



National Audit Office

Sustainable employment: supporting people to stay in work and advance

The National Audit Office scrutinises public spending on behalf of Parliament. The Comptroller and Auditor General, Sir John Bourn, is an Officer of the House of Commons. He is the head of the National Audit Office, which employs some 850 staff. He, and the National Audit Office, are totally independent of Government. He certifies the accounts of all Government departments and a wide range of other public sector bodies; and he has statutory authority to report to Parliament on the economy, efficiency and effectiveness with which departments and other bodies have used their resources. Our work saves the taxpayer millions of pounds every year. At least £8 for every £1 spent running the Office.



National Audit Office

Sustainable employment: supporting people to stay in work and advance

LONDON: The Stationery Office
£13.90

Ordered by the
House of Commons
to be printed on 12 November 2007

CONTENTS

This report has been prepared under Section 6 of the National Audit Act 1983 for presentation to the House of Commons in accordance with Section 9 of the Act.

John Bourn
Comptroller and Auditor General
National Audit Office

9 November 2007

The National Audit Office study team consisted of:

Leon Bardot, Trish Brown, Simon Cox, Angela Hands, Georgina Light, Baljinder Virk and Jeremy Weingard.

This report can be found on the National Audit Office web site at www.nao.org.uk

For further information about the National Audit Office please contact:

National Audit Office
Press Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

Tel: 020 7798 7400

Email: enquiries@nao.gsi.gov.uk

© National Audit Office 2007

KEY FACTS	4
SUMMARY	7
PART ONE	
Why sustainable employment is important	12
Employment programmes help many people into jobs; but many do not remain in work	12
Improving retention and job advancement is essential for achieving Government's objectives	12
Why do people not stay in work and how can the sustainability of employment be improved?	13
PART TWO	
How far employment programmes lead to sustainable employment	16
Better data is now available to monitor long-term sustainability of outcomes from employment programmes	16
When people leave New Deal and Employment Zone programmes for paid employment, the average spell of initial employment is over six months	16
The longer-term outcomes for programme participants appear similar to the short-term outcomes	16
Improving sustainability can improve the cost-effectiveness of programmes	17

PART THREE		PART FIVE	
Supporting sustainable employment through work preparation, job placement and in-work support	19	Supporting sustainable employment through better integration of employment and skills support	29
To date, mainstream employment programmes have placed limited emphasis on sustainable employment	19	There are plans to integrate information and advice services for adults	29
Working with employers to improve the match between people and jobs can increase sustainability	19	More progress is required and planned to integrate pre-work and in-work skills support	29
Mainstream employment programmes provide limited in-work support and evidence on what works is scarce	21	Shared targets and objectives are essential to supporting better alignment	31
Pilot programmes are testing ways to improve sustainable employment	21	A United Kingdom Commission for Employment and Skills will oversee integration of employment and skills	31
PART FOUR		APPENDICES	
Skills and sustainable employment	23	1 Study methodology	32
Improving skills is essential to achieving sustainable employment	23	2 Employment and education programmes discussed in this report	36
Understanding local skills needs is essential	25	3 What works with In-work support?	44
Adult training provision is becoming increasingly responsive to employers	25	4 Labour market analyses	47
Programmes to raise skills are seeking to increase the participation of employers in training low-qualified staff	26	ENDNOTES	51
Interim targets for raising adult skills have been met	27		
Increasing flexibility and responsiveness of learning is a key requirement of employers and individuals	27		

KEY FACTS

Work and non-work

- Nine out of ten workers stay in work steadily.
- The labour market is dynamic. In 2005–06, 6.5 million people started a job, and 6.3 million people left a job. Around three-quarters left voluntarily. 1.4 million left employment and became unemployed and a further 2 million left and became inactive.
- Around two-thirds of the 2.4 million new Jobseeker's Allowance claims each year are repeat claimants.
- Around 40 per cent of Jobseeker's Allowance claimants who move into work make a subsequent claim for benefit within six months. This proportion has remained constant for many years.
- Some groups are more likely to leave work than others. For example, lone parents move into jobs at a similar rate to other non-employed people, but are twice as likely to leave paid work as partnered parents.

Poverty/child poverty

- In one-third of cases gaining a job means moving from non-working poor to working poor. Sustainable employment can lift people out of poverty.

- A 20 per cent reduction in the rate of lone parent exit from employment could lift 44,000 children out of poverty.
- Nearly half of all children in poverty live in families where there is someone in work.

Training and progression

- For low-skilled people, the evidence suggests that the best improvement in earnings and productivity occurs when qualifications are gained in the workplace.
- Low-qualified and low-skilled people are much less likely to receive training from their employers.
- Lone parents tend to enter low-paid and low-skilled jobs offering few opportunities for progression.

The costs of repeat claims

There are currently 864,000 people on Jobseeker's Allowance. Based on previous trends, 47 per cent of these people are likely to have two or more spells on benefit over the next 5 years. Taking into account past performance on the lengths of claims, we estimate that if it were possible to increase the amount of time that repeat claimants spend in work, and reduce their time on benefit by 50 per cent, it would save the Exchequer £520 million per year.

Who helps people to stay in work and advance?

Organisation, government department or agencies involved

Employment service providers
Department for Work and Pensions
Jobcentre Plus

Training and Education providers
Department for Innovation,
Universities and Skills

Learning and Skills Council

Employers

Department for Business, Enterprise
and Regulatory Reform

HM Treasury, Local Authorities,
Department for Work and Pensions.

Role/support offered

Jobcentre Plus and other employment service providers may offer a range of support to help people find a job and stay in work. This may include pre-employment training in hard and soft skills, in-work case management and financial incentives.

The people most likely to face recurring unemployment are low-paid workers in low-skilled jobs with few opportunities for progression. Helping low-paid, low-skilled workers improve their skills is recognised as crucial to helping them to stay in work and advance. Raising skill levels is also fundamental in helping people adapt to a changing employment market and helping to improve national productivity.

Employers also have a role in supporting sustainable employment. Flexible working arrangements can allow employees to balance work with family, learning and religious commitments and so improve retention. Jobs that are part of well defined career ladders, with clear structures for raising skills that are linked to increases in pay also help to improve retention in the longer term.

As the Department with responsibility for national productivity, the Department for Business, Enterprise and Regulatory Reform is a partner working with employers to improve their retention of employees and increase employee skills.

A range of measures are available to help make work pay, including the National Minimum wage, Tax Credits, means-tested Housing Benefit and Council Tax Benefit.

Key government targets

Basic Skills: Improve the basic skills levels of 2.25 million adults between 2001 and 2010, with a milestone of 1.5 million by 2007.

Performance (to date)

Milestone met – 1.76 million by the end of 2006

Level 2 qualifications: Reduce by 40 per cent the number of adults in the workforce that have not achieved a Level 2 qualification or higher by 2010, with an interim target of 1 million more adults in the workforce to have achieved a Level 2 or higher between 2003 and 2006.

Performance (to date)

Interim target achieved – 1.14 million by the end of 2006

Skills targets: by 2010-11:

- 597,000 people of working age to achieve at least a first Level 1 or above literacy qualification and 390,000 to achieve a first entry Level 3 or above numeracy qualification;
- 79 per cent of working age adults to be qualified to at least full Level 2; 56 per cent to be qualified to at least Level 3. 130,000 Apprenticeship completions in the academic year 2010-11. By 2014, 36 per cent of working age adults to be qualified to Level 4 or above.

Source: National Audit Office analysis of data from the Department for Work and Pensions, Department for Innovation, Universities and Skills, and Office for National Statistics; literature review

SUMMARY

1 In 2005-06 over 1.6 million people entered work from unemployment and almost two million entered work from economic inactivity.^a Many of these people were disadvantaged jobseekers, assisted by programmes such as the New Deal, and since their introduction in 1998 New Deal programmes have helped more than 1.8 million people find jobs. However, a number of people who move off benefit into work do not sustain that employment. For example, of the 2.4 million new Jobseeker's Allowance claims each year, around two-thirds are repeat claims and around 40 per cent of Jobseeker's Allowance claimants who move into work will make another claim for Jobseeker's Allowance within six months. Taking into account past performance on the number and lengths of claims and applying these trends to current numbers of Jobseekers Allowance claimants, we estimate that if it were possible to improve job sustainability and reduce the time that repeat claimants spend on benefit by 50 per cent, it would save the Exchequer £520 million a year.

2 This pattern of returns to benefit is not new, and when data on the incidence of repeat claims from 2001-2006 is compared with data for five year periods in the 1980s and 1990s, this shows that the proportion of people making multiple claims for benefit has not increased.¹ At the same time, the number of people on unemployment benefit has reduced, and the average length of claims has also reduced. Overall, employment programmes are making a difference, but more now needs to be done to address the problems faced by jobseekers who do not stay in work once they find it. In autumn 2007 the Government announced that employment support which focused not just on job entry but on helping people stay in work and progress would be a core principle of its strategy for achieving full employment.

3 It is important to recognise that there will always be a necessary and healthy degree of movement both in and out of jobs in a labour market as large as that of the United Kingdom. Some returns to benefit result from the ending

of temporary jobs. Others occur because the same factors that can make it hard for people to gain jobs (for example, family responsibilities, difficulties with the journey to work, disability, low skills and low earnings that mean work does not pay) can make them vulnerable to job loss in the first few months. Still others return to benefit due to personal choice, and will seek a job that is more appropriate for them. To assist our work we commissioned the Centre for Economic and Social Inclusion to undertake analysis of the factors influencing local labour markets. This analysis has been published separately and is available at www.nao.org.uk.

4 This report examines whether employment and skills programmes for low-skilled and disadvantaged people are leading to sustainable employment. In the simplest sense, having 'sustainable' employment means that an individual remains in work, either in one job or by moving to other jobs; but sustainable employment also means work that provides opportunities to advance and earn more. Helping people find work is the responsibility of the Department for Work and Pensions and Jobcentre Plus, but a range of organisations play a role in helping people to sustain work. This includes employment service providers, training and education providers, the Department for Innovation, Universities and Skills, the Learning and Skills Council and employers (see the Key facts panel).

5 This report has been prepared against a background of considerable focus and activity on skills and on employment. In December 2006, the Leitch review of skills² highlighted the need to improve the skills of the workforce in order to build economic prosperity and, in July 2007, the plan for implementing the recommendations of the review³ was presented to Parliament.^b Also in July 2007, the Department for Work and Pensions released *In work, better off*⁴, which sets out a series of measures it plans to take to achieve full employment. Both these plans put sustainable employment at the centre of the Departments' work to help low-skilled people into work and out of poverty.

^a Economic inactivity is classified as not working and not unemployed, for example students or people claiming incapacity benefits.

^b By the Secretary of State for Innovation, Universities and Skills in the joint names of the Prime Minister, Chancellor of the Exchequer, and Secretaries of State for Innovation, Universities and Skills, Work and Pensions, Business Enterprise and Regulatory Reform, and Children, Schools and Families.

What we found

6 The ‘work-first’ approach has helped many people into work, however there is a need for programmes to be developed to help people stay in work, to complement the effective programmes for helping people find work. The current Welfare to Work framework aims to help people move into work as quickly as possible. Jobcentre Plus helps people to adopt jobsearch strategies that will maximise their chances of finding work, and individuals make the decision on whether the job is likely to meet their long-term needs. This approach has been successful in helping people into work, and short-term or low-wage work can be an important entry point to the labour market for many people. However, the rates of return to benefit suggest for some people, help in finding work is only part of the solution.

7 Improving job retention and advancement is important for achieving government objectives on child poverty. The Government has set a target of halving child poverty by 2010 and helping parents into work is a key means of achieving this. However, work is only a pathway out of poverty if employment is sustained and provides an income that lifts the family over the poverty line. Many low-skilled, disadvantaged workers need help if they are to stay in work, increase their working hours and advance in work.

8 Improving job retention will contribute to employment rate targets. Employment rate targets for disadvantaged groups and the aspiration to reach an overall employment rate of 80 per cent are more likely to be met if job retention is improved.

9 Keeping more people in work has financial benefits for Government, employers and individuals. Increasing the sustainability of job outcomes improves the return on investment made in employment programmes (**Figure 1**) and helps to reduce government spending. It can also reduce the costs for employers of recruiting and retraining staff and increase the lifetime income of individuals.

10 To date, monitoring of employment programmes has paid limited attention to the sustainability of jobs. Jobcentre Plus monitors job entry rates for jobs expected to last 13 weeks, and Employment Zone^c providers are required to monitor whether jobs are retained up to 13 weeks after placement, and their payment system provides incentives to keep people at work to this point. However, 13 weeks is a short period and is under review. One of the limiting factors has been the cost of manually

following up job placements to gather data on whether jobs are sustained. Better data sources are now available to do this.

11 The Department for Work and Pensions and Jobcentre Plus have taken a relatively light-touch approach to in-work support in employment programmes to date. This approach reflects the weak evidence base on what actually works, the potential cost and the need to allocate resources to helping workless clients, rather than those in work. The Department for Work and Pensions is continuing to test new approaches to making employment more sustainable. Clients can be unclear as to the level of in-work support they can receive; it may vary between programmes, between different providers and between different case managers within the same provider.

12 People increasingly need better skills and qualifications to compete in today’s labour market. The Department for Innovation, Universities and Skills has targets to improve the basic skills of adults and reduce the number of adults in the workforce without a Level 2 qualification.^d Interim targets have been met (see the Key facts, page 6). Concerned about weaknesses in the nation’s skills base, the Government has recently raised its ambitions to a level that will be far more challenging.

13 Once people are in work, raising skills and employability is best done through close involvement with employers. Research⁵ shows that for low-skilled adults, gaining vocational qualifications in the workplace brings the greatest improvement to earnings and productivity. On a national and local level, Jobcentre Plus, the Learning and Skills Council and training providers are undertaking more work with employers. Local partnerships have developed employer-led strategies that identify the vacancies and competencies needed by the employer’s successful candidates, and train people in the skills they need to take up the vacancies. Major changes are also being introduced to the qualifications system to help better meet the needs of both individuals and employers.

14 Understanding local labour markets is important in helping people to gain sustainable employment. Labour market patterns vary by region and these variations may be even greater at the local level. To effectively help people gain sustainable work and advance requires local employment and skills services to work closely with local employers to meet labour market needs. The formation of employer-led Employment and Skills boards by local partners will link local strategies to sub-national and national activity.

^c Employment Zones are run by private sector providers who deliver employment services to people eligible for New Deal for Young People, New Deal 25 Plus and New Deal for Lone Parents in 13 locations.

^d A Level 2 qualification is equivalent to a GCSE Grade A*-C.

1 The return on investment in employment programmes improves with increasing job duration

Programme	Programme costs (£ million) ¹	Additional jobs ²	Net fiscal benefit (cost) to the Exchequer for different length of job outcomes (£ million) ³			
			3 months	6 months	12 months	2 years
New Deal for Disabled People	74.979	11,064	(54.867)	(34.754)	5.470	83.200
New Deal for Lone Parents	77.617	15,684	(60.342)	(43.067)	(8.516)	58.248
New Deal 25 Plus	125.725	10,324	(105.900)	(86.075)	(46.425)	30.193
New Deal for Young People	204.539	17,457	(176.350)	(148.161)	(91.784)	17.160
New Deal 50 Plus	8.197	2,263	(5.325)	(2.453)	3.289	14.389
Pathways to Work	3.503	14,010	(26.469)	(18.838)	(3.577)	11.423 ⁴
New Deal for Partners	4.689	61	(4.697)	(4.710)	(4.737)	(4.788) ⁵
Employment Zones⁶						
New Deal for Young People	14.991	782	(13.728)	(12.465)	(9.938)	(5.055)
New Deal 25 Plus	32.298	1,998	(28.561)	(24.624)	(16.950)	(2.121)
New Deal for Lone Parents	13.871	597	(13.214)	(12.557)	(11.243)	(8.702)
Private sector-led New Deal for Lone Parents	21.097	1,463	(14.232)	(12.284)	(11.648)	(2.519)
Private sector-led New Deal 25 Plus	16.181	1,015	(18.735)	(16.372)	(8.357)	(0.836)

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

NOTES

1 Programme costs are for 2005-06 and include delivery and administrative costs.

2 Additional Jobs are for 2005-06 and are estimates of the number of jobs gained that are additional to those that might have been gained without the programme. Estimates are based on programme evaluations.

3 Net fiscal benefit (cost) is the difference between the costs of the programme and the benefits that will flow back to the Exchequer in benefits saved, and increased tax revenue, less the cost of increased Tax Credits payable to people who move into work.

4 Net fiscal benefit after 18 months.

5 The results for New Deal for Partners are based on a low earnings assumption, an assumption that the Partner's benefit continues, less savings in housing benefit and council tax. As a result, negative gross fiscal benefit is calculated.

6 Some employment programmes, whether delivered by Jobcentre Plus or Employment Zones are more costly due to the disadvantaged labour markets within which they operate and the difficulties faced by individuals looking for work.

Appendix 2 provides details on the employment programmes in this figure.

15 Government programmes and initiatives to raise skill levels are seeking to increase employer participation in training low qualified staff. Employers, and their front-line managerial staff, have a crucial role to play in supporting job retention and advancement at work. While it is too soon to tell whether the government initiatives to increase employer participation in training are helping employees and employers gain the skills they need to boost productivity and competitiveness, early indications are that some employers who would otherwise not have conducted training are being engaged.

16 Better integration is needed between pre-work and in-work support for skills. Low-skilled jobseekers need help to find work, and help to improve their skills so that in the longer term they can stay in work and advance. Linking pre-employment provision and in-work support for skills can help people get into work quickly while continuing to improve their skills. Jobcentre Plus and the Learning and Skills Council are taking steps to improve the links between pre- and in-work programme provision.

17 Information, advice and guidance services do not yet effectively link employment advice with skills advice.

Work has been done to extend and improve face-to-face, telephone and web-based adult information advice and guidance services since 2003, including reforming nextstep provision and linking it to learndirect.^e However the Leitch review and our study found that there was more to be done so that services effectively link advice on available courses and advice on work and jobs. There has been increased partnership working with Jobcentre Plus and nearly 40 per cent of unemployed adults receiving face-to-face help are now referred by Jobcentre Plus.

