relevant benefits will be re-activated quickly and at their pre-existing levels until a fresh assessment has been made of a person's entitlement.</li> </ul> <p><b>Recommendation 53</b> The Government should do more to make the existing linking rule known to disabled people and should run a pilot to see whether a more generous linking rule – of, say, five years makes any appreciable difference to the propensity of people claiming disability benefit to enter the labour market.</p> <p><b>Recommendation 54</b> The Jobfinders' and Jobseekers' grants should be evaluated to establish whether they do offer value for money.</p>	<p>DSS, Benefits Agency and Local Authorities.</p> <p>DSS.</p> <p>[DfEE/ES]</p>	<p>Pilots to be established from Spring 2000.</p> <p>Pilots to be established from Spring 2000.</p> <p>Pilots to be established from Spring 2000.</p> <p>Evaluation to be undertaken and results reported by Summer 2000.</p>

RECOMMENDED ACTION	RESPONSIBLE BODY	TIMESCALE
<p><b>Recommendation 55</b> The Government should give serious consideration to extending tax credits on the model of the Working Families Tax Credit to all working people.</p> <p><b>Recommendation 56</b> The Government should satisfy itself about the soundness of the arrangements for prompt payment of the Working Families Tax Credit.</p> <p><b>Recommendation 57</b> There should be active consideration of the scope for unifying benefits paid in respect of children – IS/JSA allowances, child benefit, the new Family Credit – so that uncertainty about fluctuations in this income at the point of transition to work were reduced or removed.</p> <p><b>Better Information</b></p> <p><b>Recommendation 58</b> The PAT strongly recommends that work on the Integrated Benefit Information System (IBIS) should have a high priority and in particular that:</p> <ul style="list-style-type: none"> <li>the system, once improved, be made freely available to independent advisory agencies working with unemployed and jobless people;</li> <li>it should be made accessible via the Internet so that individuals and organisations can independently calculate the implications for their income of taking a job;</li> <li>every effort be made to ensure that electronic systems and printed publicity are accessible to people from ethnic minority backgrounds for whom English is not a first language.</li> </ul>	<p>Treasury.</p> <p>Treasury/Inland Revenue.</p> <p>Treasury and DSS</p> <p>Employment Service and Benefits Agency</p>	<p>Ongoing.</p> <p>Ongoing.</p> <p>Ongoing.</p> <p>IBIS to be improved and disseminated by Summer 2000.</p>

RECOMMENDED ACTION	RESPONSIBLE BODY	TIMESCALE
<p><b><u>Enhancing Employability</u></b></p> <p>We recommend that:</p> <ul style="list-style-type: none"> <li>• a new approach to income from casual work – based on a pot of disregarded income – should be tried out initially in a number of low employment neighbourhoods – perhaps in some of the New Deal for Communities areas – with an equal number of comparable neighbourhoods identified as controls; and</li> <li>• it should be available only to people in those neighbourhoods who have been claiming benefit for year or more and subject to the approval of a personal adviser.</li> </ul> <p><b><u>Local Exchange Trading Schemes</u></b></p> <p><b><u>Recommendation 60</u></b></p> <p>Benefit entitlements should not in future be affected by participation in a LETS provided that:</p> <ul style="list-style-type: none"> <li>• unemployed people claiming JSA continue to be available for and actively seeking work and, in line with that, disclose their participation in a LETS to their personal adviser so that its capacity to smooth the transition to a job in the open labour market could be fully exploited. (In considering whether a person continues to be available for and actively seeking work, personal advisers will need among other things, to have regard to the value of the goods and services available to people within a LETS as a result of their work.)</li> <li>• the LETS itself should be community-based, not run for a profit and be composed exclusively of individuals, not corporations.</li> </ul> <p>We recommend that changes to the benefit rules on these lines should be piloted in a number of deprived neighbourhoods to test their workability and impact on participation in LETs and subsequent transition into jobs in the open labour market.</p>	<p>DSS</p> <p>DSS.</p>	<p>Pilots to be run from Spring 2000.</p> <p>Pilots to be run from Spring 2000.</p>



