

Skills and sustainable welfare-to-work

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“To succeed in the future there must first be open markets, strong encouragement of enterprise, with the full labour market flexibility essential to foster dynamism and adaptability. But second, and equally vital, successful advanced nations must be knowledge societies, investing in human capital and developing it to its fullest extent, on a wholly more ambitious and radical basis than in the past, with public and private sectors working together – each as vital as the other – to bring this about.”

Tony Blair, 14th April 2005

‘Skills are central to achieving our national goals of prosperity and fairness. They are an essential contributor to a successful, wealth creating economy. They help businesses become more productive and profitable. They help individuals achieve their ambitions for themselves, their families and their communities. Yet the weaknesses in our national skills performance have been well-rehearsed. They go back generations, reflecting some powerful economic and social factors.’

Getting On in Business Getting On in Work, Skills White Paper 2005

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Introduction

‘The relative disadvantage of those with low or no qualifications has increased substantially over the last 20 years for both employment and earnings. The employment rate of those with no qualifications has been declining steadily, in contrast to that of the overall population and Department for Work and Pensions client groups.’

‘Building on New Deal’ DWP (2004)

The start of the third Labour term provides an excellent opportunity to reflect on New Labour’s welfare-to-work policies to date and identify the challenges for the future. Heralded by the New Deal for Young People in April 1998, there have been eight subsequent New Deal programmes, as well as Employment Zones, Action Teams and more recently the Pathways to Work and Working Neighbourhood Pilots. February 2005 saw the Department for Work and Pensions (DWP) publishing its Five Year Strategy, described by the then Secretary of State, Alan Johnson, as a ‘vision for a fairer society’.

The importance of employment in combating poverty has been clear in both rhetoric and policy. To date this has focused on supporting people to move from welfare into work, with the aim of lifting them, and importantly their children, out of poverty. Between 1997 and 2005 almost two million more people joined the workforce. Policies such as the minimum wage and tax credits have been used to ‘make work pay’. However, although work reduces the risk of being in poverty, it does not eliminate it. Indeed, 40 per cent of low-income working age households have at least one person in paid work (Joseph Rowntree Foundation, 2004). This is compounded by the ‘revolving door’ that sees people move between entry level jobs and benefits.

There is a substantial cost to both the individual and the state in maintaining the status quo; in failing to provide sustainable employment solutions. Gordon Brown describes ‘real prosperity’ as built on the twin pillars of economic efficiency and social justice. Skills, qualifications and welfare-to-work are an important part of this equation, requiring more than fine-tuning and the ongoing evolution of existing delivery to a fully integrated approach.

The challenge of improving the skills base of the UK’s workforce – and the provision of new skills for those either in insecure work, unemployment or economic inactivity will require an informed understanding of the problem and the creation of holistic solutions to cut across current silos of delivery.

This paper argues that welfare-to-work interventions need to accept the skills challenge. Ensuring that work is a truly sustainable solution requires focusing not only on pre-employment interventions, but also on retention and progression. It requires focusing not just on solving unemployment, but also on preventing individuals falling back into it again.

This paper opens with some context, highlighting the current and future labour market opportunities for people with no or low skills and/or qualifications. It then goes on to develop some ideas and concepts for improvement, along with some questions and challenges for future policy delivery, in three parts:

- Finding and starting work
- Sustaining work
- Progressing in work

Introduction

The final section details the following conclusions and recommendations:

1. Improving the procurement of employment programmes is essential to enable government to better align performance objectives with broader policy goals and economic requirements.
2. The public sector should take a role in driving good employer behaviour within its own organisations and sub-contractors. The benefits of this to the bottom-line need to be made explicit.
3. The skills and employment agendas are currently running in parallel and must be better integrated. Doing so through the welfare-to-work agenda offers improved opportunities for sustainable success.
4. Employment programmes need to prevent social exclusion as well as provide solutions to those disconnected from the labour market. Particular areas of focus should be sustainability and progression in work, and identifying and supporting people caught in a cycle of low-paying work and unemployment.
5. The facilitation of 'progression' needs to be joined up – this requires pulling together various funding and programmes that currently operate in silos.



Throughout this paper qualifications are referred to in terms of levels between one and five. The table below provides a classification comparison indicating equivalency.

The classification of qualifications in the UK

Level 1: National Vocational Qualification (NVQ) Level 1; GCSEs at grades D-G or equivalent; Business Training and Enterprise Council (BTEC) first or general certificate; General National Vocational Qualification (GNVQ) foundation level; Royal Society of Arts (RSA).

Level 2: NVQ Level 2; five or more GCSEs at grades A*-C or equivalent; BTEC first or general diploma; GNVQ intermediate level; City and Guilds Craft; RSA diploma.

Level 3: NVQ Level 3; two or more A Levels or equivalent; BTEC National; Ordinary National Diploma (OND); Ordinary National Certificate (ONC); and City and Guilds Advanced Craft.

Level 4: NVQ Level 4; first or other degree; Higher National Diploma (HND); Higher National Certificate (HNC); and higher education diploma; nursing; teaching (including further education, secondary, primary and others).

Level 5: NVQ Level 5, higher degree; PhD.

These levels can be further classified into low skills (levels 1 and 2); intermediate skills (level 3) and high skills (level 4 and above).

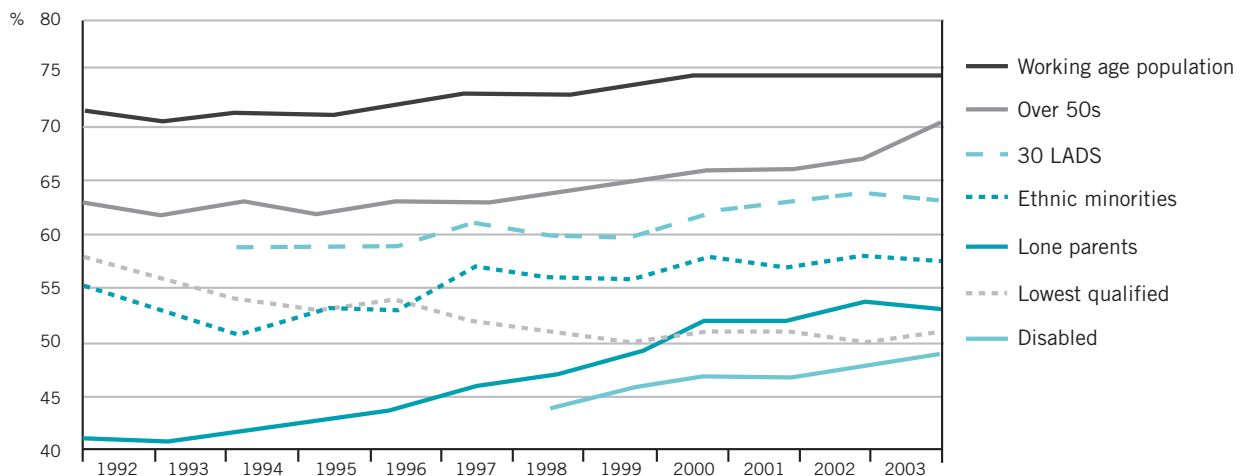
Why skills? Why now?

Comparative employment trends

The 2004 Department for Work and Pensions (DWP) publication 'Building on New Deal' (BoND), describes the relative disadvantage of people with low or no qualifications as 'increasing substantially over the last 20 years for both employment and earnings'. DWP contrast this experience with the labour market success of other groups.

This comparison is captured in Figure 1. It shows the steadily increasing employment rate amongst the working age population over the last decade; up from a little over 70 per cent in 1992 to almost 75 per cent today. This experience is mirrored by almost all the disadvantaged groups depicted in the graph, such as ethnic minorities and residents of the 30 most deprived local authority districts (LADs). These also trend upwards, albeit from considerably lower starting points. The line representing the lowest qualified¹ is unique in running counter to the general trend - it shows a falling employment rate, down from about 58 per cent in 1992 to a little over 50 per cent in 2003.

Figure 1 - Employment Rates



Source: Labour Force Survey

In general, the lowest qualified have very poor labour market experiences. People with few skills are less likely to be in work, and less likely to retain work they do find. Indeed, adults with poor basic skills are up to five times more likely to be unemployed as those with average skill levels (Sparkes, 1999). This ratio holds steady for younger people. Whilst 34 per cent of young people with no qualifications are NEET (that is, not in employment, education or training), only seven per cent of those with Level 2 are in the same position (HMT, 2004a).

Even in work, people with poor skills are less likely to be successful. Research has shown that 50 per cent of workers with low levels of literacy earn less than £9,000 per year. This proportion falls to just over 20 per cent for those with high levels of literacy. The gap is even greater for those with poor numeracy. Further, men with good reading skills are over twice as likely to get promoted than those without (63 per cent of men with poor reading skills have never been promoted, compared to 31 per cent of men with good reading skills), and men and women with poor basic skills are more than twice as likely to be sacked or made redundant than those with good skills (Healey & Engel: 2003).

1 - The lowest qualified are defined by DWP as the 15 per cent of the working age population with the lowest qualifications.