In July 2007, the Government announced plans for a new universal adult careers service which will work in partnership with Jobcentre Plus. This unified service will draw together information, advice and guidance on jobs, skills and training, and offer signposting to help with issues such as childcare, living costs, health and transport. Trials of the new service will start in 2008-09, with plans to be fully operational from 2010-11.

18 Shared targets and objectives are essential to supporting better alignment. Until 2007, targets for the Department for Work and Pensions and Jobcentre Plus focused on job entry without targets for sustainable employment. Targets for the Department for Innovation, Universities and Skills and the Learning and Skills Council targets focused on skills improvement (measured by qualifications achieved) without linking this to whether their learners gain employment or advance in their work. In autumn 2007 a new set of cross-Government Public Service Agreements were announced and included a commitment by the two departments to developing a shared measure of sustainable employment and progression. While this measure is being developed, the departments will monitor progression and retention using current data sources. The Department for Work and Pensions will measure 'time spent on benefit' as a proxy for time spent in work, and the Department for Innovation, Universities and Skills will monitor the proportion of low skilled people who leave learning, enter employment and increase their wages.

Overall conclusions

19 The Department for Work and Pensions' emphasis on getting people into work has been instrumental in helping people move into employment from unemployment or economic inactivity. However, more effective means need to be identified to improve the chances of people to sustain employment, rather than cycling between employment and benefits. While individual improvements

to employment programmes and to programmes for improving skills are likely to improve value for money, in our view the greatest boost to sustainable employment is likely to come from efforts to increase the cohesiveness of national policies and local action relating to the responsibilities of the Department for Work and Pensions and the Department for Innovation Universities and Skills. Joint working will need to ensure that training delivered is economically valuable to individuals and employers.

Recommendations

Issue: more and better information is needed on how long jobs are sustained and to identify the people most at risk of early exit and how they can best be supported to avoid cycling between work and benefits.

While outcome data can be difficult and costly to gather, better use can be made of the Work and Pensions Longitudinal Study to gather data on the time job entrants spend in work, on the employment trajectories of participants in employment programmes and on the percentage of benefit claimants who make repeat claims over a period. Similarly, discrete research projects into programmes can help identify the attributes of people most likely to have difficulty sustaining work and key success factors such as specific types of training or in-work support.

Issue: if the sustainability of employment is to be improved, then programme targets need to take into account both job duration and individuals' aggregate employment.

The current target that jobs should be retained for 13 weeks after placement is acknowledged to be too short, and falls short of the point at which most employment programmes deliver a positive return on investment. A longer duration target is required for judging employment as sustainable but it should also:

- take account (for example through a measure of an individual's need) of the greater challenge from working with the hardest to help. Targets should not discourage providers from working with clients at the greatest risk of job exit;
- measure aggregate periods of employment (i.e. with more than one employer); and
- inform targets for Jobcentre Plus and the Learning and Skills Council as well as targets for their independent contractors and providers.

^e Free information and advice is available to adults through learndirect's national telephone and on-line service and face-to-face services are provided through nextstep.

Issue: the availability of in-work case management support and client awareness of it is variable.

Not everyone who gains a job through an employment programme wants or needs continuing contact with case managers. Currently the availability of in-work support varies by programme. As resources allow and evidence becomes available, a more systematic approach to providing in-work support might:

- offer advice to all clients of the support available if the need arises, including support from voluntary sector organisations; and
- provide more proactive support to clients identified as being at high risk of job exit, including clients with a history of returns to benefit.

Issue: as the Leitch review and the Government's response recognise, ongoing development of economically valuable skills is a key element of sustainable employment, but outcomes may take time to be delivered.

Programmes that help people to develop their skills while in work in order to improve their chance to earn more and stay in work for longer may take some time to deliver results, so evaluations of these programmes need to reflect this. Programmes for skills development need to focus on skills that are valued by employers and are thus more economically valuable.

Issue: the sustainability of employment is likely to improve substantially with better integration between employment programmes and programmes for raising skills.

Work by the Department for Work and Pensions and the Department for Innovation, Universities and Skills to develop a shared objective on 'sustainable employment and progression' should provide a focus for translating the Departments' policies into genuinely integrated activity to increase sustainable employment opportunities at local level. The Departments should pay particular attention to the need to convey coherent messages to employers, for example on how the different employment and skills programmes can benefit their business.

Issue: the Train to Gain programme needs to achieve a good balance between focusing on 'hard to reach' employers and engaging all employers in raising skills.

The decision to focus and report specifically on take-up of Train to Gain by 'hard to reach' employers is appropriate and reflects an earlier recommendation made by the Committee of Public Accounts.^f In addition, the Learning and Skills Council should continue to develop a means of evaluating the programme's wider success in providing impartial advice and assistance that takes account of business needs.

^f Employers' perspectives on improving skills for employment, HC 862, Session 2005-06, 25 May 2006, recommendation 7.

PART ONE

Why sustainable employment is important

Employment programmes help many people into jobs; but many do not remain in work

1.1 The United Kingdom is experiencing strong employment rates (74.5 per cent^g), and has one of the highest rates among leading industrialised countries. The biggest improvements have been for some groups that were previously the furthest behind – the New Deal programmes and Employment Zones have been effective at helping many people into work and the disadvantaged groups^h that the Government has targeted, except people with low skills, have seen the ‘employment gap’ reduced. Total expenditure of over £5,350 million on the New Deal has helped more than 1.8 million people find jobs.

1.2 However, some people who move into work do not sustain employment and return to benefit in a relatively short time. Of the 2.4 million new Jobseeker’s Allowance claims made each year around 70 per cent are repeat claims.⁶ Of Jobseeker’s Allowance claimants who move into work, 27 per cent re-claim benefit within 13 weeks, and 40 per cent within six months.⁷

1.3 A comparison of data on repeat spells on benefit in the period 2001-2006 with five-year periods in the 1980s and 1990s shows that ‘benefit cycling’ is not new. In each five-year period, around 50 per cent of claimants had one spell of unemployment, around 20 per cent had two spells, and around 30 per cent had three or more spells of unemployment.⁸ Overall, the total numbers who experience any period of unemployment have fallen. This means that although the proportions have remained similar, the absolute numbers of repeat claims have fallen.

Improving retention and job advancement is essential for achieving Government’s objectives

1.4 Currently nearly half of all children in poverty live in families where there is someone in work. Work is a pathway out of poverty if employment is sustained and provides an income that lifts the household over the poverty line. However, in around one third of cases where there is an increase in the number of workers in a poor household, gaining a job involves moving from non-working poor to working poor.⁹ The lowest skilled, disadvantaged workers may need help to stay in work, to increase their working hours if they are in part-time work, where appropriate, and to raise their skills so that they can advance at work. It has been estimated that a 20 per cent reduction in lone parent exit rates from work could lift 44,000 children out of poverty.¹⁰

1.5 The Government has set challenging employment rate targets and has an aspiration to reach an overall employment rate of 80 per cent. Part of the strategy for reaching these targets is to help more people from disadvantaged groups move into work and improve the rates of job retention for these groups will help progress toward targets. For example:

- Significant improvements have been made in the lone parent employment rate, and lone parents are now moving into jobs at a similar rate to other non-employed people. However, lone parents are still around twice as likely to leave a job as non-lone parents.¹¹ It has been estimated that a 20 per cent reduction in lone parent exit rates would raise this group’s employment rate by between 3.4 and 5 per cent.¹² Improving job retention will help progress toward the target employment rate for lone parents of 70 per cent by 2010.

^g Office of National Statistics. Quarter ending May 2007.

^h Lone parents, people aged 50 and over, ethnic minorities, disabled people, those with the lowest qualifications, and those living in local authority wards with the poorest initial labour market positions.

- Rates of job retention are lower for disabled people than for people who are not disabled.¹³ To help achieve an overall employment level of 80 per cent, there are proposals for more than one million people on incapacity benefits to be helped into work. As well as support to prepare for and find work, many disabled people may need support to stay in work.

1.6 Increasing sustainable employment has financial benefits for the Government, employers and individuals (Figure 2).

Why do people not stay in work and how can the sustainability of employment be improved?

1.7 The United Kingdom's labour market is dynamic and employment turnover is normal and inevitable. For example, around 6.5 million people started a new job and 6.3 million people left a job in 2005-06. Around three-quarters of employees leave work voluntarily – to move into other jobs, or because they are ready to retire or for other reasons. However, some turnover occurs because people do not stay in work for long after finding a job, and cycle between work and benefit.

1.8 Analysis of repeat claimants¹⁴ shows that one reason some people return to benefit relates to the labour market – people find work, but the jobs are temporary.ⁱ Disadvantaged workers such as the long-term unemployed and those with low skill levels are likely to move into entry-level jobs, which predominate in high turnover sectors

such as retail. These jobs are five times more likely to be temporary compared with all jobs.¹⁵ Around 41 per cent of Jobseeker's Allowance repeat claimants said they had only been able to find temporary work; in contrast, only 6 per cent said they preferred temporary work.¹⁶

1.9 Some other cycling between work and benefit relates to individual factors. The barriers that keep people from finding work (for example, caring responsibilities, health problems, transport difficulties, poor financial incentives to work due to low pay, low skills) can also make it hard for them to sustain work. Research into repeat benefit claimants reported that 72 per cent were 'not able to find suitable work'.¹⁷

1.10 People are most likely to leave low-paid work, whether it is full- or part-time.¹⁸ Temporary, part-time and low-paid 'entry level' jobs are part of a flexible labour market. They can provide a first step into the labour market and many people choose to work part-time. However, many entry-level jobs offer limited opportunities for progression, and evaluation of the New Deal for Lone Parents found that lone parents tend to enter low-paid, low-skilled jobs offering few opportunities for progression, including occupations in catering, care, cleaning, and retail.¹⁹

1.11 The risk that someone will not sustain work is increased by a number of factors – some relate to the individual and his or her circumstances, and some relate to the job (Figure 3 overleaf). Investigation into lone parent job retention shows that job exits are highest during the first three months in work, and retention improves steadily during the first two years in work (Figure 4 overleaf).

2 Financial benefits of sustainable employment

	Issue	Cost
Government	People leaving employment programmes to move into employment where they have opportunities to increase their income can reduce Government spending on supporting low-paid workers and increase the amount of Income Tax collected.	Each year £15 billion is spent on Tax Credits for low-earning families.
Employers	Employers incur costs from staff turnover if people move into work but then leave because they are unsuitable, unprepared or unable to cope with the job. These turnover costs are incurred even for relatively low-skilled positions.	The average cost of turnover per employee is £8,200. ¹
Individuals	Each episode of unemployment increases the chances of further spells of unemployment in the future. Unemployment can have a negative effect on the physical and mental health of the people experiencing it. Early unemployment affects lifetime income.	The loss of a job by a young person reduces their expected lifetime earnings by an estimated 17 per cent. ²

Source: National Audit Office literature review

NOTES

1 Annual survey of recruitment, retention and turnover conducted by the Chartered Institute of Personnel and Development, 2006.

2 Bell, K., Bransoky, N., Fitzgerald, J., Greenberg, M., Harkness, S., Hirsch, D., Minoff, E. and Wadia, A. *Staying on, stepping up: how can employment and retention policies be made to work for lone parents?* One Parent Families, 2006.

i The United Kingdom has low levels of temporary work compared to many other industrialised countries. Recent data shows that around 5 per cent of the United Kingdom workforce are in temporary employment, compared to an OECD average of around 12 per cent.

3 A number of factors appear to increase the risk that a person will leave work

Individual characteristics			Work-related factors
Age (under 25s and over 55s)	Low skills/absence of qualifications	Having entered work in the last year	Relationship with colleagues
Poor numeracy	Caring responsibilities including childcare	Poor social networks	Relationship with employer
Poor health or disability	Lack of financial gain or better standard of living	Lack of motivation to work or escape benefits	The fit of the job with other commitments and aspirations
Lack of financial savings	Living in rented properties, particularly social housing	Lack of support from family and friends	Lack of opportunities for advancement
Multiple spells on benefit	No driving licence/no access to private transport		Working part-time for low pay

Source: National Audit Office literature review

4 Job exits for lone parents are highest during the first three months in work



Source: Experience of work and job retention among lone parents: an evidence review, Working paper 37, Department for Work and Pensions, 2007

NOTE

¹ Duration of jobs ending between April 2004 and March 2005.

1.12 Current evidence on what helps low-skilled and disadvantaged individuals to sustain work is not extensive. However, research suggests a number of interrelated measures may make a difference.²⁰ Figure 5 sets out the kinds of support that can improve the sustainability of employment and some of the key agencies involved in these services.

1.13 A number of reviews in recent years have considered ways to develop a more skilled workforce, and improve integration between employment services and skills services. As a result, many of the initiatives we consider in this report are in early stages of implementation. The next sections examine:

- how far current employment programmes such as the New Deal, which help low-skilled and disadvantaged people into work are leading to sustainable employment and what impact improvements to sustainability might have on the cost-effectiveness of these programmes (Part 2);
- the support for sustainable employment through work preparation, job placement and in-work support (Part 3);
- the importance of skills in increasing the sustainability of employment for low-skilled and disadvantaged workers (Part 4); and
- how the Department for Work and Pensions, the Department for Innovation, Universities and Skills, Jobcentre Plus and the Learning and Skills Council are working to better integrate employment support with training and skills support to help people move into work, retain work and advance (Part 5).

This report focuses on employment and skills services in England because responsibility for education and skills policies elsewhere in the United Kingdom has been devolved to the Scottish Parliament and the Welsh and Northern Irish Assemblies. Our methodology is set out in Appendix 1.

5 Factors that support sustainable employment

Types of support	Organisations involved	Activities and services
<p>Pre-employment hard and soft skills training</p> <p>Training in basic skills, vocation-specific and general employability skills training can help individuals with little work experience prepare for the challenges of a work environment.</p>	<p>Jobcentre Plus</p> <p>Employment service providers</p> <p>Training providers funded by the Learning and Skills Council</p>	<p>Advice on in-work support; teaching workplace behaviour; basic education; soft skills, technical/vocational skills and job-specific training.</p>
<p>Job quality</p> <p>Attention to the quality of the initial job placement can help to secure jobs with better wages and improve retention.</p>	<p>Jobcentre Plus</p> <p>Employment service providers</p> <p>Employers</p>	<p>Service focuses on helping participants gain the right job for them, rather than the first job that comes along.</p>
<p>Post-employment case management</p> <p>A supportive adviser or counsellor can provide help in dealing with difficulties that can arise in the first few weeks or months of work.</p>	<p>Jobcentre Plus</p> <p>Employment service providers</p> <p>Employers</p>	<p>Contact with an adviser at agreed, regular times; mentoring to help people get to know the workplace and develop the soft skills needed to succeed; talking to clients and employers about opportunities for advancement and mediation if problems arise between the client and employer.</p>
<p>Financial incentives</p> <p>Financial incentives can increase employment retention.</p> <p>Opportunities for better pay and advancement (which is improved by better skills) can also make a difference.</p>	<p>HM Treasury</p> <p>Department for Work and Pensions</p> <p>Employment service providers</p>	<p>Childcare subsidies; Tax Credits; and financial rewards for staying in work for a certain period (or periods) of time; in-work emergency funds.</p>
<p>Employer-focused, demand-led strategies</p> <p>'Demand-led' strategies involve working with employers to understand the skills needed in the sector, then helping people to gain those economically useful skills.</p> <p>Encourage employers to support flexible work practices.</p> <p>Jobs that are part of well defined career ladders, with clear qualifications structures linked to increases in pay can improve retention in the longer term.</p>	<p>Jobcentre Plus</p> <p>Employment service providers</p> <p>Learning and Skills Council</p> <p>Local Strategic Partnerships</p> <p>Sector Skills Councils</p> <p>Employers</p>	<p>Work with employers to identify vacancies and the competencies needed by successful candidates and help people access training for the skills they need to take up the vacancies.</p> <p>While career structures are the employer's responsibility, vocational qualifications are overseen by the Department for Innovation, Universities and Skills, and the Qualifications and Curriculum Authority. Working in collaboration with Sector Skills Councils, and the Learning and Skills Council they aim to build a qualifications framework that meets employer needs.</p>

Source: National Audit Office literature review

PART TWO

How far employment programmes lead to sustainable employment

The trouble is if you do a job for seven or eight weeks and then you go back and have to sign on again because the job falls flat ...you're starting from scratch

Focus group participant, Liverpool

2.1 In this part of the report we examine whether people who move into work under the New Deal and Employment Zone programmes sustain those jobs over time, return to benefit, or go back onto programmes. We consider the relationship between sustainable employment and the cost-effectiveness of employment programmes.

Better data is now available to monitor long-term sustainability of outcomes from employment programmes

2.2 The data on the number of people helped into work under the New Deal programmes is based on relatively simple measures. Jobcentre Plus advisers record a job 'outcome' if a person starts a job expected to last for at least 13 weeks within six weeks^j of finishing a programme. For Employment Zones, if a participant stays in work for 13 weeks, this is recorded as a 'sustained' job. These measures do not take into account what happens to a person over a longer period, and do not consider aggregate periods in employment, where a person moves from the first job into other work.

2.3 In 2005, the Department for Work and Pensions developed a longitudinal database to link data on a person's time on social security benefits and employment programmes with their employment records, using income tax information from Her Majesty's Revenue & Customs. Thus the Department can track longer-term outcomes,

including whether people stay in work, return to benefit or to employment programmes. We used this data to examine how long people taking part in New Deal programmes in 2001-02 and in 2002-03 stayed in work.^k

When people leave New Deal and Employment Zone programmes for paid employment, the average spell of initial employment is over six months

2.4 We examined data for 450,000 people participating in programmes in 2002-03. The data showed between 12 and 21 per cent of people participating in the New Deal and Employment Zone programmes moving into work immediately after the programme.^l **Figure 6** looks more closely at this group who moved straight into work from programmes, and shows that during the 12 months after they completed the programme, between 25 and 36 per cent of these people stayed in work for less than three months, and between 26 and 40 per cent stayed in work for the entire twelve months. The average (mean) spell in employment for this group during the year was more than six months.

