working brief

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The agenda this month has been dominated by Government responses to the Freud Report on welfare reform and the Leitch Review on skills, in the form of the new Green Paper on Welfare Reform and the *World Class Skills* report. With the new Government, questions have also been raised as to the direction the new Secretary of State for Work and Pensions intends to take on welfare reform – see our analysis on page 6.

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We would also be pleased to hear your views on the new design and revised content of *Working Brief*. You are welcome to send any comments to the editor at ilse.mogensen@cesi.org.uk.

Ilse Mogensen
Editor
The ‘world class skills’ ambition

Skills policy is a fast moving landscape, with a number of major Government documents being published in July that set out plans to develop a new integrated and demand-led employment and skills system. The Government’s response to Leitch1 was published alongside the Green Paper In work, better off: next steps to full employment2 and an update on the progress of reforms outlined in the Further Education White Paper3. Together they set out a common vision of how skills and employment support should be delivered to benefit both those in and out of work.

The skills ambition

Lord Leitch4 recommended that the UK commit to becoming a world leader in skills by 2020, rising to the upper quartile of the OECD. He also recommended that all publicly funded, adult vocational skills funding in England (apart from community learning and programmes for those with learning difficulties and disabilities) should go through demand-led routes by 2020.

In the response to Leitch, the Government has accepted the ambition that Leitch recommended and has adopted it as its own. The vast majority of Leitch’s proposals have been adopted as Government policy and the new UK Commission for Employment and Skills will be maintaining an overview of progress towards the skills ambition.

The new Adult Careers Service

The new Adult Careers Service will recognise that many people face multiple barriers to getting new skills and better jobs. The past approach (of different services offering different types of support and leaving the customer to join it up) will be replaced by a service that makes the links for customers between jobs, training, childcare, living costs and wider support. The information and advice services currently provided by learndirect and nextstep providers will be merged into this new service.

Skills Accounts

Leitch recommended that Learner Accounts should be set up, and the Government has taken this recommendation on board, but notably under the banner ‘Skills Accounts’, no doubt not wishing to draw parallels with the Individual Learning Account (ILA) scheme that was set up in 2000. ILAs were scrapped in December 2001 due to demand for accounts being much higher than expected, concerns about how the scheme was being promoted and sold, because some learning providers were abusing the system offering low value, and poor quality learning, and due to increasing numbers of complaints from learners.

The new Skills Accounts will be designed to give individuals greater ownership and choice in their learning. Skills Accounts will give individual learners access to a wide range of support and advice that will help them find the right training. There will be ‘no wrong door’ in that Jobcentre Plus, Colleges, training providers and the new Adult Careers Service will be able to help individuals open a Skills Account. Once enrolled, learners will receive an induction pack and personalised learning and career plan. They will also be given an account number and account card so that they can see the investment going into their learning, and they will be able to access their own learner record and make it available to future employers.

A demand-led system

The response to Leitch also accepted the recommendation that a new Commission for Employment and Skills should be set up, which will be fully operational in 2008 and will operate across the UK strengthening the employer voice. It will provide an external challenge to the employment and skills system and will report in 2010 on whether a statutory entitlement to training is appropriate. It will also oversee performance and reform of the Sector Skills Councils (SSCs). Through the SSCs employers will have the opportunity to play a leading role in the reform and development of vocational qualifications, so that only those vocational qualifications that meet the standards set by SSCs will be put on the Qualifications and Credit Framework.

In return for making the system more demand-led, the Government expects employers to increase their investment in skills, training and qualifications at all levels, and to clearly articulate what their skills needs and priorities are. Being able to invest in National Skills Academies will offer employers an opportunity to directly influence the content and delivery of skills training for their sector.

Employers will also be able to make the Skills Pledge to support their employees to become more skilled and

Jo Casebourne looks at the Government’s response to the Leitch Review and at reforms to create an integrated and demand led framework for skills policy.
better qualified. The Pledge is a public, voluntary commitment by employers to support their staff to get basic literacy and numeracy skills, and to work towards achieving their first full Level 2 qualification in an area that will be valuable to the employer. 1.7 million employees are already covered by the pledge, which was launched in June. Employers will be able to access support provided by Train to Gain to help them deliver on the pledge, including the support of an independent skills broker and free literacy, numeracy and first full Level 2 training for their staff.

Supporting young people

Whilst the Leitch Review focused on adult skills, there is also a major programme underway to reform education and training for 14-19 year olds, led by the Department for Innovation, Universities and Skills (DIUS) in partnership with the Department for Children, Schools and Families (DCSF). This includes new Diplomas that have been developed with SSCs to help young people develop the skills they need for work. These Diplomas will incorporate basic Maths, English and ICT skills as well as occupational-related skills.

The Government will report shortly on the results of the consultation to raise the participation age to 18, and intends to introduce legislation to implement these proposals. Ministers have made a commitment to boost the number of Apprentices in England and want to introduce a new entitlement to free training for those aged 19-25 to help more people achieve their first full Level 3 qualification, for many through Advanced Apprenticeships.

Funding for 14-19 education will transfer from the Learning and Skills Council (LSC) to Local Authorities’ ring-fenced education budgets. This change will need legislation and the Government states in the response to Leitch that there will be a consultation on the details and timings of the changes.

Working in partnership to support individuals

World Class Skills makes it clear that the DIUS and the Department for Work and Pensions (DWP) are working together to create a shared objective of sustainable employment and progression and a set of performance measures to underpin it. A strong partnership between Jobcentre Plus, the LSC and the new Adult Careers Service.

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DWP and DIUS are working together to create a shared objective of sustainable employment and progression and a set of performance measures to underpin it. A strong partnership between Jobcentre Plus, the LSC and the new adult careers service will offer:

- adult skills, employment and employer services that are integrated and demand-led
- more opportunity for those both in and out of work to gain the skills and qualifications they need to get jobs, and stay and progress in employment
- clearer financial support for those with the lowest skills and qualifications and those inactive in the labour market
- professional and seamless customer service, underpinned by consistent employment and skills information, advice and guidance for individuals and employers

The Green Paper also outlined plans for a new ‘Jobs Pledge’ which was announced in the Budget in March to complement the Skills Pledge. Through the Jobs Pledge, major employers in both the public and private sectors have given a commitment to offer guaranteed support of an independent skills broker and free literacy, numeracy and first full Level 2 training for their staff.

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World Class Skills makes it clear that the DIUS and the Department for Work and Pensions (DWP) are working together to ensure that skills and employment systems work together more effectively for the benefit of the customer. The response emphasises that this will be reflected in the priorities for Jobcentre Plus, the LSC and the new universal Adult Careers Service.

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Flexible New Deal and Jobcentre Plus

The new Green Paper In work, better off: next steps to full employment outlines a model for a new ‘flexible New Deal’ for those claiming out-of-work benefits. In the Gateway stage of this flexible New Deal, customers can be referred to a Skills Health Check. The Skills Health Check will identify literacy, numeracy and language needs as well as broader skills needs. As a result of their assessment, customers will be offered a range of training and development options to address their skills needs. These may include the opportunity to acquire formal qualifications, or to develop employability skills, such as team working and effective communication. For those claiming Jobseekers’ Allowance (JSA), the Jobcentre Plus Adviser will then discuss with the job seeker what training should be built into their back-to-work plan.