RECOMMENDED ACTION	RESPONSIBLE BODY	TIMESCALE
<p><b>CHAPTER 7 – DELIVERING THE GOODS</b></p> <p><b><u>Involvement in Strategic Partnerships</u></b></p> <p><b>Recommendation 61</b> The PAT recommends that:</p> <ul style="list-style-type: none"> <li>the DfEE and the Employment Service should be more active in encouraging local organisations which represent the interests of people from deprived neighbourhoods or ethnic minority backgrounds to join strategic partnerships set up to deliver national labour market policies; and</li> <li>where organisations are being invited to bid to deliver the New Deal or other welfare to work programmes locally their bid should be partly judged on their track record in forming effective working relationships with local organisations.</li> </ul> <p><b>Recommendation 62</b> Formal procedures should be put in place to avoid any conflicts of interests by members or employees of partnerships. This must involve, in particular, members declaring an interest where necessary at project appraisal and approval stages. Where partnership members bid for a partnership contract, they must be excluded from the contract awarding process.</p> <p><b>Recommendation 63</b> As far as possible, the rules should be agreed between departments responsible for different funding streams</p>	<p>DfEE and Employment Service</p>	<p>Ongoing.</p> <p>DfEE/ES to provide guidance by Spring 2000.</p>

RECOMMENDED ACTION	RESPONSIBLE BODY	TIMESCALE
<p><u>Contracting at local level</u></p> <p><b>Recommendation 64</b></p> <p>Organisations and partnerships responsible for the delivery of labour market policies locally (whether the Employment Service, voluntary bodies, private sector bodies or partnerships) should devolve to local managers the discretion and budgets to contract with local organisations where they can add value;</p> <p>Action is taken to reinforce the messages to ES District Managers about the flexibility of existing delivery models for the New Deals and other programmes and the discretion they have actively to involve locally based organisations which can add value;</p> <p>The ES contracting guidelines are scrutinised with a view to avoiding the use of complex business planning systems or other requirements of contracts which could be a barrier to participation by locally based organisations without the capacity to manage complex systems;</p> <p>Smaller organisations are actively encouraged to bid as part of larger consortia;</p> <p>The arrangements for providing feedback on bids for national labour market programmes are strengthened and formalised.</p>	<p>Organisations and partnerships responsible for the delivery of labour market policies locally.</p> <p>Employment Service</p> <p>Employment Service</p> <p>[All organisations responsible for letting contracts for labour market programmes.]</p> <p>[All organisations responsible for letting contracts for labour market programmes.]</p>	<p>Ongoing.</p> <p>Guidance to be issued by Spring 2000.</p> <p>Scrutiny complete by Spring 2000.</p> <p>Ongoing.</p> <p>Ongoing.</p>

RECOMMENDED ACTION	RESPONSIBLE BODY	TIMESCALE
<p><b>Capacity Building</b></p> <p><b>Recommendation 65</b></p> <ul style="list-style-type: none"> <li>• where a local organisation appears to have the potential to help unemployed and jobless people make the transition to work but currently lacks the capacity to bid for and manage the process, mechanisms should be identified to invest in the organisation to help it develop that capacity (the SRB 5 model might be followed);</li> <li>• clear guidance should be given to ES District Managers about assessing the capacity of local organisations to deliver labour market programmes and about audit requirements;</li> <li>• there should be a named person in each Employment Service District who can provide information and support to potential bidders for New Deal or other programmes about how to engage with the contracting process;</li> <li>• the Employment Service should encourage local organisations which are not equipped to deliver its programmes to become involved in other ways, for example by having clear routes for referral of clients to Employment Service advisers or by involving the organisations concerned in the provision of mentoring support.</li> <li>• funding models for ES programmes and for other funding streams such as the Single Regeneration Budget and European Social Fund should be reviewed and, if appropriate, adapted to facilitate the inclusion of organisations which have the potential to provide employment help to meet particular local needs, but are prevented from doing so by standard funding models. This review should ensure that there are workable rules in place to ensure that funding reaches contractors promptly, as specified in the contract; and</li> <li>• departments and agencies delivering labour market programmes should explore and take up opportunities for both inward and outward secondment to help develop the capacity of community based organisations.</li> </ul>	<p>DfEE and Employment Service</p> <p>Employment Service</p> <p>Employment Service</p> <p>DfEE/DETR</p> <p>Departments and agencies delivering labour market programmes.</p>	<p>Ongoing.</p> <p>Guidance to be issued by Spring 2000.</p> <p>By Spring 2000.</p> <p>By Spring 2000.</p> <p>Review to be completed by Spring 2000.</p> <p>Immediately</p>

