

House of Commons
Work and Pensions Committee

**THE GOVERNMENT'S
EMPLOYMENT STRATEGY**

Third Report of Session 2001–02

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

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Footnotes

In the footnotes of this Report, references to oral evidence are indicated by 'Q.' followed by the question number. References to written evidence are indicated by the page number as in 'Ev 12'.

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THIRD REPORT

The Work and Pensions Committee has agreed to the following Report:

THE GOVERNMENT'S EMPLOYMENT STRATEGY

SUMMARY

We support the Government's commitment to pursue active labour market policies targeted at people with barriers to work, even if the labour market turns downwards.

With JSA claimant numbers at an historically low level, the Government's 2001 Employment Green Paper heralded a shift in emphasis from JSA claimants towards those on Income Support and Incapacity Benefit. We support this change in emphasis. However, we have concluded that greater resources and energy need to be focussed on helping clients who face multiple and complex barriers to employment.

Jobcentre Plus needs to achieve a balance between intensive job entry services for work-ready clients, and services for its other clients that improve their employability bringing them closer to the labour market. We support the greater use of 'soft' skills training, the development of work placements and the use of intermediate labour markets; and more intensive personal help for those with the most significant barriers. We believe that the resources, know-how and flexibility of private and voluntary sectors should be better harnessed to deliver services to groups at some distance from the labour market. A more active engagement is needed with people with disabilities to help them towards work.

Within the New Deal programmes, performance needs to improve. Programme design needs to be streamlined, and greater flexibility introduced to suit a locality's requirements and to give Personal Advisers more discretion to tailor assistance to an individual's needs. Employment Zones and Action Teams demonstrate the effectiveness of flexibility combined with a responsiveness to the circumstances of specific localities and labour markets. Training needs to be work-focussed and oriented to employers' requirements. Jobcentre Plus needs to develop its 'aftercare' services for participants moving into work, whilst encouraging more effective employer engagement among those taking New Deal recruits. There has to be a more concerted effort by the DWP to both encourage and learn from innovation.

Better co-ordination is needed with other initiatives and programmes. For example, there is a need more closely to connect efforts to provide greater childcare provision directly to supporting parents who want to work; and closer liaison between Jobcentre Plus and Business Links to inform and assist people considering self-employment. Evidence shows there is no systematic connection between DWP programmes and the proliferation of area-based initiatives that should also be part of the Government's employment strategy. Different programmes have different timescales, objectives, funding and eligibility rules, and co-ordination is confused and piecemeal. Local Strategic Partnerships have been established as the vehicle to co-ordinate multiple programmes, and we believe there is a case for piloting the inclusion of DWP programme funds within such Partnerships to enhance their strategic role.

There is a need for greater policy integration between employment strategy and demand-side activity aimed at business growth. Not least, the 'employer focus' of Jobcentre Plus needs to be strengthened, to create stronger relationships between local businesses and those engaged in improving job opportunities for non-employed people.

Overall, the Government's employment strategy is the right one. But there is considerable scope for development and improvement.

A full list of conclusions and recommendations is given on page 45.

I. INTRODUCTION

Background

1. The Committee agreed to undertake the inquiry on 28 November 2001. A Press Notice announcing the study and inviting written evidence was released on 5 March. At the outset the intention was to undertake an inquiry mainly focussed on the effects of an economic downturn on the Government's employment strategy, but as the written evidence in response to the invitation to submit evidence arrived it became clear that, while there was a general consensus that the strategy was effective, there were wider issues on which witnesses wished to comment and into which the Committee should inquire. The Committee therefore decided to widen the study to examine the Government's employment strategy in its entirety and in so doing to embrace the various matters on which witnesses had commented.

The Inquiry

2. We received written evidence from a wide variety of witnesses and took oral evidence on four occasions, including groups representing employers, organisations active in the jobs and training field, Trades Union Congress (TUC), Transport and General Workers Union (TGWU) and experts in the employment policy area.¹ The Government's employment strategy is not solely the responsibility of the Department for Work and Pensions (DWP) and the Committee therefore took oral evidence from officials of three other Departments having policies which affect employment: the Department for Education and Skills (DfES); the Department of Trade and Industry (DTI) and the (then) Department for Transport, Local Government and the Regions (DTLR).

3. We considered it was important to see for ourselves how some of the Government's initiatives were actually working and to compare the experience here with similar initiatives overseas. The Committee first visited Birmingham to see a particularly successful Employment Zone and talked to clients, the contractor, the local Jobcentre Plus officials, Birmingham City Council, and to others who were involved.² The Committee then visited three particularly relevant cities in the United States of America: Philadelphia, Portland and Seattle, where the employment problems being tackled were of a broadly similar size and scale.³

4. Our final oral evidence session was with the Rt Hon Nick Brown, Minister for Work, Mr Leigh Lewis, the Chief Executive of Jobcentre Plus and a senior DWP official.⁴ We are extremely grateful to all those individuals and organisations that assisted our inquiry.

5. Throughout the inquiry the Committee was assisted by its Specialist Advisers, Mr Paul Convery and Mr Dave Simmonds, Directors of the Centre for Economic and Social Inclusion. We are enormously grateful to both of them for their valued advice and assistance.

¹ The memoranda submitted are listed on pages 88 and 89.

² A note of the Committee visit to Birmingham is included as Annex 1 to the Report. See page 51.

³ A note of the Committee visit to the United States is included as Annex 2 to the Report. See page 64.

⁴ The list of witnesses is on page 86.

II. ECONOMIC SITUATION AND GOVERNMENT STRATEGY

6. The Committee undertook this enquiry against a backdrop of uncertainty and turbulence in the financial, currency and equity markets. The United States (US) economy had already shown signs of downturn before the events of September 11th 2001 threatened to trigger a worldwide recession. The telecommunications and technology sectors in particular had entered a phase of intense retrenchment and restructuring following the abrupt reversal of an investment boom in the late 1990s. Immediately after September 11th, industries such as tourism and transport experienced severe shocks from which recovery has been patchy.

7. Across the world, the major economies have all experienced a slowdown in output. GDP in the major G7 economies grew by just 1% during 2001 and for the first time since 1974, growth slowed significantly and simultaneously in the US, Europe and Japan, accompanied by sharp declines in world trade growth, investment, industrial production and stock markets.

8. In the UK, low levels of GDP growth in the second half of 2001 and the first quarter of 2002 suggested that unemployment might start to rise and the Government's employment strategy might be destabilised.⁵ Despite this, the labour market indicators during 2002 have so far remained positive. At the aggregate level, employment continues to grow (as public sector job creation outstripped private sector job losses in the year to December 2001) and the available evidence about vacancies indicates that employers continue to hire at a relatively undiminished pace.

9. Unemployment - measured using both the Jobseeker's Allowance (JSA) claimant count and the Labour Force Survey - generally continues to decline. However, the working age employment rate for February to April 2002 rose by just 0.1 percentage point over the quarter and economic inactivity has started to increase marginally. This has been more evident amongst some population groups that had until recently benefited from improvements to their labour force position - particularly lone parents, ethnic minorities and older workers.

10. Employment growth has tailed-off since mid 2001 and some areas of the UK have experienced rises in unemployment.

11. The Committee heard from witnesses who described significant local variations in the health of the labour market and the impact of a two speed economy in which some sectors are declining whilst others continue to grow strongly and are experiencing shortages. The manufacturing sector experienced prolonged recession during 2001 and finished the year with its output having contracted by more than 2%.

⁵ UK GDP increased by 0.1% in the January to March period having risen by 1.1% over the year as a whole. Growth in the last three months of 2001 was also 0.1%. ONS, First Release, GDP estimate, 26 April 2002.

Employment change by region - employees, UK, seasonally adjusted (Standard Statistical regions)				
Men & women	Dec-00	Dec-01	Annual Change	
East Anglia	905,000	912,000	+7,000	+1%
East Midlands	1,724,000	1,740,000	+17,000	+1%
London	4,047,000	4,073,000	+26,000	+1%
North West	2,629,000	2,641,000	+12,000	0%
Northern	1,148,000	1,141,000	-8,000	-1%
Northern Ireland	644,000	648,000	+4,000	+1%
Scotland	2,215,000	2,190,000	-25,000	-1%
South East	4,927,000	4,926,000	-2,000	0%
South West	2,013,000	2,057,000	+44,000	+2%
Wales	1,079,000	1,070,000	-8,000	-1%
West Midlands	2,270,000	2,271,000	+2,000	0%
Yorkshire and Humberside	2,071,000	2,072,000	+1,000	0%
Total	25,671,000	25,741,000	+71,000	0%
Employment change by sector - employees, UK, not seasonally adjusted (SIC 92)				
Men & women	Dec-00	Dec-01	Annual Change	
Agriculture and fishing	280,000	252,000	-27,000	-10%
Energy and water	177,000	179,000	+2,000	+1%
Manufacturing	3,904,000	3,745,000	-159,000	-4%
Construction	1,161,000	1,245,000	+84,000	+7%
Distribution, hotels and restaurants	6,158,000	6,244,000	+86,000	+1%
Transport and communications	1,552,000	1,547,000	-5,000	0%
Banking, finance and insurance, etc	5,018,000	4,990,000	-28,000	-1%
Public administration, education & health	6,270,000	6,392,000	+122,000	+2%
Other services	1,288,000	1,288,000	0	0%
Total	25,809,000	25,884,000	+75,000	0%

12. Early indicators suggest that manufacturing growth is beginning to recover with export prospects beginning to improve as the US dollar weakens and sterling falls against the Euro. The overall economy grew by 1.2% in the last quarter, with manufacturing output rising in two consecutive months (1.1% in April and 0.7% in May), signalling an end to the sector's long recession. A combination of economic stability, higher public spending and low interest rates is likely to ensure that the second half of 2002 sees a gentle recovery. In stark contrast to manufacturing, service industries grew by almost 4% in 2001 with the strongest growth in retailing, hospitality and in the public sector.

13. Ms Bridget Roswell of the British Retail Consortium, described the most recent annual period in the retail sector as: "the steadiest period of expansion since 1995 ... after a period of quite weak growth in the year 2000, it picked up through 2001 and has been reasonably steady since". Although she did foresee that retail sales would start to slow during 2002, she identified retail and other types of consumer service employment as more resilient to any downturn. She noted that between 1995 and 1998, the main growth in jobs was in banking, finance and business services. However, the period since 1998 has seen the biggest growth in services, public administration, education and health. Although these sectors "require a lot of specialist skills" she identified the retail and distribution sectors along with "support services" occupations across many industry sectors as offering good

potential for generating entry level jobs where candidates could acquire "good habits of work and some skills" without having to acquire technical expertise.⁷

14. The Chartered Institute of Personnel & Development (CIPD) in its submission reported that forward-looking surveys of employer recruitment intentions "look extremely encouraging". It identified the sectors most likely to expand permanent employment in 2002 as being those where "demand for labour is clear and robust, notably retail and the public services". The CIPD warned that, in a tight labour market, government initiatives like the New Deal would have to be "closely attuned to employer needs, decisions and practices".⁸

15. The DWP in its written evidence argued that the labour market remains "in a historically strong position to cope with global economic developments" with employment 125,000 higher than a year earlier and new Jobcentre-notified vacancies at "high levels".⁹ Although the officially published series of notified vacancies has been suspended by the Office of National Statistics, the DWP told us that their management information indicated that over 10,000 vacancies are being notified each working day, totalling almost 2½ million each year.¹⁰ The rate of new vacancy notification has changed significantly on the position in early 2001 although the introduction of the Employer Direct service means that Jobcentre Plus may be acquiring a greater market share of available vacancies, so trend measurement over time may not be too reliable. Despite the reasonably upbeat signals contained in evidence submitted to the Committee, it remains unclear exactly how the wider economic situation will develop and how this will impact upon the labour market.

16. More importantly, employers will have started to adjust their employment policies to offset the impact of downturn. Profit margins are under pressure, so firms will seek to cut costs through productivity gains and other short term measures. This means that fresh employment growth might lag behind an expansion in activity. As the CIPD says, "most employers in the private sector will increase hours worked by existing staff and/or hire more temporary workers during the early stages of recovery - the reverse of what happened in response to the slowdown."¹¹

17. As firms face greater competitive pressures, their expectation of employee capabilities will rise. Whilst employers will continue to offer entry level jobs, the employability requirements of these openings will become more demanding and many unemployed people may fail to reach this new basic employability threshold.

18. The consequences for the Government's strategy are clear. Firstly, demand for jobs may grow at a slower pace than overall growth in the economy; secondly, new entrants and re-entrants will have to be equipped to higher standards of basic employability. The Government's employability programmes have to adapt and change to reflect these changing labour market circumstances.

The Government's employment strategy

19. The Government's Green paper *Towards full employment in a modern society*¹² and Budget Statements (Nov 2001 and April 2002) committed the Government to the aim of achieving "high and stable levels of employment" and a more even distribution of employment throughout the UK. The main points of the Green Paper's strategy - which

⁷ QQ 4 and 7.

⁸ See Appendix 3, Ev 177

⁹ DWP, Ev 151, para 31.

¹⁰ *Ibid*.

¹¹ DWP, Ev 151, para 29

¹² *Towards full employment in a modern society*, Cm. 5084, March 2001

brings together many different aspects of Government policy and several Departments' responsibilities - are.

Ensuring macro-economic stability	Treasury
Promoting competition, enterprise and innovation	DTI
Tackling discrimination	DWP and DTI
Making work financially worthwhile	Treasury and DWP
Broaden welfare-to-work programmes to focus more on those who are economically inactive and long-term unemployed adults, as well as improving the delivery and responsiveness of the New Deal. Make the New Deal a permanent deal, and continually seek to improve it.	DWP
Investment in learning to ensure that people have the skills and to update and add to these skills in response to a changing economy - help break the "low pay, no pay" cycle and help people stay and progress in work.	DfES
Put employers at the centre of the strategy and ensure that improvements in skills training are based on the needs of employers.	DWP
Promote diversity and create opportunities for all.	DTI
Assist the hardest to help	DWP
Improve the service for all people of working age, who are either claiming benefit or seeking work and apply the principle of employment first for all working age benefit claimants.	DWP

20. In the course of this inquiry, evidence was sought from other Government departments,¹⁵ which highlighted that many other Government Departments have significant contributions to the Strategy. These help businesses and communities to maximise employment by:

Improving transport links	Department of Transport
Improving physical infrastructure	Office of the Deputy Prime Minister (ODPM)
Area-based regeneration initiatives	ODPM
Sustaining an enabling regulatory environment	ODPM
Contributing to the health improvement of working people	Department of Health
Ensuring safe working conditions	DTI
Aiding mobility by increasing housing supply	ODPM
Supporting employees through childcare and children's services	DfES
Offering selective regional assistance and business support services	DTI

21. The labour market is subject to fluctuation and change: some sectors are growing rapidly and employer requirements continue to change. Low economic growth however

¹⁵ The Department for Education and Skills (Ev 108-109 and 135-143), the Department of Trade and Industry (Ev 143-146), and the Department for Transport, Local Government and the Regions (Ev 106-109, and Department for Transport Ev 127-134) See also oral evidence, Questions 186-207.

seems to have had little impact on New Deal performance. The evidence also shows that public agencies have experienced difficulty in responding quickly to large-scale redundancies.¹⁴

22. Witnesses warned against the Government's attention being diverted from its employment strategy either by other pressing areas of public policy or by the impact of any downturn in the economy. Working Links in its submission stressed that "neither economic slowdown nor the declining national levels of unemployment should persuade policymakers that now is the time to cut back on employment related spending".¹⁵

23. In its evidence, the DWP has committed itself to pursuing active labour market interventions regardless of the stage in the economic cycle. It recognises that its efforts towards the harder-to-help categories of non-employed must be increased if the labour market turns downwards:¹⁶

"If the economy is weakened, it is not the newly unemployed who would be most affected, but those farthest away from the jobs market ... Jobcentre Plus and other measures targeted at particularly disadvantaged individuals and areas are the right ones to pursue whatever stage of the economic cycle."

24. The Committee strongly welcomes this commitment and is encouraged both by the resilience of the labour market and by the determination of the Government. Although economic growth has recently been slow, evidence shows that programme performance has not been significantly affected, that vacancy levels remain high and that many entry-level jobs remain available to clients of Jobcentre Plus.¹⁷

25. We support the Government's determination to continue its pursuit of active labour market policies, which will be continued even if the labour market cools, but consider that contingency plans should nevertheless be made in case of an unexpected severe economic recession. In particular, we suggest that plans for early implementation of additional Transitional Employment projects would be advisable, specifically in areas affected by lower growth.

III. REGIONAL FEATURES AND VARIATIONS

26. Within the generally acceptable national economic situation and encouraging employment statistics there are some quite wide regional variations. This is particularly the case in areas with a historically high proportion of employment in industries that have been in decline, such as manufacturing. As Mr Andy Westwood of the Work Foundation told the Committee:

"If we really want to crack full employment now then we have to do it via a more regional route. ... we have the highest employment levels for 30 years, the highest number of jobs in the economy ever. I think it is slightly difficult to say on the one hand this is a remarkable success story, ... and also to admit that in essentially deprived areas...there is a problem and there needs to be a hell of a lot more done in particular parts of the country."¹⁸

¹⁴ See also paras 28 to 30

¹⁵ Ev 42, para 7

¹⁶ Ev 147, para 6.

¹⁷ See DWP evidence, Ev 147 onwards

¹⁸ Q. 56.

Mr Nathan of the Work Foundation agreed "that a lot more needs to be done at regional level".¹⁹ Mr Westwood drew attention to the fact that:

"the greater problems experienced by particular people in particular parts of the country, particular parts of cities and towns have been exposed more and more as the people who are relatively easy to help have been helped into work via the effect of the current economic cycle. What has been exposed are the harder to help both in terms of individuals and in terms of particular locations within the country."²⁰

27. There has been a tendency for the Government to downplay the regional variations. Mr Webster of Glasgow City Council when asked for potential solutions to the regional differences said that:

"The most helpful single thing that the UK Government... could do would be to stop saying that there are not any important local jobs gaps and start saying that they expect all levels of government to promote maximum employment growth in the areas which have the most difficult labour markets."²¹

Mr Reeves, Chairman of Tomorrow's People, felt that the Government did not have sufficient flexibility at local level:

"They are too tightly constrained. There is not enough flexibility. It is almost inherent, when we are dealing with Government money. It is almost inherent in the process that nobody trusts anybody."²² Mr Charlesworth, Managing Director of the Shaw Trust, agreed.²³

28. Another worrying aspect of the local variations is the effect on local communities when a large employer closes or is forced to make large numbers of workers redundant. In order to establish how well the Government's strategy had coped with such a sudden surge of unemployment we took oral evidence from the Trades Union Congress, the Transport and General Workers Union, the East of England Development Agency (EEDA) and the Luton Vauxhall Partnership, concentrating on the measures taken following the announcement of the closure of the Vauxhall Luton Car plant, resulting in the loss of some 3,000 jobs in the Luton area. There was general acceptance that the arrangements which had been made were good. The Luton Vauxhall Partnership had been set up with four main aims:

"to look at re-training and re-skilling the Vauxhall workers. Second, to look at the effect on the supply chain and local businesses. The third aim was to create new job opportunities to replace those lost at Vauxhall in the supply chain. The fourth was to get external funding to do it."²⁴

29. There had been some difficulty in accessing the necessary funds for the last of those aims and the Partnership had encountered one major problem as described by Mr Hart.

"in terms of rapid response...we got into a Catch-22 situation at Vauxhall. Vauxhall did not want to issue compulsory redundancy notices, final notices. We had agreed at European level and with the company that they were going to do everything possible to avoid compulsory redundancies; whether by redundancy terms, movement to a plant

¹⁹ Q. 36.

²⁰ Q. 32.

²¹ Q. 71.

²² Q. 142.

²³ Q. 143.

²⁴ Q. 171.

next door or volunteers, they wanted to avoid any person being made compulsorily redundant, so they did not want to issue compulsory redundancy notices. ... That meant that the monies could not be triggered because that required a redundancy notice. So Vauxhall was doing the good thing and this was causing problems in getting a lot of the things off the ground. That standoff lasted for some time and it really does seem absolutely daft that that happened. If there is one thing you ought to have a good look at, it is whether there are ways of short-circuiting that. A factory was closing, there was no two ways about it, it was going to close and it had been announced. That apparently was not good enough to trigger the money from the Rapid Response Service.”

30. We agree that similar situations should be avoided in the future. We would expect the Government to have appropriate policies to deal with large-scale redundancies such as those experienced in the steel and car industries. In particular, the current “Catch-22” situation which means that the full range of Government assistance can only be given once redundancy notices have been issued, should be urgently reviewed.

31. Looking at the wider picture of local and regional differences, the Minister agreed that:

“The core problem relates to the employment base of the regions and in particular with the substantial fallout from employment in the more traditional heavy industries, mining, ship building, steel, where communities have been very reliant on a single large employer and that employer just is not employing the numbers they used to. That has had a dramatic effect on local communities and often accounts for the differences in employment levels within regions as well as between regions.”²⁵

Each region had been asked to produce their own employment and skills framework to inform policymakers. The Minister believed that “the Great Britain policies which the Department pursues are sufficiently flexible to take into account local situations”.²⁶

32. We welcome the acceptance by Government that within the generally positive employment situation, there are areas which are doing less well. We recommend that the employment and skills frameworks produced by the LSC and the RDA should be used to anticipate the skills and support required in these areas, and allow greater funds for Jobcentre Plus to go to those areas likely to experience, or experiencing, greater problems.

33. Another symptom of local differences is the situation which applies in some major cities such as London where there is a rapidly growing population, but also high levels of non-employment at the same time as a tight labour market with skills shortages and bottlenecks acting as a drag on the local economy. Mr Brown drew attention to the improvements likely to result from the roll-out of Jobcentre Plus, but accepted that much of the outreach work was new for the Government and agreed that the Department would learn lessons which might well have wider impact.²⁷ We drew the attention of the Minister to the poor take-up in London of the Working Families Tax Credit and he agreed to look at the problem:

“I have to confess that the take-up point in London is new to me and I will have a look at that myself. It may need something simple like a take-up campaign or making sure

²⁵ Q 315.

²⁶ Q 315.

²⁷ Q 218.

it is properly explained if there is an issue there with lone parents, which is a possible explanation, then I will make sure we have a hard look at that as well.”²⁸

34. We welcome the Government’s commitment to investigate the question of poor take-up in London of the Working Families Tax Credit. As the new tax credit arrangements come into effect, we recommend that detailed monitoring of take-up in London continues, until this regional variation is fully explained and eliminated.

IV. CONTRIBUTION OF OTHER GOVERNMENT DEPARTMENTS AND CO-ORDINATION OF POLICY

35. If ever there was an example of the need for joined-up Government it is in the policy area of employment. Although the DWP was confirmed as the lead Department²⁹ as far as the Government’s Employment strategy was concerned, many other factors, responsibility for which rests with other Departments, have a bearing, to a greater or lesser degree, on the success or otherwise of the policy initiatives aimed at assisting people into work.

36. For example, the policies concerning neighbourhood renewal, business support services, anti-crime initiatives and offender rehabilitation, skills development (particularly of literacy and numeracy), infrastructure (including transport) and childcare are all policy areas the responsibility for which rests partly or mainly with Government Departments other than the DWP. Lack of effective policies in these areas can exacerbate, or lead to, discrimination, stigmatised or deter those who might otherwise wish to look for a job and lead to low motivation in others. We therefore invited officials from three of the Government Departments most closely involved with the Government strategy to give oral evidence. We asked most of the other witnesses for their views on these associated policies, the co-ordination of them (or the lack of it) and the resulting complexity.

37. Ms Bridget Rosewell of the British Retail Consortium said that:

“there are places where co-ordination appears to be sometimes almost negative in the sense that the things required to fit one set of criteria are entirely different from the things required to fit another set of criteria. You almost feel that policies are working in opposite directions”,³⁰ and added that:

“our members experience problems with what can be called the red tape issues: regulation, lack of flexibility.”³¹

Mr Nathan of the Work Foundation agreed³² as did Mr Faulkner of Working Links.³³ Mr Hawkhead of Groundwork was even more outspoken:

“We reckon that we have to use ten programmes or more to fund our employment schemes. At any one time, one of the people we employ to deliver projects on the ground is spending 30 per cent or more of their time simply filling in the forms that funders need. That is bonkers. That is a generic problem across government that we have to face and one of the reasons we argue that there needs to be much more

²⁸ Q 321.

²⁹ Q 283.

³⁰ Q 2.

³¹ Q 8.

³² Q 50.