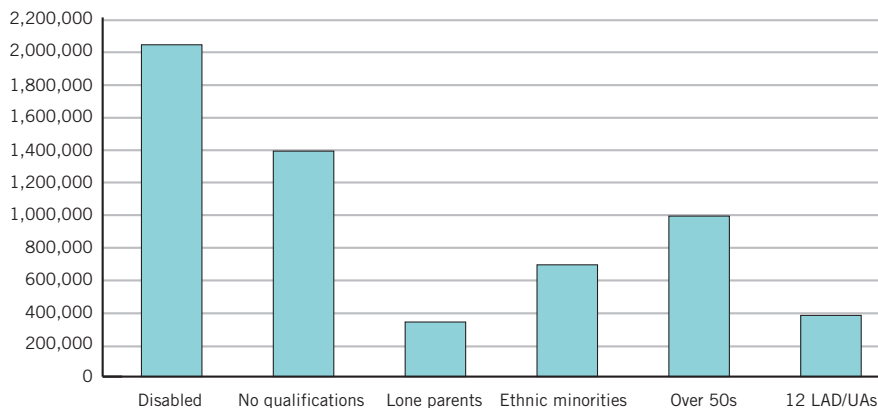
The characteristics in Figure 1 are not mutually exclusive. Some of the failure of the employment rate of the lowest qualified to rise can be attributed to a compositional effect; many people in this group have other constraints disadvantaging them in the labour market. However, the fact that the experience of those with low qualifications differs significantly from trends for other types of disadvantage raises a number of questions. Why have the labour market conditions which have benefited other groups not helped this group? Why have the welfare-to-work strategies that appear to have assisted other disadvantaged groups been less effective for the lowest qualified? And, importantly, what changes are required to challenge and reverse this trend?

Meeting the 80% aspiration

Both the DWP Five Year Strategy and the 2005 Labour Party manifesto state that a long-term aim of the government is to raise the employment rate to 80 per cent of the working age population. This aspiration has been set within a 20-year time frame. In order to meet this objective there needs to be a net increase of five percentage points in the level of working age employment.

The scale of the challenge becomes clearer when percentages are replaced with numbers. Meeting the 80 per cent aspiration equates to almost three million more people in work. Achieving this will necessitate increasing the employment rate for **all** disadvantaged groups. Figure 2 illustrates, in numbers, the gap between the current employment rate for specific groups and the 80 per cent goal.

Figure 2 - Employment growth required to meet 80% employment target, by client group



Source: Annual Local Area Labour Force Survey 2003/04*

Figure 2 shows that 1.4 million more people with no qualifications would need to move into work if this group was to have an 80 per cent employment rate. It could be argued that this is an unrealistic

2 - The source for most groups is the Annual Local Area Labour Force Survey (2003/04), with the exception of lone parents and the 12 LAD/UAs. The source for lone parent data is the Labour Force Survey Quarterly Supplement (Autumn 2004). The 12 LAD/UAs are the 12 local authority districts or unitary authority districts with the lowest working age employment rate. These are:

<i>Easington</i>	<i>57.3</i>	<i>Nottingham</i>	<i>60.5</i>	<i>Newham</i>	<i>52.4</i>	<i>Neath Port Talbot</i>	<i>62.2</i>
<i>Manchester</i>	<i>59.9</i>	<i>Birmingham</i>	<i>64.8</i>	<i>Thanet</i>	<i>62.4</i>	<i>Glasgow</i>	<i>64.3</i>
<i>Kingston upon Hull</i>	<i>67.2</i>	<i>Norwich</i>	<i>68</i>	<i>Penwith</i>	<i>71.3</i>	<i>Derry</i>	<i>48.9</i>

This data is sourced from the ONS summary of results from the Annual Local Area Labour Force Survey 2003/04.

The group labelled 'disabled' comprises people classified as 'DDA' disabled and/or 'WL' disabled. 'DDA' disabled refers to the Disability Discrimination Act: 'physical or mental impairment which has a substantial and long-term adverse effect on (a person's) ability to carry out normal day-to-day activities'. 'WL' disabled is Work Limiting disabled, where the individual perceives a restriction in his/her capacity for paid work (amount or kind) because of a disability. The Public Services Agreement target of 80 per cent employment among working age people with disabilities is measured using these two categories of disability, rather than Incapacity Benefit receipt.

Why skills? Why now?

expectation for people with no qualifications. However, the client groups identified by DWP as central to meeting 80 per cent - lone parents, Incapacity Benefit claimants and people over 50 – also tend to be more likely to have low or no qualifications. Throughout the UK the employment rate for people with an NVQ3 or equivalent and above sits at 80 per cent (Simmonds, 2005). The distance between our current position and 2025 aspirations is comprised of people with no or low qualifications.

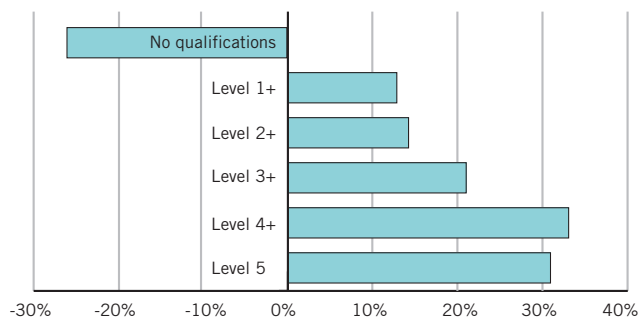
Labour market trends

The 80 per cent aspiration sits against the background of a labour market which appears to be increasingly difficult for people with no qualifications, with a number of forecasts suggesting that work opportunities for this group are likely to diminish over time. The Treasury’s autumn 2004 publication, ‘Skills in the Global Economy’, notes that in 1997 32 per cent of jobs required no qualifications; by 2001 this had fallen to 27 per cent. This reduction represents a loss of almost 15 per cent of these types of job opportunities in just four years.

The Government estimates approximately 95 per cent of all new jobs created between 1999 and 2010 will be at Level 2 or above (HMT, 2004). By 2012 two thirds of all jobs (both new and existing) are expected to require qualifications at Level 3 and above. These predictions are echoed by the Confederation of British Industry’s findings that the skill level demanded by employers for jobs in all sectors is increasing, with the expectation that this trend will continue and accelerate.

The Institute of Employment Research has also come to similar conclusions. As can be seen in Figure 3, they predict that the decade 1999-2010 will see a contraction of more than 25 per cent in available opportunities for those people with no qualifications. This will occur despite an overall expansion in the labour market. Conversely, opportunities for people qualified to NVQ4 and above are expected to increase by up to a third in the same period.

Figure 3 - Employment by highest qualification level, 1999 to 2010

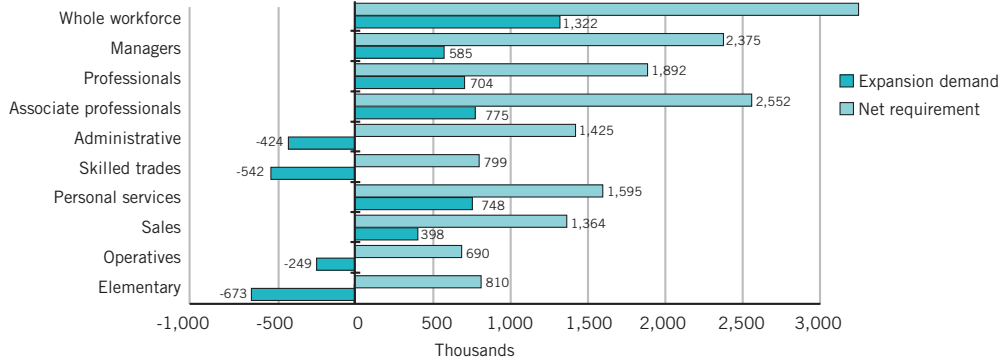


Source: IER Projections of Occupations and Qualifications 2000/01.

The Department for Education and Skills (DfES) has also released data documenting projected changes in occupational structure (Figure 4).



Figure 4 - Projected changes in occupational structure



Source: Department for Education and Skills

This shows, within the context of net expansion, expected shifts in the labour market’s occupational structure. The occupational areas set to see most expansion are professional and managerial roles. The most significant contraction is in elementary occupations with an 83 per cent projected decrease in the requirement for such jobs within a decade, down from 810,000 to 137,000. Elementary occupations as defined by the Standard Occupational Classification Codes include labouring, some process plant occupations, some administration, personal services (including bar staff), cleaning, security and some sales occupations (for example, shelf-fillers). Many of the jobs that sit within these groups are currently available to people with no or low qualifications. There is likely to be considerable regional variation in these changes.

Within a debate such as this skills and qualifications are often conflated and used interchangeably despite the important differences between them. However, there is also evidence of a rising incidence of ‘credentialism’ amongst employers in the UK; ever higher levels of educational qualifications are demanded and it is increasingly apparent that employers use qualifications as proxies for skills. In looking for solutions it is important to be mindful both of the differences between them and the implications of confusing them.

The Treasury has recently announced the formation of the Leitch Review whose work will sit alongside ‘Skills in the Global Economy’ and the 2004 pre-budget report. The review is headed by Lord Sandy Leitch, Chair of the National Employment Panel (NEP). His appointment is significant – following his stewardship of the New Deal Task Force and, subsequently, the NEP – it underlines recognition of the importance of the welfare-to-work perspective. The Leitch Review will seek to determine the composition of the UK’s optimal skills mix by 2020 and the policies required to achieve this. This does, of course, raise the interesting question of whether it is possible for a society to ‘skill-up’ to order.

The arguments and research outlined above are attempts to predict trends. It is important to note that there is a counter-argument. This maintains that low-skilled, low-paid jobs will continue to exist in the economy in significant numbers. Indeed, some of these employment areas are growing. Many of the service jobs being created in order to support the lifestyles of those in work will still be required, and are likely to be low-skilled. Indeed, more than two million people are currently employed as ‘domestic staff’, the same number as in the 1930s.