RECOMMENDED ACTION	RESPONSIBLE BODY	TIMESCALE
<p><b>Capacity Building (continued)</b></p> <p><b>Recommendation 66</b> Further consideration should be given to the issue of capacity building in the light of the forthcoming evaluation of ESF Objective 3 priority 4.</p> <p><b>Simplifying the rules</b></p> <p><b>Recommendation 67</b></p> <ul style="list-style-type: none"> <li>• government departments responsible for the operation of the main funding streams being used for the delivery of training and employment related programmes and representatives of provider organisations (who might include members of PAT 1 with a particular interest in these issues) should work jointly to:             <ul style="list-style-type: none"> <li>• identify common ground between the aims and objectives of funding sources;</li> <li>• identify the overlap and differences between bidding, contract management and audit processes and explore the possibilities for aligning them;</li> <li>• consider whether consistent annuality between funding streams can be achieved;</li> <li>• consider alternative funding options which would support continuity of provision;</li> <li>• look at options for reducing the administrative burden of audit requirements, for example by introducing audit by random inspection rather than requiring documentary evidence of every aspect of a contract; and</li> <li>• identify some common definitions for the purpose of validation of outcomes and audit.</li> </ul> </li> <li>• to investigate options for “smart” audit: for example by linking up providers and organisations responsible for audit with Inland Revenue and NICS computer systems to verify the employment status of people helped into jobs.</li> </ul>	Government departments responsible for the operation of the main funding streams	Reviews to be undertaken and completed by Spring 2000

## ANNEX A Members of the Policy Action Team on Jobs

Mark Neale (Chair)	Department for Education and Employment
Bhupinder Anand	Anand Associates
Jonathan Baldrey	Talent
Paul Bolt	Department for Culture, Media and Sport
Sarah Brennan	Centrepont
William Chapman	Department for the Environment, Transport and the Regions
Phil Clapp	Social Exclusion Unit
Jeremy Crook	Black Training and Enterprise Group
Helen Darcy	Benefits Agency
Chris Dolphin	VCU, Home Office
Ade Fabunmi-Stone	Network Communications
Dan Finn	University of Portsmouth
Chris Francis	Department of Trade and Industry
Win Hawkins	Employment Service
Chris Hayes	Department of Social Security
John Hills	CASE, LSE
Heather Kempton	Treasury
Shahid Malik	Commission for Racial Equality
Bob Marshall	Glasgow Works
Stephen Martin	Reed Personnel Services
Geoff Mulgan	No 10 Policy Unit
Matthew Nicholas	Employment Service
Simon Pellew	PECAN Ltd
Cordell Pillay	TUC
David Reardon	Social Exclusion Unit
Cay Stratton	New Deal Task Force
Jackie Tyler	Rathbone CI
Sharon Welch	London First
Bill Wells	Department for Education and Employment
Richard Wragg	Government Office for London



**Champion Minister:**

Tessa Jowell

Department for Education and Employment

**Secretariat:**

Althea Baker

Department for Education and Employment

Adrienne Nolan

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Cathy Rees

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Ian Roberts

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Valerie Tomlin

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## ANNEX B Policy Action Team on Jobs: Consultations

