



House of Commons
Committee of Public Accounts

Helping people from workless households into work

Ninth Report of Session 2007–08

*Report, together with formal minutes, oral and
written evidence*

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The Committee of Public Accounts

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Publication

The Reports and evidence of the Committee are published by The Stationery Office by Order of the House. All publications of the Committee (including press notices) are on the Internet at <http://www.parliament.uk/pac>. A list of Reports of the Committee in the present Session is at the back of this volume.

Committee staff

The current staff of the Committee is Mark Etherton (Clerk), Philip Jones (Committee Assistant), Emma Sawyer (Committee Assistant), Pam Morris (Committee Secretary) and Alex Paterson (Media Officer).

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Summary

The United Kingdom has an employment rate of 74.4%, an historically high rate which exceeds that of many comparable industrialised countries. The Government aspires to raise the employment level to 80% and has introduced a range of support to address barriers to employment and to help people into work, including its New Deal programmes. There are, nevertheless, still some 3 million workless households, of which 80% comprise adults who are not actively seeking work. Workless households have been estimated to cost the Exchequer at least £12.7 billion a year in welfare benefits.

The Department for Work and Pensions (the Department) estimates that meeting the aspiration of an 80% employment rate will mean finding work for around 2 million workless people, including one million people on incapacity benefits and 0.3 million lone parents. Success will require effective outreach services to workless households, which engage customers and deliver employment services in local environments and settings. Jobcentre Plus is well-placed to facilitate outreach provision. There is, however, no overarching strategy to prevent duplication of effort between Jobcentre Plus and the many other bodies, such as Local Authorities and community and voluntary sector organisations, which provide employment support programmes. A joined up strategy could support information sharing, providing local partners with appropriate access to data on locations of worklessness, enhancing the effectiveness of outreach activities. The expanding network of partnerships, such as City Strategy consortia and Local Strategic Partnerships, may improve local coordination, but liaising with these new bodies places further demands on the time of Jobcentre Plus managers.

The current range of employment support programmes has helped those who have participated in them, but the number of people entering work from New Deal programmes is now levelling off or reducing. Only two programmes show a positive return on the cost per participant, defined as the difference between the benefits that flow back to the Exchequer over one year (in benefits saved, and increased tax revenue) and the programme cost per participant. The New Deal for Partners has failed to attract participants. The New Deal for Disabled People and Pathways to Work programmes have found new jobs for disabled people, but neither programme is delivering results for people across the whole spectrum of disability, particularly those with mental health problems. Many people in workless households have multiple barriers to work including skills deficits, disability and caring responsibilities. Early intervention and targeted support are essential for helping them back into work. The Learning and Skills Council has started to fund more basic skills and employability skills courses, but it is too early to measure the impact of this funding.

On the basis of a report by the Comptroller and Auditor General,¹ the Committee took evidence from the Department, Jobcentre Plus and the Learning and Skills Council on the performance of employment support programmes; outreach services for workless households; and the provision of additional support for workless people with more complex needs.

¹ C&AG's Report, *Helping people from workless households into work*, HC (Session 2006-07) 609

Conclusions and recommendations

- 1. In spring 2007 there were three million workless households in the United Kingdom, representing 16% of all working age households.** The Government's aim to achieve 80% employment will require the Department to help some 1.6 million economically inactive people into work, and many of these people are likely to be from workless households, where no one in the household over the age of 16 is in employment.
- 2. Job entry rates from existing New Deal programmes are levelling off or declining, reflecting the need to tackle worklessness amongst some of the hardest groups of benefit claimants to assist.** The Department should use its evaluation of the direct and indirect costs and benefits of New Deal programmes to identify ways to improve programme effectiveness. Programmes need to be more flexible so that clients who face multiple barriers to work can access packages of assistance according to need, without being restricted on the basis of programme.
- 3. The cost of getting people into work through the Department's employment programmes is higher than the subsequent savings generated over one year for all but two of the programmes.** Unquantifiable social benefits may also accrue from higher employment rates, but the Department needs to increase the cost effectiveness of programmes, targeting those programmes which make the lowest contribution. It should use its data on successful cases to help identify how to increase the numbers finding a job, and should also reduce programme costs and/or increase effectiveness, by using telephone reminders to reduce the number of work-focused interviews lost through people not turning up.
- 4. Only around 200 people join the New Deal for Partners programme each month, and few enter work directly as a result.** Evaluations suggest that in 2005–06 only 61 of the jobs gained by programme participants were additional to those that would have been gained without the programme. Programmes aimed at benefit claimants' partners can contribute to tackling child poverty. The Department should establish why claimants' partners reject support and revise the programme content and its marketing accordingly.
- 5. Outreach services for workless people do not reflect the fact that 60% of workless households are concentrated in 40 districts across the United Kingdom.** Organisations with a good understanding of local communities' needs are best placed to reach out to such households. Jobcentre Plus districts should work with relevant local partners to develop outreach strategies which reflect local priorities and goals, and to encourage data sharing so that potential clients can be readily identified and targeted with appropriate help.
- 6. Work-focused interviews are used to assist workless people who receive benefits, but they have not been used to assist workless people who are not required to attend an interview as a condition of receiving benefit.** Jobcentre Plus has progressively increased the frequency of work-focused interviews and the groups required to attend them, and plans to use more frequent reminders to boost attendance by workless partners of benefit claimants. It should widen the use of

work-focused interviews to people who do not receive income support to raise awareness of the services and support available and activating people to look for work.

7. **Recipients of incapacity benefit receive statutory sick pay for six months before being offered any support in returning to work.** Early intervention is crucial in helping people to avoid long spells of worklessness, and is particularly important for those facing multiple barriers in addition to disability. The Department for Work and Pensions and Jobcentre Plus should offer earlier support to people on statutory sick pay who are likely to claim incapacity benefit.
8. **It is too early to assess the impact of the Department for Innovation, Universities and Skills decision to prioritise the funding of basic skills and employability skills courses.** The early signs are positive, such as the increase in the number of learners on priority courses in 2005–06. The Department and the Learning and Skills Council should market these courses so as to ensure that workless people are fully aware of the impact that the qualifications will have on their employability.
9. **The Department could not tell us how many of the 2.9 million people who had started a New Deal programme were still participating in it; nor what proportion of workless households chose not to work rather than being out of work due to personal circumstances.** The Department needs such information to inform its forward strategy, including better estimates of the numbers in the hardest to reach groups and success rates in promoting employment amongst the workless.

1 The labour market and employment support programmes

1. The United Kingdom is experiencing historically high levels of employment. In 2007, the employment rate of 74.4% was one of the highest rates amongst comparable industrialised countries. Nevertheless, many people still suffer the social and economic costs of worklessness. In spring 2007, over 4.3 million people of working-age and 1.79 million children were living in workless households.² A workless household is a household that includes at least one person of working age, where no one in the household aged 16 or over is in employment. The National Audit Office estimates that workless households cost at least £12.7 billion a year in welfare benefits.³

2. The Government's aspiration is to raise the employment level to 80%. Since 1997, employment rates have increased for every disadvantaged group targeted through the Department's New Deal employment support programmes with the exception of the lowest skilled. The employment rate for lone parents, for example, increased from 45% in 1993 to 57% in 2006. Worklessness has not yet reached the point where it cannot be reduced further.⁴

3. There is evidence that New Deal programmes are becoming less successful at helping clients into work. Job entry rates for the New Deal for Lone Parents, New Deal 25 Plus and the New Deal for Young People have been declining or stable for some years. One possible factor is that the composition of the client group has been altered by both the initial success of the programmes and the high overall employment rate. As people with relatively few barriers to work move into employment, those remaining on benefits and within the New Deal client group face greater barriers and are therefore harder to help into work. The Department does not know how many of the 2.9 million people who had started a New Deal programme are still participating in it, and hence it is not possible to estimate accurately the size of the 'hardest-to-help' group.⁵

4. Reducing worklessness can be difficult if there is a perception that some parts of the country do not have an adequate demand for workers. There are jobs available in all parts of the country for people who want to work, with all Jobcentre Plus offices reporting some vacancies. **Figure 1** shows vacancies notified to Jobcentre Plus in each Local Authority District. As at February 2007, Jobcentre Plus was advertising approximately half of the 620,000 vacancies that the Office for National Statistics estimated were available in the United Kingdom. The estimated number of vacancies equates to some 37% of the numbers of people who were unemployed.⁶ The Department for Work and Pensions believed that the current influx of migrant workers was not hindering efforts to raise employment levels

2 Office of National Statistics, *Work and worklessness among households*, August 2007

3 C&AG's Report, para 1

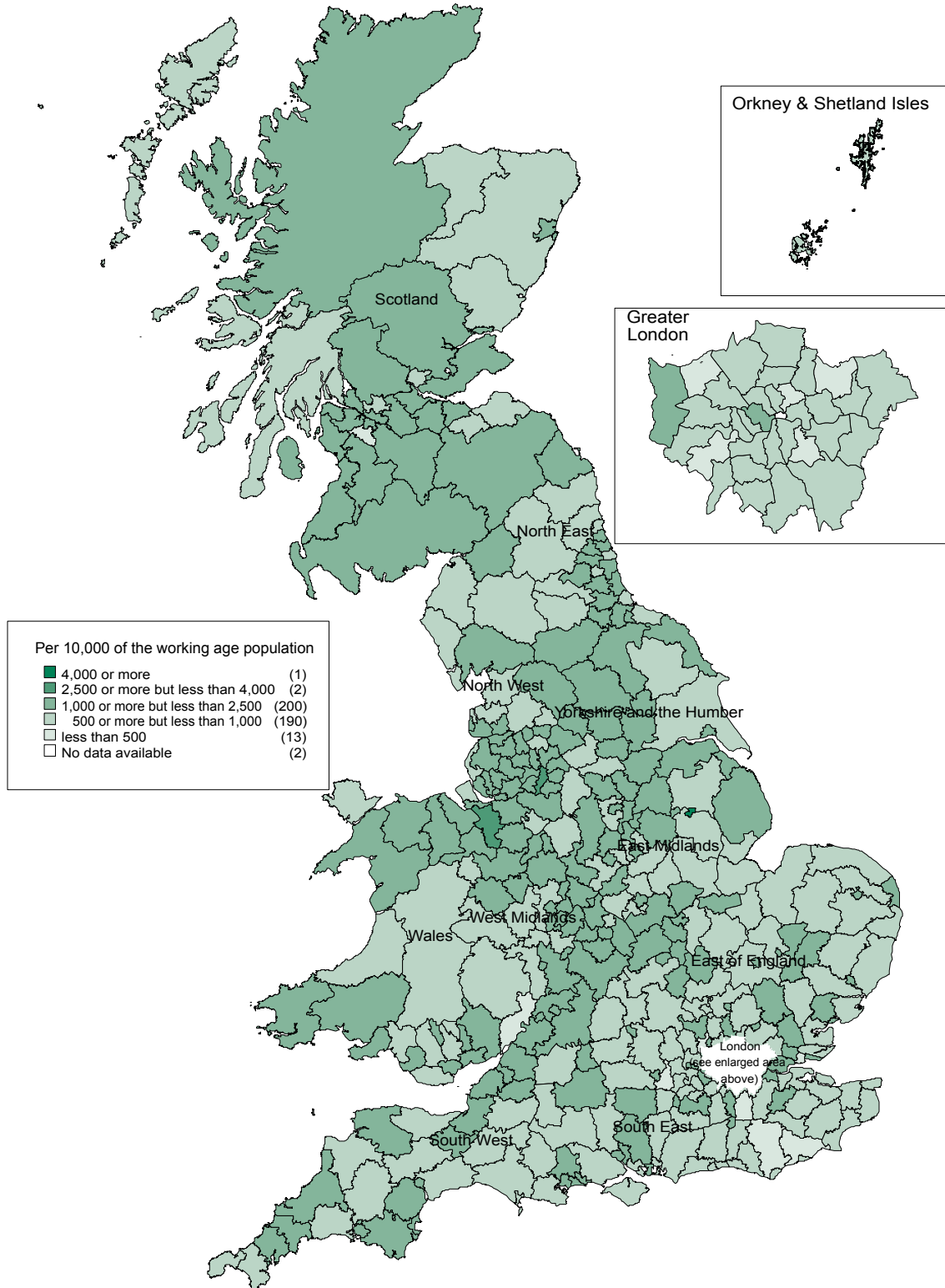
4 Qq 28, 32, 77; C&AG's Report, para 1.1

5 Qq 1, 11, 22, 23, 26; C&AG's Report, para 5.10

6 This estimate uses the International Labour Organisation definition of unemployment, where 'unemployed' is defined as someone who wants to work, is available to start work and is actively seeking employment

because unemployment has continued to fall and more people were continuing to be in work.⁷

Figure 1: Total vacancies notified to Jobcentre plus between October 2006 and September 2007 per 10,000 of the working age population by Local authority District⁸



⁷ Qq. 31, 33–36, 41–42; Local labour market analysis supplement to C&AG’s report on Sustainable Employment

⁸ Vacancies notified to JobCentre Plus represent only a proportion of the total number of vacancies in the economy.