The longer term outcomes for programme participants appear similar to the short term outcomes

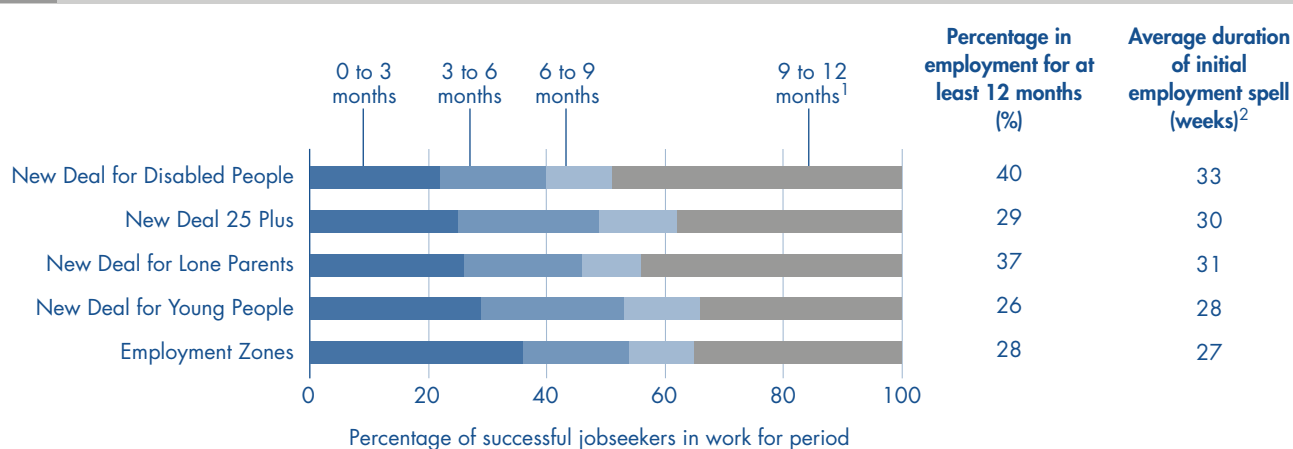
2.5 We examined the longer term outcomes of participants, up to four years following their participation in a programme, to see if over time people spent a greater proportion of time in employment. To do this we examined a cohort of 336,000 people who took part in the New Deal for Young People, the New Deal 25 Plus, and the New Deal for Lone Parents during 1999-00.

^j For clients on Jobseeker's allowance, a job 'outcome' means a job of at least 16 hours per week expected to last 13 weeks and started within six weeks of leaving provision. For Inactive customers and clients on Progress to Work/Link Up the job must be for at least eight hours per week, expected to last for at least 13 weeks and started within six weeks of leaving provision. For provision under contracts that started before 1st April 2006, an outcome may be claimed if a person starts a job which is expected to last for at least 13 weeks within 13 weeks of leaving provision.

^k Figures in this analysis can only be taken as a minimum, for a number of reasons, including the fact that a person may be in work but not recorded if their earnings are low and fall below the income tax threshold; this data does not include the self-employed.

^l It is likely that this figure understates the percentage of participants who moved into work, for the reasons above.

6 For people who move directly into work from employment programmes, the average initial employment spell is more than 6 months



Source: Work commissioned by the National Audit Office and undertaken by the Social Disadvantage Research Centre, University of Oxford

NOTES

Based on a cohort of employment programme participants 2002-03.

1 Those who stay in work for 9 to 12 months may stay in work longer.

2 This is the average (mean) during the 12 months after leaving programmes. The exclusion of periods of work beyond the 12 month period limits the average.

2.6 The results were similar to the one-year outcomes of the cohort of 2002-03. In the four years after they took part in the programme^m:

- the New Deal for Lone Parents cohort spent, on average, 26 per cent of the time in employment, 26 per cent of time on benefit and around 6 per cent of the time back on the New Deal for Lone Parents;
- the New Deal for Young People cohort spent, on average, 24 per cent of the time in employment, 24 per cent of time on benefit and around 5 per cent of the time back on the New Deal for Young People; and
- the New Deal 25 Plus cohort spent, on average, 10 per cent of the time in employment, 30 per cent of the time on Jobseeker's Allowance, 13 per cent of the time on other benefits and 8 per cent of the time back on New Deal programmes.

Improving sustainability can improve the cost-effectiveness of programmes

2.7 The Department for Work and Pensions conducts cost-benefit analysis of programmes using the best evidence they have on how long people stay in work

and the entry salaries they achieve. These calculations take into account the costs of the programme and the benefits to the Exchequer if a person finds work (including benefit savings, Income Tax paid, and National Insurance contributions) less costs to the Exchequer (in Tax Credits).ⁿ As we have discussed in earlier reports²¹, there are other positive outcomes from employment programmes and from moving into work, including increases in health and well-being, which are not included in this cost-benefit analysis.

2.8 **Figure 7 overleaf** sets out a sample calculation for the New Deal for Lone Parents, showing how job duration influences cost-effectiveness. Programme costs per additional job are a one-off investment, while the benefits to the Exchequer from benefit savings and increased taxation continue for each month the person is in work.

2.9 **Figure 8 overleaf** shows the number of months that employment needs to be sustained for programmes to contribute a net benefit. More than half of the programmes break even if outcomes are sustained beyond 22 months and for the New Deal programmes this varies from 8½ months (New Deal 50 Plus) to 22 months (New Deal for Young People).

^m Figures do not add to 100 per cent, as approximately 40 per cent of participant time was not recorded on the database. This could mean that they were: in work but earning less than tax thresholds, not claiming benefit; a student; a dependant of another person; or may have emigrated.

ⁿ The cost-effectiveness calculation recognises the fact that some people may have gained jobs without the programme (the additionality of the jobs gained) and only counts the jobs estimated to be additional due to the programme. This is necessarily an estimate, based on programme evaluations.

7 Increasing job duration improves the cost-effectiveness of employment programmes per job outcome

Sample calculation for New Deal for Lone Parents

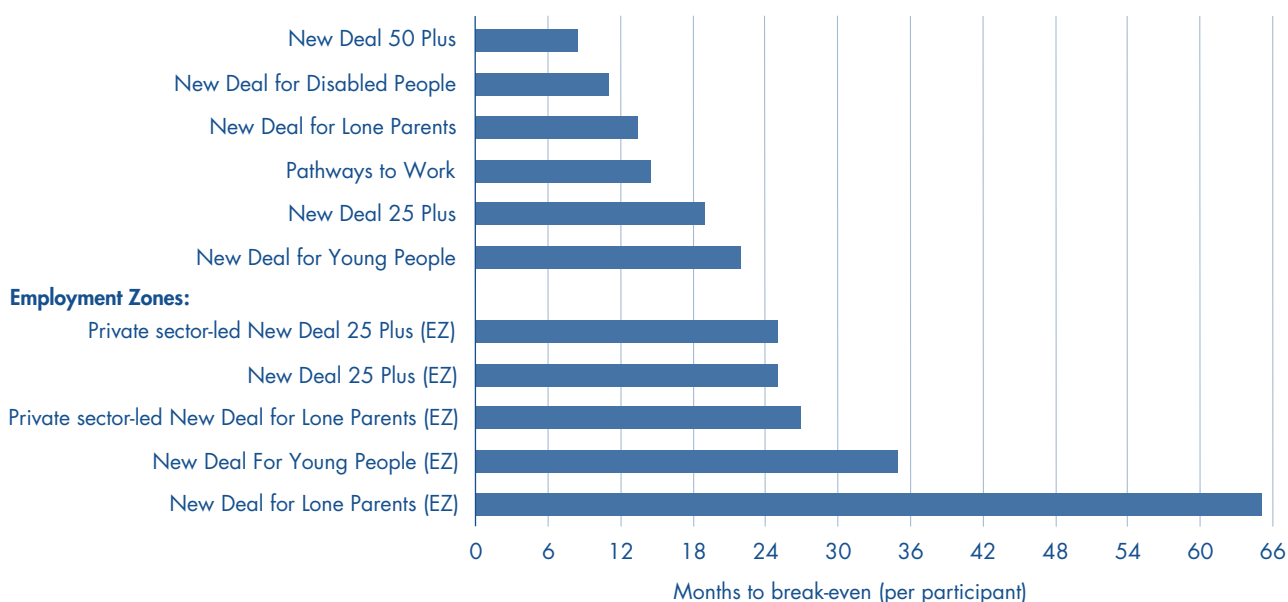
		Job duration			
		6 months (£)	12 months (£)	18 months (£)	24 months (£)
Costs to Exchequer	Programme costs per additional job ¹	(4,948)	(4,948)	(4,948)	(4,948)
	Tax Credits per person	(1,625)	(3,249)	(4,873)	(6,498)
Total costs		(6,573)	(8,197)	(9,822)	(11,446)
Benefit savings	Department for Work and Pensions benefits	1,499	2,998	4,497	5,996
	Housing Benefit/Council Tax Benefit	853	1,706	2,559	3,412
Additional revenue to Exchequer from being in-work ²	Income Tax paid	172	343	514	686
	National Insurance	149	298	447	596
	Employers National Insurance	175	349	524	698
	Indirect taxation	976	1,952	2,928	3,904
Total benefits to Exchequer (£)		3,823	7,646	11,469	15,292
Net (cost)/benefit (£)		(2,750)	(551)	1,648	3,846

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

NOTES

- 1 Additional jobs are jobs gained that are additional to those that might have been gained without the programme.
- 2 The gross earnings assumed for the above calculations were £7,618 per year.

8 Most programmes break-even if employment is sustained for over 22 months



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

NOTE

New Deal for Partners does not break even over this time frame due to the low number of participants and additional job outcomes. If the number of additional jobs was doubled the programme would break even in 24 months.

PART THREE

Supporting sustainable employment through work preparation, job placement and in-work support

'I want a permanent job not a temporary job.'

Focus group participant, Liverpool

'Unless you can see the job as a long-term thing you know there's no incentive to get on with it.'

Focus group participant, Plymouth

3.1 This part of the report examines whether a person's likelihood of sustaining a job is considered when helping them prepare for work and find a job. It also examines whether effective in-work support is provided and how the Department for Work and Pensions and Jobcentre Plus are working to improve sustainability.

To date, mainstream employment programmes have placed limited emphasis on sustainable employment

3.2 The Welfare to Work framework focuses on helping people to find work as quickly as possible. This is typically what people want, and has helped many into employment. However, there is evidence from some programme evaluations²² that taking 'any job' – without making sure they are suitable for the work, that the job meets their needs and that they have (or will have the opportunity to gain) the skills necessary to stay in work and advance – can lead to a cycle of moving on and off benefits.

3.3 The performance framework for Jobcentre Plus personal advisers focuses on job outcomes, without an emphasis on whether jobs are sustained. In March 2007, the Department for Work and Pensions provided guidance to personal advisers that while 'work first' remains the approach to service delivery, the desired outcome is to help people, especially families, out of poverty. Accordingly, advisers should discuss employment opportunities with jobseekers taking into account the need to build a stable future for them and their families.²³

In practice this means that advisers are encouraged to consider whether a vacancy will suit a client's long-term needs, and whether they have the skills to sustain the position in the long term, or if in some cases they may be better off delaying entry to work to increase their skills.

3.4 Contracts for Employment Zone providers consider sustainability up to 13 weeks after placement, and offer payment incentives for providers to keep people at work to this point. We found that employment service providers were very focused on helping clients to reach the 13-week target. In London, one provider had a 'constant care' team, which kept in touch with programme participants for 13 weeks after they had accepted a job. Another had a dedicated 'in-work' team providing support for the first six weeks in a job. Most providers we examined only tracked sustainability for 13 weeks, the exception being Skillsmatch, an employment service run by the London Borough of Tower Hamlets, which tracked for six months.

3.5 A number of commentators have noted that 13 weeks is too short a time for a job to be considered 'sustainable', and that some other countries have a longer equivalent period – for example the equivalent period in New Zealand is six months. The Freud review of Welfare to Work reform²⁴ highlighted this relatively short time and suggested that incentives for providers to maintain people at work for a longer period (up to three years) should be built into contracts.

Working with employers to improve the match between people and jobs can increase sustainability

3.6 Closer working with employers improves understanding of the skills and qualities employers are looking for, and can also encourage employers to take action to improve retention and help their employees progress via training, mentoring and access to flexible working opportunities. Jobcentre Plus staff work with local

employers in a number of different ways: Labour Market Recruitment Advisers help identify and list vacancies; and personal advisers work with employers to arrange work experience and subsidised employment for people on the New Deal and other employment programmes.

3.7 Qualitative research²⁵ into the Jobcentre Plus employer engagement strategy has found that Jobcentre Plus has not always been able to match the right person to the right job, primarily because of a mismatch between vacancies and candidates with appropriate skills, characteristics and attitudes, and because frontline staff lacked sufficient time to match people to vacancies. Evidence from evaluations has also suggested that personal advisers can be reluctant to engage with employers. Learning from this experience, Employment Zone providers have separated the client adviser role from the employer engagement role, and have dedicated staff whose role is to engage employers, identify vacancies and generate work placements.

3.8 On a national and local level, Jobcentre Plus is undertaking more partnership work with employers. The 2007 Budget speech announced that six large retail employers had agreed to work in local partnerships with Jobcentre Plus to encourage their local managers to enter partnership agreements to support benefit claimants into work. Partnership activity may include:

- offering two to four week work trials to a number of local benefit claimants;
- increasing subsidised employment places available to New Deal participants;
- helping Jobcentre Plus and partners design pre-employment training programmes that meet employers' needs, and guaranteeing interviews to local benefit claimants who complete the training; and
- encouraging their employees to mentor long-term benefit claimants to help prepare them for work.

The six companies involved are Tesco, Sainsbury's, Asda, B&Q, Marks and Spencer and the British Retail Consortium. A further 113 companies have since agreed to participate from a range of sectors including finance, hospitality, security and public sector organisations.

3.9 During our fieldwork and case study visits we found examples of employment providers and local partnerships working with employers and candidates in various ways to prepare people for the realities of working life, and to help people into jobs that offer a career path (**Case Studies 1 and 2**).

CASE STUDY 1

Working Links helping people prepare for working life

Working Links delivers Employment Zone support in some of the United Kingdom's most deprived areas. This support includes training in the skills needed for job search, job applications and preparing for interviews. Participants are also taught skills they will need in working life, including time-keeping and budgeting, and given an opportunity to plan for personal difficulties they may face during the transition to work, such as managing debt repayments.

Working Links works closely with employers, and delivers targeted work-preparation assistance matched to local employment opportunities. As part of this activity, Working Links tries to prepare candidates for the challenges they will face in the job and give a clear picture of what it will be like working in the particular industry or organisation they are training for. For example, they deliver a six-week construction course which teaches technical skills but also considers the physical demands of working full-time in the industry. As well as covering essentials like site safety, the course also works on building physical fitness, and includes discussion with a physiotherapist about nutrition and fitness.

Source: National Audit Office fieldwork

CASE STUDY 2

Ambition Health: helping people into jobs with career prospects

Ambition Health is a partnership programme in the North West that prepares people for vacancies identified by healthcare managers. Partners include Jobcentre Plus, the Learning and Skills Council and Primary Care Trusts. Colleges provide a 10 week course, which includes support for childcare and other learner needs, and the Trusts then offer a 12 week work placement, with an interview for a permanent job at the end of the placement. Key elements of the programme that support sustainability include: Trusts providing dedicated staff to support people during placements; offering participants a potential career path, not just a job; and designing the work preparation/training programme jointly by training providers and client employers to meet employer needs.

Lone parents participating in the programme found that the programme met their individual needs by offering an opportunity for a job which had career prospects and flexible hours; the programme prepared them well for the demands of the work placement and allowed them to build confidence and work survival skills; and their participation in work was having positive effects on the rest of the family – for example, one participant's teenage child had taken a Saturday job because of the role model of the mother working. NHS managers were also positive about the programme, which has reduced attrition and saved time and money spent on training employees who turn out to be unsuitable. To date, 220 people, out of 417 starting the programme, have entered employment with this support.

Source: National Audit Office fieldwork

Mainstream employment programmes provide limited in-work support and evidence on what works is scarce

I did get three or four phone calls I think probably once a month after I was in employment ... just to check that everything was going all right ... which was nice, it was a good little boost

Focus group participant, Plymouth

When I did get a job, the moment I signed off all the support just stopped. If I had had support I may not have got to the state that I was in and I may have been able to continue working

Focus group participant, Plymouth

3.10 Not everyone who is helped to find work by employment services wants or needs further support after they find a job, but the barriers that keep people out of work do not stop when they start work. Support can help deal with unanticipated problems that might derail a person's re-entry into working life. In our case study areas most providers and clients described in-work support, where provided, as telephone calls to check on progress and see if any support was needed. Other types of in-work support include:

- contact with an adviser at agreed, regular times;
- recognition or reward for staying in work for a certain period of time;
- financial help for unexpected work-related expenses;
- in-work training opportunities for development and advancement;
- mentoring to help people get to know the workplace and develop the soft skills needed to succeed; and
- mediation if problems arise between the client and employer.

3.11 Some employment programmes, including the New Deal for Lone Parents and the New Deal for Disabled People, provide in-work support as part of their normal programme provision. This is typically financial support to assist with costs during the early part of the transition to work and/or ongoing contact with personal advisers. In our fieldwork we found that many advisers had clients that they were still in touch with, up to two years after they had completed programmes, but that this was usually based on individual relationships rather than because they believed a particular client was at risk of job exit.

3.12 Appendix 3 outlines the in-work support elements in the major employment programmes and summarises evaluation findings on whether this support has been found to improve the sustainability of employment. The findings indicate that:

- While both clients and advisers were positive about in-work support from case managers, there is little quantifiable evidence on its impact on job retention and progression. The exception is for disabled workers, where the provision of in-work case management has been found to play a positive role in helping people take up and stay in work.
- The contributions of financial incentives and financial support to job sustainability are mixed. Most evaluations suggest that the offer of in-work financial support does not appear to be an incentive for those not already considering work, but that it does seem to make a difference in sustaining people in the first weeks in a new job, particularly lone parents.