### CONSULTATION VISITS

#### Glasgow

Glasgow Works

#### Liverpool

Qmat Programme Centre

Forum session with representatives of local organisations:

- Thackeray and Carter Street Estate
- NACRO Training Agency
- Merseyside Employment Links
- Merseyside TEC
- Employment Service District Office
- Granby Toxteth Development Trust
- Liverpool Council for Voluntary Service
- Employment Zone
- Liverpool Partnership Group
- Merseyside Council for Voluntary Service
- LARCAA (Community Arts)
- South Liverpool Personnel
- North West One
- R Baker Electrical Ltd

#### Middlesbrough

Forum session with representatives of local organisations:

- Government Office North East
- Employment Zone
- Employment Service District Manager – Tees South
- Tees Valley TEC
- Middlesbrough Borough Council
- Jobsmatch
- St Hilda's Partnership
- East Middlesbrough Community Venture
- Langridge Initiative Centre

St Hilda's Partnership;

EMTA Training Centre, Billingham;

East Middlesbrough Community Venture

### **South Yorkshire (Leeds, Bradford and Barnsley)**

Regional briefing on key economic development and regeneration issues – at Government Office Yorkshire and Humberside, Leeds;  
Employment Service New Deal Team  
GOYH Strategy Unit

Discussion with key local economic agencies – at Bradford Council Economic Policy Unit;  
Economy and Investment Manager, Bradford Council  
Training and Contract Services Manager, Bradford Council  
Bradford and District TEC  
Employment Service  
Asian Trades Link  
City Training Services  
Integra Project

Manningham/Girlington SRB area;  
Bangladesh Youth Organisation  
Youth Build Project

Call Centre Training Unit;

New Deal for Communities area – Hutson Street Project;

Barnsley Development Agency: an overview of the local economy;

Acorn Centre in Grimethorpe -a one-stop community access centre;

Dearne Valley College :discussion with local agencies  
Dearne Valley Partnership  
Dearne Valley College  
Employment Service  
Lifetime Careers

Ventura – a major new employer in the Dearne Valley (call centre/ customer service centre)

Hi-Tech UK – a small engineering company.

### **Kings Cross**

Kings Cross Integra Projects:  
Community Access Project  
NVQ Advice Work Programme  
Refugee Advice Centre

(arranged by Capacity Unlimited)



## **Haringey**

Presentation by Assistant Chief Executive, Haringey Council

Tour of Adult Guidance Service

Haringey Refugee Consortium, presentation, discussion and tour of classes

Northern Telecommunications (NORTEL) and College of North East London (CONEL) – discussion with trainees and staff

Finsbury Park Community Trust – presentation and tour

Discussion with local employers about New Deal

Create project – local intermediate labour market scheme

## **Brighton**

Brighton Programme Centre – meeting with clients

Round table discussion with New Deal Advisers and Voluntary Sector providers:

Brighton & Hove Racial Equalities Service

NACRO

Opportunities Hangleton & Knoll

Brighton Unemployed Centre

Women's Training Project

Workroute

Scarman Trust

Brighton and Hove Foyer including discussion with Foyer residents;

NACRO services project for young people – 'Sorted?' magazine project;

Forum discussion with representatives of the District's New Deal Steering Group.

## **Birmingham**

Forum discussion with local strategic partners

Employment Service

Birmingham City Council Economic

Development Committee

Birmingham City Council Employment

development Manager

Birmingham and Solihull TEC

Birmingham Voluntary Services Council

Birmingham Rathbone Society

St Basil's Centre

Ladywood Fast Track

Handsworth and Lozells Methodist Training

ENTA training centre

NACRO

## **Bristol**

Centre for Employment and Enterprise Development

## **CONSULTATION MEETINGS**

National Council for Voluntary Organisations;

Commission for Racial Equality;

CBI;

TUC;

Local Government Association;

TEC National Council;

Society of Local Authority Chief Executives and Senior Managers

Chief Education Officers.