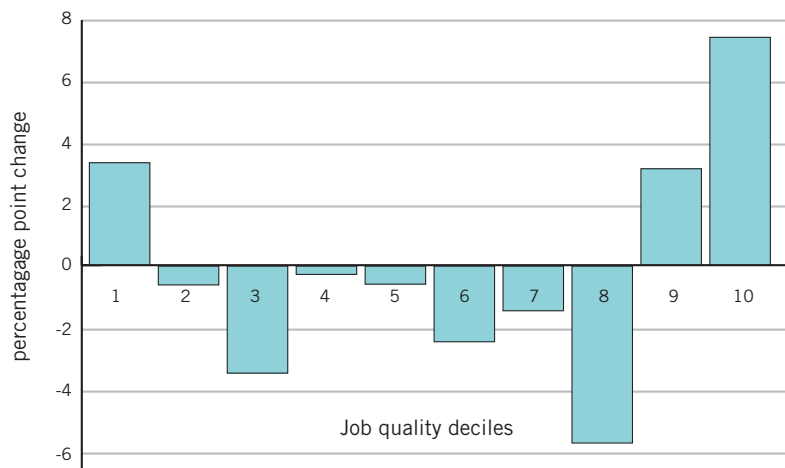
Why skills? Why now?

However, there has been a rise in the required level of basic skills necessary for jobs across the sectors, and there is an expectation in some quarters that this trend will continue and, indeed, accelerate. There is also a tendency to conflate low-skilled and low-paid jobs. It is, of course, possible for the number of low-paid jobs to be increasing, while the skill and qualification requirements for these jobs increase at the same time. Changing requirements in the social care sector provides a good example of this.

Polarising experiences

Goos and Manning (2003) have measured changes in job quality in terms of average levels of wages - classifying the ends of the employment spectrum as MacJobs (good, ie well-paid) and McJobs (bad, ie badly-paid). The process of polarisation they describe has been exacerbated by the disappearance of what they term ‘middling’ jobs, as Figure 5 demonstrates. Figure 5 shows the changes in employment over the last two decades of the twentieth century. Change has been measured in terms of ‘job quality’, which is defined by pay levels. Interestingly employment polarisation is more marked for men than for women.

Figure 5 - Employment changes by job quality deciles - 1979 to 1999



Source: Goos and Manning (2003)

This polarisation has been explained by the introduction and growing use of technology, with machines and computers replacing jobs that can be mechanised. However, there are also a significant number of low-paid jobs, for example cleaners and porters, that require people to do them, and the number of these occupations has correspondingly risen.

Commentators, including Goos and Manning, point to the rise in the number of people with tertiary qualifications and the increasing proportion of women now active in the labour market. They identify that as more people have accessed educational opportunities, the level of qualification of those people doing low-skilled jobs has also risen. They argue that the loss of middle-ranking jobs has meant that there are now more highly-educated workers than are required for the high-skilled jobs, and this excess has made it more difficult for those with low skill levels to find low-paid work.



The 2004 Treasury publication, 'Skills in the Global Economy', notes that the UK has a more polarised skills distribution than many countries, including our closest competitors. Whilst the UK has a growing number of people with high skills predominately as a result of increased access to higher education, there are also an equally significant number of people with low skills and (not necessarily the same people) working in low-skilled jobs.

Fewer people in the UK have intermediate skills; it is in this area that countries like Germany have traditionally excelled. In 'Demand for Graduates', Ashton and Bekhradnia (2003) identify that increasing numbers of graduates are ending up in lower-skilled jobs due to shortages of opportunities for intermediate skills within the labour market. However, the unemployment levels currently being experienced in Germany and France perhaps indicate that a less polarised skills distribution and investment in developing intermediate skills is not in itself a solution.

One of the possible consequences of a labour market polarised both in terms of pay and qualifications is a limitation in the availability of progression opportunities. The work-first approach has always had an inherent, implicit assumption that if clients move into work, they will be able to progress. Whilst there is undoubtedly considerable value in this approach, the evidence from welfare-to-work programmes indicates the complexity and resulting variability of **sustainable** success. This complexity is indicative of the need for a different, more creative and, we suggest, more holistic approach.

Are skills the answer?

It is interesting to note that there are very few mentions of skills in the DWP Five Year Strategy. This is surprising when it is realised that inactive clients are key to meeting the 80 per cent aspiration. The targets for lone parents (300,000), people on Incapacity Benefit (1m) and the over 50s (1m) comprise more than four-fifths of the total number of additional workers required to hit 80 per cent. They are also amongst the groups most likely to be affected by a lack of skills. Half of all lone parents have no qualifications. Disabled people (as distinct from the Incapacity Benefit population which is also composed of people with health issues) are at once less likely to hold higher qualifications and most likely to have lower or no qualifications. Almost a quarter of people aged between 50 and the state pension age have no qualifications, compared to only one in ten working age people under 50.

Skills support for these and other DWP client groups as outlined in the Five Year Strategy will take the form of *"increase[d] access to full-time training for low-skilled, inactive benefit recipients and jobseekers"* (DWP, 2005). This is in line with current strategies which tend to focus on basic skills or programmes such as Work Based Learning for Adults (WBLA). Such an approach separates skills development from employment interventions, and in many cases, from work itself.

If the objective is to increase employment rates amongst the lowest qualified, will a 'skills-first' approach necessarily succeed? There is sufficient historical data which indicates that people do not consistently flow from unemployment into training into work. Indeed, the failure of 'skills-first' programmes to convert training into jobs formed part of the rationale for the introduction of 'work-first'. Robinson (2005) cites evidence from a number of sources to argue that pre-work training does not discernibly enhance human capital. Dearden et al (2004) also argue that people attaining NVQ2s as a result of government training experience largely negative returns. This is in sharp contrast to those achieving similar qualifications at their place of employment. Importantly, employers who commission such training are also more likely to use the skills gained.

Finding and starting employment

“...plenty of jobs do not automatically mean plenty of opportunities.”

John Denham MP (2004)

On the other hand, the work-first approach has achieved a large degree of success, as the Employment Zones attest. New Labour has presided over consistent increases in the employment rate and falling unemployment. Nonetheless, there are still considerable numbers of people passing through even the best welfare-to-work programmes without achieving a sustainable job outcome. The question is whether improving skills will have a positive, lasting impact, and, if this is the case, how, where and when such support should be accessed.

In order to develop holistic, sustainable solutions that work we need to move away from the current dichotomy between work-first and skills-first to a solution that works more often, for more people, for longer. In particular, it needs to work for those currently furthest from the labour market who appear to be further excluded by an absence of qualifications.

Employment has sat at the heart of Labour Party policy since its inception in 1900 (McKnight, 2005). The advent of New Labour has, however, seen a radical shift of emphasis away from a tradition of demand-side strategies towards supply-side interventions. These interventions have been developed under the welfare-to-work umbrella and delivered nationally through New Deal and Employment Zone programmes. Through a case management relationship with an advisor, participants on these programmes have received support to job-search, increased their employability and improved vocational skills. At the same time, benefit conditionality has increased, and financial incentives to take work, in the form of tax credits, have been made both more generous and more explicitly linked to work.

Skills and work: The importance of context

The key question for policy makers and employment and training providers is how to develop an approach that doesn't lose the immediacy, and crucially the success, of work-first, but a) recognises that better-skilled people get better jobs, and b) ensures that those who want to progress are given the best opportunity to do so.

The assumption is frequently made, as indeed it is throughout the influential report 'Welfare to Workforce Development' (NEP, 2004), that a sequential approach (ie one in which individuals engage in training prior to work) offers the best solution to a well-trained, highly skilled, productive, fairly-paid workforce. However, there is considerable evidence that highlights serious flaws with this approach.

Resistance by individuals to skills development opportunities, especially when part of a sequential programme, may result from poor personal experience of the education system. Previous experience of training may also have created a level of distrust in the value of additional qualifications. Despite the evidence clearly indicating a correlation between qualifications above Level 2 and rising pay levels, it has historically been difficult to attract low-skilled workers to engage in learning programmes. In part this can be put down to the minimal impact of lower-level qualifications despite their importance as a stepping stone.

Figure 6 illustrates the wage premium from qualifications. As can be seen, there are no financial benefits to gaining vocational qualifications at Levels 1 or 2 – the level generally attained through pre-work interventions – although of course these open the way to higher qualifications which do present a better return.



Figure 6 - Wage premium from obtaining qualifications

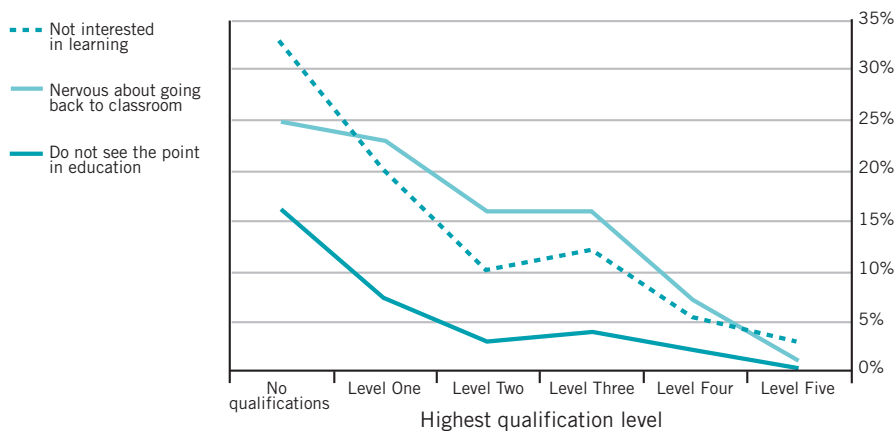
(%)	NVQ Level	Men	Women
Academic Qualifications			
O level/higher GCSEs	2	27.5	23.2
A level	3	16.6	14.8
First Degree	4	26.9	27.9
Vocational Qualifications			
Level 2 NVQ*	2	-2.9 (not sig)	-2.8 (not sig)
Level 3-5 NVQs	3-5	3.1	4.2
Professional qualifications			
	5	43.0	49.3

Source: Sianesi (2003) *NVQ2 analysis from Dearden et al (2004)

Indeed, the Full Time Education and Training (FTET) option of the New Deal for Young People did not deliver the successes that were expected – many clients did not achieve full qualifications, many dropped out and those that did succeed did not find that it improved their likelihood of finding work in any meaningful way.