5. Households where none of the adult members are looking for work (the economically inactive) now account for four out of five workless households. While employment levels have risen, there has been much less success in reducing the proportion of workless people who are economically inactive.⁹ Economically inactive people may be unable to work because of a medical condition or caring responsibilities but many of these people would like to work given the right support and encouragement. Spending on employment programmes to date has focused on clients in receipt of Jobseeker's Allowance. Achieving the aspiration of 80% employment will require much greater focus on and outreach towards people who are economically inactive. The Department estimates that around one-fifth of the 7.97 million people who are currently economically inactive would need to move into work in order to reach the 80% employment level. The population of economically inactive people has diverse needs and associated costs. The Freud Review of Welfare to Work programmes¹⁰ noted that the Department needs a better understanding of the full costs and benefits of moving different groups of individuals into work, so as to assess whether the current balance of spending on programmes and different client groups is optimal. The Department is continuing to implement the Freud Review recommendations.¹¹

6. Only two of the New Deal programmes examined in the National Audit Office report — New Deal 50 Plus and New Deal for Disabled People—show a positive fiscal benefit per participant in the programme (**Figure 2**). A positive fiscal benefit arises where the cost of the programme is less than the direct benefits to the Exchequer over one year of the participant gaining employment. These benefits include increased tax receipts and reduced benefits payments, less any in-work payments such as Tax Credits. Net benefit calculations do not, however, reflect the different structure and client groups of each programme, nor the indirect benefits such as the impact of higher employment on health and crime. Some New Deal programmes represent better value for money than others, and the Department has commissioned an extensive range of evaluations to assist it in understanding the direct and indirect costs and benefits of many of the schemes.¹²

9 Economically inactive people are not working, not looking for work and/or not available for work

10 Freud, D., *Reducing dependency, increasing opportunity: A report to the Department for Work and Pensions*, 2007

11 Qq 3, 27, 91, 94; C&AG's Report, paras 1.9, 5.11–5.12

12 Qq 2, 10, 12–14, 24, 37–38, 70–76, 82, 85; C&AG's Report, paras 5.2–5.4

Figure 2: Programme performance in 2005–06

Programme	Jobs		Costs (excluding administrative)		New benefit (cost) to Exchequer per participant ¹
	Job entry rate (%) ²	Additional jobs ³	Cost per job ⁴	Cost per additional job ⁵	
New Deal for Lone Parents	43	15,684	£330	£1,960	(£40)
New Deal for Partners ⁶	48	61	£470	£15,760	(£1,100)
New Deal 25 Plus	28	10,324	£2,850	£9,840	(£360)
New Deal for Young People	33	17,457	£2,170	£9,710	(£390)
New Deal 50 Plus	31	2,263	£100	£870	£50
New Deal for Disabled People	48	11,064	£2,230	£6,370	£1,260

Source: Department for Work and Pensions data

Notes:

1 Net Benefit/cost to the Exchequer is the difference between the cost per participant, and the benefits that will flow back to the Exchequer in benefits saved, and increased tax revenue, less the cost of increased Tax Credits payable to people who move into work. These are calculated based on the best evidence available on the average duration of jobs gained under programmes and average entry wages. Where this evidence is not reliable, duration of one year and minimum wage entry are assumed.

2 Job Entry Rate is the number of job entries divided by the total number of participants in the year.

3 Additional jobs is an estimate based on evaluations conducted of each programme.

4 Cost per job is the total cost of the programme for the full year, divided by the total number of job outcomes

5 Cost per additional job is the total cost of the programme for the full year divided by the estimated number of additional jobs.

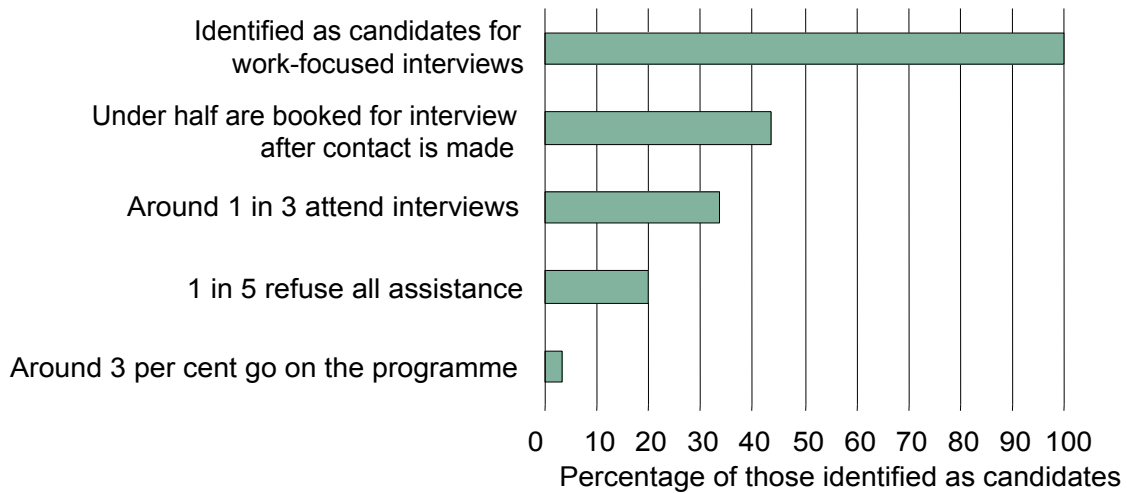
Programme Costs exclude administrative costs such as staff costs, office costs and computing.

6 Data for New Deal for Partners is based on relatively weak evidence on additional jobs and includes a relatively high proportion of administrative costs because of the low number of participants

Source: National Audit Office analysis of data from the Department for Work and Pensions

7. The New Deal for Partners shows the largest net cost to the Exchequer. This voluntary programme is aimed at the dependant partners of benefits claimants. Only 3% of the partners who were identified as candidates chose to participate in the programme (**Figure 3**), and evaluations suggest that only 61 of the jobs gained by programme participants were additional to those that would have been gained without the programme. The low net benefit to the Exchequer (**Figure 2**) results from the low participation rate and the assumption that if a partner found work, the primary benefits claimant remained on benefit, generating almost no saving to the Exchequer.

Figure 3: Only 3% of candidates identified go on the New Deal for Partners programme



Source: National Audit Office analysis of Jobcentre Plus data

8. The Government is gradually extending both the support it offers to workless households and the number of clients whom it expects to seek work actively. For example, the Green Paper *In work, better off* proposed a more flexible New Deal and a new social contract with lone parents which anticipated an eventual move into the labour market in return for the necessary personalised support.¹³ As part of the agenda to increase rights and responsibilities, Jobcentre Plus has been increasing the number of lone parents who are invited for a work-focused interview. The Department does not know the proportion of workless people who choose not to work rather than being out of work because of personal circumstances.

¹³ Green Paper, *In Work, better off: next steps to full employment*, 2007

2 Reaching the workless

9. To achieve the aspiration of 80% employment, many people who are economically inactive will have to be encouraged to seek work. Many of these economically inactive people are likely to live in workless households. There is, however, no systematic strategy underpinning outreach activity, with outreach services varying according to the resources which Jobcentre Plus has available in each area and activity by local partners. The reach of current programme 'gateways' is limited. For example, work-focused interviews do not target all workless people, only those who received Jobseeker's Allowance. The Department has begun to work with local partners to develop local solutions. The new City Strategy, for example, is working in 15 areas of the United Kingdom to promote innovative approaches to getting people back to work and to tailor local provision to the needs of the local labour market.¹⁴

10. Worklessness occurs chiefly in concentrated pockets in a small number of deprived communities across the United Kingdom, with 60% of all concentrations of worklessness occurring in 10% of wards. Jobcentre Plus needs to work closely with its local partners to tackle pockets of worklessness, but in many cases the sheer number of different parties and initiatives involved places a heavy burden on resources. For example, around 125 different bodies are involved in some 300 separate employment support programmes in Glasgow, and Jobcentre Plus district managers can have up to 27 Local Strategic Partnerships in their district.

11. Recent restructuring has improved the way that the Department and the Learning and Skills Council coordinate their work locally. The City Strategy is helping to provide more flexible and cost-effective services with, for example, work trials in City Strategy areas running for six weeks rather than the usual three weeks. Providing greater local flexibility on issues such as allowing people to train full-time while still receiving benefits will require primary legislation. The Department has advised City Strategy consortia to limit their requests for flexibilities to those changes that do not require primary legislation.¹⁵

12. Few partners of benefits claimants are participating in the voluntary New Deal for Partners, with only 200 people joining the programme every month. Jobcentre Plus is addressing low take-up by making more use of the telephone to remind partners to attend work-focused interviews. From April 2008, partners for whom a benefits claim is being made will be required to attend an interview every six months.¹⁶

13. When an individual is part of a larger workless household, caring responsibilities or parenting issues may need to be addressed before that person can get into and stay in work. These complex needs may involve a number of members of the household, not just the primary benefit claimant. Many partners do not consider looking for work because of wider problems within the family, such as caring responsibilities. The New Deal for Lone Parents has been successful as it has taken into account both individuals' job-seeking needs

14 Qq 4, 60 ; C&AG's Report, paras 2.23–2.28

15 Qq 7–8, 20–21, 54–55; C&AG's Report, paras 1.7–1.8, 4.9–4.12

16 Qq 57, 61–64, 80–81; C&AG's Report, paras 2.6–2.11

as well as parenting needs. Parents on other New Deal programmes are not routinely offered help with finding childcare or a job that fits with their caring commitments. The Harker report on child poverty recommended implementing a 'New Deal for Parents', which aligns support for lone and couple parents.¹⁷

14. Where Jobcentre Plus has advance warning of substantial job losses, it usually works with the Learning and Skills Council to prepare employment support and retraining packages to enable redundant employees to find new jobs. Our report on the closure of MG Rover found that the Department had been effective in arranging immediate support for former employees.¹⁸

17 L Harker, *Delivering on child poverty: what would it take?* Department for Work and Pensions, 2006

18 Committee of Public Accounts, Fifty-seventh report of Session 2005–06, *The closure of MG Rover*, HC 1003; Q 17

3 Helping those with additional needs

15. Nearly 60% of incapacity benefit recipients have been receiving their benefits for over five years, compared with no more than 5% of Jobseeker's Allowance recipients. Evidence from countries such as the Netherlands shows that early intervention is a key success factor in helping people with complex needs into employment. Claimants receive statutory sick pay for six months prior to claiming incapacity benefits, but they only have the opportunity to attend a work-focused interview when moving onto incapacity benefits. Some incapacity benefits claimants are unable to work due to their medical condition, but there is a risk that people who are able to work will not receive appropriate assistance early enough.¹⁹

16. Helping disabled people into work via the New Deal for Disabled People programme provided a net financial benefit to the Exchequer of £1,260 in 2005–06 (Figure 2).²⁰ The Department is working more closely with the National Health Service to tackle health barriers to work, and it is also tackling employer discrimination against disabled people. Existing programmes have experienced mixed success in assisting disabled people into work. The level of worklessness for people with severe mental health problems is high and people with mental illness often need further support. The National Audit Office's report on *Gaining and retaining a job: the Department for Work and Pensions' support for disabled people* found that the New Deal had been most effective for people with mild to moderate disabilities, and that its reach had been limited.²¹ There has been some early success for the Pathways to Work scheme, which is aimed at people receiving incapacity benefit. Departmental evaluation found that the number of programme participants who find work within 10.5 months was 9.3% higher than for incapacity benefits claimants who do not participate in the scheme. However, the scheme had not succeeded for people with mental illness.²²

17. People in workless households are less likely to have basic skills than others, and having basic skills qualifications is closely associated with economic activity and being in employment. Research indicates that people with Level 2 qualifications (which are equivalent to GCSEs grades A*-C) are more likely to be in work, more likely to stay in work and more likely to receive training and progress in their work. As a result, the Learning and Skills Council has changed its priorities to place more emphasis on free training provision to help people who lack literacy, numeracy and employability skills. The 2005–06 academic year saw a rise in the number of learners on priority training provision which lead to Skills for Life, Level 1 (equivalent to GCSEs grades D-G) and Level 2 qualifications.²³

19 Qq 15–17, 19 ; C&AG's Report, para 3.11

20 Based on the difference between the cost per participant and the benefit payments saved, together with the increased tax revenues less the cost of increased Tax Credits payable to people who move into work.