## ANNEX C Policy Action Team on Jobs

### KEY ISSUES

The Action Team has agreed that it will:

- a. focus its work on a small number of wards where levels of unemployment are among the highest in the country and find out from the people living there what prevents them from working; what help to get a job is already available and how they can be supported more effectively;
- b. look separately at the causes of high unemployment in poor neighbourhoods and among people from ethnic minority backgrounds and at the best ways of reducing unemployment in both cases;
- c. identify approaches to helping people get jobs that are working at local level and how they can be generalised.

In taking this work forward, the PAT also identified a number of key issues on which it will want to gather evidence and form views. Those issues are:

- a. Coherence and targeting of funding
  - What programmes and budgets provide employment support for poor neighbourhoods and people from ethnic minority backgrounds: New Deals, other Employment Service programmes,

Single Regeneration Budget (SRB), New Deal for Communities, European Social Fund, Further Education, TECs and so on?

- Do the money and help provided by these programmes flow to the poorest neighbourhoods and to people from ethnic minority backgrounds and, if not, why not?
  - Is the help provided by these different programmes coherent and effectively coordinated?
- b. What keeps people out of jobs and what helps them in?
    - Is there a gap between the skills needed for the jobs available and the skills people have?
    - Are the available jobs inaccessible to people?
    - What part do employer attitudes and recruitment practices play?
    - What part does discrimination play?
    - Is there a bridge from the informal to the formal economy?
    - What role do training and intermediate labour markets play?

c. Empowering local communities

- What say do local people have over the money spent locally on help with getting into jobs?
- Can national programmes be made more responsive to local needs and so more effective: for example through partnerships with local and voluntary bodies or through outreach initiatives?
- What locally-controlled initiatives are effective in helping people move into the labour market: community businesses, Local Exchange Trading Schemes, local training programmes and so on?

d. Supporting unemployed people

- Can we do more to enhance the effectiveness of personal advisers and do more to ensure that they are people with whom people from poor neighbourhoods and from ethnic minority backgrounds can identify?
- How effective are programmes of intensive support for people at risk of becoming long-term unemployed, including courses on self-presentation and confidence building on the lines developed in the US?
- Are we making effective use of

mentoring and attracting the right people to become mentors?

- Can we draw in role models who have succeeded in becoming economically independent by getting jobs or starting their own businesses? Can we use sport and the arts to engage young people?
- Should we offer more support once people have moved into jobs to help them retain them and to upgrade their skills?

e. Partnerships with employers

- What steps can we take to counter negative stereotypes of long-term unemployed people, people from poor neighbourhoods and people from ethnic minority backgrounds?
- Would it be feasible or effective to offer higher subsidies to employers within the framework of existing New Deal programmes for taking on long-term unemployed people from poor neighbourhoods?
- Would it be possible and effective to generate more locally-based work experience opportunities in the community and would these be effective in preparing people for work?

- Can we work through supply chains to influence employers and public contractors to recruit from among people from poor neighbourhoods and from ethnic minority backgrounds?
- Is current help with self-employment adequate? Is self-employment an effective and plausible route out of unemployment?

f. Sharpening incentives

- Are there continuing benefit traps which deter unemployed or economically inactive people from moving back into work?
- Is information about in-work benefits and tax credits sufficiently clearly presented and effectively disseminated?
- Would an easier tax regime for Local Exchange Trading Schemes (LETs) be cost-effective in drawing people back into work and into local enterprise?
- Are people deterred by the tax and benefit system from moving from the informal to the formal economy and, if so, what changes could be made to reduce these disincentives?



## ANNEX D Policy Action Team on Jobs: A Consultation

### INTRODUCTION

This report provides a summary of the written responses, to the questions on key issues in the consultation document.