These provide some of the reasons behind the National Audit Office findings that those with the lowest skill levels need to be persuaded that skill improvement is, in itself, worthwhile (2005). Interest in learning correlates positively with the numbers of qualifications gained (see Figure 7). Those without qualifications display the least interest in engaging in future learning. This ‘obstacle’ will not be overcome simply by making opportunities available.

Figure 7 - Attitudes to learning



Source: Department for Education and Skills

Finding and starting employment

'Skills for Life' (National Audit Office, 2005) notes that literacy and numeracy providers need to attract clients it describes as 'difficult to reach'. One way this can be achieved is through 'embedding' basic skills in other learning interventions such as vocational courses or family literacy programmes, and in different contexts such as darts or Sunday football. The Department of Education and Skills (DfES) has commissioned work to provide just such embedded learning materials over three years to 2006.

Pre and post-employment support also need to be reviewed in this context. For those that require them, basic skills could be embedded in the job-search support provided to those who are out of work. To ensure control of the process remains with the jobseeker, numeracy support could be integrated into the presentation and management of the Advisor Discretionary Fund³, budgeting for work and handling debt workshops. Literacy could be integrated into CV and application form support. This requires skilled advisor interventions in addition to having access to supplementary specialist provision as appropriate.

There are also a number of concerns about the quality of current provision. Attrition rates are high, only 20 per cent of those starting ESOL courses complete the course, whilst just 30 per cent of those commencing basic skills courses receive a qualification (NEP, 2004). The reasons for this are attributed in part to the failure of some training providers to impart the skills required by employers as the foundation for productive, sustainable work.

The drop-out rate for those on Jobcentre Plus courses has historically been high and only a small proportion of participants have achieved qualifications. In 'Skills for Life' the National Audit Office report that people referred to training courses by Jobcentre Plus tend to cease attendance once they find work, even if the new job itself is temporary.

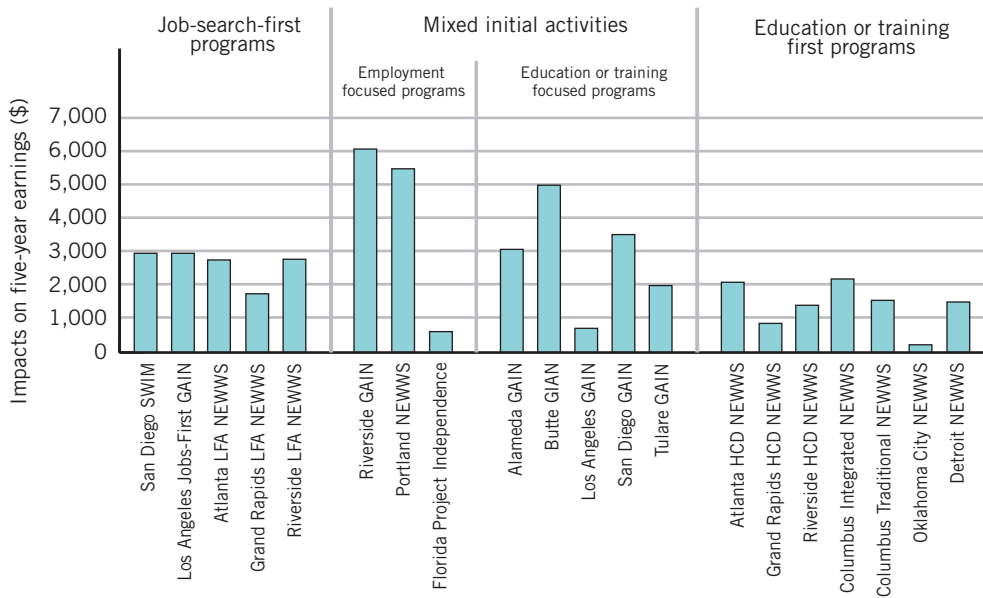
Such courses are often described as enabling participants to be more successful in their search for work. Once they have found work therefore, the course is deemed to have served its purpose. In order for such courses to still have value to people in work, participants need to understand how completion will help them once they have a job, and be able to access continued learning support should they desire it. This can only be done by setting skills acquisition within a context which is meaningful, and ensuring that if training does not occur in the workplace then courses are available at times that do not overlap with working hours.

Figure 8 shows the impact of different approaches on the earnings of participants for the five years following an intervention. It is immediately apparent that a mixture of employment and skills activities have the most significant long term impact. Furthermore, those that occur with an 'employment focus' offer the best financial return to participants.

3- The Advisor Discretionary Fund is held by Jobcentre Plus personal advisors. It enables them to spend up to £300 on clients on New Deal and those who have been receiving Jobseekers Allowance (JSA) or Income Support for more than six months. It can be used to help clients overcome any barriers they may face in looking for or travelling to work. Within the Employment Zones advisors can access discretionary spend for their clients, this does not have an upper limit but must be used to support a client to move into work.



Figure 8 - Impact of different programmes on earnings of participants over next five years



Source: MDRC

This study is limited. It has only looked at a small number of programmes, and the United States welfare-to-work environment has some important differences to the UK. It does, however, help build the case for a work focused-activity based response to unemployment that acknowledges the need for longer-term objectives.

Importantly, the wage return in the UK can be seen to be better (by up to 20 per cent) depending on the qualification (see Figure 9). This highlights the importance of the appropriateness of both the type of qualification and the level of employer engagement.

Finding and starting employment

Figure 9 - Wage premiums from vocational qualifications

(%)	NQF Level	Men	Women
ONC/D or TEC/BEC national	3	10.1	5.4
HNC/D or TEC/BEC higher	4	14.0	9.3

Source: Sianesi (2003)

		Men (c.f. none)	Men (c.f. none or NVQ 1)	Women (c.f. none)	Women (c.f. none or NVQ 1)
NVQ2 via employer training	2	7.1	1.8 (not sign.)	6.0	1.7 (not sign.)
BTEC First Diploma	2	22.6	7.7	13.7 (not sign.)	6.4
City and Guild Craft	2	20.4	13.8	5.4	2.9
RSA First Diploma	2	4.2 (not sign.)	-1.7 (not sign.)	21.7	17.6
		Men (c.f. none or NVQ1)	Men (c.f. none)	Women (c.f. none or NVQ1)	Women (c.f. none)
NVQ2 via college	2	-12.3	-8.4	-0.9 (not sign.)	0.2 (not sign.)
NVQ2 via govt. training	2	-25.2	-28.7	-18.1	-13.3 (not sign.)

Source: Dearden et al (2004)

Private sector employment service providers have been identified as 'ahead of the game' in tailoring ESOL courses for jobseekers (Dunn & Somerville, 2004). One of the first examples was the Brent Action Team and its 'Language for Work' programme. This focused clearly on job goals, and linked language gain to success in the labour market.

In order for it to be effective the facilitation of skills development needs to avoid exacerbating an employment/training dichotomy within either the workplace or learning institutions. Newman (2000) describes education and work as domains 'disconnected' by the free market system, and advocates market intervention to improve the transitions between the two.

In 'Welfare to Workforce Development', the NEP advocate closer collaboration between DfES, DWP/JCP, the Learning and Skills Council (LSC), Business Link and Sector Skills Councils in order to deliver a more holistic approach. They argue that this co-operation needs to be reflected in joint funding of programmes and interventions. This in turn requires a need to become smarter about the measurement of skills acquisition. This entails looking beyond qualifications and ensuring that when they are used they are comprehensible to, and respected by, employers. A holistic approach is vital; it needs to deliver concurrent rather than sequential success. The value of training lies in its relevance to and integration with, jobsearch, and later, work itself.



Engaging employers: Recruiting for skills

Sparkes and Glennerster (2002) note that one of the key reasons qualifications are used as a recruitment tool by employers is for ease of comparison and comprehension. This leads to premiums being placed on certain qualifications, grades and institutions. This creates further difficulty for those people with non-traditional, non-academic, or non-UK qualifications. Qualifications are also used as a screening device by employers who believe they correlate with social and/or workplace skills. This occurs even if the qualifications concerned have no inherent value for the job in question.

Employers often stress the importance of soft skills (“we recruit attitude”, Keep, 2004) which are far less easily quantified. Much emphasis is given to the acquisition of soft skills by employment programmes – this is reflected in the proliferation of motivational and personal development courses over the last decade. This has been an increasingly important feature of welfare-to-work programmes, leading to its incorporation into the design of Gateway to Work (a mandatory two week programme for New Deal for Young People participants) and its inclusion in the draft specifications for Building on New Deal (BoND).

However, there is a disparity between what employers say they do and their actions. Keep (2004) notes that birth cohort studies provide clear evidence that possession of at least some qualifications has a significant impact on the chances of gaining employment and that this advantage seems to have increased over time. Employers may well look for soft skills but their application processes screen candidates on previous work history and educational success.

Employers need to be challenged about whether they recruit for skills or qualifications. B&Q operate what they call a ‘bias-free’ recruitment process – application forms limit questions about qualifications to those explicitly required by the role applied for. This is in strong contrast to local government authorities, for example, where a number operate with the same application form for all positions, irrespective of whether the job in question is entry or CEO level. However inclusive the interview process may be, the first stage of the application process will have screened out those without formal qualifications.

Programme delivery

There is strong evidence from the United States that the highest job retention rates are achieved when pre-employment programmes continue with well-integrated in-work support. Job retention and salary advancement once in work are dependent on a number of factors. Johnson (2002) identifies three: ‘close, systematic’ support during the first few months of work; the quality of the match between client and job; and planning beyond the first job they apply for from the very start of the jobsearch process. The latter two occur in the pre-employment phase and point to the importance of a long-term focus for welfare-to-work programmes.