Pilot programmes are testing ways to improve sustainable employment however the cost-effectiveness of these programmes has not yet been established

3.13 One factor consistently identified as contributing to more sustainable employment is to help people to access 'higher quality' jobs, with better pay and conditions. Two programmes, Ambition and the Employment Retention and Advancement programme, have tested this approach, however both have had relatively low participation and limited evidence on cost-effectiveness. Between 2002 and 2005, the Department for Work and Pensions and Jobcentre Plus piloted the Ambition programme to test ways to assist disadvantaged jobseekers (particularly those on the New Deals, lone parents, the disabled, over 50s, and ethnic minority groups) to find high-quality, well-paid and sustainable jobs. The programme identified specific sectors and occupations where there was a demonstrated demand for recruits. Packages of training and work experience specifically tailored to meet employer needs were developed in collaboration with employers. An evaluation²⁶ of the programme identified the following challenges in implementing it: high demands on the resources of Jobcentre Plus to research local demand, engage with employers and build employer confidence; low participation; and the high cost per job outcome. Due to these considerations, the pilot was closed in 2005.

3.14 In 2003, the Department for Work and Pensions established the Employment Retention and Advancement programme (**Figure 9**) offering a comprehensive mix of support for pre-work preparation, in-work case management, financial incentives, and support for in-work training and advancement. It is too early to draw clear conclusions, but early evaluations²⁷ I have shown some positive impacts: lone parents on New Deal taking part in the programme earned substantially more than they would have earned without it and were more likely to work full-time than the control group; participation in the programme increased the likelihood that lone parents working part-time when they entered the programme would work full-time, although it did not substantially increase their first year earnings; and participants were more likely to combine education and training with employment than they would have done without the programme. However to date the programme had not increased sustainability at 12 months. Full evaluation, including whether the support is cost-effective, will be conducted at the conclusion of the demonstration in 2010.

3.15 A key element of both Ambition and the Employment Retention and Advancement Programme has been an emphasis on support for participants to undertake in-work training to support advancement. The returns on this element are likely to take many years, making their cost-effectiveness difficult to measure in the short term. In the next parts of this report we examine the relationship between skills, qualifications and sustainable employment in more detail.

9 The Employment Retention and Advancement programme

The Employment Retention and Advancement demonstration aims to test measures to help three groups that have difficulty getting and keeping full-time work or advancing to more secure and better paid positions: lone parents who receive Income Support and volunteer for the New Deal for Lone Parents; longer-term unemployed people over age 25 who receive Jobseeker's Allowance and were required to enter the New Deal 25 Plus programme; and lone parents who are already working part-time (16 to 29 hours a week) and are receiving Working Tax Credit.

The programme begins with up to nine months of pre-employment assistance, and continues into a two-year in-work phase. During this period Advancement Support Advisers help clients to find suitable work, to stay at work, and advance in the job. The programme offers:

- an employment retention bonus of up to six payments of £400 for each period of least 30 hours worked per week for 13 out of 17 weeks;
- training assistance (training course tuition fees up to £1,000 if training undertaken while working 16 hours or more per week) and a bonus for successfully completing training while employed (£8 for every hour of training up to £1,000); and
- access to emergency payments to overcome short-term barriers to staying in work.

Source: National Audit Office literature review

NOTE

Appendix 3 provides further details on the programme.

PART FOUR

Skills and sustainable employment

There's a lot of part-time positions, and there's full-time positions but you have to have a National qualification and I'm only partly qualified.

Focus group participant, Liverpool

4.1 Although the United Kingdom has narrowed the productivity gap with its major competitors, it still lags behind the most successful economies. A major reason is weaknesses in our skills base. The Leitch review noted that more than a third of all adults in the United Kingdom do not have the equivalent of a basic school leaving certificate, 6.8 million people have serious problems with numbers and 5 million people are not functionally literate.³⁰

4.2 In this part of our report we consider why skills are increasingly important in gaining and sustaining employment. We examine how the Department for Innovation, Universities and Skills and the Learning and Skills Council are working to encourage training provision for low-skilled and low-qualified people. As part of this work, we commissioned an investigation into national, regional and local labour markets, to look at how the match between available jobs and the skills of the workforce operates. The full report, *Local labour market analysis*, is available at www.nao.gov.uk.

Improving skills is essential to achieving sustainable employment

4.3 Skills, as measured through qualifications (**Figure 10 overleaf**) are important to gaining jobs and to advancing at work. Data shows that the workless population tend to have lower qualifications than those in work. People who cycle between work and benefit also tend to have lower qualifications than the in-work population and are more likely to have literacy or numeracy problems. This is not to say that low qualifications *cause* worklessness or repeated spells on benefit.^o However:

- Relevant skills and qualifications can help people find work that is higher paid and in sectors and occupations where there is lower turn-over of employees. Our labour market analysis showed that greatest number of vacancies are in elementary occupations which are usually available to people with low or no qualifications. However, other occupational categories have more jobs, indicating that these elementary occupations have a high turnover (**Figure 11 overleaf**). Nationally, 9.6 per cent of all those employed in elementary occupations had started within the previous three months. By comparison, for all other occupations the average was around 4.5 per cent.
- Skills and qualifications can help people compete for available jobs more effectively, so long as they offer a sufficiently broad base of economically valuable skills. Even for elementary occupations, which do not normally require qualifications, around one in three people recruited to jobs have qualifications – some at Level 2 and above.

^o A number of other National Audit Office reports, for example, *Helping people from workless households into work*, HC 609, Session 2006-2007, examine factors associated with employment disadvantage in more detail.

10 Skills and qualifications: what is the difference?

Much of the discussion in this part of the report focuses on **qualifications**, which are related to but not the same as **skills**. Qualifications certify a person’s skill level at a particular time. A person’s actual skill level may increase or decrease over time and they may also have skills that are not certified through the qualifications system.

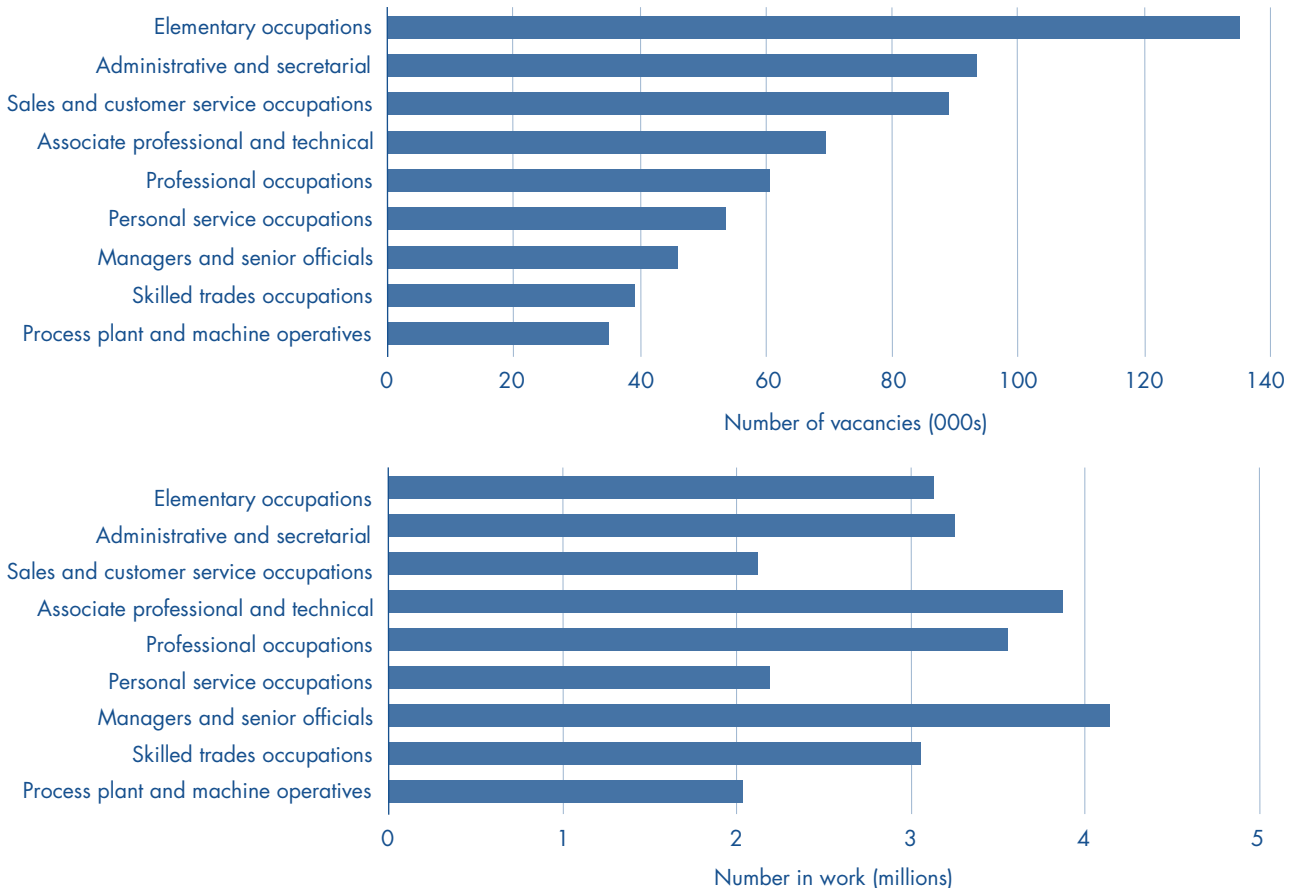
Employers often use qualifications as a quick way of screening applicants for positions, so people whose skills are certified through qualifications may have an advantage over people without qualifications when they are seeking work. However, particularly for low-skilled jobs, employers may also value attributes that are not measured through the qualifications system (for example, previous work experience, team-work, reliability, punctuality and honesty). Many jobs that do not require formal qualifications do require skills.

Source: National Audit Office literature review

- In the longer term, it has been predicted that demand for elementary occupations will decline,²⁸ which means that the lowest skilled will face increasing competition for work.

4.4 Qualifications are also important to ‘move up the ladder’ in work. In today’s employment market, career paths often cross between organisations, with people moving sideways from one organisation to another. As a consequence, people within an organisation face competition from outside for internal promotion. Unless they have the skills and qualifications to compete, the people in the lowest paid/lowest status jobs in an organisation are likely to stay there.²⁹ The challenge that low-skilled employees face is increased by the fact that the people with lowest skills are least likely to be trained by their employers.³⁰ Around 35 per cent of employers do not invest in training³¹ and many employers are reluctant to invest in basic skills such as literacy and numeracy.

11 Elementary occupations have the most vacancies, but many other occupations have more jobs



Source: Local labour market analysis: a report to the National Audit Office prepared by the Centre for Economic and Social Inclusion. Data from the Labour Force Survey and Office for National Statistics, July to September 2006

Understanding local skills needs is essential

4.5 Many locations with numbers of workless people also have opportunities for work. However, jobseekers may not have the right skills, experience or qualifications for the available jobs. In our surveys of Regional Development Agencies and Local Strategic Partnerships, eight of the nine Regional Development Agencies and 78 per cent of the Local Strategic Partnerships thought that a 'skills mismatch' was one of the barriers to employment in their area.

4.6 The jobs available, the skills needed and the skills of the people looking for work vary between regions and these variations can be even greater at the local level. Appendix 4 provides further detail. One consequence of this local variation is that linking skills provision to local labour market needs is of critical importance. In Part 3 of the report we considered how Jobcentre Plus is increasing collaboration with employers, and the same principle underpins the Government's policy on improving skills, where collaboration with employers, at both national and local levels, is seen as fundamental to success.

4.7 The Leitch review suggested that the new United Kingdom Commission for Employment and Skills should support a network of employer-led Employment and Skills Boards. Some local partners in major cities have already started forming Employment and Skills Boards. They bring partners together in a locality to ensure employment and skills services are integrated and to support economic development within the framework of the Regional Economic Strategies.

Adult training provision is becoming increasingly responsive to employers

4.8 A range of changes to skills provision arrangements aim to create a further education service that is responsive to employers.

- **Adult vocational qualification reforms.** Reforms of the vocational qualification system began in 2003 and aim to rationalise vocational qualifications so that they reflect employer and learner needs, offer clear progression routes and provide recognised and valued levels of skills both within and across

sectors. The reformed system will be more demanded giving Sector Skills Councils a central role. Employers and providers will have a greater range of options for having their own training nationally accredited. The system will be consistent across England, Wales and Northern Ireland, and there will be clear read-across with the Scottish and European qualifications frameworks. All vocational qualifications should be within the new system by the end of 2010.

- **The Framework for Excellence.** The Department for Innovation, Universities and Skills has asked the Learning and Skills Council to develop standard indicators for assessing the quality of provision in post-16 learning providers. The main aim is to provide a single framework for assessing and reporting achievement in three key areas of performance, leading to a single overall performance rating for each institution. Responsiveness has been identified as one of these key performance areas, and the overall rating will therefore reflect how responsive providers are to both learners and employers. The framework is currently being piloted and is due to be implemented from summer 2008.
- **New standard for employer responsiveness and vocational excellence.** This standard for employer responsiveness and vocational excellence will provide a badge of quality for employers to look for when purchasing training. It will accredit a provider's responsiveness to business needs; their excellence in delivering training to employers; a commitment to continuous improvement and sector specialisation. Roll-out of this standard began in June 2007.
- **National Skills Academies.** It is planned that a growing network of National Skills Academies will support a partnership approach between government and employers and raise standards of provision to meet employers' specific skill needs. National Skills Academies will have a broad national and sectoral view and will also take a longer term view on the sectors skills needs. They will be expected to engage national employers in their activities, to promote the wider benefits of skills development to employers and to provide information, support and training for their sector as a whole.
- **Train to gain.** See paragraphs 4.11 to 4.12.

Programmes to raise skills are seeking to increase the participation of employers in training low-qualified staff

4.9 Raising an individual’s level of qualification can support job sustainability if those qualifications reflect skills that employers value, and are consequently prepared to pay higher wages for. However, recent analysis³² indicates that some lower-level vocational qualifications (below NVQ Level 2) had minimal impact on the wage returns to some people.^p The same research suggested that the exception to this was qualifications gained in the workplace, where gaining qualifications at this level was associated with increased wages. For those with low or no qualifications, the best return was on qualifications gained in the workplace. Achieving a Level 2 qualification has other impacts, for example people with a Level 2 qualification are more likely to be in employment, to be trained by their employer, and to have confidence in their own ability to learn.

4.10 Based on the evidence that the low-skilled were the least likely to receive training from their employers and that the best return on training for the low-skilled was gained when qualifications are gained in the workplace, there have been a number of efforts to engage employers in training provision for the low skilled. In 2002, the then Department for Education and Skills established Employer Training Pilots, offering fully or partially subsidised training to employees without a Level 2 qualification, some wage compensation to their employers for time off to train, and access to information, advice and guidance. Evaluation³³ of the first year of the programme estimated that only about 10 to 15 per cent of the training would not have taken place without the programme, and that it was reaching relatively few employers who would not normally provide training. By March 2006, 30,000 employers and nearly 260,000 employees had been involved in the pilots.

4.11 Building on the experience of these pilots, the Department for Education and Skills launched the Train to Gain programme in April 2006. Starting from a base of £300 million spent in 2005-06, the programme has a planned spend of up to £900 million by 2010-11, and is part of plans to spend an increasing proportion of the Learning and Skills Council’s funding on employer-focused training. Train to Gain currently offers:

- a free skills brokerage service aimed at a range of employees, with 51 per cent targeted at hard to reach employers (employers who do not have a record of training their workforce), to source any training they need at all levels;
- fully subsidised training for low-skilled workers up to a first full Level 2 qualification,^q and with support for progression to Level 3 in all regions;^r
- access to specialist information, advice and guidance for employees, accessible through the workplace; and
- for employers with less than 50 employees, wage compensation for the time employees spend in training.

4.12 Train to Gain started in April 2006 in 20 Learning and Skills Council local areas which previously ran Employer Training Pilots and commenced in the remaining 27 areas in August 2006. It is too early to judge if the programme is achieving its objectives of building productivity and competitiveness, but early indications are that Train to Gain is engaging with large numbers of hard-to-reach employers. So far, employers engaged and learner starts are below the planned profiles, but the proportion of hard-to-reach employers engaged in the programme has been higher than the planned level (Figure 12).

12 Train to Gain is engaging with hard to reach employers

Performance (April 2006 to June 2007)	Planned	Actual
Employers engaged	47,770	47,000
Hard to reach employers ¹	51 per cent	72 per cent
Learner starts	313,590	229,470
Employer satisfaction	90 per cent	86 per cent

Source: National Audit Office analysis of Learning and Skills Council data and literature review

NOTE

¹ Hard to reach employers are defined as employers that are not Investors in People recognised and have not accessed substantial vocational training leading to a qualification within the last 12 months.

p This is not to say that all low level qualifications offer no wage benefit. The outcome varies by qualification, occupation and industry.
 q A full Level 2 qualification is equivalent to five GCSEs at Grade A*-C.
 r A Level 3 qualification is equivalent to an A Level qualification. The Government is committed to matched funding for Level 3 programmes in the academic year 2008-09.

4.13 In response to the Leitch review, the Department for Innovation, Universities and Skills intends to broaden the programme, so that it helps employers of all sizes and in all sectors. The Learning and Skills Council plans to publish a detailed delivery plan for the expansion later in 2007.

4.14 In February 2007, the then Department for Education and Skills announced the Skills Pledge for employers in England to commit voluntarily to support their employees to obtain basic skills, including literacy and numeracy, and to work towards relevant qualifications to at least Level 2 in the workplace. The Skills Pledge is open to all employers and aims to stimulate demand for training services and to support a culture where gaining skills is taken as a matter of course. By October 2007, over 400 private and public sector employers covering almost 2.5 million employees had made the pledge. A further 1210 employers had expressed an interest and been referred to Skills Brokers to work through the process of making a formal commitment.