Personal Advisers will identify JSA customers who may find a Skills Health Check useful when they first make a claim to benefit and after six months of unemployment, whilst Work-Focused Interviews will be a way of referring customers on inactive benefits to a Skills Health Check where appropriate. This new approach should mean that customers for whom lack of skills is a barrier to work get faster access to the right training, by being referred to a more in-depth skills assessment along with specialist support and advice, all delivered through the new Adult Careers Service.

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on benefit and who are ready and prepared to work. In return they are offered a range of services by Jobcentre Plus.

Jobcentre Plus can offer employers a service which matches the right potential candidates to their vacancies and can, in conjunction with the LSC and local providers, organise tailored pre-recruitment assessment and training. Employers can then be confident that the people they are recruiting have the skills they need to do the job. Jobcentre Plus advisers will work actively with disadvantaged groups to assess their needs and encourage them to look at these vacancies.

Jobcentre Plus has a role in the skills agenda to both work with individuals claiming out-of-work benefits and with employers. According to these proposals, Jobcentre Plus (with the LSC) and other providers will be able to provide a variety of support depending on the needs of the employer and the individual, including:

- working with individuals to diagnose their needs to enable a return to employment and help them address any barriers to employment, including skills and motivation
- pre-employment training to prepare people for particular sorts of jobs and an explanation of the ongoing skills advice available through the Adult Careers Service
- the design and delivery of training so that individuals have the employability skills needed for available jobs
- arranging and supporting work trials, so that the individual and the employer can confirm a proper match for the job before committing themselves on a permanent basis
- supporting individuals in the transition from benefit to work
- matching individuals with employers to ensure a good fit
- working with employers to understand their employment and skill needs and helping them adapt their recruitment policies and processes to make available more vacancies for local disadvantaged people such as lone parent in target groups
- putting in place new Local

ensure the jobs committed by employers are filled quickly and effectively with suitable candidates through liaison with personal advisers
- working with employers to deliver in-work training through Train to Gain so that new recruits continue to develop their skills and careers in work.

Local Employment and Skills Boards

One of Lord Leitch’s recommendations was that the UK Commission should license a network of local, employer-led Employment and Skills Boards. This is the only one of Leitch’s recommendations not being taken on and implemented by the Government.

The Government has stated in the response to Leitch that it does not think it would be right to give the Commission a role in licensing such Boards, but does think the Commission should play a role in promoting local employer participation and helping to share best practice. However, it will remain a matter for local partners to judge whether they wish to set up such a Board.

If these proposals succeed they could have a major impact on reducing the churning between low-skilled, low-paid jobs and economic inactivity.

Reforming the FE system

Also published in July was an update on progress on the Further Education White Paper. The FE White Paper proposed a clear mission for the FE system focused on helping people gain the skills and qualifications for employability. It proposed that all Colleges and providers should have at least one specialism and be part of new national sector-based networks led by Skills Academies. Proposals include a New Standard for Employer other quality programmes. The Further Education and Training Bill is currently going through Parliament, having been introduced on 20 November 2006 to implement many of these proposals.

Conclusions

A wide ranging set of reforms are underway in the employment and skills system designed to join-up welfare-to-work with workforce development. This comes in response to the recognition that it is not enough to move people into work, but that they need to be able to progress in work by developing new skills.

If these proposals succeed in delivering a joined-up system they could have a major impact on reducing the churning between low-skilled, low-paid jobs and economic inactivity and helping achieve the Government’s aspiration of an 80% employment rate. They could also help achieve Leitch’s ambition of the UK becoming a world leader in skills.

Dr. Jo Casebourne is Director of Research at Inclusion.

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The ‘crusade for full employment’

The Government’s Green Paper on Welfare Reform was published on July 18th and has been dubbed a “crusade for full employment” by Peter Hain MP, the new Secretary of State. It sets out the Government’s aim to “eradicate child poverty and reach the 80% employment goal” by creating a “new integrated employment and skills system”. The Green Paper proposes a more flexible and personalised service for jobseekers and a stronger focus on job retention and progression. It commits the Government to work with major employers in a ‘Jobs Pledge’ that promises to offer a quarter of a million jobs to disadvantaged people.

For lone parents, the Government proposes to provide a “stronger support package” but will require many lone parents to switch from Income Support to Jobseeker’s Allowance, thereby requiring them to seek work. The Green Paper also signals a marked shift towards delivering many more employability services through private and third sector organisations to introduce “more competition and a more outcome-focused service”.

Overall, the Green Paper reiterates the Government’s objective to “balance rights and responsibilities” by providing to the “many who can work” help in looking for work and overcoming barriers. In return for this help and the financial support when out of work, the Government “expects people receiving benefit to do all they can to help themselves get into work”. It argues that, to achieve an 80% employment rate, more people on inactive benefits must be moved into work, particularly those who have been on benefits for a long time. The Government’s goal is to reduce the number of people on incapacity benefits by a million; and to get 300,000 more lone parents and one million older people in work.

The Government also re-commits itself to an increase in employment among ethnic minority groups which, on average, lag behind the overall employment rate by fourteen percentage points. These goals will primarily be achieved by raising employment rates in the conurbations especially in London where low employment rates are concentrated. The Government now explicitly recognises that low skills are a key barrier to finding and staying-in work and reiterates the need to improve school-to-work transitions to reduce the number of teenagers and young adults who are not in education, training or employment.

The Green Paper and subsequent Ministerial announcements bring together the Government’s responses to the Commons Work and Pensions Select Committee and the reports commissioned from Lisa Harker on child poverty, David Freud on welfare to work and Lord Leitch on skills.

A new flexible and integrated system

The Green Paper promises to create a personalised and responsive service that provides tailored support to “meet individual needs, including help with skills, health, childcare, financial support and accessing appropriate training.” The DWP admits that the current New Deals contain “rigid distinctions” between age groups and categories of claimants. Evidence from the Employment Zones, which permitted delivery organisations to provide much more flexible and individualised services, has “demonstrated the effectiveness of a more tailored approach to support”. However, the New Deals have “demonstrated the effectiveness of a strong focus on rights and responsibilities” so the new regime will combine elements of all these approaches.

The Green Paper heralds an important, if not seismic, shift in policy. The Government is very clear that it wants a new focus on retention and progression (not just job entry) to “help people stay in work and move up the ladder through better in-work support”. It expects to do this using a variety of instruments ranging from better advice services, financial incentives and training. The Leitch implementation plan declares that there will be a “single customer journey, from poor skills or worklessness to sustainable employment and the skills to progress.” According to Leitch, non-employed people will benefit from: a new universal adult careers service, Skills Accounts, strengthened entitlement to free training and a new Employability Skills Programme. (See previous article). The Plan is a little vague about timescales but promises to “trial aspects of Skills Accounts nationally in 2009-10” and suggests a transition towards Skills Accounts being completed by 2010-11.