21 C&AG's Report, *Gaining and retaining a job: the Department for Work and Pensions' support for disabled people*, HC (2005–06) 455

22 Qq 18, 30, 78, 45–51; C&AG's Report, paras 3.11–3.13, 2.12–2.17

23 Q 69; C&AG's Report, paras 3.23–3.25

Formal Minutes

Monday 28 January 2008

Members present:

Mr Edward Leigh, in the Chair

Mr Richard Bacon
Angela Browning
Mr Philip Dunne
Mr Nigel Griffiths
Mr Keith Hill

Mr Austin Mitchell
Dr John Pugh
Geraldine Smith
Mr Don Touhig

Draft Report (*Helping people from workless households into work*), proposed by the Chairman, brought up and read.

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

Paragraphs 1 to 17 read and agreed to.

Conclusions and recommendations read and agreed to.

Summary read and agreed to.

Resolved, That the Report be the Ninth Report of the Committee to the House.

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

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

[Adjourned until Wednesday 30 January 2008 at 3.30 pm.]

Witnesses

Wednesday 24 October 2007

Page

Sir Leigh Lewis KCB, Permanent Secretary, Department for Work and Pensions, **Lesley Strathie**, Chief Executive, Jobcentre Plus, and **Mark Hayson**, Chief Executive, Learning and Skills Council

Ev 1

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Oral evidence

Taken before the Committee of Public Accounts

on Wednesday 24 October 2007

Members present:

Mr Edward Leigh, in the Chair

Mr Richard Bacon
Angela Browning

Mr Philip Dunne
Mr Austin Mitchell

Mr Tim Burr, Deputy Comptroller and Auditor General, and **Ms Trish Brown**, National Audit Office, were in attendance and gave oral evidence.

Mr Marius Gallaher, Alternate Treasury Officer of Accounts, was in attendance.

REPORT BY THE COMPTROLLER AND AUDITOR GENERAL

HELPING PEOPLE FROM WORKLESS HOUSEHOLDS INTO WORK (HC 609)

Witnesses: **Sir Leigh Lewis KCB**, Permanent Secretary, **Ms Lesley Strathie**, Chief Executive, and **Mr Mark Haysom**, Chief Executive, Learning and Skills Council, gave evidence.

Q1 Chairman: Good afternoon and welcome to the Committee of Public Accounts where today we are considering the Comptroller and Auditor General's Report, *Helping people from workless households into work*. We welcome Sir Leigh Lewis, the Permanent Secretary of the Department for Work and Pensions; Lesley Strathie, who is the Chief Executive of Jobcentre Plus; and Mark Haysom, who is the Chief Executive of the Learning and Skills Council. Perhaps, Sir Leigh, I will address my remarks to you but you can pass questions over if you do not want to answer them. Would you like to start by looking at the Comptroller and Auditor General's Report. If you look at page 43, figure 22, you will see that the job entry rate for the New Deal is declining. Only a small percentage of lone parents take part in the programme. How are you going to achieve your 2008 target?

Sir Leigh Lewis: I think by working hard, Chairman. I think this is a classic case where this bottle is half full or half empty. I think the half full picture, if you look at the New Deal for Lone Parents, is this is a New Deal which has helped increase the lone parent employment rate from under 45% to over 57% in a decade, and that is a truly remarkable generational shift. We have seen over one-third of a million more lone parents in work over that period. I think it has been a programme which has been in many ways a tribute to the staff who have helped deliver it and to its concept, but the other side of that coin is there is much more to be done.

Q2 Chairman: Can I interrupt for a moment. Nobody denies that more lone parents are getting into work but just how effective have these programmes been? They cost more, do they not, to get people into work than what you save in benefit?

Sir Leigh Lewis: The figures that are given in the Report look only at the very direct costs and, as the Report itself says, there is a whole set of further benefits to society which is there and which is not

immediately capable of being captured. If you take the New Deal for Lone Parents itself independent research in 2003 by the Centre for Analysis of Social Policy at Bath University estimated that that programme provides a net gain to society of nearly £4,500 per job, so actually I think that many of these programmes are very successful looked at in economic terms, but I think they are also hugely successful in social terms as well. That certainly does not mean that they are as successful as they could be or that there is not much more to be done.

Q3 Chairman: Exactly, because if you are going to achieve your 80% employment target you have to go out and find people in the marketplace, have you not?

Sir Leigh Lewis: Yes we do.

Q4 Chairman: Are you doing that? You do not seem to have any strategy for outreach?

Sir Leigh Lewis: No, I think that is not the case. I think we are increasingly reaching out into communities to attract more people onto those programmes, and increasingly successfully. If you look at the City Strategy for example, which is a very major and innovative development operating through 15 areas, working with a whole range of partners in very innovative ways, I think we are seeking to reach out and attract more people, but this is difficult. By its definition, as the Report makes clear, some of the people we are seeking to work with are hard to reach.

Q5 Chairman: If we look at this appalling figure 10 on page 21, it is entitled "Very few partners enter the New Deal for Partners Programme" and 100% are identified as candidates for work-focused interviews; under half are booked for interview after contact is made; around one in three actually bother to attend

the interview; one in five refuse all assistance; and around 3% go on the programme. That just suggests to me that a lot of this is wasted effort.

Sir Leigh Lewis: I do not think any of us this side of the room, Chairman, are going to suggest that the New Deal for Partners has been one of our most successful programmes hitherto. You only have to look at the numbers, as you say, who have entered the programme and the numbers who have gone through it and gained jobs to know that it is clearly not a programme that has had anything like the success—

Q6 Chairman: So you are scrapping it now, are you?

Sir Leigh Lewis: No, we are not scrapping it actually; we are seeking to improve it. One of the features that has made it less successful than it might have been is that the gateway onto it, if you want to call it that, is a single work-focused interview. All our experience is that that is simply not enough to attract onto a programme people who are intrinsically going to be hard to attract and hard to persuade, so from next April there will actually be work-focused interviews every six months for eligible partners for that programme.

Q7 Chairman: Let us look at one city shall we, Glasgow, which is mentioned in paragraphs 1.11 to 1.12. You see there are 125 organisations delivering more than 300 individual programmes in one area. How can there be any kind of coherent and effective service when you have got this sort of situation?

Sir Leigh Lewis: I think it is the case that out in locations there are a lot of individual groups and there are a lot of organisations and it is a challenge to ensure that we have a joined-up and cohesive service. That, however, is why in particular we are working through local Strategic Partnerships, and Jobcentre Plus—and Lesley Strathie may want to comment—is a core member of all the 146 top-tier local Strategic Partnerships and also why the City Strategies, which are absolutely an attempt to join up all the key local players, are so important.

Ms Strathie: I would endorse that. I think the real challenge now for Jobcentre Plus and our customers to help them back into work is to join with other organisations to ensure that the end-to-end system delivers all of the needs of the customer to remove the many barriers that lone parents in particular face (and partners because both adults are benefit recipients) and we do that in partnership rather than through our own programmes in isolation.

Q8 Chairman: It says here that the City Strategy aims to give local stakeholders more freedom to meet local needs. That sounds very fair, does it not, but in fact it is not flexible, is it?

Sir Leigh Lewis: I think it is pretty early days, Chairman, to draw any kind of far-reaching conclusions on City Strategies, which have barely entered their delivery phase. One of the things we have done in part in relation to the City Strategy programme is we are supporting them with over £30 million from the DWP's Deprived Areas Fund

precisely to give them local funding and discretionary funding. Secondly, we have invited them to bring forward the flexibilities which they would like to see. One result of that already for example is work trials in the City Strategy areas can now run for six weeks rather than three weeks. I think we are in danger of trying to judge an initiative which has barely been launched. Having been out to City Strategy areas, I am particularly optimistic about it.

Q9 Chairman: So this scheme is cost-effective, is it?

Sir Leigh Lewis: I think if you take the Government's overall employment programmes, very much so.

Q10 Chairman: I am not just saying it is cost-effective because more lone parents are getting into work, we all recognise that, but I go back to my original comment, this is largely due to the success of the economy and very little to do with your programme?

Sir Leigh Lewis: No, I just do not accept that, I am afraid. Of course the macro economy has been a major feature, but every evaluation we have done—and I could give you equal evaluations for the New Deal for Disabled People and the New Deal for Young People, I just do not want to bore the Committee and take overmuch of your time—have shown that there have been major overarching benefits from those programmes. I think one thing which we should take some pride in is we evaluate these programmes more extensively and more comprehensively than probably any other comparable country.

Chairman: Thank you for that. Mr Dunne?

Q11 Mr Dunne: Sir Leigh, it says on page 20, paragraph 2.3 that since 1998 over 2.9 million individuals have started on one of the New Deal programmes. Are you able to tell us how many of those are still on the programme?

Sir Leigh Lewis: By their very nature, these are not programmes which have a duration which would go throughout all of that time, but I can tell you for example that over three-quarters of a million people have gone into work through the New Deal for Young People and very, very substantial numbers have gone into work through all of our New Deal programmes.

Q12 Mr Dunne: I can see that set out in figure 1 on page 7, but are you able to tell us how many of the 2.9 million are now in work?

Sir Leigh Lewis: No, we cannot do that because some of these programmes have been running now for ten years and it would be impossible to trace, without quite extraordinary effort, every single individual as to what has happened to them over all of that period. As I say, when the evaluations have been carried out, in every case they have shown that there is real and substantial benefit. Just to mention, for example, one programme which we are extending, which is the Pathways to Work

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programme; our latest evaluation shows that at the 18 months stage, 7.5% more people are in work than in those areas where the programme has not run, so there is very substantial evidence that for many of these programmes they do have a lasting and durable effect.

Q13 Mr Dunne: That is what I was trying to get to and I am pleased that you have got at least one of the programmes where you are able to make that assessment, because one of the criticisms of the New Deal is that people go on a programme, they then come off the programme and they are back in the same position as they were when they started. They are not going on programmes that actually get them into durable and sustainable jobs. What have you done to try to address that criticism and to assess how worthwhile these programmes are?

Sir Leigh Lewis: What we have done is pretty fundamental evaluation, and Lesley Strathie may want to do a little bit more. It is absolutely the case that some people who have left those programmes have come back onto them and have lost their jobs or have left jobs, et cetera. It is really quite important to say because both Lesley currently as the Chief Executive of Jobcentre Plus and I as the former Chief Executive of Jobcentre Plus have seen this at very close quarters—sometimes it is not a failure when somebody leaves a programme, goes into a job and comes out of that job. It is not necessarily the most desirable outcome but they will then have a work record where they may have had none before, and very often they will return to another job much more quickly than they would have done had they not been on that programme in the first place.

Ms Strathie: For many people, short-term work is a stepping stone. It is a means of acquiring skills and that work record, but we do have a proportion of those customers who are in and out of work too frequently, and part of the challenge for the future is for us to have a much more flexible approach and, hopefully, to be able to identify those customers most at risk and to be able to pick them up for early entry for additional help when they come back on to claim Jobseeker's Allowance again.

Q14 Mr Dunne: Have you started keeping statistics on this re-entry process that you have just described? Do you have any feel for what proportion of the 2.9 million individuals are second-timers? Are these all first time courses or does it cover those who have gone on to a second course?

Ms Strathie: I could not give you the figures straight off the top of my head and they would be on the basis of sampling rather than hard numbers. We do not collect data on everybody who is a repeat customer. We do know that there is a core for whom moving them into sustainable employment is still a challenge and that it is not just a challenge of getting work but of acquiring the skills and remaining in work. We could write to you with the information you have got.¹

Q15 Mr Dunne: If you have got some analysis I think that would be very helpful because it might help to counter this criticism. When somebody presents as having a need for retraining or a need for re-employment, when do you start counting them in your statistics as somebody who is unemployed?