³³ Q 202.

considered thought as to how you blend innovation and mainstream together.”³⁴ - a view shared by Ms Scott of Tomorrow’s People.³⁵ Mr Hawkhead added that:

“It is extremely difficult to have joined-up government when life is so complicated. There is quite strong evidence that there is a lack of a joined-up approach.”³⁶

38. We put these points to the officials and the Minister. Mr Laucner of the Department for Education and Skills highlighted the difficulties of co-ordination and the way they were being addressed:

“I think with the split after the last election we all realised in both Departments [the Department for Education and Skills and the Department for Work and Pensions] that we would need to work harder to make sure that the links were maintained. Obviously we did want Departments’ links to be maintained through natural day-to-day contact. We have looked harder at some of the regular groups that we have to make sure that we have got colleagues from both Departments, where that is right, represented.... We need to look quite hard at that kind of thing across the piece to make sure we are not just keeping together on the basis of something like a clock that is gradually winding down, we are always putting new things in place to keep liaison refreshed. I think with that realisation the two Departments have worked pretty well together over the last year and a bit.”³⁷ ...Any major reorganisation, and clearly the formation of DWP and Jobcentre Plus is a major change, puts pressure on an organisation but I have to say I have not found difficulty in securing the co-operation and the involvement of Jobcentre Plus colleagues or DWP colleagues in things that we are taking forward....I recognise the strains on any organisation but I have not found it a problem.”³⁸

Mr Riddell of the (then) Department for Transport, Local Government and the Regions concurred:

“we have always found the Employment Service very good at joint working and what is happening now is it is bringing the wider Benefits Agency into that. We would expect an improvement.”³⁹

39. The Minister added his layer of co-ordination by saying that co-ordination meetings were held...:

“quarterly at ministerial level, but of course there is an enormous amount of follow-up by officials. It is a new formal arrangement within Government and I think absolutely necessary, not least because the drawing together of the Employment Service and the work of the former Benefits Agency has necessarily fractured that working within a single department between the Employment Service and those with responsibilities for skills. That is not all there is to it. There are regular bilaterals between myself and Lord Falconer as it was, looking at the regeneration programme, the single regeneration budget, and those important mostly urban initiatives focussed on areas of deprivation. Although the initiatives are area-based, whereas the service we offer is of course people based, we are focussed on making sure that where the need is the greatest we have the programmes in place to meet that need. We are also looking at rehabilitation, reaching out to those who feel they could do some work, if the necessary support were available. That involves meetings at ministerial level between myself,

³⁴ Q 120.

³⁵ Q 138.

³⁶ Q 139.

³⁷ QQ 246 and 265.

³⁸ Q 240.

³⁹ Q 240.

the Department of Health and the responsible Minister in the Department of Health and the responsible Minister from the Department for Local Government and the Regions as the sponsoring Minister for the Health and Safety Executive. We are looking at that range of issues as well. Underneath this ministerial structure, there is a whole network of officials who are working alongside each other to prepare papers for the meetings and also to make sure that where we have a joint interest we are making representations within government jointly."⁴⁰

40. Answering the allegations of complexity Mr Leigh Lewis, the Chief Executive of Jobcentre Plus said:

"It has been a common complaint since the New Deals were introduced that there has been too much bureaucracy associated with them and too much of the time and effort of our providers, and indeed our own staff will make the same complaint, has had to go into the administration of those programmes rather than their delivery. We had several goes at this and as a result of this we have cut the bureaucracy and the form-filling back very substantially indeed, though not yet to the degree which all of our providers would want or all of our staff would want. Further down the line, one thing which will help is much more electronic transmission of information both ways, which will be coming."⁴¹

41. Witnesses were almost unanimous in their view that the current system is too complex and we welcome the initiatives which have been, and are being, taken to simplify it. **While accepting that there is no easy answer we would urge the Government to increase its efforts to simplify the system by reducing the number of schemes, simplifying conditions for qualification and devolving more discretion to front-line DWP staff and to recipients of funding.**

Barriers to work - Transport

42. We heard from several witnesses that some areas of responsibility of other Government Departments were crucial to helping people return to the jobs market. As Mr Westwood of the Work Foundation told us:

"You are talking about things like child care, transport accessibility and reliability, the provision of services in local areas, and I think there are other stepping stones ... which are not explicitly government-aided job creation programmes but they are about facilitating the process by which services can be restored which will allow people to get into work and stay there."⁴²

43. Mr Reeves of Tomorrow's People, referring to the situation in London, suggested that there was an under-estimation of the importance of transport on unemployment: "There are opportunities in one place and people in another".⁴³ The Minister agreed that "Transport is part of the issue. Travel to work and the cost of travel to work and the time it takes are part of the issues which need tackling."⁴⁴

44. This view was confirmed during our recent visit to the United States where it was pointed out that changing trends in industry would frequently result in different locations

⁴⁰ Q 369.

⁴¹ Q 365.

⁴² Q 37.

⁴³ Q 130.

⁴⁴ Q 316.

for available jobs. Unless the public transport system reflected that changed pattern it was well-nigh impossible for applicants to travel to work.⁴⁵

45. We urge the Departments responsible to take account of the effect of transport on employment when considering their policies, and recommend that the DWP reviews its programmes to see whether individuals' transport needs are being adequately addressed.

Barriers to work – Childcare

46. Throughout our US visit there was a common thread running through the varied schemes and initiatives: the provision of appropriate childcare was considered to be a vital part of the overall package of assistance to a parent seeking work. For example, The Reinvestment Fund (TRF) in Philadelphia provided funding for childcare provision for low-income families. The Regional Workforce Partnership established by TRF had concluded that one of the main regional challenges in Greater Philadelphia in terms of developing the labour market was the provision of sufficient good quality childcare. In Oregon, great emphasis was placed on childcare, with participants in jobs programmes getting 100% of the childcare costs up to a maximum. Even after entering a job, childcare support continued on a decreasing scale as earnings increased. In Oregon, expenditure on employment-related daycare for welfare claimants undergoing training had risen from 9.9 per cent of the budget of the Adult and Family Services division in 1993-95 to 23.2 per cent in 2001. Expenditure on support for people actually in work (of which 60 per cent was childcare) had risen from 11.5 per cent to 34.2 per cent during the same period. In the WorkFirst programme, which the Committee saw in Washington state, there was income-related help in paying for childcare whilst participants looked for jobs, or received training, as well as once they were in work. More funds were now spent on childcare for people in work than on allowances for families claiming welfare.⁴⁶

47. In the UK, the provision of childcare is not the direct responsibility of the DWP. It is our belief, however, that affordable and available childcare is crucial to raising employment levels and lifting individuals, particularly lone parents, out of poverty. Mr Richardson of DWP summarised both the problems and DWP's proposed solution:

"We start from a very poor base in this country and one of the main reasons why the rate of employment of lone parents is as low as it is, although it has improved, is because of poor childcare facilities and in particular affordable childcare facilities. What the DfES-led national childcare strategy is attempting to do is to remedy that situation overall. It is tilted towards trying to remedy it in deprived areas first as part of the national picture. [DWP's] role is to try to ensure that the development of that strategy takes account of the actual needs of our clients and in particular in areas where there are high concentrations of lone parents. The availability and promotion of childcare places and data on what is available is the responsibility of the Early Years Partnerships in each local authority. They are the main hub of expertise with which we need to connect. We announced in the Budget the appointment of childcare co-ordinators in Jobcentre Plus who would be appointed and are being appointed in each district to hook up with the Early Years Partnerships. We also have an internet based site which links jobs with skills opportunities, access to childcare data through a clever window. What we are monitoring is the way in which childcare opportunities are being built up in areas where we want to get more lone parents into work commensurate with their needs."⁴⁷

⁴⁵ See US visit note, Annex 2.

⁴⁶ See US visit note, Annex 2.

⁴⁷ Q. 377

48. In connection with the childcare target, Mr Lauener of DfES said that “pretty good progress has been made in terms of the overall provision of places against the national target of a million extra places by 2004. The latest figures show that we are over half way there and that is accelerating reasonably and we do expect to reach that target.”⁴⁸ Since Mr Lauener’s evidence, the 2002 Spending Review has promised to more than double expenditure in real terms on childcare by 2005-06 to support the expansion of childcare places across the country.

49. The 2002 Spending Review announcement is a welcome acknowledgment of the supply problems which currently exist in relation to childcare. However, we would caution against using targets based simply on numbers of childcare places as a measure of whether parents wishing to work have access to affordable childcare. **We do not believe that the number of childcare places is an adequate measure of whether working parents can meet their needs for childcare. A working parent may require pre-school care for young children and care for older children before and after school and during school holidays - up to three or four places for one family. For children with special needs, there may not be adequate provisions in schools. We recommend that the Government develops a new measure, related to working parents’ needs, and reviews its policies and funding commitments to meet any gaps, drawing on the example of U.S. states such as Oregon and Washington that have switched funding from welfare payments to childcare support.**

50. We were also interested in charting the Government’s progress in meeting the additional childcare target that by 2004, there should be a childcare place for every lone parent entering employment in the 20 most disadvantaged areas. In a supplementary memorandum to the Committee,⁴⁹ the DfES said that they were currently “at an earlier stage in meeting this target. They were now taking action to confirm statistical details... to help them set numerical targets” for lone parents entering employment in disadvantaged areas. Officials from DfES, HM Treasury and DWP are “working together to determine how this can best be done”.⁵⁰ **We are concerned that figures are not yet available for the target that every lone parent in the 20 most disadvantaged areas should have a childcare place. We recommend that this data should be collected and published within a year.**

51. We have concluded that more needs to be done to connect childcare provision directly to individual parents who want to work. The introduction of childcare co-ordinators in Jobcentre Plus offices from April 2003 is a promising step. But what will their role be? During our visit to the US, we were impressed by the energetic and proactive intervention of support staff to ensure that parents participating in work programmes had childcare arrangements in place which would enable them to manage the transition to work successfully. This involved working with parents individually, if necessary, to sort out arrangements - to the extent, in Oregon, of being able to fund extra support for special needs children in school to enable their mothers to go to work.⁵¹ In the UK, the role of childcare co-ordinators in Jobcentre Plus offices needs to be wider than simply offering lone parents lists of possible childcare places. **We recommend that childcare co-ordinators in Jobcentre Plus offices be given two roles. First, as co-ordinators of more active assistance to lone parents, designed to ensure that every lone parent undergoing work-related training or seeking employment succeeds in making suitable and reliable childcare arrangements for their children. Second, in providing strategic advice to the Early Years Partnerships on the specific childcare needs of lone parents**

⁴⁸ Q 272

⁴⁹ Ev 141

⁵⁰ Ev 142, para 5

⁵¹ See US visit note, Annex 2

on benefit in the locality who want to work. Childcare is an issue the Committee may well return to consider in detail in the very near future.

V. RE-DESIGN, STREAMLINING AND CO-ORDINATION OF NEW DEAL INITIATIVES

The New Deals have helped over 600,000 people into work.

52. The overall scale of New Deal achievement since January 1998 is impressive in reducing youth unemployment. Over three quarters of a million young people aged 18-24 have entered the programme with 362,000 known to have entered work as a result. The National Audit Office Report of 28 February 2002 pointed out that the majority of those aged 18-24 who found work through NDYP would have done so anyway and the overall tendency of youth employment had been steadily to decrease over many years. However, we are convinced that most will have been placed into more sustained employment than might otherwise occur because the job matching process will have been more exacting whilst the skills and job-readiness of New Deal job entrants will have been greater. As the NAO report also says, other less tangible benefits such as employability, reduced social exclusion and the estimated improvement to the economy as a whole have not been measured but are considered to have had a positive effect.⁵² Just over 65,000 people aged 25+ have entered jobs whilst another 157,000 have been helped into work by the New Deal for Lone Parents. The latest figures available also show that the New Deal for Disabled People (NDDP) has helped 8,000 into work with almost 20,000 gaining jobs through Employment Zones and 15,000 through Action Teams. As a result, 627,000 people are known to have entered employment through these programmes.⁵³

53. We have reviewed the macro-economic evidence about the effects of New Deal on the labour market since 1998. Whilst it was not the Government's policy intention for New Deal to create jobs, the National Institute for Economic and Social Research (NIESR) estimated that the New Deal for Young People led to a reduction in long-term youth unemployment (more than six months' duration) of 45,000. Long term youth unemployment would have been almost twice as high in March 2000 without NDYP. NIESR estimated that total youth unemployment was reduced by approximately 35,000 over the same period. This took account of some increased inflows into short-term unemployment following NDYP. NIESR also estimated that, over the first two years of the programme, 60,000 more young people moved into jobs than would have been the case without NDYP.⁵⁴ Furthermore, the NIESR found little evidence of job substitution with other age groups. In conclusion the NIESR found that the New Deal for Young People increased the effective labour supply, reduced benefit expenditure and increased tax revenue with the result that national income was around £500 million per annum higher.

54. There are also success stories that are yet to be revealed. Almost 200,000 young people have left New Deal but their destinations are unknown although evidence strongly indicates that about half of these have also entered work. We know that about 10% of New Deal leavers have been placed on to a benefit that is more appropriate than JSA and others have gone into full time further and higher education.⁵⁵

⁵² NAO report "The New Deal for Young People, Session 2001-2002", HC 639 paras 13 & 18.

⁵³ http://www.dwp.gov.uk/newdeal/new_deal_ndyp_nay02/ndypnay02.pdf.

<http://www.newdeal.gov.uk/english/statistics/wordstatistical2002.doc>.

<http://www.dfi.gov.uk/employmentzones/results.cfm> and "Evaluation of Action Teams for Jobs", DWP Working Age Evaluation Division Report, WAE 114.

⁵⁴ Riley, R. and Young, G. (2000) *The New Deal for Young People, Implications for Employment and the Public Finances*, Research and Development Report ESR62, Sheffield, Employment Service.

⁵⁵ http://www.usi.org.uk/_revsire2002/newdeal/weeklybriefing-brief_02.htm.

55. However, we are concerned that almost 40% of 18-24 year old New Deal leavers end up back on JSA within 6 months and this is reflected in the fact that one in three currently joining New Deal are not doing so for the first time. Since 1998, nearly 80,000 of the known job entrants started jobs that were not sustained beyond 13 weeks duration. Many of these find themselves back on New Deal as re-entrants. Using the most demanding definition of sustained, unsubsidised jobs, where the young person has not returned to benefit within three months, 262,680 young people are known to have left New Deal for sustained, unsubsidised jobs.⁵⁶ We believe that the most rigorous definition of New Deal achievement should measure sustained job entry as a proportion of those leaving New Deal. On this basis, New Deal has a job entry rate of 40% nationally - with some notable performance variations between different geographical areas. Although these job entry rates are significantly better than any other equivalent previous labour market programme, there is a consensus that New Deal can and should deliver higher performance. This can be achieved in a number of ways, particularly recognising that the client groups are changing significantly.

56. We recommend that the emphasis of the New Deal should shift from the younger JSA claimant population to older JSA recipients, those facing acute barriers to work, those on other benefits, and those who are economically inactive.

57. With JSA claimant numbers at an historically low level, the Employment Green paper heralded a shift in emphasis from JSA claimants towards those on Income Support (IS) and Incapacity Benefit (IB). JSA claimants now constitute less than one million of the five million working age adults receiving benefits.

58. The latest comparable data (the 3 months to November 2001, GB) show that the total number of JSA claimants had fallen to 853,000 whilst the number of lone parents claiming Income Support was 845,000. Both these population groups had declined since May 1997, with JSA claimants down by 674,000 (-43%) and lone parents down by 122,000 (-12%). By contrast the numbers receiving a sickness or disability related benefit have risen by 131,000 (+5%) over the same period and now total 2,733,000.⁵⁷

59. Information from the Labour Force Survey indicates that almost 38% of non-employed people with a work-related disability or health condition want to work; amongst Lone Parents, it is estimated that 55% want to work. This means that at least 1.6 million of these economically inactive claimants want to work, nearly all of whom will have been detached from the labour market for a long period. The DWP in its evidence stressed that, whilst the long term unemployed comprise only 20% of the JSA population, 80% of lone parents, sick and disabled claimants have been receiving benefit for more than 12 months.⁵⁸

Employment rates of disadvantaged groups compared with others (LFS, Winter 2000-2001, not seasonally adjusted)					
Disadvantaged group	Group employment rate	% not working who want to work	Number who want to work in group		Employment rate not in disadvantaged group
Disabled	46.6%	38%	1,356,270	Not disabled	80.2%
Ethnic minorities	56.4%	41%	411,313	Not ethnic minority	75.6%
Fifty plus	67.0%	28%	798,742	All working age	74.7%

⁵⁶ <http://www.dca.org.uk/news/2002/newdeal/weeklybriefing/brief192.htm>.

⁵⁷ Cross Benefit Analysis, DWP

⁵⁸ Ev 149, para 21

60. The number of 18 to 24 year olds unemployed for 6 months or more has declined by 75% to stand at 41,000, whilst long term unemployment amongst older men has declined by 50% and currently stands at 71,000. Part of this reduction could be explained by claimants transferring to other benefits - such as IB - rather than entering employment.

61. In evidence, Working Links reported from experience that, during economic downturns, "there almost always remains a steady supply of vacancies". Although recently laid-off applicants have a competitive advantage over longer term unemployed job seekers, more severely disadvantaged applicants "can win through with the right support"⁵⁹ To avoid further growth in the "population of severely deprived individuals, families and communities, we have to ensure greater equality of opportunity in the labour market".⁶⁰ **We endorse this view and believe that the Government should prioritise its support for more disadvantaged jobseekers, particularly those who have been in receipt of benefits that previously did not qualify them to receive a full range of labour market services.**

More Jobcentre Plus clients face multiple barriers to work compared with former FS client groups.

62. The New Deal's success in helping younger JSA claimants into work combined with the nature of Jobcentre Plus's new client groups, means that services, in future, will inevitably need to accommodate the range of multiple barriers faced by these claimants. The DWP told us that it remains firmly "focussed on outcomes" notably job entry and a new emphasis upon sustained employment. This is welcome. However, Jobcentre Plus needs to strike a careful balance between its intensive job entry services for JSA claimants and others who are closer to the labour market and the longer term work required to help people who face multiple and complex barriers to employment.

63. Jobcentre Plus is already testing a range of new interventions designed to help people facing the most acute barriers to employment and the Committee welcomes these developments. One example is "StepUp". This two-year £40 million initiative builds on the 'intermediate labour market' (ILM) approach and provides a guaranteed job to those clients who have not been able to find work 6 months after completing NDYP or the New Deal 25+ Intensive Activity Period. The pilot project is evaluating a new way to help the most disadvantaged back into the labour market which the previous Secretary of State promised would "guarantee those who qualify a full-time job, lasting up to a year, and paid at the national minimum wage. They will have the same employment rights, and they will be entitled to the same in-work benefits, as anyone else".⁶¹

64. Eligibility for StepUp is restricted to JSA claimants although the original DWP announcement had indicated that ' lone parents, men over 50 and people on sickness and disability benefits' could benefit too. The Committee believes that the StepUp approach is a good way to help clients who face significant barriers - regardless of their claimant category. **We recommend the StepUp approach should be extended beyond the original pilot areas in order to accommodate a wider group of clients.**

65. The Committee recognises that offering a 'guarantee' is a significant step for the Government to take because such an offer potentially might not be met or might involve long-term financial commitments. **We commend the Government's confidence in the underlying strength of the labour market and its relationship with employers prepared to engage in the programme.**

⁵⁹ Ev 43, para 10.

⁶⁰ Ibid

⁶¹ *Official Report*, 28 Nov 2001, col. 974.

66. StepUp is only one model of “transitional employment” and the Committee heard in the United States from a wide range of organisations delivering innovative and effective services to jobseekers. These offered carefully tailored personal services to each participant who was then placed either into an existing work site or into employment with a specially created project.

67. We also heard evidence from UK based providers of Intermediate Labour Market (ILM) programmes.⁵² These are a tried and tested way of improving employability that gives economically disadvantaged people the time, support and wages to get off benefits and into work. ILMs can help to create real waged jobs in areas that have few opportunities, especially where structural change has meant a severe loss of employment from many primary industries. They also help to regenerate communities and provide additional public services, particularly in environmental improvement.

68. The Committee was impressed by the creative way in which many of these projects or job placement services create practical “joined up” solutions to local problems by bringing together local partners and diverse funding streams with jobless individuals and communities that need work. In stark contrast to many bureaucratic efforts to create policy coherence and “joined-up” delivery, these organisations have found practical mechanisms to integrate many different government goals, often by finding ways to circumvent highly prescriptive funding rules, targets and beneficiary groups.

69. These solutions are effective because they provide pathways to work through bottom-up, community-based activity and nurture social entrepreneurs who are finding home-grown ways of restoring vitality to communities. Whilst many of these organisations concentrated on community based jobs, all aimed to place their successful employees into jobs in the open labour market by enhancing their ultimate prospects of obtaining a job.

70. We do not believe that these forms of innovative transitional employment can be fostered through specific Government programmes. Instead they can only flourish by allowing local organisations imaginatively to design solutions matched to problems that are understood by local managers and community leaders. Jobcentre Plus needs to offer flexible funding and, whilst measuring outcome as a key indicator of success and the basis for continued funding, it must avoid setting rules that prescribe the processes that these providers have to follow.

71. We recommend that the Department for Work and Pensions actively explores routes to create flexibility and encourage these innovative Intermediate Labour Market solutions to unemployment and economic inactivity amongst the hardest to place, like lone parents, longer term unemployed, people with health problems or disability.

Outreach for ethnic minorities

72. Outlined in the April 2001 Green Paper, Jobcentre Plus has agreed contracts with local organisations, as part of a £15m two-year programme announced in July 2002 to engage actively with jobless people in the five urban areas where three quarters of Britain’s ethnic minority people live.⁵³ The contractors included small, locally-based organisations which have an established or potential rapport with specific groups of disadvantaged ethnic minority people. The projects will work by attracting people to mainstream services such as the New Deal, by improving links between communities and employers or by providing specialist training where necessary. There are 52 contracts with organisations in the five urban areas in which the ethnic minority outreach project will operate. Specific areas

⁵² Q. 125

⁵³ DWP Press Notice, 4 July 2002: ‘Government reaches out to ‘wasted talent’ in Britain’s ethnic minority communities’

within the five urban areas are: Birmingham, Black Country North, Black Country South, Bolton, Bradford, Calderdale & Kirklees, Coventry, Edgware, Lambeth, Leaside, Leicestershire, Lewisham, Manchester North, Manchester South, Oldham & Rochdale, Thames Gateway.

73. We believe it is essential that the 17% gap¹⁴ between the employment rates of ethnic minorities and the general working age population be narrowed. Whilst we commend the active approach being taken by Jobcentre Plus, we recognise that the pace of improvement until now has been relatively slow and highly varied between different parts of the country. Recognising that Jobcentre Plus is aiming to improve performance in 60 areas of deprivation and low labour market participation by ethnic minorities, we nevertheless do not believe that this will necessarily mean better outcomes for ethnic minorities. We recommend that Jobcentre Plus urgently reports on the effectiveness of its ethnic minority outreach projects and identifies further ways in which its programmes can be targeted to achieve parity faster. We particularly recommend that Jobcentre Plus places a greater emphasis on self-employment entry in conjunction with black and minority ethnic business development agencies.

74. The £40m initiative called "Progress2Work" was announced in the 2001 Budget and aims to provide help for those whose misuse of drugs puts them at a disadvantage in the labour market. It will support them into and through types of existing employment interventions. Co-ordinators will agree local employment-focussed plans between Jobcentre Plus and key agencies, especially Drug Action Teams, to ensure that all organisations with an interest work together as productively as possible to improve the capacity of Jobcentre Plus front-line staff to help those with drug misuse problems and to provide additional specialist help for those more seriously affected by drugs misuse.

75. We also believe that additional support should be made available by Jobcentre Plus to help further groups of working-age claimants to access specialist services. These need to address disadvantages such as a history of offending or anti-social behaviour; alcohol dependency; patterns of homelessness or insecure housing tenure; and domestic or family stress. Much of the best expertise in these areas currently lies outside Jobcentre Plus. We believe that Jobcentre Plus should concentrate on its own strengths and rely on expert, independent, specialist organisations in the voluntary and private sectors for the delivery of the many services needed by these clients who face significant barriers to work. From the evidence of Action Teams, Employment Zones and our discussions with providers in the UK and USA, we conclude that services to these clients - and their ultimate entry into the labour market - can be significantly improved by funding private and voluntary sector providers to undertake these tasks. We believe that the contractual architecture inherited by Jobcentre Plus needs to be overhauled so that these private and voluntary organisations are not simply contracted to deliver small bespoke "add-on" packages of help. Instead, their central role should be recognised, they should be given flexible funding and a broad remit of devolved service responsibility, matched by a transparent framework of accountability.

New Deal programmes are insufficiently flexible to "mix and match elements" to arrive at a tailored package for each individual.

76. The DWP told us that it continually seeks to improve its established labour market programmes. The New Deal for 25+ was re-designed from April 2001 whilst the New Deal

¹⁴ Labour Force Survey, Winter, 2001-2.

for those aged 18-24 has seen greater flexibility introduced for its personal advisers and the Department has "reduced the programme's administrative complexity".⁶⁵

77. However, the Committee heard compelling evidence about the need to change the prescriptive, fixed design elements of programmes, such as the four options in the New Deal for young people.

78. Mr Andy Westwood and Mr Max Nathan spoke about the need for flexibility to suit a locality's requirements and to offer a service personalised to an individual's needs.⁶⁶ Groundwork, Shaw Trust and Working Links emphasised this.

79. Mr Keith Faulkner argued that in New Deal "there is still excessive definition of how the funding will be directed ... and the processes that clients must go through".⁶⁷ He concluded that this "restricts the ability of the people delivering to do what we would really like to do with those clients". During the Committee's visit to the USA, the Committee was struck by the flexible design of programmes that packaged together elements of training, work placement or volunteering along with personal support and development. Mr Leigh Lewis described the Tailored Pathway pilots in 17 areas where a more flexible mix of help is offered to participants after a spell of Gateway preparation.⁶⁸ This enables advisers to design a bespoke package of help that draws on items from the menu of Jobcentre Plus services. **We support this approach and recommend that the current pilot schemes should form part of a national roll-out.**

80. We also understand that flexibility has recently been introduced into the subsidised employment option whereby training no longer needs to lead to a recognised qualification. Instead employers can now offer in-house or less formal training as long as it is in accordance with a written Individual Training Plan agreed between the New Deal for Young People client, employer and DWP Personal Adviser who continues to monitor the arrangement. This had been piloted in a number of areas and has now been extended nationally.