Interim targets for raising adult skills have been met

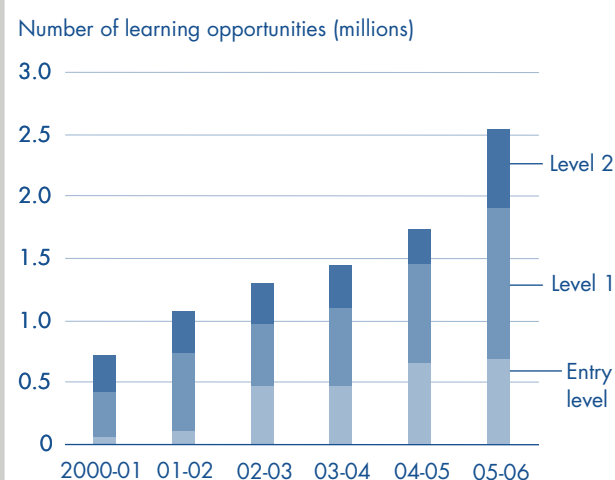
4.15 All low-qualified adults in England are entitled to free training provision to help them obtain an adult literacy, numeracy or a first full Level 2 qualification. The Department for Innovation, Universities and Skills has key targets to:

- improve the basic skills levels of 2.25 million adults between 2001 and 2010, with an interim target of 1.5 million by 2007; and
- reduce by 40 per cent the number of adults in the workforce that have not achieved a Level 2 qualification or higher by 2010, with an interim target of 1 million more adults in the workforce to achieve a Level 2 or higher between 2003 and 2006.

Both interim targets have been met: 1.76 million adults had improved their basic skills and 1.14 million more adults had achieved at least a Level 2 qualification by the end of 2006.⁵

4.16 The number of available basic skills course places has been increasing steadily (**Figure 13**) since 2001. An increasing proportion of learning opportunities provided in recent years have been at Levels 1 and 2, reflecting the policy of focussing funding on priority learning aims that support learner progression from Entry Level to the achievement of higher, functional levels of skills.

13 The number of course places available continues to rise



Source: National Audit Office analysis of Learning and Skills Council data

Increasing flexibility and responsiveness of learning is a key requirement of employers and individuals

4.17 Employers want the courses their employees undertake to fit in with work patterns, and individuals are more likely to take up and continue learning if it fits with their life and other demands on their time. A range of reviews, including reports we have published in recent years,³⁴ have demonstrated the importance, to both employers and individuals, of learning being flexible in terms of the time of day, location and mode of learning. In particular, our report on *Employer perspectives on improving skills for employment* showed that employers value training providers who understand the constraints on businesses, and illustrated how some further education colleges and other training providers have provided training that meets employers' and employees' needs.

4.18 Increased responsiveness in frontline services is insufficient on its own, and has to be supported by flexibility in the learning and skills system. Employers want training for economically useful skills, not necessarily qualifications, and modules of courses that can be accumulated as credits are being developed with the aim of supporting learning that is more relevant and up-to-date. Changes are being made to give individuals

⁵ The increase in the number of adults with at least a Level 2 qualification as recorded in the Labour Force Survey. The Learning and Skills Council estimates that 422,000 first Level 2 achievements were delivered through provision funded by the Learning and Skills Council between academic years 2001 and 2006.

greater choice in training provision. In July 2007 the Government committed to trialling the concept of skills accounts to give adult learners greater choice and control over learning. Learner Accounts are being trialled for Level 3 learners in the South East and East Midlands.^t The accounts allow learners to decide which training will be purchased, advice and guidance is available to help them choose from a wide range of accredited learning providers. The pilots will provide around 4,000 Learner Accounts at a cost of £10 million. Evaluation of these trials will be used to develop a national system for Skills Accounts.

4.19 The concept of skills ‘accounts’ was first introduced in England in 2000, as Individual Learner Accounts. The programme closed in 2001 following evidence of significant potential fraud and abuse.³⁵ Adult Learner Account pilots have introduced safeguards to reduce the risk of fraud and will be delivered through providers that have met Learning and Skills Council quality assurance standards and deliver approved learning. The publicly funded contribution toward tuition costs will be through secure and tested mechanisms. Individuals will choose a learning provider and a learning aim approved for public funding, and these choices will enable the provider to draw down on public funds. These funds will not leave the further education system, and so an Adult Learner Account will in effect, therefore, be a virtual account, and will be subject to standard audit requirements. In 2006, the Education and Skills Select Committee commended the Government’s decision to return with a new proposal in this area, noting that the predecessor Committee had found that the problem with Individual Learner Accounts had been essentially one of maladministration rather than a fundamental problem with the concept of an accounts-based approach.³⁶

4.20 The Department for Innovation, Universities and Skills plans to build on the trials of Learner Accounts to develop Skills Accounts. These are to be developed as part of an integrated skills and employment service which will provide more tailored employment and skills opportunities to meet the needs of low-skilled and unemployed adults, by giving choice over their learning and access to training that will support a return to work. In the next part of the report we examine other actions that are being taken to improve integration between skills and employment services.

^t Learner accounts have been operating in both Wales and Scotland, since 2003 and 2004 respectively. Both schemes are targeted at lower levels of learning than the English scheme.

PART FIVE

Supporting sustainable employment through better integration of employment and skills support

5.1 This part of our report examines how employment support and programmes to raise skills are working together to help people stay in work and advance. We consider how long-standing issues around information, advice and guidance, the connection between pre- and post-employment support, and consistency of national targets are being addressed.

There are plans to integrate information and advice services for adults

5.2 For people to consider improving their skills they need access to good-quality, impartial information and advice on local learning opportunities and how the available courses relate to employment opportunities in their local labour market. This makes effective information, advice and guidance services crucial. Changes have been made in recent years to improve the accessibility and the quality of adult information, advice and guidance services, and to integrate face-to-face, telephone and web-based information and advice services where they are funded by the Learning and Skills Council. Free information and advice is available to adults through learndirect's national telephone and on-line service and face-to-face services are provided through nextstep. Ofsted inspection has been extended to information advice and guidance services funded by the Learning and Skills Council to improve the quality of help provided, and the services are required to be accredited against national quality standards.

5.3 The Leitch review found that more needed to be done to integrate advice on learning with advice on careers. People were unclear where to go for help, which partly reflected the separation between Jobcentre Plus' advice on employment and the other sources of advice and help in finding a relevant course. In our case study areas we found examples of information, advice and guidance services co-locating within Jobcentre Plus offices. However, clients in our focus groups were confused by the many different brandings of information services. There has been increased partnership working

between information advice and guidance services and Jobcentre Plus and nearly 40 per cent of unemployed adults receiving face-to-face help are now referred by Jobcentre Plus.

5.4 In July 2007 the Government announced³⁷ plans for a new universal careers service for England. The service aims to draw together information on jobs, training, childcare and living costs, with signposting to advice on wider issues such as health or transport. The information and advice services of learndirect and nextstep providers will merge to form the service, in partnership with Jobcentre Plus. The key features of the proposed service are set out in **Figure 14 overleaf**. It is planned to focus strongly on sustainable employment and progression, underpinned by information on the labour market and occupations which is to be developed and maintained by Sector Skills Councils, Jobcentre Plus and other partners. Trials of the new service will start in 2008-09, aiming to be fully operational by 2010-11.

More progress is required and planned to integrate pre-work and in-work skills support

5.5 Some people with skills needs address them prior to finding employment.³⁸ However, many people who start training to improve their skills while looking for work find they have to choose between leaving the course unfinished or missing out on a job offer. Linking pre-employment and in-work provision can help people get into work quickly while building a more skilled and productive workforce, and supporting individuals to gain the skills they need for longer term sustainable employment.

They put me on a New Deal but I'd just started back at college. So I had to take two weeks out of my college training to go and do a New Deal thing, meaning I missed two weeks of college training that could get me further qualifications.

Focus group participant, Liverpool

5.6 Jobcentre Plus and the Learning and Skills Council have begun working to develop integrated pathways so that pre-work training connects more effectively with the Council's in-work programme, Train to Gain:

- Jobcentre Plus plans to introduce a Train to Gain marker on job vacancies that will allow jobseekers to see which jobs will also provide on-the-job training.
- In the Government's 2007 Budget it announced that it would develop and test ways for New Deal advisers (working with clients) and Train to Gain brokers (working with employers) to provide a more integrated link from New Deal to in-work training.
- Train to Gain funding can be used to fund appropriate post-employment training for disadvantaged people who gain jobs under Local Employment Partnerships.

5.7 The Learning and Skills Council, in partnership with Jobcentre Plus, is also developing 'Skills for Jobs', which is an umbrella term for activities funded by the Learning and Skills Council that focus on those with low skills who want to work, to help them gain a job. Skills for Jobs will build on existing activity such as the literacy and numeracy programmes, examining in detail how individuals can progress from worklessness, through pre-work training, to sustainable jobs with ongoing skills and training support through Train to Gain or Apprenticeships once they have found work.

5.8 In our case study areas there were examples of local partnerships which were considering how the various employment and skills services offered in their community could be linked into more effective 'pathways' (Case Study 3).

14 Key features of the new universal careers service

Access through a variety of channels

Face-to-face, on line, by telephone and by a combination of these.

A 'no wrong door' approach

Contact with a jobcentre, a learning provider or the careers service itself should quickly lead to access to the full skills and career development service.

A menu of services

Personalised assessment through a skills health check, advice on skills and employment, Skills Accounts and continuing support for progression.

Ongoing support, referral and follow-up for individuals

For people who are out of work and have low skills, the service aims to play a crucial role in helping them get the right balance of job search and training to help them into sustained employment and to progress in their career.

A reformed signposting and referral network

To help support hard-to-reach groups, the service will be promoted by Union Learning Representatives and others in the workplace, and by a range of voluntary and community organisations and learning centres, particularly in deprived areas.

Source: National Audit Office literature review

CASE STUDY 3

Liverpool First: Engage, Support, Aspire

Partners from Liverpool First, a Local Strategic Partnership, deliver a three-stage programme that helps people from first contact to in-work support, creating integrated pathways into sustainable employment for those in disadvantaged communities.

- Stage one is Streets Ahead, an outreach programme bringing together a number of partners to engage residents of communities that are furthest from the labour market and refer them to suitable agencies, provision or programmes.
- Stage two is a demand-led approach to help people gain the skills required for the available jobs. For example, one of the partners identified that Merseyside Police found it more difficult to recruit from black and ethnic minorities. The partner developed a skills programme for administration and support jobs in the Police, including soft skills, communication and team building skills. Those completing the programme were guaranteed a job interview.
- Stage three is Aspire, a programme supporting retention and progression when jobs are taken up. This comprises nine months support, in-work benefits, and helps people make the transition to sustained work. Aspire piloted a number of approaches to helping people stay in work ranging from a reward points system where vouchers could be earned, to a more traditional mentoring approach. A programme evaluation in 2004-05 concluded that mentoring was the most effective approach.

Source: National Audit Office fieldwork

Shared targets and objectives are essential to supporting better alignment

5.9 Major reviews of employment and skills in recent years have highlighted the disconnection between targets for employment services and targets for skills services. Employment services measure people helped into jobs, with limited consideration on whether jobs are sustained over time. Skills targets have focused on qualifications achieved. Our case study visits and surveys of Local Strategic Partnerships illustrated the practical implications for front line services:

- Providers funded by the Learning and Skills Council monitor learners' retention and achievement. A learner who gained employment during a course funded by the Learning and Skills Council and left before completing the course, would be recorded as a withdrawal. In contrast a learner moving into work before completing a course funded by Jobcentre Plus would be regarded as a successful outcome.
- While Local Strategic Partnerships and City Strategies^u encourage their members to align funding for locally focused initiatives, some felt that Jobcentre Plus and Learning and Skills Council members were constrained by national targets.

5.10 As announced in the Government's response to the Leitch Review, published in July 2007, the Department for Innovation, Universities and Skills and the Department for Work and Pensions are working together to develop a shared objective of sustainable employment and progression. As part of the 2007 Comprehensive Spending Review indicators for retention and progression are being developed by the Department for Work and Pensions and the Department for Innovation, Universities and Skills respectively. The Department for Innovation, Universities and Skills will monitor progression using the Framework for Excellence destinations survey to assess the proportion of low-skilled that leave learning, enter employment and increase their wages. The Department for Work and Pensions will measure employment retention by using reduction in time spent on benefits as a proxy for time spent in employment.

A United Kingdom Commission for Employment and Skills will oversee integration of employment and skills

5.11 The Department for Innovation, Universities and Skills and the Department for Work and Pensions are working with the Devolved Administrations in Scotland, Wales and Northern Ireland, as well as the Department for Business, Enterprise and Regulatory Reform to create a new employer-led United Kingdom Commission for Employment and Skills. One of the Commission's roles will be to challenge bodies delivering employment and skills services to demonstrate a genuine commitment to close working, to better meet employer needs and the needs of individuals. The Commission is expected to be operating by April 2008.

^u City Strategies aim to tackle worklessness in 15 disadvantaged communities across the United Kingdom. The strategy is based on the idea that local partners can deliver more if they align their efforts behind shared priorities, and are given more freedom to try out new ideas and tailor services in response to local needs.

APPENDIX ONE

Study methodology

1 This study examined the key employment programmes and adult skills programmes that are accessed by workless people to answer the following questions:

- Are employment programmes helping people move from welfare to sustainable work?
- Are employment and skills programmes linking effectively to support sustainable employment?

The methods we used to answer these questions are described below. The fieldwork for this study was conducted in parallel with the work that underpins our earlier report, *Helping people from workless households into work*.³⁹

Analysis of longitudinal data on benefits claimants and New Deal participants

2 We commissioned the Social Disadvantage Research Centre at Oxford University to analyse the Department for Work and Pensions data on benefit claimants from 2000 to 2006 to assess the turnover and sustainability of the New Deal programmes and Employment Zones. The Centre analysed the benefit history of claimants prior to joining the New Deal programmes and the long-term trajectory of clients after completing the New Deal programmes.

3 Analysis was conducted on two cohorts:

- Cohort one – tracked programme participants taking part in programmes in 1999-00, for four years after their programme participation in order to measure the extent to which transitions to employment are sustained over time, to identify repeat participation in the programme and the longer-term outcomes for participants after they have completed the New Deal programmes.

- Cohort two – examined benefit history for people taking part in programmes in 2002-03 for 12 months prior to programme participation and for 12 months after. This enabled us to identify characteristics of participants in the New Deal programmes to assess whether the programmes are reaching the most disadvantaged and least engaged.

4 The two cohort dates were selected to enable us to maximise the period for which robust data, as judged by the Social Disadvantage Research Centre, was available pre- and post-programme participation.

Quantitative data analysis

5 We analysed data from the Department for Work and Pensions on the costs of employment programmes, and return to the Exchequer when participants moved into work. Taking this data as our starting point, we considered the impact on cost-effectiveness of programmes if job duration could be increased.

Literature review

6 We reviewed available research on the following issues:

- the impacts of sustainable employment on the Government, employers and individuals;
- the characteristics of people who do not stay in work and the types of support that may improve sustainability;
- factors promoting retention and advancement at work; and
- evaluations of key employment and skills policies and programmes accessed by workless people and of the operation and implementation of these policies.

7 The sources included in our literature review included:

- evaluations and reviews from the Department for Work and Pensions and the former Department for Education and Skills;
- academic databases including the Social Science Citation Index from Institute for Scientific Information and the International Bibliography of the Social Sciences;
- local project evaluations; and
- publications from international organisations, non-government and voluntary organisations.

Consultation with government departments, stakeholders and key interest groups

8 We held discussions with officials from Jobcentre Plus, the Learning and Skills Council, the Department for Work and Pensions and the former Department for Education and Skills to gain an understanding of the main issues affecting employment and skills services and the strategic direction of these services, specifically in relation to sustainable employment.

9 We conducted semi-structured interviews with a wide range of stakeholders and key interest groups. Groups and individuals consulted included:

- Association of Colleges
- Adult Learning Inspectorate
- Association of Learning Providers
- Basic Skills Agency
- Centre for economic and social inclusion
- Confederation of British Industry
- Department for Communities and Local Government
- Employment Related Services Association

- Employment service providers including: Shaw Trust, Pecan Ltd, Red Kite Learning, Southwark Works, Work Directions, Reed in Partnership, Tomorrow's People and Working Links
- Government Office North West
- Her Majesty's Treasury
- London School of Economics, Dr Jonathon Wadsworth
- National Institute of Adult Continuing Education
- One Parent Families
- Scottish Executive
- Synergy Research and Consulting, Pam Meadows
- University of Bristol, Professor Paul Gregg
- Welsh Assembly

10 We asked these groups and individuals for their views on: the key issues affecting sustainable employment; past and current employment and skills programmes; and initiatives that they had implemented or participated in.

Case studies

11 We commissioned KPMG to conduct in-depth case study visits in three locations: East London (the boroughs of Tower Hamlets and Newham); Liverpool and Plymouth. These areas were selected to give a range of social and economic environments.

12 During these visits teams interviewed staff from Jobcentre Plus and the Learning and Skills Council, service providers, voluntary agencies, local government, and clients. They also examined local planning documents and local service delivery data. Interviews were conducted with over 80 individuals from the organisations listed in the table overleaf.

Case studies

Interviews were conducted with the following organisations.

East London

Jobcentre Plus

London East District office

Stratford Jobcentre Plus

Tower Hamlets Jobcentre Plus

City Jobcentre Plus

Learning and Skills Council

Area office – London East

Providers

Havering College

Instant Muscle

Newham College

Tower Hamlets College

Tower Hamlets Skillsmatch

TNG

Newham Access to Jobs

Futures Careers Management

Liverpool

District office

Everton Jobcentre Plus

Area Office – Greater Merseyside

Nextsteps

JET Centre (job bank)

Adult Learning Service

Liverpool Community College

Hugh Baird College

TNG

Primary Care Trust and St Alfred's Hospital
– Ambitions Health

Shaw Trust

Plymouth

District Office

Devonport Jobcentre Plus

Area Office – Devon and Cornwall

Access Training

Plymouth Works

City College Plymouth

West Country Training services

Nextstep

Citizens Advice Bureau

Plymouth Learning Links

Working Links

Lark Sure Start

Primary Care Trust – Expert
Patient Programme

Plymouth Guild – Disability Advice
and Support

Other Organisations

Newham Employment and Enterprise
Local Strategic Partnership Sub-group

Families in Canning town

Tower Hamlets Education
Business Partnership

East London Business Alliance

Tower Hamlets London Borough Council

Mersey Partnership

Liverpool City Council

Liverpool Charity and Voluntary Services

Liverpool First

Mercia Partnership

Plymouth Local Strategic Partnership

Devonport Regeneration Company

Plymouth 2020

Plymouth City Council

Plymouth City Council (Social
Inclusion Unit)

Focus groups

13 We commissioned KPMG to conduct focus groups in order to gain a user perspective on the barriers to sustainable employment, and the accessibility and effectiveness of the programmes. Thirteen focus groups were convened and conducted between January 2007 and February 2007: three in London, four in Plymouth and six in Liverpool (60 participants in total).