The format of the report is shorter than expected, as only 7 written responses were received, with some respondents not replying to the full range of questions. With such a small sample of comments, it is therefore difficult to know whether the views expressed are representative.

The format of the report starts with a summary of the responses to each question, followed by Annex A, which lists comments recorded by the analysts as offering an added perspective to each question. This annex is offered as an aide to the policy team, and is not intended as a formal part of the report for publication.

Replies to the consultation were received from the following organisations:

Age Concern  
Church Action on Poverty  
Fairbridge  
Gingerbread  
NACRO

The Prince's Trust  
Third Age Employment Network

### SUMMARY

#### a. Coherence and Targeting of Funding

**What programmes and budgets provide employment support for poor neighbourhoods and people from ethnic minority backgrounds: New Deals, other Employment Service programmes, Single Regeneration Budget (SRB), New Deal for Communities, European Social Fund, Further Education, TECs and so on?**

Respondents agreed that the **wide range** of programmes and budgets play an important role in providing employment support, rather than naming individual programmes and budgets. However, there were concerns that the lack of integration and the number of schemes caused administrative burdens, short term funding did not support continuity, and respondents questioned whether these programmes created long term sustainable opportunities.

**Do the money and help provided by these programmes flow to the poorest neighbourhoods and to people from ethnic minority backgrounds and, if not, why not?**

All replies that commented agreed that funding was not reaching the poorest neighbourhoods and people from ethnic minority backgrounds for a variety of reasons, including competition for funds, poor management, the financial needs of the provider, and a lack of central co-ordination and political awareness.

It was stated that programmes did not take into consideration the views and needs of ethnic minority groups, making programmes inappropriate, unattractive, under-resourced, and inhibiting the take up of targeted groups.

**Is the help provided by these different programmes coherent and effectively co-ordinated?**

Respondents stated that the help provided by programmes was not coherent and effectively co-ordinated, with a lack of centralisation, effective monitoring and competition for funding being contributory factors.

**b. What Keeps People Out of Jobs and What Helps Them In**

**Is there a gap between the skills needed for the jobs available and the skills people have?**

Half of the replies received commented that there is a gap between the skills people have and the available jobs, most noticeably in some industries and parts of the country which do not correspond with areas of high unemployment.

Two respondents observed that the greater emphasis on qualifications, and the increase in take up of higher education of young people especially among ethnic minorities, was a contributory factor to the skills shortage. Although Modern Apprenticeships were addressing this problem, work needed to be done with those at the lower level of the qualification scale.

One reply stated that greater funding is needed to overcome low levels of literacy, numeracy and information technology skills among the unemployed, although issues surrounding self confidence and motivation also need to be addressed.



### **Are the jobs inaccessible to people?**

Respondents agreed that jobs were inaccessible to some people, with one noting a link between the ability to take up opportunities and make choices and the resources to do so.

In poorer neighbourhoods less car ownership, reliable transport links and fewer services like banks limited opportunities, with a lack of self confidence, mobility and difficulties in obtaining decent housing contributory factors for young people.

### **What part do employers attitudes and recruitment practices play?**

Employers attitudes towards the unskilled unemployed, with low levels of qualifications, was highlighted as an issue by one respondent. Employers were likely to have negative attitudes to people who come from a background of little employment history, failed by the poor performance of inner city schools, with the red lining of certain post codes.

Improved training opportunities will ensure that people have the skills employer require, but innovative recruitment practices needed to be introduced toward people with vocational rather than academic qualifications, as employers have a wide choice of people with high levels of qualifications.

Employers attitudes was highlighted as a factor in the high unemployment rate amongst graduates from ethnic minorities.

### **What part does discrimination play?**

Two replies were received agreeing that discrimination on a basis of race, gender, age, disability, social background and those with a criminal record did play a part in some people being unable to access employment.

Employers also preferred to give employment opportunities to those with employment experience, rather than those who had completed an employment training course.