Employer engagement

The Green Paper says that “employers will be at the heart of our reforms” primarily because the scale of job entry requires this – but also because the Government accepts that retention and progression is a key part of the new mix of policies. The Green Paper therefore proposes to develop the current Local Employment Partnerships into a ‘Jobs Pledge’ with major employers who will offer a quarter of a million jobs to...
had commitments from 33 employers when it was launched in July 2007.\(^6\)

The Local Employment Partnerships were announced in the 2007 Budget statement and involved commitments from employers to provide 2-4 week Work Trials to a given number of local benefit claimants selected by the employer. Firms offered a target number of places for New Deal participants wishing to participate in the subsidised Employment option or taking up work experience or work placement. With Jobcentre Plus and the LSC, firms would also design pre-employment training relevant to their needs and agree, when hiring, to guarantee interviews or jobs to local benefit claimants who complete this training. Other firms have pledged to encourage their existing employees to provide mentoring for long-term benefit claimants to help prepare them for work.\(^7\)

Over 100,000 companies have committed to the New Deal since 1998, but the translation of commitment into firm recruitment decisions has proved harder to achieve. Recognising this, the Green Paper proposes a more integrated suite of recruitment services supplied to employers by the LSC and Jobcentre Plus – notably building on the LSC’s new Skills Pledge offering. The new service would include a more effective client diagnosis and guidance, pre-employment training plus employer designed in-work training. Jobcentre Plus will assist employers by dedicating new ‘Local Employment Partnership managers’ to ensure jobs are filled quickly and effectively. They will also ensure easier access to in-work skills training through Train to Gain. Employer account managers in Jobcentre Plus will develop employers’ recruitment plans with employers locally to establish how best to support them. As part of the bargain, employers will review their recruitment practices to be “fairer and more inclusive”.

**JSA claimants**

The new process for JSA claimants will involve a “light touch assessment” early in the claim. Customers facing particularly severe barriers to work would get fast-tracked help but others who benefits” could face tougher responsibilities. ‘Intensive support’ will be reserved for those who need it most or who have been on benefits for a long time. But Personal Advisers will be permitted to offer more intensive support at appropriate points in a claim and offer specialist suppliers more flexibility.

The Green Paper outlines a system based on length of claim that delivers increasingly intensive support in various “understandable stages” combined with “escalating conditionality” over time. The new structure for interventions would be

- first three months – Jobseeker’s Agreement drawn-up and a period of customer self-diagnosis and self help in which job hunting may be restricted to the claimant’s preferred employment or occupation
- after three months, job search requirements would be widened – extending the area of travel to work and reducing expectations of wage and working hours
- after six months, the Gateway stage starts with a formal review of Jobseeker’s Agreement, drawing up a back-to-work action plan and selecting from an menu of mandatory activities

The six month Gateway stage is not significantly different to the current New Deal although the menu of activity might vary a little. The Green Paper proposes that this stage would also include a skills health check and may include referral to training. After 12 months, claimants will be referred to a “specialist return to work provider from the public, private, or voluntary sectors”. Jobcentre Plus will retain a role in “applying benefit sanctions where necessary”.

**Entry to these services “could be earlier for more disadvantaged customers, including people on incapacity benefits and lone parents.” Each claimant will only be referred to a specialist provider for “a defined period” and if they fail to find work, they would then be required to undertake “a period of full-time work experience either in the community or with a regular employer”. This “flexible regime” of increasing levels of support will be “balanced with the responsibility on individuals to make the best use of that opportunity”**.

**Incapacity benefit claimants**

The Government remains committed to introduce in 2008 a new Employment and Support Allowance (ESA) to replace Incapacity Benefit and Income Support paid on the grounds of incapacity. The ESA will apply at first only to new claimants and will be a combined contributory and income-related allowance paid conditionally. ESA customers will be required “to undertake some form of activity that will improve their chances of getting a job in order to qualify for the full rate of benefit.”

The new regime aims to increase the off-flow of IB claimants but also to reduce the on-flow of new claimants by:

- improving workplace health – through better occupational health, creating healthier workplaces and by helping employers to manage sickness absence more effectively and to support recovery and return to work
- modifying the ‘Gateway’ onto benefits – among other things by changing the Personal Capability Assessment (PCA) process to emphasise a claimant’s potential to work; reviewing the mental health component of the PCA; and speeding-up processes and minimising the number of appeals supporting GPs to help people back to work; and piloting employment advisers in GP surgeries;

The Green Paper also sets out the “delivery challenge” of a national roll-out of Pathways to Work by April 2008. Pathways combines pre-work activities and post-placement support – including services that help with stabilising health conditions. Participants in the pilots have access to existing Jobcentre Plus support – such as New Deal for Disabled People – plus extra support such as the Condition Management Programme, designed to help people manage their health condition in a work environment.

Pathways is now fully operational in 40% of the UK and evaluation evidence shows that new customers in the pilot areas are over seven percentage points more likely to have a job after 18 months. The national roll out will be completed in two phases in December 2008 and June 2009. The remaining areas will be rolled out in 2009-10.
Lone parents

The Green Paper promises a “stronger support package” to help lone parents into work. Many of these were announced in the child poverty strategy from March 2007, which announced measures such as extending the In-Work Credit pilots and financial support for up-front childcare costs in London. The child poverty strategy said that Government needs to “join up the major expansion of childcare provision with our employment programmes” and stressed the offer under the New Deal Plus for Lone Parents which will run until March 2011 and increasingly be extended to all lone parents (starting first in London). The Government will also pilot the linking of the working credit to adviser support.

The most controversial aspect of the Green Paper is that benefit rules changes from Autumn 2008 will require lone parents to transfer to JSA when their youngest child reaches 12 years old. In October 2010, the Government proposes to reduce this threshold even further – to age 7. Most lone parents claiming benefits who have children aged 12 or older are already in work (about 6 out of 7), but about 40% of all lone parent Income Support claimants currently have children who are aged between 7 and 16 years.

The Government says that, by October 2010, it expects all schools in England “will be extended schools providing a range of activities between 8am and 6pm” between 7 and 16 years.

The Green Paper itself reiterates the commitment to make work pay and to avoid the experience of the USA “where welfare reform resulted in many lone parents moving into work, but remaining mired in poverty”. Ministers have considered the Australian model introduced in 2006 where parents with a youngest child over six are only required to accept an offer of employment which makes them financially better off than on benefit. The Green Paper says that Ministers are “attracted to this idea”.

Not all lone parents whose children are aged above the new threshold(s) will have to move to JSA however. For example, those who are eligible for a Carer’s Allowance for disabled children (or others) will be able to “continue to claim Income Support should they wish.” Furthermore, there will be some discretion allowed for lone parents who make the move from Income Support to JSA to

- restrict their availability for work to school hours
- take part-time work of 16 hours

Although the lone parent proposals are contentious, political reaction has been curiously consistent. Lib Dem MP Danny Alexander declared they welcomed the “moving the benefit rules for lone parents closer to those in the rest of the European Union” whilst Chris Grayling MP for the Tories declared that “the changed approach for lone parents are things that we have already argued for”.

Nonetheless, the Government will find itself challenged to explain the logic behind the new age thresholds and the credibility of its childcare promise.

An outcome based system

There is considerable uncertainty within the Government about how to finance interventions that can achieve the headline goals of expanding job entry on such a scale that will result in 300,000 fewer lone parents and a million fewer incapacity benefit recipients.

David Freud’s report was based on a financial model with a strong underlying logic, and an approach echoing the work developed over several past decades by policy academics associated with Inclusion and its predecessors. Freud argues that there is an exchequer saving to be made from getting a person into work that is greater than just the benefit saving achieved in any particular year.