14 The focus groups discussed: client perspectives on the barriers and incentives to work; programme participation and attitudes to participation; needs assessment; perceived accessibility and effectiveness of employment and skills programmes; experiences in-work and of in-work support. The majority of participants in our focus groups were not in work (although most had experienced temporary work) and as a result their experience of ongoing in-work support was limited.

Surveys of Regional Development Agencies and Local Strategic Partnerships

15 We surveyed Regional Development Agencies to identify the barriers to employment that Regional Development Agencies and Regional Skills Partnerships are identifying in their Regions, the initiatives they are undertaking to address them, and data they are gathering about worklessness. All Regional Development Agencies responded.

16 We also surveyed Local Strategic Partnerships in the 88 areas receiving Neighbourhood Renewal Funding on the barriers to employment they have identified in their local area, and the activities they have undertaken to address them. Just under 50 per cent of Local Strategic Partnerships responded to our survey.

Local labour market analysis

17 In order to understand the factors influencing local labour markets, and why in many areas worklessness persists alongside relatively high levels of vacancy, we analysed the distributions and concentrations of workless households using GIS software and we commissioned detailed labour market analysis from the Centre for Economic and Social Inclusion.

18 This analysis looked at labour supply and demand nationally, regionally, and in depth in six local areas (including three areas where we conducted in depth fieldwork). The detailed analysis considered the reported demand for labour in each area by skill level, qualification and sector (based on Jobcentre Plus vacancy data and the Office of National Statistics Labour Market First Release). It also considered the workless populations in each area by benefit type, age, qualifications, ethnicity, disability and other factors associated with employment disadvantage. The local analysis also considered 'hot-spots' of worklessness (concentrations of worklessness in particular streets, neighbourhoods or estates) in each area, the possible travel to work areas in each region, and available vacancies if different travel to work times were applied to these concentrations of worklessness. A summary of some relevant aspects of this work is at Appendix 4. The full report of this analysis has been published separately and is available at www.nao.org.uk.

APPENDIX TWO

Employment and education programmes discussed in this report

Employment and training programmes discussed in this report

Programme	Description	Number of participants (000s)	Total cost of programme to end of March 2007 unless otherwise stated (£ million)
Current employment programmes			
New Deal for Lone Parents 1998 to present	Voluntary programme open to all eligible lone parents (i.e. aged 16 or over and not working or working less than 16 hours a week, and with a dependent child under 16). Conditional on attendance at compulsory work-focused interviews that vary according to the age of the youngest child. The programme offers support from a personal adviser who can offer: help looking for and preparing for a job; help working out how much better off the lone parent would be if she or he returned to work, through the 'in-work benefit calculation'; help with finding training to assist a return to work, including payment of a £15-a-week training premium; help finding childcare and help with the costs of childcare while the lone parent is training or looking for work, including paying for childcare for the week before she or he enters employment; help with the costs of going back to work, through the Advisers' Discretion Fund which can be used to meet one-off costs up to a maximum of £100 and support during the transition from benefits to employment through the £250 Job Grant. In 2004, several pilot initiatives were introduced in different locations offering a range of additional support.	748	322
New Deal Plus for Lone Parents 2005 to present	Voluntary programme open to all eligible lone parents in seven areas (see the New Deal for Lone Parents). This programme, introduced in seven areas, brings together several of the pilot initiatives from the New Deal for Lone Parents to offer: <ul style="list-style-type: none"> ■ a guarantee about a clear gain from work (In-Work Credit, Tax Credits and other relevant financial information) and (limited) protection when work breaks down (In-Work Emergencies Fund); ■ a guarantee of support with childcare (Childcare Assist, supported by additional childcare partnership manager resources to ensure that the Sure Start Unit activity is Jobcentre Plus focused); and ■ a guarantee of ongoing help from advisers with more adviser contact outside of mandatory work-focused interviews, including active in-work support. <p>The offer is balanced by work-focused responsibilities.</p>	N/A	N/A

Programme	Description	Number of participants (000s)	Total cost of programme to end of March 2007 unless otherwise stated (£ million)
<i>Current employment programmes continued</i>			
New Deal for Partners 1999 to present	Voluntary programme for partners of benefit claimants who have been claiming for six months or more. Since 2004 work-focused interviews are mandatory for all partners. The programme now has the same package of support available on the New Deal for Lone Parents.	15	34
New Deal for Young People 1998 to present	Mandatory programme for 18- to 24-year-olds unemployed for six months or more. The programme involves three stages. <ul style="list-style-type: none"> ■ The Gateway consists of a period of intensive advice and guidance and help with job search lasting around 16 weeks. ■ If participants remain unemployed after Gateway they are offered the opportunity to participate in one of four options: subsidised employment; full-time education and training; work placements in the private and voluntary sectors. ■ If participants have not obtained work after completing their option, they receive another intensive help period of up to 16 weeks. 	1,175	2,596
New Deal 25 Plus 1998 to present	Mandatory programme for people aged 25 and over who have been claiming Jobseeker's Allowance for at least 18 months. The programme involves an initial interview followed by a period of weekly meetings with a personal adviser and a basic skills screening. If participants have not found employment by the end of this period, they join a mandatory intensive activity period which focuses on training and education issues in addition to developing job-search skills and obtaining work experience.	685	1,279
New Deal 50 Plus 2000 to present	Voluntary programme for people aged 50 and over who have been claiming benefits for at least six months, and their dependent partners. The programme offers advice and guidance from a personal adviser, and, for those who find work, an in-work training grant and eligibility for the '50 plus element' of the Working Tax Credit (an Employment Credit prior to April 2003). The training grant can only be taken up once a customer is in work.	81 (since January 2004)	278
New Deal for Disabled People 2001 to present	Voluntary programme of help for people on a range of disability benefits: Incapacity Benefit, Severe Disablement Allowance, Income Support including a Disability Premium or where incapacity benefit support has been stopped and the claimant is appealing. Participants are able to choose a job broker within their local authority area to gain advice about how to get a job, help with matching skills and abilities to employer needs, and support on starting work. Job broker services can include support with completing application forms and writing CVs, interview preparation and advice on vacancies available locally. They also work closely with providers of training and other provision where customers need additional help.	242	312

Programme	Description	Number of participants (000s)	Total cost of programme to end of March 2007 unless otherwise stated (£ million)
Current employment programmes <i>continued</i>			
Employment Zones 2000 to present	Introduced in 15 areas of high and persistent long-term unemployment, to develop innovative ways of helping long-term unemployed people secure and keep work. The programme is mandatory for residents aged over 25 and receiving Jobseeker's Allowance for 18 months out of the last 21 months, residents aged 18 to 24 who have previously finished a period of New Deal for Young People provision and have been getting Jobseeker's Allowance continuously for at least six months. Voluntary programme for people whose circumstances make it harder for them to find work (for example, those with a disability or lone parents). Participants receive funds from a personal job account that are at least equal to their benefits, as well as help and support in finding and keeping a job.	163	530
Pathways to Work Pilots 2003 to present	<p>Mandatory programme for all new incapacity benefits claimants in the pilot areas. Voluntary for those already claiming incapacity benefits. Offers a package of measures in seven areas.</p> <ul style="list-style-type: none"> ■ Early active support – ongoing support from a skilled personal adviser through a regime of repeat work-focused interviews, combined with action planning to encourage a strong focus on a return to working. ■ Access to a wider range of specialist employment programmes – better referral arrangements to existing provision and new work-focused rehabilitation support, that will be offered jointly by Jobcentre Plus and the NHS. ■ Financial incentives to return to work – a return-to-work credit of £40 a week for 52 weeks for those finding work of at least 16 hours a week that pays less than £15,000 per year, and access to a discretionary fund of up to £300 to help find a job. ■ More support for those moving off incapacity benefits and onto Jobseeker's Allowance – mandatory early access to the relevant New Deal to allow this group to get personal support from the outset of their claim for Jobseeker's Allowance. <p>The pilots were expanded in 2006 to cover 40 per cent of the United Kingdom and will roll-out nationally by April 2008.</p>	130 (work-focused interviews to September 2006) 39 (starts to Choices programmes to September 2006)	304
New Deal for Skills 2005 – present	<p>Voluntary programme for Jobseeker's Allowance claimants aged 20 and over for whom a lack of skills is their main barrier to work and inactive benefits claimants for whom a lack of skills is their main barrier to work and who intend to return to work in the medium-term. Consists of three elements:</p> <ul style="list-style-type: none"> ■ Skills Coaching is intended for adults for whom a lack of skills is the barrier to employment. Trials began in April 2005 in 8 Jobcentre Plus districts and were extended to 19 districts. The programme is delivered by nextstep providers, and includes a skills diagnostic leading to a skills development plan setting out skill related objectives. The skills coach then tries to broker appropriate provision and supports the claimant during and after their period of learning. In some areas skills coaches are located in jobcentres. 	13.8	5.9 (2005-2007)

Programme	Description	Number of participants ('000s)	Total cost of programme to end of March 2007 unless otherwise stated (£million)
<i>Current employment programmes continued</i>			
New Deal for Skills <i>continued</i> 2005 to present	<ul style="list-style-type: none"> ■ The Skills Passport is being trialled as part of the Skills Coaching trials and provides a record of achievement and development that meets the needs of individuals and employers. The main elements of the passport are: the CV; skills profile; a skills development plan; and a summary of evidence of skills. ■ The Adult Learning Option started in September 2006 in five pilot areas and is led by the Department for Work and Pensions. It offers full-time training to benefit recipients with qualifications below Level 2, including a training allowance which does not affect their entitlement to benefits. 	0.1 (up to May 2007)	0.8 (September 2006 to August 2007)
Employment Retention and Advancement Programme 2003 – present	<p>A demonstration programme being undertaken in six Jobcentre Plus districts. The programme begins with up to nine months of pre-employment assistance, and continues into a two-year in-work phase. During this period Advancement Support Advisers help people find suitable work, to stay at work, and advance in the job. The programme offers:</p> <ul style="list-style-type: none"> ■ an employment retention bonus – up to six payments of £400 for each period of least 30 hours worked per week for 13 out of 17 weeks; ■ training assistance (up to £1,000 if training undertaken while working) and a bonus for successfully completing training while employed (£8 for every hour of training up to £1,000); and ■ access to emergency payments to overcome short-term barriers to staying in work. <p>Individuals have been randomly assigned to the programme in the six pilot areas. Participation is voluntary for lone parents who receive Income Support and volunteer for the New Deal for Lone Parents, lone parents working part-time and receiving Working Tax Credit, long-term unemployed aged over 25 on Jobseeker's Allowance who were required to enter the New Deal 25 Plus programme.</p>	16 (half randomly assigned to programme and half to the control group)	25.6 (includes evaluation costs)
<i>Past employment programmes</i>			
StepUp 2002 – 2006	<p>Voluntary programme for those in the 20 pilot areas who were unemployed six months after completing their New Deal option or Intensive Activity Period on New Deal 25 Plus. Originally piloted in six areas with high levels of unemployment and extended to 20 areas at the end of 2002. StepUp provided a guaranteed job and support for up to 50 weeks. Support was provided through: a Jobcentre Plus personal adviser; a support worker from a Managing Agent; and workplace buddies. Training might be provided but StepUp did not require it. Other support, such as advice on drug misuse, could also be provided.</p>	3.2	30

Programme	Description	Number of participants (000s)	Total cost of programme to end of March 2007 unless otherwise stated (£ million)
Past employment programmes <i>continued</i>			
Ambition pilots 2002 – 2005	Voluntary programme with entry criteria similar to those for the New Deal programmes. Pilot training programme aimed to meet skills shortages in five specific sectors and occupations, and help the unemployed and disadvantaged into sustainable jobs that paid well and had career potential. Each programme built a process of elements starting with the identification of recruitment and skill needs among employers and the most suitable and motivated Jobcentre Plus customers. This was followed by training, support and work experience to enable these individuals to successfully fill a particular vacancy.	8.3	33
Current education programmes and support			
Adult Participation	Public funding is available for a large number of programmes, at every level, in every subject and vocational area, across the country.	3,900 (2005-06)	2,800 (2005-06)
Basic skills provision 2000 to present	Range of courses available to help all adults with a basic skills needs improve their basic skills up to Level 2.	4,738 (to July 2006)	3,117
First full Level 2 qualification 2001 to present	A wide range of courses available that lead to a Level 2 qualification. Free for all adults who do not have a Level 2 qualification.	1,140 (to end of 2006) ¹	LSC spent £216m on full L2 during 2005-06. Expected to rise to £254m during 2006-07
Information, advice and guidance	A range of service providers for information, advice and guidance on learning and careers in England. Providers include Jobcentre Plus, learndirect advice, nextsteps, colleges and universities; private and voluntary organisations.	N/A	N/A
Train to Gain 2006 to present	A programme funded by the Learning and Skills Council, designed to help businesses get the training they need to succeed. The service offers: <ul style="list-style-type: none"> ■ a free skills brokerage service targeted at hard to reach employers, to source any training they need at all levels; ■ fully subsidised training (delivered at a time and place to suit the employer) for low-skilled workers up to a first full Level 2 qualification, and with support for progression to Level 3; ■ free information, advice and guidance for employees, accessible through the workplace; and ■ for employers with less than 50 employees, wage compensation for the time employees spend in training. 	229 (April 2006 to end of July 2007)	194 (2006-07)

Programme	Description	Number of participants (000s)	Total cost of programme to end of March 2007 unless otherwise stated (£ million)
Future education programmes and support			
Learner Accounts/ Skills Accounts	<p>Learner Accounts will be trialled in two regions of England during the academic year 2007-08. These aim to give purchasing power to individuals studying for a Level 3 qualification. These accounts will allow learners to 'purchase' training at an accredited learning provider of their choice. Account holders will be entitled to a discount on the cost of a Level 3 course. Learners will only be able to attend accredited learning providers and funding in the accounts is virtual (i.e. actual funding will go through the existing provider payments system, rather than held in the accounts). Within these constraints, learners are free to choose where they want to study. Effective providers will be able to expand quickly since each new learner brings extra funding. Likewise, poor providers will be forced to raise their quality or face exiting the market.</p> <p>The Department for Innovation, Universities and Skills plans to build on the trials of Learner Accounts to develop Skills Accounts, which aim to enable learners to access the full range of services in the new universal adult careers service. Having sought and received advice to help them decide on the content and type of learning that best suits their needs, learners will be guided through the process of enrolment, with an induction pack and a personalised learning and career plan. The induction pack will set out information about what an account gives them, what they should expect from a provider, what they will need to commit to, and where to go for further advice. An account number and account card aims to help people to understand the levels of investment going into their training, whether their own, or from the state or their employer. The account number will be the unique learner number, assigned by the Learner Registration Service. Skills Account holders will have access to their own learner record, giving them the ability to make this available to others, such as prospective employers. When they have completed their learning, Skills Account holders will have the opportunity to log customer feedback on the course they have just finished.</p>	4,000 (planned)	10
Skills for jobs	<p>'Skills for jobs' is an umbrella term referring to activities funded by the Learning and Skills Council which focus specifically on low-skilled adults who are out of work and want to get a job. A key outcome of skills for jobs is sustained employment, with further skills development and progression. Newly commissioned skills for jobs activity, reflecting local and regional needs, will commence in autumn 2007, in addition to existing activity such as the Employability Skills Programme, Apprenticeships for Adults, Neighbourhood Learning for Deprived Communities, skills coaching and mainstream activities. Skills for jobs will provide training and support that will enable individuals to get into work, and to progress, for example, through Train to Gain, Apprenticeships for Adults, union learning, mainstream further education or their employers' training offer. Getting a job and continued progression in work and to improve skills will be key outcomes. Activity will be tailored to reflect the situation in the locality, the need of local people facing disadvantage in the labour market, the job opportunities and skills needs of local employers and the activities of other partners around this agenda.</p>	9.3 (expectation for 2007-08)	14 (2007-08 for specifically commissioned Skills for Jobs activity)

Programme	Description	Number of participants (000s)	Total cost of programme to end of March 2007 unless otherwise stated (£ million)
Future education programmes and support <i>continued</i>			
Employability Skills Programme	The Employability Skills programme is an initiative developed jointly by the Department for Work and Pensions, the Department for Innovation, Universities and Skills, Jobcentre Plus and the Learning and Skills Council. It offers a joint outcome of employability, basic skills and English for Speakers of Other Languages training. The programme is open to all Jobcentre Plus clients who can benefit from it, including people in receipt of Jobseeker's Allowance, Income Support and Incapacity Benefit, except young people on mandatory New Deal programmes. People will be eligible to enter the programme from the day of making their claim. Previously they had to wait for six months. The programme will offer learning leading to basic skills qualifications up to Level 1 literacy or English for Speakers of Other Languages or Entry Level 3 numeracy, plus an employability certificate at Entry Level 3 /Level 1. A foundation course addressing basic skills needs at lower Entry Levels is also available. The programme will, where possible, lead to referral to employment with further training, for example with an employer registered for Train to Gain. This programme went live on 1 August 2007.	13	23 per annum
Learner Support Fund	The Learner Support Fund is allocated by the Learning Skills Council to further education colleges to help individuals in priority groups who face financial barriers to learning. The fund is split into three main categories: hardship or access funds, to meet costs of transport, equipment, books etc.; childcare and residential bursaries to meet the costs of courses where students have to live away from home such as horticulture and agriculture. Every further education college has an allocation of childcare and other Learner Support Fund elements. They can use the hardship element and other monies to top up their childcare budget but not the other way round.	503 (2005-06)	106 (2005-06)
Adult Learning Grant	The Adult Learning Grant is an income-assessed grant of up to £30 per week paid to adult learners on a low income (not those on benefit) who are studying full time for their first full Level 2 or 3 qualification. The grant, administered by the Learning and Skills Council, aims to encourage adults to participate, and to stay in learning, by providing a regular source of financial support during term-time. Pilot activity started in 2002-03, and the grant was made available throughout England from September 2007.	9 (2005-06)	7.2 (2005-06)
Apprenticeships for Adults	Following trials which ran from 2005 in four industry sectors, the Learning and Skills Council is funding up to 8000 adult apprenticeships for priority groups including those entering employment after a period of worklessness, women, or people from ethnic minorities seeking to enter an atypical career, and adults working in sectors identified as local or regional skills priorities.	Up to 8	16.7 (2007-08)