Sir Leigh Lewis: The very simple answer is that we count them from effectively the first day that they make a claim to the relevant benefit, so if you take Jobseeker's Allowance from the day that someone makes a claim they are counted as a claimant of that particular benefit.

Q16 Mr Dunne: Right and what is the longest pre-qualifying period of any benefits before you are counted? Is DLA (Disability Living Allowance) the longest; is that a six-week period?

Sir Leigh Lewis: DLA is rather a different benefit and not one of the ones that we are particularly focused on here, but normally there is no pre-qualification period in the sense that if you believe you meet the conditions for the receipt of that benefit, you can claim it, and normally you will be counted either from the point at which you claim it or the point at which benefit is awarded.

Q17 Mr Dunne: When I was on the Work and Pensions Select Committee we did some work in Holland with agencies there who told us that early intervention for people who are out of work is the most effective in getting them back into work. The criticism has been levelled against this country that we do not take early action quick enough and that when somebody has been out of a job for four to eight weeks, it is going to take much longer to get them back into employment than if we can get them starting to get the benefit of programmes or advice as quickly as possible.

Sir Leigh Lewis: Two things, I will do them in headline terms and then Lesley Strathie may want to add to them. First of all, at the point where you make a claim to Jobseeker's Allowance for example, which is what typically somebody who has lost their job will do, there will be an in-depth interview with one of Lesley Strathie's advisers at which there and then there will normally be an attempt to identify any suitable vacancies, and the drawing up of a jobseeker's agreement setting out the steps that they will take and we will take to help them to find work. Before that, which is not the case of every individual person losing their job, in any areas where there is a substantial job loss which is known to Jobcentre Plus in advance, Jobcentre Plus will normally, co-operating with the employer, make a major effort to put people's support and advice in, working often with the Learning and Skills Council and other agencies, before those employees are actually made redundant and lose their jobs, with the aim of avoiding them ever having to claim. Lesley may want to say more about both of those.

Ms Strathie: I think that is right. In the first instance when people make contact to make a claim for Jobseeker's Allowance there is a work-focused conversation at that point, including very often,

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where it is appropriate, we arrange a job search for them by telephone. They then do have to come into the Jobcentre.

Q18 Mr Dunne: Could I stop you there. In figure 11 on page 22, which has been referred to before, less than one-third of those eligible clients have initial work-focused interviews. If that is the first step, it is only affecting a third of the potential claimants. What is happening to the other two-thirds?

Sir Leigh Lewis: That, if I may say so, is a slightly different issue because here we are looking out to the Pathways to Work programme, and the Pathways to Work programme is a particularly specialised programme because it is looking at people who are claiming incapacity benefit and, by definition, they tend to have a greater range of barriers which are going to stand between them and an early return to work. That is why we are so optimistic about that programme because the Pathways programme, which we will be rolling out nationally as from next April, for the first time puts in place a joined-up range of serious interventions to help new claimants to incapacity benefits get back into a journey towards work, and it appears, from some pretty robust evaluation evidence, to be working.

Q19 Mr Dunne: I think it is in fact incapacity benefit that you cannot claim for the first six weeks, is that not correct, and therefore you are not actually getting to them quickly enough?

Ms Strathie: For the first six months eligible people would be claiming statutory sick pay. They come to us after that for incapacity benefit. In the past, you would simply have had a medical certificate and claimed the appropriate benefit. What we do now is at that initial stage we have a work-focused interview unless, as you say, the third that you point to, it is not appropriate for a work-focused interview, for example if somebody is very seriously ill and possibly even terminally ill we would not have a work-focused interview with them.

Q20 Mr Dunne: I have one last question in relation to working together which you referred to Sir Leigh; on page 9, paragraph 15, the NAO Report emphasises the importance of effective partnership working. With the reorganisations that have taken place within the Learning and Skills Council, with the Jobcentre Plus office closures meaning that the concentration of offices and people available to do these work-focused interviews is now concentrated in the metropolitan areas, by and large, and there are far fewer people available in rural areas—and we have discussed this before—and with the regional development agencies taking on increasingly the job-brokering functions through Business Link and so on, how are the reorganisations affecting effectiveness and how are you pulling all these strands together?

Sir Leigh Lewis: I will ask Mark Haysom to comment in a moment from his perspective and then Lesley Strathie may want to add something. Nothing is ever perfect and I am not going to sit here, and nor are my colleagues, and tell you that

everything is perfect in the best of all possible worlds in terms of partnership working and co-operation. What I would say—and I hear it frequently both at national level but much more importantly because I make a point of trying to go out and see on the ground for myself very frequently—is I hear at local level an awful lot of people, my staff but also partner organisations, saying that co-operation on the ground is better than it has ever been, but let me put that to Mark Haysom and Lesley.

Mr Haysom: I would echo that.

Q21 Chairman: Can I say generally in this Committee I think it is a bad idea if one person answers a question and then passes it to a colleague because my colleagues are time-limited and it just delays things, so in future would you let Mr Haysom answer first.

Mr Haysom: I would like to echo what Leigh has just said. My experience is that over the last couple of years working on the ground has moved on pretty dramatically. I would like to think that the reorganisation that the Learning and Skills Council went through last year, which you will recall I spoke about at a previous occasion, has contributed very significantly to that because we are now able to partner at the appropriate level, so we have local partnership teams at local authority level and they can match in very easily with local authorities and Jobcentre Plus and so on. I think that there has been a big step forward and I think that is seen through a lot of the work of Strategic Partnerships and indeed of the City Strategies, as Leigh has mentioned earlier.

Chairman: Thank you very much. Austin Mitchell?

Q22 Mr Mitchell: It is a funny kind of business that you are in in the sense that it seems the more effort the less the return.

Sir Leigh Lewis: Can I just ask you unpack that for me before I plunge in and the Chairman stops me. Just unpack that for me so I am trying to answer the key point.

Q23 Mr Mitchell: The Government is constantly preaching this new initiative, that new initiative, this new drive to get all these people who really want to work but are actually sitting at home back to work, and yet all the figures show the more we spend on that and the more effort we put in it is a diminishing return.

Sir Leigh Lewis: I do not think I would go there. It is an ultimate truth that if the Department for Work and Pensions, at least on the work side, had every single person in this country in work, then the need for our services would be dramatically less, if you see what I mean.

Q24 Mr Mitchell: If we run the economy at full tilt we will have a better chance of putting all these people back to work than if you devote all this money and all this effort to patchwork schemes.

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Sir Leigh Lewis: I do not think that is fair or the case.

Q25 Mr Mitchell: That was the situation in the 1950s, was it not?

Sir Leigh Lewis: I will not go back that far.

Mr Mitchell: Well I do!

Mr Bacon: And do we not know it!

Sir Leigh Lewis: I was alive then but I do not think I was concentrating on employment programmes. I do not think we are seeing a law of diminishing returns. What I would say is this however: if you look for example at unemployment, it is dramatically lower than it was in recent memory, in our memories if you see what I mean, and it is certainly the case that the people that we are seeking to help now, by and large, have more barriers and barriers which are deeper to their return to work than was the case when there were many, many more people in absolute numbers outside of the labour market, and that does mean that it is harder to help those individuals but it is also more worthwhile.

Q26 Mr Mitchell: Some of what you have done at least is due to the fall in unemployment. The total number of workless households has fallen from 3.5 million to three million, which is presumably a function of the rise in employment because there are more people in work than there were, but the number of workless households that are economically inactive has hardly changed at all.

Sir Leigh Lewis: Actually I think there there is a success story to tell as well. If you look at the total number of workless households in the last ten years, it has fallen by 200,000 while at the same time the total number of households has increased by 850,000 so the proportion, just as a piece of mathematics, has fallen from around 18% to around 16%.

Q27 Mr Mitchell: But 18% of workless households is still what it was.

Sir Leigh Lewis: Yes, and that shows that this is challenging and difficult but nevertheless that is why I come back—and it may be a theme this afternoon—there is a half-full bottle here and there is a half-empty bottle.

Q28 Mr Mitchell: It does show you that you are approaching an irreducible minimum that no matter how much effort you put in and how much money you spend you are not going to get it much lower.

Sir Leigh Lewis: I do not believe that. If you take people claiming incapacity benefits, I think we are now at 2.66 million. We have seen that number peak and come down by 120,000 in the last two to three years. Actually, in historic terms, that is still a high number and none of us here believes that we are yet at some irreducible level, not remotely so.

Q29 Mr Mitchell: I see in 1.10 that they seem to be households where all the problems compound. They face multiple disadvantages—low skills, poor health and living in social housing (social housing, incidentally, where we are going to offer them the chance of buying their share of the house on benefit

which they will not be able to do, but that is just a passing aside). Here the kind of gateway lectures on what is available are not going to be much use in households like that.

Sir Leigh Lewis: If that was all we were doing I would agree with you, but it is absolutely not all we are doing. If you take the Pathways to Work programme, for example, which is focused on people claiming incapacity benefits (who are a group who have overall and on average a tougher set of barriers) it is much more than simply conversations and the offer of support. It includes, for example, the condition management programme, extensive on-going support in terms of health conditions, in terms of mental health problems, in terms of physical health problems, and it is that which I think is showing that those interventions do work. While they are tough and hard to do and while they can be expensive, the payback can also be very, very substantial, because if you can take someone off a benefit which would otherwise be a very long-term benefit for them, then you really are changing that person's life as well as putting a financial—

Q30 Mr Mitchell: The effort you have to put in is higher in areas that already have high unemployment. There are parts of the country where if you are disabled or if there is some other disincentive to work, it really just is not worthwhile the effort to look for a job because there are not any.

Sir Leigh Lewis: I would not go there and I would not accept that. Today there are about two-thirds of a million job vacancies and those are simply the ones that are on Jobcentre Plus's books. There are jobs every day, everywhere. If you go into any one of Lesley Strathie's 850 Jobcentre Plus offices today, there are jobs, there are lots of jobs and jobs turn over continually. I am not saying that in every part of the country the employment position is utterly perfect, of course it is not, but there are jobs and there are jobs being taken and filled every day. Our job is to help some of those people, who left to themselves would struggle to get those jobs, to get them.

Q31 Mr Mitchell: People tell me, this is Grimsby and it is particularly true I think of single parent families, that women actually want to get in work, they are motivated, they want to get away from that blasted kid and have some attachment to the real world, but they just cannot find anything, and that must be a widespread situation.

Sir Leigh Lewis: Ten years ago we had more than one million lone parents claiming income support as lone parents. Today it is around three-quarters of a million, so there has been a huge—

Q32 Mr Mitchell: Your gateway where you motivate people and you tell them what is available and stimulate them, does that work better in areas of high unemployment than it works in areas of low unemployment? Do you have figures on that?

Sir Leigh Lewis: We do not have figures immediately to hand. I think it must intuitively be the case that in areas where jobs are extremely plentiful then it must

be easier to help people because there will be a wider range of jobs but, just to repeat, there are jobs available today everywhere. That does not mean there is every job that anyone might want everywhere but there are jobs available everywhere today.²

Q33 Mr Mitchell: I wish you could give us some figures on the regional variations because it is interesting and it does affect your work, I would have thought, substantially.

Sir Leigh Lewis: Indeed.

Q34 Mr Mitchell: In passing, another issue which is not dealt with in the Report—and it might be a bit heretical to talk about it—is large-scale immigration, as we now seem to have from Eastern Europe. That is going to damage the prospect of getting these kind of people that you are dealing with back into work because the jobs are going to be filled by strapping great Poles.

Sir Leigh Lewis: I am tempted to say that takes you into an area which is a bit beyond this Report perhaps—

Q35 Mr Mitchell: Yes, but it does make employment more difficult.

Sir Leigh Lewis: But that is something that our labour market economists in the Department will occasionally refer to—and I hope you will not take this in any disparaging way—as the lump of labour fallacy. That suggests that the number of jobs is a given and it will always be a given and will actually stay there. That is not the evidence of what actually happens because people create jobs. Once people are here, we all of us then need services and goods and that in turn creates demand and creates jobs.

Q36 Mr Mitchell: Okay, I accept that point. Would it not be easier instead of spending all this money on motivation and the efforts you are putting in if you just subsidised jobs for the disabled?

Sir Leigh Lewis: No I do not think it would and I think there is long experience of job subsidies from successive administrations going back many years.