81. We received evidence that competitive pressures are leading to demand for higher levels of employability in entry-level positions⁶⁹. To improve tenure and support progression, training also needs to improve the capabilities and performance of individuals whilst in work so that they can acquire skills that are portable and which give them the scope to increase earnings - often by moving from one employer to another.

82. **Training in the New Deal needs to be delivered with flexibility to ensure that it is sufficiently work-focussed, brings participants up to employer standards and is relevant to local labour market needs. Government funded training should not substitute for skills development that an employer is already prepared to pay for and which is specific to that firm. Instead, Jobcentre Plus should aim to develop more portable skills ("soft skills")⁷⁰ that are specific to the individual and will improve their progression prospects.**

83. The Minister also accepted, when asked if there should not be one overall, streamlined New Deal programme, that "there may be a case for drawing some themes together".⁷¹ However, he emphasised the Government's approach: that different types of

⁶⁵ DWP, Ev 150, para 28.

⁶⁶ Q 42.

⁶⁷ Q 106.

⁶⁸ Q 332.

⁶⁹ See Chartered Institute of Personnel and Development, Ev 177, paras 33 and 34.

⁷⁰ See paras 136 and 107.

⁷¹ Q 336.

problem required a specific type of programme solution. He argued that “the problems of a lone parent will be different from those of a recovering drug addict or an ex-offender”. This begs the question that the same individuals may well have a combination of different barriers to overcome. Mr Richardson also insisted that a dividing line had to exist between two groups of claimants - those on JSA who are subject to work conditionality rules and those who are not. He assured the Committee that “there is quite a lot of scope for streamlining and there will be some advice reaching the Minister's desk very soon”.⁷²

84. We hope that this advice to the Minister will be radical. We recommend that the Government considers removing the different options and pilot programmes within the various New Deals, and instead allow advisers much more flexibility to design support around the needs of the individual. In doing so, they should draw on the more devolved models evident in our evidence on Employment Zones, Action Teams and the US, as described below.⁷³

IV. ENGAGEMENT IN THE ‘WORKFIRST’ AGENDA: THE BALANCE BETWEEN OPPORTUNITY AND OBLIGATION

85. The Government's Green Paper on employment strategy set out important goals aimed at increasing employment levels among disadvantaged groups and those who are economically inactive. For people not claiming Jobseeker's Allowance - largely lone parents on Income Support and those claiming Incapacity Benefit or Income Support on ill-health grounds - the strategy has meant the enhancement and expansion of the New Deal for Lone Parents and the New Deal for Disabled People. Unlike the New Deals aimed at Jobseeker's Allowance clients, the programmes on offer are voluntary. Participation by those targeted is not high: statistics indicate that just over a quarter of lone parents on Income Support required to attend a meeting with a Personal Adviser went on to participate in a New Deal for Lone Parents initial interview;⁷⁴ whilst in the New Deal for Disabled People pilots (recently extended nationally) the number of people who participated in an initial interview was only seven per cent of those invited.⁷⁵ This is disappointing, because participation does appear to help people get into work. In the case of lone parents, for example, more than two-fifths of those who participated found jobs and a tenth moved into education and training.⁷⁶ In the New Deal for Disabled People pilots, 26 per cent of all participants had found work, and 21 per cent had started an education or training course.⁷⁷

86. How can so-called ‘inactive’ groups be encouraged to participate in the work programmes on offer, and should the Government be seeking to enforce its “work first” message by threatening penalties, as it does for participants in New Deal for Young People (NDYP) and New Deal 25 Plus (ND25+)? On our study visit to the United States, we had the opportunity to observe the US welfare system - limited in the main to lone parents - where the “work first” ethos is reinforced by an absolute federal time limit of five years on claiming welfare (though many states have balked at actually implementing this federal time limit), and where participation in welfare to work programmes is obligatory, with the imposition of sanctions (extending to “full family sanctions” - the loss of all benefit for the family) - in some states if the lone parent does not comply. **We reject the options of time limits on benefits and requiring lone parents to work as a condition of receiving benefit.**

⁷² Q. 336

⁷³ See paras 148 to 154

⁷⁴ New Deal for Lone Parents statistics, March 2002, see www.dwp.gov.uk/as/statistics.

⁷⁵ *Evaluation of the New Deal for Disabled People Personal Adviser pilot*, DSS Research Report No 144.

⁷⁶ New Deal for Lone Parents statistics, March 2002, see www.dwp.gov.uk/as/statistics.

⁷⁷ *Evaluation of the New Deal for Disabled People Personal Adviser pilot*, DSS Research Report No 144.

87. When talking to programme organisers in the US - including those who had originally been wary of the introduction of the tougher sanctions regime - it was interesting how many saw the *existence and credibility* of sanctions, and the belief of claimants in the willingness to use them, as crucial, for conveying the message that work and self-sufficiency were important.⁵⁶ In practice, we found in the US that few sanctions were applied,⁵⁷ when they were, it was often a minor sanction as a 'wake-up call'. Even the five-year limit on claiming welfare was not being enforced in the states we visited (Pennsylvania, Oregon and Washington). Yet at the same time there had been reductions in the numbers of lone parents on welfare during the five years of the new policy. It was suggested to us that the more stringent welfare regime introduced in the US had concentrated the minds of policy makers, leading to substantial public investment in work development childcare programmes, and of families on welfare who realised that staying on welfare indefinitely was not an option. The success of sanctions was, in effect, that they changed behaviour without having to be used in practice to any large extent.

88. A similar view was expressed to us by Mr Leigh Lewis, Chief Executive of Jobcentre Plus, when asked to comment on the system of sanctions which currently applies to New Deal programmes in the UK. Both the New Deal for Young People and the New Deal 25 Plus aimed at Jobseeker's Allowance (JSA) clients, require those eligible to participate in one of the options on offer with an escalating range of sanctions for non-participation rising to the loss of benefit for 26 weeks after a third offence. Mr Lewis commented:

"I find advisers...increasingly see sanctions as a way of perhaps concentrating the mind of someone who is not seriously addressing the fact that they cannot go on as they are expecting just to follow the particular lifestyle through for ever more, to get them to face up to the fact that they are going to have to make some choices and some decisions. I see advisers using sanctions in a rather sophisticated way, not to apply them but just to make clear they exist there - that ultimately they will come into play if that individual is not prepared to face up to the issues."⁵⁸

89. The table below shows the number of New Deal sanctions imposed between January and March 2002.⁵⁹

New Deal Sanctions	Jan-Mar 2002
Total number sanctioned for leaving voluntarily or for misconduct	3,125
Number on options at end quarter	19,714
Sanctioned as % of option numbers *	15.4%
Employer option	5.0%
Full-time education & training option	9.1%
Voluntary sector option	18.6%
Environment Task Force	31.8%

* Number on options at end January 2002

For those on the employer option, the statistics appear to bear out Mr Lewis to the extent that the use of sanctions has been relatively light. This may be in the context, as pointed out by the TUC, that the employer option is the most popular.⁶⁰ The figures do bear out the concerns expressed to us by the TUC that sanctions run the risk of being used

⁵⁶ See US visit note, Annex 2.

⁵⁷ See US visit note, Annex 2.

⁵⁸ Q 139

⁵⁹ Working Brief, July 2002

⁶⁰ TUC, Ev 83: a survey of 6000 participants of the New Deal for Young People found that nearly two thirds believed that the New Deal was very or fairly useful and nearly half were completely or very satisfied with their Personal Advisers

disproportionately against people on the NDYP's least popular and least effective options in getting people jobs. Thus on the voluntary sector option, over three times as many trainees faced sanctions compared with those on the employer option and on the environment task force option, six times as many trainees faced sanctions. Yet these are the options, the TUC point out, which are most likely to be entered by those who are the hardest to help and with the most disadvantage.⁸⁷ The conclusion reached by the TUC was that "reliance on benefit sanctions tends to lower the quality of active labour market programmes. Denying the consumers of these programmes the right of "exit" without any compensating "voice" rights removes the most effective pressure on providers to run programmes that actually succeed at moving people into employment."⁸⁸

90. **We have concluded that the Government is right in steering away from requiring mandatory participation in New Deal programmes for groups receiving 'inactive' benefits.**⁸⁹ Nevertheless, given the Government's aim of reducing unemployment levels among disadvantaged groups, it is important that people claiming benefits other than ISA are made aware of the considerable positive help and support available to assist them to get work. In the Committee's recent report on the ONE pilot projects, we endorsed the Government's use of compulsory work-focused interviews for all new claimants of working age, including lone parents and those claiming Incapacity Benefit, to enable people who have been disconnected from the labour market to learn through a face-to-face meeting of the active help available to support them in getting a job.⁹⁰

91. However, there is still a need to ensure that existing claimants and those likely to be on benefit for some time are kept in touch at intervals with help that is available. Since April 2001, all lone parents making a claim for Income Support, and with a youngest child aged 5 years and three months or more, are required to participate in an annual meeting with a Personal Adviser designed to discuss support available to assist moving towards work. **We accept the need for attendance at such meetings to be mandatory, essentially as a recognition that Jobcentre Plus staff often have to overcome a degree of fear and suspicion regarding the work agenda, which can make claimants unwilling to attend voluntarily.** Once the claimant attends, it is up to the Adviser to persuade the lone parent that Jobcentre Plus has something useful to offer.

92. In the case of Incapacity Benefit recipients and sick or disabled people on Income Support, new rules require new and repeat claimants in the new Jobcentre Plus areas to undergo a work-focused interview at least every 36 months. However, these rules do not apply to existing claimants.⁹¹ This is against a background where 60 per cent of existing Incapacity Benefit recipients have been claiming benefit for over three years, and 44.5 per cent for five years or more.⁹² Many will be too ill to work. But the evidence from Mr Ian Charlesworth of the Shaw Trust was that there are many disabled people who are capable of work, and who, with the right encouragement and support, could sustain employment, who are being 'written off' by the statutory services:

"We have had no difficulty in finding jobs for people with disabilities. The big problem is getting in contact with groups who have been 'written off' by social

⁸⁷ TUC Ev 103.

⁸⁸ TUC Ev 103.

⁸⁹ By 'inactive' benefits, we mean benefits paid to people of working age where they are not required, as a condition of receiving benefit, actively to seek work.

⁹⁰ *ONE: Pilot Lessons for Jobcentre Plus*, First Report of the Work and Pensions Committee, Session 2001-02, HC 426.

⁹¹ See the Social Security (Jobcentre Plus Interviews) Regulations 2001 (S.I. 2001 No. 3210) and 2002 (S.I. 2002 No. 1703).

⁹² *Incapacity Benefit and Severe Disability Allowance Quarterly Summary Statistics*, DWP.

services, the Health Service and the Employment Service and are not in contact generally with statutory services concerned with employment".⁸⁹

In his view, people with disabilities were constantly being given a negative message about their ability to work: "I hear teachers, social workers, doctors, medical staff, persuading people that they cannot work. Maybe the motives are not bad, but they are constantly giving the wrong message".⁹⁰

93. Jobcentre Plus thus faces a significant challenge in reaching people classed as incapable of work and persuading them that they do have a future in the labour market. In our report on the lessons from the ONE Pilots for Jobcentre Plus, one of our serious concerns was the failure of Personal Advisers in the pilots to engage with Incapacity Benefit clients.⁹¹ In reply, the Government promised that "Jobcentre Plus will give greater priority to, and incentives for, engaging with Incapacity Benefit customers".⁹² Measures referred to included improving the operation of 'capability reports' currently being piloted; strengthening joint working between Personal Advisers and Job Brokers delivering the NDDP; and a new 'points' system weighted to give higher priority to placing Incapacity Benefit claimants into jobs. However, if Jobcentre Plus is to engage positively with Incapacity Benefit clients in promoting the support it can make available in moving them closer to the labour market, it must first have face-to-face contact with them. At present, for many disabled people, considerable anxiety is attached to discussions with Jobcentre Plus about work because of the fear of withdrawal of benefit on the grounds that they are capable of working. One of the key tasks of Personal Advisers at a work-focussed interview with a person claiming Incapacity Benefit has to be to reassure them that exploring work options, including the acquisition of new skills, will not immediately lead to losing benefit.

94. We recommend that almost everyone receiving benefit on the grounds of incapacity for work should be provided with a face-to-face work-focussed interview at least once a year, when barriers to work could be explored and strategies discussed to overcome them. Recipients would be required to attend these annual interviews although some (such as those with severe disabilities for whom attendance should remain voluntary) would be subject to waiver or deferral where the interview would not be of assistance to, or appropriate for, an individual. We recommend that such interviews should be confidential, and independent of the Jobcentre Plus benefits administration system so that a client's willingness to consider work should not be used to trigger a fresh personal capability assessment which might lead to the withdrawal of benefit.

95. Whereas numbers claiming Jobseeker's Allowance have declined in recent years, over the period May 1995 to November 2001 the proportion of the working age population on incapacity benefits rose from 7.4 per cent to 8.4 per cent.⁹³ Mr David Webster of Glasgow City Council pointed out that the UK has the highest rate of working age sickness of all 15 European Union countries.⁹⁴ We are convinced, having listened to the evidence of Mr Charlesworth of the Shaw Trust, that urgent and sympathetic action is needed by the Government to address worklessness among sick and disabled people, too many of whom feel "written off" by society despite their desire to work. Much more needs to be done pro-actively to engage with people on incapacity benefits concerning the

⁸⁹ Q. 121

⁹⁰ Q. 156

⁹¹ *ONE Pilots. Lessons for Jobcentre Plus*, First Report of the Work and Pensions Committee, Session 2001-02, HC 426

⁹² *Reply by the Government to the First Report of the Work and Pensions Committee*, Session 2001-02, Cm 5505.

⁹³ Mr David Webster, Ev 29.

⁹⁴ Ev 28

possibility of working and to offer them the support and training necessary to get into the labour market.

96. As recommended above, we believe that the New Deal needs to be re-designed to be more flexible and adapted to the circumstances of the individual. The evidence suggests the New Deal has been a success where it has focussed on work (e.g. the work option in the New Deal for Young People), been organised around the needs of the client (the New Deal for Lone Parents), and where it has devolved responsibility to individuals (Employment Zones and the initial encouraging signs from the Action Teams). **Drawing on our experience from the Netherlands and the US, we recommend re-designing the New Deals around three principles:**

- **Work for those who can enter the job market quickly;**
- **Soft skills, work placements, job-specific training and active job search for others; and**
- **Intensive personal help ("re-habilitation" in the jargon) for those with the most significant barriers - e.g. drug abuse, ex-offenders.**

97. These principles are already present in the various New Deals. Where they are not, that part of the New Deal has normally been less successful, for example, in the environment and voluntary work options of NDYP. They are also present in the new initiatives the Government is taking, such as StepUp and Progress2Work. **We recommend that they should become the principles guiding the New Deal overall, with advisers given the budgets and powers to apply those principles according to the circumstances of their clients and their locality. National benefit entitlement rules would continue to apply and Jobcentre Plus offices would be held accountable through monitoring outcomes rather than as now through centrally set options and programme rules.**

VII. JOB RETENTION, PROGRESSION AND SUSTAINABILITY

98. Traditionally, Jobcentre Plus (and its predecessor the Employment Service) has measured its success in terms of 'job outcomes' - how many people it gets into jobs. Little attention has been paid to whether people keep their jobs, or end up back on benefit soon afterwards.⁹⁵ Research suggests that 40 per cent of claimants who leave unemployment return to unemployment within six months.⁹⁶ In a review of research evidence on job retention and advancement in employment, the DWP concluded that those who struggle to find employment tend to be the first to leave a job. The hardest to place are also the hardest to keep in work. People with a past history of spells on benefit; those with low or no qualifications; people with children; and benefit leavers with journey to work problems were all likely to be more vulnerable to job loss in the first three months.⁹⁷

99. Within the New Deal, analysis of NDYP data shows that roughly one in four young adults placed into a job through the New Deal returns to JSA within three months.⁹⁸ A survey of employers operating the NDYP and the ND25+ found that 31 per cent of

⁹⁵ Currently, Jobcentre Plus staff get extra points towards meeting their targets if a JSA customer remains off JSA four weeks after starting a job.

⁹⁶ *Destinations of leavers from claimant unemployment*, K. Sweetey, Labour Market Trends, October 1996.

⁹⁷ *From jobseekers to job keepers: Job retention, advancement and the role of in-work support programmes*, DWP Research Report 171.

⁹⁸ TUC, Ev 81, para 17.

participants left before the 26 week subsidy period was up.⁹⁹ Of this group 40 per cent resigned, 30 per cent were dismissed, 21 per cent were made redundant and 2 per cent left for health reasons. Of those who were dismissed, 60 per cent were dismissed for poor attendance, 36 per cent for insufficient quantity of work, 17 per cent for disobedience, 11 per cent for dishonesty and 19 per cent for some other reason.¹⁰⁰

100. What more can be done to help disadvantaged jobseekers - particularly those targeted by the New Deal programmes - not only to maintain employment, but to progress beyond 'entry level' into their next (and better) job, towards a long-term future in work? During the course of the inquiry, we met providers both in this country and in the US who have been very successful in keeping people in work. Working Links, which has held nine Employment Zone contracts since April 2000, has helped 40 per cent of the long-term unemployed people referred to it into work. Of these, 80 per cent were still in work 13 weeks later.¹⁰¹ Similarly, Pertemps Employment Alliance, running the Birmingham Employment Zone (visited by the Committee during the inquiry) was achieving 83 per cent employment retention rates after 13 weeks, from the 36 per cent of its participants who had gone into work.¹⁰² Tomorrow's People, working in a number of UK areas with long-term unemployed people, has an average of 85 per cent of their placed employees still in work a year later.¹⁰³ The Shaw Trust reported that, of the people it had placed in work through the New Deal in 2001, 78 per cent were still in work.¹⁰⁴

101. One issue which concerned the Committee was the lack of official 'tracking' beyond 13 weeks, of New Deal trainees once they go into work, in order to monitor retention and progression. The Managing Director of Working Links, Mr Keith Faulkner commented that he would prefer to use a twelve month measure of job retention:

"We believe that is probably the critical period. If we were to say we were truly successful, we would want to know how many of those people we placed in work were still not necessarily in the same job, but still active in the labour market 12 months later. In some of the areas where we operate, we are exceeding 90 per cent job sustainability after 13 weeks. We are putting a lot into aftercare opportunities. We are still in contact with both the employers and the individuals, but frankly once we get six or nine months out we are beginning to lose sight. We think they are still there. If we are truly successful they should still be there. We should like stronger measures".¹⁰⁵

102. Mr Faulkner told us that there were no official figures available to Working Links to enable them to monitor former participants' progress over 12 months - and that the cost of collecting the information themselves would divert essential funding.¹⁰⁶ When the point was put to the DWP, Mr Michael Richardson, Director for Work and Welfare Strategy said:

"The problem in this is the virtual impossibility of tracing people on any statistical basis once they have left the benefit system. There is legislation before the House at the moment which will enable us and the Inland Revenue to talk to each other so that we can trace people's employment record over a long time frame and that will for the

⁹⁹ TUC, Ev 82, para 21, reporting *New Deal for Young People and long-term Unemployed: Survey of Employers*. ES Report 58, September 2000.

¹⁰⁰ Percentages do not add up to 100% as some participants were dismissed for more than one reason.

¹⁰¹ Ev 44, para 17.

¹⁰² See Birmingham visit note, Annex L.

¹⁰³ Ev 55, para 4.2.

¹⁰⁴ Q. 124.

¹⁰⁵ Q. 115.

¹⁰⁶ *Ibid.*

first time enable us to get a handle on this. It will take some time for it to come into effect".¹⁰⁷

103. We recommend that the DWP move as swiftly as possible to the collection of data allowing the progress of former New Deal participants in retaining employment over 12 months, and in increasing their wage levels, to be monitored.

104. In the US, there were also striking figures on job retention. In Philadelphia, the Transitional Work Corporation was succeeding in getting 30-40 per cent of initial entrants into a job. Of these, 63 per cent had retained that employment for at least six months.¹⁰⁸ The Seattle Jobs Initiative, working with low income groups with serious barriers to work, could boast that 60 per cent of those placed in jobs were still in work a year later, and 41 per cent of these reported a wage increase from an average \$9.75 per hour on placement to \$13.02 per hour.¹⁰⁹ In Portland Oregon, the Steps to Success Programme, operated through Mount Hood and Portland Community Colleges, was achieving 80-85 per cent employment retention levels after 18 months of getting a job. Here, the intake was largely lone parents, formerly claiming welfare.¹¹⁰

105. Key features in the programmes above which we consider lead to good retention rates for people facing considerable barriers to work are detailed below.

Training in 'soft' skills

106. In drawing our attention to the employer survey of New Deal workers above, the TUC observed that the list of reasons for dismissal - poor attendance, insufficient quality of work, disobedience and dishonesty - were classic indicators of a lack of 'soft skills' among young people who do not understand the world of work. One of the strong features of all the US programmes we visited was their emphasis on training participants to be job-ready: to be reliable, to dress properly and be drug free, to be able to get along with colleagues and work as part of a team; to have good communication skills and to show a willingness to learn. Skills were developed, partly by intensive courses, and partly by creating an environment which resembled the workplace as far as possible - with similar demands regarding attendance, punctuality and behaviour. Indeed, policymakers in Oregon commented that the classroom was not the ideal setting to acquire work-related skills: they have found that people learned faster when placed in a work environment. Work placements, backed up by concentrated work-focussed skills training and support from case workers were therefore a feature of the Oregon approach, with around 38 per cent of participants having 'work attachment' at any one time.

107. We recommend that 'soft skills' training be an integral part of New Deal programmes aimed at harder to help groups and that the skills training in New Deal programmes be reviewed to see whether they provide these soft skills and workplace ethos.

A personal service with 'aftercare'

108. We welcome the principles behind StepUp and Progress2Work. We believe they will address the needs of those clients who have not yet succeeded through the conventional New Deal options. However we believe those principles need to be rapidly included in the mainstream design of the New Deal. We received evidence that there is a significant minority of clients who go through the New Deal a number of times without

¹⁰⁷ Q. 359

¹⁰⁸ See US visit note, Annex 2

¹⁰⁹ See US visit note, Annex 2. Barriers to employment among the SJI clients included unstable work histories, homelessness, criminal records, mental health concerns, substance abuse, limited English, and welfare status

¹¹⁰ See US visit note, Annex 2.

getting permanent work, or who have never been reached by New Deal programmes in the first place, because they have deep-seated barriers to work that have not been addressed.¹¹¹

We recommend that Jobcentre Plus should develop partnerships with voluntary, not-for-profit and private organisations to provide re-habilitation services for this category of clients. This will involve one to one support, based on outreach work, to address the individual's particular needs.

109. All the providers continued to work with participants for a period after they obtained a job. Ms Debbie Scott of Tomorrow's People commented:

"We should never underestimate the challenge for somebody who has been distanced from the labour market and gone into work...they may have had their benefit paid on a regular basis and they may have got used to the financial structure of their life, but suddenly for the first time they go to work and they are going to get paid monthly and they may not be able to manage that. It may take up so much of their time that they cease to focus on their work and not have anybody to speak to about that. If you are long-term unemployed...you will not have an extensive wardrobe and it can be a great pressure on people when they go to work to think about how they could present themselves on an ongoing basis. The aftercare service has to be very practical and has to be in a position to deal with some of these issues in order that people feel comfortable, having got the job, about keeping it".¹¹²

Other help offered might include ensuring that parents obtain reliable childcare, are receiving all the in-work financial help available, and have reliable transport arrangements.

110. The Steps to Success programme in Oregon was similar to many of the programmes in assigning an adviser to an individual participant, who stuck with them both before and after they got a job - thus allowing a relationship of trust to build up before the person actually entered the workforce. The assessment of the Steps programme was that, if people were to lose their jobs, it tended to happen in the first three months. They were therefore moving towards a system of intensive engagement for three months after a participant moved into employment, and up to six months if necessary. A new feature of the Steps to Success programme was activity related to encouraging wage enhancement and career development for people with multiple barriers. Early on, participants were encouraged to think not just in terms of getting their first job, but also of planning a route better to achieve what they wanted in career terms - including the development of the skills they needed to succeed ("ABC" - A job; a better job; a career). Advisers would stick with the participants, once they had started an entry level job, to see if their career plan was working. They could offer funds to pay for additional training or education.¹¹³

111. We recommend that Jobcentre Plus provides individual advisers for clients and develops its aftercare services for New Deal participants, so that an ongoing relationship is maintained with Personal Advisers or with an independent agency under contract to Jobcentre Plus.

Establishing partnerships with employers

112. Ms Scott of Tomorrow's People emphasised that the aftercare service offered by Tomorrow's People was one where they kept in touch with both employee and employer:

¹¹¹ See the evidence of The Work Foundation Ev 12-22, Greenwich's Ev 30-37, Tomorrow's People 53-55, and Shaw Trust (65-75).

¹¹² Q. 123

¹¹³ See US visit note, Annex 2.