Such programmes can be made more retention and progression ‘friendly’ by focusing on client goals, maximising use of the hidden market (non-advertised vacancies), and delivering group workshops which mix unemployed and working people. The locus of control needs to remain with the client in all jobsearch and learning interventions so that they can better self-manage future transitions in the labour market.

Finding and starting employment

Improving programme delivery by building bridging social capital⁴

Social capital has been described as powerful enough to mitigate against the insidious effects of socio-economic disadvantage (Putnam, 2000). This is important when it is considered that places where the collapse of manufacturing and heavy industry has been most dramatic provide the greatest challenges to the Government’s education and skills policies. These are also places where bridging social capital in particular is likely to be poor.

While the last three decades have seen an increase in two-earner households, there has also been an increase in no-earner households and a corresponding decline in one-earner households (Burgess & Propper, 2002). Between 1981 and 1996 the proportion of households with no one in work increased from 11 to 20 per cent, even though the individual non-employment rate was around the same level in both years (Sefton and Sutherland, 2005). These are where skills levels are at their lowest, unemployment and economic inactivity at their highest and where the institutions of change – the schools, colleges and other public services - are faced with their greatest difficulties.

Putnam notes that economists have produced an impressive body of research demonstrating that social ties can influence who gets work, bonuses, promotions, and other benefits of employment. Newman demonstrates this in her research on the fast-food restaurant labour market in Harlem, as shown in Figure 10.

Figure 10 - Recently hired and rejected applicants by ‘contacts’ with current employees

	Hired	Rejected	Total
With personal contact	39 (33.3 %)	78 (66.7 %)	117
Without personal contact	33 (11.0 %)	268 (89.0 %)	301
Column totals	72	346	418

Chi-square significant at p=<.0001

Source: Newman (2000)

Her research shows that those people with personal contacts were three times more likely to be successful at applying for work. In the UK Perri 6 demonstrated that more unemployed people find work through friends and personal contacts than through any other single route. A MORI survey undertaken in 2001 found that one of the potential barriers to labour market achievement identified by ethnic minorities is a lack of diversity in social connections. Bridging social capital emphasises the strength of weak ties in improving employment opportunities.

4 - Putnam (2000) describes bridging social capital as ‘inclusive’ – outward-looking networks that encompass different social groups. Their benefits lie in information diffusion and links to external assets. In the jobsearch process, the strength of ‘weak ties’ to acquaintances that move in different circles is more valuable than that of ‘strong ties’ that link an individual with relatives and friends in very similar circumstances to themselves.



This all seems obvious. However the problem as identified by Putnam and others is that these social networks are absent precisely where they are needed most. Weak ties can have an especially strong impact on the fortunes of people at the margins of mainstream economic and social institutions. Amongst the disadvantaged bridging social capital may be the most lucrative form because it provides the opportunity of links outside an individual's community. If we accept that good social capital can offset a shortage of human capital (meaning qualifications), the next question is how opportunities to build bridging social capital can be enhanced through policy interventions.

There is, however, considerable debate over the importance of social capital in comparison to human or financial capital. And there are certainly some circumstances in which social capital may be economically counterproductive. Some academics studying ethnic niche economies have questioned whether these tight networks (bonding social capital) actually restrict growth and mobility by encouraging the development of 'ghettos'.

Social capital can be a negative influence in the world of employment encouraging behaviour that worsens rather than improves economic performance. Peer pressure can be exerted on people not to work. This is experienced in the delivery of welfare-to-work programmes in the UK. Some people face resistance from family and friends when they try to move into employment. With little or no support they are less likely to prove successful. It is important that employment programmes understand and address even these wider pressures on an individual when they start work in order that they can prepare and anticipate challenges in advance.

Employment programmes do provide numerous opportunities to encourage the development of social capital through, for example, job-searching in the hidden market and facilitating the development of 'bridging' networks by inviting in guests, by helping clients to identify where they need to go and who they need to meet to improve their opportunities to work. Learning provides a good opportunity for this, but too often occurs in silos with unemployed people on training courses with other people in the same situation.

There is potentially much more value from funding those out of work to undertake learning in 'working' environments rather than setting up specific courses 'for the unemployed'. This involves identifying and creating opportunities that mix those in and out of work in order to encourage the development of bridging social capital.

Sustaining employment

Longer-term planning and post-placement support are best practice within the welfare-to-work industry. There are, however, still significant numbers of people cycling through employment programmes, low-paid work and periods of unemployment. The 13-week retention rates from current programmes are reasonably high, with New Deal for Young People, New Deal 25+ and Employment Zones all delivering retention rates between 76 and 80 per cent (DWP, 2004). However, these statistics need to be set in the context of the job placement figures – only a third of those starting such programmes end up with sustainable employment as an outcome. The ‘churn’ is also high, with significant numbers of people returning to unemployment and benefits after a period of time in work. This raises a number of questions including the necessity of measuring retention for longer, and whether the numbers moving into work would themselves be higher if initial interventions occurred within a ‘retention and progression’ context.

There is a scarcity of research into the reasons people move jobs within the first few months of starting work, although we do know that frequent moves between low-paid, low-skilled work and unemployment damage future employment prospects (Kellard, 2001). Future policy needs to understand whether people change to similar jobs that better suit their needs, better paid jobs, or ones with better opportunities, or whether their first job had been temporary. This would provide a better appreciation of how to use the work-first approach to improve the opportunities of those seeking employment.

In the UK the sustainability agenda has not been a priority. Systematic measurement tends to cease after 13 weeks of work (or off benefits). The Employment Retention and Advancement demonstration project (ERA) is currently underway, and due to report interim findings in late 2005. This is comparing the experience of certain clients⁵ provided with advisor support and financial incentives for up to 33 months with a control group.

Cycling between work and benefits: early intervention

It has already been identified that those who are unemployed are far more likely to move into low-paid work, and low-paid workers are more likely to experience unemployment than better-paid workers. Research findings have consistently indicated that about half of people leaving unemployment return within a year. Additionally, individuals from low-income households are more likely to experience unemployment. Anthony Johnson (2002) notes that workers who have had three or more spells on Jobseekers Allowance (JSA) are three times more likely to return to JSA within three months in a job compared to those who have not had a previous spell on the benefit. Treasury statistics show that around 25 per cent of those who leave JSA to move into work return to benefits within three months, and almost 40 per cent return within six months (HMT, 2004).

Those more likely to make frequent moves between work and unemployment tend to be male; females are more likely to move into other inactivity – such as caring (Kellard et al, 2002). Interestingly, low-paid lone parents are twice as likely to exit work as their counterparts who are better paid (Evans & Harkness, 2004) and this has implications for the DWP aspiration to significantly increase lone parent employment. As Evans and Harkness argue, meeting this will require focusing on those leaving employment as well as those entering the labour market. Even those remaining in work exist just around the poverty line; very few break out of where they are in order to advance and progress. US evidence shows that earnings of people leaving welfare frequently do not exceed the poverty line even when measured several years afterwards (Hotz et al, 2002).

5 - New Deal 25+ and New Deal for Lone Parents clients and lone parents on Working Tax Credits



This highlights the importance of sustaining employment and the need for a shift in emphasis away from moving benefits claimants into ‘any’ job to actually assisting a move to long-term financial independence.

It would appear prudent, based on the evidence demonstrating multiple claims to be indicative of future claims, to identify at first claim those individuals who have claimed benefits within the last 12 months. This will become easier as the links between administrative data improve. Such people could then be targeted for more focused early intervention, enabling the issues preventing them from maintaining work to be identified and addressed. This could include, but not be limited to, early entry onto New Deal or Employment Zone programmes, and referral to mentoring, learndirect or other in-work support available.

Many of the barriers that clients present during the job-search process will remain when they move into work – the issue is not necessarily just about overcoming these constraints, but rather learning to manage them. This necessitates understanding where difficulties might arise in work and ensuring that these are addressed during the job-search process.

It would also prove interesting to trace longitudinally those working and receiving tax credits. This would highlight the expense to the exchequer of maintaining a low-paid working population, and help identify the cost-benefits of producing a more comprehensive advancement strategy.

Sustaining employment

Job quality

The impact of job quality, despite its intangibility, must be considered carefully in any attempt to improve sustainability. A recent DWP report (2005) found there to be a distinct difference between the factors motivating people to find work, and the factors motivating people to remain in work. Simply put, the desire to avoid benefit dependency became less of a consideration whilst other factors, such as having a job that met aspirations for personal development and allowed a balance between work and family life, became increasingly important.

There has been considerable emphasis within welfare-to-work policy on making work pay. There is now a need to focus on ensuring work 'works' for individuals who want and need to progress beyond low-paid and low-skilled employment in order for work to be a sustainable solution for them.

In 'Status Syndrome' Michael Marmot convincingly argues that the level of control one has over one's job is key to health and life expectancy. He defines low-quality jobs as: "low-paid, uncertain...with low control and imbalance between efforts and rewards". His studies, conducted over a period of 20 years, demonstrate the positive correlation between job status and health and well-being. An important facet of this is salary, with both indirect and direct associations between pay and job quality.

In an earlier section of this paper, Goos and Manning's salary-based distinction between McJobs (bad) and MacJobs (good) was used. Pay is a useful indicator of quality in that salary is generally held to be a good indication of the esteem in which an occupation is held. The wider importance and broader implications of pay are underlined by Toynbee (2003), who describes pay as being more than income, as it also conveys respect, status and personal worth.⁶

Financial incentives to return to work have been provided through the use of 'credits' to specific client groups. These include people over 50 accessing New Deal services, and those on Incapacity Benefit returning to work through the Pathways to Work pilots. They are entitled to a salary increment providing the job they take pays under £15,000 pa. The evidence to date shows that most people claiming the Working Tax Credit available through New Deal 50+ did not see their salaries rise within the first year of work, thereby leading to a drop in income for many clients when the increment period ends.