Q37 Mr Mitchell: We do subsidise them already with the working families tax credit. We subsidise low pay.

Sir Leigh Lewis: That is a different thing, if I may say so. That is helping in a sense individuals to ensure that work pays for them. I think pure job subsidies—and I remember when I was a young civil servant in the then Department of Employment that there were job subsidies—tend not to be very effective.

Q38 Mr Mitchell: Give us a reflection, there is a perennial argument, and in the States they have gone one way which is actually to cut off benefit and hopefully force people back to work, a practice which has been much praised among Conservative

politicians. What works best, the carrot or the stick? You are wielding carrots, are you not; would you want a stick?

Sir Leigh Lewis: I do not want to use that terminology, please, because I will be quoted as having used it and I do not want to do that. Actually there are two sides to this coin and that is what we are trying to do. One is to offer more support than we have ever offered before. Let us not depress ourselves this afternoon. There is quote after quote in the Report—and I do not want to bore you and incur the wrath of the Chairman by reading them—which say that what we are doing is genuinely successful. We are offering more support than we have ever done in the past. Along with that goes a responsibility to accept that support and that is the thrust of Government policy.

Q39 Mr Mitchell: It says at paragraph 5.10 that some of the programmes are not particularly successful, and it instances the New Deal for Partners, which we have already talked about, the New Deal 25 Plus and the New Deal for Young People, where entry rates have been declining or stable for many years. Those programmes therefore must be unsuccessful so why not cut them and devote the money to other programmes?

Sir Leigh Lewis: Because I think it goes to the heart of one of the earlier questions you asked. If we were genuinely to believe that we had reached a sort of point where we were at an irreducible minimum and that the numbers who were left outside the labour market could not effectively be changed, then I think there would be some real point in that, but none of us believes that to be true. We believe that we are still having a real impact. Could I, Chairman, with your indulgence, just correct one answer that I inadvertently gave when I said there were two-thirds of a million vacancies with Jobcentre Plus. In fact, that is the total number of vacancies, not just those that are with Jobcentre Plus. My apologies for misleading the Committee.

Q40 Chairman: At the end of that there are a couple of things that must be pursued from Mr Mitchell's excellent questioning. The fact remains there are still more than 4.2 million working adults and 1.7 million children living in households where nobody works. If you look at figure 2 on page 13: "Internationally the United Kingdom has one of the highest rates of people living in workless households". He mentioned two points and I do not think you can just brush them aside because you must have seen today's press about the impact of immigration and the United Kingdom population rising to some 70 million by 2020. You must know in towns like Boston in Lincolnshire a very high proportion of young people now coming into the workplace are from Eastern Europe. Frankly, you have got to address the fact that there is some resentment amongst people with low skills that these basic jobs, for instance working in the field of Lincolnshire, are being taken. You cannot just brush it aside and say it is not in this Report; it is absolutely key.

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Sir Leigh Lewis: My apologies if I appeared to give the impression that I was brushing it aside. I am not anxious to get into the whole issue of migration, which is complex and difficult. All the evidence is that we are benefitting as an economy from migration into this country. That is the thrust of the House of Lords' Report.

Q41 Chairman: I am sure the economy is benefitting, nobody is denying that the economy and economic growth is benefiting, but the point is that many of these young people with low job skills are saying that these jobs are being taken by immigrants. There is nothing racist about this because they are from Eastern Europe, they are very active, good, hard-working people from Eastern Europe who have taken the jobs. They are, frankly, cancelling out all these little schemes that you are doing.

Sir Leigh Lewis: No, I do not accept that. On any given day of course if there is a job that is taken by somebody who has come into this country, then by definition that job has not been taken by a person who is local to this country, but actually if you look at the economic evidence and the statistics over recent years, unemployment has continued to fall and more people are continuing to be in work, notwithstanding the fact that we have people coming into this country.

Q42 Chairman: All right, and also Mr Mitchell mentioned the carrot and stick point. We have got this one international comparison that I have alluded to—figure 2—but there is nothing in this Report about what people are doing in places like Wisconsin, these famous experiments we hear about all the time. Do you want to say a bit about that of what work you are doing in the Department in terms of stick as well as carrot?

Sir Leigh Lewis: Again recognising, please, that I would prefer not to use that terminology.

Q43 Chairman: Then let me use that terminology and you can use another.

Sir Leigh Lewis: If you look at the Green Paper that my Secretary of State put out just before the summer recess *In work, better off*, that does in the area of lone parents, and work to help lone parents, set out precisely the more help that we want to give lone parents yet which is more than even the range which is currently on offer. That does propose—these are proposals the consultation period has not yet ended—that in October 2008 lone parents whose youngest child is above 12 should not henceforth be able to claim income support as a lone parent but would need to claim another benefit, and from October 2010 the proposal is that that should be the case where the youngest child is over seven. So the Government is putting forward, and has indeed moved already, to increase the conditionality which attaches to a number of benefits in the benefits system.

Chairman: After we come back from voting Mrs Browning will have the floor.

The Committee suspended from 4.09 pm to 4.17 pm for a division in the House.

Chairman: I think Angela Browning has some questions now please.

Q44 Angela Browning: I would like to concentrate on the work in the Report on disabled people, so I should perhaps declare an interest in that I am Vice Chairman of the National Autistic Society and a Patron of Research Autism. On page 22, paragraph 2.13 it states in regard to the New Deal for Disabled People that the programme was most successful for people with mild to moderate disabilities but that its reach was limited. While around 57,800 people had participated in this programme at time of the Report, this was only a small percentage of those who could potentially benefit. So what I must ask you is, are you top-slicing the easy people with disabilities to get them into work and leaving the rest?

Sir Leigh Lewis: No, I do not think we are doing that. It must be the case of course that there are people with disabilities—as you will know from the office you hold—whose difficulties are greater and those who are lesser and selfevidently it is harder to help somebody, say, who suffers from a serious mental disorder than somebody who suffers from a relatively minor mental disorder, and to do the latter there is going to be the need for a wider range of agencies and interventions but, no, our services are on offer to all of those who seek our help, and if you look at the Pathways programme, which is specifically directed and is going to be extended nationally for all new claimants to incapacity benefits, that will be available to and offered to all of those who ask us for our help or who we think can conceivably benefit from it. So, no, we are not simply seeking to cream off the easiest to help.

Q45 Angela Browning: Is it not the case though, Sir Leigh, that it is not just harder to get people, for example with autistic spectrum disorders (ASD) and mental health problems, into work, it is also more expensive? The *per capita cost* of putting a programme together that is going to be successful and sustainable for those people is not just about effort, it is about cost, but we know from the Report here, particularly on page 27, that for somebody who is on long-term disability benefit to get them into work—and I was looking at 3.11—that is still more cost-effective. I am putting to one side the humanitarian argument, on which I could wax lyrical, but just on the cost side, it is still, is it not, worthwhile to invest the money in getting people who have the ability to work, however difficult, into paid employment but it requires something rather different from what you are offering at the moment?

Sir Leigh Lewis: I think I agree with the broad thrust of your questions. In a sense, I think what you are saying to me, with which I agree, is that the cost and the effort of helping that person into a job may be

higher but the long-term potential benefit is also higher. I think that is something that we accept and I think more than ever we are reaching out and offering real help with a whole range of partners including working much more closely with various bodies in the NHS than ever before. We are reaching out to help those people with more serious barriers to overcome. Inevitably there comes a point where for a given individual the problems may be so severe that it becomes difficult to provide unlimited resource to help that individual, but we certainly do not start from a point of view of making a narrow, cost-based calculation.

Q46 Angela Browning: If you look again on page 22 at paragraph 2.14 where it talks about the Workstep programme, which I am familiar with, I wonder why Workstep does not meet the need that is clearly identified in paragraph 2.13, because one would have thought that if it is properly run and if it is an appropriate application that to give tailored support to find, secure and retain jobs for disabled people who have more complex barriers would work. What can you tell us about Workstep? Why is that not then dealing with the sort of people you have just described?

Sir Leigh Lewis: I am not going to pretend that I can give you a detailed answer on Workstep. Lesley Strathie may be able to but I may need to write to you.³ What I can say is that the research that we have done and commissioned on the New Deal for Disabled People as a whole has estimated that the net benefits to society of participation on that programme are around £3,000 per participant. I think again that underpins the point that you are putting to me that actually although the investment is significant the potential returns are high as well. Once again—and I do not want to overuse the analogy—there is good news here. We have for the first time, either in our history or certainly in recent memory, more than half of disabled people in work, and that is not a position that we have ever been in before, but this is challenging and it is tough. That is why we genuinely believe that the Pathways programme is a better programme than we have ever been able to offer before in this area.

Q47 Angela Browning: Would you reflect on whether you think there is still significant disability discrimination among employers, particularly in the grouping that would be encompassed by learning disability and mental health?

Sir Leigh Lewis: I think certainly—and of course it has just been merged into the new CEHR—the Disability Rights Commission would have said that is a fact and that there is discrimination. It is something that we seek to tackle and that Jobcentre Plus would very much seek to tackle, in the sense of helping employers to understand that though in the first instance it may require more effort on their part to take somebody with a disability into work, or to

retain someone who becomes disabled in their employment, the potential gains to them, as you yourself will know, can be very substantial indeed.

Q48 Angela Browning: Is Workstep not designed to reassure employers because it is flexible and it is not about full time or part time, it can be as low as four hours a week? Why is Workstep not meeting the needs of those more difficult, if I may use that expression, people to place in employment? What is it about Workstep that is not actually working?

Sir Leigh Lewis: I do not want to pretend that I have a deeper knowledge of Workstep as an individual programme than I do, so I would prefer to write to you about that. What I would say is that our overall range of disability programmes—take another one which is the Access to Work programme which helps employers meet the cost of adaptations in the workforce so they can retain employees with disabilities—is not necessarily meeting every need but it is undoubtedly being successful. In my own Department as an employer—and we are a direct employer of over 100,000 people in the Department for Work and Pensions—there is no doubt that the Department I am now privileged to head is light years more advanced than the Department I joined 30-plus years ago in the support it will give to employees who either are disabled or become disabled in order to retain them in employment, and we do not do that for narrow social “let’s be a good employer” reasons; it is because those people have an enormous amount to contribute to the success of the Department.

Q49 Angela Browning: Would you accept—and I would be interested in Ms Strathie’s answer to this—if you have somebody with a physical disability, and I do not wish in any way to downplay the importance of that, once you have dealt with the practicalities of the workplace, mobility and those types of things, people with physical disabilities make very few demands on what I would describe as management time, but the disincentive for people with mental health learning disability or ASD is that there is still the need for some management or supervisory involvement in the workplace, however well placed they are to fulfil the functions of the particular job. How are you addressing that in your programmes of getting these people into work? I sense with this group particularly there is what I would regard as a “revolving door” process. In other words, many of them go on to one scheme after another. What they do not actually get is what really matters and where they need the most help, not so much just work prep and preparation for interviews but somebody who is alongside them on the job search, the interview and then the sustainability in employment. It is this group that needs that and that is going to cost money.

Ms Strathie: I think you touch on one area which is really important, regardless of whether it is a person with a disability or any other customer, and that is the employer. At the end of the day they provide the opportunity for our customers to move into work and I think we are building a stronger relationship

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with employers. I myself am a large employer and I am a member of the Employers' Forum on Disability, so I work with a number of employers who are making a determined effort to help more people with disability into their workforce. I think the point you make about Workstep and programmes like the New Deal for Disabled People is quite separate from Pathways to Work, so we started with those customers who were normal Jobseeker's Allowance customers who present and declare themselves with a disability, or other people who come to us through other partners, that we were trying to help manage their disability, find employers who would give them a chance, if you like, because we do address market failure, and then look at the programmes we have to help both the employer and the customer make that deal and keep them in work. Pathways to Work has been a programme that we have developed for those customers who are on incapacity benefit, ie not actively looking for work but signed medically unfit. There we have taken the approach of confidence-building and condition management, so with a whole range of partners in health and the labour market and employers we help people learn how to work and manage their condition as they go. I think we have quite a number of programme but the employer and the local employment partnerships that Jobcentre Plus is forging ahead with now are critical to the success of all of our programmes and our customers.

Q50 Angela Browning: I may ask the Chairman if I can come back afterwards on one more issue, but if I may just say to you Jobcentre Plus needs people with specialisms of understanding in how to get this particular group into work, and if they had those people—and I have to say from where I am sitting they have not got them yet—then that figure could be dramatically changed.