"You cannot separate the care you give them both because it is a tripartite arrangement to keep them in work."¹¹⁴ She added:

"The more work we can do with employers to help them understand [the adjustments former long-term claimants have to make], so that they do not just write people off because in the first couple of months they do not show for work for whatever reason, the more you can do about that, the more you can get them involved, the better. We have proved that in our aftercare service and retention rates and feedback from employers".¹¹⁵

113. Similarly, the Shaw Trust said that they had built up an ongoing relationship with employers: "In dealing with employers generally, we know how to build up the right kind of approach for the employer to come back to us should there be any problem and that is what tends to happen...Quite often when I go round employers I hear them saying that it is a lot better dealing with us than with the other New Deals where nobody seems to care".¹¹⁶

114. In the US projects we visited, engagement with employers as part of the post-employment service was a feature of most of the programmes. In the Seattle Jobs Initiative (SJI), for example, staff had developed training for companies taking on SJI 'graduates', designed to improve the 'soft skills' of supervisors of diverse, entry level workers. Training was offered to provide supervisors with the practical skills to understand the transition entry level workers had to make from their home life to a work setting and to help them implement strategies to get the best out of their new staff.¹¹⁷ Implicit in such work was the development of an ongoing relationship with employers who were able and willing to take on former benefit recipients from disadvantaged backgrounds.¹¹⁸

115. We recommend that Jobcentre Plus builds up its relations with employers taking New Deal recruits, encouraging them to develop induction programmes, and the use of mentors, and to give feedback and support to assist entry level employees to progress.

116. One possible concern in encouraging Jobcentre Plus to pay more attention to the retention and advancement of former benefit claimants is that staff will inevitably prioritise those customers who are more likely to produce better results *ie* the more job-ready. The emphasis on retention may lead to the perverse outcome of less attention being paid to the harder to help. This would clearly defeat the Government's current strategy of focussing more attention on people disadvantaged in the labour market. During the course of our previous inquiry into the ONE pilots (which preceded the introduction of Jobcentre Plus), we visited the Netherlands, where we were impressed by a grading system of identifying a person's job readiness (or lack of it) at an early stage of their claiming benefit. Resources and focussed employment help then followed, based on the degree of 'distance from the labour market'.¹¹⁹ The advantage of such a system is that, by identifying degrees of job readiness, staff resources can be targeted accordingly to ensure that the harder to help groups are not overlooked and, indeed, are given more intensive assistance. For this to happen, two steps are needed. Claimants' job-readiness needs to be identified at an

¹¹⁴ Q. 123

¹¹⁵ *Ibid*

¹¹⁶ Q. 124

¹¹⁷ See US visit note, Annex 2.

¹¹⁸ The role of employers in the Government's employment strategy is discussed in more detail below.

¹¹⁹ See *ONE Pilots: Lessons for Jobcentre Plus*, First Report of the Work and Pensions Committee, Session 2001-02, HC 426.

early stage of their claim; and advisers need to be rewarded for the progress they make in moving people closer to the labour market.

117. In the UK, the present approach is to increase the amount and type of help and support to people as the duration of unemployment or non-employment increases. The Government argued, in its reply to our report on lessons for Jobcentre Plus from the ONE pilots, that this approach provided a more accurate measure of an individual's distance from the labour market and enabled resources to be properly targeted. People with particular needs - poor basic skills, ex-offenders, and those with disabilities were 'fast-tracked' through.¹²⁰ In the American employment projects we visited, there was similarly a general consensus that the labour market was the best judge of a person's employability. However, we were impressed by the approach in Oregon where 'letting the market decide' did not mean leaving people to take their chances on their own. Welfare claimants were offered intensive 'workforce development' training in worksearch techniques, self-presentation, in-work financial support and how to access the Internet. Thereafter, they attended the equivalent of Jobcentres on a daily basis where they were offered access to facilities such as the internet, and telephones to help in jobsearch. Weekly networking classes were held, with outside speakers, to encourage people and to share experiences.

118. In the UK, where a wider group of people have access to benefit, many of whom are job-ready, it is not easy immediately to replicate this approach. We believe, however, that there is a case for identifying a claimant's distance from the labour market at an early stage in order to help those people who need it by providing intensive support in accessing the labour market. **We repeat our recommendation, made in our report on lessons from the ONE pilots,¹²¹ that protocols be developed to assist Personal Advisers to explore, in a more systematic and consistent manner, a new claimant's work readiness and the barriers they face.**

119. It is also important to give advisers the incentive actively to engage with harder to help groups in moving them closer to the labour market. Currently, the Jobcentre Plus performance targets are focussed on measuring job outcomes. We consider that the Government should be seeking to develop a new range of targets, aimed at measuring 'distance travelled' towards labour market participation by clients who are not immediately job-ready. These targets would aim to measure improvements in employability achieved through the intervention of Jobcentre Plus, either alone or through its network of providers. **We are pleased that the DWP has taken on board the recommendations made in our report on the ONE pilots and is considering possible measures of 'distance travelled' as part of the development work for the 2003-04 Performance and Resources Agreement.¹²²**

VIII. IMPROVING DELIVERY

120. Another area into which the Committee inquired was how to maintain the integrity of national design frameworks whilst extending the scope for local discretion in its delivery form - and to ensure integration with other initiatives that stimulate demand from business or reduce barriers to work at the neighbourhood level.

¹²⁰ *Reply by the Government to the First Report of the Work and Pensions Committee, Session 2001-02, Cm 5506, paras 14-20.*

¹²¹ *ONE Pilots: Lessons for Jobcentre Plus, First Report of the Work and Pensions Committee, Session 2001-02, HC 426, para 30.*

¹²² QQ, 364 and 365

Delivery through partnerships

121. Many witnesses argued that welfare to work initiatives do not function effectively if delivered to a “one size fits all” design. Ms Bridget Rosewell described this approach as “delivering to people rather than for people”.¹²¹ Working Links in its submission stressed that its model involved “a true partnership approach within the communities where we operate instead of a loose cooperation guided by self interest.”¹²² This sentiment was echoed by Mr Leigh Lewis who told the Committee that Jobcentre Plus is “trying to be more and more in the business of devising and helping to play our part in local solutions to local problems because a one-size-fits-all approach clearly does not work with a myriad set of labour markets and local circumstances.”¹²³

122. Many witnesses identified Local Strategic Partnerships as an obvious vehicle to bring coherence to the many programmes and strands of government activity. Witnesses agreed that providers often create complicated “funding cocktails” between different Government policies - particularly where training funds, employability programmes and area-based initiatives coincide.

123. Mr Peter Lauener, of the DfES, pointed to the model of “co-financing” that has been introduced to reform the use of European Social Fund (ESF) Objective 3 money within England.¹²⁴ Eligible service providers no longer have to find match-funding that is typically worth 55% of a project before applying for ESF from a regional Government Office. Instead, the Learning and Skills Council (LSC), Jobcentre Plus or other co-financing organisations bring together both the ESF contribution and the match-funding to provide 100% of a project’s costs to the provider. Much of the auditing and management information requirements attached to European Funding become the responsibility of the co-financing organisation thus relieving the service provider from the substantial burdens of compliance.

124. We believe that co-financing is a useful model and recommend that Jobcentre Plus programme funds could be placed with LSPs to be match-funded with other resources from local and central government. This would create real strategic partnerships equipped with a wide range of programme funds and would enable local decision takers to reduce duplication, fill gaps and achieve “double benefits” to both individuals and communities. We recommend that a pilot area be identified to test and evaluate this approach.

IX. THE ROLE OF JOBCENTRE PLUS

125. A major theme of the Government’s Green Paper *Towards full employment in a modern society* is the importance of moving the New Deal and the workforce development system as a whole from being supply-driven (developing clients’ skills generally) to demand-led (where the starting point is engaging employers in the design of training and work experience and using their hiring requirements to define programme content and the basic standard of job readiness clients need). The strategy requires Jobcentre Plus to have a ‘dual-customer focus,’ both serving the needs of benefit claimants and also employers.

¹²¹ Q. 21.

¹²² Ev 45, para 10.

¹²³ Q. 317.

¹²⁴ QQ. 297 and 298.

Increasing the Employer Focus of Jobcentre Plus

126. The Government has worked hard to encourage greater employer engagement in its employment strategy at national, regional and conurbation level through initiatives such as the National Employment Panel (formerly known as the New Deal Task Force), Sector Skills Councils, Employer Coalitions and informal groupings of business leadership. On our visit to Birmingham, for example, we were pleased to meet representatives of the Birmingham Employer Coalition, one of ten coalitions established in most of the major conurbations around the country, and working under the aegis of the National Employment Panel. Membership covered engineering, manufacturing, the police, local authority sector, IT, hospitality, printing and the voluntary sector. Within Jobcentre Plus the Ambition programme - a new sector-led strategy designed to place people on benefit in good jobs and to produce better rates of retention and advancement - is the flagship of the new demand-led approach.

127. It is clear, however, that more needs to be done to encourage employer engagement in the Government's employment strategy. In a report prepared in July 2001, *Business on Board*, the then New Deal Task Force described how, in the course of researching the report, it had visited 30 Jobcentre Districts. As part of the New Deal for Young People, each District had been required to establish a partnership with employers to advise on the direction and design of the local programme. The research suggested that few partnerships had been able to maintain effective employer participation. Only half had local firms in membership. Of those that had active employers, there was considerable doubt amongst them about the degree to which they could influence the programme, or whether this was the right forum for them to contribute their knowledge and expertise.¹²⁷ Mr Ian Reeves of Tomorrow's People told us, "there is inadequate involvement of employers in a process talking about employment."¹²⁸ He said:

"Some effort and some investment needs to go in to reaching out - in the same way that we reach out to individuals who need help - [to] find better ways [for] business to engage them in the process because there are still too many businesses who think it is clever to walk away from the problem".¹²⁹

128. There is a need to make the business case for the engagement of employers in reaching the harder to help groups who are also the Government's focus. One of the points repeatedly made to us by intermediary organisations both in this country and in the US was that working with employers had to be on the basis of providing a service they wanted, not on the basis of philanthropy or bureaucratic partnerships. Mr Keith Faulkner of Working Links said: "At the end of the day employers, particularly when economic conditions are difficult, want an employee who fits the need and does the job."¹³⁰ Employers have to be sold the benefits of hiring people from harder to help backgrounds on the basis that there is an advantage to them of doing so. But it is not clear that this is yet happening on a wide enough scale. The Chartered Institute of Personnel and Development told us:

"Many employers, especially those in local labour markets close to full employment, have found the New Deal difficult to connect with. New Dealers have either been in short supply or not sufficiently job ready... This problem has perhaps been most acute for very small employers. The latter view the New Deal as a cheap way of filling vacancies and assume that New Dealers will turn up at their door ready to slot in. Larger employers, by contrast, are less interested in the public cash attached to New Dealers, but have nonetheless been disenchanted with the quality of what is being

¹²⁷ *Business on Board*, New Deal Task Force, July 2001, para 3.2.

¹²⁸ Q. 141.

¹²⁹ Q. 136.

¹³⁰ Q. 116.

offered to them. Though these employers have publicly kept faith with the programme this has often been for reasons of corporate social responsibility rather than out of strictly commercial motives. The New Deal still barely rates a serious mention in the world of corporate HR; when people management gurus speak of 'the war for talent' they do not have New Dealers in mind.¹¹¹

129. There is a need to challenge the attitude towards entry-level type workers where, as Working Links put it, "employers see attrition rather than training as the way to maintain productivity." The point was made to us, both here and in the US, that employers can be persuaded of the human resource benefits - both in terms of savings in recruitment costs and in the quality of entry-level workers provided - of hiring former benefit claimants who have been schooled in basic level skills and have good work attitudes. In London, the "Getting London Working" partnership established by Tomorrow's People promoted itself to employers on the basis of the heavy recruitment costs and time wasted by having a high turnover of staff. By offering to provide a "tailor-made" service in terms of candidates submitted to interview, it had achieved a positive relationship with employers.¹¹² In the US, the President of Philadelphia's Regional Workforce Partnership referred to a regional company survey highlighting the difficulties employers found in finding qualified candidates for entry level positions.¹¹³ The Partnership had shaped itself to meet employer need in this area, successfully marketing its trainees to companies accordingly. In Washington, the Seattle Jobs Initiative (SJI) told us their graduates were regarded by employers as better trained than people recruited "off the street." They also had better retention rates. The marketing of SJI graduates by job brokers was not based on getting employers to lower their standards, but on getting them to consider hiring differently based on the positive outcomes SJI was achieving.¹¹⁴

130. In the course of our inquiry, we observed and learned of sufficient 'demand-led' initiatives, which provided employers with a service they wanted, to know that the business case can be made for recruitment of former benefit claimants from harder to help groups who have undergone appropriate work and skills training. Despite the encouraging initiatives we have seen, it is clear that far more needs to be done to develop the demand-led approach within Jobcentre Plus and to ensure both that participants on New Deal programmes are given training which matches employer needs, and that employers value the workers they recruit as a result.

131. We fully support the Government's aim actively to engage business and to design interventions that meet the requirements of employers in both private and public sectors. We endorse the sector specific approach adopted by the employer-led "Ambitions" programme and propose that further sectors are actively encouraged, particularly where this can be in parallel with developing Sector Skills Councils. We specifically recommend that all training components of the New Deal, other than soft and Basic Skills, are made job-specific and matched to individual employers' actual recruitment needs.

132. A new initiative of Jobcentre Plus is the introduction of Account Managers in every district, with the task of building up the relationship of the Jobcentre Plus office with local employers. Their task is to understand the needs of employers at a local level, and to ensure that Jobcentre Plus is meeting those needs. At present, investment in Account Managers is fairly small scale. One Account Manager in a District will have difficulties coming to grips with the needs of several thousand local employers. In Birmingham, the Committee was impressed by the creation within Jobcentre Plus of a small team of sector-

¹¹¹ Ex 177, paras 41 and 42.

¹¹² *Getting London Working* a summary of the evaluation of Getting London Working for the twelve months from March 2000.

¹¹³ See US visit note, Annex 2.

¹¹⁴ *Ibid*.

specific Business Development Managers (or Local Account Managers). These managers worked closely with employers, delivery partners, Jobcentre Plus managers and staff to satisfy employer and business needs for the recruitment of suitable workers, through demand-led approaches, encouraging and facilitating the development of customised training routeways where appropriate, by providing them with high quality and individually tailored services. **We recommend that Jobcentre Plus resources its Local Account Managers, particularly in big city conurbations, to work in small sector-specific teams so that expertise and contacts can be built up and employer and business needs properly investigated and understood.**

133. The move to a more demand-led approach poses major challenges for Jobcentre Plus staff, who will need to acquire new skills and expertise to be able properly to communicate with employers and understand their business recruitment needs. Few staff are likely to have the commercial background and expertise to ask the right questions, and to build up employer confidence in the service which can be provided. **We recommend that specific funds be allocated to training Jobcentre Plus staff in the necessary skills to enable them to understand the needs of employers at local level. We also recommend that consideration be given to greater recruitment of staff from the commercial sector to perform the Account Manager function within Jobcentre Plus.**

Increasing self-employment and public sector jobs

134. We are concerned that self-employment help through New Deal is not in proportion to its scale in the labour market and that links between Jobcentre Plus and the infrastructure of business support agencies are almost non-existent. Self-employment constitutes some 11% of all employment in the UK and the proportion is higher amongst ethnic minority populations and in most urban areas. Although the number of self-employed declined between 1996 and 2000, it has returned to growth and, during the last year, the total has expanded at the same pace as for employees. The establishment of a small business is a viable and attractive route out of unemployment if the right support and advice are available, so we sought to establish what help the Government provides and how the services are advertised. We were not impressed by the oral and written evidence we received.

135. One of the routes to find information is through the Small Business Service (SBS) which operates a number of schemes and initiatives that are designed to help small businesses in a variety of ways by encouraging firms to be more innovative, and to exploit new technologies. It aims to help them to get finance more readily and provides ways to make better use of the expertise that is available to them from colleges and other organisations.

136. The SBS manages nationally a network of Business Link services throughout England which are run by local providers. Business Link provides independent and impartial business advice, information and a range of services to help small firms and those trying to start up new businesses. Each of the Business Link local providers has a dedicated team of Business Link Advisers whose role is to provide long term business support.

137. When we took oral evidence from an official from the DTI we sought to clarify how the existence of Business Links becomes known to an unemployed person. We were told that "there are various routes".¹¹⁵ When pressed the witness could only say: "That is a good question".¹¹⁶ We asked whether he considered that Personal Advisers in Jobcentre Plus were "plugged in" to Business Links, and were told only that "there are mechanisms in

¹¹⁵ Q. 191

¹¹⁶ Q. 193

place to provide for that"¹³⁷ which consisted of "local discussions between Business Links and Jobcentre Plus".¹³⁸ When we asked whether the mechanisms were working, particularly in disadvantaged areas, we were told that "there are ways to ensure that that is happening".¹³⁹

138. Because the DTI Official was unable to help us with any details, a memorandum from the DTI was sought to clarify the position¹⁴⁰ but we searched in vain for answers to our questions as to the method of informing potential clients of the existence of Business Links and ensuring that clients were so informed. There were allusions to Business Links working closely with Jobcentre Plus by "placing a Business Adviser in the Jobcentre *on certain days of the week*"¹⁴¹ (our italics) and a "number of routes to find out about the help...provided by Business Links."¹⁴² The figures requested by the Committee¹⁴³ on how many people from disadvantaged communities have actually been able to set up a business through Business Links or through the New Deal were not supplied, the statistics instead giving details of awareness.

139. Awareness (conveying a sense of remoteness) was also the word used in the submission to describe the relationship between Business Advisers for Business Links and Jobcentre Plus and New Deals. A strange word to use if, as the memorandum suggests in the next line, "the need for joined-up government in this area is recognised."¹⁴⁴ The Committee is concerned that the work of SBS, particularly of Business Links, seems to be largely unrecognised by, and remote from, the policy-makers and from Jobcentre Plus. **We are concerned at the apparent lack of detailed knowledge of, and support for, Business Links and recommend that the Departments concerned take urgent steps to promote all the services and assistance available to those contemplating self-employment or starting a small business, and to increase the relationship between Jobcentre Plus and Business Links from "awareness" to active involvement on a continuous basis.**

140. The Committee also identified that public services have been one of the largest employment growth sectors in the most recent year. Spending Review 2002¹⁴⁵ confirms that expenditure on public services is set to grow significantly over the next 3 years and the Treasury has identified a number of blockages in public sector recruitment which could diminish the effectiveness of this increased spending. We also note that despite a commitment in 1998 to involve the public sector in New Deal, the response has been extremely patchy although central government departments had accepted 5,542 New Deal starters at the most recent count.¹⁴⁶ Equally, there is evidence to suggest that take-up of unemployed clients has been low in areas of public service that are highly jobs intensive like healthcare and in local government.

141. With Education, Health, Transport, Housing and local government services likely to receive sharply increased levels of spending over the next 3 years, the Committee believes that the Government has a unique opportunity to ensure that its own recruitment needs are served by New Deal. **We recommend that a range of specific sector initiatives be launched using the template of "Ambition" to help prepare employers in the**

¹³⁷ Q. 198

¹³⁸ Q. 201

¹³⁹ Q. 202

¹⁴⁰ Ev 143.

¹⁴¹ Ev p147

¹⁴² Op cit.

¹⁴³ Q. 196

¹⁴⁴ Ev 144.

¹⁴⁵ 2002 Spending Review, HM Treasury, Cm 5570, July 2002

¹⁴⁶ Official Report, 13 December 2001, col. 995w

public sector for the recruitment of Jobcentre Plus clients and to tailor packages of job preparation for the needs of these public sector employers.

Working with contracted providers

142. Witnesses from service providers told us that relationships with Jobcentre Plus are sometimes placed under considerable strain. Mr Charlesworth was critical of a contracting regime which “seems to be out of control ... appointing the highest number of contractors at the cheapest price”.¹⁴⁷ He also criticised the funding models that in his view place a disproportionate amount of payment on end-results:

“service providers to the group facing the most barriers to work also face the highest risk with 99% outcome funding and no payment up-front”¹⁴⁸

143. By contrast, he observed that the New Deal for 50 Plus, which is delivered exclusively by Jobcentre Plus, has no outcome-contingent funding at all. He argued that service providers needed a more “equitable share of risk and recognition that there are start-up costs and set-up costs”. Mr Reeves for Tomorrow’s People and Mr Hawkhead for Groundwork argued that providers were excessively funded on the basis of job entry. When working with more disadvantaged clients, they suggested that the funding system needed to recognise the “value-added” of the provider’s service and the “distance travelled” by a client towards the labour market.

144. As discussed above, we are concerned to ensure that harder to place groups are not neglected within Jobcentre Plus, where staff are currently rewarded for numbers placed in work and on retention rates. We regard as a positive development hearing from Mr Richardson of DWP that, arising from the consultation exercise conducted for the current year’s Performance Agreement, the National Employment Panel would be helping the Department identify whether such a target could be constructed. He was able to re-assure the Committee that “we are working with a wide range of stakeholders”¹⁴⁹ on this task.

145. Mr Leigh Lewis also described the process of “working more closely with our providers to ensure that training and education” are related to clients’ needs and to the local labour market. Mr Richardson observed that “we have lost quite a few providers ... as a result of a more rigorous approach to the outcomes we expect.”¹⁵⁰

146. The relationship with service providers was also illuminated by the evidence of Working Links. The Government has a one-third stake in the company and Mr Keith Faulkner reported that it has had “relatively few relationship difficulties with Jobcentre Plus”. However, he felt that at a local level “some managers within Jobcentre Plus are uncertain whether they see us as allies or enemies”¹⁵¹. The Committee recognises that Working Links represents a new and effective way of blending private and public sector organisations and cultures, and appreciates the view expressed by Mr Leigh Lewis that it is a successful partnership working in a way that “when I joined the public service would have been thought unimaginable.” Nonetheless, the fact that local Jobcentre Plus staff have an ambiguous view of an organisation in which they own a stake testifies to the tension that is inevitable between Jobcentre Plus and contracted service providers.

¹⁴⁷ Q. 120.

¹⁴⁸ Q. 136.

¹⁴⁹ Q. 367.

¹⁵⁰ Q. 318, see Fv 166.

¹⁵¹ Q. 112.

147. The Minister regarded the relationship with the Government's major partners as "on the whole, good".¹⁵² But he also recognised that money and contracts "are the largest single issue of contention" between Government and its service providers.

Extending flexibility and local discretion

148. Mr Keith Faulkner said that Government "needs to give more freedom to those who are close to the ground to develop solutions"¹⁵³ The Committee received evidence that was enthusiastic about the effectiveness of Employment Zones (EZs) and Action Teams for jobs and the evidence shows that the Zones and Action Teams seem to be delivering better results than the standard model.

149. Action Teams for Jobs - which were launched in 40 areas by October 2000 - have managed to place almost 40% of their jobless clients into work (15,084 out of a total of 37,887 clients). Precise data is not available about the effectiveness of interventions for target groups or areas although the overall aim of Action Teams is to raise employment rates among disadvantaged groups in employment-deprived areas. Evaluation evidence shows that Action Teams' key successes relate to their ability to engage with clients and tailor appropriate support to their needs. Clients value the services received from Action Teams and this support had played a key role in their decisions to take work.¹⁵⁴

150. The latest data for job entries from Employment Zones shows that 19,700 participants started jobs - 34% of all starters on the programme. This compares with 22% of an equivalent cohort of starters on the New Deal 25+ who had started jobs. These comparisons are made more significant because the Employment Zones are located in areas where job performance on the New Deal for Young People and on the New Deal 25+ was low.¹⁵⁵

151. The Committee understands that this view is shared by the Prime Minister who has said that the best Employment Zones achieve impressive job outcomes and are popular with claimants. The Zones have offered the Government some valuable lessons which he described as:

"a can-do mentality which sees claimants as potential employees";

"giving your front-line staff greater autonomy and with it responsibility and flexibility"; and

"combining strong incentive payments for jobs with real leadership, performance pay and team working".¹⁵⁶

We endorse the Prime Minister's assessment. He suggested that the Government would be looking at how to transfer these ways of working into Jobcentre Plus practices, and that there was a strong possibility of extending this approach to other client groups such as lone parents.

152. Working Links reported that its approach in the Employment Zones and Action Teams that it delivers is based on:

¹⁵² Q. 346.

¹⁵³ Q. 105.

¹⁵⁴ "Evaluation of Action Teams for Jobs", by Korina Cox, Pat Irving, James Leather, Katherine McKenna of ECOTEC Research and Consulting Limited: Department of Work and Pensions Working Age Evaluation Division report WAE 114

¹⁵⁵ CESA Welfare to Work briefing 187, April 2nd 2002.

¹⁵⁶ Speech given by the Prime Minister, 10 June 2002, at Jobcentre Plus Stratham - see www.number-10.gov.uk.

"individual solutions not generic panaceas, flexibility for our consultants within a firm framework of values rather than rules" ¹⁵⁷

153. We heard from Mr Leigh Lewis that Jobcentre staff are responding well to greater devolution of responsibility to the front-line. In particular, the Adviser Discretion Fund had proved "very, very popular" with advisers because it "enables them to respond immediately and very swiftly to the actual circumstances". The Fund enables advisers to allocate up to £300 per client to purchase any assistance required in order to overcome barriers to finding and sustaining work. The Minister pointed out that the average expenditure on this fund was £70 from which he drew the conclusion that advisers were using it properly. Mr Lewis commented that if you "give people discretion, overwhelmingly they use it sensibly". ¹⁵⁸

154. We recommend that the proven model of Employment Zones should be extended into a further 15 areas of labour market need within the term of this Parliament. We also recommend that the Government promotes more schemes similar to the Seattle Jobs Initiative, the Oregon "Steps to Success" programme and the "Transitional Work Corporation" in Philadelphia.