The evaluation of Pathways is still underway so comparative data is not yet available. However, anecdotal evidence from the Bridgend and Rhondda Cynon Taf Pathways to Work pilot suggests that the end of the credit has not led to a return to benefit for participants. What is not yet known is whether those same individuals have experienced an income drop, or whether they have received sufficient pay progression in the 12 months they have been in work to off-set the loss of the credit.

6 - There are a number of other issues that are part of the debate about pay, including part-time work, and gender, ethnicity and age equity. There is also recognition of the inability of pay as a criterion to capture 'social value'. Toynbee (2003) also struggles with this when she takes minimum wage jobs in the care sector: "What is this scale of worth that puts care assistants at the bottom of every heap? Where do these values come from?"



Evidence does suggest there is a demand from low-income workers for such support, and that it enables them to take and keep a job. Indeed, 62 per cent of those finding work through Pathways to Work have made use of the Return to Work credit.⁷ Earnings supplements do appear to facilitate job retention, and there is some evidence they lead to an earnings increase, though this is more likely to be associated with an increase in hours worked over time rather than progression or a pay rise. There is little evidence that they promote advancement (Kellard et al, 2002).

The current system could easily be improved by inviting all those receiving a Return to Work credit to see their advisor six to eight weeks before the supplement is due to end. This would enable the provision of additional financial advice, as well as assisting further hours or better-paid work to be found. This would prevent people finding themselves in a considerably worse financial position a year after starting work and perhaps, as a result, returning to benefits.

There are also a number of other important questions. Importantly, can people's experience in these roles be improved by better wages, or are there other contributing factors?

A 'bad' job may in fact be 'good'. It depends on the extent to which it meets the needs of the individual. Recent research into the New Deal for Disabled People (NDDP) underlines the importance of control as a factor in individuals' decisions about returning to work. Key 'bridges' were described as: being able to decide the number of hours worked (65 per cent); home-working (57 per cent); and being able to take breaks during the day when required (54 per cent) (DWP, 2004a).

The National Employment Panel (NEP) advocates the inclusion of a job quality measure in Jobcentre Plus's reporting statistics and, therefore, in their performance targets (NEP, 2003). They note that higher wages are linked to sustainable employment and are the best proxy for the economic value that an employer places on a job. The panel also suggest that the inclusion of salary level as a method of quantifying the quality of jobs gained.

Targets do, however, drive behaviour, and such data collection may disadvantage clients by extending their period of unemployment, mitigating against placing people into entry-level jobs which may in fact meet their immediate needs and enable them to develop skills to help them progress. Measuring salary again 12 months after starting work in order to assess development and progression, may provide a better indication of quality and drive the design and delivery of appropriate post-placement interventions.

Sustaining employment

Purchasing sustainable employment: Implications for procurement

There was a significant change in the funding structure between the introduction of Private Sector Led New Deal programmes in 1998 and the Employment Zones in 2000. While New Deal funding for service providers is heavily weighted towards programme starts and a smaller amount for job outcomes, the majority of Employment Zone funding is outcome-related. More importantly, there has also been a shift in the way in which outcomes are measured. New Deal providers are rewarded for placing someone into work, whilst Employment Zone providers receive less than 10 per cent of the outcome payment at the point at which a client starts work, the remainder being paid when the client has stayed in work for 13 weeks.

Employment will not be sustained if it is failing to meet any of the needs of the individual. If funding is linked to the outcome of sustained employment then this enables the provision of post-placement support that is (just like the outcome-funded, pre-employment programme) responsive to individual need. This might mean facilitating progression between or within jobs. It might mean funding training alongside employment, or funding other specialist support such as some form of medical therapy. It might mean ensuring there is adequate, secure childcare. It might mean no intervention at all.

In order to provide work-first 'plus' funding should follow a client into work and facilitate support for as long as is practical. There are, of course, a number of financial and logistical constraints on the level or proportion of funding that can be linked to sustainability and on the timing of the points at which it is measured and rewarded. Advancement is not currently measured outside of specific research projects such as the Employment Retention and Advancement demonstration Project (ERA). There are, however, key operational questions about the use of procurement to impact positively on the quality of the initial employment outcome and incentivise providers to facilitate progression.

Implementing a longer-term approach is likely to require providers to track clients for at least six months, which can be both difficult and resource-intensive. There are significant issues surrounding the viability and cost of data collection and the monitoring of clients, particularly those who do not want to maintain a link with the provider. Such tracking is, however, necessary and may discourage the use of 13-week temporary placements by providers. It may be more comprehensively and easily addressed through partnership with the Inland Revenue.

Despite the difficulties inherent in tracking, and the rejection of such intervention by some clients, there are undoubtedly significant numbers who would, and indeed do, benefit from in-work support. Evidence from DWP and Jobcentre Plus indicates that the provision of after-care support workers in mainstream New Deal programmes has been estimated to reduce the number of placed clients leaving a job before 13 weeks by half (Kellard et al, 2002).

The long-term cost-effectiveness of improving retention in work comes both from savings against future benefit spend and in reducing the number of times clients access what can be expensive provision. Efficiencies are achieved through focusing funding on preventative interventions. This, of course, raises the question of who brokers this support and how it can best be done.



US evidence shows programmes devoted exclusively to job retention as having a poor record. The reasons behind this are predictable. Since they begin only once a client is in work it is hard for programmes to identify clients and recruit appropriately. This is compounded by the difficulty case managers have in organising diverse and fluctuating workloads. Furthermore, clients often want to conceal their history of claiming benefit from employers, which makes it difficult for case managers to provide workplace interventions (Johnson, 2002). Certainly in the UK private and voluntary providers of employment services may want to take a lead and could be given the opportunity to bid to run such services directly or as part of a partnership.

Progressing in employment

“The New Deal gave half a million youngsters a job. But what happens when they want a career?”

Tony Blair, speech to Labour Party Conference, September 2004

The last 12 months have seen a subtle change in language, a change captured by the excerpt from the Prime Minister’s conference speech quoted above. The New Deal has recently been described by the Chancellor as needing to encompass both jobs and skills. This has translated into a number of skills-orientated policies, few of which have much cross-over with ongoing welfare-to-work programmes. The National Employer Training Programme (NETP) supports people to learn with their current employer in order that they can both sustain work and advance within that organisation. This is, however, only part of the solution.

Martin was a client of the Nottingham Employment Zone. His story is worth telling because it is indicative of how a focus on sustainability need not come at the expense of work-first, and of the benefits of synchronizing employment and skills development.

Martin’s career goal was to become a personal trainer. He had enthusiasm, a love of fitness and good interpersonal skills. However, he also lacked the requisite qualifications and had a poor work history. With his advisor he created a plan to tackle both constraints. He started work as a security guard, and after three months in post was assisted with the financing of his qualifications, which he gained while continuing to work in security. He was then able to apply for personal trainer jobs not only fully qualified but also with a significant period of recent referenced work history on his CV.

There are a plethora of individuals like Martin who, as a result of a work-first programme with a commitment to sustainable solutions, have achieved far more than the entry-levels jobs into which they were first placed.

Newman (2000) notes that this is also true in Harlem – indeed, of the individuals she follows, those that do succeed in moving up the ladder tend to be the ones who have the “luxury to spend their hard-earned cash on furthering their education or training”. This is an important solution for some clients. It requires an accurate match to a suitable entry-level job with access to additional funding to pay for out-of-hours training in a preferred area. This ensures clients have both qualifications and recent work experience when applying for potentially more competitive positions.

Certainly one of the most consistent and concerning findings from the research into progression from entry-level jobs is the difficulty faced by those wanting to transition to opportunities that suit them better. Walker and Wiseman (2003), among others, have identified that although work-first policies have been successful both in reducing the number of benefit claimants and in increasing employment, they are far less effective at ensuring sustainability of employment, and progression to better-paid opportunities.

They conclude that in order for employment policy to do more than add to the numbers of working poor, new strategies are required to stimulate career advancement. This necessitates a reassessment of the ways in which work-first interventions are followed up, underpinned by current best practice in the field.



Engaging employers: progression

“At the level of the individual business, it is a long-standing concern of many employers that they cannot recruit enough people with the skills and attributes they are looking for. Some believe that the design and delivery of publicly-funded training does not take enough account of the needs of the modern workplace. Lack of skills makes it harder for employers to introduce the innovations, new products and new working methods that feed improvements in productivity.”

Skills White Paper: Getting on in Business, Getting On at Work, 2005

Employers often have to employ unskilled workers and perceive the incentives to provide any training to be weak. This appears to be particularly true for smaller organisations who between them employ over a third of the workforce (SME Statistics, 2003).

Figure 11 - Percentage of employers providing training

	5-24 employees %	>200 employees %
Both off and on-the-job	48	88
On-the-job training only	31	4
Off-the-job training only	9	7
Neither	12	2

Source: Learning and Training at Work Survey, 2002

The perception amongst employers that entry-level jobs require few skills can contribute to a decision to do little to enhance the employment prospects of those in their workforce looking to advance. This perception is often echoed by employees themselves, who are unable to identify and articulate the skills – both hard and soft – gained while at work, and market them to either their current employer as a reason for a pay rise or promotion, or to prospective employers offering better opportunities.

Government policy currently focuses on individuals and employers, encouraging both to raise their sights and demands in terms of skills. The two key issues for policymakers are convincing employers that investing in skills makes a difference to an organisation's bottom line, and convincing individuals that investing their time, money or effort will result in better pay and career earnings.