Ms Strathie: Thank you.

Q51 Mr Bacon: Sir Leigh, I think the last time you appeared in front of our Committee you were Mr Lewis, so many congratulations. You have been knighted in the interim; is that correct?

Sir Leigh Lewis: It is indeed.

Q52 Mr Bacon: Many congratulations. What did you get it for?

Sir Leigh Lewis: I think I am going to leave others to judge that and not seek to respond.

Q53 Mr Bacon: Many congratulations anyway. You mentioned 850 Jobcentre Pluses up and down the country with two-thirds of a million jobs at any one time. Could you send us something that shows clearly where those jobs are geographically, perhaps with a map attached so that we can see numerically where the jobs are. I remember Mr Touhig saying in a debate on Armed Forces recruitment recently that whereas ten years ago there were plenty of people in his constituency who when you knocked on the door in a by-election were in; now nobody is in because they have all got jobs and that has a big impact on

Army recruitment. My sense is that there are jobs pretty much in all parts of the country, including the areas where previously you would have expected there not to be, Liverpool or perhaps parts of the North East and so on, but presumably there are still hot-spots of unemployment compared with the South East, say. Where are the worst areas?

Sir Leigh Lewis: We can certainly send you the information that you have asked for and we will certainly do that. My own experience—and then, with the Chairman's indulgence, I will pass over to Lesley Strathie—is that the world in terms of unemployment and employment is a different one from the one when I first entered the then Department of Employment in the early 1970s. Then there were large parts of the country which were unemployment black-spots and large parts of the country which were prosperous and there were north-south divides and so on. It tends to be different today. It tends to be that there are micro economies within prosperous areas within some of our prosperous cities where within micro economies, often individual wards, individual estates, you have very high concentrations of unemployment and worklessness.⁴

Q54 Mr Bacon: And that is seen geographically right across the country?

Sir Leigh Lewis: That is seen right across the country, yes.

Q55 Mr Bacon: A map and some figures and information on that would be very helpful. You mentioned lone parents and earlier on, in answer to the Chairman, you said it had gone from 45% of lone parents working to 57%. You made is sound almost tectonic in its importance, a generational shift. Obviously it is encouraging to see more lone parents able to work but it is only going from four and a half out of ten to five and a half out of ten. There are therefore still four and a half out of ten who are not working. Of those, are they mostly people who have chosen to stay at home to look after their children? Are they mostly people with children under the age of 12? How do you break them up?

Sir Leigh Lewis: By definition, if they are lone parents and claiming income support as lone parents they will be lone parents whose youngest child is under 16, because above that age you would not be entitled to income support as a lone parent, so they will be in that range. I think again we can provide you with some detailed figures. They will include lone parents with children right across that age range. The point I was making was not remotely that 57% is now good enough because, as you say, that still leaves 43% of lone parents who are not in employment. Actually in a world in which we have at times measured our progress in one per cents and two per cents, because some of this is tough to do and tough to achieve, I think over that period to have seen an over 10% change in the employment

⁴ See map on p 8 of the Report.

rate for lone parents is a significant success, but I think it should provide the spur for us to want to go further and repeat that success and more.⁵

Q56 Mr Bacon: Could I ask you just to look at page 21, this chart in figure 10. The biggest gap is between those who are identified for work-focused interviews and those who are booked for interview. It is a huge gap, much bigger than any others on the chart. Is that because once they are identified as candidates for work-focused interviews and then they are phoned up or contacted, that the officer then decides perhaps they are not actually candidates for work-focused interviews after all so they do not get booked for an interview? How do you explain the huge gap between those who are considered suitable and those who actually get booked for an interview?

Ms Strathie: I think one of the issues that we have wrestled with and has been a big focus of our adviser refresh and the way that we have been dealing with this customer group has been to ensure that those who are eligible for interview are correctly identified, properly invited, and then, much more importantly, provided we have a telephone contact, that we ring them up and remind them that they have a work-focused interview to come to. There is a requirement to invite people in writing to the interview. There is a requirement to follow up and to invite them again if they fail to attend and then to take action on a third attempt if they do not turn up for that interview, so there is a process of trying to persuade people and remind people to come in for those interviews.

Q57 Mr Bacon: These are people who fall into the category of not working and not looking for work and/or not available? For example, stay-at-home mums may not wish to work, they choose not to, and they come within the figures of economically inactive. At which point are they cast out of the equation of those who you are contacting?

Ms Strathie: Incrementally we have been inviting more people for a work-focused interview if they are lone parents depending on the age of the youngest child, so gradually more people are being brought in. The purpose of that single work-focused interview is to sell the benefits of it.

Q58 Mr Bacon: I was asking a question about stay-at-home mums.

Ms Strathie: As opposed to lone parents?

Q59 Mr Bacon: I was not talking about lone parents. I was talking about housewives and I do not know what the proportion is of househusbands, those people who are presumably included in the economically inactive statistic because they are not working, they are not looking for work but also who are not choosing to. How do you get them out of the system when you are trying to target who is a candidate for a work-focused interview?

Ms Strathie: Candidates identified for work-focused interviews in this context are those claiming income support, so some of the people you are talking about may be partners, which we have talked about earlier, but these are essentially lone parents in receipt of income support.

Q60 Mr Bacon: Further on, on page 21, it indicates that one in five refuse all assistance. Does that include money? Do they refuse the money you offer them?

Ms Strathie: That refers to the support that we offer to help them get back into work.

Q61 Mr Bacon: But they do not refuse money?

Ms Strathie: No.

Q62 Mr Bacon: Money is obviously a form of assistance. They are not refusing the money that you are offering?

Ms Strathie: If a lone parent is in receipt of income support and we bring them in for a work-focused interview and explain to them the support that is available, they still may say: "I want to stay at home and look after my children," or: "There is a very good reason why I do not want to avail myself of that opportunity at the moment."

Q63 Mr Bacon: I am really asking about the money, I just want to be clear. You just answered a question that I had not asked. Nobody to your knowledge refuses the money that you offer them?

Ms Strathie: To my knowledge nobody refuses the income support that they have claimed and are receiving as a result of this.

Q64 Mr Bacon: It does not surprise me, I have to say. This may be a better question for Sir Leigh. It is claimed that there are many people among this group who would like to work but cannot. It could be for the reasons we have seen in the Report—disability or poverty of skills or lack of child care is a very good one. Another reason is that they have been on benefit for a long time and they just do not believe anything is possible. There must come a point, though, where there are some who actually rather than wanting to work but find it difficult just do not want to work. What work have you done on trying to assess the size of that group, people who just do not want to work?

Sir Leigh Lewis: Over the years we have done a lot of analysis of worklessness. I think it is fair to say that our benefit system divides currently into benefits of two kinds: one where there is a requirement to be available for work and actively seeking it as a condition of receiving the benefit, and that is fundamentally unemployment benefits, Jobseeker's Allowance; and the other is where at the moment there is not a requirement to be actively seeking and available for work, and that is lone parents on income support as lone parents and people on incapacity benefit. That is why the Government has been seeking to do ever more to encourage people to understand the benefits of work and to put more incentives in their way. It is also why

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in answer to the Chairman's question I set out the steps which the Government is taking particularly as regards lone parents, or is proposing to take—the consultation process is not yet over—in a sense to change at a certain point the presumption as to whether somebody should be able as a lone parent draw to benefit without any commensurate obligation to seek work.

Q65 Mr Bacon: What about my question, which is how many? You may not know the answer.

Sir Leigh Lewis: No.

Q66 Mr Bacon: Of the group of something like 4.2 million adults in 2.4 million households how many of them, do you estimate, just do not want to work? Have you done opinion poll work on this?

Sir Leigh Lewis: I will see whether we can help you and write to you. I certainly have not got an answer to that in my head as you ask the question.⁶

Q67 Mr Bacon: There is no aspect of compulsion among this group at all at the moment, is there?

Sir Leigh Lewis: There is compulsion in a number of senses, so let me just be clear. If you are claiming Jobseeker's Allowance there are a number of absolute obligations in the system, and those claiming can be sanctioned if they fail to meet those obligations. For those who are claiming other benefits, work-focused interviews are a requirement, and if you fail to attend a work-focused interview without good cause then you can be subject to a loss of benefit. At this moment there is not a requirement to then avail yourself of the assistance beyond that but that, as I say, is an area where if you look again at the Government's Green Paper *In work, better off* you will see that the Government is making a number of proposals in that respect.

Q68 Mr Bacon: Yes, I have got a copy of that here. I would like to ask Mr Haysom a question because plainly a lot of this does revolve around skills, but skills can mean so many different things. To me it means the ability at a high level to read, write and count, and that will get you to most of the other things you need in one way or another if you have got those. My Chairman has just given me a note to say my time is up, but feel free to expand as much as you like because I am not allowed to ask any more questions but you are allowed to answer! If you were to try and sum up in a nutshell what the skill problem is, I know it is a big question to cope with in a few sentences, where does the central skill problem lie?

Mr Haysom: That is a big question to answer in a few sentences. Let me come at it this way: we know absolutely that if you have got basic skills and a Level 2 qualification you are more likely to be in work, you are more likely to stay in work with a sustainable job and, critically importantly, you are more likely to progress in work and get further training in work. I think the evidence for all of that is incontrovertible, so that is why the Government and the Learning and Skills Council on behalf of the

Government is putting so much effort and so much of its resource and energy into basic skills and into Level 2 activity, so that is why it focuses there. I think the evidence for that is absolutely clear.

Mr Bacon: Would you mind sending us a note on some of the background. I am sure it is incontrovertible but it would be helpful to include it as evidence in our Report.⁷

Q69 Chairman: Mr Mitchell and Mrs Browning want to ask further questions but I put it to you right at the beginning that very few of these schemes, in effect, make a profit in terms of you get people back into work and therefore you do not have to pay them benefit, and you rather pooh poohed that idea. Let us look at this in rather more detail. Let us look at figure 1 on page seven: "The main employment programmes that people from workless households can access", we see quite large figures, for instance New Deal for Partners, the cost per job is £2,300, New Deal 25 Plus, the cost was £3,530 per job; Employment Zones for some reason is £4,700; for some reason New Deal 50 Plus only cost £435, which gives hope to us 30-year-olds! If we now look at figure 21 on page 41, you will see the net benefit cost to the Exchequer per participant and there are only two schemes that actually make a profit. Not surprisingly, New Deal 50 Plus makes a profit and New Deal for Disabled People, which is very encouraging, makes a profit. But let us look at all the others. New Deal for Lone Parents, minus £40; New Deal for Partners, minus £1,100; New Deal 25 Plus, minus £360, and so on and so on. You just cannot deny that, with the exception of just two of these programmes New Deal 50 Plus and New Deal for Disabled People, you are making on all occasions a loss, and on some occasions a very substantial loss per job. I am sure it is very good for them but we are not an ordinary select committee, we look at value for the taxpayer; what is cost-effective for the taxpayer and this, frankly, if you look at these figures closely, is not effective for the taxpayer.

Sir Leigh Lewis: Will you permit me to give quite a substantive answer?

Q70 Chairman: As long as you like.

Sir Leigh Lewis: First of all, let me in turn point to paragraph 5.7 in the Report which does make the specific point that in those costings only employment outcomes are recognised. "Some positive outcomes are not identified as benefits in the current framework—for example, a person who had previously been inactive gaining the skills and confidence to actively look for work . . ." and it continues, so the benefits that are accrued and assessed there are those arising to some but not all parts of government. Our employment programmes do generate many other benefits, tackling poverty, reducing reoffending, delivering improved quality of life.

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Q71 Chairman: Of course I accept that they are good for tackling poverty and reducing offending, they are good for the family, and it is good to have somebody in work. I am just trying to work out and get to the nitty-gritty of the actual money involved and whether it is worth our while as an oversight committee on behalf of taxpayers to say that these schemes are actually delivering value for money.

Sir Leigh Lewis: I genuinely believe it is. I do not want to go through every single scheme because some are better value for money than others.

Q72 Chairman: Take as long as you like, it is your chance to defend them.

Sir Leigh Lewis: Let me take three, which I did not want to bore the Committee with before, where we have got really robust evaluation evidence. The New Deal for Lone Parents, Independent Research 2003, Centre for Analysis of Social Policy at Bath University estimated that the New Deal for Lone Parents provides a net gain to society of nearly £4,500 per job.