Encouraging Innovation

155. In their evidence, service providers argued that innovation and risk taking is not supported. Mr Keith Faulkner said that there is insufficient funding to do "new things, to encourage people with new ideas". Yet the Department told us that it has been disappointed by the response to its Innovation Fund. These views are not mutually exclusive. We believe that recent bidding rounds for the Innovation Fund have been too prescriptive for many innovative approaches to be supported. **We recommend that a review of innovation financing is undertaken in order to identify ways in which it can stimulate entrepreneurial activity and promote a stronger culture of risk-taking amongst Jobcentre Plus managers and contracted suppliers. The key tests should be focussed on agreed predicted and actual outcomes.**

Learning from Innovation

156. Throughout this inquiry the Committee has been strongly attracted by the arguments for greater flexibility, discretion and innovation. However it recognises that operating with fewer rules and a relaxation of the New Deal's prescribed design framework, would require a greater degree of knowledge about how to use any newly acquired flexibility.

157. In particular, a more flexible framework of delivery will only succeed if service providers are systematically guided by the evidence base of evaluations, pilots and best practice intelligence. Government and delivery organisations need clear signposting to what works, why it works and how it can be replicated - or not. **We recommend a more systematic use and replication of this evidence base.**

158. During our visit to the USA we were informed about the role of The Reinvestment Fund (TRF) in Philadelphia. The Fund was a community development financial institution dedicated to building wealth and opportunity for low-income communities and low and moderate income individuals. Now 16 years old, it managed around \$130 million which it lent and invested in projects with social goals and social returns.

¹⁵⁷ Ev 43, para 10.

¹⁵⁸ Q. 332.

159. It had three pools of funds: loan funds; money from banks; and venture capital funds - where capital was invested in companies with growth potential, which were profitable, and which invested in entry level jobs. (In terms of the money from banks, there was a community reinvestment obligation on banks laid down by law. Banks used The Reinvestment Fund as an intermediary to meet their responsibilities.) There were around 750 investors. Five hundred were individuals, the remaining 250 were institutions - religious groups, financial institutions, and corporate and civic organisations including hospitals and universities. The Reinvestment Fund benefitted from being able to build a network of relationships across these sectors. Investors were able to choose their rate of return. Less than one per cent of funds had been written off. They had a 14 per cent internal rate of return.

160. TRF had a "credibility of portfolio" with both the experience of being in the market, and knowledge of what worked in policy areas. They had a credibility with private sector investors, and brought innovation to areas traditionally dominated by high cost, highly regulated, public investment. The average loan was \$2-300,000, and TRF was often involved in helping to put an investment deal together.

161. Funds had gone into affordable housing, childcare provision for low-income families, schools (including so-called experimental "charter" schools), small businesses, community centres, and workforce development. They operated under market disciplines but with public, civic, values.

162. We understand that, following the Social Investment Task Force report, the DTI is sponsoring a range of initiatives that replicate some of The Reinvestment Fund's characteristics. We have not found any evidence that these have been coordinated with Jobcentre Plus programmes and strongly urge closer integration.

X. CONCLUSION

163. The evidence we have received during this inquiry provides support for the Government's employment strategy. We have received no definitive evidence on what might happen if there were to be an unexpected severe downturn in the economy, but nevertheless consider that the Government should have contingency plans. We believe, however, that there is much to be done further to improve the situation for unemployed people since, as the number of people out of work decreases, it will become more difficult to find sustainable jobs for those who remain unemployed and who are likely to have the most problems to overcome before finding work.

164. Particular areas of concern are:

- the complexity of initiatives, the number of pilot schemes and the complex qualification criteria for funding;
- the need to ensure that Personal Advisers in Jobcentre Plus are fully equipped, trained and resourced so that they can provide, on a genuinely individual basis, the initial advice, ongoing encouragement and longer-term support which we believe is necessary in order for there to be a sustained improvement in the number of people in work, resulting in savings on expenditure on benefits;⁵⁹
- the need to ensure that the training and skills being offered to unemployed people matches the requirements of employers in the surrounding area; and
- the need to ensure that any remaining regional and local differences in services for the unemployed are eradicated, while ensuring there is sufficient flexibility to provide extra help where needed, with a minimum of bureaucracy.

⁵⁹ The US experience is that decreased benefit bills are likely to be offset, if not negated, by higher childcare costs

165. This inquiry has been undertaken in the first session of this Parliament during which the Committee was set up to reflect the new structure of Government that created the Department for Work and Pensions. We believe the Government's employment strategy is so central to its socio-economic objectives that we shall continue closely to monitor developments; we may wish to return to the subject in a future inquiry and we will certainly await the Government's reply with interest.

LIST OF CONCLUSIONS AND RECOMMENDATIONS

Economic situation and Government strategy

- (a) We support the Government's determination to continue its pursuit of active labour market policies, which will be continued even if the labour market cools, but consider that contingency plans should nevertheless be made in case of an unexpected severe economic recession. In particular, we suggest that plans for early implementation of additional Transitional Employment projects would be advisable, specifically in areas affected by lower growth (paragraph 25).

Regional features and variations

- (b) We would expect the Government to have appropriate policies to deal with large-scale redundancies such as those experienced in the steel and car industries. In particular, the current "Catch-22" situation which means that the full range of Government assistance can only be given once redundancy notices have been issued, should be urgently reviewed (paragraph 30).
- (c) We welcome the acceptance by Government that within the generally positive employment situation, there are areas which are doing less well. We recommend that the employment and skills frameworks produced by the LSC and the RDA should be used to anticipate the skills and support required in these areas, and allow greater funds for Jobcentre Plus to go to those areas likely to experience, or experiencing, greater problems (paragraph 32).
- (d) We welcome the Government's commitment to investigate the question of poor take-up in London of the Working Families Tax Credit. As the new tax credit arrangements come into effect, we recommend that detailed monitoring of take-up in London continues, until this regional variation is fully explained and eliminated (paragraph 34).

Contributions by other Government Departments and co-ordination of policy

- (e) While accepting that there is no easy answer we would urge the Government to increase its efforts to simplify the system by reducing the number of schemes, simplifying conditions for qualification and devolving more discretion to front-line DWP staff and to recipients of funding (paragraph 41).
- (f) We urge the Departments responsible to take account of the effect of transport on employment when considering their policies, and recommend that the DWP reviews its programmes to see whether individuals' transport needs are being adequately addressed (paragraph 45).
- (g) We do not believe that the number of childcare places is an adequate measure of whether working parents can meet their needs for childcare. A working parent may require pre-school care for young children and care for older children before and after school and during school holidays - up to three or four places for one family. For children with special needs, there may not be adequate provision in schools. We recommend that the Government develops a new measure, related to working parents' needs, and reviews its policies and funding commitments to meet any gaps, drawing on the example of states such as Oregon and Washington that have switched funding from welfare payments to childcare support (paragraph 49).

- (h) We are concerned that figures are not yet available for the target that every lone parent in the 20 most disadvantaged areas should have a childcare place. We recommend that this data should be collected and published within a year (paragraph 50).
- (i) We recommend that childcare co-ordinators in Jobcentre Plus offices be given two roles. First, as co-ordinators of more active assistance to lone parents, designed to ensure that every lone parent undergoing work-related training or seeking employment succeeds in making suitable and reliable childcare arrangements for their children. Second, in providing strategic advice to the Early Years Partnerships on the specific childcare needs of lone parents on benefit in the locality who want to work. Childcare is an issue the Committee may well return to consider in detail in the very near future (paragraph 51).

Re-design, streamlining and co-ordination of New Deal initiatives

- (j) We recommend that the emphasis of the New Deal should shift from the younger JSA claimant population to older JSA recipients, those facing acute barriers to work, those on other benefits, and those who are economically inactive (paragraph 56).
- (k) We believe that the Government should prioritise its support for more disadvantaged jobseekers, particularly those who have been in receipt of benefits that previously did not qualify them to receive a full range of labour market services (paragraph 61).
- (l) We recommend the StepUp approach should be extended beyond the original pilot areas in order to accommodate a wider group of clients (paragraph 64).
- (m) We commend the Government's confidence in the underlying strength of the labour market and its relationship with employers prepared to engage in the programme (paragraph 65).
- (n) We recommend that the Department for Work and Pensions actively explores routes to create flexibility and encourage these innovative Intermediate Labour Market solutions to unemployment and economic inactivity amongst the hardest to place, like lone parents, longer term unemployed, people with health problems or disability (paragraph 71).
- (o) We believe it is essential that the 17% gap between the employment rates of ethnic minorities and the general working age population be narrowed. Whilst we commend the active approach being taken by Jobcentre Plus, we recognise that the pace of improvement until now has been relatively slow and highly varied between different parts of the country. Recognising that Jobcentre Plus is aiming to improve performance in 60 areas of deprivation and low labour market participation by ethnic minorities, we nevertheless do not believe that this will necessarily mean better outcomes for ethnic minorities. We recommend that Jobcentre Plus urgently reports on the effectiveness of its ethnic minority outreach projects and identifies further ways in which its programmes can be targeted to achieve parity faster. We particularly recommend that Jobcentre Plus places a greater emphasis on self-employment entry in conjunction with black and minority ethnic business development agencies (paragraph 73).
- (p) We also believe that additional support should be made available by Jobcentre Plus to help further groups of working-age claimants to access specialist services. These need to address disadvantages such as a history of offending or

anti-social behaviour; alcohol dependency; patterns of homelessness or insecure housing tenure; and domestic or family stress. Much of the best expertise in these areas currently lies outside Jobcentre Plus. We believe that Jobcentre Plus should concentrate on its own strengths and rely on expert, independent, specialist organisations in the voluntary and private sectors for the delivery of the many services needed by these clients who face significant barriers to work. From the evidence of Action Teams, Employment Zones and our discussions with providers in the UK and USA, we conclude that services to these clients - and their ultimate entry into the labour market - can be significantly improved by funding private and voluntary sector providers to undertake these tasks. We believe that the contractual architecture inherited by Jobcentre Plus needs to be overhauled so that these private and voluntary organisations are not simply contracted to deliver small bespoke "add-on" packages of help. Instead, their central role should be recognised, they should be given flexible funding and a broad remit of devolved service responsibility, matched by a transparent framework of accountability (paragraph 75).

- (q) We recommend that the current Tailored Pathway pilot schemes should form part of a national roll-out (paragraph 79).
- (r) Training in the New Deal needs to be delivered with flexibility to ensure that it is sufficiently work-focussed, brings participants up to employer standards and is relevant to local labour market needs. Government funded training should not substitute for skills development that an employer is already prepared to pay for and which is specific to that firm. Instead, Jobcentre Plus should aim to develop more portable skills ("soft skills") that are specific to the individual and will improve their progression prospects (paragraph 82).
- (s) We recommend that the Government consider removing the different options and pilot programmes within the different New Deals, and instead allow advisers much more flexibility to design support around the needs of the individual. In doing so, they should draw on the more devolved models evident in our evidence on Employment Zones, Action Teams and the US (paragraph 84).

Engagement in the 'WorkFirst' agenda: the balance between opportunity and obligation

- (t) We reject the options of time limits on benefits and requiring lone parents to work as a condition of receiving benefit (paragraph 86).
- (u) We have concluded that the Government is right in steering away from requiring mandatory participation in New Deal programmes for groups receiving 'inactive' benefits (paragraph 90).
- (v) We accept the need for attendance by certain lone parents at annual work-focussed meetings to be mandatory, essentially as a recognition that Jobcentre Plus staff often have to overcome a degree of fear and suspicion regarding the work agenda, which can make claimants unwilling to attend voluntarily (paragraph 91).
- (w) We recommend that almost everyone receiving benefit on the grounds of incapacity for work should be provided with a face-to-face work-focussed interview at least once a year, when barriers to work could be explored and strategies discussed to overcome them. Recipients would be required to attend these annual interviews although some (such as those with severe disabilities for whom attendance should remain voluntary) would be subject to waiver or deferral where the interview would not be of assistance to, or appropriate for,

an individual. We recommend that such interviews should be confidential, and independent of the Jobcentre Plus benefits administration system so that a client's willingness to consider work should not be used to trigger a fresh personal capability assessment which might lead to the withdrawal of benefit (paragraph 94).

- (x) Urgent and sympathetic action is needed by the Government to address worklessness among sick and disabled people, too many of whom feel "written off" by society despite their desire to work. Much more needs to be done both pro-actively to engage with people on incapacity benefits concerning the possibility of working and to offer them the support and training necessary to get into the labour market (paragraph 95).
- (y) Drawing on our experience from the Netherlands and the US, we recommend re-designing the New Deals around three principles:
 - Work for those who can enter the job market quickly;
 - Soft skills, work placements, job-specific training and active job search for others; and
 - Intensive personal help ("re-habilitation" in the jargon) for those with the most significant barriers – e.g. drug abuse, ex-offenders (paragraph 96).
- (z) We recommend that the principles above should become the principles guiding the New Deal overall, with advisers given the budgets and powers to apply those principles according to the circumstances of their clients and their locality. National benefit entitlement rules would continue to apply and Jobcentre Plus offices would be held accountable through monitoring outcomes rather than as now through centrally set options and programme rules (paragraph 97).

Job retention progression and sustainability

- (aa) We recommend that the DWP move as swiftly as possible to the collection of data allowing the progress of former New Deal participants in retaining employment over 12 months, and in increasing their wage levels, to be monitored (paragraph 103).
- (bb) We recommend that 'soft skills' training be an integral part of New Deal programmes aimed at harder to help groups and that the skills training in New Deal programmes be reviewed to see whether they provide these soft skills and workplace ethos (paragraph 107).
- (cc) We recommend that Jobcentre Plus should develop partnerships with voluntary, not-for-profit and private organisations to provide re-habilitation services for this category of clients. This will involve one to one support, based on outreach work, to address the individual's particular needs (paragraph 108).
- (dd) We recommend that Jobcentre Plus provides individual advisers for clients and develops its aftercare services for New Deal participants, so that an ongoing relationship is maintained with Personal Advisers or with an independent agency under contract to Jobcentre Plus (paragraph 111).
- (ee) We recommend that Jobcentre Plus builds up its relations with employers taking New Deal recruits, encouraging them to develop induction programmes, and the use of mentors, and to give feedback and support to assist entry level employees to progress (paragraph 115).

- (ff) We repeat our recommendation, made in our report on lessons from the ONE pilots, that protocols be developed to assist Personal Advisers to explore, in a more systematic and consistent manner, a new claimant's work readiness and the barriers they face (paragraph 118).
- (gg) We are pleased that the DWP has taken on board the recommendations made in our report on the ONE pilots and is considering possible measures of 'distance travelled' as part of the development work for the 2003-04 Performance and Resources Agreement (paragraph 119).

Improving delivery

- (hh) We believe that co-financing is a useful model and recommend that Jobcentre Plus programme funds could be placed with ISPs to be match-funded with other resources from local and central government. This would create real strategic partnerships equipped with a wide range of programme funds and would enable local decision takers to reduce duplication, fill gaps and achieve "double benefits" to both individuals and communities. We recommend that a pilot area be identified to test and evaluate this approach (paragraph 124).

The role of Jobcentre Plus

- (ii) We fully support the Government's aim actively to engage business and to design interventions that meet the requirements of employers in both private and public sectors. We endorse the sector specific approach adopted by the employer-led "Ambitions" programme and propose that further sectors are actively encouraged, particularly where this can be in parallel with developing Sector Skills Councils. We specifically recommend that all training components of the New Deal, other than soft and Basic Skills, are made job-specific and matched to individual employers' actual recruitment needs (paragraph 131).
- (jj) We recommend that Jobcentre Plus resources its Local Account Managers, particularly in big city conurbations, to work in small sector-specific teams so that expertise and contacts can be built up and employer and business needs properly investigated and understood (paragraph 132).
- (kk) We recommend that specific funds be allocated to training Jobcentre Plus staff in the necessary skills to enable them to understand the needs of employers at local level. We also recommend that consideration be given to greater recruitment of staff from the commercial sector to perform the Account Manager function within Jobcentre Plus (paragraph 133).
- (ll) We are concerned at the apparent lack of detailed knowledge of, and support for, Business Links and recommend that the Departments concerned take urgent steps to promote all the services and assistance available to those contemplating self-employment or starting a small business, and to increase the relationship between Jobcentre Plus and Business Links from awareness to active involvement on a continuous basis (paragraph 139).
- (mm) We recommend that a range of specific sector initiatives be launched - using the template of "Ambition" to help prepare employers in the public sector for the recruitment of Jobcentre Plus clients and to tailor packages of job preparation for the needs of these public sector employers (paragraph 141).
- (nn) We endorse the Prime Minister's favourable assessment of the value of Employment Zones (paragraph 151).

- (oo) **We recommend that the proven model of Employment Zones should be extended into a further 15 areas of labour market need within the term of this Parliament. We also recommend that the Government promotes more schemes similar to the Seattle Jobs Initiative, the Oregon "Steps to Success" programme and the "Transitional Work Corporation" in Philadelphia (paragraph 154).**
- (pp) **We recommend that a review of innovation financing is undertaken in order to identify ways in which it can stimulate entrepreneurial activity and promote a stronger culture of risk-taking amongst Jobcentre Plus managers and contracted suppliers. The key tests should be focussed on agreed predicted and actual outcomes (paragraph 155).**
- (qq) **We recommend a more systematic use and replication of the evaluations, pilots and best practice or innovation within the New Deal's design framework (paragraph 157).**
- (rr) **We understand that, following the Social Investment Task Force report, the DTI is sponsoring a range of initiatives that replicate some of the Reinvestment Fund's characteristics. We have not found any evidence that these have been co-ordinated with Jobcentre Plus programmes and strongly urge closer integration (paragraph 162).**

ANNEX 1

Committee Visit to Birmingham - 13 June 2002

[An extract of the brief supplied by the DWP is attached as Appendix A.]

Birmingham City Council

[Mr Paul Spooner, Head of the Economic Department.]

Mr Spooner described major local projects, such as the reconstruction of the Bull Ring, which were vital in providing new local jobs for local people. On the supply side, local agencies were working hard in local communities via Employment Resource Centres, which were supported by ESP money matched by the Council, aimed at hard to reach people, many of whom were outside the system and working in the black economy. There were also particular problems faced by Asian women and disabled people who were difficult to place in work.

The City Council leads in planning and development and uses this as a platform for job creation. Other groups cover areas such as health, construction, major retail investment and voluntary service groups.

The Learning and Skills Council was also involved in the strategic group identifying basic skills needs. The City Strategic Partnership also had responsibility for Neighbourhood Renewal and delegated most responsibility to local wards. The partnership included a small external funding team which sought funds once strategies were set.

Employers have a partnership with the City Council via Business Link and other organisations such as 3B (Black Business in Birmingham). The nearby Jewellery Quarter had 1,200 small businesses, 31 per cent of whom did not have a computer.

Mr Spooner suggested that certain changes would further improve the situation:

- fewer new (Government) initiatives; and
- fewer conflicting or overlapping boundaries.

Jobcentre Plus, West Midlands Regional Office

[The Committee held informal discussions over a working lunch attended by Ms Margaret Tovey, District Manager, Jobcentre Plus, Mike Beasley, Executive Director of Jaguar Cars and Chair of Birmingham Employer Coalition, representatives of Birmingham Strategic Partnership, Pertemps Employment Alliance and Mr Peter Tomlinson from a local radio station. For full attendance, see Appendix B.]

The Birmingham Employment Coalition covered a cross-section of industrial and commercial sectors. Its key aim was to ensure that the recruitment needs of local employers was reflected in employment policies. It acted as a "friendly critic". It was vocal and active especially via the National Employment Panel.

There had been a change in mindset in recent years and membership of the coalition was being reviewed to ensure wide representation. It was also trying to find ways to support Jobcentre Plus local account managers.

The work was driven mainly by sector but some topics (e.g. ethnic minorities) covered several sectors. The manufacturing sector still accounts for approximately 30 per cent of job opportunities. It was vital for Jobcentre Plus to understand the needs of employers. Local account managers played a vital role.

A relaxation of the criteria for referral to programmes would be welcome, although it was pointed out that this would have resource implications. There should be more local discretion and fewer targets for Jobcentre Plus. There should be some classification of the levels of disadvantage. There was a culture of exclusion (particularly for those involved in the black economy).

More attention should be given to the New Deal 50+ and to those in that age-range.

Pertemps Employment Alliance

[Mr Colin Burchall, Managing Director, Mr Steve King, Operations Director.]

Pertemps Employment Alliance (PEA) had the contract for the Birmingham Employment Zone. It was their only EZ contract and is the largest single Zone contract awarded. Birmingham was the most ethnically mixed of all the EZ areas, with 48 per cent of participants from ethnic minorities. Of the first tranche of 9,700 participants (from April 2000), provisional figures showed that 36 per cent went into work, and 83 per cent were still in work 13 weeks later. The basic entry criteria for EZ assistance was that a person, aged 25 or more, had been unemployed for at least 12 months. At the time of referral, the average length of unemployment was 4.2 years.

The key feature of Employment Zones, was that they were completely privately run and had greater flexibility, compared to government-run programmes, in what they could put together as a package of assistance for individuals. For example, PEA had a 'Making Music Work' project which organised events showcasing Pertemps clients - designed to make links between performing musicians, technicians, and the music industry.

Edgbaston Cricket Centre

At Edgbaston Cricket Ground, Home of Warwickshire County Cricket Club, the Committee was shown the 'Cricket without Boundaries' motivation course set up between the Club, PEA and South Birmingham College. There were two courses: a three-week course for people aged 25+ run with PEA and a 16+ course run for 13 weeks with the college. Using both an onsite classroom and the sports facilities at the club, the courses aimed to use the medium of sport to teach teamwork, leadership skills, and build self-esteem. The courses were a route both into education and employment. The community also benefited from what was being offered. One offshoot was the training of people as sports coaches, going into local schools. Roughly 3,500 children per week were getting sports coaching as a result. They were also operating in Brinsford Young Offenders Prison.

Sparkill Employment Zone Centre

[The Committee then visited the Pertemps Local Centre in Sparkhill. The group was divided, making comprehensive note-taking difficult, but the Committee saw the general activity of a very busy centre and met with representatives and clients of Action Teams.]

This is one of seven development centres across the Employment Zone. Members and Committee staff were greeted by Jag Sandhu (Sparkhill Centre Manager) and then given an individual Employment Zone coach to explore different facets which make up the Employment Zone's current activities. The Chairman looked at special needs services (Dyslexia Workshop) and New Deal for Disabled. Mr Goodman looked at training - retail training and a language class. Mrs Humble looked at Employer Linkage, in particular, recruitment services with Dura Automotive a supplier to the motor trade. Between September 2001 and January 2002, PEA co-ordinated five recruitment events resulting in 43 job offers to unemployed clients. Mr Mitchell was taken to see the work done in assisting people towards self-employment. Philip Moon was taken to see the work of PEA with the Seaman Trust (working with ethnic minority communities to develop strategies

for increased employment, better social conditions and social inclusion), and Action Teams for Jobs. Janet Allbenson was shown Special Projects: the promotion of use of banking facilities for Step 2 Zone clients; a partnership project with Gwinto (Gas and Water Industry National Training Organisation) running a 28-week fast track programme to provide people with the necessary core skills to undertake gas installation duties for the Home Energy Efficiency Scheme; the childcare recruitment project offering an introductory three-day course to raise awareness of career pathways within the childcare field; the New Deal for Lone Parents; and 'Making Music Work' - a project which in addition to helping musicians find outlets also offers classroom learning, ideas on self-employment opportunities and gives clients the possibility of using their skills in local education.

GENERAL EMPLOYMENT BRIEF: BIRMINGHAM

1. Profile of the Area

Birmingham has a long tradition linked to engineering and metal working industry and is still heavily dependent upon the fortunes of the motor industry and component manufacture. Major private employers in this sector include Rover MG, at Longbridge, LDV Commercial Vehicles at Washwood Heath and Jaguar at Castle Bromwich. Other large employers include Cadbury, TSB Bank, Kalamazoo Business Systems, IMI and Lucas Industries.

However, manufacturing is now in decline within the city (down 1.4% on 1999 figures) and has recently been overtaken by other sectors. Current job creation is predominantly in the retail and catering sectors.

The city has a population of around 940,000. According to the 2000 Annual Business Inquiry (latest available) just over 567,000 people are employed in the Birmingham and Solihull Local Authority Areas. The main employment categories are Public Administration, Education and Health 140,000 (25%). Banking, Finance & Insurance: 123,000 (22%). Distribution, Hotels and Restaurants 114,000 (20%). Manufacturing: 99,000 (18%) and Transport & Communication 39,000 (7%).

The Birmingham and Solihull Jobcentre Plus District covers the whole of the City of Birmingham and incorporates the two nearby towns of Sutton Coldfield and Solihull bordering on its eastern side. The District comprises a network of 18 Jobcentres and 9 Social Security Offices.

2. Unemployment

Unemployment - Birmingham local authority area and West Midlands region

	Birmingham local authority			West Midlands region	
	Total unemployed	% Unadjusted workforce* base unemployment		Total unemployed	% Unadjusted workforce* base unemployment
Apr 2002	30,258	5.5%	Most recent available	95,850	3.6%
Apr 2001	32,558	5.9%	One year ago	103,386	3.9%
Dec 1992	n/a		Most recent peak	288,346	11.1%
July 1986	n/a		Most recent all-time high	346,690	13.5%

Note:

* Workforce = employees in employment + self employed + HM forces + participants in work related Government training programmes + claimant unemployed

3. Recent Good News

City Centre — More than 600 new jobs will be created within the next twelve months

when the Royal Bank of Scotland opens its new regional headquarters in the Brindley Place area of the city. The bank will move when building work is completed

Witton --- (North of City Centre) Dana Preferred Technical Group, suppliers of steering equipment for the Ford Fiesta is to take on 250 workers over the next year, effectively doubling its workforce, to meet demand.