Programme	Description	Number of participants (000s)	Total cost of programme to end of March 2007 unless otherwise stated (£ million)
<i>Future education programmes and support continued</i>			
Qualification reform and the Foundation Learning Tier	<p>The current reform of qualifications involves several strands that will ensure qualifications are more accessible and relevant to employers' and adult learners' needs. Employers will have a strong influence, through Sector Skills Councils, on the qualifications that are supported through the public purse and the design of new qualifications that meet their skills gaps. Employers' own training programmes will also have the potential to become nationally recognised qualifications. Qualifications will be delivered through a series of units that will enable learners to build up their achievements, as a number of credits, incrementally and progressively, in a more flexible way. The concept of a 'full Level 2' is being redefined to ensure that it represents a broad platform of skills that will improve an individual's employability, such as vocational knowledge and skills, literacy, numeracy, IT, personal and social skills.</p> <p>There is active development around the Foundation Learning Tier, at Entry and Level 1, which will support learners to progress towards a first full Level 2 and gain skills that are valued by employers. Progression pathways are being established as clear and coherent routeways learners can follow with individually tailored programmes which are part of a nationally recognised framework. These will be influenced by employers, to ensure their relevance and value in the workplace. Individual programmes will be built up from units and qualifications including vocational skills and knowledge, functional (basic or key) skills, personal and social development. The programme will include initial assessment and ongoing support to ensure learner needs are being met and that learners make progress.</p>	N/A	N/A
<i>Source: National Audit Office analysis of policy documents, statistics and expenditure data from the Department for Work and Pensions and the Department for Innovation, Universities and Skills (formerly the Department for Education and Skills)</i>			
NOTE			
1 The increase in the number of adults with at least a Level 2 qualification as recorded in the Labour Force Survey. The Learning and Skills Council estimates that 422,000 first Level 2 achievements were delivered through provision funded by the Learning and Skills Council between academic years 2001 and 2006.			

APPENDIX THREE

What works with in-work support?

Summary of in-work support and key findings from programme evaluations

Programme	In-work support	Programme evaluation findings
New Deal for Young People	<p>No routine in-work provision. In-work support is provided by Employment Zones to people who have been through the New Deal for Young People without obtaining a job and who are obliged to join Employment Zones. The support, available for 13 weeks once in work, consists of moral support, advice, financial support and help in negotiations with employers where it is necessary to prevent a customer from dropping out of a job.</p>	<p>Early indications from both customers and advisers indicate young people benefit from the in-work support provided but it is too early to say whether this has had an impact on job retention and progression</p>
New Deal for Lone Parents	<p>Lone parents who are due to start employment attend an interview to discuss any concerns and complete applications for in-work benefits and benefit run-ons and may be contacted by their Personal Adviser shortly after commencing the job.</p> <p>Participants are entitled to childcare subsidy which pays childcare costs up to a maximum of £67.50 a week (£100 for two children) for up to 52 weeks, if agreed with the adviser and the customer is moving into part-time work.</p> <p>In addition several pilot initiatives have been introduced that include:</p> <ul style="list-style-type: none"> ■ In-work credit offers £40 per week for the first 12 months in a new job to lone parents who have been claiming Income Support or Jobseeker's Allowance for at least 12 months, have participated in the New Deal for Lone Parents, are starting work of 16 hours per week or more and who expect to be employed for at least five weeks; ■ In-Work Emergency Fund provides financial help, up to £300, to lone parents during the first 60 days of work, provided they are working at least 16 hours per week and have participated in the New Deal for Lone Parents or continuously claiming benefits for 26 weeks or more. ■ A guarantee of ongoing help by a named Adviser with access to a wide range of tools and support. <p>In-work support is also available to lone parents if they volunteer to participate in an Employment Zone and consists of contact with advisers, provision of telephone help lines and financial support in some cases.</p>	<p>Evaluation indicates that over a quarter of lone parents were contacted by a personal adviser after starting work. There is little robust evidence relating to the effectiveness of such in-work support.</p> <p>Only £243,000 was spent on childcare subsidy in 2005-06 suggesting only 200 parents claimed.</p> <p>In the first two years, the pilot initiatives improved the situation of lone parents who would have left benefits anyway rather than substantially encouraging lone parents to take up employment.</p> <p>Participation in the In-work credit has increased over time.</p> <p>Early experience of In-Work Emergency Fund suggested that the fund could play a crucial role in sustaining lone parents during the early weeks of employment and had typically been spent on travel expenses and childcare costs. Lone parents had often encountered financial difficulty in the early weeks of employment because of delays in payment of Tax Credits.</p> <p>Advisers felt that in-work support was particularly important and necessary for lone parents.</p>

Programme	In-work support	Programme evaluation findings
New Deal 50 Plus	The New Deal 50 Plus Employment Credit that was replaced in April 2003 by the 50 Plus return to work element of the Working Tax Credit.	The Employment Credit was seen as a key element of the programme as it helped to overcome the 'benefit disincentive', smooth transition into work and provide both financial support and a psychological boost.
New Deal for Partners	Childcare subsidy – see the New Deal for Lone Parents section for details.	
New Deal for Disabled People	Job brokers may provide in-work support for up to 13 weeks. This includes financial support up to £200, to help support clients in their first 13 weeks in work. Job brokers provide an intermediary point of contact for individuals and employers.	Job brokers were valued as a 'safe' person with whom an individual can discuss concerns or problems. Those providing a more proactive in-work service achieved higher sustainability rates.
Access to Work	Helps disabled people with the costs of support workers, travel to work, alterations to workplace premises and aids and equipment.	Support worker provision and other specialist support can be essential in enabling disabled people to take up a job and in sustaining employment.
Workstep	Support to discuss problems as they arise and provide encouragement and constructive feedback about work done, a mediation service if problems arise between the client and the employers.	For successful and sustained employment, in-work support needs to be matched by a conducive and unthreatening workplace environment.
Pathways to Work	<p>A package of measures are being piloted including:</p> <ul style="list-style-type: none"> ■ Return to Work credit offering a £40 supplement to earning for a maximum of 52 weeks for people working at least 16 hours per week, earning no more than £15,000 per year and receiving incapacity benefit for 13 weeks immediately prior to starting work. ■ In-work support including one or more of the following elements: mentoring, a job coach, occupational health support, in-depth support, financial advice/debt counselling and an aftercare service. 	<p>Financial support works for people considering work, but does not appear to be an incentive for those not already considering work.</p> <p>Referrals for in-work support were relatively low (8 per cent) with 71 per cent of those referred taking up the offer.</p>

Programme	In-work support	Programme evaluation findings
Employment Retention and Advancement programme	<p>The programme begins with up to nine months of pre-employment assistance, and continues into a two-year in-work phase. During this period Advancement Support Advisers help find suitable work, to stay at work, and advance in the job. The programme offers:</p> <ul style="list-style-type: none"> ■ an employment retention bonus – up to six payments of £400 for each period of least 30 hours worked per week for 13 out of 17 weeks; ■ training assistance (up to £1,000 if training undertaken while working) and a bonus for successfully completing training while employed (£8 for every hour of training up to £1,000); and ■ access to emergency payments to overcome short-term barriers to staying in work. 	<p>Early evaluation of the programme shows that adding an in-work support and financial incentives component on the New Deal and Jobcentre Plus services is feasible. It has taken substantial efforts to build staff capacity for the new and complex role of Advancement Support Adviser, to engage busy working customers, however the Jobcentre Plus districts involved were able to deliver a considerably stronger intervention as time went on.</p> <p>Compared to the control group, participants were more likely to get help or advice from Jobcentre Plus staff on progressing in work and were more likely to combine education or training with employment.</p> <p>New Deal for Lone Parents customers earned substantially more than the control group, mainly because they were more likely to work full-time.</p>
Step Up	<p>StepUp provided a guaranteed job and in-work support for up to 50 weeks. Support was provided through: a Jobcentre Plus personal adviser; a support worker from a Managing Agent; and workplace buddies.</p>	<p>Evaluation found that the role of the independent Support Worker was thought to be critical in maximising retention in StepUp jobs. Support workers were regarded positively by most participants. The initial jobmatch by Jobcentre Plus was important to retention in the StepUp job. There were indications that retention was better in areas that took more care with initial jobmatch.</p> <p>Many customers in short term jobs did not consider applying for their next job while they were still working, even if that job was due to finish imminently.</p>

Source: National Audit Office literature review

APPENDIX FOUR

Labour market analyses

1 We commissioned an investigation into local labour markets, to look at how the match between available jobs and the skills of the local work-force operates, and get a better understanding of the impact of skills 'gaps'. The full report *Local labour market analysis: a report to the National Audit Office* prepared by the Centre for Economic and Social Inclusion is available at www.nao.gov.uk. This appendix presents data from this report that show the regional and local variations in labour markets.

2 **Figure 15** shows that the competition for vacancies is greater in some regions than others. Total vacancies are 37 per cent of the number of unemployed (those out of work, available for work and are seeking work) and 6.5 per cent of the number of workless people of working

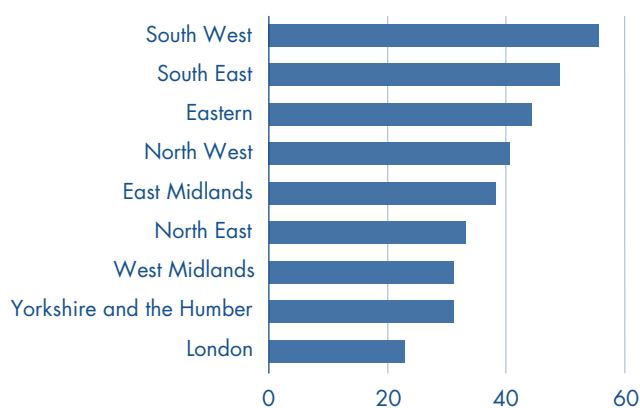
age. Competition for vacancies is greatest in London, Yorkshire and Humberside, the West Midlands and the North East.

3 **Figure 16 overleaf** shows the qualifications of people in work by region. London clearly has a more qualified workforce with over 40 per cent of those working having qualifications equivalent to NVQ Level 4 or above.

4 **Figure 17 overleaf** shows the occupations of people in work. The proportion of people in elementary jobs does not exceed 15 per cent in any region. This category includes many entry-level jobs such as labouring, cleaning, shelf-stacking, kitchen portering and waiting in hospitality settings.

15 Vacancies as a percentage of the unemployed and the workless

Vacancies as a percentage of the unemployed



Vacancies as a percentage of the workless

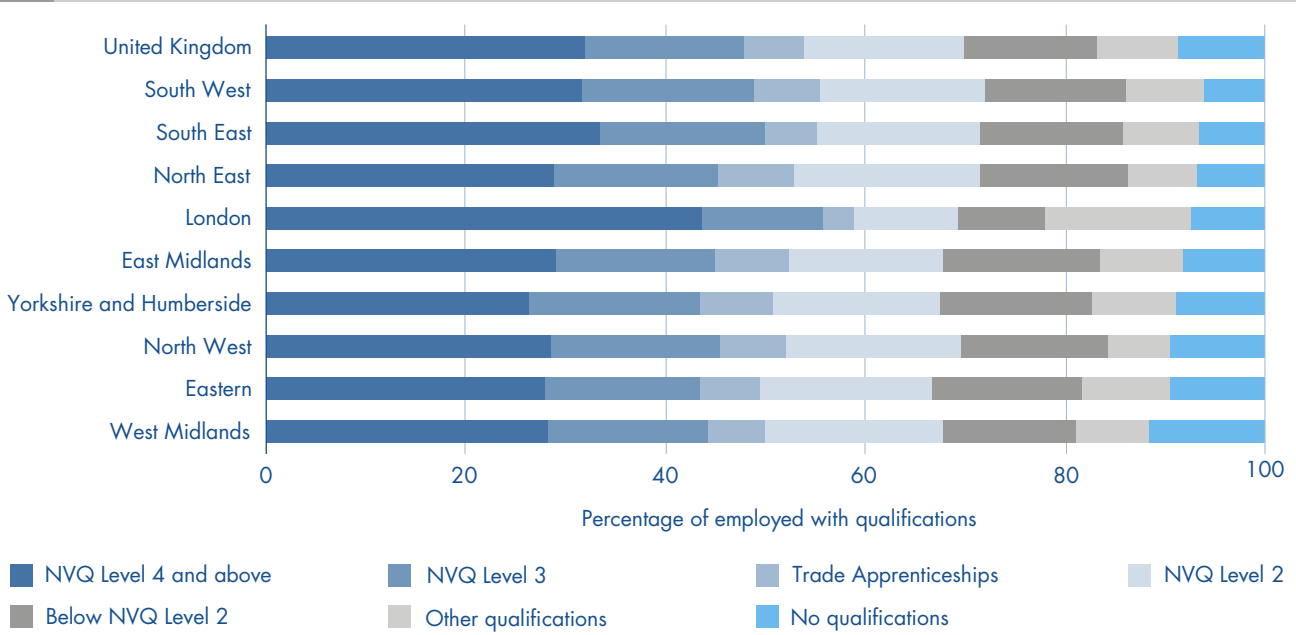


Source: *Local labour market analysis: a report to the National Audit Office* prepared by the Centre for Economic and Social Inclusion. Data from the Labour Force Survey 2006 and the Office for National Statistics 2007

NOTE

The unemployed includes all people not in work but looking for work and available to start. Workless people includes the unemployed and the economically inactive (not in work and not looking for or available for work).

16 Qualifications of people in work

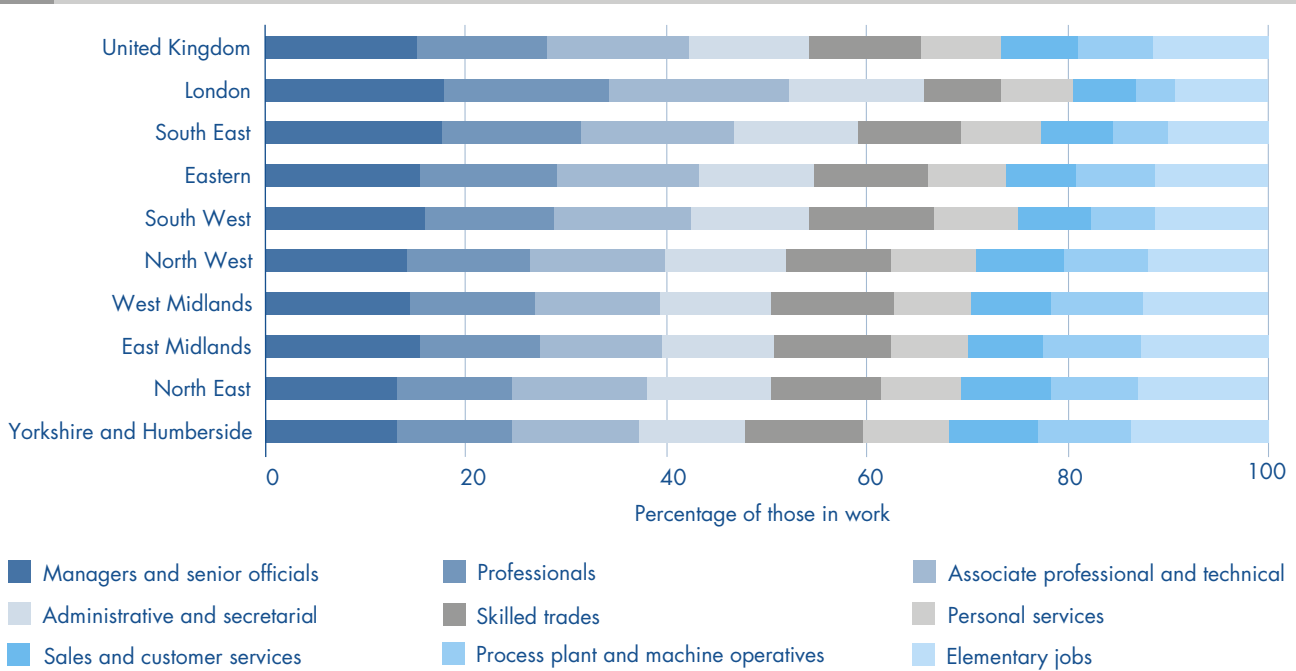


Source: Labour market analysis: a report to the National Audit Office prepared by the Centre for Economic and Social Inclusion. Data from the Labour Force Survey 2006

NOTE

Qualifications are mapped to an equivalent NVQ Level. Other qualifications do not have a mapped equivalent but are generally below Level 2. However, a proportion of these, particularly overseas qualifications, may be at a higher level.