If a claimant can be helped into permanent work, then future benefit claims can be considered available too – not least because currently the majority of people helped into work return to make a further benefit claim sometime in the subsequent three years. He calculates this is worth a net present value of £62,000 per person on Incapacity Benefit (assuming a typical eight year duration on this benefit). These represent the direct benefit savings plus the revenue potential from direct and indirect tax payments.

Freud therefore treads into new territory by arguing that the DWP’s two main budgets, Annually Managed Expenditure (AME) and Departmental Expenditure Limit (DEL) should be more closely linked. Freud argues that the size of the former budget (AME) is clearly linked to the effectiveness of the latter budget (DEL) but savings made from one cannot be used to improve the impact of the other.

In other areas of policy, it is increasingly commonplace to finance projects by “borrowing” against future revenues – either in the form of increased taxation or charges. It took the credibility of a City financier to suggest applying these principles to welfare reform. However, unless a greater proportion of claimants are successfully helped to stay in work the “future revenues” will not be generated.

Most of the reaction to Freud’s report focussed on the “privatisation” of jobseeking services, the longer term contracting model and the greater flexibility and emphasis on long term sustained job outcomes. What seemed to be less clearly understood was Freud’s hint that only a PFI model that
the scale of intervention required to hit the Government’s targets to reduce lone parent claimants by 300,000 and incapacity benefit claims by a million. This is why Freud’s suggested payment structure is so extensively weighted towards payments that are contingent on “continuous, or near continuous employment” plus the achievement of improved wages to eventually reduce reliance on tax credits.

The Green Paper talks extensively about delivery via private and third sector organisations to introduce “more competition and a more outcome-focused service”. But there may be a more substantial rationale to this outsourcing. If the Government ultimately opts for some variant of a financial partnership model, more of the risk-taking will be borne by organisations outside the public sector. Put simply, private organisations will bankroll a programme of labour market services that is significantly larger than the DWP could presently fund.

A series of articles in the Financial Times have raised serious questions about which direction the Government intends to go. The headlines suggested that Peter Hain MP, the new Secretary of State, is less committed to Freud’s ideas than his predecessor, who endorsed Freud’s recommended adopting a “regional prime contractor model”.

Hain says that there remains “big potential for the private sector” and he has “not closed the door” on the idea of private sector prime contractors running services. However he says, this “is not my preferred option … I think the risk of creating a monopoly provider on a regional basis is too great”. But he has promised that “people can persuade me […] if they are able to.”

Confused? A battle within Whitehall is clearly underway. There is now evidence that, just days before the Blair-Brown handover and subsequent Cabinet reshuffle, Hain’s predecessor had signed-off a version of the Green Paper that proposed 20 to 25 prime contracts to run for five to seven years. The eventual version of the Green Paper is considerably less prescriptive. It is not on their specific individual needs. Why have so many types of out-of-work benefits? If the vast majority of claimants are now expected to move closer to the labour market – in itself a good thing – why retain such a complicated and opaque system of different benefits?

A system that is genuinely personalised should start off by ignoring the category of benefit. Instead it would analyse individual needs or the degree of disadvantage and form an action plan based on a long run goal to return the individual to sustained employment. For JSA claimants unemployed 12 months or more, the Government may be tentatively moving in this direction with its concept of specialised return-to-work providers. Some bold decisions must follow this Green Paper or we will see yet further incremental reforms over the next two or three years.

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I believe that modern Conservatism now has something more to offer the welfare debate than was the case a few years ago. Gone are the days when we seemed to bash on about fraud all the time.

As a society we must do much more to help those who are economically inactive. Those who are able to work and want to work are not getting a fair deal. All politicians of goodwill must work constructively together to set a new framework to increase employment opportunities and life chances.

There are 2.1 million economically inactive, including those with disabilities, lone parents and carers, who want to work. And then there are the economically active who want to work – the 1.7 million unemployed.

That is 3.8 million people not working and who want a job.

These figures are simply unacceptable in the 21st century, in a prosperous economy such as ours. Each of these fellow citizens has a story of hopes and dreams unfulfilled.

It is morally unacceptable that they face higher risks of living in poverty and the associated problems of poor mental and physical health, unhappiness and low self esteem. The numbers of people living in households in severe poverty – below 40% of median income – has increased by 750,000 between 1994/5 and 2003/4. Save the Children highlight the 1.3 million children living in households earning 50% or less of median income and suffering from material deprivation. This has not changed enough in the last ten years. Work – full time, part time, flexible time – is a major route out of such poverty.

It is also economically unacceptable that so many are unable to contribute to our nation’s economic growth. More growth means more resources for our public services. An ageing population and the rise of emerging economies such as China and India mean that our long-term future well-being depends on maximising our economic potential. Millions living on benefit, where so many just do not want to be, is a waste of that potential.

So, how is the Conservative Opposition approaching this challenge?

For a start, we approach welfare reform with no ideological baggage whatever. We support the broad direction of travel of the Freud Report. That, of course, does not mean a run-down of Jobcentre Plus – as has been suggested in some right-wing quarters.

Jobcentre Plus (JCP) officials do not just manage an incredibly complex benefits system. They also offer advice and support to jobseekers with care, compassion and professionalism. JCP must retain responsibility for assessing eligibility and making benefit payments. It is not appropriate to contract this out. When I took the Welfare Reform Bill through Parliament, I argued that important functions of the welfare state – such as making decisions on whether or not people receive the benefit to which they are entitled – should not be contracted out to the private or voluntary sector.

JCP should continue to be an important interface with a claimant when they start their claim. David Freud suggested that there should be a presumption that the voluntary and private sector would not automatically deliver services to customers within, say, the first twelve months of their claim – except where the customer had very high needs and the specialist services he or she needed were only available outside JCP.

There is common sense in this – I do not see why the private sector should get fees for ‘creaming’ those closest to the labour market, i.e. those who are not the hardest to help in the first few weeks or months of their claim.

In a world where there will be many more welfare to work contracts than is currently the case, local JCP providers should be able to compete in a greatly expanded market using their expertise.
The Government has tried increasing the flexibility of the New Deal, through the introduction of Building on New Deal (BoND). But has more autonomy and flexibility to local JCP managers to tailor services to individual needs really been delivered?

There is now a political consensus about the need to extend the use of the private and voluntary sector in the provision of welfare to work services. Why? Profit and not for profit organisations have a great track record of helping people into work in innovative ways. We need to embrace the expertise of the voluntary sector in particular and get barriers out of their way. Yet Government does not offer significant rewards for taking successful risks. It does provide plenty of penalties for failure. Government builds defences – multitudes of procedures, forms and monitoring - designed to reduce risk. As a result innovation and flexibility can find it difficult to flourish.

Whether it is research from the National Audit Office or Oxford Economic Research the message is clear: Government, when it has contracted out services to the private and voluntary sector, gets in the way. The evidence shows that too often the contracts that the Government give to smaller and medium size providers, (especially in the voluntary sector):
- are funded for too short a term – this causes uncertainty which prevents them from planning and investing with confidence
- are sometimes varied unilaterally by the Government, causing extra costs that small providers cannot accommodate
- are subject to tendering at very short notice – that is fine if you are a bigger provider with an in-house full time procurement team but potentially disastrous if you are a smaller organisation.