Q73 Chairman: How did they come up with that?

Sir Leigh Lewis: I would have to go through the entire research methodology that was used.

Q74 Chairman: You cannot just come up with some research organisation somewhere says it is a net gain of £4,000. All we can do is look at the facts and the figures contained in the Report in front of us. You will have to try and do better than that.

Sir Leigh Lewis: I think in fairness, Chairman, what I am trying to do is take the point which the NAO Report itself makes that these are only the first order benefits that are assessed and say that we have conducted, or had conducted on our behalf, fairly rigorous evaluation evidence which has made an attempt to look at the wider benefits to society as a whole of those programmes. In the case of New Deal for Lone Parents, New Deal for Young People and New Deal for Disabled People those research reports conducted by acknowledged experts (all of which are public and published) have set out that the overall benefits to society as a whole from those programmes are significant and are positive. If you take, say, reducing reoffending, as you know, because I appeared before you in that guise, I spent three years in the Home Office, we know that there is an association between worklessness in some cases and a proclivity and a propensity to commit crime. Crime causes enormous cost to society—the direct costs to the policing of society but also to the victims, et cetera, et cetera, so if a consequence of these programmes is in some cases to reduce reoffending that has very real and tangible benefits to society.

Q75 Chairman: That is one example. So you can back it up with facts and figures, can you? I bet you cannot.

Sir Leigh Lewis: Those studies will have tried to assess the overarching benefits to society from these programmes. Chairman, this is difficult. I do not want to pretend that this is an easy science to do. It is not easy to extract, prove and quantify all of those

benefits. One is in the business of making assessments and analytical judgments, but more than any other major Western nation—and that has certainly been backed up by the OECD in looking at our employment programmes—we have sought to arrive at quantification of their overarching benefits.

Q76 Mr Mitchell: I think their value to society is such that these schemes would be justified even if the loss, so-called, was bigger. If you had commissioned Mitchell Research Services to prove that I would have undoubtedly proved it for you, at less expense! My question is whether it is sustainable because the Government wants to get 80% employment, which seems to me an unattainably high figure when you bear in mind that the bulk of the spending now is on people on Jobseeker's Allowance, but to get to 80% we are going to have to get into 0.3 million lone parents, one million older workers and one million incapacity benefits claimants. That is going to be very difficult to do, if not impossible actually. Firstly, is it an unattainable target and, secondly, if you do try it you are going to need a lot more money, are you not?

Sir Leigh Lewis: We have set it out as an aspiration just to be clear, rather than a target. I certainly do not think it is unattainable. I certainly do think, and so does the Government and so do ministers, that it is tough and it is going to be very challenging to attain it but, no, I do not think it is unreachable. You are absolutely right, it will mean that as well as continuing to reduce unemployment in its classic sense as far as is possible it will also mean doing more to support people who are currently on incapacity benefits or not working because of incapacity, and lone parents. It is also about helping—which is something we have not talked about today and it does not feature prominently in the Report—older workers and helping people to see the benefits of staying in work for longer, or not retiring as early as they might have done so, yes, this is going to be tough and challenging but yes it is attainable.

Q77 Mr Mitchell: I would just offer the observation that if we were coming from an economy with a higher rate of growth, say we were Chinese, we would have a much better chance of achieving that target. That is just a thought. What are the figures on stickability? You get people jobs, you help them back into work; how long do they stick it? Do you have figures on whether they are more likely to pull out of that job or give up than other workers?

Sir Leigh Lewis: Let me give you the example of the Pathways programme, which we have talked about, and we could probably give you further examples, which has been very heavily evaluated in its pilot phase. After six months we were seeing about an 8% difference in the number of participants who had gone through that programme who were in jobs compared to those who had not gone through the programme. That was 8% better at six months and at 18 months it is 7.4%, so that suggests actually that it is being sustained and when you consider the

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inherent difficulty of that group and the barriers they face that does suggest that, yes, there is a sustained effect.

Q78 Angela Browning: I wonder, Sir Leigh, if you could look at page 41, table 21. I wanted to ask you about the New Deal for Partners and the figures on that line there. According to this there have been 61 additional jobs and per additional job is estimated to have cost £76,540. Are you going to pursue this policy?

Sir Leigh Lewis: I think I said in answer to an earlier question that nobody on this side of the table was going to say that the New Deal for Partners, which has been one of the smallest of the New Deal programmes, has been a spectacular success to date; it most clearly has not.

Q79 Chairman: You can say that again!

Sir Leigh Lewis: It most clearly has not. What I did say is that we are seeking to look hard and we think one of the reasons why it has not been a success to date is because we have tried to attract people into it from one single interview. And what is I think abundantly clear is that that simply is not enough, so as from next April there will be interviews with partners for whom a claim is being made every six months as one very significant change to that programme.

Q80 Angela Browning: So it is going to cost even more per head?

Sir Leigh Lewis: The interviews will inevitably cost more although actually there are economies of scale and they are not the most expensive part of the process. We will evaluate that. I think it is fair to say that if you look at those programmes, this is the programme which has been very small scale and least successful of all of these programmes.

Q81 Angela Browning: This Report came out in July and obviously it was some time in preparation, but I wonder when you write about Workstep if you would be kind enough to let the Chairman have a note on these 61 jobs that have been created and tell us what the rate of attrition has been since these people went into jobs?

Sir Leigh Lewis: If we can do that, we most certainly will.⁸

Q82 Angela Browning: I would be grateful. May I finally, Chairman, draw Sir Leigh's attention—it would be remiss of me not to do so because I have had several meetings with ministers in the last few years about getting people with autistic spectrum disorders into work—that for the £76,000 you could adopt the Prospect scheme used by the National Autistic Society to get autistic people into work which has a 70% success rate and you could have got six people into work for every one that you have got in that column. The reason the Department have rejected adopting the Prospect scheme is they claim

it is too high a cost at £12,000 a head. Could I leave you with that because it is pertinent to the amount you are spending at £76,000 per head.

Sir Leigh Lewis: Thank you and I will take that away.

Q83 Mr Bacon: I have got just one question, although Mrs Browning has prompted another. Are you happy to place on the record that whatever you got your knighthood for it was not for New Deal for Partners?

Sir Leigh Lewis: I can confirm that.

Q84 Mr Bacon: Just so we are clear.

Ms Strathie: Chairman, could I just make a general point that these are a narrow view of the cost to the Exchequer and they are about additional jobs. There is not a measure in there about people who perhaps got better jobs or more sustainable jobs because of the programme. That is one point.

Q85 Mr Bacon: Nonetheless, you could fit them on one bus, could you not?

Ms Strathie: The second point I would like to make is New Deal for Partners is anomalous because we do not have many benefit savings. These are couples on benefits and if we help someone into work, even if there were no costs in running the programme, it would still be expensive because there is no saving in benefit.

Q86 Mr Bacon: That is a magnificent sentence, if I may say so, even if there were no costs it would still be expensive.

Ms Strathie: It is about trying to help people to equip themselves to move into work and the broader benefits.

Q87 Mr Bacon: Could you send us a note.⁹ I just want to ask Sir Leigh a different question. Just confirm first of all how many economically inactive people are there; it is 4.2 million, is it?

Sir Leigh Lewis: I think there are 7.97 million economically inactive people.

Q88 Mr Bacon: Nearly eight million people.

Sir Leigh Lewis: Let me, just as we speak, check that for you but I think that is where we are.

Q89 Mr Bacon: This may be a question for the National Audit Office I am not sure, in paragraph 5.11, if it is roughly eight million then 20% is going to be 1.6 million. It says in paragraph 5.11 that in order to meet the Government's aspiration of an 80% employment rate around one-fifth of the economically inactive population will need to move into work including 0.3 million lone parents, one million older workers and one million incapacity benefits claimants, a total of 2.3 million. 2.3 million out of 4.2 is a lot more than a fifth. 2.3 million out of eight million is still a bit more than a fifth. Can the

⁸ *Note by witness:* Due to the low numbers participating in the New Deal for Partners, information is not available on the sustainability of jobs obtained through the programme.

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NAO just clarify what is that 2.3 million, if that is a fifth, then presumably 100% of it would be ten or 11 million, would it not?

Ms Brown: It refers to one million older workers. They are not necessarily economically inactive.

Q90 Mr Bacon: It is just that it says: “one-fifth of the economically inactive population will need to move into work, including . . .” and then it lists the people who fall into that category, but that is just not correct?

Ms Brown: The grammar is not correct.

Sir Leigh Lewis: I can confirm though that there are 7.97 million economically inactive.

Q91 Mr Bacon: How many of those 7.97 million would you need to get into work in order to meet your aspiration of an 80% work rate in the workforce?

Sir Leigh Lewis: We set out in an earlier Green Paper that we have an aspiration to help one million extra people from incapacity benefit and so on. The breakdown of that 7.97 million is about two and a quarter million who are sick and disabled, another two and a quarter million looking after family or looking after their home, something under two million students, and about one and a half million others, and that will include people who have retired in effect before statutory pension age.

Q92 Mr Bacon: Yes but how many of that group of the 7.97 million would you need to get into work in order to reach the Government’s aspiration of an 80% employment rate?

Sir Leigh Lewis: Rather than try and do the mathematics absolutely in my head, would you let me write to you?¹⁰

Mr Bacon: Absolutely, thank you very much.

Q93 Chairman: You are right, it is very complex and that concludes our hearing. I will leave you with this thought which is contained in paragraph 5.12 which says: “The complexity of assessing the relative costs and benefits of helping different segments of the workless population has been highlighted in the Freud review which recommended that the Department for Work and Pension develop a model that will allow us to understand the full costs and benefits of moving different groups of individuals into work.” I presume that you would agree with that paragraph and you have done this?

Sir Leigh Lewis: We have done a huge amount of work and we will continue to work on it, Chairman.

Chairman: Thank you very much for what has been a very interesting hearing. Thank you for your comment also that spending £76,000 per job on New Deal for Partners was: “not a spectacular success”. I think that must go down in the lexicon of Civil Service understatements. Thank you.

¹⁰ *Note by witness:* The employment rate for the period July to September 2007 was 74.4%. To raise this to the Government’s aspiration of 80% of the working age population, just over 2 million more people would need to be in employment, based on the current working age population level.

 Supplementary memorandum submitted by the Department for Work and Pensions

Question 14 (Mr Philip Dunne): *The number of people who re-enter New Deal programmes*

Table 1

ALL INDIVIDUALS ENTERING A NEW DEAL PROGRAMME WHO HAVE HAD A PREVIOUS SPELL ON THE SAME NEW DEAL PROGRAMME SINCE ITS INCEPTION

	<i>New Deal for Young People</i>	<i>New Deal 25plus</i>	<i>New Deal for Disabled People</i>	<i>New Deal for Lone Parents</i>
Total Starters	1,208,240	703,530	256,640	778,330
Returnees (included in the figures for starters)	338,550	200,970	28,000	242,970
Percentage	28%	29%	11%	31%

Source: New Deal Evaluation Database

Question 31 (Mr Austin Mitchell): *A regional breakdown of New Deal performance*

Table 2

THE NUMBER OF NEW DEAL STARTS THAT LED TO EMPLOYMENT AS A PERCENTAGE OF TOTAL STARTS (FEBRUARY 2006 to FEBRUARY 2007)¹

	<i>New Deal for Young People</i>	<i>New Deal 25plus</i>	<i>New Deal for Lone Parents</i>	<i>New Deal for Disabled People</i>	<i>New Deal for Partners</i>
Total	55%	33%	58%	63%	64%
East Midlands	58%	33%	65%	61%	67%
East of England	56%	34%	59%	64%	73%
London	46%	29%	47%	48%	60%
North East	58%	30%	59%	66%	53%
North West	58%	33%	59%	60%	61%
Scotland	60%	34%	60%	73%	71%
South East	55%	34%	58%	56%	58%
South West	63%	42%	59%	76%	58%
Wales	60%	35%	59%	71%	69%
West Midlands	52%	31%	58%	67%	79%
Yorkshire and the Humber	57%	32%	61%	55%	65%

Source: New Deal Evaluation Database

Question 46 (Angela Browning): *WORKSTEP*

DWP has a broad range of programmes to help people with a health condition or a disability to move into work. Our advisers work with people on an individual basis to identify the programme best suited to their needs.

