



National Audit Office

Sustainable employment: supporting people to stay in work and advance

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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.