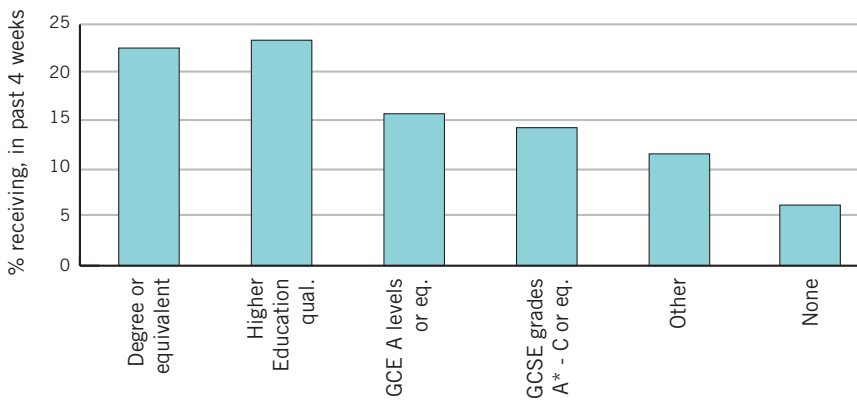
The National Employer Training Programme (NETP) and learndirect are examples of attempts to reach synchronicity of employment, learning and progression objectives. Improvements to these programmes could be achieved through strengthening the careers advice and guidance provided both to participants and employers. This could be done through a helpline, or through a brokerage service, or both.

Employers claim to be spending considerable sums on skills. According to the CBI, approximately £24 billion per year is spent on training and development, around three times the annual Learning and Skills Council budget. The Office for National Statistics (ONS), however, suggests that the real figure is closer to £15 billion. The CBI appear to base their assessments on the 'Training in Britain Survey', a 1989 study that estimated annual employer spend at £14.4 billion. Adjusted for inflation this figure rises to £24 billion. If the ONS figure is more reliable then it can be argued that employer spend, in real terms, has actually fallen considerably in the last decade.

Progressing in employment

Certainly in the UK access to training is unequal, with managers and professionals and those with a degree up to five times more likely to receive work-based training than either those with no qualifications or those doing ‘unskilled’ work. Such workers are highly unlikely to have received any training at all over their previous five years employment.

Figure 12 - Employers invest more in training the already qualified



Source: Labour Force Survey, Spring 2004

Key to engaging employers in supporting a skills and progression agenda is the level at which policy interventions are pitched. We have seen considerable investment in securing the buy-in from CEOs of large companies, particularly by the New Deal Task Force, and subsequently the National Employment Panel. Attempts to help frontline managers and small business owners to see the immediate benefit of the advancement agenda to their bottom line appear to have been less successful.

Many employers argue that skills and training are rarely seen as a solution for business improvement. In reality they are often third or fourth in the list of priorities and are usually derived from other more pressing needs.

The Development Rate for the Minimum Wage provides a lever with which to encourage employers to tackle low skills in their workforces. The Development Rate is lower to encourage employers to be able to invest in training their younger staff. Crucially the Development Rate can also apply to workers aged 22 and above during their first six months in a new job with a new employer and if they are also receiving accredited training. The 2005 Budget announced the following rates for 2005 and 2006:



Figure 13 - The National Minimum Wage

Main (adult) rate for workers aged 22 and over

£5.05 per hour from 1 October 2005 (an increase from £4.85 an hour)

Development Rate for workers aged 18-21 inclusive

£4.20 per hour from 1 October 2005 (an increase from £4.10 an hour)

A new rate for 16 and 17 year olds

The Government has accepted the Low Pay Commission's recommendations for a new rate for 16 and 17 year olds (above compulsory school leaving age).

£3.00 per hour from 1 October 2004

NB: 16 and 17 year old apprentices will be exempt from the new young workers' rate.

Source: DTI Website 2004

Employers will be able to purchase or provide a considerable amount of vocational training for the 75 pence an hour that they can potentially save by using the Development Rate (£780 over six months based on a 40-hour week). This becomes an even more important factor as the minimum wage rises further in the future; the people who benefit will be precisely the ones that need to most – people in low-skilled, low-paying jobs.

Combining such Development Rate entitlements with nationally available Employer Training Pilot provision should provide a sweetener for businesses wary of the cost of investing in employee development. However, the challenge is in ensuring such opportunities are used to provide work and training concurrently to those unable to access it otherwise. Quality safeguards would need to be introduced to ensure that employers are investing the salary savings on training for the individual concerned, rather than paying staff less than the minimum wage and accessing training for their employees that has already been paid for. These safeguards do not currently exist, and point to the need for both tighter procurement and brokerage services.

Deadweight, that is the number of employers taking up government funding to pay for training who would have provided it even if such funding did not exist, is a serious concern. There is, for example, a question to be asked about the proportion of employers currently engaging in the Employer Training Pilots (ETP) who would have invested in their workforces anyway. Targeting support and minimising deadweight means incentives, whether through learning credits (see recommendation three in 'Conclusions and recommendations'), replacement costs or tax relief, will be more effective.

Of course the people that are really 'paying' for this additional training are the individual recipients by accepting a lower wage in the short-term because of the future benefits that better skills will bring. Individuals agreeing to take a reduced wage would need to believe that better opportunities exist after qualification. Putting the onus on employers would combat some of the concern that companies do not seem to engage in concurrent approaches⁸ by positioning them as purchasers of skills-services for their business, rather than recipients of a programme designed for them.

8 - As was demonstrated by the low take up of the Employer Training Subsidy available through the Subsidised Employment Option of the New Deal for Young People.

Progressing in employment

Delivery

As has been identified, low-paid jobs appear to have only a small probability of being ‘stepping stones’ to better remunerated opportunities (see Evans et al, 2004 amongst others). Kellard et al (2002) identify a number of reasons for non-progression, including employers’ attitudes towards training, individual desire to advance in work, or (in)ability to advance around the labour market without assistance.

The latter has been tackled practically through the use of career development techniques which explicitly classify jobs according to their different values to the individual. This underpins the WorkNet approach designed by Angel and Harney (1997), in which jobs are categorised as ‘survival’, ‘career-entry’, ‘transition’ and ‘dream’, dependent not on the inherent quality of the jobs themselves, but instead in terms of the value to the individual.⁹

This underlines the importance of pre-employment interventions, specifically job-matching and career-planning, in ensuring later attempts to support progression are effective. It also presents a more creative approach to skills acquisition. Learning through experience is more likely to be effective if it is structured so that desired skills, places and methods of learning are identified and set within a timeframe. The benefits to gaining these skills need to be verified by the labour market – ie the ease with which people move into other jobs, that better suit their needs. Focusing on the supply side, on ways in which to support more individuals to gain higher levels of skills – with or without the involvement or consent of their employers - may have the effect of forcing more and more organisations out of the ‘low-skills trap’. However, a ‘learning gap’ can occur when people move into work as they lose access to the level of free specialist provision and support that was available to them when they were unemployed. This means that those people wanting to improve skills, or look for a better job, have far more limited options available to them.

It has already been noted that while some clients value continued support and contact beyond placement, others do not. Kellard et al (2002) identifies that there is significant stigma attached to continuing contact with statutory organisations once an individual is in work. This appears to be lessened somewhat if non-public employment service providers are involved; voluntary participation appears to be greater in these programmes.

Indeed, it is notable that some clients continue to access support from employment services providers long after the 13-week period has elapsed. For example, WorkDirections offers a Graduate Commitment to all those finding work through their programmes. This is an open invitation to all clients placed into work to continue to access services as required. It is not unusual for clients to return to speak to their advisor up to a year or more after their initial placement for support in their current role and help in identifying and applying for their next opportunity. This ‘system’ is not particularly equitable, relying on client proactivity and advisor good will. Caseload pressures and an absence of ongoing funding mean such support is not provided universally.

9 - Survival jobs meet immediate needs while working towards a future goal. They are not in the field of choice, and are often taken when people are studying, saving, or need to gain experience or skills for a career-entry job. Career-entry jobs are in the field of choice and immediately accessible in terms of skills levels. The aim is to hold them for between nine and 24 months while gaining enough skills and experience to take a transition job. Transition jobs are in the field of choice and should be held for between one and three years. A number of transition jobs may be necessary in order to build enough skills and experience to take a dream job.



There is a clear need for better facilitation of ongoing support. Provision delivered through Jobcentre Plus and partners and vocational skills training available within the workplace and beyond need to be better joined up. Face-to-face support also needs to be easily accessible outside of traditional working hours. There is a clear need for brokers who understand both employer and individual needs in order that the additional interventions and funding described in the skills strategies have the desired impacts. It is essential that brokers ensure those most at risk, both employers and employees, are targeted.

Conclusions and recommendations

The Department for Work and Pensions and its partners/providers have a responsibility to embrace and challenge the skills agenda in order to improve the (genuine, rather than simply 13-week) sustainability of employment outcomes.

In order to be effective, skills provision needs to be integrated with both jobsearch and employment, delivering concurrent solutions that are grounded in the reality of work. This is fundamental for inactive groups such as lone parents and Incapacity Benefit claimants who are currently the focus of much government attention. The transition to work of significant numbers from these groups will do much to help meet the 80 per cent aspiration. However, these groups are amongst the lowest-qualified in the country. Success will require that those moving from welfare into work sustain the employment they find and they will need appropriate and improved skills to do so.

Gordon Brown's 'twin pillars' of economic efficiency and social justice will only be achieved by preventing both the reoccurrence of unemployment and stagnation in low-paid work. This requires better brokering of existing and new services to employers and individuals both before and after job placement. Succeeding necessitates a more holistic approach to the disparate funding streams and unaligned objectives currently shaping delivery.

WorkDirections have a reputation for successful employment programmes in three countries – Australia, France and the UK. On a daily basis the positive impact decent, sustainable work has on individuals and their families and communities can be seen. However, it is apparent that there are still many people being unnecessarily failed by the current systems within which we operate.