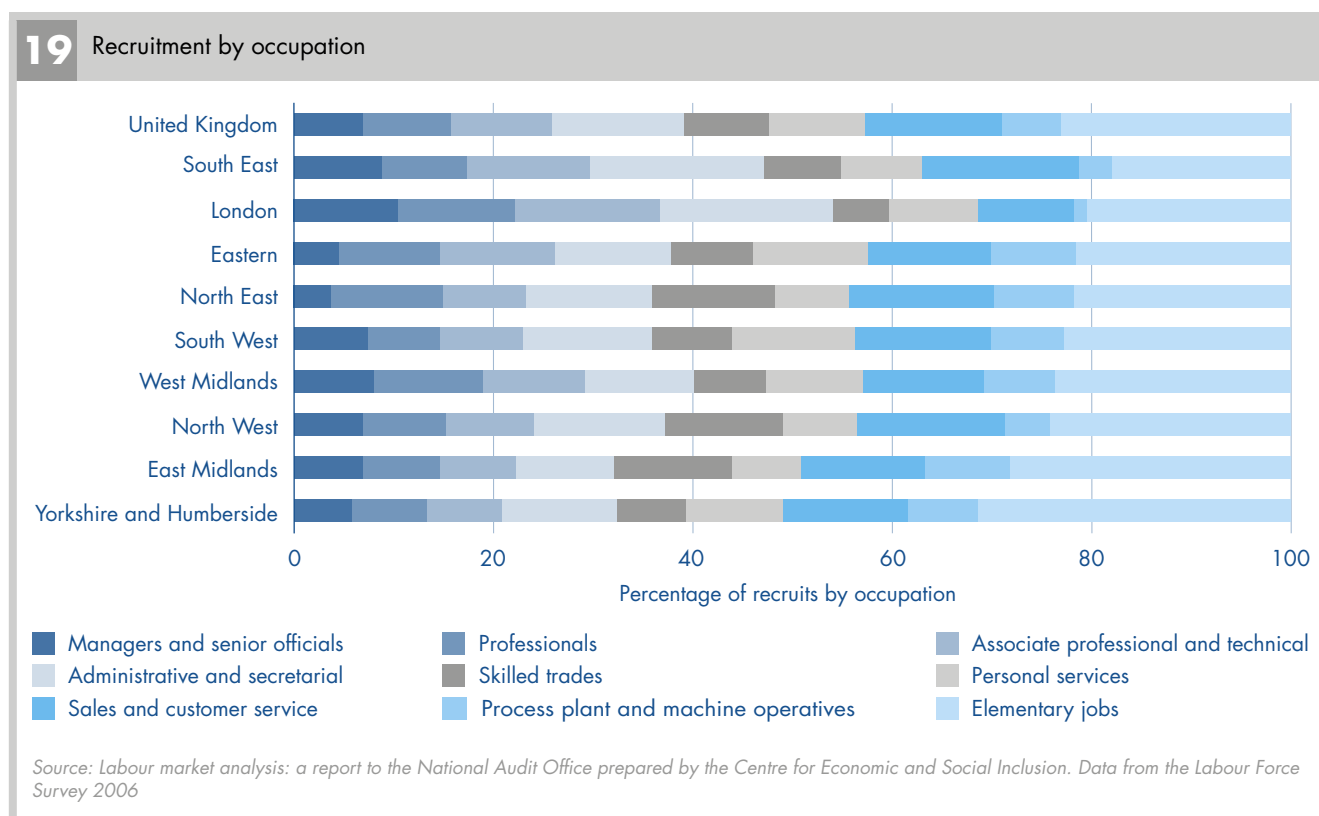
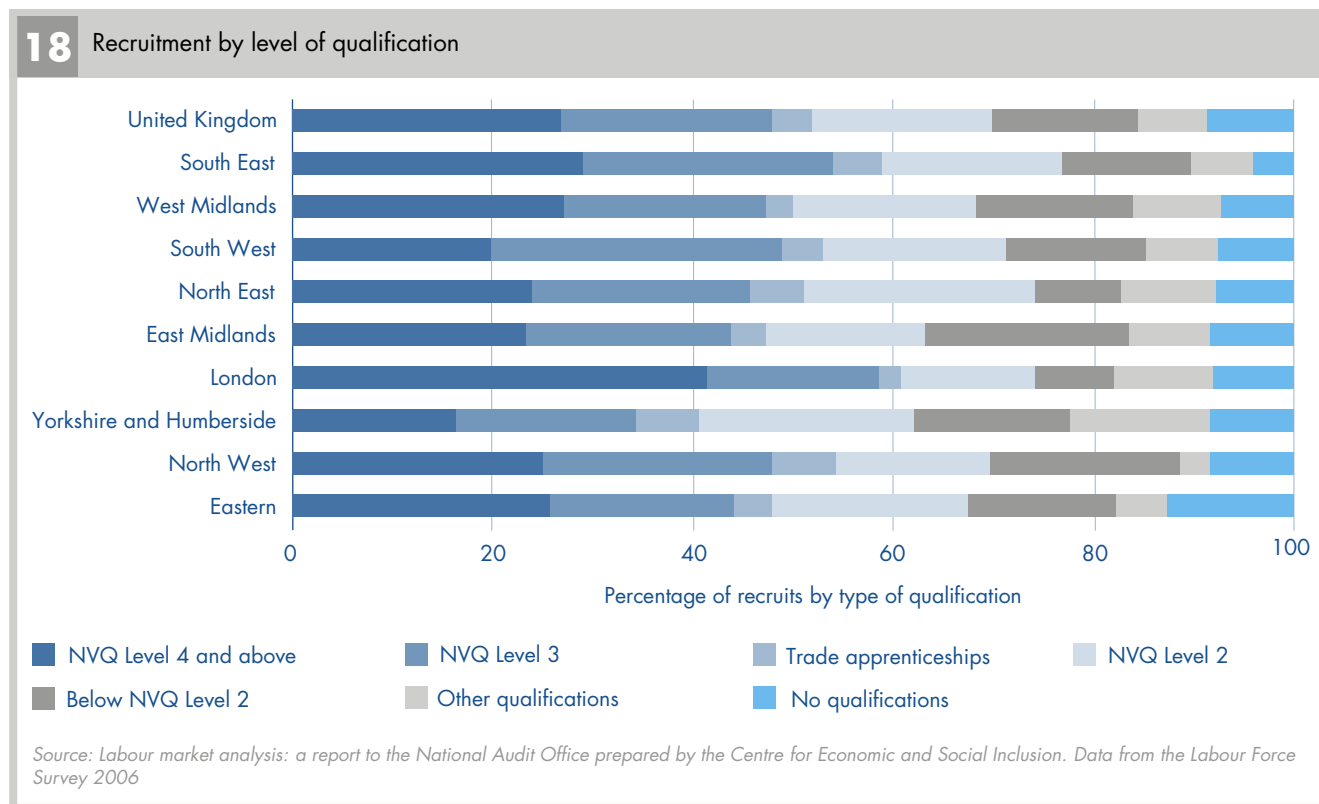
17 Occupations of people in work



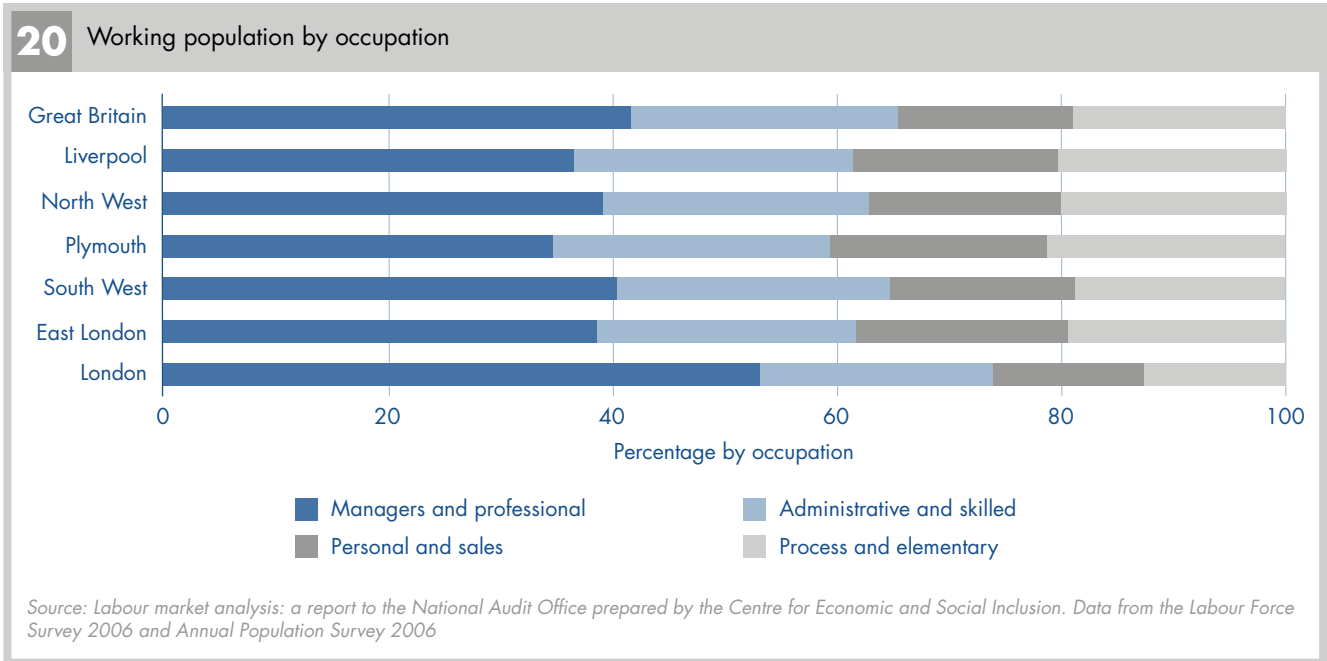
Source: Labour market analysis: a report to the National Audit Office prepared by the Centre for Economic and Social Inclusion. Data from the Labour Force Survey 2006

5 **Figures 18** shows recruitment by level of qualification. The proportion of recruits with no qualifications or low qualifications is relatively small at nine per cent nationally. Only the Eastern region has a proportion of recruits with no qualifications over 10 per cent. Nationally 23 per cent of recruits had qualifications below Level 2.

6 **Figure 19** shows recruitment by occupation. Elementary jobs account for 23 per cent of all recruits nationally; regionally, the range is between 18 per cent in the South East and 31 per cent in Yorkshire and Humberside.



7 **Figure 20** shows the occupations of people in work for three case study areas: East London, Liverpool and Plymouth. It shows that local variations in labour markets can differ from regional variations.



ENDNOTES

- 1 Administrative data from the Department for Work and Pensions and Teasdale, P. *Incidence and repeat spells of unemployment: an analysis using claimant data*, Labour Market Trends, November 1998.
- 2 Leitch review of skills: *Prosperity for all in the global economy – world class skills*, Final report, HM Treasury, 2006.
- 3 *World class skills: implementing the Leitch review of skills in England*, Department for Education and Skills, Cm 7181, 2007.
- 4 *In work, better off: next steps to full employment*, Secretary of State for Work and Pensions, CM 7130 July 2007.
- 5 For example Dearden, L., McGranahan, L. and Sianesi, B. *An in-depth analysis of the returns to national qualifications obtained at Level 2*, London School of Economics, 2004, and Jenkins, A., Greenwood, C. and Vignoles, A., *The returns to qualifications in England: updating the evidence base on Level 2 and Level 3 vocational qualifications*, London School of Economics, 2007.
- 6 Administrative data from the Department for Work and Pensions.
- 7 Administrative data from the Department for Work and Pensions, July 1999 onwards.
- 8 Administrative data from the Department for Work and Pensions and Teasdale, P. *Incidence and repeat spells of unemployment: an analysis using claimant data*, Labour Market Trends, November 1998.
- 9 Jenkins, S., Rigg, J. and Devicienti, F. *The dynamics of poverty in Britain*, Research report 157, Department for Work and Pensions, 2001.
- 10 Harker, L. *Delivering on child poverty: what would it take?* Department for Work and Pensions, Cm 6951, 2006.
- 11 Evans, M., Harkness, G., and Ortiz, R. *Lone parents cycling between work and benefits*. Research report 217, Department for Work and Pensions, 2004.
- 12 Internal analysis by the Department for Work and Pensions.
- 13 Jenkins, S. and Rigg, J. *Disability and disadvantage: selection, onset and duration effects*, Journal of Social Policy, 33; 3, 2004.
- 14 Carpenter, H., *Repeat Jobseeker's Allowance Spells*, Research report 394, Department for Work and Pensions, 2007.
- 15 Gregg, P. and Wadsworth, J. *The changing nature of jobs in Britain*, in Gregg, P. (ed.) *Jobs, wages and poverty: patterns of persistence and mobility in the new flexible labour market*, Centre for Economic Performance, 1997.
- 16 Carpenter, H., *Repeat Jobseeker's Allowance Spells*, Research report 394, Department for Work and Pensions, 2007.
- 17 Carpenter, H., *Repeat Jobseeker's Allowance Spells*, Research report 394, Department for Work and Pensions, 2007.
- 18 For example Atkinson, J. and Williams, M. *Employer perspectives on the recruitment, retention and advancement of low-pay, low-status employees*, Institute for Employment Studies, Strategy Unit occasional paper series 2, 2003.
- 19 Yeo, A. *Experience of work and job retention among lone parents: an evidence review*, Working paper 37, Department for Work and Pensions, 2007.

- 20 For example: Bell, K., Bransoky, N., Fitzgerald, J., Greenberg, M., Harkness, S., Hirsch, D., Minoff, E. and Wadia, A. *Staying on, stepping up: how can employment and retention policies be made to work for lone parents? One Parent Families*, 2006; and Kellard, K., Adelman, L., Cebulla, A. and Heaver, C., *From job seekers to job keepers: job retention, advancement and the role of in-work support programmes*, Research report 170, Department for Work and Pensions, 2002.
- 21 National Audit Office report: *Helping people from workless households into work*, HC 609 Session 2006-07, 2007
- 22 For example, Bivand, P., Brook, B., Jenkins, S. and Simmonds, D. *Evaluation of the StepUp Pilot: Final Report*, Research report 337, Department for Work and Pensions, 2006.
- 23 *Working for Children*, Department for Work and Pensions, Cm 7067, 2007.
- 24 Freud, D., *Reducing dependency, increasing opportunity: options for the future of welfare to work*. An independent report to the Department for Work and Pensions, 2007.
- 25 Joyce, R., Thomas, A., Green, E. and Rajkumar, R. *Employer engagement in Jobcentre Plus: qualitative research of the employer engagement strategy*, Research report 347, Department for Work and Pensions, 2006.
- 26 *Ambition: stocktake report, an interim report in the development and progress of the Ambition initiatives*, National Employment Panel, 2004, and GHK Consulting, *Ambition: identifying best practice for demand-led approaches*, Research report 264, Department for Work and Pensions, 2005.
- 27 Dorsett, R., Campbell-Barr, V., Hamilton, G., Hoggart, L., Marsh, A., Miller, C., Phillips, J., Ray, K., Riccio, J., Rich, S. and Vegeris, S. *Implementation and first-year impacts of the UK employment retention and advancement demonstration*, Research report 412, Department for Work and Pensions, 2007.
- 28 Leitch review of skills: *Prosperity for all in the global economy – world class skills*, Final report, HM Treasury, 2006 and Beaven, R., Bosworth, D., Lewney, R., Wolson R., *Alternative Skills Scenarios to 2020 for the UK Economy*, Cambridge Econometrics, 2005.
- 29 Atkinson, J. and Williams, M. *Employer perspectives on the recruitment, retention and advancement of low-pay, low-status employees*, Institute for Employment Studies, Strategy Unit occasional paper series 2, 2003.
- 30 *DfES and DWP: A shared evidence base – the role of skills in the labour market*, Department for Education and Skills and Department for Work and Pension, 2007.
- 31 *National employers skills survey 2005*, Learning and Skills Council, 2006.
- 32 For example, Leitch review of skills: *Prosperity for all in the global economy – world class skills*, Final report, HM Treasury, 2006.
- 33 Hillage, J., Loukas, G., Newton, B. and Tamkin, P. *Employer training pilots: final evaluation report*, Research report 774, Department for Education and Skills, 2006.
- 34 *Skills for Life: Improving adult literacy and numeracy*, HC20, 2004-05, 15 December 2004; *Extending access to learning through technology: Ufi and the learndirect service*, HC460, 2005-06, 4 November 2005; *Employers' perspectives on improving skills for employment*, HC461, 2005-06, 14 December 2005.
- 35 See the National Audit Office report: *Individual Learner Accounts*, HC 1235 session 2001-02, 2002 and the Committee of Public Accounts Tenth report 2002-03, HC 544, 2003.
- 36 House of Commons Education and Skills Select Committee, *Further Education, Fourth report of session 2005-06*, HC 649, 2006.
- 37 *World class skills: implementing the Leitch review of skills in England*, Department for Education and Skills, Cm 7181, 2007.
- 38 For example, the National Audit Office report: *Helping people from workless households into work*, HC 609 session 2006-07, 2007.
- 39 National Audit Office report: *Helping people from workless households into work*, HC 609 Session 2006-07, 2007.

Design and Production by
NAO Marketing & Communications Team
DP Ref: 7580VF

This report has been printed on Consort Royal Silk and is produced from a combination of ECF (Elemental Chlorine Free) and TCF (Totally Chlorine Free) wood pulp that is fully recyclable and sourced from carefully managed and renewed commercial forests. The range is manufactured within a mill which is registered under the BS EN ISO 9001 accreditation, which provides the highest standard of quality assurance.



Published by TSO (The Stationery Office) and available from:

Online

www.tso.co.uk/bookshop

Mail, Telephone, Fax & E-mail

TSO

PO Box 29, Norwich, NR3 1GN

Telephone orders/General enquiries: 0870 600 5522

Order through the Parliamentary Hotline

Lo-call 0845 7 023474

Fax orders: 0870 600 5533

E-mail: customer.services@tso.co.uk

Textphone 0870 240 3701

TSO Shops

16 Arthur Street, Belfast BT1 4GD

028 9023 8451 Fax 028 9023 5401

71 Lothian Road, Edinburgh EH3 9AZ

0870 606 5566 Fax 0870 606 5588

The Parliamentary Bookshop

12 Bridge Street, Parliament Square,
London SW1A 2JX

Telephone orders/General enquiries 020 7219 3890

Fax Orders 020 7219 3866

Email bookshop@Parliament.uk

Internet bookshop.Parliament.uk

TSO@Blackwell and other Accredited Agents

£13.90

ISBN 978-0-10-295120-2



9 780102 951202