Sheldon — (Due South of City Centre) Mobile phone manufacturer Sendo is moving from Small Heath in Birmingham to a larger HQ near to Birmingham International Airport. The expansion will create up to 250 new jobs over the next three years.

Tyseley (South east of City Centre) Euro Packaging, suppliers of supermarket food packaging is expanding its factory after buying adjoining land from the City Council for £10 million. An additional 200 jobs will be created.

Longbridge — (2 miles South of Northfield) MG Rover, which came close to closure two years ago, took on 300 additional staff last September. Some were apprentices but the majority were general production operatives brought in to overcome skill shortages. An open day to recruit up to 50 engineers was held in March.

4. Recent Bad News Stories

Longbridge — Car parts firm GPM Engineering Systems Ltd. has gone into receivership after a downturn in trade. Around 30 workers have already been made redundant and another 120 workers are waiting to see if a buyer can be found for the firm.

Solihull In February, gas pipeline firm Franeco announced that up to one in four jobs is to go at its five West Midland offices as part of a £230 million cost cutting programme. This could result in as many as 700 job cuts at its Solihull and Coventry plants.

Ladywood — (West of City Centre) A company that has been making paint in Birmingham for over 120 years is to close with the loss of 180 jobs. The American owners of PPG Industries has decided that the plant will close over the first three months of 2003.

City Centre and Washwood Heath (East of City Centre) Consignia are closing two parcel distribution depots in November with 114 job losses as part of national cut-backs. It is not yet clear how many, if any, of the redundancies will be compulsory.

EMPLOYER ENGAGEMENT STRATEGY

The Government's Green Paper "*Towards Full Employment*" and the White Paper "*Opportunities for All*" identify key roles for the Employment Service/Jobcentre Plus, Learning and Skills Councils, Regional Development Agencies and others to work together to achieve the goal of full employment for all. Jobcentre Plus and its Pathfinder Districts have been tasked with developing a robust local employer engagement strategy in consultation with its partners.

An effective employer engagement strategy must be developed within the context of Jobcentre Plus and build on what employer activity is already taking place. If this strategy is to succeed it must be more "demand-led", with service to employers at the very centre. By its very nature, a demand-led approach engages employers in the design and delivery of recruitment and pre-employment training measures, and uses their experience of hiring personnel to define programme requirements and assess the basic standard of job-readiness

Birmingham and Solihull has many past, current and emerging examples of successful collaborations and forged partnerships with key employers and developers, some of which are illustrated.

Birmingham and Solihull District Working in Partnership with Key Stakeholders

The District has and is playing a leading role in partnership working with key stakeholders for public, community and commercial gains. These include the establishment of a Birmingham Employer Coalition, and developing a sectorised employer engagement strategy along the lines of the "Business on Board" New Deal Task Force recommendations.

Services have been developed to support several major recruitment exercises, including the development of Touchwood, Solihull Town Centre, and the new Bull Ring, Birmingham City Centre. Other projects include GAP, Rover, Birmingham International Airport, Dunlop and Breed Steering. Many of these projects have involved setting up Job Shops on employer premises to help with their recruitment and redundancy issues. In the case of Rover alone the District provided assistance for over 1,000 of their affected employees.

Birmingham Employer Coalition

The Birmingham Coalition is one of 10 coalitions established in most conurbations around the country, and is part of, and answerable to, the National Employment Panel (previously the New Deal Task Force). The Birmingham Employer Coalition has been established for around four years, having originally been a local New Deal employer forum.

The original role of the Coalition was to act as a "friendly critic" of New Deal and other Governmental employment programmes, making sure that what the New Deal partnership was delivering was meeting the needs of local employers.

The Birmingham Employer Coalition is chaired by Mike Beasley, Managing Director of Jaguar Cars, with Paul Toomer, a secondee from Jobcentre Plus filling the role of Coalition Director. Membership covers engineering, manufacturing, the police, the Local Authority, IT, hospitality, printing and the voluntary sector.

The key operational objectives for the Birmingham Employer Coalition for 2002-03 are supporting Jobcentre Plus to implement the key recommendations of "*Business on Board*", assisting in the design and delivery of "Ambition Sector Initiatives" (as described in Section 2 of *Business on Board*), increasing access and outcomes for disadvantaged clients (particularly ethnic minority clients) and reviewing membership of the Coalition to ensure appropriate representation.

The Birmingham Employer Coalition is currently supporting a number of projects. These include an engineering industry recruitment project - funded by the New Deal Innovation Fund, a small - medium enterprise recruitment project, close working with the Seaman Trust - to help medium enterprise clients currently outside the social welfare system, and an ethnic minority recruitment project to match job-ready clients to vacancies within blue-chip companies.

Business Development Managers (Local Account Managers)

One of the most effective ways of engaging employers at a local level is through a sector strategy which is demand-led. Within the District we have established a small team of sector-specific Business Development Managers (or Local Account Managers). These managers work closely with employers, delivery partners, Jobcentre Plus managers and staff to satisfy employer and business needs for the recruitment of suitable workers, through

demand-led approaches, facilitating the development of customised training routeways, where appropriate.

Since its formation in September 2001, the Business Development Team aims to provide a high quality, professional account management service at local level that strengthens employer participation in the New Deal: Next Phase and increases the number of opportunities and successful job outcomes for our most disadvantaged clients.

City Strategic Partnership

Local Strategic Partnerships are being set up around the country. For those areas that receive Neighbourhood Renewal Fund allocations, like Birmingham, the Local Strategic Partnerships must show that they are working with an effective partnership to qualify for the money in the next two years. In Birmingham & Solihull (who have not yet set up Local Strategic Partnerships) a core group has been established, and referred to as the City Strategic Partnership. This has representatives from 12 key agencies/sectors, including the District Manager for Jobcentre Plus.

The aim of the partnership is to bring together at a local level (ie within the local authority boundary) the key public services with representatives of the business, voluntary and community sectors to improve local services, particularly in deprived neighbourhoods.

The City Strategic Partnership has the responsibility of producing the long term vision for the area (the Community Strategy); directing Neighbourhood Renewal Grant to achieve improvements in employment, health, housing and environment, education and crime; developing Public Service Agreements; and co-ordinating the work of other partnerships.

The City Strategic Partnership is developing relationships with other city-wide strategic partnerships that have specific responsibilities such as Lifelong Learning or Economic Development; and will also relate to a network of more local partnerships across the city. The shape and membership of these area based partnerships have still to be agreed, and will be influenced by the outcome of the City Council's consultation on local decision making structures.

In addition to the city-wide and local partnerships, the City Strategic Partnership has begun work to engage business interests; and the community and voluntary sectors. The latter work is being led by Birmingham Voluntary Services Council on behalf of the City Strategic Partnership, and will focus on setting up a Community Network and the using of the Community Empowerment Fund to support active participation in the work of the City Strategic Partnership.

Employment and Training Strategic Partnership

Reporting to the City Strategic Partnership, the Employment and Training Strategy Group has been formed to further the employment, skills and learning objectives of Birmingham & Solihull. Its objectives are aligned to that of the Framework for Regional Employment & Skills action, as developed by the Regional Development Agency.

Chaired by the Executive Director of the local Learning and Skills Council, and with Jobcentre Plus District Manager representation, the group meets monthly. Other key representatives include Directors of Economic Development for both Birmingham and Solihull Local Authorities, the Chamber of Commerce, the Voluntary Sector Forum and lead private sector delivery partners, Pertemps and Reed plc.

The aim of the group is to close the equalities gap in employment, skills and learning attainment for ethnic minorities and other disadvantaged groups. Inter-agency co-operation and actions to develop sector strategies, cultivate inward investment opportunities,

workforce development and planning, area and community regeneration and overcoming barriers to employment and training.

Welfare to Work Operational Management Group

The Birmingham Welfare to Work Operational Management Group, is a newly established strategic partnership group reporting to the Employment and Training Strategy Group. Its purpose is to oversee the implementation of Welfare to Work in Birmingham, ensuring that the work of partners is co-ordinated towards successful implementation of all the initiatives within the Welfare to Work Programme. Our aim is to make sure that people who are able to work but not currently working are appropriately targeted and fully supported in moving into and maintaining permanent employment. There is also a Solihull Welfare to Work Strategic Partnership Group chaired by Jobcentre Plus.

Employment and Training Strategy Group lead on demand strategies to deal with employer recruitment in Birmingham. This forum is the primary vehicle for co-ordinating and planning the arrangements for delivery of Welfare to Work across Birmingham and Solihull, including the implementation of New Deal: Next Phase and the partnership working arrangements to be established by the Jobcentre Plus.

The group has three prime areas of work to fulfil. These are Planning of good quality, accessible and fully co-ordinated Welfare to Work initiatives, effective Performance Management of initiatives within the Welfare to Work Programme, and efficient and timely Communication with partners at all levels within and between partner organisations.

Access to Employment Groups

Jobcentre Plus is leading the development of Access to Employment Groups within Birmingham. These are designed to be the local joint planning and co-ordination forums through which the Employment Strategy Group will seek to develop effective and seamless employment support and progression services which are responsive to 'supply side' issues and the specific needs of unemployed people in key target communities.

Activity is focussed on PSA Target Regeneration Areas and key wards with highest unemployment and include: Handsworth/SRB6 (Handsworth/Soho wards); North Aston (Aston ward and neighbouring areas); South East Birmingham (Sparkbrook and Sparkhill wards); Nechells/Heartlands (Nechells, Washwood Heath & Small Heath wards); South West/Outer Estates (Kings Norton and West Northfield); and Central (Ladywood and Edgbaston wards).

Aims and Membership

Through the improved local co-ordination Access to Employment Groups - whose membership mirrors the Employment Strategy Group - we will seek to collectively deliver services which have a significant and lasting impact on the progression into employment of individuals, and which secure over time reductions in differential unemployment rates in key communities. A central element of Access To Employment Groups membership will be local community (and other) organisations with a clear service delivery role. Local providers will therefore be key participants, as will relationships and linkages with other local (planning) forums, including City Council Constituency Strategic Partnerships and Ward Advisory Boards, Local Area Inclusion Partnerships, Regeneration Zones/Area Boards and their thematic groups.

EMPLOYER CASE STUDIES

Touchwood and Solihull Town Centre Partnership

Background

In 1997, an Australian based property developer - Lend Lease, secured the contract to redevelop a previously owned town centre civic car park site into a major retail and leisure complex, known as Touchwood. The project, which opened its doors to the public on 5th September 2001, effectively doubled overnight the town's retail capacity, and elevated Solihull from 112th to 29th in the UK's ranking of top retailing destinations. The expansion would bring over 90 new employers to the town centre and create in excess of 2,300 new retail and leisure jobs - nearly 1,000 of which were for the flagship John Lewis department store.

Working in Partnership

The Solihull Town Centre Partnership was established in 1999 (out of the ashes of a former Retail Chamber of Trade) in order to effectively rise and respond to the challenges that Touchwood would present. Administered by the Town Centre Management Group, the partnership has evolved and grown to over 40 current member organisations (representing many more local businesses), with a core management board including the Borough Council, key employers, property management bodies and developers, Solihull College and the Jobcentre Plus.

Jobcentre Plus is and has been at the very heart of this Town Centre Partnership, working at all levels. The local District Manager, Regional Director and Deputy Regional Director have all played an active role in overseeing the strategic development of the project and regularly participate in Partnership Board and associated meetings.

This commitment by Jobcentre Plus senior management led, during the Touchwood project's formation and development, to the region supporting and resourcing the establishment of a dedicated recruitment centre - separate from the town's Jobcentre. Firstly, to assist with the employment of over 800 construction workers and, more recently, to manage and fill the over 2,000 retail, hospitality and leisure vacancies within the town.

In Spring 2001, the Jobcentre Plus recruitment team worked alongside the John Lewis Partnership store's personnel team to co-ordinate, pre-screen and initially interview applicants for their 1,000 vacancies. Over 7,000 application packs were issued to jobseekers, with nearly 4,500 returned, processed, interviewed and rejected/recommended to the employer for final interview. This was an amazing achievement by the local team.

In March 2001, Jobcentre Plus seconded a full-time Recruitment Manager to the project to engage new employers moving into Touchwood, provide direct assistance to the Partnership Board and various local support agencies to identify and overcome potential barriers to employment for unemployed people (eg. transportation, training, childcare, etc.).

In the crucial 6-month period prior to Touchwood opening, Jobcentre Plus successfully managed to market, engage and secure the vacancy handling business from over 60 new employers to the town, resulting in servicing over 2,000 vacancies. Results show Jobcentre Plus can be reliably accredited in filling over 1,000 of Touchwood's retail, leisure and hospitality vacancies, 766 of which were with unemployed people, and 18.5% of these are people from ethnic minority backgrounds.

An integral feature of the Touchwood development - as part of the centre's management suite - is an innovative 'roof-top' community, employment and learning area, for which

Jobcentre Plus was invited to become a key stakeholder. Labelled 'Learning & Job Shop@The Hub' it is the developer's vision to put something back into the community and "to create a centre of excellence for local learning, training and recruitment which becomes a benchmark model for all UK communities." This facility became operational last September and provides a permanent base for the outstationed recruitment team - enabling the central handling of all town centre job vacancies, jobseeker registrations, matching and employer marketing.

Over 420 unemployed people have so far been recruited into vacancies by this team.

The New Bull Ring, Birmingham

The Touchwood recruitment 'model' is now regarded as an exemplar of its kind, and is currently being adopted by the developers of the new Bull Ring development, which opens in Birmingham city centre in September 2003.

The new Bull Ring, currently under construction, forms the keystone development for one of the largest regeneration zone projects in Europe - known as Birmingham's Eastside. Covering 1.2million sq.ft. of prime site retail space the development will position Birmingham as a market leader for retailing in the UK. With over 8,000 potential vacancies - 2,000 of which will be for the flagship stores of Selfridges and Debenhams - this presents an even greater challenge for Jobcentre Plus and its partners over the coming months.

Negotiations are currently at an advanced stage with Hammersons, the developers of the new Bull Ring, to engage them with a partnership recruitment and training package to recommend to their tenants. In return, Hammersons are enabling the partnership to establish a 'Learning and Recruitment Shop' to be sited in the landmark Birmingham Rotunda building, located adjacent to the new development.

The city council economic development teams, the local Learning and Skills Council, Jobcentre Plus and its contracted local delivery partners form the core partnership team.

Conclusion

Both Touchwood and the new Bull Ring partnership project encapsulate the very essence of public/private partnership working at strategic and practical levels for commercial and community gains.

The case studies illustrate some of the key ways in how Jobcentre Plus - within Birmingham and Solihull - has and is playing a vital, 'value-added' role in strengthening partnership working arrangements, while at the same time supporting its own core business objectives and DWP values.

The GAP/Jobcentre Plus Birmingham Partnership Initiative

The partnership with GAP was formed to support the company's expanding business within the UK and also with a view to helping New Deal and other disadvantaged jobseekers train and prepare for jobs in the company. GAP have strong corporate values around diversity and equal opportunities and they are keen that their partnership with Jobcentre Plus helps them to create a workforce that reflects the diversity of the local labour markets in which they operate. To this end they have decided that Jobcentre Plus should handle their recruitment for new stores and on-going recruitment through a Service Level Agreement. The company currently employ 6,000 people in the UK and this figure is expected to double over the next five years.

The Birmingham initiative was set up to support GAP's recruitment for their new flagship store in Birmingham (which opened on 2nd November). Its aims were to ringfence up to

twenty vacancies for disadvantaged jobseekers (mainly New Deal groups/lone parents/returners/disabled people) who would be supported through tailored job preparation training delivered jointly by a Jobcentre Plus approved local training provider and GAP. The training would focus on excellent customer service skills and basic management development training, two of the key features proposed for the "Ambition:Retail" initiative.

Of the twenty jobseekers who started the training programme, twelve completed it and ten have been offered jobs with GAP. All parties agree that the initiative is an excellent example of a collaborative partnership between an employer (GAP), Jobcentre Plus and a local Training Provider (Biscom Training). It delivers an innovative, tailored routeway that has helped ten disadvantaged jobseekers mainly from New Deal and lone parent backgrounds, finds jobs in the new store. In addition to the New Deal job starts. Eight jobseekers with disabilities were also helped into jobs with the company through strong links developed between GAP and the local Jobcentre Plus Disability Team. Jobcentre Plus also helped GAP fill the remainder of their 150 vacancies through supporting the company's recruitment open days.

Key Factors Contributing to Success

The majority of the trainees who completed the four week programme were severely disadvantaged and had major barriers to overcome to become "job-ready". The training therefore focussed strongly on life planning skills and included a great deal of one-to-one mentoring and coaching to help build self confidence and improve self-esteem. The vocational training took place in a GAP store; weeks 3 and 4 were led by GAP. This training centred on building excellent customer service skills and gave trainees an introduction to basic management skills for retail. GAP modified their normal recruitment assessment process so they could observe and assess trainees during the on-the-job element, thus helping to reduce the stress of facing an interview /assessment at the end of the programme.

To support trainees in preparing for work, Jobseekers Grants were made available to help them purchase new clothes for the on-the-job training. GAP provided a 30% discount on their own clothes to help trainees maximise their Grants. The Jobcentre Plus Lone Parent Advisers were also on hand throughout the programme to advise on in-work tax credits and benefits. Lone parents and returners in particular found this advice invaluable in helping them make an appropriate choice about the number of hours they could work.

During the programme, the Training Provider arranged for the local branch of Boots to give makeovers and advice to the trainees on personal presentation for retail sector careers which all trainees enjoyed and found beneficial.

GAP will also provide a structured "aftercare" process for the ten trainees recruited through this initiative to help them cope with the transition into work and ensure that they settle into their jobs and are given opportunities to progress in their careers. This will include further mentoring and coaching and formal reviews at regular intervals in the first few months of employment.

Summary of Outcomes Achieved

Ten of the twelve participants who completed the programme have been offered jobs with GAP: six of these were New Deal Lone Parents, three were from the New Deal 18-24 group and one was over 25 on short job-focussed training. Eight jobseekers with a disability were also offered jobs with the company. GAP has agreed to roll out this initiative nationally.

The next pilot will be delivered in Swansea in the early part of 2002. GAP will enter into a Service Level Agreement with Jobcentre Plus to support all of its recruitment for new stores and ongoing recruitment.

LUNCH ATTENDEES

Mike Beasley, Executive Director of Jaguar Cars and Chair of the Birmingham Employer Coalition

Edward Roberts, Pertemps Employment Alliance

Steve King, Pertemps Employment Alliance

Joan Blaney, Scarman Trust

Joy Warmington, Birmingham Race Action Partnership

Jayne Sellers, John Lewis Partnership

Peter Tomlinson, Saga 105.7 FM

From Jobcentre Plus, West Midlands:

Sue Veszpremi, Deputy Director

Paul Toonier, Employer Coalition Director

Lyndley Jenks, Senior Business Development Manager

Andrew Frost, West Midlands Director's Secretariat

ANNEX 2

Committee Visit to the United States - 17-20 June 2002

Monday 17 June*Dr Mark Allen-Hughes, University of Pennsylvania*

A fundamental difference between the UK and USA was that of divided sovereignty between federal, state and local authorities, without an understanding of which it was impossible to understand the aims and achievements of the US system.

There had not been a unified approach after the introduction of the Temporary Assistance for Needy Families (TANF) reforms, but some states had introduced additional policies. The US was trying to unify work policy areas and was spending \$40 billion per year (\$16 billion on TANF). Of this, \$1.2 billion was allocated to Pennsylvania. There was complexity in the system: workforce development was administered by 6 state agencies. For example, the Transitional Work Corporation (TWC), whom the Committee were to meet, reported to two or three state agencies.

There were 5.1 million people in the Greater Philadelphia region, the fourth largest in the US. Philadelphia was the fifth largest city with a population of 1.4 million. There were 2.25 million jobs in the region, but most growth in recent years had been outside the city boundary.

The introduction of work reforms and TANF had created further complexity. For example, those travelling further to work needed help with transport costs (some claimants helped by provisions of TANF). The asset rules had had to be relaxed for some small businesses such as auto repair.

Greater Philadelphia and four suburban counties had combined to form Workforce. Investment Boards were entirely separate and were rewarded by results. There was no flexibility for counties. A new Bill renewing the TANF provisions was expected, but local politicians were generally resistant to change.

The federal lead on sanctions (claimants required to seek work after 24 months, excluded from public assistance after 60 months) had been adopted by Pennsylvania. Many states had stronger demands. The sanctions had not been widely applied. Full family sanctions were also available, but nearly all those liable had been given exemption.

The administration of the Transitional Work Corporation was funded by the Pew Trusts to the tune of \$3 million to pay core costs. TWC received some \$32 million from state and city for programme costs.

The programme paid for the first six months. As it evolved, training had become a bigger feature, but there were continuing questions over the standard required.

There was an Earned Income Tax Credit (EITC) for those earning \$10,000-\$13,000 per year with two children. Cost in a full year was \$30 billion and was administered by the IRS. Take-up rates were a problem.

There was a need to expand the outdated transport system in Philadelphia to reflect the location of newly emerging growth areas. More workers were commuting from suburb to suburb and city to suburb than ever before. The geographic mismatch between urban supply and suburban demands created transport problems which had welfare implications: jobless welfare recipients needed transport to get to the new jobs, and public transport links didn't necessarily exist. Flexible funding within the TANF budget was being used to

finance car repairs or to enable people to rent or buy cars so that they could travel to work. TANF had removed the "asset cap" so that the value of cars was disregarded; but the Food Stamps programme had not - thus there was a mismatch between programmes. Thus one response had been to try to connect people in the city to jobs in the wider region through providing transport. Other responses were the creation of Employment Zones and tax breaks to encourage employers into the city; also giving housing assistance (using TANF moneys) to help people move to the jobs.

The effects of TANF, in imposing time-limits on receipt of welfare had been difficult to quantify. Teenage pregnancies had fallen, but marriage rates remained low.

City of Philadelphia

Mr Gary Ledebur, Director of Social Services; Mr Paul DiLorenzo, Director of Children's Policy; Ms Sally Glickman, Workforce Investment Board and Ms Harriet Williams, Philadelphia Health Care Corporation.

The City of Philadelphia had developed initiatives to build on the state and federal network. Younger children had benefited economically by welfare to work policies, but by pulling mothers into work, the downside was, possibly, that older children were getting into more trouble, which would be helped by more after-school activity. The Workforce Investment Board allocated \$3 billion (from federal funds) to the hardest to place.

The primary purpose of the city's children strategy was to be proactive. There was intensive assistance for the most vulnerable families. A programme had been created targeting the 40,000 children who missed more than 25 days school per year.

There was too little flexibility in the \$1.5 billion funds received from federal and state agencies. The City strategy was 'place-based' to regenerate neighbourhoods and reduce 'address blight'.

There was still a culture of benefit dependence exacerbated by a jobs mis-match in Philadelphia.

The Bill to reauthorize the TANF provisions had been passed by the House of Representatives and if passed by the Senate, would cost Philadelphia \$6bn. 50% of students dropped out or did not attain appropriate qualifications. Drug abuse was a severe problem and there was a police initiative to try to repossess the streets.

There was a one-stop system for access to unemployment benefits but social security was still dealt with separately. The outcomes of voluntary service projects were measured by performance-based contracts.

At the end of a sixth year, the state would be asked to fund a seventh year.

Government servants must be US citizens.

Ideally, the money received should be more flexible and the unreasonable demands of state funders should be reduced.

Transitional Work Corporation (TWC)

The Committee met Richard Greenwald, President and CEO of TWC, Board Members David Florey (Director, Bureau of Labor and Employment Training Programs, Pennsylvania Department of Public Welfare) and Julie Kerksick (Executive Director, New Hope Project Inc. Milwaukee, Wisconsin), and staff members Achee O'Quinn, Director of Employment and Kim Williams, Team Manager.

'Transitional work' had been designed to deal with the requirement under TANF rules that, after 24 months, welfare recipients must participate in work for at least 20 hours a week if they were to keep their benefit. TWC was founded in 1998. It was a partnership funded by the City of Philadelphia, the Commonwealth of Pennsylvania and the Pew Charitable Trusts (one of America's largest foundations) to help "the hardest of the hard to serve" into work while giving local employers a reliable service. Unlike most welfare to work programmes, it was a not-for-profit business. It blends the "work first" philosophy with the recognition that many welfare recipients need training and other support to make the transition to work. It had grown out of a recognition that education and training programmes by themselves did not get people into jobs. Supported work was a more effective method of getting employers to connect with people who had little if any previous work history. Employer feedback was that they didn't necessarily need people to have specific skills, rather they wanted people to know how to work: to have a good attitude, to dress properly, to be drug-free, and to have their GED.

The Pew Charitable Trusts put in around ten per cent of funding. The money was useful because it was not tied to state regulations, and therefore offered greater flexibility. The engagement of Pew gave the project prestige and weight. The coalition of State, City and Pew had helped in securing funding. Two thirds of their present \$12 million budget was spent on wages.

How it works

After an initial period of intensive job-readiness training, TWC participants worked in temporary training positions in government or not-for-profit organisations for a maximum of six months before being placed in unsubsidised jobs. During this transition period, participants were paid by TWC, they received academic and career training and built a work history. In terms of permanent employers, the field was wider, extending to the private sector. Employers were not subsidised - apart from a token payment of \$49 per month to staff members who acted as on-the-job mentors.

No one was accepted into the programme unless deemed "unprepared" for employment in two previous screenings. The TWC participants had serious skills deficiencies, and were almost all highschool drop-outs with virtually no work history. Almost all participants were women (reflecting the eligibility criteria for TANF). Ninety per cent were Afro-American, 8 per cent were Hispanic, and almost 2 per cent were white. The average participant was aged 29 with two children. Almost all had a child as a teenager, and had only reached the equivalent of grade 5 or 6 in English and Maths.