This experience, our understanding of the broader issues and additional research undertaken for this paper, has led to a number of conclusions and recommendations. These are detailed throughout this paper and can be grouped into the following five key conclusions:

- 1. Improving the procurement of employment programmes is essential to better align their performance objectives with the broader policy goals and economic requirements of government.**
- 2. The public sector needs to take a role in driving good employer behaviour, within its own organisations and sub-contractors. The benefits of this to the bottom-line need to be made explicit.**
- 3. The skills and employment agendas are currently running in parallel and need to be better integrated. Driving this through the welfare to work agenda offers better opportunities for sustainable outcomes.**
- 4. Employment programmes need to prevent social exclusion as well as provide solutions to those disconnected from the labour market. Particular areas of focus should be sustainability and progression in work, and identifying and supporting those people caught in a cycle of low-paying work and unemployment.**
- 5. The facilitation of 'progression' needs to be joined up – this requires pulling together various funding and programmes currently operating in silos.**



From these flow a number of recommendations, some of which could be implemented immediately, others of which require more fundamental change.

1. Improving the procurement of employment programmes is essential to enable government to better align performance objectives with broader policy goals and economic requirements

Contestability between providers, including Jobcentre Plus, should be used to encourage innovation in delivering sustainable outcomes. Public, private and voluntary sector providers of employment services should be incentivised to deliver long-term solutions by:

- a) Measuring retention for longer than 13 weeks – measurement to 52 weeks is realistic if it is done through the Inland Revenue. Extending the measurement of sustainability to 26 weeks off benefits could be done immediately using current systems. This would, of course, only record a non-return to benefit, but would provide a far better indication of the cost-benefit of employment programmes than current 13-week measures. Payment should be linked to these new retention measures in order to incentivise providers to deliver long-term outcomes.
- b) Rewarding providers who support clients to improve their salary during the first 12 months of work. This could be measured using Inland Revenue returns at placement, and again after 12 months in work. An increase in salary should result in an additional payment to providers. This could be by a specified amount – for example when clients earn £15,000 pa, or by percentage increase – for example an improvement of 10 per cent in their basic wage. This would incentivise providers to continue both to work with clients after placement, and to ensure pre-employment programmes provide clients with the skills to navigate the labour market successfully.

There is a need to improve the measurement and transparency of provider performance. Comparative data disaggregated by cohort is no longer freely available from DWP, although this is a more accurate indicator of success than the cumulative results currently released. There have been a number of calls for introducing a system akin to the Australian star-ratings,¹⁰ which would facilitate contract roll-over for successful providers, and make it easier to remove contracts from those not performing. In order for this to work effectively, providers need to understand and place value in the performance measurements used. Providers could be involved in the process of discussing how best to capture, measure and compare performance.

- In brief:
- Measure and reward retention at 13, 26, 52 weeks
 - Measure client progress during their first year in work and link to rewards for providers if salary increases by a specified amount
 - Improve measurement and transparency of provider performance and tie the results into future contract negotiations/awards

10 - This argument has been made by both the Employment Related Services Association and the New Deal for Disabled People Job Brokers' Forum in recent months

Conclusions and recommendations

2. The public sector should take a role in driving good employer behaviour within its own organisations and sub-contractors. The benefits of this to the bottom line need to be made explicit

Public sector organisations both directly and through the service contracts they manage are often the largest employers in their locality. Public sector recruitment practices could be much improved. All public bodies have a responsibility to promote equal opportunities. This should include ensuring access to vacancies is not curtailed through screening-out on unnecessary qualifications. There are some examples of best practice where organisations have reviewed and redesigned their recruitment policies. However, too often Regeneration and Human Resource departments of Local Authorities work in silos; too often recruitment initiatives remain 'special projects' rather than becoming the way business is done.

In brief: • Challenge public sector recruitment practices so they better match the requirements of specific vacancies

3. The skills and employment agendas are currently running in parallel and must be better integrated. Doing so through the welfare-to-work agenda offers improved opportunities for sustainable success

In order to be effective skills training needs to be relevant and, importantly, perceived as such by both clients and employers. Skills interventions need to have real value – a sequential approach artificially disaggregates information and experience and is less effective than providing work and skills opportunities concurrently. Current funding structures do not encourage a holistic approach to learning interventions, particularly as required outcomes often vary considerably between funding bodies.

The National Employment Panel has advocated giving Jobcentre Plus and the Learning and Skills Council (LSC) shared targets. To maximise the effectiveness of this their geographical coverage needs to be aligned. A mismatch of areas makes joint delivery unnecessarily difficult.

Funding for skills acquisition linked to work should be brokered through a single agency which understands the needs of both clients and employers. It would make sense for this brokerage activity to be undertaken by the lead provider(s) of employment programmes in an area, whether that be Jobcentre Plus, or an Employment Zone or Private Sector Led New Deal provider.

The Employment Zone model has much to commend it, not least the benefits of giving employment service providers control of funding to buy skills for work. By measuring and rewarding them on **sustainable** employment outcomes, they will be encouraged to purchase effective provision.

This should also broaden provision options for clients, enabling them to access training courses designed for people in work. In order to maximise effectiveness providers need to be driven to deliver sustainable employment outcomes and given the freedom to purchase training they believe will help them achieve this. In turn, this will drive training providers to deliver programmes that will help meet this goal.

Additionally, this is likely to increase the amount of learning occurring in non –'employment programme' settings. Learning in more diverse (particularly professional/vocational environments) will promote the development of positive social capital, and is likely to result in employers placing more value in the



qualifications gained. It should also encourage the purchasing of learning opportunities that clients can continue to access after job placement.

'Skills in the Global Economy' (HMT, 2004) identifies the value skills have in aiding individuals' 'personal fulfilment' as well as the more practical benefits which have been discussed in this paper.

To this end, there would be considerable value in introducing a learning credit. This should be made available to those on tax credits and used to access learning opportunities not necessarily related to their current job, and therefore not available through the National Employers Training Programme. There is a need to learn from the experience of the Individual Learning Accounts. It should be possible to exchange learning credits for training delivered by the public, private or voluntary sector and should not require employer agreement or even awareness.

The objective would be to support those in work to plan for, and move towards, their future goal, rewarding the culture of working while studying. Currently, access to free training is often limited to those on benefits. This would also help build bridging social capital and support those motivated to make career changes as well as those wanting to progress within their current field. It would mean that those wanting to work whilst they undertake learning have access to the same or more opportunities when in work, as they did when unemployed.

- In brief:
- Funding for adult skills training should be driven by the sustainable employment agenda, and brokered through employment focused organisations
 - Learning credits should be introduced to enable those on low incomes, as opposed to just those on no incomes, to purchase training

4. Employment programmes need to prevent social exclusion as well as provide solutions to those disconnected from the labour market. Particular areas of focus should be sustainability and progression in work, and identifying and supporting people caught in a cycle of low-paying work and unemployment

Clients who consistently cycle between work and benefits should be flagged and identified when making a fresh claim in order to be directed to more intensive support. The flag could be making more than one claim within a 12 month period. This will provide access to additional funding, one-to-one support and learning opportunities that are otherwise not available until more time has been spent out of work. This could include, but not be limited to, New Deal and Employment Zone programmes.

All clients on time-limited credits should be contacted six to eight weeks before the credit ends. They should be invited in for a 'financial health check' in order to ascertain whether any changes to their employment arrangements are required to ensure working remains financially viable.

- In brief:
- Early identification of people making repeated claims for benefits, and early referral to employment programmes
 - An additional standard interview should be introduced for all clients on time-limited credits, in order to review options before they expire

5. The facilitation of ‘progression in work’ needs to be joined-up – this requires pulling together various funding and programmes that currently operate in silos

The brokering of ‘progression services’ needs to be undertaken by organisations that understand both the needs of employers and those of people in low-skilled work. Welfare-to-work provision and in-work skills delivery need to be better joined-up in order to meet the long-term needs of both the individual and Government. The current system results in people falling through the gaps between support services, cycling between work and benefits, on and off training programmes, or becoming stuck in low-paid work and still financially dependent on the state. This means that many of the benefits of work (including better health) fail to be realised to their full extent.

There are a number of intermediary organisations with both the ability and the interest to deliver ‘progression services’ in an innovative way. Organisations currently delivering welfare-to-work services are an obvious place to start, with part of the role of the broker to be ensuring appropriate targeting of resource to avoid deadweight. This shift to a ‘preventative’ agenda would better facilitate the Government’s aims to reach an employment rate of 80 per cent than continuing with a sole focus on the front-end. In addition to promoting the move from welfare to work, these providers should be charged with inhibiting the slide back from work to welfare.

In brief: • Deliver on-going progression services through welfare-to-work providers, funded through linking skills and employment budgets and incentivising providers to achieve 52-week sustainable employment outcomes

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Ingeus and WorkDirections UK

WorkDirections UK is part of the Australian-owned Ingeus group of companies which provides effective, accountable services in welfare-to-work and workforce participation. The group, which has been operating for 16 years, now delivers related services through subsidiaries in the UK, Australia and France.

- Launched in the UK in November 2002, the largest part of WorkDirections UK's business is helping socially excluded and disadvantaged individuals to find suitable and sustainable employment.
- Our welfare-to-work operations support people who have become long-term unemployed, as well as single parents, and those who have been separated from the labour market as a result of health issues.
- In less than three years WorkDirections UK has become one of the largest and most respected providers working with Jobcentre Plus.
- WorkDirections delivers Private Sector Led New Deal services in both Central and West London, as well as Employment Zones in Nottingham, Birmingham, Brent, Haringey and Southwark. In addition, services for people on Incapacity Benefit are provided through our New Deal for Disabled People programme in Birmingham, the Incapacity Benefit Outreach Project in South London and a similar project in Brent.
- We have over 250 staff in the UK, and to date 20,000 clients have accessed our services.

WorkDirections recognises the potential of every individual and seeks to empower each one so that they can build a better future through suitable, long-lasting employment.

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