### **Is there a bridge from the formal to informal economy?**

One reply commented that greater security is likely to be the biggest attraction in moving from the informal to formal economy. But if the formal approach is badly paid, it jeopardises security measures such as Housing Benefits and it will not appeal. Self employment is one likely bridge, but disincentives in the tax and benefit systems, may persuade people to remain in the informal economy.

### **What role do training and intermediate labour markets play?**

Respondents agreed that training and intermediate labour markets play a critical role in skilling people for the available job market.

Training increased people's confidence and experience, and therefore the ability to compete in the job market. However, Youth Training was failing to prepare those with low qualifications for the jobs that are available, noted one reply.

It was commented that ILMs needed to be conducive to confidence building, including upskilling and progression opportunities, and provide experience linked with the world of work in general. Locally delivered Intermediate Labour Markets are particularly helpful to ethnic minority groups, if they are delivered by trusted known members of their own community, commented one reply.

### **c. Empowering Local Communities**

#### **What say do local people have over the money spent locally on help with getting into jobs?**

Replies confirmed that schemes and programmes have a better chance for success if the local community groups were involved at the planning stages and had a greater control over how, by whom, and for what purpose money was spent locally.

#### **Can national programmes be made more responsive to local needs and so more effective: for example through partnerships with local and voluntary bodies or through outreach initiatives?**

It was agreed that national programmes needed to be aimed at a local level, taking

into consideration the needs and circumstances of communities, and that partnerships with local authorities, voluntary organisations, and the private/business communities were essential to success.

One reply commented that the outreach initiative was the only way to reach the most disadvantaged.

#### **What locally controlled initiatives are effective in helping people move into the labour market: community business, Local Exchange Trading Schemes, local training programmes and so on?**

Only those programmes and schemes that are run by organisations with local knowledge and therefore responsive to local needs are successful in helping people into the job market.

### **d. Supporting Unemployed People**

#### **Can we do more to enhance the effectiveness of personal advisers and do more to ensure that they are people with whom people from poor neighbourhoods and from ethnic minority backgrounds can identify?**

Respondents noted that the effectiveness of personal advisers could be improved by ensuring that they have manageable case loads and the necessary skills to fully support the unemployed. However, doubt was cast over whether personal advisors had sufficient time to fulfil their role and

that engendering trust with clients could be difficult as they retain the right to sanction benefits.

Advisors should be from a wide range of ethnic and social backgrounds, so they can identify with the client, ensuring that they understand cultural, religious and community level issues.

**How effective are programmes of intensive support for people at risk of becoming long-term unemployed, including courses on self-presentation and confidence building on the lines developed in the US?**

Programmes that build confidence, and develop team work and social skills, and those related to the work place were identified as successful, but respondents commented that additional support was required. The most effective for young people being those that linked to activities and subjects that interest and stimulate them.

**Are we making effective use of mentoring and attracting the right people to become mentors?**

Two replies agreed that mentoring could be an effective way of helping young people, but that considerable resources needed to be allocated to training and supporting mentors. Mentoring was more likely to be successful if the relationship was sustained

for a considerable period of time. However, it was also noted that mentoring was not always successful, and relies on a good match between the young person and the mentor.

**Can we draw in role models who have succeeded in becoming economically independent by getting jobs or starting their own business? Can we use sport and the arts to engage young people?**

Role models of the right type were identified as being constructive when dealing with young people, but needed to be from the same area and similar background to the young people to be effective. Sport and the arts can be useful as they provide an environment that interests young people, but caution must be taken to manage expectations.

**Should we offer more support once people have moved into jobs to help them retain them and upgrade their skills?**

Three replies were received agreeing that more support should be given to people when they have found employment, to help people adjust to the work situation. It was thought that Personal Advisers and mentors should continue for a few months giving help and support, and employers should be encouraged to address the needs of the employees in terms of career development and well being.