TWC used transitional jobs in not-for-profit organisations, City government and business to help participants get permanent unsubsidised employment. There were around 300 sites where participants worked. City and State government payed the wages through TWC (minimum wage \$5.15 per hour) for the transitional jobs, as well as other benefits such as food stamps, transport, and childcare assistance. TWC also provided a clothing allowance, and assisted clients to prepare their résumé. Participants earned bonuses totalling \$800 (\$200 at start, \$200 half way through, and \$400 at the end) as they made the transition to a permanent job.

TWC linked each participant with a career adviser (who checked on the participant daily) and a "work partner," a staff member at the work site who had volunteered to serve as a mentor. Every week, participants worked for 25 hours and attended 10 hours of individualised training, enabling them to prepare for their high school diploma exams or to improve their computer skills or receive counselling or treatment for a drug or alcohol abuse problem if needed. The support continued at declining levels for six months after participants had moved into their permanent jobs. The key to a successful placement was achieving a good match between what the individual wanted to do and the needs of the employer.

In terms of results, the Pew Charitable Trusts had commissioned an independent evaluation of TWC which concluded: "TWC had rapidly become one of the nation's leaders in transitional employment programmes. Since its inception, TWC had placed over 5,500 people in paid work experience. These participants gain valuable skills and training and had begun the difficult road towards self-sufficiency. Perhaps equally important, however, TWC had placed over 1,883 individuals in unsubsidised employment. This accounted for 92 per cent of all participants who complete the transitional phase of the programmes. These participants earned on average \$7.50 per hour for an average of 36 hours per week and most participants were offered medical benefits within six months of their date of hire. However, the most impressive thing about TWC was its success in retaining individuals in employment. Of all participants placed in unsubsidised employment, 63 per cent had retained that employment for at least two full quarters following placement. These statistics lead to one conclusion, for participants who actively become engaged in the programme, this model works, participants both obtain and retain unsubsidised employment." Overall, 30 to 40 per cent of initial entrants would get jobs at the end.

Key elements of the programme were:

- the appearance and whole ethos of TWC was that of a workplace not a welfare office. People were given a pay cheque; they fill out a timesheet; they could be hired and fired if they seriously misbehaved e.g. being chronically late or absent, or having a drug or alcohol problem they could not control. The organisation was managed as a business, with performance indicators and continuous reviews and adjustments;
- from the first day each participant received more money than they did on welfare providing clear proof that work pays. They were also eligible for Earned Income Tax Credit; and
- each participant had both a career adviser and a work mentor. The career adviser not only listened to their problems, but helped participants overcome problems whether in getting childcare benefit or a restraining order against an abusive boyfriend. Close, continued individualised support and mentoring were important keys to success.

Why wait two years to offer supported work?

TWC was set up to deal with the TANF system as it operated in Philadelphia. There was a reluctance on the part of the state to finance a large scale public works programme; reducing the entry time limits would be expensive.

Getting tough - does it happen?

There had been around 10,000 sanctions applied in Pennsylvania, but very few full family sanctions - around 10.

How would Richard Greenwald like to see TWC develop?

He would like to be able to work with a bigger group of the working poor - not just lone mothers. It was hard to work with short-term funding, which hampered long-term planning and made it difficult to keep staff. He also wanted to use the information they had better to predict who was likely to succeed..

Visit to Thomas Jefferson University Hospital

Thomas Jefferson University Hospital was one of TWC's oldest and largest partners. It was a hospital, international research centre and medical college serving medical graduates and health professionals. It had 11,000 employees.

The Committee met Ms Linda Mitchell, Manager of Employee Selection and Placement, in the Department of Human Resources. She introduced staff who were involved in screening and matching potential TWC recruits and in managing and mentoring participants. The Committee also talked to a TWC participant, who was one of 25 people currently going through the work-based programme. Altogether Thomas Jefferson had taken 284 participants since 1998 (155 were hospital based and 129 university based), only 108 had secured permanent jobs at the end of their placement. The large scale of the institution meant that they could offer participants a range of options - from clerical work to cleaning ('custodial work') and food service work. TWC worked through the Unions, and did not displace entry level labour. Once people were permanently in work, there were opportunities for training and advancement within the organisation.

Tuesday 18 June

Jewish Employment and Vocational Service (JEVS)/Orleans Technical Institute (OTI)

Ms Gail Zuckerman, Chief Operating Officer of Employment and Training for JEVS; Ms Jasmine Eaddy, Director of Clinical Services for the Maximising Participation Project; Ms Jayne Siniari, Director, OTI; Dr Jim Boyar, Director of Rehabilitation Services, OTI; and Ms Bonnie Kaye, Program Director, OTI.

The programmes at these Institutes were comprised of 20 hours per week (1 hour training, 7 hours work per day) all conducted on-site. If a student missed a day it had to be made up.

The Food Service and Hospitality courses concentrated on basic skills for non-academic people. The current system of funding was not considered ideal: the previous training-based system was better.

A self-sufficiency for women programme was aimed at assisting a return to work. The course included career training, IT skills and GED (General Equivalency Diploma). The employment adviser provided continuity and a bridge to work.

Case co-ordinators undertook home visits to sort out problems such as alcohol or drug dependency. Once the problems were assessed, goals were written leading to employment.

JEVS was a non-profit company which had 13,000 students per annum at a cost of \$44m. The case loading for advisers was 1 to 18. The system depended heavily on case management. Sustainability was more important than obtaining a job.

Sanctions were rarely applied - when they were, the children suffered. People wanted help, but did not trust a state scheme. This could be overcome only by personal, individual contact.

Meeting with The Reinvestment Fund and Fred Dedrick, President of the Philadelphia Regional Workforce Partnership

The session was introduced by Jeremy Nowak, President and CEO of The Reinvestment Fund (IRF). The Fund was a community development financial institution dedicated to building wealth and opportunity for low-income communities and low and moderate

income individuals. Now 16 years old, it managed around \$130 million which it lent and invested in projects with social goals and social returns.

It had three pools of funds: loans; money from banks; and venture capital - where capital was invested in companies with growth potential, which were profitable, and which invested in entry level jobs. (In terms of the money from banks, there was a community reinvestment obligation on banks laid down by law. Banks used The Reinvestment Fund as an intermediary to meet their responsibilities.) There were around 750 investors. Five hundred were individuals, the remaining 250 were institutions - religious groups, financial institutions, and corporate and civic organisations including hospitals and universities. The Reinvestment Fund benefitted from being able to build a network of relationships across these sectors. Investors were able to choose their rate of return. Less than one per cent of funds had been written off. They had a 14 per cent internal rate of return.

TRF had a "credibility of portfolio" with both the experience of being in the market, and knowledge of what worked in policy areas. TRF had a credibility with private sector investors, and brought innovation to areas traditionally dominated by high cost, highly regulated public investment. The average loan was \$200,000-300,000, and TRF was often involved in helping to put an investment deal together.

Funds had gone into affordable housing, childcare provision for low-income families, schools (including so-called experimental "charter" schools), small businesses, community centres, and workforce development. They operated under market disciplines but with public, civic values.

Fred Dedrick, President of TRF's Regional Workforce Partnership, explained its work. The Regional Workforce Partnership was established by TRF in 1997. Its aim was to connect low wage workers to the regional economy by reforming the system of support they receive. Key recommendations it would make based on its work were:

- *to understand and involve employers*

A key organising strategy was to listen to what employers actually wanted. It found that employers had no knowledge of public systems and little interest in policy. It would rather employ no-one at all rather than the wrong person. A survey of 150 companies with 100 or more employees who focussed on entry level hiring found that, on a scale of 1 to 7, with 1 being 'extremely easy' and 7 being 'extremely difficult,' 58% of respondents reported a 5 or higher in terms of difficulty in finding qualified candidates for entry level positions. Welfare or unemployed, skills mattered. Two areas the Partnership had developed to supply employer demand were customer service training and basic IT skill standards

Customer service was an area of work which went across industries. It was highly valued, and one where national standards applied. Good customer service gave an organisation a competitive advantage. The Regional Workforce Partnership, along with TRF, the National Retail Federation and the Jewish Employment and Vocational Service had set up a partnership to develop cross-industry skill standards for the customer service industry by surveying frontline workers in the banking, retail, hospitality, food and finance industries, and developing a large scale training programme leading to a nationally recognised certificate in customer service. Trainees obtained a portable credential. In its first year the 'Customer Service Training Collaborative' had produced 100 graduates and an 88% placement rate with an average wage of \$9.25.

Employers also wanted basic skills in IT. Ninety per cent of the demand was in non-IT companies and therefore the downturn in the IT industry as a whole was not relevant here. The Partnership had developed IT skill standards for eight occupational clusters. Four key entry level clusters were: technical support, digital

design, network design and administration, and web design and administration. Through a programme of internships they gave trainees a track record of work experience whilst reducing the transaction costs for employers in taking on new entry level staff.

- *to understand labour market dynamics*
 The Regional Workforce Partnership had compiled a detailed report on Greater Philadelphia's Labour Market, which it updated on an annual basis. The aim was to understand the labour market; supply and demand and key gaps; the demographics; industry clusters; and cross cutting occupations. In Philadelphia, of 2.4 million jobs, 2 million were in service producing areas including (in descending order) retail, government, health, education, finance and social services. Regional challenges arising were to increase the supply of skilled workers; to retain and attract skilled workers; to provide a steady supply of entry level workers with basic and "workplace success skills" and to provide sufficient quality childcare. The Partnership had therefore developed strategic initiatives to train workers to world-class standards; to expand the labour pool; to improve educational outcomes; to become "the best region in America for childcare" and to insist on accountability for workforce investment programmes.
- *to connect to economic development*
 In a competitive labour environment, employers must be confident that their current and future workforce needs will be met in Greater Philadelphia than elsewhere. This required investing in talent not relying on cheap labour; it required civic and social amenities and services which made the area attractive to companies who could go anywhere; it required adaptability; and it required partnerships between the public and private sectors. The Regional Workforce Partnership, as part of TRF, had become a very good intermediary - it had a knowledge of workforce and employer needs based on companies who came to them for financing.
- *to analyse public interventions - what works*
 There were a vast array of programmes arising from welfare reform and the Workforce Investment Act. Pennsylvania spent \$1.2 billion on workforce development yet provided little overall performance information. Programme results from different state programmes were scattered throughout many departments. There were little comparative data making it difficult to compare performance. Individual programmes had performance measures but there was no consistent set of standards and/or impacts measurement used by the entire system. TRF and the Regional Workforce Partnership had lobbied candidates for Pennsylvania's next Governor suggesting an annual performance scorecard looking at workforce investment. The scoring would focus on number of job placements, wage and benefit levels, training cost per placement, overhead cost per placement, retention after six months, skills advancements etc. There was little connection at present between workforce development and the economic development needs of Greater Philadelphia. The performance evaluation would also assess the wider long-term economic impact of workforce investment - were companies getting the quality labour they needed? Were higher skilled workers leading to gains in productivity? Were more workers able to find jobs at family sustaining wages? Were Pennsylvania's workers prepared for the jobs for the future? This led to the final recommendation:
- *to "measure, measure, measure"*
 Measurement can transform performance; and clear performance outcomes can differentiate organisations and allow investment in success.

Wednesday 19 June

Visit to the Oregon Department of Human Services (DHS)

Mr Ron Taylor, Project Manager of the Project Management Team, Ms Ramona Taylor, Mr Jim Neely, and Mr Michael Buckley, of the Children, Adults and Families Division of Oregon DHS.

Ms Foley explained that the Department had undergone a process of organisational change, designed to integrate public assistance, child welfare and work. They had found that welfare families being assessed for work programmes had multiple problems and, under the former regime, could end up with multiple case plans - for drug rehabilitation, for getting into work, and for child welfare. The reorganisation was intended to refocus services around the individual with one common case plan for TANF recipients and a lead case manager, usually a child welfare case worker.

Oregon was one of the most successful states in getting families off welfare. Ninety-three per cent of those who had left TANF for employment were not receiving TANF benefits 18 months later. In Oregon, the first forays into placing people in work started in the late 70s under the WIN ('work incentives') programme. This allowed single mothers whose youngest child was aged six or more to be referred to the Employment Department where they were registered in a 'waiting pool'. Few got job placements. Typically they were referred for training - but with no job at the end. Under President Reagan in the 80s, welfare departments could take back job placement activity for welfare recipients, which Oregon did. They were allowed to introduce a mandatory work rule for welfare mothers whose youngest child was aged three. However, little work-related training or transitional support was offered. The result was that people got jobs but they would drop out and end up back on welfare. There were substantial financial disincentives to getting a job, with the loss of food stamps and medical coverage.

TANF paid only 60 per cent of the federal poverty level. In theory, it included housing costs, but in practice housing costs were too high. There had been no increase in levels since 1991, with the purchasing power being steadily eroded.

Oregon's JOBS Plus program started in 1994. Already, by the time of the 1997 TANF reforms, Oregon's welfare rolls were falling. Between 1995-97, they had achieved savings of \$144 million, rising to \$230.3 million in 1997-99 and \$256.3 million in the two years to 2001. Oregon received a block welfare grant, as a result of the 1997 reforms based on its 1994 caseload. In terms of expenditure in the Adult and Family Services division, expenditure on cash assistance through TANF had dropped from 75.5 per cent of expenditure in the two years 1993-95, to 38.6 per cent in 1999-2001. Much of the savings had been transferred to supporting people in job programmes and in work: Employment Related Daycare (ERDC) had accounted for 9.9 per cent of expenditure in 1993-95, whereas by 2001 it had risen to 23.2 per cent. Expenditure on support to people actually in work (of which 60 per cent was childcare) had risen from 11.5 per cent in 1993-95 to 34.2 per cent by 1999-2001. Each biannual budget was slightly larger, although the latest, from 2001-2003 was smaller.

Child poverty

Child poverty had reduced from 13 per cent two years ago to 11 per cent today, but Mr Neely thought that was not directly as a result of the state's active labour market policies. The vast majority of poverty was not to do with receipt of TANF but affected pensioners and teenagers. A lot of energy had gone into working with teenage parents and sub-teen parents - requiring them to attend school or lose benefits, and in giving sex education starting in middle school.

Childcare

Employment related daycare was a crucial part to the results they were achieving in getting families off welfare. Childcare was paid direct to the provider on a monthly basis. The parent chose the childcare, which could include informal arrangements. There had been debates about the inclusion of informal childcare within the state payment scheme, but this was what parents preferred. There was regulation, although it tended to concentrate on safety and child protection, rather than quality. Payment was higher if informal childminders underwent training. Different rates of childcare allowance were paid, depending on the type of care given. Participants in jobs programmes got 100 per cent of their childcare costs up to a maximum. Once a job started, there was "co-payment" to the provider, where the state paid less and the worker more as her earnings increased. The minimum a parent would be asked to pay was \$25 per month per family. At around twice the federal poverty level, the parent would be paying the whole bill.

Relation between welfare rolls and the labour market

There had been little correlation in the past between welfare caseloads and unemployment rates i.e. the wider economy. This reflected the fact that, in the past, there had been little connection between work and welfare. In Oregon, even in the recession, they still had growth in entry level jobs. Some of the most depressed areas had done best in getting people into work. What had changed had been the type of jobs available. Until the 70s, Oregon had depended primarily on lumber for its industry. The 70s and 80s had seen diversification into hi-tech industries, now in recession. Oregon's recession had preceded slightly the national recession and was worse. The state had the highest unemployment in the country. However, they were still getting people into jobs, although at a slightly lower rate.

Jobs in Oregon

In Oregon a large proportion of jobs paid between \$7.25 and \$10 per hour i.e. good for entry level jobs. Jobs were in office work, retail, and service industries. There was then a gap before jobs advertised paying \$15 per hour. The hole between \$10 and \$15 per hour jobs was problematic, especially for families needing a family wage. Employers also tend to hire from within for the higher paid jobs. Therefore the strategy in Oregon was to get people into entry level jobs, and concentrate on employers who give workers a future. The employment programme design therefore did not end at job entry; it was one element of the whole package designed to ensure retention and wage progression.

Oregon's employment programmes took the view that the employment market was the best judge of who was employable. Everyone entering the welfare to work programmes was required to test the market first before having access to welfare. Predictions of who would get jobs were not always accurate.

The role of training

Originally, Oregon had gone for a 'training first' approach, where people could choose the courses they did and hopefully would get work at the end. The results were poor in people going into jobs, and it was also expensive, with people doing one- and two year courses. An employer survey had showed that employers preferred to do on-the-job training themselves. They wanted people who were job-ready - that was, they were reliable; they could get along with colleagues and work as part of a team; they had good communication skills and an ability to learn. The people on welfare tended to be those who were hardest to help; those who had the soft skills had gone into work. Therefore employment programmes now concentrated on giving these skills. They had found that the classroom was not the ideal setting to acquire work-related skills. People learn faster when placed in a work environment.

A snapshot of participants in Oregon's employment programmes

A snapshot of participants by what component of the programme they were in showed:

- 5 per cent in 'assessment,' a two-day intensive assessment of work-readiness, health and family issues and possible barriers to work. (Assessment accounted for 27 per cent of service expenditure);
- 35 per cent on TANF with mental or physical issues. These could include depression, substance abuse, or learning disabilities (ten per cent of support service expenditure);
- 3 per cent in adult basic education (on TANF)*;
- 4 per cent undergoing classroom training (on TANF);
- 12 per cent undergoing work preparation (on TANF);
- 2 per cent doing work search only (on TANF);
- 18 per cent doing work experience (on TANF);
- 20 per cent in work, being supported in work retention and wage progression (post TANF).

Altogether roughly 38 per cent had "work attachment" at any one time. Expenditure on work experience accounted for 28 per cent of support service expenditure, and support whilst in work, a further 14 per cent.

Literacy

* Jobs of \$10 or less required an ability to read instructions - around 9th grade standards. People were therefore tested for reading skills at the assessment stage, and sent for adult basic education if they fell below. There were not big numbers of people without basic reading skills - despite Oregon having one of the highest high school drop-out rates. Factors behind this were thought to be the relevancy of the curriculum; the issue of parental responsibility; and the high number of homeless young people (with Oregon acting as a magnet due to its drug tolerance policies).

Fathers

Oregon's programmes were overwhelmingly aimed at mothers due to their TANF entitlements. They were trying to develop the same employment opportunities for non-custodial parents, but it was very hard to recruit them. The original objective had been to target fathers not paying child support - to give them the means to pay. More recently, they had focussed on giving fathers the means to participate in family life - a more holistic approach. Reasons suggested for fathers' non-participation were depression, substance abuse, or learning disabilities. There was limited leverage in selling the programmes to fathers: they were not on welfare therefore could not be threatened with withdrawal; and if they moved into visible employment they would have child maintenance plus arrears taken directly off their wages.

Sanctions

Sanctions were applied in less than five per cent of cases. It was a staged process: for the first two months of non-compliance, \$50 per month was deducted. For the next two months, children's needs only were met. In the fifth month, full family sanctions were applied. Around one to two per cent of cases reached this stage. Prior to 1997, Oregon had operated the standard federal policy of sanctions against the individual only, not the children. The number of sanctions and the time on sanctions increased. Welfare recipients adjusted to living on reduced levels. Having full family sanctions as an ultimate weapon created a climate; it was a clear message from the state (and one endorsed by all elements including child protection) that work and self-sufficiency was important. Oregon did not have a five year cut-off from welfare unlike other states, having negotiated a waiver based on its success in reducing the welfare roll by other means. Under TANF reauthorisation, a Bill before the Senate included a waiver for Oregon enabling it to postpone welfare cut-off to seven years.

Oregon's minimum wage

Oregon's minimum wage of \$6.50 per hour was higher than the federal level. States wanted the right to choose their minimum wage. There was no evidence that employers had been effected adversely.

Meeting with Ms Kim Freeman and Ms Pamela Murray, Managers of STEPS to Success Programs at Mount Hood and Portland Community Colleges

Mount Hood and Portland Community Colleges were lead contractors with the Oregon's Adult and Family Services Division for the delivery of one of four work force development pilot schemes in Oregon. Ms Freeman commented that a positive feature of the Oregon arrangements was the decision to establish a "lead contractor" for each geographical service area in the state. (They had 15 sub-contractors). This meant that they had overall management responsibility for delivery of the contract. It had created a good partnership relationship with the Department, with both bearing risk and responsibility. The arrangement minimised the risk of fragmentation and buck passing.

Workforce development had been "work in progress" since around 1988, when they had started with a 'human capital investment programme'. In that first year they had placed 53 people in work; in comparison, in 2001 they had placed 5,000. Oregon had outperformed other states in reducing its welfare caseload.

Originally, in the early days, they had focussed on clients they saw as most likely to succeed in education or to get jobs. Clients were in class for 15-20 hours each week. The programme did not model the world of work. There were no sanctions. People without a high-school diploma were encouraged to get their GED; and they ran one to two year college programmes giving training. Over half of participants failed the college courses.

By 1993-94 they had decided they needed to change. An examination of employer needs showed that most did not need staff to have degrees. The colleges switched to offering shorter courses for longer hours, designed to train people for the entry-level jobs available. They tried to model the workplace environment. Essentially, they moved to a labour attachment ('work first') model, where the aim was to serve employers and to help more people on the welfare roll - not just the most immediately job-ready.

The re-design involved 40-50 per cent of their staff engaged in the contract moving into the welfare branches so that there could be a better connection with the welfare case manager. They also created training 'hubs'.

At the initial two-day assessment, people with alcohol, drug and mental health problems were identified. All attendees undertook a 'SASSI' test (Substance Abuse Subtle Screening Inventory), designed to identify substance abuse. People could be referred at this stage for further assessment to decide whether treatment was necessary. Treatment was compulsory. The assessment process also allows identification of family issues, for example, a disabled child or a partner with a substance abuse problem or domestic violence. There was an attempt to put people in their wider family context when identifying barriers which needed to be overcome and suitable job placements. It might not be just the welfare mother who needed a job, but a partner or grandmother. Having a disabled child might require a parent to work locally or might make a community service placement in the nursery where the child attends a good idea.

Following the initial two-day assessment, for the first 30-45 days after a claim they worked with clients simply on jobsearch. People were offered a week's intensive 'workforce development' training for 35 hours, focusing on job search techniques including 'cold calling', completing an application and a resumé, in-work support and assistance, interview skills, work ethics, goal setting and action plans, and the basics of Microsoft Word and using the Internet. After that, people were expected to work from a 'careers

centre' on job search, keeping a weekly jobsearch log. The centres were staffed by community college staff who reviewed the Job Log and conducted weekly networking classes, where outside speakers such as recruiters were brought in to discuss what they looked for, or to give useful advice. At the centre there was access to computers, newspapers, etc. Students came in every day and discussed the employer approaches they had made. They were given new job leads which they then followed up. The philosophy was that the labour market should first determine whether people were jobready and employable. Until the economic downturn, around 80 per cent of people found a job during this period; currently the figure was down to 60 per cent.

If, at the end of this period the person had not obtained work, there was a discussion as to why. A series of 'strength building' options were then available from a menu designed to suit the individual. People could be engaged in further activity for anything up to a year. The menu included adult basic education and GED; English as a Second Language; Jobs Plus (subsidised employment) and Community Service. In programmes lasting ten weeks, people spent six weeks learning 'soft skills' and one of four 'clusters' of technical skills linked to employer needs.

- 'Workplace Basics';
- 'Medical Track';
- 'Office Occupations (including a four-week work placement)'; and
- 'Call Center/Customer Service'. Teen parents had a special programme linked to completion of their education.

In terms of sticking with people, an individual was assigned a college member as an adviser to work with both before and after they got a job - in a way which allowed a relationship of trust to be established. If people were to lose their jobs, it tended to happen in the first three months. They were moving towards a system of intensive engagement for three months, and up to six months if necessary. Their statistics showed that 18 months after getting a job, 80-85% of people were still in employment.

A fairly new aspect of their work was wage enhancement and career development. Early on, they stressed to participants that it was not just about getting a job, it was about thinking in terms of a career. Advisers worked with people to think about what skills they needed in order to progress. Advisers would stick with participants to see if their career plan was working, and could offer funds to pay for additional training or education.

Visit to East Portland DHS STEPS office

This was an opportunity for the Committee to visit a site running some of the employment programmes of Portland Community College. The STEPS office was co-located with the welfare department, allowing instant liaison and a co-ordinated approach.

The point was made by Karen Krackowiak, the Human Resource Manager, that the success of the STEPS programme had to be seen in the wider context of other Oregon policies, notably, the Oregon Health Plan - which allowed subsidised access to health care for low paid workers; the extensive subsidy of daycare provision for people in work; and the fact that welfare levels were low enough that people were better off in work, even with the minimum wage (which was higher in Oregon than the federal level).

For people with multiple barriers (their main client group) the problem was often not so much getting a job as keeping it. A new class they had developed with funds from DHS was a 'Career Builders Class' aimed at hard to place people and designed to help them keep a job. It was an intensive course over a year designed not only to identify barriers but also strengths. One element was encouraging participants to "have a dream," then work with them to provide some realism, for example, getting a placement in the right environment so that they could perhaps see the type of job close up. They might have had

to take a "survival job" but they helped people plan a route to better achieve what they wanted. The goal was to work **intensely** and holistically to develop and implement a career ladder which would provide long term self-sufficiency and independence from welfare.