Of course, the Government has extended the use of the private and voluntary sector in programmes such as Employment Zones, Pathways to Work and parts of the New Deal (such as the New Deal for Disabled People).

instance, in Employment Zones, the Government pays the provider a fee after the claimants start work and after 13 weeks. These providers are, frankly, not incentivised enough to find the claimant work that is appropriate and then sustain them in it past this period. Thirteen weeks is not ‘sustainable’ in my book – we should be defining sustainable in most cases as 52 weeks. That’s more in the interests of the customer, even if it makes it more challenging for the provider.

Thirteen weeks is not ‘sustainable’ employment in my book – we should be defining sustainable as 52 weeks.

Then take the New Deal for Disabled People. This has only been targeted at about 4% of the incapacity benefit population. Contracts are often based on low unit price and low volume. Harder to help claimants, despite their willingness to work, are getting left behind.

I think the biggest obstacle to helping more people who want to work is that Government programmes, under the existing funding system, only have a cash limited departmental budget available to spend on paying providers – whether those providers are JCP or private or voluntary sector.

I have almost lost count of the number of times I have been told something like this: ‘We had a twelve month contract to help one hundred incapacity benefit claimants back into work. Six months in we had delivered. We rang up the DWP and asked for a further referral of IB customers, so that we were not twiddling our thumbs for the remaining six months of the contract. The Department for Work and Pensions (DWP) said they could not refer more people because if we succeeded and left in the Department’s budget to pay us!’

We must introduce a new regime to stop this happening. I believe a consensus is emerging on this. It means recycling benefit savings to pay more organisations to do more to help existing and new claimants into work. Such savings could be considerable, as it has been estimated that the average gross savings to the Department of moving a single incapacity benefit recipient into work for a year is up to £5,900.

I came to this conclusion at the time the Welfare Reform Bill was published in Summer 2006. DWP Ministers were critical of me at the time, but now appear more open minded. Indeed, they commissioned David Freud to do a report that said a payment by results model using recycled benefit savings to pay success fees was the future.

It enables the Government to get round cash limiting by paying a ‘success fee’ to a provider for getting someone into work for a year. But it would not be paid until equal or greater savings to the Exchequer in the form of saved benefit payments are actually accrued. We are talking about paying fees out of actual savings not prospective savings.

This has three key advantages. Firstly, by only making payments once benefit savings have been made, help can potentially be offered to all existing claimants, not just the much smaller number targeted by the Government’s cash limited regime in Pathways to Work and other programmes. Remember, cash limiting has meant that help in Pathways to Work has been primarily restricted to new claimants. Under Pathways, existing claimants will have to wait for help ‘as resources allow’ – in the words of DWP Ministers. Without a Freud style model customers could be waiting for support for years.

Secondly, it encourages a longer-term relationship between the provider and the claimant. While in Employment Zones the Government currently makes payments up to 13 weeks, I would – like Freud – suggest payments be made only after a longer period, for example at 12 weeks.

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also receive higher success payments if once a claimant gets into work their wage increases, say, over the first couple of years of sustained employment (during which the provider would be expected to deliver ongoing in-work support).

Whilst the direction of travel in Freud is the right one, there are serious issues arising that Ministers and all of us in Parliament must work through patiently and in detail.

First and foremost, we must make sure that smaller providers are not subject to zero cash flow for the first twelve months whilst the benefit savings are accruing—otherwise many of these vital organisations will not survive or will simply not get involved in the first place.

The Freud concept of a large contractor taking the full transfer of risk when it contracts with the DWP is attractive only if the large contractor demonstrates that it will subcontract to smaller private and voluntary sector partners, and ensure that those partners (who cannot exist on zero cash flow until the success fee is paid) are remunerated for their services as and when they deliver them for the large contractor. One for-profit provider has suggested that they would do this. If this is the model that big contractors follow then this should give comfort and encouragement to smaller providers.

Secondly, we need to ensure that the private sector are not just helping those closest to the labour market – so called ‘creaming’. We want to see a success fee that makes providers work – not just get an easy ride and make easy profits.

The third area of detail that Freud throws up is how the Government uses benefit savings to fund outcome-related fees to providers. Under Treasury accounting, benefits are paid out of one Departmental pot called Annually Managed Expenditure (AME) while expenditure on back to work programmes are paid out of another pot called Departmental Expenditure Limits (DEL).

Under Freud, outcome-related funding reductions (as claimants move off benefits and into work) to then meet the costs of DEL programme expenditure (the success fees paid to providers for getting claimants into employment).

I have heard from many different sources that Treasury officials are not particularly keen on this because they fear ‘deadweight costs’. Deadweight, of course, occurs if the Treasury pays outcome related fees to the private and voluntary sector for moving claimants into work in cases where they would have found work anyway.

We must make sure that smaller providers are not subject to zero cash flow for the first 12 months.

I believe this problem could be solved through careful modelling using longitudinal data on claimants and labour market information, which could predict which groups are most likely not to need a specialist private and voluntary sector intervention. This means that deadweight costs could be priced in to the contract with the private and voluntary sector.

But, crucially, this means the DWP must make available far more data than it currently does about on/off flow rates and employment outcomes in current welfare to work programmes.

It also means we ask some questions about the Treasury’s division between AME and DEL. This divide is not as clear cut as the Treasury would have us believe. At the moment they appear to argue that spending on social security benefits cannot be properly forecasted and should, therefore, be considered distinct from spending that can be predicted. So social security benefits are in AME not DEL. However, as the Institute for Fiscal Studies (IFS) points out, spending on child benefit can be out of AME rather than DEL.

In evidence supplied to the Work and Pensions Select Committee Report, the Welfare Reform Minister stated that his Department had reached an agreement with the Treasury on using recycled benefit savings to fund further welfare to work programmes: ‘There is the agreement in principle now in place to enable that recycling of benefit savings so that that can be invested in further success.’

The question is when exactly will the Government start implementing this? What will the pilots look like? Until we hear more about this there will be unhealthy uncertainty about the future of Welfare Reform. The Government, frankly, needs to inject more urgency into reforming the funding model.

A sustained challenge on worklessness and hopelessness can transform the social landscape of this country. This means reforming the delivery of welfare – but we must do it without any ideological baggage.

Politicians, whoever they are, are ultimately responsible for the policy framework. But as a politician I know this much. Without welfare and training professionals at the sharp end, Government cannot deliver better life chances for our fellow citizens. With those professionals, we cannot fail to deliver those better life chances.

David Ruffley is a member of the current Conservative Shadow Cabinet and was until recently, Shadow Minister for Welfare Reform.
London based homelessness charity Off the Streets and into Work (OSW) is offering ten recommendations for how Government policy can better enable homeless people to attain and sustain employment, based on recently published research conducted by Inclusion.

The new policy brief, entitled Ten key policy messages, brings together key findings and recommendations from three research studies investigating the barriers facing homeless people in finding sustainable work. OSW argues for:

- more emphasis on a gradual transition toward employment, which requires a joined-up reform of welfare benefits, housing and employment support system
- a cross Government strategy to link employment, housing and health provision to improve changes for the homeless group; particularly in the form of a strategic co-ordination of public services
- a review of the Tax Credit and Housing Benefit system to take into account homeless people who experience long periods out of the labour market.

The three research studies were commissioned to Inclusion in 2006 as part of the Equal funded Tackling Multiple Disadvantage in London by Improving Employability (TMD London) project. The three projects looked at the employability issues for homeless people from different angles:

The costs and benefits of formal work for single homeless people considered the range of costs and benefits that may be experienced by single homeless people when moving into formal employment. The report found that in order to enable more homeless people to enter sustainable employment, Government policy would need to focus on improving the availability of affordable housing and on reforming the benefits system focusing on benefit run-ons and benefits simplification.