Customers are referred to WORKSTEP when advisers feel that this is the most appropriate programme choice. There are approximately 24,000 people, including those at Remploy, currently on WORKSTEP. Although there is no limit on how long an individual can be supported by WORKSTEP, the programme is designed to support disabled people achieve their full employment potential. Most individuals are employed while on WORKSTEP.

We plan, later this year, to publish a public consultation that will propose reforms to our range of specialist disability employment services, including WORKSTEP. These reforms are intended to further improve the programmes that are provided to support disabled people who have complex issues to finding, starting and retaining employment.

Question 55 (Mr Richard Bacon): *Lone parent employment levels by age of youngest child*

Table 5

LONE PARENT EMPLOYMENT LEVELS BY AGE OF YOUNGEST CHILD²

<i>Age of Youngest Child</i>	<i>Number of lone parents</i>	<i>Number in employment</i>	<i>Lone parent employment rate</i>
0	100,120	26,845	26.8%
1	122,834	42,505	34.6%
2	103,532	33,051	31.9%
3	103,931	45,046	43.3%
4	105,710	46,086	43.6%
5	88,462	41,742	47.2%
6	103,088	59,173	57.4%
7	92,823	50,644	54.6%
8	90,828	61,942	68.2%
9	94,822	62,160	65.6%
10	101,136	62,071	61.4%
11	95,305	63,509	66.6%

¹ These figures take into account "Spells" rather than "Individuals" data. These record the number of entrants onto a programme, irrespective of whether an individual person has been on the programme previously. The exception is New Deal for Partners data, which are accounted for on an "Individuals" basis due to low uptake rates. Figures have been rounded to the nearest 10 and all percentages are rounded to the nearest whole number.

² *Labour Force Survey*, second quarter, 2007.

<i>Age of Youngest Child</i>	<i>Number of lone parents</i>	<i>Number in employment</i>	<i>Lone parent employment rate</i>
12	99,004	61,646	62.3%
13	86,760	63,482	73.2%
14	107,490	78,039	72.6%
15	108,502	83,604	77.1%
16	71,976	54,244	75.4%

Question 66 (Mr Richard Bacon): *The number of people on benefits who would like to work*

Available evidence suggests that the majority of people on benefits intend to move into work in the future. For example:

- Claimants of Jobseekers Allowance are required to make themselves available for, and actively seek, work as part of the qualifying conditions for receiving the benefit.
- The DWP Families and Children Survey 2005 found that, of lone parents who were in receipt of Income Support, 9% were already employed on a part-time basis (up to 16 hours per week); and 11% were currently actively seeking work. Of the remaining lone parents claiming Income Support, 81% said they intended to seek work (of greater than 16 hours per week) in the future.
- A recent evaluation study of the New Deal for Disabled People found that around 80–90% of those who come onto benefits expect to work again.³

Questions 85-87 (Mr Richard Bacon): *The cost-benefit analysis of New Deal for Partners*

The cost-benefit analysis of New Deal for Partners (NDP) is anomalous because the estimates suggest that, even if the programme had zero operational costs, each additional job outcome leads to a net fiscal cost. This reflects the fact that it has proven difficult to pin down sensible estimates of the benefit savings that accrue to non-claiming partners of benefit claimants.

As well as methodological problems the relatively poor performance of the New Deal for Partners in terms of net fiscal benefits also results from analyzing it purely from an Exchequer perspective. Since beneficiaries may not be claiming benefits themselves the Exchequer is inevitably going to save less by helping them into work. In their Report, the NAO assumes each partner moving into work moves into a low income job; resulting in a higher payment of tax credits than the saving in welfare benefits.

As noted in the NAO Report, take up of NDP has been low with just 3% of all Partner Work Focused Interviews leading to a start on NDP (since April 2004). However, for those Partners who join NDP the outcomes are good with 58% moving into work.

The impact evaluation of the New Deal for Partners carried out to date has concluded that:

- Participation in Work Focused Interviews for Partners reduced benefit claims (37 weeks after being eligible for a Work Focussed Interview) by at most 4.6 percentage points amongst couples with an existing claim lasting more than 26 weeks. However this assumes the interviews had no deterrent effect, which other findings suggest is unlikely;
- there is no evidence to suggest that interviews encouraged the movement from non-employment to employment among couples with an existing claim lasting more than 26 weeks;
- there were no significant effects of eligibility or participation for couples with a claim lasting less than 26 weeks;
- considering the combined effects of Work Focused Interviews for Partners and New Deal for Partners, indicative findings suggested that the combined effect was more substantial and significant for couples whose claims were less than 26 weeks rather than for couples whose claim period was longer than this.

³ Woodward A, Kazimirskia A, Shaw A and Pires C, 2003, *New Deal for Disabled People. Evaluation. Eligible population survey. Wave one. Interim report*, DWP Research Report No. W170, DWP.

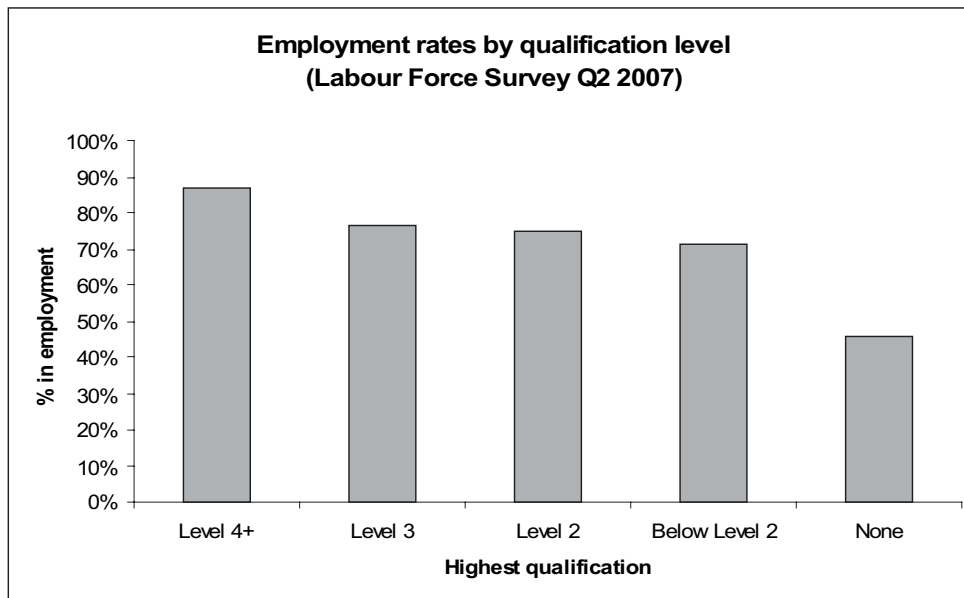
Supplementary memorandum submitted by the Learning and Skills Council

Question 68 (Mr Richard Bacon): *Evidence of the impact of skills and qualifications on employment and progression*

Impact on employment

- Less than 50% of those with no qualifications are in employment compared with 75% of those with a level 2. The unemployment rate (ie those seeking work) is 7.6% for men with no qualifications compared to 5% for those with level 2 qualifications.
- Higher literacy and numeracy skills improve the chances of being in work, for example those with level 1 literacy have a 6% higher chance of being in work compared to those with entry level 3, also level 1 numeracy is associated with a minimum of 2–3% higher probability of being in work.

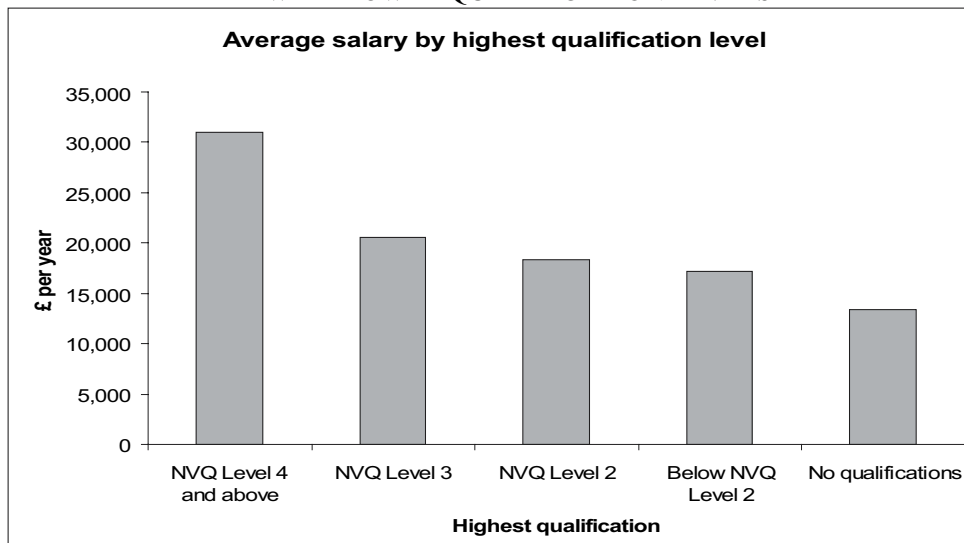
THOSE WITH QUALIFICATIONS ARE MORE LIKELY TO BE IN EMPLOYMENT



Impact on earnings

- Employees with better basic skills tend to earn more, for example individuals with entry level 3 literacy earn 14% more than those with literacy competency at entry level 2 or below; entry level 3 in numeracy generates up to 13% higher earnings compared to those with lower levels of numeracy.

ONCE IN EMPLOYMENT THEY WILL, ON AVERAGE, EARN MORE THAN THOSE WITH LOWER QUALIFICATION LEVELS



Impact on further training and progression in work

- Once in employment, those without qualifications are the least likely to be trained, for example, those with level 2 are three times as likely to have received training in the past month as those with no qualifications. A longer term survey found that 70% of unqualified employees had not received training in the last five years. Without government interventions like Train to Gain, the evidence shows that most low skilled employees are unlikely to be offered training to develop their skills, they will tend to remain in low skilled, low paid jobs that will form a shrinking part of the UK labour market.

ONCE IN WORK, THOSE WITH QUALIFICATIONS ARE FAR MORE LIKELY TO RECEIVE FURTHER TRAINING



- Jenkins (2004) found that attainment of Level 2 vocational qualifications for unqualified school leavers raises the probability of individuals moving up the occupational hierarchy by 1.4 percentage points. Given that on average only 4% of the overall sample report such a movement up the occupational hierarchy, this represents a substantial effect for those that do move.

Correspondence from Jobcentre Plus

I thought it might be helpful to the Committee if I clarified the position and my response to Mr Bacon's questions 56 to 63 at the hearing, as there appears to have been some confusion.

I understood from Mr Bacon's questions to Sir Leigh about lone parent employment, that he was concerned about the non-participation of these customers in our work-focused interview regime and required to expand on how we are engaging lone parents and other income support customers. I responded to this in my answers to questions 57 and 58. However it appears that Mr Bacon was also seeking a detailed response on our work-focus interventions generally with inactive customers, some of who may be lone parents, but many of whom we are also engaging with through mandatory Work-Focused Interviews for Partners. The chart, figure 10, on page 21 to which Mr Bacon refers to in question 57 presents data on the New Deal for Partners rather than the New Deal for Lone Parents. I therefore thought it might be helpful to expand on my response to Mr Bacon's question 60:

In addition to our increasing work-focused interventions with lone parents, partners of those claiming Jobseeker's Allowance (JSA), Income Support, Incapacity Benefit and Severe Disablement Allowance are required to attend a work-focused interview at six months into the claim. Failure to attend this interview without good cause will result in a benefit sanction being applied. At this interview partners are encouraged to join the New Deal for Partners (NDP).

For certain couples without children, there is also a requirement for both to make a claim and satisfy JSA conditionality in order to receive a payment of JSA. This represents a more holistic approach to household worklessness. Partners of JSA customers who fall within the scope of Joint Claims are required to be available and actively seeking work and receive the same kind of support in looking for a job as other JSA customers.

NDP is a voluntary programme and partners are an extremely diverse customer group, in terms of their personal characteristics, current circumstances and barriers to work. Many partners of benefit recipients have caring responsibilities, both for children and for elderly, sick or disabled adults. 60% of partners have dependent children. Significant numbers of partners have health problems. These factors can affect their ability or inclination to take up work or take up the opportunities within NDP. From April 2008 we will be reviewing the circumstances of JSA partners with children (the biggest proportion of partners within this customer group) every six months and this should provide a greater opportunity for those to receive employment-focused help and advice.

Lesley Strathie