Additional information given:

- The intensive Work Force Development course given to new welfare recipients was intended to teach techniques of jobsearch including "tapping into the hidden jobmarket" ie jobs not advertised and informal networks, and an introduction to the STEPS website www.steps-2-success.org where jobs were posted. Staff worked with participants and produced résumés for them, giving each client a disc.
- The module 'Balancing work and family', given as part of the Workplace Basics programme stressed the need for parents to have second and third back-up systems for childcare. The message was that they should not expect employers to accommodate their childcare arrangements. Childcare was mostly available during the day: people working outside normal work hours faced more difficulty. Children with special needs did get an extra childcare allowance.

Thursday 20 June

Dr Sylvia Mundy, Commissioner of the Employment Security Department, Washington State

The common theme of state employment initiatives was partnership.

A Committee of Employers had recently been formed. Both federal and state resources were used in Community Colleges. There were 12 workforce development areas, 25 one-stop shops with 38 affiliates linked electronically.

There were 350,000 clients of whom 200,000 had found jobs. Access could be by phone or internet as well as personal interview. A "mystery shopper" approach to check on service delivery would start shortly.

Mr Jim Shober, Deputy Assistant Commissioner for Washington WorkFirst

Mr Jim Shober, Deputy Assistant Commissioner for WorkFirst in the Employment Security Department introduced the session. WorkFirst was Washington State's welfare-to-work strategy. Key goals were helping people move from welfare to work; retention of those people in work; and encouraging wage progression through moving up a career ladder. Washington initiated the WorkFirst programme in 1997. A key element was partnership. Partners included the Employment Security Department and the 'Worksource' system as a whole (of which, WorkFirst was a subset); the Department of Social and Health Services; the State Board for Community and Technical Colleges and the Office of Trade and Economic Development. Work was co-ordinated by a member of the Governors's Office, and representatives from each Department met weekly. The overriding principle was that work was the best means out of poverty.

They had concluded that training on its own was not enough to get low-income families into work. Clients needed to develop a strong attachment to the labour market. Therefore training had to be in that context. As a result, they had developed customised training with employment opportunities at the end of it; the expectation of work was upfront. The State was also concerned to give former welfare recipients the opportunity to go to college whilst in work. Colleges now ran courses in the evenings and at week-ends, with childcare provided.

Childcare: more money was now spent on childcare than allowances for people on welfare

Childcare funding was income-related, tapering away as income rose. Unlike Oregon, they did not pay for informal childcare arrangements. They insisted on licensed childcare for insurance liability purposes. Mr Shoher thought there probably was enough childcare, although advocates would argue differently. His view was that there was no evidence that scarcity was a problem. Part of the State's job was to facilitate the start-up of childcare places and to train childcare staff. This was done via the colleges, with initiatives to give education to childcare workers so that they could get licensed. There were also grants and loans available and training in small business administration to assist people to set up in business doing childcare.

Formerly, there had been a sharp cut-off of support when people left welfare for work - financially and in terms of the loss of fringe benefits such as free health care. Now, for every dollar earned, the State subsidised by fifty cents: half their earnings were not counted as income against cash assistance. Medical care was paid for up to a year after starting work for adults, and indefinitely for children on low income. The State also supported a general basic medical health service.

Pre 1997, the welfare rolls were steadily increasing. As a result of WorkFirst, rolls dropped from 97,000 to 37,000 by the start of the recession. In the previous month, 1,500 clients alone went off welfare. The unemployment rate in Washington was currently around 7.1 per cent. However, there was no direct relation between the numbers on welfare and unemployment rates. They had found that, even in a recession, there were lots of entry-level jobs. One effect of the recession was that they had tightened the work search requirements for welfare recipients. People were required to sign in every day and to make 15 employer contacts per week. Staff were expected to greet clients and offer them job referrals. This compared to people receiving unemployment insurance, who were only required to make five employer contacts per week.

The welfare population, unsurprisingly was mostly female (85 per cent). By definition they had dependent children. The system also included around 30,000 'looked after' children (ie being looked after by people other than their parents), where welfare was paid for them alone. Thirty per cent of recipients had limited English.

Sanctions: In Washington there was no five year cut-off. Sanctions were graded - first two weeks, then four, then eight weeks. The maximum sanction was 40 per cent of the grant indefinitely. Mr Shoher's considered view was that sanctions were not really needed. They were there more for the staff's benefit, to make them feel that they could have an ultimate sanction. His view, based on experience, was that the vast majority of people really wanted to work.

Services provided to WorkFirst participants included:

- assistance finding work, indentifying career goals, and staying on the job;
- help paying childcare whilst participants looked for jobs, received training or were working;
- short-term, customised training to prepare participants for specific occupations and free tuition whilst participants were working;
- paid, temporary jobs that prepared the hardest-to-employ participants for permanent, unsubsidised work;
- extensive support services to overcome obstacles, including funding for transport, work clothing, professional fees and testing;
- intensive support for the toughest cases including families who had been on welfare for three years, resisted participation, or who required special intervention; and
- continuing contact with WorkFirst staff once in work to keep participants in touch with the services available to keep them employed and moving ahead. Research showed that participants who received post-employment services had higher rates of employment and higher earnings and worked more hours.

Mr Gary Jackson, International Association of Machinists Union, Boeing

The quality of life was important to youth, but there was now no long-term job security.

The Union had introduced various training programmes starting in 1989 with Health and Safety. The Quality Through Training Programme covered members of the Machinists Union. It received \$14m of state funding with the possibility of carry over.

The programme was aimed at career and personal development, industry based IT skills and English. Up to \$2,000 per annum was paid for tuition fees.

Boeing had experienced 30,000 lay-offs of whom approximately 20,000 were in Washington State. A Re-employment Programme had been started.

Ms Annette Copeland, Assistant Commissioner for Unemployment Insurance**Overview of the System**

Unemployment Insurance (UI) was another partner serving the workforce.

Full partner in the Workforce Investment Act (WIA)

Income support for those unemployed through no fault of their own

In the United States, UI was an insurance premium paid by employers.

- Nothing appropriated out of general revenues
- No tax taken from worker paychecks
- An employer's tax rate was calculated each year, the rate was dependent on that employer's experience using benefits - this means the amount of benefits paid to that employer's former employees and the economy. (Most employers pay a set insurance tax on all their workers, no matter how much or how little those workers may use UI benefits.)
- Some employers reimburse the system for all benefits paid out to their workers.

It was a federal/state system administered by the US Department of Labor. (Similar to Parliament and local governments.)

- Federal law provides some oversight and eligibility requirements.
- US Department of Labor provides many of the programme's quality standards.
- Otherwise, states had great flexibility regarding service and eligibility.

UI Benefits were only a piece of the puzzle:

- Provide a simple income support (intended to replace half of a person's wage).
- Not needs-tested (not just for low income workers).
- No health insurance included.
- Not intended to last forever. Typically never more than six months (in WA State, seven months maximum).

Eligibility Requirements

Amount of benefits:

- High enough to survive, low enough to be an incentive to get back to work!
- Should be a corollary to prior earnings (50% of wages replaced).
- Recent work experience required (within last 18 months).
- Minimum WBA: National average \$42, WA State \$106 (highest). 16 states had a minimum WBA of \$30 or less (as low as \$5 per week).

UI paid **ONLY** to workers who were unemployed through no fault of their own:

- Not working due to lack of work or redundancy.
- Quit work but with good cause.
- Fired from work but not for misconduct at work.
- Indirectly involved in a strike or lockout.

Situations that would pay or deny benefits vary from state to state:

- Family responsibilities
- Illness of a worker or a family member.
- Criminal misconduct connected to work.
- Dependents - extra payment for children.
- Leaving work to escape domestic violence.
- Pay or not pay benefits to seasonal workers during their regular season.

In all states:

- Must be able to work and available to take a job immediately if asked.
- Must seek work
 - Re-employment Services at the WorkSource One Stop
 - Work Search was verified
- Benefits were reduced by certain income.
 - Earnings from work
 - Some pensions
 - Sometimes dismissal payments
 - No deduction for non-earned income
- Some denials were universal:
 - Professional athletes during the off season if contracted for following season
 - Illegal immigrants
 - School employees - during school breaks
- Must make whatever work search that is customary for their occupation:
 - Referral Union Members - check in with hiring hall.
 - Employer-attached - not seek work but available to return to work ASAP.
 - Dislocated/Redundant Worker - may include retraining/relocation.
- There were penalties for lying and cheating (misrepresentation and fraud)
- Each decision to allow or deny benefits can be appealed by the claimant or by the affected employer.

Benefit duration:

- Up to 30 times the weekly benefit amount in any one year period. (All states maximum) was 26 times the WBA except WA and Massachusetts)
- Average duration
- Exhaustions

Additional Benefits Programmes and Training Benefits

Additional benefits available under certain circumstances:

- During periods of high unemployment:
 - Extended Benefits: up to 13 weeks if state's unemployed rate was high.
 - TEUC: 13 weeks and 13 more! Ends 28 December 2002.
 - State additional benefits: states had flexibility to set up state-funded additional benefits payment programs for periods of high unemployment or for other reasons when the state finds need.
 - Worker retraining:
 - Federal programs include TRA, National Emergency Grants, and NAFTA (North Atlantic Free Trade Act).

- TRA: As part of the Trade Act of 1974, a federal program called Trade Readjustment Assistance pays up to an extra year of benefits to redundant workers who were in retraining. The USDOL must certify that the business and its workers were adversely affected by trade imports or exports.
- NFG: National Emergency Grants were also available to redundant workers affected by a structural dislocation.
- State programmes:
Training Benefits: Many states had state-funded additional benefits for unemployed persons who need retraining in order to get a job. Washington's Training Benefits pay about six months more benefits to most dislocated workers, with up to 52 extra weeks for aerospace workers.

Other Economic Recovery Tool

Shared Work:

- 17 states had "workshare" programmes that were very useful during downturns in the economy.
- An employer who applies for 'Shared Work' can keep their employees working at reduced hours instead of letting workers go.
- The employee receives partial wages, and partial unemployment benefits.
- The plan must be agreed to by the employer, the union and the worker.
- The employer must continue to cover their workers for fringe benefits such as health care.
- This way, the employer keeps a skilled workforce, and the employee receives a better wage replacement than if they were totally unemployed and does not need to seek other work.
- Shared work benefits were paid based on the proportion of work lost. One day off, for example, would pay 'Shared Work' benefits of one-fifth the regular weeks benefit amount. The standard deduction for earnings would not have allowed any payment in this circumstance.

Visit to Seattle Jobs Initiative, South Seattle Community College site

The Seattle Jobs Initiative (SJI) linked low-income residents to living wage jobs. SJI clients were not just former welfare recipients. They included a wider group facing many barriers to employment including unstable work histories, homelessness, criminal backgrounds, drug/alcohol backgrounds, mental health concerns, limited English proficiency, immigrant/refugee status, welfare status, and others. SJI provided training in three major career areas: office occupations, welding/manufacturing, and high tech (web development/design). SJI was funded with support from the Annie E Casey Foundation, the City of Seattle and other Seattle companies and foundations. Since 1997, SJI had produced the follow results:

- placed 2,700 low income residents in jobs;
- the average wage at placement was \$9.75 per hour;
- at one year, 60 per cent of the those placed in jobs had been retained on the job; and
- at one year, 41 per cent reported a wage increase to an average of \$13.02 per hour.

The Annie E. Casey Foundation (AECF)

The Annie E. Casey Foundation (AECF) was initially focussed on children and poverty. In 1995, AECF decided to extend its focus to parents - hence the Jobs Initiative. AECF

visited 15 cities and in 1996 awarded the Jobs Initiative to Seattle and five other cities, each with very different types of local economy. The recipient in each city was different too: the city government in Seattle; a community-based organisation (CBO) in Milwaukee and New Orleans; a community development corporation (CDC) in Philadelphia; a regional transit authority in St. Louis; and a local foundation (Pilon) in Denver (which was no longer taking part in the initiative). Each city won a seven-year grant of \$750,000 a year - in return, each had to raise at least \$250,000 a year.

In Seattle, the then Mayor of Seattle, Norm Rice committed \$5 million a year to the Seattle Jobs Initiative (SJI) - dwarfing the funding in the other five cities. Rice and the SJI were in large part an attempt to offset the effects of Clinton's welfare reforms. The 1995 Personal Responsibility Act imposed a five-year time limit on welfare recipients' benefits and many, including Rice, thought it and the WorkFirst scheme would result in welfare claimants being forced to move to low-paid jobs with little or no training. He seized on SJI, which aimed to provide clients with proper training, holistic support and living wages.

Under the current Mayor, Paul Schell, City funding fell to \$3.4 million in FY 2001-02, but the current total of \$4.15 million was still much more than in any of the other five cities. Another unique feature of SJI was its close links to the City government. Because SJI was run out of the City's Office of Economic Development, it had direct access to the City's social services and other departments. This had allowed SJI to provide holistic support to trainees (e.g., help with housing, childcare and transport costs). In addition, each trainee was entitled to a grant of up to \$3,000 each from the state-run Career Investment Fund.

Seattle was culturally and ethnically diverse. Of SJI participants, 74 per cent were people of colour, and many had English as their second language. Although Microsoft loomed large and the hi-tech industry was prominent, Seattle was not a one-industry town. The cost of living was very high.

SJI operated out of a new-build, multi-occupancy office building in the International district of Seattle. The 15 full-time staff were all employees of the City's Office of Economic Development. SJI was an intermediary organisation that aims to bring together a whole range of delivery agencies. It operated a decentralised model, contracting out the recruitment, enrolment, programme delivery and monitoring to a number of community-based organisations (CBOs), consultants and colleges, whilst operating in partnership keeping partners to the core mission of getting people jobs.

- CBOs included the YWCA, Asian Counselling and Referral Service and the Center for Career Alternatives. Each CBO had a case manager, responsible for a wide range of outcomes, including recruiting and enrolling clients; and dealing with clients' housing, transport and childcare needs. CBOs were paid an initial base fee, plus milestone payments depending on results. It was the CBOs who did the assessment of clients and provided a standard 20 hour course of job readiness training. They also identified client's readiness for further sectoral training, based partly on resolving transport/income/housing problems.
- Consultants were brought in for example as business liaison officers and soft skills supervisors.
- SJI used Seattle's three community colleges as the centre for its programmes.

SJI had four core values:

- **Long-term retention** - trainees were placed in sustainable jobs and tracked for 2 years after placement.
- **Living wage jobs** - the average wage for SJI jobs was \$9-12 per hour (plus benefits), well above the minimum wage of \$6.75.
- **Human service integration** - SJI provided a holistic programme of support for trainees, including help with childcare, housing and transport (drawing on their strong links with the City government).
- **Dual customer focus** - SJI focussed on the needs of the employer as well as the trainee.

Individual Placements

SJI first got off the ground in 1997 with its "Individual Placements" scheme - which was by far the largest of all the SJI programmes. SJI contracted with a number of community-based organisations (CBOs) to provide career advice, support and soft skill training to skilled and unskilled individuals who wanted a job relatively quickly (within 2-3 months), without having to go through lots of training. Since then 1,393 clients had completed the scheme - 1,150 of which had stayed in their job for at least three months; 932 for at least six months; and 653 for at least 12 months.

As the scheme went on, however, it became more difficult to place people in this relatively cheap and quick way. So SJI started to adopt a sectoral approach.

Sectoral approach

SJI commissioned the local economy, to find out where the available jobs were. They came up with four sectors: office occupations, manufacturing (especially welding and printing), autos and healthcare.

Between 1996-99, SJI prepared the ground for delivering training programmes in these four sectors, through capacity building, research and programme design. They finally decided to run three programmes: office occupations, welding & light industries and hi-tech (autos and healthcare were both abandoned early on). Each sector programme had employer boards to ensure that students developed good competencies, accepted by the industry. In the hi-tech option, the downturn had led to encouragement to students to branch out into other jobs apart from web design, such as software testing.

Participants underwent an assessment at a college of their reading/writing/maths/computer/typing skills. If they were suitable, they had a two day orientation course followed by 22 weeks hard skills training. The courses all involved at least five hours soft skills training per week as well as coaching in basic work expectations such as dress and punctuality. Each client has a case manager, a training supervisor and training instructor. There was a teamwork environment, with staff jointly evaluating students at intervals. At the end, SJI employment brokers worked intensively with students in interview techniques before the arrangement of three month internships with employers. Their job was to both sell the programme to employers (and be an advocate for individual students) and to teach students how to interview. The programmes were geared to meeting employers' needs; there was no attempt to get employers to lower their standards, just to consider hiring differently. Some internships were paid; in others, participants were able to obtain a credit towards a college associate degree. Students were also given a further

three weeks jobsearch training, three hours a day, three days a week. They were entitled to job placement assistance and job retention support for two years.

People survived financially whilst doing the training in a variety of ways. They might be eligible for federal financial aid, they could be getting unemployment benefit, food stamps, working part-time, supported by a partner, or have money from the career investment fund accessed by a case worker.

SJI representatives at the college told us that they had also chosen to focus on a wider mission of systems reform - for example, trying to change the way community colleges deliver their training. Mr Martin Grothe, Dean of Professional and Technical Services at South Seattle Community College said that the SJI programme had implications for the college more generally. Unlike its other courses, the SJI programmes ran from 8am to 5pm five days per week; there were no vacations; and "wrap-around" services to students gave them support. The SJI initiative was also different in its connectedness to employers and the aggressive hard-sell of participants in the labour market. The SJI programmes were not cheap, but they did compress into 22 weeks the equivalent of what would be a normal year's college course. On this basis, they compared well on cost.

PROCEEDINGS OF THE COMMITTEE RELATING TO THE REPORT

TUESDAY 23 JULY 2002
IN THE TOWN HOUSE, INVERNESS

Members present:

Mr Archy Kirkwood, in the Chair	
Miss Anne Begg	Mrs Joan Humble
Mr Andrew Dismore	Rob Marris
Mr Paul Goodman	Mr David Stewart

The Committee deliberated.

Draft Report, (The Government's Employment Strategy), proposed by the Chairman, brought up and read.

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

Paragraphs 1 to 10 read and agreed to.

Paragraph 11 read, amended and agreed to.

Paragraphs 12 to 18 read and agreed to.

Paragraph 19 read, amended and agreed to.

Paragraphs 20 to 23 read and agreed to

Paragraphs 24 and 25 read, amended and agreed to.

Paragraphs 26 to 33 read and agreed to

A paragraph—(Mr Andrew Dismore)—brought up, read the first and second time and inserted (now paragraph 34).

Paragraphs 34 to 44 (now 35 to 45) read and agreed to.

Paragraph 45 (now 46) read, amended and agreed to.

Paragraphs 46 and 47 (now 47 and 48) read and agreed to.

Paragraph 48 (now 49) read, amended and agreed to.

Paragraph 49 (now 50) read and agreed to.

Paragraph 50 (now 51) read, amended and agreed to.

Paragraphs 51 to 58 (now 52 to 59) read and agreed to.

Paragraph 59 (now 60) read, amended and agreed to.

Paragraphs 60 to 62 (now 61 to 63) read and agreed to.

Paragraphs 63 and 64 (now 64 and 65) read, amended and agreed to.

Paragraphs 65 and 66 (now 66 and 67) read and agreed to.

Paragraphs 67 to 70 (now 68 to 71) read, amended and agreed to.

Paragraphs 71 to 73 (now 72 to 74) read and agreed to.

Paragraph 74 (now 75) read, amended and agreed to.

Paragraphs 75 to 80 (now 76 to 81) read and agreed to.

Paragraphs 81 to 83 (now 82 to 84) read, amended and agreed to.

Paragraph 84 (now 85) read and agreed to.

Paragraphs 85 and 86 (now 86 and 87) read and agreed to.

Paragraphs 87 to 92 (now 88 to 93) read and agreed to.

Paragraph 93 (now 94) read, amended and agreed to.

Paragraph 94 (now 95) read and agreed to.

Paragraphs 95 and 96 (now 96 and 97) read, amended and agreed to.

Paragraphs 97 to 108 (now 98 to 109) read and agreed to.

Paragraph 109 (now 110) read, amended and agreed to.

Paragraphs 110 to 114 (now 111 to 115) read and agreed to.

Paragraph 115 (now 116) read, amended and agreed to.

Paragraphs 116 to 136 (now 117 to 137) read and agreed to.

Paragraph 137 (now 138) read, amended and agreed to.

Paragraph 138 (now 139) read and agreed to.

Paragraph 139 (now 140) read, amended and agreed to.

Paragraphs 140 to 149 (now 141 to 150) read and agreed to.

Paragraph 150 (now 151) read, amended and agreed to.

Paragraphs 151 to 153 (now 152 to 154) read and agreed to.

Paragraph 154 (now 155) read, amended and agreed to.

Paragraphs 155 to 161 (now 156 to 162) read and agreed to.

Paragraphs 162 and 163 (now 163 and 164) read, amended and agreed to.

Paragraph 164 (now 165) read and agreed to.

Annexes agreed to.

Summary (*The Chairman*) brought up, read the first and second time and added.

Resolved, That the Report, as amended, be the Third Report of the Committee to the House.

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

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

Several papers were ordered to be appended to the Minutes of Evidence. (*The Chairman*).

Ordered, That the Appendices to the Minutes of Evidence taken before the Committee be reported to the House. (*The Chairman*).

* * *

[Adjourned till Wednesday 16 October at half-past Ten o'clock.

LIST OF WITNESSES

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Evidence taken Wednesday 1 May 2002

BRITISH RETAIL CONSORTIUM	
Ms Bridget Rosewell	Ev 1
THE WORK FOUNDATION	
Mr Andy Westwood and Mr Max Nathan	Ev 22
GLASGOW CITY COUNCIL	
Mr David Webster	Ev 36

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WORKING LINKS	
Mr Keith Faulkner	Ev 45
GROUNDWORK	
Mr Tony Hawkhead and Mr Graham Parry	Ev 55
SILAW TRUST	
Mr Ian Charlesworth	Ev 55
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Mr Ian Reeves and Ms Debbie Scott	Ev 55
TRADES UNION CONGRESS	
Mr Laurie Heselden	Ev 92
TRANSPORT AND GENERAL WORKERS' UNION	
Mr Steve Hart	Ev 92
LUTON VAUXHALL PARTNERSHIP	
Mr Keith Allen and Mr Neville Reyner	Ev 92

Evidence taken Wednesday 15 May 2002

DEPARTMENT FOR EDUCATION AND SKILLS	
Mr Peter Launer	Ev 110

DEPARTMENT OF TRADE AND INDUSTRY	
Mr Mark Beatson	Ev 110

DEPARTMENT FOR TRANSPORT, LOCAL GOVERNMENT AND THE REGIONS	
Mr Chris Riley and Mr Alan Riddell	Ev 110

Evidence taken Wednesday 26 June 2002

DEPARTMENT FOR WORK AND PENSIONS	
Rt Hon Nick Brown MP and Mr Michael Richardson	Ev 159

JOBCENTRE PLUS	
Mr Leigh Lewis	Ev 159

LIST OF MEMORANDA INCLUDED IN THE MINUTES OF EVIDENCE

1.	Supplementary memorandum submitted by the British Retail Consortium . . .	Ev 8
2.	Supplementary memorandum submitted by the British Retail Consortium . . .	Ev 11
3.	Memorandum submitted by the Work Foundation	Ev 12
4.	Memorandum submitted by David Webster	Ev 27
5.	Memorandum submitted by Working Links	Ev 42
6.	Memorandum submitted by Groundwork	Ev 50
7.	Memorandum submitted by Tomorrow's People	Ev 53
8.	Supplementary memorandum submitted by the Shaw Trust	Ev 65
9.	Supplementary memorandum submitted by the Shaw Trust	Ev 66
10.	Supplementary memorandum submitted by Tomorrow's People	Ev 76
11.	Memorandum submitted by the Trades Union Congress	Ev 77
12.	Supplementary memorandum submitted by the Trades Union Congress . . .	Ev 98
13.	Memorandum submitted by the Department for Transport, Local Government and the Regions	Ev 106
14.	Memorandum submitted by the Department for Education and Skills	Ev 108
15.	Letter to the Committee Assistant from the Department for Transport . . .	Ev 127
16.	Supplementary memorandum submitted by the Department for Education and Skills	Ev 135
17.	Supplementary memorandum submitted by the Department for Education and Skills	Ev 136
18.	Supplementary memorandum submitted by the Department for Education and Skills	Ev 141
19.	Supplementary memorandum submitted by the Department of Trade and Industry	Ev 143
20.	Supplementary memorandum submitted by the Department of Trade and Industry	Ev 145
21.	Memorandum submitted by the Department for Work and Pensions	Ev 147
22.	Letter to the Chairman of the Committee from the Chief Executive of Jobcentre Plus	Ev 174

LIST OF APPENDICES TO THE MINUTES OF EVIDENCE

1. Memorandum submitted by the Institute of Welfare Ev 175
2. Letter to the Committee from the Institute of Directors Ev 175
3. Memorandum submitted by the Chartered Institute of Personnel &
Development Ev 177
4. Memorandum submitted by the Institute of Industrial and
Commercial Law, Staffordshire University Ev 182

**LIST OF REPORTS PUBLISHED BY THE WORK AND PENSIONS
COMMITTEE DURING THE 2001 PARLIAMENT**

Session 2001-2002

30/10/01	FIRST SPECIAL REPORT Integrated Child Credit: Government Response to the Second Report of The Social Security Committee (Session 2000-2001)	(HC 292)
26/06/02	SECOND SPECIAL REPORT Pension Credit: Government Response to the Second Report of the Work and Pensions Committee	(HC 1006)
13/03/02	FIRST REPORT ‘ONE’ Pilots: Lessons for Jobcentre Plus	(HC 426)
10/04/02	SECOND REPORT Pension Credit	(HC 638)