Employment success factors for homeless people with health reinforces the evidence that the benefits system can act as a disincentive to employment and indicates the need to introduce a mechanism to make work pay in the short-term. The study suggests that enabling people to move from Incapacity Benefit into work – now a Department of Work and Pensions (DWP) priority – requires policy to contain specific considerations for homeless claimants.

The role of housing providers in enabling homeless people’s employment success identified the crucial need for providing holistic and tailored services to support homeless people accessing employment.

In Ten key policy messages OSW draws on these findings to call attention to the following areas:

1. Restricted provision of in-work benefits for those on low wages

The costs and benefits of formal work for single homeless people showed that when income increases, housing benefits taper. In addition, because Working Tax Credit eligibility is based on the previous tax year, it is high for (ex-) homeless people in the first year of employment (since people formerly on benefits are treated as receiving no income) but falls sharply in the second year, when it is assessed on the earnings from the first year of employment.

Consequently, people who have not progressed after one year to better paid employment are likely to be worse off in the second year


OSW advocates a cross Government strategy to link employment, housing and health provision to improve changes for the homeless group; particularly in the form of a strategic co-ordination of public services.

The role of housing providers in enabling homeless people’s employment success identifies a model of best practice for employment services’

Michela Franceschelli looks at some OSW and Inclusion research on getting homeless people into sustained employment.
assessments of varied individual needs then embodied by an action plan and delivered through flexible and on-going support. The report highlighted the need for developing stronger links among different housing and employment services’ providers:

‘It’s how you marry those two services up of employment training and hostel provision. At the moment the way hostels are funded and the exorbitant rents the hostels charge via the Housing Benefit system keeps people in a poverty trap.”1

3. Benefits that support - not trap

Bridging the gap between welfare and work is a key concern. Findings also suggest that homeless people are often unaware of their entitlements. In particular, information about in-work benefits is lacking and this often prevents the group from accessing employment. Therefore, OSW calls for a simplification of the benefits system as well as addressing the lack of guidance on how the in-work benefit system works, particularly in relation to Tax Credits.

The recent report Benefits Simplification by the House of Commons Work and Pensions Committee recognised this priority.2 While the DWP has previously established a Benefit Simplification Unit (BSU), which focuses on proposals for new policies, the Committee calls for a more radical reform, aiming to review the current structure by developing a single working age benefit.

Therefore, the Committee aims to reform the structure of the whole benefits system by considering ‘opportunities for merging some benefits, aligning the rules of eligibility and, where means-tests are necessary, providing the information required to claimants’.3

4. Housing availability and affordability

Lack of affordable housing and the loss of Housing Benefits were the major concerns to emerge from Employment success factors for homeless people with health conditions. Along these lines, the newly published policy brief emphasises that housing availability and affordability should be promoted as

Since hostel and private accommodation rents tend to be high, homeless people are unlikely to be financially better off when first moving into work due to likelihood of entry into low paid jobs. This, alongside loss of benefits, can lead to debts or financial insecurity. To tackle this, OSW suggests the Government should prioritise the availability of more affordable move-on accommodation.

There remains a widespread perception amongst homeless people that the costs of work outweigh its benefits.

Findings from cost and benefits analysis of The costs and benefits of formal work for single homeless people showed clear economic benefits to the Exchequer of homeless people entering work. Meanwhile stakeholders’ interviews suggested that being in work also has a number of non-financial benefits, relating to greater dignity and social inclusion.

The role of housing providers in enabling homeless people’s employment success reinforced this by pointing out the wide range of financial and non-financial benefits that homeless people experience when accessing employment, from increased spending power to improved sense of dignity, social inclusion, confidence and self worth:

‘Speaking from my most direct experience ... it’s incredibly powerful for people to feel they are wanted by a section of society which perhaps in the past has had negative connotations. For a lot of people it restores a huge sense of dignity, particularly some of the older people we worked with and who used to have a job in the past (...). They’ve lost a huge amount of their own self respect.

There remains a widespread perception amongst homeless people that the costs of work outweigh its benefits. Therefore, the newly published policy brief specifies that a further incentive to work would be raising the minimum wage. OSW’s findings show that additional work related expenses and low wages reduce the financial benefit of work to £3.49 in London.4 Thus, OSW

5. A realistic minimum wage

To tackle this, research emphasised the need for a combined reform of benefits and employment support system. The economic analysis from The costs and benefits of formal work for single homeless people, found that homeless people are financially better off in work on the National Minimum Wage if working full time. There was no financial benefit at minimum wage rates to those working 15-25 hours on Income Support, Jobseekers Allowance and Incapacity Benefits.

The financial returns of work are low also for those in high rent accommodation receiving Housing Benefits. Therefore, the newly published brief specifies that a further incentive to work would be raising the minimum wage. OSW’s findings show that additional work related expenses and low wages reduce the financial benefit of work to £3.49 in London.4 Thus, OSW
investigate the possibility of raising the national minimum wage and considering the introduction of a London supplement.

6. Employment support planning
In addition, there is a recognised lack of tailored interventions for the homeless group, largely due to lack of recognition of homeless people as an excluded group and consequent absence of specific national employment targets or employment programmes for them.

7. Hostels supporting a return to work
This could be provided by in-hostel support, which is considered crucial for homeless people who want to enter work as it is the most easily accessible. However research also suggests that while hostels and key workers are often a good source of information they are unlikely to provide support directly. Consequently OSW calls for in-hostel support to jointly address affordable housing and work entry issues.

8. Strengthening support services
This also implies addressing the multiple disadvantage experienced by homeless people holistically, by strengthening support services such as quality key workers, access to medical and welfare support and training which links with message 2.

9. Recognising routes to higher paid employment
Training and skills-building are also cited, in the policy brief, as often necessary for homeless people to progress into employment. OSW’s research suggests there is a need for targeting on-going in-work support. They further call for Tax Credit Reform to better support homeless people’s gradual employment progression. For instance, part time work is often a vital stage in the employability of homeless people yet, under the current system, a homeless person working part time in a low wage job is likely to be financially worse off than if unemployed.

10. Regulation of temporary work
Finally, homeless people often first access temporary and insecure jobs. For the final policy message, OSW asserts that job insecurity needs to be tackled by increasing regulation of temporary contracts to reduce the chances of worklessness.

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Which regions are really booming?

It is often repeated that ‘the British economy is extremely polarised between a booming London and southeast and lagging cities and regions in the rest of the country’. This article examines whether or not that is true. For a definition of ‘booming’, it will also suggest that Wales, Scotland, the North East of England and Northern Ireland better merit the term than does London and the southeast.

In this article, we will concentrate on the period since 2001. Employment rates rose substantially in the period up to 2001, but have varied nationally since then within the narrow range of 74.3% to 75%. There has been much regional and local change within a set of national figures that have been fairly stable.

The region with the lowest employment rate in the UK is London, with 69.6%. Since 2001, been passed by Wales, Scotland, the North East and Northern Ireland. The other region with a particularly poor performance since 2001 is the West Midlands.