#### **e. Partnerships with Employers**

##### **What steps can we take to counter negative stereotypes of long term unemployed people, people from poor neighbourhoods and people from ethnic minority backgrounds?**

Respondents believed that a number of issues needed to be addressed to counter negative stereotyping, including first breaking the cycles of unemployment, deprivation, and poor education.

Stereotypes can be counteracted by getting away from stereotypical ideas about achievement and success. The Government's drive towards achieving national targets in education, contributes to the alienation of those who may not succeed within these targets. A better profile of other skills and attributes needed for employment, other than qualifications was required.

Setting up initiatives to deal with issues of self esteem and confidence, therefore changing the attitudes and perception of people living in poor areas, the long term unemployed and ethnic minority groups, helping to raise expectations and attitudes.

Introducing companies to successful people from ethnic minorities can be positive, with employers encouraged to recruit and offer work experience to people of minority communities.

Recognition should be given to those employers whose work forces are drawn from the local area and match the local ethnic mix.

##### **Would it be feasible or effective to offer higher subsidies to employers within the framework of existing New Deal programmes for taking on long term unemployed people from poor neighbourhoods?**

Offering subsidies to employers was regarded as not an ideal solution to the problems of the long term unemployed and people of poor neighbourhoods, as the subsidy does not change attitudes, and jobs tend to disappear when the subsidy stops.

##### **Would it be possible and effective to generate more locally-based work experience opportunities in the community and would these be effective in preparing people for work?**

Locally based work experience linked with training opportunities, would be a good way to ensure that jobs were accessible to those living in poorer neighbourhoods, and for Asian women facing problems of convincing families of distant placements. However, one respondent questions the availability of placements in poor neighbourhoods, while another states that there are many opportunities available, which could help to reduce social problems and unemployment.

**Can we work through supply chains to influence employers and public contractors to recruit from among people from poor neighbourhoods and from ethnic minority backgrounds?**

Replies suggest that this could be a useful method of influencing/educating employers, but that many employers would not change their practices without it being in their financial interest.

**Is current help with self-employment adequate? Is self-employment an effective and plausible route out of unemployment?**

Two replies commented that self employment was a good route out of unemployment, being a good way to gain experience and overcome prejudices. However, help and support was limited and fragmented, with people unaware of the funding available to them, with the Employment Service giving it a low priority as an option.

**f. Sharpening Incentives**

**Are there continuing benefit traps which deter unemployed or economically inactive people from moving back into work?**

Two replies agreed that benefit traps exist and continue to deter people from taking up employment, particularly when their skills are likely to mean that they would only be able to obtain low paid work. Losing access

to Housing Benefit to take up a low paid job was highlighted as a major deterrent, as well as the lack of support for mortgage payments on Family Credit, and the long waiting period for Income Support if taking a job does not lead to permanent employment.

**Is information about in-work benefits and tax credits sufficiently clearly presented and effectively disseminated?**

It was clearly felt that information about in-work benefits and tax credits was not clearly presented or readily available and problems had been experienced with the consistency of information given by different advisers. It was highlighted that some people from ethnic minorities were provided with information on benefits in their own language, but little help was given when completing complicated forms in English. One DSS office was noted as giving advice on form filling two days a week, helping to meet a huge demand for this service from people of ethnic minorities.

**Would an easier tax regime for Local Exchange Trading Schemes (LETs) be cost effective in drawing people back into work and local enterprise?**

No replies were received on this point.

**Are people deterred by the tax and benefit system from moving from the informal to formal economy and, if so, what changes could be made to reduce these disincentives?**

One reply received stated that the tax and benefit system was the greatest deterrent to people moving from the informal to formal economy, especially with self employment, and that there is a requirement for a better bridge between unemployment on benefits and employment. A tapered loss of benefits for the self employed over a 12 month period, during which income from self employment could be expected to flow was suggested, as well as a number of other solutions listed in annex A.







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PP62D10/1299/252

ISBN 1 84185 107 8

Ref: NTRL4



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