The South East and East still have the highest employment rates in the UK, but since these have been falling it is difficult to see how these regions can be described as ‘booming’. Chart 2 shows the employment rates as at April 2007. These are shown as shortfalls from the 80% employment rate aspiration. No region is now over an 80% employment rate, but the South East has had 28 months over an 80% employment rate since 1997, and Eastern has also been over the 80% mark. The South West peaked at 79.8% in September 2002. All three regions are now well below 80%.

It is possible that some of these trends reflect population shifts as much as employment shifts, with rising employment numbers being outweighed by faster population increases in London and the southeast. There is some evidence for this in relation to London itself, but it does not apply to the South East and Eastern regions.

The fastest increases in numbers in employment were in Northern Ireland (12.4% since Jan 2001), Wales (up 10.5%) and the North East of England (up 8.9%). London had an increase in employment of 6.9%. The rises in employment numbers in the Eastern region and South East were just 2% and 2.5% each, far below the national average of 5.3%. Overall, taking the three regions together, the increase in employment was 3.9%, still well below the national average.

In previous articles in Working Brief we have suggested that this pattern of regional convergence in employment rates could mean that national policy-makers had more room to allow the economy to grow faster than perhaps they realised. If there are tight labour markets leading to wage pressure which could be inflationary, then there would be some evidence of this in earnings growth. This has been conspicuous by its absence, and at least part of the explanation must be that employment growth has been more widely spread geographically than in previous periods of employment growth.

Perhaps those who continue to repeat the old story of booming London and southeast are referring to earnings rather than employment. Unfortunately for them, the same story applies to earnings. The highest growth in earnings, recorded by the Annual Survey of Hours and Earnings (and this time counting London commuters in the London figure) was in the East Midlands – followed by Wales, Northern Ireland, the North East and Scotland. The lowest growth in average earnings was in the West Midlands, followed by the South East, East and London.

London had very slightly faster earnings growth than the UK average. Chart 3 shows the picture for all regions. The average earnings level, rather than increase, remains highest in London, the
other regions has been reducing since 2001. As with employment, the West Midlands is the other region that has declined in relative prosperity since 2001. The measure of earnings used here is average earnings of employees, gross, for all part-time and full-time employees.

It is possible that what people mean by regional differences is something completely different from Government Office Regions. These regions are an artificial construct and differ from the regions previously generally used by Government (standard statistical regions), so this is possible.

A particular oddity of the regional system is shown up by the fact that the local authority with the highest employment rate in the country, South Northamptonshire (employment rate 90.1%), lies on the border of three regions, the East Midlands, the South East, and West Midlands. A further two regions, the South West (Cotswold District) and Eastern (North and Mid Bedfordshire) butt onto neighbouring Districts.

Many of the highest employment rate areas in the country occupy a band stretching from Bromsgrove (Worcestershire) down to Winchester (Hampshire), which is divided up between more than half the English regions. It is striking that there appears to be little evidence of employers in these areas complaining that they cannot recruit.

Government has continued to point out that variation within regions (in employment rates, unemployment, etc.) is greater than between regions. This remains true. However, as is shown in Chart 4, when one looks at the change in employment rates within regions (2001-06), it appears that no county or unitary authority in the North East has had a fall in employment rate (the worst, Hartlepool, has remained static), while in the Eastern region, all counties and unitaries have had falls in employment rates. In Wales, five out of 22 authorities had falls in employment rates, while in the South East, thirteen out of 19 counties and unitaries had falls.
25 out of 32 Boroughs had falls in employment rates.

Chart 5 shows some of this information in a different form. While Chart 4 shows the minimum and maximum employment rate change of each region, Chart 5 shows the employment rate changes for each authority in Wales and London on a continuous scale representing the change for all local authorities in Great Britain (recent Northern Ireland information is not available – the latest District level information is for 2005 in Northern Ireland).

At the end of July the Office for National Statistics published provisional regional Gross Value Added (GVA) figures for 2005. These have been presented by ippr as showing that the North is falling further behind London and the wider southern regions. Comparing GVA at regional level between 2001 and 2005, shows that the region with the slowest growth in GVA is London, at 15.9%. The fastest growth was in Scotland, at 30.2%, followed by the North East at 29.5%. These changes are shown in Chart 6.

Therefore, the growth rate in a number of regions in the North and West has been higher than in the South and East. However, the London economy is more than six times the size of the North Eastern economy. Therefore the fact that the North Eastern growth rate is almost twice as fast as in London still means that London growth (in £ billion) is almost four times North East growth in 2001-2005. In order for North Eastern growth to be larger than London growth, London would have to stagnate.

References
N Ireland leads the way on growth

Our monthly review of labour market statistics from Sean Moley

July’s labour market statistics release saw an increase in the number in employment and in the employment rate. The number of unemployed people, the unemployment rate and the claimant count have all fallen, while the number of vacancies has increased. Northern Ireland shows strongest growth in employment, leaving London the worst region in terms of employment and unemployment.

Employment rose by 93,000 on the quarter and the working age employment rate was up by 0.1% at 74.5%. Unemployment decreased by 2.1% over the period. Economic inactivity fell by 1,000 on the quarter, and the number of economically inactive who wanted a job was up by 0.7% on the quarter.

The total number of people in employment rose by 93,000 over the last quarter to stand in May at 29,075,000. Employment for people of working age was up by 80,000 on the quarter, and for those over retirement age it increased by 13,000. The total number of hours worked rose by 0.2% over the 3-month period.

The proportion of temporary workers who could not get a permanent job was 26.2%, up by 0.5% on last quarter, and by 1.8% on last year. The number of involuntary part-time workers who could not get a full-time job was up by 0.4% to 9.3% of all part-timers – 678,000 workers were in this position, an increase of 26,000 on last quarter and up 69,000 on last year (see Table 1 back page).


Surveys from the recruitment agencies and other private sector sources report continued buoyancy, with permanent staff appointments rising at the strongest rate since the last quarter to stand in May at 29,075,000. The number of involuntary part-time workers who could not get a permanent job was up by 0.7% on last May’s figure.

Shortages continue to grow, with some evidence that this is feeding through into salary inflation.

The official vacancy survey shows a rise of 8.9% over the year to September, to 641,900. In the last quarter, the rate was up by 0.8% (seasonally adjusted). In the last quarter, there was growth in vacancies in three sectors, Distribution, Hotels and Restaurants (up 1.3%), Finance and Business Services (up 1.6%), Other services (up 25.8%). Five sectors saw a decline in vacancies: Energy and Water (down 4.8%), Manufacturing (down 4.4%), Construction (down 9.8%), Transport & Communications (down 0.2%), Education, Health and Public Administration (down 1.3%). In June, there were 389,965 new vacancies notified to Jobcentres. This is 48.8% up on June 2006.

The lowest employment rates are in London (69.6%), Northern Ireland (71.0%), and The North East (71.1%) – see Table 5. The employment rate fell in three out of 12 regions (by a maximum of 0.8% in the West Midlands) and rose in the rest (by a maximum of 1.4% in the Northern Ireland). The South East region has the highest employment rate – 78.6%.

Unemployment stood at 1,660,000 in the quarter to May, down by 35,000 on the previous quarter but up by 2,000 on the previous year – see Table 2. The unemployment rate stood at 5.5% for people of working age, this was steady on the year and fell by 0.1% on the quarter.

Working age economic inactivity fell by 1,000 in the quarter, but rose by 85,000 in the year and fell by 0.9% on last May’s figure.

The region with the highest unemployment rate was London at 7.5%, followed by the West Midlands at 6.8%, and the North East at 6.5%. Inclusion’s broader measures of unemployment show a fall in the latest quarter for broad unemployment (those closest to the labour market), and in labour market slack There are now 4,038,100 people who are not working but are available to work, or are on Government employment schemes, or are working part-time because they cannot get full-time jobs. This is down 215,600 on the quarter – see Table 2.

Moves into New Deal activities rose in the six months to June, with a total of 44,570 leaving JSA for New Deal, up from 43,860 in May. In June, the claimant count rate was steady at 2.7%. The claimant count rate was highest in the North East at 4.0%, followed by the West Midlands at 3.7%. The London figure at 3.0% is artificially depressed by the inclusion of one million commuters in the denominator. Without this, the claimant count rate for London would be 4.1% – second highest in the country.

In the year to June, the consumer prices index (CPI) was up by 2.4% compared to a rate of 2.5% in May. The all items retail prices index (RPI) was up by 4.4% compared to a rate of 4.3% in May. Average earnings, excluding bonuses, rose by 3.4% in the year to May (Table 4) while real earnings rose by 0.1% over the same period. Earnings including bonuses rose by 3.5% over the year and were down by 0.9% on last May’s figure.

References
## This month at a glance

### Table 1: Employment: latest figures

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<th>Quarterly change in level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employment</td>
<td>29,075,000</td>
<td>74.5%</td>
<td>180,000</td>
<td>93,000</td>
</tr>
<tr>
<td>Involuntary temporary</td>
<td>402,000</td>
<td>26.6%</td>
<td>35,000</td>
<td>12,000</td>
</tr>
<tr>
<td>workers</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Involuntary part-time</td>
<td>678,000</td>
<td>9.3%</td>
<td>69,000</td>
<td>26,000</td>
</tr>
<tr>
<td>workers</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Table 2: Unemployment latest figures

<table>
<thead>
<tr>
<th></th>
<th>Numbers</th>
<th>Rate</th>
<th>Annual change in level</th>
<th>Quarterly change in level</th>
</tr>
</thead>
<tbody>
<tr>
<td>ILO unemployed</td>
<td>1,660,000</td>
<td>5.4%</td>
<td>2,000</td>
<td>-35,000</td>
</tr>
<tr>
<td>Broad unemployment</td>
<td>2,293,000</td>
<td>7.3%</td>
<td>25,000</td>
<td>-30,000</td>
</tr>
<tr>
<td>Labour market slack</td>
<td>4,252,400</td>
<td>12.8%</td>
<td>110,000</td>
<td>-1,800</td>
</tr>
<tr>
<td>Claimant count</td>
<td>864,000</td>
<td>2.7%</td>
<td>-91,100</td>
<td>-41,600</td>
</tr>
<tr>
<td>Count inflow</td>
<td>205,300</td>
<td>-2.3%</td>
<td>-2,300</td>
<td>-900</td>
</tr>
<tr>
<td>Vacancies</td>
<td>641,400</td>
<td>2.5%</td>
<td>52,500</td>
<td>5,100</td>
</tr>
</tbody>
</table>

### Table 3: Unemployment by region

<table>
<thead>
<tr>
<th>Region</th>
<th>ILO Unemployment</th>
<th>Claimant Count</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rate</td>
<td>Quarterly Change</td>
</tr>
<tr>
<td>North East</td>
<td>6.5%</td>
<td>-0.1%</td>
</tr>
<tr>
<td>North West</td>
<td>5.8%</td>
<td>0.2%</td>
</tr>
<tr>
<td>Yorkshire &amp; the Humber</td>
<td>5.7%</td>
<td>-0.4%</td>
</tr>
<tr>
<td>East Midlands</td>
<td>5.3%</td>
<td>-0.2%</td>
</tr>
<tr>
<td>West Midlands</td>
<td>6.8%</td>
<td>0.6%</td>
</tr>
<tr>
<td>East of England</td>
<td>4.4%</td>
<td>-0.2%</td>
</tr>
<tr>
<td>London</td>
<td>7.5%</td>
<td>0.0%</td>
</tr>
<tr>
<td>South East</td>
<td>4.2%</td>
<td>-0.4%</td>
</tr>
<tr>
<td>South West</td>
<td>3.9%</td>
<td>-0.2%</td>
</tr>
<tr>
<td>Wales</td>
<td>5.5%</td>
<td>-0.1%</td>
</tr>
<tr>
<td>Scotland</td>
<td>4.8%</td>
<td>-0.4%</td>
</tr>
<tr>
<td>Northern Ireland</td>
<td>4.2%</td>
<td>-0.4%</td>
</tr>
</tbody>
</table>

### Table 4: Earnings and inflation

<table>
<thead>
<tr>
<th></th>
<th>Rate</th>
<th>Last year</th>
<th>Last quarter</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average earnings</td>
<td>May 2007</td>
<td>3.4%</td>
<td>3.9%</td>
</tr>
<tr>
<td>(excluding bonuses)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inflation (RPI)</td>
<td>June 2007</td>
<td>4.4%</td>
<td>3.3%</td>
</tr>
</tbody>
</table>

### Terms

1. Labour market slack: Inclusion indicator including all those who want to work (the unemployed, those on Government, employment and training programmes, the economically inactive who want to work) and the full-time equivalent of under-employment by those who are working part-time because they cannot get a full-time job. Estimated from figures in ONS release.

2. Broad unemployment is an Inclusion indicator including the unemployed and those classified as economically inactive who want to work and are available to start. Estimated from figures in ONS releases.

3. Unemployment, the international definition (ILO): those not working, looking for work within the last four weeks and available to start within two weeks.

4. Employment includes all work over one hour a week, including self-employment, unpaid family work and Government employment and training programmes.

5. Employment as a percentage of the working age population.

### Table 5: Employment by region

<table>
<thead>
<tr>
<th>Region</th>
<th>Rate</th>
<th>Quarterly change</th>
</tr>
</thead>
<tbody>
<tr>
<td>North East</td>
<td>71.1%</td>
<td>0.1%</td>
</tr>
<tr>
<td>North West</td>
<td>73.0%</td>
<td>0.9%</td>
</tr>
<tr>
<td>Yorkshire &amp; the Humber</td>
<td>72.7%</td>
<td>-0.5%</td>
</tr>
<tr>
<td>East Midlands</td>
<td>76.0%</td>
<td>0.1%</td>
</tr>
<tr>
<td>West Midlands</td>
<td>72.4%</td>
<td>-0.8%</td>
</tr>
<tr>
<td>East of England</td>
<td>77.4%</td>
<td>0.4%</td>
</tr>
<tr>
<td>London</td>
<td>69.6%</td>
<td>-0.3%</td>
</tr>
<tr>
<td>South East</td>
<td>78.6%</td>
<td>0.2%</td>
</tr>
<tr>
<td>South West</td>
<td>77.9%</td>
<td>0.2%</td>
</tr>
<tr>
<td>Wales</td>
<td>72.4%</td>
<td>0.4%</td>
</tr>
<tr>
<td>Scotland</td>
<td>76.7%</td>
<td>0.4%</td>
</tr>
<tr>
<td>Northern Ireland</td>
<td>71.0%</td>
<td>1.4%</td>
</tr>
</tbody>
</table>